BANCA UBAE

مصرف اليوباي

2007
Thirty-Fifth Financial Year

www.bancaubae.it

BANCA UBAE S.p.A.

2007
Thirty-Fifth Financial Year

CONTENTS

Paid-up Share Capital:	Euro 143,624,470.00
Reserves (at 28 April 2008):	Euro 33,646,826.90

SHAREHOLDERS

Libyan Foreign Bank, Tripoli	49.93%
National Société Générale Bank, Il Cairo	17.62%
UniCredit SpA, Rome	10.79%
ENI Group (by way of SOFID SpA), Rome	5.39%
Bank Al-Maghrib, Rabat	4.66%
Banque Marocaine du Commerce Extérieur, Casablanca	4.34%
Monte dei Paschi di Siena (by way of Sansedoni SpA), Siena	3.67%
Intesa Sanpaolo SpA, Turin	1.80%
Telecom Italia SpA, Milan	1.80%

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Reuters:	UBAE	

TRIPOLI (Libya)

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(As per resolutions passed by the Annual General Meetings of Shareholders on 28 April 2006, 27 April 2007, 28 April 2008 and by the Board of Directors on 28 May 2008)

Chairman, Abdullatif A. El Kib *
Vice Chairman, Alberto Rossetti (1)*

Directors
Ahmed S. Abusnina
Hadi N. Coobar (2)
Julie Coulon
Paolo Fagorzi
Selim K. Ihmouda (3)*
Abdellatif Jouahri
Saleh A. Keshlaf
Mohamed S.A. Madboly *
Vito Umberto Vavalli

Secretary to the Board of Directors and the Executive Committee, Priscilla Simonetta

* **Member of the Executive Committee**

(1) appointed by the Shareholders on 28.04.2008 to replace Mr. Antonio Ciocio, who had resigned on 27.09.2007
(2) appointed by the Shareholders on 28.04.2008
(3) appointed by the Shareholders on 28.04.2008

BOARD OF AUDITORS

Chairman
Marco Leotta

Statutory Auditors
Michele Bianco
Cosimo Vella

Alternate Auditors
Fabio Gallassi
Francesco Rocchi

MANAGEMENT

General Manager, Marco Ferrario (4)
Deputy General Manager, Jamal R. Elbenghazi
Assistant General Manager, Marcello Fontana

(4) took office on 01.06.2008 (succeeded Mr. Biagio Matranga, whose term of office had expired on 30.04.2008)

Manager of the Bank’s Representative Office in Tripoli, Mahmud Ali Elesawi

ANNUAL REPORT
FINANCIAL YEAR 2007

Dear Shareholders,

During the year just ended, economic authorities around the world had to contend with a series of awkward events which seriously undermined both their plans for growth and the health of corporate entities that had been assumed capable of withstanding even the harshest conditions financial markets could generate.

The seemingly unstoppable rise in the prices of oil and other commodities, combined with the steep depreciation of the US dollar relative to other currencies but particularly to the euro, represented an acutely negative mix which has affected the trade balances of all EU countries.

The bursting of the property bubble in the United States and the dramatic impact this had on the solvency of mortgage-bound debtors, signally those in the subprime category, further destabilized financial markets; indeed, several international credit institutions had to apply for legal protection from creditors to avoid bankruptcy.

Whereas the US economy was still growing strongly in the first part of 2007, the shock from these events proved too much. Beginning in the third quarter, the downturn at home forced the American authorities to revise their monetary policy. Their focus thus shifted from averting the threat of inflation, which implied an upward trend for interest rates, to a succession of sharp, unannounced rate cuts.

On this side of the Atlantic, the realities of globalization meant euro-area economies could not avoid confronting the problems that beset the Americans. For one thing, the euro's appreciation against the dollar - a staggering 80% over the past five years - makes and will continue to make it increasingly difficult for European firms to export their goods.

On the other hand, Fed-style interest rate cuts are not an option for the European Central Bank, which must deal with a tangible risk of rising inflation within the EU. To compound matters, the worldwide diffusion of structured products by US financial institutions spread credit risk associated with subprime mortgage-backed loans, seriously compromising the equilibrium of financial markets and forcing central banks everywhere to inject huge quantities of cash into the system.

In spite of the difficulties that emerged across financial markets, Banca UBAE posted yet another positive result for the year just ended, confirming its manifest profitability - a remarkable accomplishment in the light of its limited asset base and modest size from a structural standpoint. Our breakdown of the bottom line (cf. notes to individual items in the balance sheet and the profit-and-loss account) has highlighted once again the Bank's ability to diversify its sources of income and contain costs, in line with the objectives we, the Board of Directors, had laid down.

Financial results were sustained by the inflow of liquidity from oil-related transactions. This and sound management in the money-market sphere enabled us to achieve a good interest margin even as the volume of administered funds fell significantly in the first three quarters.

Growing revenues from commissions on contingent risks compensated for disappointing results for securities and derivatives which problems at the international level entailed in this department.

As far as costs are concerned, the Bank found ways to curb expenses whilst expanding its workforce to support a renewed drive for business and operational reach.

On the organizational plane, we have been engaged in a number of major projects, including a staff incentives plan, implementation of the business continuity plan, the creation of a Compliance function, alignment with the MiFID directive, and the now-completed transition to IAS accounting principles.

Activities geared to the adoption of Basel 2 criteria are in full swing and involve a wide range of aspects, from the business sphere to the Bank's internal organization, from IT to accounting, reporting and risk control.

We take this opportunity to underscore the constant and fundamental support Banca UBAE received from shareholder Libyan Foreign Bank in the pursuit of its institutional objectives during the year just ended as in the less recent past. At the same time, the profit result we are posting for 2007 would not have been attained without the dedication displayed by the Bank's governing bodies, management and personnel.

To conclude, we trust you will look upon Banca UBAE with confidence and will, as always, support this institution's growth so that it may continue to fulfil its mission efficiently, meaningfully and profitably.

BREAKDOWN OF ITALIAN IMPORTS/EXPORTS AND UBAE'S SHARE OF YEARLY TOTALS

EUR/mn

COUNTRIES	2005		2006		2007	
	IMPORT	EXPORT	IMPORT	EXPORT	IMPORT	EXPORT
1) TURKEY	4,366	6,167	5,433	6,780	5,344	7,207
2) TUNISIA	1,853	2,436	2,109	2,608	2,459	2,922
3) SAUDI ARABIA	4,187	1,796	4,236	2,429	3,628	3,039
4) UAE	264	2,573	268	3,315	324	4,443
5) IRAN	2,922	2,257	3,881	1,839	4,186	1,862
6) LIBYA	9,732	1,361	12,658	1,406	14,005	1,639
7) ALGERIA	6,179	1,341	8,025	1,562	6,338	1,853
8) EGYPT	1,266	1,385	2,187	1,551	1,825	2,146
9) MOROCCO	496	1,012	542	1,153	624	1,450
10) LEBANON	23	784	40	780	29	733
11) SYRIA	905	682	717	666	927	943
12) KUWAIT	121	417	99	549	121	824
13) IRAQ	1,644	291	2,225	130	2,929	96
14) PAKISTAN	409	457	429	544	457	518
15) QATAR	45	500	56	1,013	45	1,624
16) JORDAN	24	323	30	373	27	402
17) OMAN	18	139	31	196	22	298
18) BAHRAIN	53	140	39	196	77	184
19) YEMEN	31	104	14	95	14	160
TOTAL	**34,538**	**24,165**	**43,019**	**27,185**	**43,381**	**32,343**
UBAE'S SHARE		**1,210**		**1,176**		**1,654**
%		5.01		4.33		5.11

SUMMARY OF BUSINESS ACTIVITIES

FINANCIAL YEAR 2007

COMMERCIAL OPERATIONS

Loans to Customers

The focus of the Bank's activity is the provision of financial assistance to corporate clients engaged in import/export operations or contract works in target countries, while retail credit plays only a marginal role. 2007 was a good year overall, with turnover growing in line with Banca UBAE's business strategy.

Given their riskiness, their low yield, and above all their extraneousness to the Bank's core business, the extension of short-term loans to corporate clients for purposes other than trade finance is kept to a minimum and is restricted to parties who do business with the Bank on a regular basis.

Generally speaking, credit risk is on modest levels.

Commercial Operations on Foreign Markets

In 2007 as in previous years, the biggest proportion of the Bank's efforts was directed at developing trade-driven business on its core markets. In some of these, Banca UBAE managed to take back significant market share; in others, it held its ground in the face of severe competition from rival institutions.

The Bank tapped growth in bilateral trade with certain countries in its traditional region of interest. At the same time, the vigorous business-development campaigns it undertook in the course of 2006 on a number of emerging markets have been reaping significant economic returns.

Dealings with Libya - both direct and indirect - witnessed further growth after recording a substantial turnaround last year, which is all the more encouraging as revenue from the Agip Gas contract has been negligible since works in that domain were completed.

EUR/000

	2007		2006		2005	
	Value / no.	%	Value / no.	%	Value / no.	%
Letters of credit: Number	4,570	40.79	3,246	15.31	2,815	-1.92
Lettere of credit: Value	1,653,687	40.59	1,176,215	-2.81	1,210,210	-15.63
% of total commercial exchange		5.11		4.33		5.01
Commissions accrued	12,391	41.89	8,733	33.35	6,549	-17.06

The overall volume of guarantees issued stabilized but remained high in 2007. The increase in guarantees outstanding at year-end attests to growth in international trade which generally favoured Italian firms. The decline in commissions reflects demand for certain types of guarantee over others as well as a widespread contraction in market rates.

EUR/000

	2007		2006		2005	
	Value / no.	%	Value / no.	%	Value / no.	%
Guarantees: Turnover	268,330	1.09	265,427	112.06	125,164	-23.53
Guarantees: Outstanding at year-end	307,094	23.02	249,623	5.67	236,234	14.43
Commissions	1,998	-15.08	2,353	1.20	2,325	13.14

Financial Market Operations

Throughout 2007, we endeavoured to find the most profitable channels for employing funds raised from the Bank’s institutional counterparts as well as those representing oil-sales receipts.

The former declined in the course of the year but recovered brilliantly in the fourth quarter, thanks in part to a renewed ability to attract deposits from key credit institutions, which remained strong in terms of calibrating financial flows and attracting funds from oil-sector clients.

Total funding is represented in the table below, which shows the average for each quarter:

EUR/000

FUNDING 2007							
First quarter		Second quarter		Third quarter		Fourth quarter	
Value	%	Value	%	Value	%	Value	%
1,620,800	-11.13	1,720,314	6.14	1,554,813	-9.62	2,089,033	34.36

Financial Assets

Portfolio activity was fairly stable in 2007. Trading proper gave way to the renewal of issues that came to maturity, pending the emergence of yields in line with other types of earning assets. Trading picked up in the latter months of the year as the structure of the Bank's financial sector gained strength.

For the most part, the portfolio's year-end composition shows bonds with an average residual life of 4.4 years, though this was effectively reduced by the use of derivatives which shortened duration to an average of 3 months. It has been our policy to avoid equity markets other than where current and prospective risks could be watched closely, and to limit the purchase of variable-rate bond issues so as to contain the risk associated with interest-rate fluctuations.

Closing results are in line with the portfolio's low risk profile, as determined by the hedging of exchange-rate and interest-rate risk on the one hand and a basic freezing of turnover on the other.

Further software refinements enabled us to keep our securities position under more stringent control, in harmony with a broad emphasis on a close monitoring of all risks.

Turnover in certificates of deposit amounted to EUR 1,933 mn.

Guidelines for the purchase of securities led to choose:

➢ Investment portfolio (issues held to maturity/available for sale)

- variable-rate issues with a substantial spread, resulting in yields higher than the interbank rate

- fixed- or variable-rate issues from entities resident in the Bank's geographical areas of interest
- fixed-rate, short-term issues

➢ Trading portfolio

- fixed- or variable-rate issues chosen for their aptitude to yield short-term capital gains
- shares in top-tier domestic and international companies

Limited potential losses in the Bank's portfolio were generated by price movements and by the downturn that hit financial markets in general and bond markets in particular. We are looking at bond issues from reputable corporate and – chiefly - banking institutions, at any rate, so no losses are likely to be realized. In the wake of the recent turbulence, we decided to postpone the introduction of new formulas and novel instruments (eg, harmonized products, OICRs) for managing the Bank's own securities.

Having been authorized to deal in securities on customers' behalf as well, we reinforced the architecture of the Capital Markets Division and the IT resources underpinning business, operational, and risk-management activity in this area.

Interbank Operations

Performance swings in the US and European economies affected dollar and euro interest rates, which in turn hindered the implementation of a clear-cut strategy for managing our money market operations. That said, activity on the interbank market was sustained as customary and reflected an ongoing effort to shift funds towards higher-yielding forms of capital employment.

Short-term money market transactions as well as short- and medium-term loans to foreign banks remained quite substantial. Funds administered for money market purposes in the major currencies were again on the order of EUR 2 bn, with liabilities referring mostly to short-term funding from overseas correspondents and liquidity from oil-sector operators. Funds raised *and* employed grew steadily in the fourth quarter. By year-end, the mass of administered funds had topped EUR 3 bn.

To support current and prospective medium- and long-term investment levels, the Bank has been looking to bolster its medium-term funding, including by means of targeted loans taken out to that end.

Year-End Results

Banca UBAE's net result for 2007 (EUR 7,689,037) denotes a sharp drop from 2006 but bears out the institution's ability to stabilize its revenues by boosting commercial and lending operations and taking continued advantage of reduced provisioning requirements.

At EUR 17,593,625 (-35.6% from 2006), gross operating profit mirrored the fall in interest margins (-30.6%) as market opportunities shifted. Net non-interest income also declined, if more moderately (-2.9%), primarily as a consequence of the impact which turbulence in financial markets had on the negotiation of securities as mentioned. Earnings from commissions and fees improved, but not enough to redress performance in this department.

The contraction (-35.6%) in gross operating profit was actually mitigated by savings in personnel costs (-5.2%) and overall administration expenses (-2.3%) both of which were achieved in spite of manifold organizational and management problems.

Negative value adjustments and provisioning rose by 31.2% as the combined result of lower amortization charges on intangibles and greater loan write-downs as well as higher provisioning against contingent liabilities.

Income tax for the year amounted to EUR 6,710,553 - down 36.2% from 2006.

ORGANIZATION AND PERSONNEL

Personnel

Banca UBAE had a total of 147 staff on its payroll as of 31 December 2007, 13 more than a year earlier.

As part of a wider calibration of the workforce to market objectives for the coming years, 2 executive and 19 non-executive cadres were hired while 4 non-executive and 3 executive cadres left the Bank’s service.

Launched the year before, Banca UBAE’s “staff evaluation project” made further progress in 2007. Milestones attained by year-end include:

- a complete census of roles and tasks within the organization;
- implementation of a “performance management” system;
- a comprehensive definition of career advancement paths;
- a definition of guidelines for staff incentives.

The system for measuring staff members’ performance and behaviour was then tested. The first official evaluation applied to financial year 2006.

Internal Organization

The Internal Regulations were revised and brought into line with the series of organizational changes that had taken place.

Some of these were planned and implemented across multiple departments or units. Projects whose impact was significant include:

- the drafting of IAS-compliant financial statements, which was done for the first time in relation to the 2006 accounts, and preparations for the periodic submission of supporting documentation; under the new rules, the latter must allow for book entries to be reported to Banca d’Italia on an increasingly frequent, thorough and detailed scale;
- business continuity, which saw the Bank define procedures to deal with a partial or total breakdown of systems at its Rome and/or Milan offices; tests were then run to check operational and management requirements on the ground;
- alignment with Basel 2 risk management requirements, which mobilized a range of

units and departments to implement available information and later to verify the adequacy of the data to internal requirements and central bank reporting standards; resources deployed for this purpose included software, tools and methods developed in-house as well as the systems UBAE had designed jointly with outsourcer SEC;
- the institution of a dedicated Compliance function, whose features, tasks and workings are being fine-tuned in the light of existing legislation;
- alignment of the Bank's organizational model and its internal rules and procedures with the standards set out in Legislative Decree 231/2001;
- an assessment of the organizational and operational impact of MiFid rules (effective since November 2007);
- on the marketing front, the Bank's first-ever customer satisfaction survey, the redesign of its corporate website, a direct-marketing drive in the corporate sphere, and greater involvement in trade fairs, domestic and international workshops, not to mention articles and interviews with the Management in industry periodicals on topics of special interest.

❑ IT Systems

The Bank was actively engaged in refining the programs on which to run all newly-introduced activities. In particular:

- finding and setting up the software (and indeed the hardware) required to carry out business continuity trials and handle any related needs;
- keeping IT resources up-to-date and well aligned with ongoing changes in technology and procedures.

❑ Risk Management

Over the past few years, additional tools were acquired by which to detect, analyze and monitor the Bank's risks.

Principles of sound and prudent risk management underlie the extension of credit throughout its various phases, from loan granting to monitoring and revision. Each phase involves:

- the systematic assignment of "credit access scores" to bank and corporate borrowers;
- day-to-day monitoring of loan performance and attendant anomalies such as overruns, be these UBAE-specific or displayed in CRB data;
- the calculation of risk-adjusted pricing for all the main types of loan.

As to the capital framework applying for risk management purposes, we opted to stick with Basel 1 capital requirements for 2007. Starting in 2008, the capital requirement for credit risk will be calculated by the standardized method.

The consequences of applying Basel 2 rules were simulated and analyzed by the Risk Management Department, whose conclusions were presented to Senior Management and the Board of Directors.

In conformity with the provisions of Basel 2, Pillar II, UBAE is acquiring the means to define and implement its own capital adequacy controls – both actual and prospective – in what is known as the Internal Capital Adequacy Assessment Process or ICAAP.

❑ Market Risk

Operations conducted by the Capital Markets Division and compliance with the operational limits set out in the Internal Regulations are monitored constantly by those charged with first-, second- and third-order controls, which rely extensively on the Master Finance front-office platform.

Reports are produced daily, may be consulted on the corporate intranet and are traceable to the desks that generated them. They are concerned with portfolio composition, (daily, monthly and yearly) performance, movements in risk indicators (potential loss, BPV, duration, VaR, etc.), and the emergence of any overruns on operating limits. The Bank does not intend to apply for recognition of any internal models for calculating its capital requirement against market risks at present.

❑ Operational Risks

Though it chose the Basic Indicator Approach for determining its capital requirement against operational risk under the latest directive from the supervisory authorities, the Bank is implementing an operational risk management system with the ability to evaluate and monitor exposure to operational risks and the losses these might entail.
A preliminary mapping of the Bank's processes to identify the operational risks to which it is exposed (and which call for a qualitatively-focused self risk assessment) has been completed. Next to be implemented will be a loss data collection system to record risk events and operational losses if applicable. Exposure analysis will rely on dedicated reporting tools.

- Other Risks

Risk Management uses a Liquidity Cash Flow module which monitors the Bank’s liquidity position by arranging cash flows by maturity bands and determining the relevant temporal gaps, as required under Pillar II.

- Security Blueprint

Pursuant to art. 34 of Legislative Decree 196/2003, the Bank’s security blueprint for 2008 was revised as set out in section 19 of the Decree’s Technical Guidelines for Minimum Security Standards.

- Logistics

A number of improvements at the Bank’s offices in Rome and Milan were undertaken and completed to ensure space was optimally exploited, notably in light of the staff additions that took place during the period.

RECLASSIFIED BALANCE SHEET

EUR/000

	Amount at		Variations	
	2007	2006	Amount	%
ASSETS				
Cash and cash equivalent	222	207	15	7.34
Loans and advances				
- to customers	139,212	91,653	47,559	51.89
- to banks	2,393,718	1,702,187	691,531	40.63
Trading assets	127,705	116,081	11,624	10.01
Investments				
- financial assets	5,094	4,697	397	8.46
- tangibile assets	27,451	28,583	-1,132	-3.96
- intangibile assets	664	706	-42	-5.88
Other assets	20,993	15,589	5,404	34.66
Total assets	**2,715,059**	**1,959,703**	**755,356**	**38.54**
LIABILITIES				
Account payable				
- to customers	124,578	72,264	52,314	72.39
- to banks	2,318,054	1,381,880	936,174	67.75
Trading liabilities	2,708	7,861	-5,153	-65.55
Provisions for risks and charges	2,892	3,533	-641	-18.14
Other liabilities	89,556	324,583	-235,207	-72.41
Shareholder’s equity				
- Capital, reserves and retained profit	169,582	155,230	14,352	9.25
- Net profit	7,689	14,352	-6,663	-46.43
Total liabilities	**2,715,059**	**1,959,703**	**755,356**	**38.54**

RECLASSIFIED PROFIT AND LOSS ACCOUNT

EUR/000

	Amount at		Variations	
	2007	**2006**	**Amount**	**%**
Net interest income	23,058	33,222	-10,164	-30.59
Net non-interest income	12,926	13,317	-391	-2.94
Trading profit	**35,984**	**46,539**	**-10,555**	**-22.68**
Personnel expenses	-13,367	-14,096	729	-5.18
Other administration expenses and operating charges	-5,024	-5,144	120	-2.32
Gross operating result	**17,593**	**27,299**	**-9,706**	**-35.55**
Write-downs of tangible and intangible fixed assets	-1,250	-1,347	97	-7.23
Provisioning, write-downs and write-ups	-1,944	-1,087	-857	78.85
Profit from current assets	**14,399**	**24,865**	**-10,466**	**-42.09**
Income tax for the year	-6,710	-10,513	3,803	-36.17
Net profit from current assets	**7,689**	**14,352**	**-6,663**	**-46.43**
Net result of non-current assets	0	0	0	
Net profit for the year	**7,689**	**14,352**	**-6,663**	**-46.43**

COMMENTS ON BALANCE-SHEET ITEMS

Loans

EUR/000

	Amount at		Variation	
	31.12.2007	31.12.2006	Amount	%
Loans to customers:				
▪ In euros	53,610	49,294	4,316	8.76
▪ In other currencies	85,602	42,359	43,243	102.09
Loans to banks:				
▪ In euros	1,360,280	338,315	1,021,965	302.07
▪ In other currencies	1,033,438	1,363,872	-330,434	-24.23
Total	**2,532,930**	**1,793,840**	**739,090**	**41.20**

Loans to Customers

Loans to customers grew by 51.9% in 2007, reflecting a rebound in corporate lending even as the Bank kept up efforts to spread risk in the light, *inter alia*, of more stringent limits for individual borrowers. The credit lines' main purpose, regardless of whether they were granted directly or through syndicated facilities arranged by major lending institutions, is to support domestic clients engaged in trade with countries in the Bank's region of interest.

Loans are shown at their estimated collection value. Valuation criteria are reviewed in the Supplementary Note.

Non-performing items accounted for 0.09% of total loans to customers. The value of outstanding loans was adjusted down by EUR 2,404,298 in the course of the year. The sum written off represents the portion of non-performing debt that was deemed recoverable to no more than a marginal extent, if at all.

Loans to Banks

Loans to banks rose by EUR 691,531,146 (+40%). Such a significant increase is linked primarily to growth in the volume of funds raised in the latter part of the year, which enabled the Bank to expand the amount of capital employed with financial institutions in

Europe and elsewhere.

The item is also contingent on movements in “oil funds” and on UBAE’s investment policy in relation thereto (which involved substantial amounts in 2007).

Financial Assets

Financial assets, comprising securities, derivatives and minority equity stakes, amounted to EUR 130,090,526 - up by EUR 17,174,554 on the previous year. The increase was generated by the renewal of issues that had reached maturity and by the purchase of other top-rated bonds as well as – if to a more limited degree – equities. Turnover in this department was in excess of EUR 28 mn but refers almost entirely to activity in the fourth quarter, ie, after structural reinforcements at the Capital Markets Division.

EUR/000

	Amount at		Variations	
	31.12.2007	31.12.2006	Amount	%
Financial assets				
▪ Assets held for trading	127,705	116,081	11,624	10.01
▪ Liabilities held for trading	-2,708	-7,861	5,153	-65.55
▪ Assets available for sale	3,777	3,311	466	14.07
▪ Assets held to maturity	1,317	1,385	-68	-4.91
Total	**130,091**	**112,916**	**17,175**	**-15.21**

The criteria followed for valuing securities and for assigning issues to the investment or the trading portfolio are discussed in the Supplementary Note (see pages 52-56).

The value of assets held for trading and that of derivatives is aligned with market prices; other securities and shareholdings were valued at cost.

Accounts Due

Accounts due to banks and customers are shown at face value. As indicated earlier, funding from institutional parties grew strongly in the fourth quarter and continued to grow in 2008, particularly in the European currency as investors sought to avoid losses from a depreciating dollar.

The next table presents a breakdown of accounts due by year, currency and creditor category.

EUR/000

	Amount at		Variazioni	
	31.12.2007	31.12.2006	Amount	%
Due to customers				
• In euros	109,432	61,482	47,950	77.99
• In other currencies	15,146	10,781	4,365	40.49
Due to banks				
• In euros	948,344	347,707	600,637	172.74
• In other currencies	1,369,711	1,034,173	335,538	32.45
Total	**2,442,632**	**1,454,143**	**988,489**	**67.98**

Shareholders' Equity

Movements in shareholders' equity are illustrated in the table below.

EUR/000

	Capital	Share premium	Reserves	Retained profit	Profit fot the year	Total
31.12.2006	**122,320**	**16,702**	**16,205**	**3**	**14,352**	**169,582**
Movements 2006:						
• Appropriation of 2006 profit			14,351	1	-14,352	0
• Bonus capital increase	14,000		-14,000			0
• Net profit					7,689	7,689
31.12.2007	**136,320**	**16,702**	**16,556**	**4**	**7,689**	**177,271**

The bonus capital increase was approved jointly with the 2006 accounts.

Shares

As of 31 December 2007, share capital amounted to EUR 136,319,590 and consisted of 1,239,269 common shares of EUR 110 each. After some rights were exercised in the course of 2005, warrants (2001-2011) still in circulation amount to EUR 97,680,440.

Subordinated Loan

The period for augmenting the subordinated loan lapsed in 2007. During that time, the Bank reimbursed EUR 20,800,000 representing instalments due on the existing tranches, with a residual EUR 39,200,000 left outstanding at year-end. (The loan is to be paid back in equal annual instalments over five years, ending in 2011.)

COMMENTS ON THE ITEMS IN THE PROFIT AND LOSS ACCOUNT

Net Interest Income

EUR/000

	Amount at		Variation	
	2007	**2006**	**Amount**	**%**
10. Interest income and related revenue	100,201	98,776	1,425	1.44
20. Interest charges	-77,143	-65,555	-11,588	17.68
Net interest income	**23,058**	**33,222**	**-10,164**	**-30.59**
30. Dividends and other proceeds	8	0	8	0

The drop in net interest income (-30.6% from 2006) must be put down to changed market conditions which made it impossible to replicate the very flattering results attained the previous year. Efforts to diversify the employment of disposable assets so as to secure the highest possible returns, on the one hand, and the preservation of a good spread between assets and liabilities (not least by working the interbank market) on the other made for an altogether satisfactory performance. High market rates in general and euro and US dollar rates in particular account for the fact that both total interest income and total interest charges grew in 2007.

Net Non-Interest Income

EUR/000

	Amount at		Variation	
	2007	**2006**	**Amount**	**%**
40. Commissions received	16.961	14.522	2.439	16,80
50. Commissioni paid	-2.007	-2.433	426	-17,51
Net commissions	14.954	12.089	2.865	23,70
80. Trading assets	-2.036	1.228	-3.264	-265,80
190. Other operating proceeds	1.961	1.757	204	11,61
Net non-interest income	**14.879**	**15.074**	**-195**	**-1,29**

Net income from commissions rebounded significantly (+23.7%) despite the winding-down of the Agip Gas contract. In particular, letters of credit registered growth in both net commissions and total volume – a sign of the Bank's ability to tap into the general increase in commerce between the countries it has traditionally focused on.

Currency negotiation fell sharply, chiefly as a result of the sub-prime loan crisis in America which went on to affect financial markets elsewhere. As happened in 2006, customers' strategic preference for limited forex activity put a brake on turnover and consequently margins.

Other net operating income includes amounts recouped on costs sustained for commercial transactions (which were characterized by falling revenue from commissions) and the balance of extraordinary items. In particular, the 2007 accounts benefited from several one-off cost offsets.

Administration Expenses

EUR/000

	Amount at		Variations	
	2007	**2006**	**Amount**	**%**
a) Personnel expenses:				
• wages and salaries	7,750	7,882	-132	-1.67
• social security contributions	2,331	2,230	101	4.53
• staff severance payments	598	555	43	7.75
• other expenses	1,556	2,242	-686	-30.60
Total employee expenses	**12,235**	**12,909**	**-674**	**-5.22**
• Administrators	927	841	86	10.23
• Non-staff associates	205	346	-141	-40.75
Total personnel expenses	**13,367**	**14,096**	**-729**	**-5.17**
b) other administration expenses	6,985	6,901	84	1.22
Total	**20,352**	**20,997**	**-645**	**-3.07**

Total personnel expenses diminished by 5.2% in 2007, partly on account of the lesser outlay for annual staff performance bonuses, partly because retirement incentives paid out during the year were not on the same level as in 2006. Amounts paid to Directors and associates not on the Bank’s payroll are entered under personnel costs as required by IAS/IFRS rules.

Other administration expenses were up 1.2%. Considering the sums incurred for certain projects and the rise in some service-related costs, it is a modest increase which reflects vigilant cost containment across different areas of expenditure.

Composition of the Year-End Net Result

After variations in net interest income (-30.6%), net non-interest income (-1.2%) and administration expenses (-3.1%), gross operating profit fell from EUR 27,299,279 to EUR 17,593,625.
As for net profit:

RESULTS		2007		2006
- Gross operating profit		17,593		27,299
- Value adjustments to tangible and intang-ible fixed assets		-1,250		-1,347
- Value adjustments due to deterioration in:				
• receivables	-2,404		664	
• financial assets held to maturity	-800		0	
• other financial operations	1,362		-1,705	
• net allocations to provisions for risks and charges	-102		-46	
		-1,944		-1,087
- Profit before tax		14,399		24,865
- Income tax for the year		-6,710		-10,513
Net profit		**7,689**		**14,352**

More information on these figures is provided in the Supplementary Note (Part C: Additional Profit and Loss Account Data), whereas our proposals for allocating net profit are submitted in the next section ("Proposals to Shareholders").

SIGNIFICANT POST-YEAR-END EVENTS

Dealings in securities on behalf of UBAE customers were stepped up in the early months of 2008 after getting formally under way at the end of 2007 following Banca d'Italia's authorization to that effect.

ADDITIONAL INFORMATION

The Bank has no research and development activity.

The Bank does not hold any of its own shares.

Information regarding the Bank's dealings with related parties may be found in the relevant section of the Supplementary Note.

1. Approval of the Accounts for the Financial Year Ended 31 December 2007

Gentlemen:

We hereby ask that you formally approve, on the basis of this Report, the Bank's Accounts at 31 December 2007, including the Balance Sheet, Profit and Loss Account and Supplementary Note, considered both jointly and in their several postings, as proposed by this Board of Directors.

2. Appropriation of Net Profit

We propose, furthermore, that profit be allocated as follows:

- Net profit	Euro	7,689,037.00
- 5% to Legal Reserve (art. 30.a) of the Articles of Association)	Euro	384,800.00
	Euro	7,304,237.00
- Retained profit	Euro	4,044.23
	Euro	7,308,281.23
- Allocation to Extraordinary Reserve (art. 30.b) of the Articles of Association)	Euro	7,305,030.00
- Carry-forward	Euro	3,251.23

If the scheme is approved Shareholders' Equity will amount to EUR 177,271,296.90 and will be composed as follows:

- Share capital	Euro	136,319,590.00
- Share premium	Euro	16,702,216.29
- Reserves and profit carried forward	Euro	23,944,251.23
- IAS FTA reserve and carry-forward from 2005 IAS profit	Euro	305,239.38
	Euro	177,271,296.90

Rome, 28 April 2008

THE BOARD OF DIRECTORS

AUDITORS' REPORT ON THE ACCOUNTS FOR THE FINANCIAL YEAR 2007

Gentlemen:

Throughout the year to 31 December 2007, we monitored the Bank's compliance with the law and the Articles of Association as well as its adherence to sound and prudent management principles. In doing so we referred, inter alia, to the recommendations set out in the "Practical Guidelines for Statutory Auditors" as issued by the National Boards of Professional Accountants.

We attended all six meetings of the Board of Directors, whose proceedings conformed to the law and the Bank's own regulatory provisions and whose resolutions were similarly valid and legitimate. In particular, none of the resolutions passed by the Board generated a conflict of interest or put shareholders' funds at risk.

We monitored the adequacy of the Bank's administrative, organizational and book-keeping arrangements and assessed whether its accounting system could be relied upon to provide a fair and accurate representation of all relevant business events. To that end, we interviewed those responsible for the various functions and compared the information thus obtained with that recorded in the Bank's official documents. No complaints under art. 2408 of the Civil Code were received.

As far as our statutory duties are concerned, you will recall that Banca UBAE's AGM resolved on 28 April 2006 to entrust official auditing responsibilities for financial years 2006, 2007 and 2008 to KPMG SpA; with reference to the financial statements being submitted to your approval on this occasion, accordingly, this report is delivered pursuant to and for the purposes of art. 2403 of the Civil Code (which regulates oversight activities).

Periodically over the course of the year and in conformity with the legal provisions in force, we were updated by the Board of Directors on the Bank's overall performance and foreseeable direction, as well as on those transactions deemed worthy of note on account of their calibre or characteristics. We may reasonably reassure you, in this light, that none of the actions taken by the Bank was at odds with either the law or the Articles of Association; nor did our oversight activities reveal any facts or events whose significance might warrant their mention in this report.

As to the accounts for the year ended 31 December 2007, and regarding aspects other than the figures themselves, we monitored the way the financial statements took shape and verified the general adherence of their structure and manner of preparation to the relevant stipulations of the law. In particular, we ascertained that they had been compiled in accordance with the instructions laid down by Banca d'Italia and incorporated international accounting standards.

We likewise ascertained that the Directors' annual report on operations had been drafted as legally mandated, and have no specific remarks to submit on that count. So far as we are aware, the Board of Directors did not invoke any exceptions under art. 2423, para. 4, of the Civil Code. The Supplementary Note, for its part, contains the information called for in Legislative Decree 87/1992.

We checked the financial statements against the facts and other information we had gleaned while carrying out our statutory activities; here again, no comments are in order.

In conclusion, and in the light inter alia of the review performed by the body charged with auditing the Bank's books (the outcome of which is detailed in the Independent Auditors' Report accompanying the financial statements), we encourage you to approve the accounts for the year to 31 December 2007 and the report on operations as submitted by the Board of Directors, and endorse the latter's proposals for the allocation of net profit.

Rome, 7 April 2008

THE BOARD OF AUDITORS

Marco Leotta
Michele Bianco
Cosimo Vella

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 2409-ter of the Italian Civil Code

To the shareholders of
Banca UBAE S.p.A.

1 We have audited the financial statements of Banca UBAE S.p.A. as at and for the year ended 31 December 2007, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Reference should be made to the report dated 10 April 2007 for our opinion on the prior year financial statements, which included the prior year figures presented for comparative purposes.

KPMG

3 In our opinion, the financial statements of Banca UBAE S.p.A. as at and for the year ended 31 December 2007 comply with the International Financial Reporting Standards endorsed by the European Union and with Italian regulations implementing article 9 of Legislative decree n.38 of 28 February 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of Banca UBAE S.p.A. as at 31 December 2007, the results of its operations, changes in its equity and its cash flows for the year then ended.

Rome, 14 April 2008

KPMG S.p.A.

(Signed on the original)

Giuseppe Scimone
Director of Audit

CORPORATE ACCOUNTS

(amounts in euros)

Assets		2007	2006
10	Cash and cash equivalent	221,752	206,594
20	Financial assets held for trading	127,704,960	116,080,571
40	Available-for-sale financial assets	3,777,133	3,311,345
50	Financial assets held to maturity	1,316,814	1,385,439
60	Loans to banks	2,393,718,082	1,702,186,936
70	Loans to customers	139,212,023	91,652,990
110	Tangible assets	27,450,892	28,583,146
120	Intangible assets	664,319	705,854
	of which:		
	- Goodwill	0	0
	- Other	644,319	705,854
130	Tax assets	17,882,203	14,629,416
	a) current	16,948,250	13,335,066
	b) deferred	933,953	1,294,350
150	Other assets	3,111,456	961,022
Total assets		**2,715,059,634**	**1,959,703,313**

Liabilities		2007	2006
10	Due to banks	2,318,054,481	1,381,879,788
20	Due to customers	124,577,818	72,263,620
40	liabilities held for trading	2,708,381	7,861,383
80	Tax liabilities	6,885,203	12,223,989
	a) current	6,696,632	11,888,342
	b) deferred	188,571	335,647
100	Other liabilities	82,670,052	312,359,022
110	Staff severance pay	2,661,806	3,333,642
120	Provisions for risk and charges	230,596	199,609
	a) retirement and similar liabilities	0	0
	b) other provisions	230,596	199,609
160	Reserves	16,560,454	16,208,070
170	Share premium	16,702,216	16,702,216
180	Share capital	136,319,590	122,319,560
190	Treasury stock (-)	0	0
200	Profit (loss) for the year (+/-)	7,689,037	14,352,414
Total liabilities and shareholders' equity		**2,715,059,634**	**1,959,703,313**

Items		2007	2006
10	Interest income and related revenue	100,201,349	98,776,335
20	Interest charges and related expenses	(77,143,123)	(65,554,693)
30	**Net interest income**	**23,058,226**	**33,221,642**
40	Commission income	16,960,778	14,521,873
50	Commission expense	(2,006,542)	(2,432,964)
60	**Net commissions**	**14,954,236**	**12,088,909**
70	Dividends and other proceeds	7,799	339
80	Net profit on trading activities	(2,035,969)	1,227,806
120	**Trading profit**	**35,984,292**	**46,538,696**
130	Net impairment adjustments of:	(1,842,118)	(1,040,724)
	a) loans	(2,404,298)	663,969
	b) available-for-sale financial assets	(800,000)	0
	c) held-to-maturity financial assets	0	0
	d) other financial assets	1,362,180	(1,704,693)
140	**Profit from financial operations**	**34,142,174**	**45,497,972**
150	Administration expenses:	(20,351,730)	(20,997,067)
	a) personnel expenses	(13,366,781)	(14,096,278)
	b) other administration expenses	(6,984,949)	(6,900,789)
160	Provisioning for risks and charges (net)	(102,281)	(46,446)

170	Net value adjustments of tangible assets	(989,906)	(1,043,449)
180	Net value adjustments of intangible assets	(259,730)	(303,554)
190	Other operating income / charges	1,961,063	1,757,650
200	**Operating charges**	**(19,742,584)**	**(20,632,866)**
250	Profit (loss) before tax on continuing operations	**14,399,590**	**24,865,106**
260	Income tax for the year on continuing operations	(6,710,553)	(10,512,692)
270	**Profit (loss) after tax on continuing operations**	**7,689,037**	**14,352,414**
290	**Net profit**	**7,689,037**	**14,352,414**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Causal/ Categories	Overdue bills	Substandard loans	Restructuring loans		
	Balance at 31.12.2006	Change in opening balance	Balance at 1.1.2007	Allocation of profit from previous year		Changes in reserves
				Reserves	Dividends and other destinations	
Share capital						
a) ordinary shares	122,319,560		122,319,560			
b) other shares						
Share premium account	16,702,216		16,702,216			
Reserves						
a) from profits	16,208,070		16,208,070	14,352,414		
b) other						
c) FTA						
Revaluation reserves:						
a) available for sale						
b) cash flow hedging						
c) other (to detail)						
Capital instruments						
Own shares						
Operating profit (loss)	14,352,414		14,352,414	(14,352,414)		
Net equity	169,582,260		169,582,260			

Restructured loans							Not guaranteed loans towards risky country
Changes during the year							Shareholders' equity at 31.12.2007
Equity operatios						Net profit or loss 31.12.2007	
Issue of new shares	Purchase of own shares	Distribution of extra. dividends	Change in capital instruments	Derivatives on own shares	Stock options		
14,000,030							136,319,590
							16,702,216
(14,000,030)							16,560,454
						7,689,037	7,689,037
							177,271,297

Indirect method	Amount 2007	Amount 2006
A OPERATING ACTIVITY		
1. Operations	**74,564**	**14,232,508**
- Result for the year (+/-)	7,689,037	14,352,414
- Capital gains/losses on financial assets held for trading and financial assets/liabilities carried at fair value (-/+)	(2,145,641)	1,911,295
- Capital gains/losses on hedging assets		
- Net impairment adjustments (+/-)	1,842,118	1,040,724
- Net value adjustments to property, plant and equipment and intangible assets (+/-)	1,249,636	1,347,003
- Net provisions for liabilities and contingencies and other costs/revenues (+/-)	30,987	(32,764)
- Unsettled taxes and duties (+)	(8,591,573)	(4,386,164)
- Net value adjustments of groups of assets being divested net of tax effects (+/-)		
- Other adjustments (+/-)		
2. Liquidity generated / absorbed by financial assets	**753,027,267**	**385,492,408**
- Financial assets held for trading	9,478,748	(35,155,692)
- Financial assets designated at fair value		
- Available-for-sale financial assets	465,788	(477,496)
- Loans to banks: demand	691,531,146	450,961,857
- Loans to banks: other receivables		
- Loans to customers	49,401,151	(28,925,075)
- Other liabilities	2,150,434	(911,186)
3. Liquidity generated/absorbed by financial liabilities	**752,975,083**	**376,534,765**
- Due to banks: demand	936,174,693	309,838,729
- Due to banks: other payables		
- Due to customers	52,314,198	(39,129,309)
- Outstanding securities		
- Financial liabilities held for trading	(5,153,002)	5,667,583
- Financial liabilities carried at fair value		
- Other liabilities	(230,360,806)	100,157,762
Net liquidity generated/absorbed by operating activity	**22,380**	**5,274,865**

B INVESTING ACTIVITY		
1 Liquidity generated by:	**142,348**	**751,857**
- Sales of equity investments		
- Dividends received on equity investments		
- Sales of financial assets held to maturity		
- Sales of property, plant and equipment	142,348	751,857
- Sales of intangible assets		
- Sales of business units		
2 Liquidity absorbed by:	**149,570**	**1,632,917**
- Purchases of equity investments		
- Purchases of financial assets held to maturity	(68,625)	1,178,874
- Purchases of property, plant and equpment		
- Purchases of intangible assets	218,195	454,043
- Purchases of business units		
Net liquidity generated/absorbed by investing activity	**(7,222)**	**(881,060)**
C FUNDING		
- Issue/purchases of own shares	14,000,030	
- Issue/purchases of capital instruments		
- distribution dividends and other	(14,000,030)	(4,400,000)
Net liquidity generated/absorbed by funding	**0**	**(4,400,000)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**15,158**	**(6,195)**

Reconciliation

Balance item	Amount 2007	Amount 2006
Cash and cash equivalents at start of year	**206,594**	**212,789**
Total net liquidity generated/absorbed during the year	**15,158**	**(6,195)**
Cash and cash equivalents: effect of exchange rate variations		
Cash and cash equivalents at the end of the year	**221,752**	**206,594**

SUPPLEMENTARY NOTE

A.1 – GENERAL PART

Section 1 – Declaration of compliance with international accounting standards

The financial statements for 2007 have been prepared in conformity with accounting principles issued by the IASB and endorsed by the European Commission in accordance with EC Regulation no. 1606 of 19 July 2002. IFRS have been applied also referring to Framework for the preparation and presentation of financial statements.

Section 2 – General principles for preparation

When preparing the financial statements, particularly as regards the format for the Balance Sheet, Profit and Loss Account and Supplementary Note, the Bank has applied instructions given in Banca d'Italia circular no. 262 of 22 December 2005, supplementing the information either as prescribed by the International Accounting Standards or in such cases as was deemed opportune from a standpoint of importance or significance.
The Balance Sheet and Profit and Loss Account are reported in whole euros, whereas figures given in the Supplementary Note are expressed in thousands of euros.

The Financial Statements were drafted to reflect:

- the Bank's continuity over time;
- accrual-basis accounting;
- on the basis of the relevance and meaningfulness of the information concerned;
- with economic substance taking precedence over legal form;
- classification and presentation criteria which remain constant from one year to the next;
- no offsetting of any assets, liabilities, revenues or costs unless required or allowed by the Principles, the Interpretations or Banca d'Italia's circular directive;
- comparisons with the previous year's results.

The Financial Statements comprise items and classes of items, each of which is significant and homogeneous by nature and/or destination.

Section 3 – Events occurring after the end of the financial year

As highlighted in the Report on Operations, no particularly significant events occurred after the end of the financial year requiring adjustments to be made to the financial statements.

A.2 – PART CONCERNING PRINCIPLES

1 – FINANCIAL ASSETS HELD FOR TRADING

Recognition

Financial assets held for trading are recorded on their settlement date while derivatives are recorded on trade date.
These financial assets are initially recognized at fair value, which normally corresponds to the amount paid or received for them. In cases where the fair value differs from the amount paid or received, the financial asset is recognized at fair value and the difference between the payment and fair value is recorded in the Profit and Loss Account.
Derivatives embedded in financial instruments or in other contractual forms, which have financial characteristics and risks that are not correlated with the host instrument or that have features qualifying them as derivatives, are accounted for separately in the category Financial assets held for trading, except in cases where the host instrument in which they are embedded is assessed at fair value with effects on the Profit and Loss Account. When the implied derivative is separated from its host contract then the latter contract follows the accounting rules applying to its own particular category.

Classification

This category includes financial assets held for short-term trading purposes, independent of their technical form. Derivatives with a positive value are included, which are not part of effective hedging transactions, including implied derivatives that have been separated from host contracts.

Valuation

After initial recording financial assets held for trading are assessed at fair value. The fair value of financial assets or liabilities is established based on official prices at the date of the financial statements in cases where the financial instruments are listed on active markets. In the case of financial instruments, including equity securities, not listed on active markets, the fair value is established by recourse to assessment techniques and data available in the market, such as active market listing for similar instruments, discounted cash flow calculations, option pricing models, effective values in recent comparable transactions.

Derecognition

Financial assets held for trading are removed from the Balance Sheet if the contractual rights concerning financial flows have expired or in the event of a sale transferring all risks and benefits pertaining to the asset to a third party.

Recognition of gains and losses

Gains or losses resulting from the assessment of financial assets held for trading and the interests are recorded in the Profit and Loss Account.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Recognition

Financial assets available for sale are recognized on their settlement date. These financial assets are recorded initially at fair value, which normally corresponds to the amount paid or received for them. In cases where the fair value differs from the amount paid or received, the financial asset is recognized at fair value and the difference between the payment and fair value is recorded in the Profit and Loss Account.
The amount recorded initially includes any accessory charges or income relating to the transaction.

Classification

This category includes financial assets, other than derivatives, which have not been classified in the Balance Sheet among Financial assets held for trading, Financial assets at fair value through Profit and Loss, Financial assets held to maturity, Loans to banks, Loans to customers.
This line item includes equity securities not held for trading purposes, other than those representing interests in subsidiary, joint venture or associated companies.

Valuation

After initial recording financial assets available for sale are assessed at fair value.
The fair value is established using the same criteria described in the section referring to

Financial assets held for trading. If a reliable fair value for equity securities cannot be obtained by means of technical assessments then the financial instruments are recorded at cost and adjusted for impairment losses.

Derecognition

Financial assets available for sale are removed from the Balance Sheet if the contractual rights concerning financial flows have expired or in the event of a sale transferring all risks and benefits pertaining to the asset to a third party.

Recognition of gains and losses

Gains and losses arising from changes in fair value are recorded in a specific reserve for this purpose in shareholders' equity until such time as the asset is reversed out.
At the end of the financial year, if there is objective evidence of an impairment loss then this is reversed out of shareholders' equity and recorded in the Profit and Loss Account for an amount equal to the difference between acquisition cost and current fair value, after deducting any impairment losses previously recorded in the Profit and Loss Account.
As regards debt instruments, if after recording an impairment loss the fair value should then increase, the relevant gain in value is recorded in the Profit and Loss Account. Gains in value for equity securities are not recorded in the Profit and Loss Account.
In addition to recording impairment losses, as indicated above cumulative gains or losses in the shareholders' equity reserve are recorded in the Profit and Loss Account at the time of disposal of the asset concerned. Interest calculated using the effective interest rate method is recorded in the Profit and Loss Account. Dividends pertaining to an instrument included in financial assets available for sale are recorded in the Profit and Loss Account when the right to receive payment is acquired.

3 – FINANCIAL ASSETS HELD TO MATURITY

Recognition

Financial assets held to maturity are recognized on their settlement date. They are initially recorded at fair value, which normally corresponds to the amount paid or received for them. In cases where the fair value differs from the amount paid or received, the financial asset is recognized at fair value and the difference between the payment and fair value is recorded in the Profit and Loss Account.

The amount recorded initially includes any accessory charges or income relating to the transaction.

Classification

This category includes financial assets, other than derivatives, that have pre-established or determinable contractual payments and a fixed maturity, and for which there is the effective intention and ability to hold them to maturity. This category includes listed bonds, excluding complex structured bonds with embedded derivatives that cannot be separated.

Valuation

After initial recording financial assets held to maturity are assessed at their amortized cost and are checked for possible losses as a result of reduction in value.
The amortized cost of a financial asset is the initial value recorded net of capital reimbursements, plus or minus cumulative amortization calculated using the effective interest rate method on any difference between the initial value and maturity value and less any deduction (either a direct deduction or by recourse to amortization) as a result of impairment loss or uncollectibility.
The amortized cost method is not used for short-term financial assets as applying it would not be significant; such assets are recorded at cost.

Derecognition

Financial assets are removed if the contractual rights concerning financial flows have expired or in the event of a sale transferring all risks and benefits pertaining to the asset to a third party.

Recognition of gains and losses

Gains and losses are recorded in the Profit and Loss Account at the time the assets concerned are removed. Interest is recorded in accordance with the amortized cost method based on a calculation using the effective interest rate.
At the end of the financial year, if there is objective evidence of an impairment loss then this is recorded in the Profit and Loss Account as the difference between the asset’s book value and the present value of forecast cash flows, discounted using the original effective interest rate.

If following recognition of an impairment loss the reasons that gave rise to the loss should no longer subsist, then the gain in value is recorded in the Profit and Loss Account. The gain in value cannot lead to a higher book value than the amortized cost would have had if the impairment loss had never been recorded.

4 – LOANS, RECEIVABLES AND GUARANTEES ISSUED

Recognition

Loans are recorded in the Balance sheet on the date they are disbursed and, in the case of debt securities, on their settlement date. The value recorded initially is the amount disbursed or subscription price, including marginal costs and income directly attributable to the transaction and quantifiable at the date of recording, even if paid later.
The initial value cannot include costs that will be reimbursed by the borrower or any imputed internal administrative costs.
The initial value of any loans disbursed at other than market conditions should equal the fair value of such loans established using assessment techniques; the difference between the fair value and the amount disbursed or subscription price is recorded in the Profit and Loss Account.
Carryover contracts and agreements with a future repurchase or resale obligation are recorded in the Balance Sheet as funding or lending transactions; spot sales and forward repurchases are recorded as loans for the spot amount received, whereas spot purchase and forward resale transactions are recorded as receivables for the spot amount received.
Contingent liabilities, which include the issue of guarantees and undertakings for credit risks, are recorded at the fair value of the commitment made.
Financial guarantees are initially recognised at their fair value, that is represented by the fee initially received and subsequently at the higher of the amount determined in accordance with IAS 37 and the amount initially recognized less, when appropriate, cumulative amortisation calculated on a linear base.

Classification

Loans disbursed directly or acquired from third parties that are not listed on active markets and have fixed, determinable payments are classified among Loans to banks and Loans to customers, with the exception of those classified in the following categories: Financial assets held for trading, Financial assets at fair value through Profit and Loss, Financial assets available for sale. This category also includes any securities with similar characteristics to loans.

It includes operating loans and repurchase agreements.

Valuation

After initial recognition loans are assessed at amortized cost as described above in the section Financial assets held to maturity.
The amortized cost method is not applied to short-term loans, to technical forms with an undefined maturity and lending agreements valid until revoked, given that application of the amortized cost method is deemed insignificant. Such loans are assessed at cost.
The loan portfolio is reviewed at the end of each financial year to establish if there are instances of impairment that will lead to losses.
Bad debts, standstill positions, restructured debt and expired positions or those overdue by more than 180 days are considered impaired.
Impairment losses are only recorded in the accounts when, after initial recognition of the loan, there is objective evidence of events leading to a reduction in the loan's value that change the reliability of forecast cash flows.
Loans classified as bad debts, standstill positions and restructured debts that show a reduction in value based on objective evidence of impairment are analysed in depth. The amount of the loss is calculated as the difference between the asset's book value and the present value of forecast cash flows, discounted using the original effective interest rate.
The analysis of loans takes into account:

- the "maximum recoverable amount", which represents the best possible estimate of forecast cash flows from the loan and related interest: when deemed to be reasonable this also includes default interest and the realizable value of any collateral, net of any collection costs;
- collection times estimated based on contractual due dates, if existing, or based on reasonable estimates if there are no contractual agreements;
- the discount rate, which is the original effective interest rate; as regards impaired loans existing at the transition date for which it would be extremely difficult to determine the figure, reasonable estimates are used, such as the average rate for loans during the year in which the loan concerned was classified as a bad debt or the restructuring rate.

For the purpose of this analysis cash flows over the short term are not discounted to present value. The original effective rate for each loan always remains the same, even when the debt has been restructured with a change in the contracted rate or if by contract the loan no longer bears interest.
Loans that show no objective evidence of impairment (typically, performing loans, including loans to counterparties resident in countries considered as being at risk) and impaired loans with overdue positions in excess of 180 days, are assessed collectively by means of creating groups of positions with a similar risk profile. The writedown

is established based on historical trends for losses with reference to each group of positions. In order to establish historical trends, positions that have been evaluated analytically are excluded from the loan population. Value adjustments determined collectively are recorded in the Profit and Loss Account. Any recoveries of value are calculated in a differential manner with reference to the entire portfolio of loans in the same category.
Contingent liabilities are also subject to review for impairment using similar methods to those adopted for loans evaluated individually and collectively.
The amount recognised as a provision, in accordance with IAS 37, is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, and related to the financial guarantee, individually and collectively evaluated

Derecognition

IAS 39 states that the transfer of financial assets only leads to derecognition in the accounts when substantially all risks and benefits associated with the assets are transferred to the third party. Instead, if the Bank has not transferred substantially all risks and benefits associated with the asset and maintains control of it, then the Bank's continuing involvement in the asset remains in the Balance Sheet, that is, the Bank's exposure to changes in value of the asset transferred.

Recognition of gains and losses

Gains and losses are recorded in the Profit and Loss Account at the time a loan is derecognized as a result of impairment loss and by amortization of the difference between the book value and the amount to be repaid at maturity, the latter being recorded in the Profit and Loss Account as interest.
The impairment loss, as defined in the above section concerning assessment of loans, is recorded in the Profit and Loss Account.
If following recognition of an impairment loss the reasons that gave rise to the loss should no longer subsist, then a writeback is recorded in the Profit and Loss Account. The writeback cannot lead to a higher book value than the amortized cost would have had if the impairment loss had never been recorded.
Writebacks related to the passing of time, corresponding to interest earned in the year based on the original effective interest rate previously used to calculate impairment losses, are recorded in net writedowns/writebacks for impairment.
The assessment concerning risks and charges relating to contingent liabilities is recorded in the Profit and Loss Account and the contra-entry in Other liabilities.

5 – FINANCIAL ASSETS ASSESSED AT FAIR VALUE

There are no items in this category.

6 – HEDGING TRANSACTIONS

There are no items in this category.

7 – EQUITY INVESTMENTS

There are no items in this category.

8 – TANGIBLE FIXED ASSETS

Recognition

Tangible fixed assets are recognized in the Balance Sheet when their cost can be reasonably determined and it is possible that the relevant future economic benefits will accrue to the Bank, regardless of the formal transfer of ownership.
Tangible fixed assets are recognized initially at cost, including all directly related costs for the purchase and installation of the assets. Extraordinary maintenance expenses that lead to an increase in a fixed asset's future useful life are recorded as an increase in the value of the asset concerned, whereas ordinary maintenance costs are recorded in the Profit and Loss Account.

Classification

This line item includes fixed assets used in the production and supply of goods and services, or for administrative purposes, and that are intended to be used for a number of years. Tangible fixed assets include land, buildings, technical systems, furniture, furnishing and equipment.

Valuation

Tangible fixed assets are recognized at cost, less depreciation and losses for reductions in value.
Depreciation is calculated systematically on a straight-line basis over the residual useful life of the assets. Land incorporated in the purchase cost of buildings is not depreciated.

Derecognition

A tangible fixed asset is derecognized at the time of its disposal or when it has been withdrawn permanently from use and no future benefits are expected as a result of its disposal.

Recognition of gains and losses

Depreciation is recorded in the Profit and Loss Account. If there are indications of a potential loss in value of a tangible fixed asset a comparison is made between the book value and recoverable value, the latter being the greater of its use value, intended as the present value of future cash flows originating from the asset, and the fair value net of disposal costs. Any negative difference between the book value and recoverable value is recorded in the Profit and Loss Account. If the reasons for a value adjustment should no longer subsist then a writeback is recorded in the Profit and Loss Account. Following a writeback the book value cannot exceed the value the asset would have had, net of depreciation calculated in the absence of previous losses for reduction in value.

9 – INTANGIBLE FIXED ASSETS

Recognition

Intangible fixed assets are non-monetary assets identifiable by virtue of legal or contractual rights. They have no physical form, they are held for use over a number of years and are recognized in the Balance Sheet because they are expected to give rise to future economic benefits. The initial value of intangible fixed assets is their cost.

Classification

Intangible fixed assets mainly comprise software.

Valuation

Intangible fixed assets are recorded at cost and are amortized on a straight-line basis.

Derecognition

Intangible fixed assets are removed from the Balance Sheet at the time of their disposal or when no future economic benefit is expected from their use or disposal.

Recognition of gains and losses

Amortization is recorded in the Profit and Loss Account.
If there are indications of a potential loss in value of an intangible fixed asset item a test is performed to establish the loss in value and any negative difference between the book value and recoverable value is recorded in the Profit and Loss Account.
If the reasons for a value adjustment of an intangible fixed asset, other than goodwill, should no longer subsist then a writeback is recorded in the Profit and Loss Account. The writeback cannot exceed the book value the asset would have had, net of amortization calculated in the absence of previous losses for reduction in value.

10 – NON-CURRENT ASSETS FOR WHICH DISPOSAL IS UNDERWAY

There are no items in this category.

11 – CURRENT AND DEFERRED TAXES

Recognition

Income tax expense comprises current and deferred tax.
Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred taxes are recognized in all cases in which the relevant liability is probable.

Classification

Prepaid and deferred taxes are recorded in the Balance Sheet as open balances and are not offset: the former are recorded in Tax assets and the latter in Tax liabilities.

Valuation

When the results of transactions are recognized directly in shareholders' equity, taxes are recorded in shareholders' equity too.
Assets and liabilities representing respectively prepaid and deferred taxes are reviewed periodically to take into account any changes in regulations or tax rates and it is no longer probable that the related tax benefit will be realised.

Recognition of gains and losses

Income taxes are recorded in the Profit and Loss Account based on the same method used to record revenues and costs, with the exception, as already mentioned, of those items debited or credited directly to shareholders' equity. Current income taxes are calculated based on the taxable result for the year, using tax rates enacted and their adjustment to tax payable in respect of previous years. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date. Tax payables and receivables for the current year are recorded for the amount that is expected to be paid to/recovered from the tax authorities, applying the tax rates and regulations in force.
Taxes on deferred and prepaid income are calculated based on the temporary differences between asset and liability values recorded in the Balance Sheet and the corresponding values recognized for tax purposes.

12 – STAFF SEVERANCE FUND

Recognition and classification

The Staff severance fund is recorded based on the actuarial method as prescribed by IAS 19 concerning staff benefit programmes.
Therefore the liability recorded in the Balance Sheet is subject to actuarial estimates that also take into account, among other variables, future developments in employment relationships.

The liability in the Balance Sheet represents the present value of the obligation, adjusted by any unrecognized actuarial gains and losses.

Valuation and recognition of gains and losses

The present value of future staff severance fund flows is calculated at year-end by an external accountant based on the Project Unit Credit Method. Furthermore, the Balance Sheet value at the end of the financial year is adjusted by the fair value of any assets pertaining to the plan, if applicable.
Actuarial gains and losses are recorded directly in the Profit and Loss Account.
As regards (external) predefined contribution funds the Bank's contribution is calculated based on employment services rendered and charged to the Profit and Loss Account.
Every year the obligation is determined on the basis of contributions due for that year.

13 - FUNDS FOR RISKS AND CHARGES

Recognition and classification

Provisions for risks and charges are recorded in the Profit and Loss Account and liabilities in the Balance Sheet provided they meet the following conditions:

- a current obligation exists (legal or implied) deriving from a past event;
- it is deemed probable that financial resources will be disbursed to fulfil the obligation;
- a reliable estimate can be made of the probable future disbursement.

Provisions are made based on the best estimate of the amount required to settle the obligation, or to transfer it to a third party at the end of the year concerned.
When, as time passes, the financial impact is significant and the settlement dates for obligations can be estimated reliably, the provision is stated at present value using the market rates current at the end of the financial year.

Valuation and recognition of gains and losses

Amounts for provisions are reassessed at the end of each financial year and adjusted to reflect the best estimate of the expense required to settle the outstanding obligations.
The effect of time passing and changes in interest rates are reflected in the Profit and Loss Account among net provisions for the year.

Derecognition

Provisions are only used to settle the obligations for which they were originally recorded. When it is deemed that fulfilment of the obligation will no longer require the use of resources then the provision is reversed and the effect of this is reflected in the Profit and Loss Account.

14 – PAYABLES

Recognition

Initial recognition is based on the fair value of the liability, which is normally the amount received, including marginal costs and income directly attributable to the transaction and not reimbursed by creditor: it cannot include any imputed internal administrative costs. Any financial liabilities issued at other than market conditions are recorded at fair value using an estimate and the difference between the amount paid or the issue price is recorded in the Profit and Loss Account.

Classification

Payables include financial liabilities not held for short-term trading purposes, such as all the various technical forms of interbank funding and customer deposits.

Valuation and recognition of gains and losses

After initial recognition these items are assessed at amortized cost using the effective interest rate method, excluding short-term liabilities that, based on the general principle of materiality and significance, are recorded at fair value, which corresponds to the amount received adjusted for any directly related charges and income. As regards the method for determining amortized cost, see the section referring to Financial assets held to maturity.

Derecognition

Financial liabilities included in this category are removed from the Balance Sheet when settled or at maturity.

15 – FINANCIAL LIABILITIES HELD FOR TRADING

Recognition

Initial recognition of these financial liabilities occurs on the settlement date and on the trade date for derivatives. Financial liabilities held for trading are recorded initially at fair value, which normally equals the amount received.
In cases where the amount received is different from the fair value, the financial liability is recorded at fair value and the difference between the payment and the fair value is recorded in the Profit and Loss Account.
Derivatives embedded in financial instruments or in other contractual forms, which have financial characteristics and risks unrelated to the host instrument or which have other features that qualify them as derivatives are accounted for separately, if negative, in the category Financial liabilities held for trading, except in cases where the complex instrument in which they are embedded is assessed at fair value and the effect reflected in the Profit and Loss Account.

Classification

This line item includes the negative value of derivatives that are not part of hedging transactions and also the negative value of implied derivatives embedded in complex contracts.

Valuation

After initial recognition financial liabilities held for trading are assessed at fair value. As regards the method for determining the fair value, see the section referring to Financial assets held for trading.

Derecognition

Financial liabilities held for trading are reversed out when settled or at maturity.

Recognition of gains and losses

The results of assessment of financial liabilities held for trading are recorded in the Profit and Loss Account.

16 – FINANCIAL LIABILITIES ASSESSED AT FAIR VALUE

There are no items in this category.

17 – FOREIGN CURRENCY TRANSACTIONS

Recognition

When recognized initially transactions in foreign currency are recorded in euros, the accounting currency, by applying the exchange rate in effect on the date of the transaction.

Recognition of gains and losses

At the end of the financial year positions denominated in foreign currency are assessed as follows:

- monetary positions are converted at the exchange rate in effect at the end of the financial year;
- non-monetary positions are assessed at historical rate are converted at the exchange rate in effect on the date of the transaction;
- non-monetary positions assessed at fair value are converted utilizing exchange rates in effect at the end of the financial year.

Exchange rate differences arising from settlement of monetary positions or from conversion of monetary positions at different rates from those used initially, or conversion of the previous balance sheet, are recorded in the Profit and Loss Account during the period in which they arise.
When a gain or loss referring to a non-monetary position is recorded in shareholders' equity, the exchange rate difference concerned is also recorded in equity.
On the other hand, when a gain or loss is recorded in the Profit and Loss Account, the relevant exchange rate difference is recorded there too.

18 – OTHER INFORMATION

Recognition of revenues and costs

Revenues are recognized when they are received or, in any event, when it is likely that future benefits will be received that can be quantified in a reliable manner. In particular:

- dividends are recognized in the Profit and Loss Account at the time the resolution is passed for their distribution;
- revenues from brokerage of financial instruments held for trading, determined by the difference between the transaction price and fair value of the instrument, are recognized in the Profit and Loss Account if the fair value can be determined with reference to parameters or recent transactions observable in the same market in which the instrument is traded;
- income from financial instruments for which the above assessment is not possible are recorded in the Profit and Loss Account over the duration of the transaction.

Costs are recognized in the Profit and Loss Account in the same year as the relevant revenues are recognized. If the association between costs and revenues can be made in a general and indirect manner, costs are recorded over a number of years using rational and systematic procedures. Costs that cannot be associated with revenues are recorded in the Profit and Loss Account immediately.

Publication

The Financial Statements may be published any time after the AGM on 27 or 28 April 2008.

ASSETS

Section 1 – Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: composition

	Total 2007	Total 2006
a) Cash	222	207
b) Free deposits with central banks		
Total	**222**	**207**

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: composition by type

Items / Values		Total 2007		Total 2006	
		Listed	Unlisted	Listed	Unlisted
A	**Non-derivative assets**	**124,048**		**110,155**	
1	Debt securities	122,610		109,926	
1.1	Structured securities	2,605		2,579	
1.2	Other debt securities	120,005		107,347	
2	Equity securities	1,438		229	
3	Units in collective investment				
4	undertakings				
4.1	Loans				
4.2	Repo				
5	Other				
6	Impaired assets				
	Assets sold not derecognized				
Total (A)		**124,048**		**110,155**	
B	**Derivatives:**		3,657		**5,926**
1	Financial derivatives		3,657		**5,926**
1.1	For trading		3,657		**5,926**
1.2	Connected at fair value option				
1.3	Other				
2	Credit derivatives				
2.1	For trading				
2.2	connected at fair value option				
2.3	Other				
Total (B)			**3,657**		5,926
Total (A+B)		**124,048**	**3,657**	**110,155**	**5,926**

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

Items / Values		Total 2007	Total 2006
A	**Non-derivative assets**	**124,048**	**110,155**
1	**Debt securities**	**122,610**	**109,926**
a)	Governments and central banks	2,108	6,133
b)	Other public-sector entities		
c)	Banks	54,266	59,863
d)	Other issuers	66,236	43,930
2	**Equity securities**	**1,438**	**229**
a)	Banks	367	
b)	Other issuers	1,071	229
	- Insurance undertakings	356	
	- Financial companies		
	- Non-financial companies	715	229
	- Other		
3	**Unit in collective investment undertakings**		
4	**Loans**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
5	**Impaired assets**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
6	**Assets sold not derecognized**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other issuers		
Total (A)		**124,048**	**110,155**
B	**Derivatives**		
a)	Banks	1,628	5,868
b)	Customers	2,029	58
Total (B)		**3,657**	**5,926**
Total (A+B)		**127,705**	**116,081**

2.3 Financial assets held for trading: derivatives

Type of derivative / Underlying assets	Interest rates	Currency and gold	Equity securities	Loans	Other	Total 2007	Total 2006
A Listed derivatives							
1 Financial derivatives							
- With exchange of principal							
- Purchased options							
- Other derivatives							
- Without exchange of principal							
- Purchased options							
- Other derivatives							
2 Credit derivatives							
- With exchange of principal							
- Without exchange of principal							
Total (A)							
B Unlisted derivatives							
1 Financial derivatives:	**1,419**	**2,238**				**3,657**	**14**
- With exchange of principal		2,238				2,238	4,915
- Purchased options							
- Other derivatives		2,238				2,238	4,915
- Without exchange of principal	**1,419**					1,419	1,011
- Purchased options							
- Other derivatives	**1,419**					1,419	1,011
2 Credit derivatives							
- With exchange of principal							
- Without exchange of principal							
Total (B)	**1,419**	**2,238**				**3,657**	**5,926**
Total (A+B)	**1,419**	**2,238**				**3,657**	**5,926**

2.4 Non-derivative financial assets held for trading different from sold, not derecognized and impaired ones: yearly variations

		Debt securities	Equity securities	Units in collective investments undertakings	Loans	Total
A	**Opening balance**	**109,926**	**229**			**110,155**
B	**Increases**	**1,979,300**	**26,129**			**2,005,429**
B1	Purchases	1,976,919	25,927			2,002,846
B2	Variations (+) at FV	139				139
B3	Other variations	2,242	202			2,444
C	**Decreases**	**1,966,616**	**24,920**			**1,991,536**
C1	Sales	1,952,690	24,681			1,977,371
C2	Redemptions	8,808	-			8,808
C3	Variations (-) at FV	2,311	74			2,385
C4	Other variations	2,807	165			2,972
D	**Closing balance**	**122,610**	**1,438**			**124,048**

Section 3 – Financial assets designated at fair value – item 30

3.1 Financial assets designated at fair value: composition by type

Items / Values		Total 2007		Total 2006	
		Listed	Unlisted	Listed	Unlisted
1	Debt securities				
1.1	Structured securities				
1.2	Other debt securities				
2	Equity securities				
3	Units in collective investment undertakings				
4	Loans				
4.1	Structured				
4.2	Other				
5	Impaired assets				
6	Sold and not derecognized assets				
Total					
Cost					

3.2 Financial assets designated at fair value: composition by debtor/issuer

Items / Book values		Total 2007	Total 2006
1	**Debt securities**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other issuers		
2	**Equity securities**		
a)	Banks		
b)	Other issuers		
	- Insurance undertakings		
	- Financial companies		
	- Non-financial companies		
	- Other		
3	**Unit in collective investment undertakings**		
4	**Loans**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
5	**Impaired assets**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
6	**Assets sold not derecognized**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other issuers		
Total			

3.3 Financial assets designated at fair value different from sold, not derecognized and impaired ones: yearly variations

		Debt securities	Equity securities	Units in collective investments undertakings	Loans	Total
A	**Opening balance**					
B	**Increases**					
B1	Purchases					
B2	Variations (+) at FV					
B3	Other variations					
C	**Decreases**					
C1	Sales					
C2	Redemptions					
C3	Variations (-) at FV					
C4	Other variations					
D	**Closing balance**					

Section 4 – Available-for-sale financial assets – Item 40

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

Items / Values		Total 2007		Total 2006	
		Listed	Unlisted	Listed	Unlisted
1	Debt securities	1,718	1,996		3,247
1.1	Structured securities				
1.2	Other debt securities	1,718	1,996		3,247
2	Equity securities		63		64
2.1	Valued at fair value				
2.2	Valued at costo		63		64
3	Units in collective investments undertakings				
4	Loans				
5	Impaired assets				
6	Sold and not derecognized assets				
Total		**1,718**	**2,059**		**3,311**

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

Items / Values		Total 2007	Total 2006
1	**Debt securities**	**3,714**	**3,247**
a)	Governments and central banks		
b)	Other public-sector entities	1,718	
c)	Banks		
d)	Other issuers	1,996	3,247
2	**Equity securities**	**63**	**64**
a)	Banks		
b)	Other issuers	63	64
	- Insurance undertakings		
	- Financial companies	3	4
	- Non-financial companies	60	60
	- Other		
3	**Unit in collective investment undertakings**		
4	**Loans**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
5	**Impaired assets**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
6	**Assets sold not derecognized**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
Total		**3,777**	**3,311**

4.3 Available-for-sale financial assets: heged assets

Assets / hedged type	Hedged assets	
	Total 2007	**Total 2006**
	Fair value	Cash flow
1 Debt securities		
2 Equity securities		
3 Investiment fund units		
4 Loans		
5 Portfolio		
Total		

4.4 Available-for-sale financial assets: assets subject to microhedging

Items / Values	Total 2007	Total 2006
1 Financial assets subject to microhedging of fair value		
a) Interest rate risk		
b) Price risk		
c) Currency risk		
d) Credit risk		
e) Multiple risks		
2 Financial assets subject to microhedging of cash flow		
a) Interest rate risk		
b) Currency risk		
c) Other		
Total		

4.5 Available-for-sale financial assets different from sold, not derecognized and impaired ones: yearly variations

		Debt securities	Equity securities	Units in collective investments undertakings	Loans	Total
A	**Opening balance**	**3,247**	**64**			**3,311**
B	**Increases**	1,809				1,809
B1	Purchases	1,677				1,677
B2	Variations (+) at FV					
B3	Recovery value					
	- due to income statement					
	- due to shareholders' equity					
B4	Transfers from other portfolios					
B5	Other variations	132				132
C	**Decreases**	1,342	1			1,343
C1	Sales					
C2	Redemptions	455				455
C3	Variations (-) at FV					
C4	Devaluation caused by impairment	800				800
	- due to income statement	800				800
	- due to shareholders' equity					
C5	Transfers from other portfolios					
C6	Other variations	87	1			88
D	**Closing balance**	**3,714**	**63**			**3,777**

Section 5 – Financial assets held to maturity – item 50

5.1 Financial assets held to maturity: composition by type

		Total 2007		Total 2006	
		Book value	Fair value	Book value	Fair value
1	Debt securities	1,317	1,180	1,385	1,277
1.1	Structured securities				
1.2	Other debt securities	1,317	1,180	1,385	1,277
2	Loans				
3	Impaired assets				
4	Sold and not derecognized assets				
Total		**1,317**	**1,180**	**1,385**	**1,277**

5.2 Financial assets held to maturity: debtors / issuers

Items of transactions / Values		Total 2007	Total 2006
1	**Debt securities**	**1,317**	**1,385**
a)	Governments and central banks	206	206
b)	Other public-sector entities	1,111	1,179
c)	Banks		
d)	Other issuers		
2	**Loans**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
3	**Impaired assets**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
4	**Sold and not derecognized assets**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
Total		**1,317**	**1,385**

5.3 Financial assets held to maturity: assets subject to microhedging

Financial assets subject to microhedging of fair value	
a) Currency risk	
b) Credit risk	

5.4 Assets held to maturity different from sold, not derecognized and impaired ones: yearly variations

		Debt securities	Loans	Total
A	**Opening balance**	**1,385**		**1,385**
B	**Increases**	**97**		**97**
B1	Purchases			
B2	Recovery value			
B3	Transfers from other portfolios			
B4	Other variations	97		97
C	**Decreases**	**165**		**165**
C1	Sales			
C2	Redemptions			
C3	Value adjustment			
C4	Transfers to other portfolios			
C5	Other variations	165		165
D	**Closing balance**	**1,317**		**1,317**

Section 6 – Loans to banks – item 60

6.1 Loans to banks: composition by type

Type of transactions / Values		Total 2007	Total 2006
A	**Claims on Central Banks**	**1,389**	**30,867**
1	Tied deposits		
2	Compulsory reserves	1,379	26,192
3	Repos		
4	Other	10	4,675
B	**Loans to Banks**	**2,392,329**	**1,671,320**
1	Current accounts and free deposits	608,430	361,780
2	Tied deposits	1,475,878	1,089,910
3	Other financing	305,387	216,283
3.1	Repos		
3.2	Financial lease		
3.3	Other	305,387	216,283
4	Debt securities		
4.1	Structured securities		
4.2	Other debt securities		
5	Impaired assets	2,634	3,347
6	Sold and not derecognized assets		
Total (book value)		**2,393,718**	**1,702,187**
Total (fair value)		**2,393,718**	**1,703,655**

6.2 Loans to Banks: assets subject to microhedging

Type of transactions / Values		Total 2007	Total 2006
1	**Loans subject to microhedging of fair value**		
a)	Interest rate risk		
b)	Currency risk		
c)	Credit risk		
d)	Multiple risks		
2	**Loans subject to microhedging of cash flow:**		
a)	Interest rate risk		
b)	Currency risk		
c)	other		
Total			

6.3 Financial leases

Section 7 – Loans to customer – Item 70

7.1 Loans to customer: composition by type

Type of transactions / Values		Total 2007	Total 2006
1	Current accounts	2,472	1,350
2	Repos		
3	Mortgages	5,467	6,110
4	Credit cards, personal loans and loans backed by salaries	564	688
5	Finance leases		
6	Factoring		
7	Others	130,567	83,257
8	Debt securities		
8.1	Structured securitiesi		
8.2	Other debt securities		
9	Impaired assets	142	248
10	Sold and not derecognized assets		
Total (book value)		**139,212**	**91,653**
Total fair value		**139,212**	**91,653**

7.2 Loans to customer: composition by debtor / issuers

Type of transactions / Values		Total 2007	Total 2006
1	**Debt securities**		
a)	Governments		
b)	Other public-sector entities		
c)	Other issuers		
	- Non-financial companies		
	- Financial companies		
	- Insurance companies		
	- Others		
2	**Loans to**	**141,570**	**93,905**
a)	Governments		
b)	Other public-sector entities		
c)	Others	141,570	93,905
	- Non-financial companies *	127,454	79,333
	- Financial companies	7,962	5,618
	- Insurance companies		1,883
	- Others	6,154	7,071
3	**Impaired assets:**	**142**	**248**
a)	Governments		
b)	Other public-sector entities		
c)	Others	142	248
	- Non-financial companies	59	115
	- Financial companies		
	- Insurance companies		
	- Others	83	133
4	**Sold and not derecognized assets:**		
a)	Governments		
b)	Other public-sector entities		
c)	Others		
	- Non-financial companies		
	- Financial companies		
	- Insurance companies		
	- Others		
Total		**141,712**	**94,153**

* The amount includes exposures to the "reference entities" underlying credit-linked notes for a total of EUR 2,500,000.

7.3 Loans to customers: Assets subject to microhedging

Type of transactions / Values		Total 2007	Total 2006
1	**Loans subject to microhedging of fair value**		
a)	Interest rate risk		
b)	Currency risk		
c)	Credit risk		
d)	Multiple risks		
2	**Loans subject to microhedging of cash flow:**		
a)	Interest rate risk		
b)	Currency risk		
c)	other		
Total			

7.4 Financial lease

Section 8 – Hedgins derivatives - Item 80

8.1 Hedging derivatives: composition by contract and underlying assets

Type of derivatives / Underlying assets	Interest rates	Currency and gold	Equity securities	Loans	Other	Total
A Listed derivatives						
1 Financial derivatives:						
- With exchange of principal						
- Purchased options						
- Other derivatives						
- Without exchange of principal						
- Purchased options						
- Other derivatives						
2 Credit derivatives						
- With exchange of principal						
- Without exchange of principal						
Total (A)						
B Unlisted derivatives						
1 Financial derivatives:						
- With exchange of principal						
- Purchased options						
- Other derivatives						
- Without exchange of principal						
- Purchased options						
- Other derivatives						
2 Credit derivatives						
- With exchange of principal						
- Without exchange of principal						
Total (B)						
Total (A+B)						

8.2 Hedging derivatives: composition by hedged assets and risk (carrying value)

Transactions / Types of hedging	Fair Value						Cash-flow	
	Micro hedge					Macro hedge	Micro hedge	Macro hedge
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks			
1 available-for-sale								
2 financial assets								
3 Loans								
Financial assets held to maturity								
4 Portfolio								
Total assets								
1 Financial liabilities								
2 Portfolio								
Total liabilities								

Section 9 Changes in fair value of portaolio hedged items- item 90

9.1 Changes to hedged items: compostion by portaolio hedged

Changes to hedged assets / Values	Total 2007	Total 2006
1 Positive fair value changes		
1.1 Specific portfolios:		
a) Loans		
b) Available-for-sale assets		
1.2 Overall		
2 Negative fair value changes		
2.1 Specific portfolios:		
a) Loans		
b) Available-for-sale assets		
2.2 Overall		
Total		

9.2 Assets subject to macro interest rate risk hedge: composition

Hedged assets		Total 2007	Total 2006
1	Loans		
2	Available-for-sale assets		
3	Portfolio		
Total			

Section 10 – Equity investments – item 100

10.1 Equity investments in jointly controlled companies(valued at equity) and companies under significant influence: information on investments

Name		Main office	Holding	Voting rights %
A	Wholly-owned subsidiaries			
1.				
2.				
B	Joint ventures			
1.				
2.				
C	Companies subject to significant influence			
1.				
2.				

10.2 Equity investments in jointly controlled companies (valued at equity) and companies under significant influence: accounting data

Name	Total assets	Total revenues	Profit (Loss)	Shareholders' equity	Book value	Fair value
A Wholly-owned subsidiaries						
1.						
2.						
B Joint ventures						
1.						
2.						
C Companies subject to significant influence						
1.						
2.						
Total						

10.3 Equity investments: yearly changes

		Total 2007	Total 2006
A	**Opening balance**		
B	**Increases**		
B1	Purchases		
B2	Recovery value		
B3	Revauations		
B4	Other variationsi		
C	**Decreases**		
C1	Sales		
C2	Value adjustments		
C3	Other variations		
D	**Closing balance**		
E	**Total revaluations**		
F	**Total adjustments**		

10.4 Commitments relating to equity investments in controlled companies

10.5 Commitments relating to equity investments in controlled companies and joint ventures

10.6 Commitments relating to equity investments in companies subject to significant influence

Section 11 – Property, plant and equipment - item 110

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

Assets / Values		Total 2007	Total 2006
A	**Assets for operational use**		
1.1	**Owned**	**27,451**	**28,582**
a)	land	8,326	8,319
b)	buildings	18,210	19,133
c)	movables	518	600
d)	electronic system	116	74
e)	other	281	456
1.2	**Leased**		
a)	land		
b)	buildings		
c)	movables		
d)	electronic system		
e)	other		
Total (A)		**27,451**	**28,582**
B	**Assets held for investment**		
2.1	**Owned**		
a)	land		
b)	buildings		
c)	movables		
2.2	**Leased**		
a)	land		
b)	buildings		
c)	movables		
Total (B)			
Total (A+B)		**27,451**	**28,582**

11.2 Tangible assets: composition of assets valuedat cost, designated at fair value or re-valued

Assets / Values		Total 2007	Total 2006
A	**Assets for operational use**		
1.1	**Owned**		
a)	land		
b)	buildings		
c)	movables		
d)	electronic system		
e)	other		
1.2	**Leased**		
a)	land		
b)	buildings		
c)	movables		
d)	electronic system		
e)	other		
Total (A)			
B	**Assets held for investment**		
2.1	**Owned**		
a)	land		
b)	buildings		
c)	movables		
2.2	**Leased**		
a)	land		
b)	buildings		
c)	movables		
Total (B)			
Total (A+B)			

11.3 Tangible assets held for operational use: yearly changes

		Land	Buildings	Movables	Electronic systems	Other	Total
A	**Opening gross balance**						
A.1	Total net writedowns						
A.2	**Opening net balance**	**8,319**	**19,133**	**600**	**74**	**456**	**28,582**
B	**Increases**						
B1	Purchases		55	25	75	72	227
B2	Capitalized expenses for improvements						
B3	Writebacks						
B4	Positive changes in fair value recognized in:						
a)	net equity						
b)	income statement						
B5	Positive exchange differences						
B6	Transfer from investment properties						
B7	Other changes	115	-	-		11	126
C	**Decreases**						
C1	Sales						
C2	Depreciation		610	93	32	255	990
C3	Writedowns for impairment recognized in:						
a)	net equity						
b)	income statement						
C4	negative changes at fair value recognized in:						
a)	net equity						
b)	income statement						
C5	Negative exchange difference						
C6	Transfers to:						
a)	investment properties						
b)	assets being divested						
C7	Other changes	108	368	14	1	3	494
D	**Net closing balance**	**8,326**	**18,210**	**518**	**116**	**281**	**27,451**
D1	Total net writedowns						
D2	**Gross closing balance**						
E	**Valuation at cost**						
	Depreciation rate applied	0%	3%	12%	20%	15-20-25%	

11.4 Tangible assets held for investment: *yearly changes*

		Total	
		Lands	Buildings
A	**Opening balance**		
B	**Increases**		
B1	Purchases		
B2	Capitalized expenses for improvements		
B3	Positive changes in fair value		
B4	Write-backs		
B5	Positive exchange differences		
B6	Transfers from land and buildings used in		
B7	operations		
	Other changes		
C	**Decreases**		
C1	Sales		
C2	Depreciation		
C3	Negative changes in fair value		
C4	Writedowns for impairment		
C5	Negative exchange differences		
C6	Transfers to other asset portfolios		
a)	land and buildings used in operations		
b)	non-current assets being divested		
C7	other variation		
D	**Closing balance**		
E	**Designated at fair value**		

11.5 Commitment for purchase of tangibile assets

Section 12 – Intangibile assets – item 120

12.1 Intangible assets: Composition by type of assets

Assets / Values		Total 2007		Total 2006	
		Limited life	Unlimited life	Limited life	Unlimited life
A1	Goodwill				
A2	Other intangible assets	664		706	
A2.1	Assets valued at cost	664		706	
a)	Intangible assets developed in-house				
b)	Other assets	664		706	
A2.2	Assets designated at fair value				
a)	Intangible assets developed in-house				
b)	Other assets				
Total		**664**		**706**	

12.2 Intangible assets: yearly changes

Assets / Values	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Lim	Unlim	Lim	Unlim	
A Opening balance				**706**		
A.1 Total net writedowns						
A2 Net opening balance						
B Increases						
B1 Purchases				230		
B2 Increases in internal intangible assets						
B3 Writebacks						
B4 Positive changes in fair value						
- equity						
- income statement						
B5 Positive exchange differences						
B6 Other changes						
C Decreases						
C1 Sales						
C2 Writedowns						
- Amortization				260		
- Devaluations						
+ equity						
+ income statement						
C3 Negative changes in fair value						
+ equity						
+ income statement						
C4 Transfers to non-current assets being divested						
C5 Negative exchange differences						
C6 Other changes				12		
D Net closing balance				**664**		
D1 Total net writedowns						
E Gross closing balance						
F Valuation at cost						
Total 2007						**664**
Total 2006						**706**

12.3 Other informations

Section 13 – Tax assets and liabilities tax - Item 130 (assets) and Item 80 (liabilities)

13.1 Deferred tax assets: composition

		31/12/2007	31/12/2006
	Total	**934**	**1,294**
	Incombe statement	**934**	**1,294**
1	Tax losses		
2	Credit devaluation		
3	Other	528	420
	Net equity	406	874
4	Revaluation reserves		-
5	Other		-

13.2 Deferred tax liabilities: composition

Total	**189**	**336**
*Securities and derivatives evaluation	189	336
	-	-
	-	-

13.3 Changes in deferred tax assets (contra-item in income statement)

		Total 2007	Total 2006
1	**Opening balance**	**1,294**	**694**
2	**Increases**	29	696
2.1	Deferred tax assets arising during the year	29	696
a)	relating to previous year	-	-
b)	due to changes in accounting policies	-	-
c)	Write-backs	-	-
d)	other	29	696
2.2	New taxes or increases in tax rates	-	-
2.3	Other increases	-	-
3	**Decreases**	**389**	**96**
3.1	deferred tax assets reversed during the year	177	96
a)	Reversals	177	96
b)	Writedowns for supervening non-recoverabilty	-	-
c)	change in accounting policies	-	-
3.2	Reductions in tax rates	212	-
3.3	Other decreases	-	-
4	**Closing balance**	**934**	**1,294**

13.4 Changes in deferred tax liabilities (contra-item in income statement)

		Total 2007	Total 2006
1	**Opening balance**	**336**	**845**
2	**Increases**	**-**	-
2.1	Deferred tax liabilities arising during the year		
a)	realting to previous year		
b)	due to changes in accounting policies		
c)	other		
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3	**Decreases**	**147**	**509**
3.1	Deferred tax liabilities reversed during the year	35	509
a)	reversals	35	509
b)	due to changes in accounting policies		
c)	other		
3.2	Reductions in tax rates	112	
3.3	other decreases		
4	**Closing balance**	**189**	**336**

13.5 Changes in deferred tax assets (contra-item in equity)

		Total 2007	Total 2006
1	**Opening balance**		
2	**Increases**		
2.1	Deferred tax assets arising during the year		
a)	relating to previous year		
b)	due to changes in accounting policies		
c)	other		
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3	**Decreases**		
3.1	deferred tax assets reversed during the year		
a)	Reversals		
b)	Writedowns for supervening non-recoverabilty		
c)	change in accounting policies		
3.2	Reductions in tax rates		
3.3	Other decreases		
4	**Closing balance**		

13.6 Changes in deferred tax liabilities (contra-item in equity)

		Total 2007	Total 2006
1	**Opening balance**		
2	**Increases**		
2.1	Deferred tax liabilities arising during the year		
a)	realting to previous year		
b)	due to changes in accounting policies		
c)	other		
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3	**Decreases**		
3.1	Deferred tax liabilities reversed during the year		
a)	reversals		
b)	due to changes in accounting policies		
c)	other		
3.2	Reductions in tax rates		
3.3	other decreases		
4	**Closing balance**		

13.7 Other informations

Section 14 – non-current assets and groups of assets being divested and associated liabilties – item 140 (assets) and item 90 (liabili-ties)

14.1 - non-current assets and groups of assets being divested: composition by type

		Total 2007	Total 2006
1	**Individual assets**		
A1	Equity investments		
A2	Tangible assets		
A3	Intangible assets		
A4	Other non-current assets		
Total A			
B	**Assets groups (divested)**		
B1	Financial assets held for trading		
B2	Financial assets disignated at fair value		
B3	Available-for-sale financial assets		
B4	Financial assets held to maturity		
B5	Loans to banks		
B6	Loans to customers		
B7	Equity investments		
B8	Tangible assets		
B9	Intangible assets		
B10	Other assets		
Total B			
C	**Liabilities associated with assets divested**		
C1	Due		
C2	Securities		
C3	Other liabilities		
Total C			
D	**Liabilities associated with assets divested**		
D1	Due to banks		
D2	Due to customers		
D3	Securities in issue		
D4	Financial liabilities held for trading		
D5	Financial liabilities designated at fair value		
D6	Reserves		
D7	Other liabilities		
Total D			

14.2 Other informations

14.3 Information on holdings - not entered under shareholders' equity - in companies over which the Bank's influence is considerable

Section 15 – Other assets – item 150

15.1 Other assets: composition

		Total 2007	Total 2006
1	Gold, Silver and precious metals		11
2	Accrued earnings		
3	Improvments on third-party goods		
4	Other (illiquid items, amounts available for customers)	3,111	950
Total		**3,111**	**961**

LIABILITIES

Section 1 – Due to banks - Item 10

1.1 Due to banks: composition by type

Type of transactions / Values		Total 2007	Total 2006
1	**Due to central banks**	**895,675**	**118,861**
2	**Due to banks**	**1,422,379**	**1,263,019**
2.1	Current accounts and free deposits	533,253	220,350
2.2	Tied deposits	824,309	956,789
2.3	Loans	64,817	25,001
2.3.1	Finance leases		
2.3.2	Other	64,817	25,001
2.4	Liabilities in respect of commitments to repurchase own		
2.5	equity instruments		
2.5.1	Liabilities in respect of assets assigned but not derecognized		
2.5.2	repurchase agreements		
2.6	Other		60,879
	Other payables		
Total		**2,318,054**	**1,381,880**
Fair value		**2,318,054**	**1,381,880**

1.2 Detail of item 10 “Due to banks”: subordinated debt

Due to Banks	
Subordinated debts	**39,801**

1.3 Detail of item 10 “Due to banks”: structured debt

1.4 Due to banks: debts subject to microhedging

Type of transactions / Values		Total 2007	Total 2006
1	Debts subject to microhedging of fair value		
a)	Interest rate risk		
b)	Currency risk		
c)	Multiple risks		
2	Debts subject to microhedging of cash flow		
a)	Interest rate risk		
b)	Currency risk		
c)	Multiple risks		

1.5 Financial-leasing liabilities

Section 2 – Due to customers - Item 20

2.1 Due to customers: composition by type

Type of transactions / Values		Total 2007	Total 2006
1	Current accounts and free deposits	71,325	68,538
2	Tied deposits	53,253	3,725
3	Deposits received in administration		
4	Loans		
4.1	Finance leases		
4.2	Other		
5	Liabilities in rispect of commitments to repurchase own equity instruments		
6	Liabilities in respect of assets assigned but not derecognized		
6.1	repurchase agreements		
6.2	other		
7	Other payables		
Total		**124,578**	**72,263**
Fair value		**124,578**	**72,263**

2.2 Detail of item 20 “due to customers”: subordinated debts

2.3 Detail of item 20 “due to customers”: structured debts

2.4 Due to customers: “debts subject to microhedging”

2.5 Financial-leasing liabilities

Section 3 – Debt securities issued - Item 30

3.1 Debt securities issued: composition by type

Type of transactions / Values		Total 2007		Total 2006	
		Book value	Fair value	Book value	Fair value
A	**Listed securities**				
1	Bonds				
	1.1 structured				
	1.2 other				
2	other securities				
	2.1 structured				
	2.2 other				
B	**Unlisted securities**				
1	Bonds				
	1.1 structured				
	1.2 other				
2	other securities				
	2.1 structured				
	2.2 other				
Total					

3.2 Retail of item 30 “securities in issue”: subordinated securities

3.3 Securities in issue: securities subject to microhedging

		Total 2007	Total 2006
1	Debt subject to microhedging of fair value		
a)	Interst rate risk		
b)	Currency risk		
c)	Multiple risks		
2	Debt subject to microhedging of cash flow		
a)	Interst rate risk		
b)	Currency risk		
c)	Multiple risks		

Section 4 – Financial liabilities held for trading – item 40

4.1 Financial liabilities held for trading: composition by type

Type of transactions / Values	Total 2007				Total 2006			
	NV	FV		FV*	NV	FV		FV*
		Listed	Unlisted			Listed	Unlisted	
A Non-derivative liabilities								
1 Due to banks								
2 Due to customers								
3 Due securities								
3.1 Bonds								
3.1.1 Structured								
3.1.2 Other bonds								
3.2 Other securities								
3.2.1 Structured								
3.2.2 Other								
Total A								
B Derivatives								
1 Financial derivatives	**277,319**		**2,708**		**219,427**		**7,861**	
1.1 - For trading	277,319		2,708		219,427		7,861	
1.2 Connected with fair value								
1.3 option								
2 - Other								
2.1 Credit derivatives								
2.2 For trading								
2.3 Connected with fair value option								
other								
Total B	**277,319**		**2,708**		**219,427**		**7,861**	
Total (A+B)	**277,319**		**2,708**		**219,427**		**7,861**	

Legend
FV = fair value
FV* = fair value as reckoned by excluding variations in value due to changes intervened in the issuer's creditworthiness since the issue date
NV = nominal or notional value
Q = quoted
NQ = not quoted

4.2 Detail of item 40 "Financial liabilities for trading": subordinated liabilities

4.3 Detail of item 40 "Financial liabilities for trading ": structured debts

4.4 Financial liabilities held for trading: derivative instruments

Derivative types / Underlying assets	Interest tax	Currencies	Equity securities	Loans	Other	Total 2007	Total 2006
A Listed derivatives							
1 Financial derivatives:							
- with exchange of principal							
- options issued							
- other derivatives							
- without exchange of principal							
- options issued							
- other derivatives							
2 Credit derivatives							
- with exchange of principal							
- without exchange of principal							
Total (A)							
B Unlisted derivatives							
a) Financial derivatives:	**763**	**1,945**				**2,708**	**7,861**
- with exchange of principal		1,945				1,945	7,145
- options issued							
- other derivatives		1,945				1,945	7,145
- without exchange of principal	763					763	716
- options issued							
- other derivatives	763					763	716
b) Credit derivatives							
- with exchange of principal							
- without exchange of principal							
Total (B)	**763**	**1,945**				**2,708**	**7,861**
Total (A+B)	**763**	**1,945**				**2,708**	**7,861**

4.5 Cash financial liabilities (except "tecnic overdraft") for trading: yearly changes

		Due to banks	Due to customers	Securities in issue	Total
A	**Opening balance**	**7,661**	**200**		**7,861**
B	**Increases**	**2,246**			**2,246**
B1	Issues				
B2	Sales				
B3	Positive changes of fair value	131			131
B4	Other changes	2,115			2,115
C	**Decreases**	**7,199**	**200**		**7,399**
C1	Purchases				
C2	Redemptions	45			45
C3	Negative changes of fair value	209			209
C4	Other changes	6,945	200		7,145
D	**Closing balance**	**2,708**			**2,708**

Section 5 – Financial liabilities designated at fair value – item 50

5.1 Financial liabilities at fair value: composition by type

Type of transactions / Values		Total 2007				Total 2006			
		NV	FV		FV*	NV	FV		FV*
			Listed	Unlisted			Listed	Unlisted	
1	Due to banks								
1.1	Structured								
1.2	other								
2	Due to customers								
2.1	Structured								
2.2	other								
3	Debt securities								
3.1	structured								
3.2	other								
Total									

Legend FV = fair value

FV* = fair value as reckoned by excluding variations in value due to changes intervened in the issuer's creditworthiness since the issue date

NV = nominal or notional value
Q = quoted
NQ = not quoted

5.2 Detail of item 50 “F inancial liabilities at fair value”: subordinated liabilities

5.3 Financial liabilities at fair value: yearly changes

		Due to banks	Due to customers	Securities in issue	Total
A	**Opening balance**				
B	**Increases**				
B1	Issues				
B2	Sales				
B3	Positive changes of fair value				
B4	Other changes				
C	**Decreases**				
C1	Purchases				
C2	Redemptions				
C3	Negative changes of fair value				
C4	Other changes				
D	**Closing balance**				

Section 6 – Hedging derivatives - Item 60

6.1 Hedging derivatives: composition by type of contract and underlying assets

Type of derivative / Underlying assets	Interest rates	Currency and gold	Equity securities	Loans	Other	Total
A Listed derivatives						
1 Financial derivatives:						
- with exchange of principal						
- options issued						
- other derivatives						
- without exchange of principal						
- options issued						
- other derivatives						
2 Credit derivatives						
- with exchange of principal						
- without exchange of principal						
Total (A)						
B Unlisted derivatives						
1 Financial derivatives:						
- with exchange of principal						
- options issued						
- other derivatives						
- without exchange of principal						
2 Credit derivatives						
- with exchange of principal						
- without exchange of principal						
Total (B)						
Total (A+B)						

6.2 Hedging derivatives: composition by hedged portfolios and type of hedge

Transactions / Hedge types	Fair Value						Cash-flow	
	Micro hedge					Macro hedge	Micro hedge	Macro hedge
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks			
1 Available-for-sale financial assets								
2 Loans								
3 Financial assets held to maturity								
4 Portfolio								
Total assets								
1 Financial liabilities								
2 Portfolio								
Total liabilities								

Section 7 – Changes in fair value of portfolio hedged items – item 70

7.1 Changes to hedged financial liabilities: composition by hedged portfolios

Changes to hedged financial assets / Values	Total 2007	Total 2006
1 Positive changes to financial liabilties		
2 Negative changes to financial liabilities		
Total		

7.2 Liabilities macrohedged against interest rate risk: composition

Section 8 – Tax liabilities – Item 80

See section 13 of assets

Section 9 – Liabilities included in disposal groups classified as held for divestment – item 90

See section 14 of assets

Section 10 – Other liabilities – item 100

10.1 Other liabilities: composition

Changes to hedged financial assets / Values	Total 2007	Total 2006
1 Debt for impairment of:		
a – Signature loan	834	2,196
b – Credit derivatives		
c – Irrevocable commitments to disburse funds		
2 Payment agreement based on own shares		
3 Accrued expenses		
4 Other liabilities (illiquid items, amounts available for customers)	81,836	310,163
Total	**82,670**	**312,359**

Section 11 – Staff severance pay - Item 110

11.1 Staff severance pay: yearly changes

Changes to hedged financial assets / Values	Total 2007	Total 2006
A Opening balance	**3,334**	**3,588**
B Increases	**598**	**553**
B.1 Provisions for the year	598	553
B.2 Other increases		
C Decreases	**1,270**	**809**
C1 Severance payments	173	623
C2 Other decreases (*)	1,097	186
D Closing balance	**2,662**	**3,334**
Total	**2,662**	**3,334**

of which Eur 617,000 reflect the review of the regulations governing the staff severance pay

11.2 Economical and financial rate used

Tecnical yearly rate of depreciation	4.85%
Tasso annuo di inflazione	2.00%
Tasso reale annuo di incremento delle retribuzioni	1.00%
Tasso complessivo annuo di incremento delle retribuzioni	3.00%
Tasso annuo lordo di incremento TFR	3.00%

11.3 Reconciliation of actuarial valuations IAS 19

	Total 2007	Total 2006
Opening balance	3,334	3,588
Curtailment	-617	
Service cost	70	188
Interest cost	115	143
Benefits paid	-173	-623
Transfers	0	0
Expected debt	2,729	3,296
Actuarial (gain) losses	-67	38
Closing balance	2,662	3,334

11.4 Other informations

Provision of the year	
Service cost	70
Financial charges	115
Actuarial losses	67
Other	346

Section 12 – Provisions for liabilities and contingencies – item 120

12.1 Provisions for liabilities and contingencies: composition

Items / Components		Total 2007	Total 2006
1	Company pension plans		
2	Other provisions for liabilities and risks	231	200
2.1	Legal disputes		
2.2	Staff charges	231	200
2.3	Other		
Total		**231**	**200**

12.2 Provisions for liabilities and contingencies: yearly changes

		Company pension plans	Other provisions	Total
A	**Opening balance**		**200**	**200**
B	**Increases**		**102**	**102**
B.1	Provisions for the year		102	102
B.2	Changes due to passing of time			
B.3	Differences due to changes of discount rate			
B.4	Other increases			
C	**Decreases**		**71**	**71**
C1	Use during the year		71	71
C2	Differences due to changes of discount rate			
C3	Other decreases			
D	**Closing balance**		**231**	**231**

12.3 Company defined-benefit pension funds

1. Description of funds
2. Changes in funds during the period
3. Changes in plan assets and other information during the period
4. Reconciliation between the fund’s present value, the present value of the plan assets and the assets and liabilities recorded in the financial statements
5. Description of the main actuarial assumptions
6. Comparative informations

12.4 Provisions for risk and charges – other provisions

Provision for unenjoyed staff holidays	231
Other	
Total	**231**

Section 13 – Insurance reserves - Item 140

13.1 Insurance reserves: composition

Section 14 – Shareholders' equity - item 130, 150, 160, 170, 180, 190 e 200

14.1 Shareholders' equity: composition

Items / Values		Amount 2007	Amount 2006
1	Share capital	136,320	122,320
2	Share premium account	16,702	16,702
3	Reserves	16,560	16,208
4	(Treasury stock)		
5	Revaluation reserves		
6	Stock		
7	Profit (Loss) for the year	7,689	14,352
Total		**177,271**	**169,582**

14.2 "Share capital" and "treasury stock": composition

The face value of the 1,239,269 shares is Eur 110.00 each.

14.3 Share capital – numbers of shares: yearly changes

Items / Types		Ordinary	Other
A	**Shares at start of year**	**1,111,996**	
	- fully paid up	1,111,996	
	- not fully paid up		
A1	Treasury stock (-)		
A2	Shares outstandings: opening balance	1,111,996	
B	**Increases**	**127,273**	
B1	New issues		
	- for payment		
	- business combinations		
	- conversion of bonds		
	- exercise of warrants		
	- other	127,273	
	- bonus issues		
	- for employees		
	- for directors		
	- other		
B2	Sale of treasury stock		
B3	Other changes		
C	**Decreases**		
C1	Cancellation		
C2	Purchase of own shares		
C3	Disposal of companies		
C4	Other changes		
D	**Shares outstandings: closing balance**	**1,239,269**	
D1	Treasury stock(+)		
D2	Shares at the end of the year		
	- fully paid up	1,239,269	
	- not fully paid up		

14.4 Share capital: other informations

The bank does not hold any of its own shares

The Shareholders hold n. 888,004 warrants (2001-2011) that give the right to buy 888,004 share at face value.
Up to 31.12.2006 have been exercised rights for n. 111,996 shares

14.5 Income reserves: other informations

Nature / Description	Amount	Allocation possibility	Available quote	Last three years allocation
Capital increase	**136,320**			
Capital reserves				
Share premium	16,702	A, B, C	16,702	
Reserves	**16,560**			
Legal reserve	8,521	B	8,521	
Extraordinary reserve	7,730	A, B, C	7,730	366
FTA/IFRS reserve	-95			
IFRS 2005	400			
Retained profit	4	A, B, C	4	
Other reserves				
Total	**33,262**			
Amount not allocable	8,826			
Allocable amount	**24,436**			

Legenda
A: Capital increase
B: Losses coverage
C. distribution to shareholders

14.6 Stock: composition and yearly changes

14.7 Revaluation reserves: composition

Items / Components		Total 2007	Total 2006
1	Available-for-sale financial assets		
2	Tangible assets		
3	Intangible assets		
4	Hedging for foreign investments		
5	Cash flow hedges		
6	Currency changes		
7	Non-current assets being divested		
8	Special revaluation laws		
Total			

14.8 Revaluation reserves: yearly changes

	Financial assets available-for-sale	Tangible assets	Inangible assets	Hedging of foreign investments	Cash flow hedges	Change differences	Non-current assets being divested	Special revaluation laws
A Opening balance								
B Increases								
B1 Increases in fair value								
B2 Other changes								
C Decreases								
C1 Decreases in fair value								
C2 Other changes								
D Closing balance								

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

Assets / Values	**Total 2007**		**Total 2006**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1 Debt securities				
2 Equity securities				
3 Units in collective investment undertakings				
4 Loans				
Total				

14.10 Revaluation reserves for financial assets available-for-sale: yearly changes

		Debt securities	Equity securities	Units in collective investments undertakings	Loans
1	**Opening balance**				
2	**Positive changes**				
2.1	Increases in fair value				
2.2	Reversal of income statement of negative reserves				
	- for impairment				
	- for realization				
2.3	Other changes				
3	**Negative changes**				
3.1	Decreases in fair value				
3.2	Reversal of income statement of positive reserves				
3.3	Other changes				
4	**Closing balance**				

Other informations

1 Guarantees issued and commitments

Transactions		Amount 2007	Amount 2006
1)	Financial guarantees issued	768	88
a)	Banks	768	88
b)	Customers		
2)	Commercial guarantees issued	721,225	599,305
a)	Banks	377,337	310,101
b)	Customers	343,888	289,204
3)	Irrevocable commitments to disburse funds	41,062	2,810
a)	Banks	19,861	718
i)	- certain utilization		670
ii)	- uncertain utilization	19,861	48
b)	Customers	21,201	2,092
i)	- certain utilization		
ii)	- uncertain utilization	21,201	2,092
4)	Commitments underlying credit derivatives: sales of protection	2,500	2,500
5)	Assets pledged as collateral for third-party debts		
6)	Other commitments		
Total		**765,555**	**604,703**

2 Assets pledged as collateral for own debts and commitments

Portfolios		Amount 2007	Amount 2006
1)	Financial assets held for trading		
2)	Financial assets designated at fair value		
3)	Available-for-sale financial assets		
4)	Financial assets held to maturity		
5)	Loans to banks		
6)	Loans to customers		
7)	Tangible assets		

3 Informations on operative finance leases

4 Management and intermediation services

Type of services		Amount
1)	**Trading in financial instruments on behalf of third parties**	
a)	Purchases	
1	settled	
2)	not yet settled	
b)	Sales	
1)	settled	
2)	not yet settled	
2	**Asset management**	
a)	individual	
b)	collective	
3	**Custody and administration of securities**	**516,706**
a)	Third-party securities held as part of depository bank services (excluding asset management)	
1	Issued securities by reporting entity	
2	Other securities	
b)	Third-party securities on deposit (excluding asset management): otheri	388,425
1	Issued securities by reporting entity	136,320
2	Other securities	252,105
c)	Third-party securities deposited with third parties	197,333
d)	Owned securities by bank deposited with third parties	128,281
4	**Other transactions**	

Section 1 - Interest - item 10 and 20

1.1 Interest income and related revenues: composition

Items / Type		Performing financial assets		Impaired financial assets	Other assets	Total 2007	Total 2006
		Debt securities	Loans				
1	Financial assets held for trading	4,573				4,573	6,095
2	Available-for-sale financial assets	334				334	206
3	Financial assets held to maturity	197				197	161
4	Loans to banks		87,718	38		87,756	87,009
5	Loans to customers		7,326	15		7,341	5,305
6	Financial assets designated at fair value						
7	Hedging derivatives						
8	Financial assets assigned but not derecognized						
9	Other assets						
Total		**5,104**	**95,044**	**53**		**100,201**	**98,776**

1.2 Interest income and related revenues: Differences on hedging transactions

Items / Values		Total 2007	Total 2006
A	**Positive differences relating to:**		
A.1	Micro-hedging in fair value of assets		
A.2	Micro-hedging in fair value of liabilities		
A.3	Macro-hedging of interest rate risk		
A.4	Micro-hedging of financial cash flow assets		
A.5	Micro-hedging of financial cash flow liabilities		
A.6	Macro-hedging of cash flow		
Total negative differences (A)			
B.	**Negative differences relating to:**		
B1	Micro-hedging in fair value of assets		
B2	Micro-hedging in fair value of liabilities		
B3	Macro-hedging of interest rate risk		
B4	Micro-hedging of financial cash flow assets		
B5	Micro-hedging of financial cash flow liabilities		
B6	Macro-hedging of cash flow		
Total negative differences (A)			
C Balance (A-B)			

1.3 Interst income and similar revenues

1.3.1 Interest income from financial assets denominated in currency

Items / type		Performing financial assets		Impaired financial asset	Other assets	Total 2007	Total 2006
		Debt securities	Loans				
1	Financial assets held for trading	470				470	1,209
2	Available-for-sale financial assets	79				79	
3	Fianacial assets held to maturity	189				189	156
4	Loans to banks		65,509	38		65,547	74,334
5	Loans to customers		2,631			2,631	2,509
6	Financial assets designated at fair value						
7	Hedging derivatives						
8	Financial assets assigned but not derecognized						
9	Other assets						
Total		**738**	**68,140**	**38**		**68,916**	**78,208**

1.3.2 Interst income on lease transactions

1.3.3 Interest income on loans financed with third-party funds under administration

1.4 Interest expense and similar charges: composition

Items / Type	Debts	Securities	Orther liabilities	Total 2007	Total 2006
1 Due to banks	74,508			74,508	64,069
2 Due to customers	2,635			2,635	1,486
3 Securities in issue					
4 Financial liabilities held for trading					
5 Financial liabilities designated at fair value					
6 Financial liabilities relating to assets assigned but not derecognized					
7 Other liabilities					
8 Hedging derivatives					
Total	**77,143**			**77,143**	**65,555**

1.5 Interest expense and similar charges: differenes on hedging transactions

Items / Values		Total 2007	Total 2006
A	**Positive differences relating to:**		
A.1	Micro-hedging in fair value of assets		
A.2	Micro-hedging in fair value of liabilities		
A.3	Macro-hedging of interest rate risk		
A.4	Micro-hedging of financial cash flow assets		
A.5	Micro-hedging of financial cash flow liabilities		
A.6	Macro-hedging of cash flow		
Total positive differences (A)			
B.	**Negative differences relating to:**		
B1	Micro-hedging in fair value of assets		
B2	Micro-hedging in fair value of liabilities		
B3	Macro-hedging of interest rate risk		
B4	Micro-hedging of financial cash flow assets		
B5	Micro-hedging of financial cash flow liabilities		
B6	Macro-hedging of cash flow		
Total negative differences (B)			
C. Balance (A-B)			

1.6 Interest expense and similar charges: other informations

1.6.1 Interest expenses on liabilities denominated in currency

Items / Type	Debts	Securities	Orther liabilities	Total 2007	Total 2006
1 Due to banks	51,796			51,796	54,139
2 Due to customers	1,052			1,052	531
3 Securities in issue					
4 Financial liabilities held for trading					
5 Financial liabilities designated at fair value					
6 Financial liabilities relating to assets assigned but not derecognized					
7 Other liabilities					
8 Hedging derivatives					
Total	**52,848**			**52,848**	**54,670**

1.6.2 Interest expense on liabilities in respect of finance leases

1.6.3 Interest expense on third-party funds under administration

Section 2 - Commisions - Item 40 – 50

2.1 Commission income: composition

Type of service / Values		Total 2007	Total 2006
a)	guarantees issued	16,153	13,291
b)	credit derivatives		
c)	management, intermediation and advisory services:	501	672
	trading in financial instruments		
1	currency dealing	53	253
2	asset management	448	419
3	individual		
3.1	collective		
3.2	securities custody and administration		
4	depositary bank		
5	securities placement		
6	order collection		
7	advisory services		
8	distribution of third-party services:		
9	asset management		
9.1	individual		
9.1.1	collective		
9.1.2	insurance products		
9.2	other products		
9.3	collection and payments services		
d)	servicing activities for securitizations		
e)	services for factoring transactions	1	1
f)	tax collection services		
g)	other services		
h)		306	558
Total		**16,961**	**14,522**

2.2 Commission income: distribution channels for products and services

Channels / Values	Total 2007	Total 2006
a) own branches		
1 asset management		
2. securities placement		
3. third-party services and products		
b) off premises distribution:		
1. asset management		
2 securities placement		
3. third-party services and products		
c) other distribution channels:		
1. asset management		
2. securities placement		
3. third-party services and products		

2.3 Commission expense: composition

Services / Values		Total 2007	Total 2006
a)	guarantees issued	1,764	2,205
b)	credit derivatives		
c)	management, intermediation and advisory services:	27	23
1	trading in financial instruments	27	21
2	currency dealing		2
3	asset management		
3.1	own portfolio		
3.2	others portfolios		
4	custodiy and administration of securities		
5	placement of securities		
6	off-site distribution of securities, products and services		
d)	collection and payment services		
e)	other services	216	205
Total		**2,007**	**2,433**

Section 3 – Dividends and similar income – item 70

3.1 Dividends and similar income: composition

Items / revenues		Total 2007		Total 2007	
		Dividends	Income from investment fund units	Dividends	Income from investment fund units
A	Financial assets held for trading	7			
B	Available-for-sale financial assets	1			
C	Financial assets designated fair value				
D	Equity investments				
Total		**8**			

Section 4 – Net gain (loss) on trading activities – item 80

4.1 Net gain (loss) on trading activities: composition

Transactions/Profit components		Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading losses (D)	Net profit [(A+B)-(C+D)]
1	**Financial assets held for trading**	**140**	**1,145**	**3,189**	**284**	**(2,188)**
1.1	Debt securities	140	25	3,115	119	(3,069)
1.2	Equity securities		202	74	165	(37)
1.3	Units in collective investments undertakings					
1.4	Loans					
1.5	Others		918			918
2	**Financial liabilities held for trading**					
2.1	Debt securities					
2.2	Other					
3	**Other financial liabilities: exchange rate differences**			**3,056**		**(3,056)**
4	**Derivatives**	**3,022**	**11,733**	**2,118**	**9,429**	**3,208**
4.1	Financial derivatives	3,022	11,733	2,118	9,429	3,208
	- On debt securities and interest rates	784	4,495	172	4,491	616
	- On equity securities and equity indices		92		23	69
	- On foreign currencies and gold	2,238	7,146	1,946	4,915	2,523
	- Other					
4.2	Credit derivatives					
Total		**3,162**	**12,878**	**8,363**	**9,713**	**(2,036)**

Section 5 – Net gain (loss) on hedging activities – item 90

5.1 Net gain (loss9 on hedging activities: composition

Profit components / values	Total 2007	Total 2006
A Income on:		
A.1 fair value hedges		
A.2 Hedged financial assets (fair value)		
A.3 Hedged financial liabilities (fair value)		
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies		
Total income on hedging activities (A)		
B. Expense on:		
B1 fair value hedges		
B2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)		
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies		
Total charges on hedging activities (B)		
C. Net gain (loss) on hedging activities (A-B)		

Section 6 – Gains (losses) on disposal or repurchase – item 100

6.1 Gains (losses) on disposal or repurchase: composition

Items / Profit Components		Total 2007			Total 2006		
		Gains	Losses	Net profit	Gains	Losses	Net profit
	Financial assets						
1	Loans to banks						
2	Loans to customers						
3	Available-for-sale financial assets						
3.1	Debt securities						
3.2	Equity securities						
3.3	Units in collective investment undertakings						
3.4	Loans						
4	Financial assets held to maturity						
Total assets							
	Financial liabilities						
1	Due to banks						
2	Due to customers						
3	Securities in issue						
Total liabilities							

Section 7 – Gains and losses on financial assets/liabilities designated at fair value – item 110

7.1 Net change in financial assets/liabilities designated fair value: composition

Transactions / Profit Components	Gains (A)	Realized gains (B)	Losses (C)	Realized losses (D)	Net profit [(A+B)-(C+D)]
1 Financial assets					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investments undertakings					
1.4 Loans					
2 Financial liabilities					
2.1 Debt securities					
2.2 Due to banks					
2.3 Due to customers					
3 Financial assets and liabilities in foreign currency: Exchange differences					
4 Derivatives					
4.1 Financial derviatives					
- on debt securities and interest rate					
- on equity securities and share indices					
- on currency and gold					
- other					
4.2 Credit derivatives					
Total derivatives					
Total					

Section 8 – Net value adjustments for impairment – item 130

8.1 Net impairment adjustments of loans: composition

Transactions/ Profit Components	Writedowns (1)			Writebacks (2)				Total 2007	Total 2006
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A Loans to banks				1,677				1,677	381
B Loans to customers	2	3,588	501		9		1	-4,081	283
C Total	**2**	**3,588**	**501**	**1,677**	**9**		**1**	**-2,404**	664

8.2 Net impairment adjustments of available-for-sale financial instruments: composition

Transactions / Profit Components	writedowns (1)		Writebacks (2)		Totale 2007	Totale 2006
	Specific		Specific			
	Writeoffs	Other	A	B		
A Debt securities	800				-800	-
B Equity securities						
C Units in collective investment undertakings						
D Loans to banks						
E Loans to customers						
F Total	800				-800	-

Legend

A = from interest
B = other write-ups

8.3 Net impairment adjustments of held to maturity financial instruments: composition

Transactions/ Profit Components	Writedowns (1)			Writebacks (2)				Total 2007	Total 2006
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A Debt securities								-	-
B Loans to banks									
C Loans to customers									
D Total									**-**

8.4 Net impairment adjustments of other financial transactions: composition

Transactions/ Profit Components	Writedowns (1)			Writebacks (2)				Total 2007	Total 2006
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A Guarantees issued			125		1,487			1,362	**(1,705)**
B Credit derivatives									
C Commitments to disburse funds									
D Other transactions									
E Total			**125**		**1,487**			**1,362**	**(1,705)**

Legend

A = from interest
B = other write-ups

Sezione 9 –General and administrative expenses – item 150

9.1 Staff costs: composition

Type of expenses / Values		Total 2007	Total 2006
1	Employees	12,235	12,909
a)	wages and salaries	7,750	7,882
b)	social security contribution	2,331	2,230
c)	severance pay		
d)	pensions		
e)	allocation to staff severance pay provision	598	555
f)	allocation to provision for pensions and similar liabilities		
	- defined contribution		
	- defined benefit		
g)	payments to external complementary pension funds		
	- defined contribution		
	- defined benefit		
h)	costs in respect of agreements to make payments in own equity instruments		
i)	other employee benefits	1,556	2,242
2	Other staff	205	346
3	Directors	927	841
Total		**13,367**	**14,096**

9.2 Average number of employees by category

Staff average number		
a)	senior management	3
b)	total junior management	61
	- of which 3rd and 4th level	39
c)	other employees	79
	Other staff	1

9.3 Company defined benefit pension funds: total costs

9.4 Other employee benefits

	Total 2007	Total 2006
Charges on deffered termination of relation between employer and employee	335	994
Other	1,221	1,248
Total	**1,556**	**2,242**

9.5 Other administrative expenses: composition

	Total 2007	Total 2006
Informatic expenses	1,255	1,197
Movable/property expenses		
- rents and passive canons	106	107
- other expenses	718	681
Expenses on purchase of non-professional goods and services	2,384	2,182
Expenses on purchase of professional services	1,662	1,659
Insurance premium	66	79
Advertising expenses	236	406
Indirect duties and taxes	284	274
Other	274	316
Total	**6,985**	**6,901**

Section 10 – Provisions for liabilities and contingencies (net) – item 160

10.1 Provisions for liabilities and contingencies (net): composition

Provisions for liabilities and contingencies	Total 2007	Total 2006
Legal disputes		
Other risks and charges	102	46
Total	**102**	**46**

Section 11 – Net adjustments of tangible assets - item 170

11.1 Net adjustments of tangible assets: composition

Assets / Profit Components		Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net Profit (a+b-c)
A	Tangible assets				
A1	Owned	990			990
	- used in operations	990			990
	- investment				
A2	Aquired under finance leases				
	- used in operations				
	- investment				
Total		**990**			**990**

Section 12 – Net adjustments of intangible assets – item 180

12.1 Net adjustments of intangible assets: composition

Assets / Profit Components		Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net Profit (a+b-c)
A	Intangible assets	260			260
A1	Owned				
	- Developed in-house	260			260
	- Other				
A2	Aquired under finance leases				
Total		**260**			**260**

Section 13 – Other operating expenses and income – item 190

13.1. Other operating expenses: composition

Other operating charges	Total 2007	Total 2006
Other charges	**527**	**125**

13.2. Other operating income: composition

Other operating income	Total 2007	Total 2006
Duties and taxes recovery	27	35
Rents and active canons	101	100
Provisions on informatic services given		
- to owned companies		
- to third party		
Expense recovery		
- for owned employee care of third party		
- ondeposits and current account	525	359
- other	485	441
Other provisions	1,350	948
Total	**2,488**	**1,883**

Section 14 – Profit (loss) of associates - item 210

14.1 Profit (loss) of associates: composition

Profit Components / values		Total 2007	Total 2006
A	Income		
1	Revaluations		
2	Gains from disposal		
3	Writebacks		
4	Other positive changes		
B	Expense		
1	Writedowns		
2	Impairement losses		
3	Losses from disposals		
4	Other negative changes		
Net balance			

Section 15 – Net profit of valuation at fair value of tangible and intangible assets – item 220

15.1 Net profit of valuation at fair value of tangible and intangible assets: composition

Assets / Profit Components		Revaluations (a)	Writedowns (b)	Exchanges differences		Net profit (a-b+c-d)
				Positive (c)	Nevative (d)	
A	**Tangible assets**					
A1	Owned					
	- Used in operations					
	- Held for investment					
A2	Acquired under finance leases					
	- Used in operations					
	- Held for investment					
B	**Intangible assets**					
B1	Owned					
B1.1	- Developed in-house					
B1.2	- Other					
B2	Acquired under finance leases					
Total						

Section 16 – Value of goodwill adjustements – item 230

16.1 Value of goodwill adjustements: composition

Section 17 – Gains losses on disposal of investments - item 240

17.1 Gains losses on disposal of investments: composition

Profit Components / values	Total 2007	Total 2006
A Land and buildings		
- Gains on disposal		
- Losses on disposal		
B Other assets		
1 - Gains on disposal		
2 - Losses on disposal		
Net gain (loss)		

Section 18 – Income tax for the period on income from continuing operations – item 260

18.1 Income tax for the period on income from continuing operations: composition

Components / values	Total 2007	Total 2006
1 Current taxes (-)	(6,497)	(11,622)
2 Change in current taxes from previous year (+/-)		
3 Reduction of current taxes from previous year (+)		
4 Change in deferred tax assets (+/-)	(361)	600
5 Change in deferred tax liabilities (+/-)	147	509
6 Taxes for the year (-) (-1+/-2+-3+/-4+/-5)	(6,711)	(10,513)

18.2 Reconciliation of theoretical tax liability and actual liability recognized

Components	Total 2007	Total 2006
Profit before tax	**14,400**	**24,865**
Theoretical Ires and Irap incombe tax(38,25%)	5,508	9,511
Irap adjustments on administrative cost	636	668
Irap adjustments on write-off	55	58
Taxes on costs fisically not admitted	512	276
Total	**6,711**	**10,513**

Section 19 – Net profit (loss) after taxes from groups of assets being divested - item 280

19.1 Net profit (loss) after taxes from groups of assets being divested: composition

Profit Components / Values	Total 2007	Total 2006
1 Revenuesi		
2 Expenses		
3 Result of valuation of groups of assets and associated liabilities		
4 Gains (losses) on realization		
5 Taxes and duties		
Profit (Loss)		

19.2 Breakdown of income tax in respect of groups of assets/liabilities being divested

	Amount2007	Amount 2006
1 Current taxes (-)		
2 Changes in deferred tax assets (+/-)		
3 Changes in deferred tax liabilities(-/+)		
4 Income taxes for the period (-1+/-2+/-3)		

Section 20 – Other informations

Section 21 – Net income per share

21.1 Average number of diluted ordinary shares

	Amount 2007	Amount 2006
Net profit	7,689	14,352
Number shares	1,239,269	1,111,996
Profit per share	6.20	12.91

21.2 Other informations

A. PRIMARY SCHEME

B SECONDARY SCHEME

Section 1 Credit Risk

QUALITATIVE INFORMATION

1. GENERAL ASPECTS

The Bank's policy for monitoring and managing credit risk is set out in a frame directive approved by the Board of Directors which defines:

- the identity and powers of the bodies and officials authorized to extend credit facilities
- the process for selecting and evaluating credit facilities
- the criteria for allocating exposure by debtor, country and business sector
- procedures for monitoring and controlling compliance with the Pillar I capital requirement against credit risk and central bank directives on large exposures
- operating limits on debt exposures as weighted by risk size and type and by debtor category, country and business sector

The adequacy of the criteria and policies adopted for managing credit risk is evaluated annually by the Board of Directors, who makes reference to current and prospective exposure data supplied by the Risk Management Department.

The Bank's mission is to promote and develop all manner of financial, commercial and industrial relations in the international sphere. Business activities are targeted primarily, though not solely, at supporting the relations of Mediterranean and Middle Eastern countries with Europe and the rest of the world. Fulfilling that mission, as Banca UBAE has been doing for over three decades, implies the adoption of stringently professional borrower-selection and credit policies.

The emphasis is on financing trade transactions across the Bank's region of interest, where benefi-ciaries may be resident or non-resident, banking or non-banking enterprises. The commercial nature of such transactions is reflected in the type of credit facilities granted as well as in the beneficiary's overall business approach as assessed by Banca UBAE.

The extension of purely financial credit lines to parties other than target-country banks is subject to qualitative and quantitative constraints. In particular:

- Each year, the Board of Directors sets individual risk-weighted exposure limits for specified categories of enterprises, business sectors, countries and for different types of credit facility on the basis of detailed scenario analyses and in conformity with sound and prudent management principles.

To ensure alignment with the new supervisory capital framework introduced by Banca d'Italia in its circular directive no. 263 of 27.12.2006, UBAE has initiated a project covering every aspect of the task of quantifying exposure to credit risk. Under the directive, methods for calculating capital requirements against market, credit and operational risks (Pillar I) will vary in accordance with a bank's size and complexity, as well as with the supervisory authorities' own assessment.

UBAE has adopted the "standardized" method for calculating the capital requirement against credit risk and must follow the Basic Indicator Approach for calculating the requirement against opera-tional risks. The requirement against market risks in the trading book will continue to be calculated by the current method.

Banca d'Italia's deadline for first-time reporting of the data generated by the new methods (which will refer to the first quarter of 2008) is 25 May 2008.

Assisted by Eds, a software supplier, IT outsourcer SEC will release a dual version of the Bank's risk matrix based on Q1 data - one reflecting Basel 1 criteria, the other incorporating the new methods found in Basel 2 - by the end of April 2008. The purpose of the experiment is to expose any problems likely to affect reporting in the new format.

Basel 2 has also introduced a "supervisory review process" whereby individual banks will have to estimate their own overall capital adequacy in relation to other types of risk not addressed under Pillar I. The estimate will be reviewed by Banca d'Italia, who may ask a bank to take corrective action and/or impose additional capital requirements (Pillar II).

The supervisory review process comprises two distinct phases, in other words: an internal capital adequacy process (ICAAP) which is a matter for banks, and a supervisory review and evaluation process (SREP) administered by Banca d'Italia.

The principle of proportionality governing the entire arrangement stipulates that risk management procedures, internal control mechanisms, economic capital valuation methods, and the frequency and depth of central bank reviews will vary in accordance with the nature, size and operational complexity of each institution.

Banca d'Italia has divided banks and assimilated financial institutions into three groups for the purposes of compliance with Pillar II. UBAE belongs to Group 3, representing banks that adopted the standardized method under Pillar I and whose gross assets are less than EUR 3.5 bn. Group 3 banks will adopt simplified methods for evaluating the various other risks addressed by Pillar II. Among these, credit concentration risk alone will be calculated by a method that translates into a capital requirement over and beyond that contemplated by Pillar I[1].

First-time application of the supervisory review process also involves deadlines, if deferred relative to those established for compliance with Pillar I. In the instance, Group 3 banks must send Banca d'Italia a simplified ICAAP report (on 2008 mid-year data) by 30 September 2008 and a complete ICAAP report (on year-end data) by 31 March 2009.

As regards the public disclosure of information on the Bank's exposure to specified risk categories (Pillar III) compliance will become mandatory for the financial statements relating to the year ended 31.12.2008.

1.1 Classifying Country Risk

In the discussion on credit quality, exposures to residents in countries falling in SACE classes 6 and 7 are all classified as exposures in countries at risk.

2 POLICIES FOR MANAGING CREDIT RISK

2.1 Organizational aspects

On the Credit Committee's proposal (as based on an opinion from the competent units), the Board of Directors resolves annually on the extension of credit facilities to eligible parties. In doing so the Board will specify:

- the risk group to which the prospective beneficiary belongs
- the Bank's maximum risk-weighted exposure
- the technical format(s) in which facilities may be authorized, including their validity and the characteristics of acceptable guarantees, and the exposure that will result from the weighting system adopted.
- Technical formats include financial-market transactions (deposits and forex) and the purchase of bonds for the Bank's investment portfolio.

In approving facilities in favour of banks from a Zone B country that is subject to operational availment limits, the Board of Directors will pass a single resolution stipulating risk-weighted exposure sub-limits for each bank concerned.

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[1] As to the other "quantifiable" risks, ie, interest-rate risk in the banking book and liquidity risk, the new simplified methods involve: calculating a risk indicator and monitoring the relevant threshold values for the former; monitoring the internal cash-flow chart for the latter.

The General Manager will proceed each year to assign the Capital Markets Division its annual VaR, consisting of a maximum weighted-exposure limit for risks taken on from clients or groups of connected clients in favour of whom the Board of Directors has approved credit facilities.

For each department within the Capital Markets Division, the General Manager will specify:

- a list of clients and/or groups of clients, their respective risk groups and risk ceilings
- the Finance Division's VaR as a percentage of the Bank's VaR
- a breakdown by technical format, expressed in percentage terms, of the Finance Division's VaR.

It is up to the head of the Finance Division to activate specific credit lines. In that context, he will set a maximum limit for each technical format and sign the relevant financing contracts.

The Risk Management Department will verify that established risk limits are not exceeded.

Provided he cites clear risk-containment reasons and notifies the Board of Directors of his decision, the General Manager may order the curtailment of any risk positions opened by the Capital Markets Division with a client or group of connected clients, even though they fell within the previously established risk limits.

At any event, facilities granted to any one client or group of connected clients will not exceed the limit established by existing regulations on large exposures, as calibrated to the Bank's eligible net worth.

Where VaR would exceed the limits set by the resolution granting any given credit facility, the Internal Regulations will apply with regard to who may authorize such VaR and within what quantitative and temporal limits.

2.2 Measuring, managing and monitoring credit

In reviewing a request for the extension or revision of credit facilities, the Credit Processing Dept. will assign or adjust the beneficiary's credit access score, which is a condensed creditworthiness assessment.

The score is arrived at through a dedicated software product enabling a comparison between the financials of the proposed borrower and those contained in various databases for similar banking and non-banking, domestic and foreign counterparties. Though based on such a peer analysis, the final score may take into account the analyst's own evaluation of the borrower from an organiza-tional or other qualitative point of view. The weighting of each factor contributing to the final score is the result of a tried and tested methodology which the Bank has refined over the years.

Assigning a credit access score enables the Bank to place borrowers in homogeneous risk classes, hence adopt risk-weighted pricing models and obtain a quick picture of the overall quality of the loans portfolio - all to the benefit of the business planning process.

For the purposes of monitoring loan performance, the credit control function within the Credit Pro-cessing Dept. draws on assistance from the competent business departments and the Milan Branch to keep a list of the Bank's problem loans, consisting of risk positions to be kept under observation on the basis of information gathered from sources both external (CRB data, detrimental-action records, press releases) and internal (automated calculation of credit lines' availment/overrun rates, reports from the competent business departments concerning particular countries and/or business sectors, events of default on payments due, legal steps taken by the Bank to recover amounts due).

The heads of the competent business departments and the Manager of the Milan Branch provide monthly updates to the credit control function on the reasons underlying detected anomalies in such positions and on any action that was undertaken to mitigate credit risk.

The heads of the competent business departments and of the Milan Branch are required to forward any information deemed useful for keeping the list of problem loans up-to-date to the credit control function without delay.

The credit control function submits regular updates to the General Manager and a quarterly update to the Board of Directors on the progress of all problem loans.

Any proposals for new facilities in favour of clients or groups of connected clients whose positions are under observation must be approved by the Board of Directors, irrespective of the amount or technical format involved.

If it deems it appropriate - and definitely in the event of occurrences that might impair the Bank's ability to recover even part of its exposure - the credit control function will promptly present the General Manager with a written statement recommending that a risk position is downgraded to standstill or bad-debt status.

The Risk Management Dept. is responsible for monitoring the capital requirement against credit risk (Pillar I) on the basis of its quarterly risk matrix report to Banca d'Italia. Risk Management also collects quarterly data on large exposures and the Bank's individual lending limit (25% of eligible capital).

In particular, Risk Management updates and forwards the list of ECAIs selected for independent ratings.

Finally, it is up to Risk Management to determine the simplified indicator for credit concentration risk and the additional capital requirement called for by Pillar II in relation thereto.

2.3 Credit risk mitigation techniques

An individual risk position may be backed by personal guarantees or collateral.

The Bank's risk position with a guaranteed party may be replaced by its risk position with the guar-antor, provided the latter is characterized by a lesser risk-weighting factor and that the following conditions apply:

- the guarantee is specific, ie, covers the risk associated with a specified ordinary or ad hoc credit facility;
- the guarantee is unconditional, in the sense that the Bank may have recourse to the guarantor at any time;
- the guarantor is independent of the guaranteed party, in the sense that the likelihood of default by the guarantor is not linked to the likelihood of default by the guaranteed party.

Unless such conditions are fulfilled, the guaranteed party's individual risk position may not be replaced by the guarantor's when calculating the Bank's overall VaR.

The following types of collateral may be lodged in the Bank's favour, subject to the customary contractual formulations:

- cash sums deposited with the Bank
- cash sums deposited with banks that have been accorded credit lines by UBAE or are otherwise acceptable to it; in the latter case, acceptance of any real guarantees is subject to approval by the competent loan-granting official or body

- bonds deposited with the Bank, provided they are issued by institutions whose rating is investment-grade or better
- bonds issued by entities whose rating is investment-grade or better and which are deposited with international clearing bodies or with banks that have been accorded credit lines by UBAE or are otherwise acceptable to it; in the latter case, acceptance of any collateral is subject to approval by the competent loan-granting official or body
- matured trade receivables
- as-yet unmatured trade receivables
- residential and commercial property

The countervalue of cash sums and the market-price countervalue of financial instruments lodged as collateral (though not that of matured/unmatured trade receivables or property) is deducted from the individual VaR generated by the ordinary or ad hoc credit facilities to which the collateral refers. The resulting individual net VaR will be considered for the purposes of calculating overall VaR.

The resolution approving an ordinary or ad hoc facility that is backed by collateral may indicate the minimum value, expressed in percentage terms, which the guarantee must preserve relative to the value of the approved exposure.

A revision of contract templates for guarantees received is being completed to ensure that all such instruments meet the eligibility requirements established by Basel 2.

Banca UBAE does not purchase credit derivatives as a means of protection against credit risk.

2.4 Deteriorated financial assets

On the basis of a report submitted by the credit control function and after consulting with the heads of the competent business departments or the Milan Branch, the General Manager will promptly decide whether or not the relevant problem loans should be reclassified as standstill positions or bad debts.

Once a risk position has been reclassified as standstill, no new credit facilities may be granted to that client or any connected client, while measures geared to make good the Bank’s exposure must be set in train immediately.

It is up to the General Manager to authorize negotiations with a client for the purpose of reducing the Bank’s exposure from a standstill position (rescheduled position).

Any proposals for new facilities in favour of clients whose positions have been rescheduled must be approved by the Board of Directors, irrespective of the amount or technical format involved.

After consulting with the competent department heads and the credit control function, the General Manager will take all necessary action to safeguard the Bank’s exposure; if a position has been reclassified as a bad debt, he will proceed without delay to cancel all facilities granted and initiate legal debt-recovery proceedings.

The initiation of legal debt-recovery proceedings automatically entails a position’s reclassification as a bad debt.

Should he deem it appropriate, the General Manager may authorize a given business department to continue dealing with a client whose position has been entered under bad debts, provided guidance is sought from the Legal unit.

Assisted by the credit control function and the Legal unit, the General Manager will update the Executive Committee and (on a quarterly basis) the Board of Directors on the progress of all bad debts, rescheduled debts and standstill positions, including a breakdown of loss forecasts if any.

QUANTITATIVE INFORMATION

A CREDIT QUALITY

A.1 Impaired and performing positions: stocks, writedowns, distribution by sector and geographical area

A.1.1 Distribution of financial assets by portfolio and credit quality (book value)

Portfolio / quality	Bad debts	Substandard loans	Restructured positions	Past-due positions	Country risk	Other assets	Total
1 Financial assets held for trading					2,149	125,556	127,705
2 Financial assets available-for-sale					1,723	2,054	3,777
3 Financial assets held to maturity					1,110	207	1,317
4 Loans to banks			2,634		128,179	2,262,905	2,393,718
5 Loans to customers	138			4	3,641	135,429	139,212
6 Financial assets designated at fair value							
7 Financial assets being divested							
8 Hedging derivatives							
Total 2007	**138**		**2,634**	**4**	**136,802**	**2,526,150**	**2,665,729**
Total 2006	**169**	**85**	**3,338**	**3**	**138,117**	**1,772,904**	**1,914,616**

A.1.2 Distribution of financial assets by portfolio and crediy quality (gross and net values)

Portfolio / quality	Impaired assets				Other assets			Totale (esposizione netta)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1 Financial assets held for trading					127,705		127,705	127,705
2 Financial assets available-for-sale					4,577	800	3,777	3,777
3 Financial assets held to maturity					1,317		1,317	1,317
4 Loans to banks	2,634			2,634	2,391,084		2,391,084	2,393,718
5 Loans to customers	10,607	10,464	1	142	140,317	1,247	139,070	139,212
6 Financial assets designated at fair value								
7 Financial assets being divested								
8 Hedging derivatives								
Total 2007	**13,241**	**10,464**	**1**	**2,776**	**2,665,000**	**2,047**	**2,662,953**	**2,665,729**
Total 2006	**10,475**	**6,879**	**1**	**3,595**	**1,911,768**	**747**	**1,911,021**	**1,914,616**

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

Types / Underlyings	Gross exposure	Specific writedowns	Portofolio adjustments	Net exposure
A CASH EXPOSURE				
a) Bad debts				
b) Substandard loans				
c) Restructured positions	2,634			2,634
d) Past due positions				
e) Country risk	130,328			130,328
f) Other assets	2,317,538			2,317,538
Total A	**2,450,500**			**2,450,500**
B OFF-BALANCE-SHEET EXPOSURES				
a) Impaired				
b) Other	399,787		193	399,594
Total B	**399,787**		**193**	**399,594**

A.1.4 Cash exposure to banks: changes in gross impaired positions exposed to country risk

Causal /categories		Bad debts	Substandard loans	Ristructured positions	Past due positions	Country risk
A	**Opening gross exposure**		**9**	**3,338**		**133,095**
	of which: exposures assigned but not derecognized					
B	**Increase changes**			**12**		**27,930**
B1	from performing positions					
B2	transfers from other categories of impaired positions					9
B3	other increase changes			12		27,921
C	**Decrease changes**		**9**	**716**		**30,697**
C1	to performing positions					
C2	writeoffs					
C3	collections			**359**		**7,814**
C4	assignments					
C5	transfers from other categories of impaired positions		9			
C6	other decrease changes			357		**22,883**
D	**Closing gross exposure**		**0**	**2,634**		**130,328**
	of which: exposures assigned but not derecognized					

A.1.5 Cash exposure to banks: changes in total adjustments

Causal /categories	Bad debts	Substandard loans	Ristructured positions	Past due positions	Country risk
A Total opening adjustmetns	-	-	-	-	-
of which: exposures assigned but not derecognized					
B Increase changes					
B1 writedowns					
B2 transfers from other categories of impaired positions					
B3 other increase changes					
C Decrease changes					
C1 writebacks from valuation					
C2 writebacks from collections					
C3 writeoffs					
C4 transfers from other categories of impaired positions					
C5 other decrease changes					
D Total closing adjustments	-	-	-	-	-
of which: exposures assigned but not derecognized					

A.1.6 Cash and off-balance-sheet exposures to customers: gross and net values

Types / Underlyings	Gross exposure	Specific writedowns	Portofolio writedowns	Net exposure
A CASH EXPOSURE				
a) Bad debts	10,602	10,464		138
b) Substandard loans				
c) Ristructured positions				
d) Past due positions	5		1	4
e) Country risk	6,506		33	6,473
f) Other assets	207,012	800	1,214	204,998
Total A	**224,125**	**11,264**	**1,248**	**211,613**
B OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	3,301	468		2,833
b) Other	366,960		174	366,786
Total B	**370,261**	**468**	**174**	**369,619**

A.1.7 Cash exposures to customers: Changes in gross impaired positions exposed to country risk

Causal /categories		Bad debts	Substandard loans	Ristructured positions	Past due positions	Country risk
A	**Opening gross exposure**	**7,048**	**76**		**3**	**5,053**
	of which: exposures assigned but not derecognized					
B	**Increase changes**	**3,609**			**3**	**2,948**
B1	from performing positions	152			2	
B2	transfers from other categories of impaired positions					
B3	other increase changes	3,457				2,948
C	**Decrease changes to performing positions**	**55**	**76**		**1**	**1,495**
C1	writeoffs	-			1	
C2	collections					
C3	assignments	55	76			
C4	transfers from other					
C5	categories of impaired positions					
C6	other decrease changes					1,495
D	**Closing gross exposure**	**10,602**	**-**		**5**	**6,506**
	of which: exposures assigned but not derecognized					

A.1.8 Cash exposures to customers: changes in total adjustments

Causal /categories		Bad debts	Substandard loans	Ristructured positions	Past due positions	Country risk
A	**Total opening adjustments**	**6,879**	**1**	**-**	**-**	**31**
	of which: exposures assigned but not derecognized					
B	**Increase changes**	**3,588**	**-**		**1**	**12**
B1	writedowns	3,588				
B2	transfers from other categories of impaired positions					
B3	other increase changes				1	12
C	**Decrease changes**	**3**	**1**		-	10
C1	writebacks from valuation	1				
C2	writebacks from collections		1			
C3	writeoffs					
C4	transfers from other categories of impaired positions					
C5	other decrease changes	2				10
D	**Total closing adjustments**	**10,464**	**-**		**1**	**33**
	of which: exposures assigned but not derecognized					

Writedowns on performing credits for Euro 2,115 were made in addition to those included in the above mentioned table and already recorded in Profit and Loss table 8.1

A.2 Classification of positions by external and internal rating

A.2.1 Distribution of off-balance and cash exposures through external rating groups (Balance-sheet value)

Exposures		External rating groups						without rating	Total
		AAA/ AA-	A+/A-	BBB+/ BBB-	BB+/ BB-	B+/B-	In B-		
A	**Cash exposures:**	**372,543**	**1,184,740**	**90,886**	**92,405**	**77,105**	**-**	**844,393**	**2,662,072**
B	**Derivatives**	**1,096**	**1**	**2,500**	**-**	**-**		**2,560**	**6,157**
B1	Financial derivatives	1,096	1					2,560	**3,657**
B2	Credit derivatives	-		2,500					**2,500**
C	**Guarantees given**	**10,638**	13,350	**12,755**	**5,563**	**36,047**	**-**	**643,640**	**721,993**
D	**Commitments to disburse funds**	**-**			**5,006**			**36,056**	**41,062**
Total		**384,277**	**1,198,091**	**106,141**	**102,974**	**113,152**		**1,526,649**	**3,431,284**

A.2.2 Distribution of off-balance and cash exposures through internal rating groups

Exposures	Internal rating groups						Total
	...	...	...	...	...	...	
A Cash exposures:							
B Derivatives							
B1 Financial derivatives							
B2 Credit derivatives							
C Guarantees given							
D Commitments to disburse funds							
Total							

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Cash exposures to guaranteed banks and customers

			Real estate			Personal security								
						Credit derivatives				Signature loan				
		Exposure value	Property	Securities	Other oods	States	Other ublic entities	Banks	Others	States	Other ublic entities	Banks	Others	Total
1	Exposures to guaranteed banks	13,223			8,094					1,127	7,004	1,502		17,727
1.1	fully guaranteed				6,390					1,127	7,004	1,502		16,023
1.2	not fully guaranteed				1,704									1,704
2	Exposures to guaranteed customers	48,201	10,781									1,617	62,003	74,401
2.1	fully guaranteed		10,781									1,617	62,003	74,401
2.2	not fully guaranteed													

A.3.2 Off-balance-sheet exposures to guaranteed banks and customers

	Exposure value	Real estate			Personal security								Total (1)+(2)
					Credit derivatives				Signature loan				
		Property	Securities	Other oods	States	Other ublic entities	Banks	Others	States	Other ublic entities	Banks	Others	
1 Exposures to guaranteed banks	8,659			8,995									8,995
1.1 fully guaranteed				4,714									4,714
1.2 not fully guaranteed				4,281									4,281
2 Exposures to guaranteed customers	32,499			4,651					22,136			16,979	43,766
2.1 fully guaranteed				4,543								16,703	21,246
2.2 not fully guaranteed				108					22,136			276	22,520

A.3.3 Impaired cash exposures to guaranteed banks and customers

		Exposures value	Guaranteed amount	Real estate			
				Properties	Securities	Other goods	Gov. and central banks
1	Exposures to guaranteed banks						
1.1	over 150%						
1.2	between 100% and 150%						
1.3	between 50% and 100%						
1.4	within 50%						
2	Exposures to guaranteed customers	83	83	542			
2.1	over 150%	82	82	542			
2.2	between 100% and 150%						
2.3	between 50% and 100%	1	1				
2.4	within 50%						

Guarantees (fair value)														
Personal guarantees														
Credit derivatives						Signature loan								
Other public entities	Banks	Financial companies	Insurance companies	Non Financial undertakings	Others	Gov. and central banks	Other public entities	Banks	Financial Companies	Insurance Companies	Non financial undertakins	Others	Total	Surplus fair value, guarantee
											12,220	1,000	13,762	13,679
											12,220	1,000	13,762	13,679

A.3.4 Impaired off-balance-sheet exposures to guaranteed banks and customers

				Real estate			
		Exposures value	Guaranteed amount	Properties	Securities	Other goods	Gov. and central banks
1	Exposures to banks guaranteed						
1.1	over 150%						
1.2	between 100% and 50%						
1.3	between 50% and 100%						
1.4	less than 50%						
2	Exposures to Customers guaranteed:	473	473				
2.1	over 150%	473	473				
2.2	between 100% and 150%						
2.3	between 50% and 100%						
2.4	less than 50%						

Guarantees (fair value)														
Personal guarantees													Total	Surplus fair value, guarantee
Credit derivatives						Signature loan								
Other public entities	Banks	Financial companies	Insurance companies	Non-Financial companies	Other subject	Gov. and central banks	Other public entities	Banks	Financial Companies	Insurance Companies	Non-financial companies	Other subject		
												10,152	10,152	
												10,152	10,152	

B DISTRIBUTION AND CONCENTRATION OF LENDING

B.1 Cash and off-balance-sheet exposures to customers by sector

Exposures / Counter-parties	Governments and central banks				Other public entities				Financial companies			
	Gross exposure	Value adjustments	Value adjustments	Net exposure	Gross exposure	Value adjustments	Value adjustments	Net exposure	Gross exposure	Value adjustments	Value adjustments	Net exposure
A Cash exposure												
A1 Bad debts									12	12		
A2 Substandard loans												
A3 Restructured exposures												
A4 Past due positions												
A5 Other exposures	206			206	2,828			2,828	36,674	800	71	35,803
Total (A)	206			206	2,828			2,828	36,686	812	71	35,803
B Off-balance-sheet exposures												
B1 Bad debts												
B2 Substandard loans												
B3 Other impaired assets												
B4 Other exposures									1,323			1,323
Total (B)									1,323			1,323
TOTAL 2007	206			206	2,828			2,828	38,009	812	71	37,126
Total 2006	207			207	1,179			1,179	53,104	19	45	53,040

Non financial companies exposures include the amount of Eur 2.5 milion related to credit link notes

Insurance undertakings				Non financial undertakings				Others			
Gross exposure	Value adjustments	Value adjustments	Net exposure	Gross exposure	Value adjustments	Value adjustments	Net exposure	Gross exposure	Value adjustments	Value adjustments	Net exposure
				10,445	10,390		55	145	62		83
				5		1	4				
356			356	169,746		1,122	168,624	6,209	55		6,154
356			356	180,196	10,390	1,123	168,683	6,354	117		6,237
				3,301	468		2,833				
				365,613		174	365,439	24			
				368,914	468	174	368,272	24			
356			356	549,110	10,858	1,297	536,955	6,378	117		
1,899		16	1,883	378,222	8,870	632	368,720	7,320	62	54	7,204

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

1st branch of economic sectors	
energy products	49,660
means of transport	10,556
Construction and public works	2,357
communications services	552
Textiles	477
other branches of business (*)	2,567

(*) The amount includes exposures to the "reference entities" underlying credit linked notes for the amount of Euro 2,5 million.

B.3 Cash and off-balance-sheet exposures to customers by geographical area

Exposures / Geographic areas		Italy		Other European Countries	
		Gross exposure	Next exposure	Gross exposure	Next exposure
A	**CASH EXPOSURE**				
A1	Bad debts	10,590	138		
A2	Substandard loans				
A3	Ristructured positions				
A4	Past due positions	3	2	2	2
A5	Other exposures	78,291	76,960	104,729	104,729
Total (A)		**88,884**	**77,100**	**104,731**	**104,731**
B	**Off-balance-sheet exposures**				
B1	Bad debts	3,301	2,833		
B2	Substandard loans				
B3	Other impaired assets				
B4	Other exposures	278,940	278,802	75,181	75,181
Total (B)		**282,241**	**281,635**	**75,181**	**75,181**
Total 2007		**371,125**	**358,735**	**179,912**	**179,912**
Total 2006		**282,425**	**273,368**	**117,866**	**117,313**

America		Asia		Rest of the world	
Gross exposure	Next exposure	Gross exposure	Next exposure	Gross exposure	Next exposure
12					
16,372	16,372	5,950	5,922	7,555	7,488
16,384	**16,372**	**5,950**	**5,922**	**7,555**	**7,488**
		1,127	1,126	11,683	11,677
		1,127	**1,126**	**11,683**	**11,677**
16,384	**16,372**	**7,077**	**7,048**	**19,238**	**19,165**
22,688	**22,672**	**9,708**	**9,699**	**9,245**	**9,181**

B.4 Cash and off-balance-sheet exposures to banks by geographical area

Exposures / Geographic areas	Italy		Other european countries	
	Gross exposure	Net exposure	Gross exposure	Net exposure
A CASH EXPOSURE				
A1 Bad debts				
A2 Substandard loans				
A3 Ristructured positions				
A4 Past due positions				
A5 Other exposures	1,453,227	1,453,227	688,705	688,705
Total (A)	**1,453,227**	**1,453,227**	**688,705**	**688,705**
B Off-balance-sheet exposures				
B1 Bad debts				
B2 Substandard loans				
B3 Other impaired assets				
B4 Other exposures	35,864	35,849	56,880	56,851
Total (B)	**35,864**	**35,849**	**56,880**	**56,851**
total 2007	**1,489,091**	**1,489,076**	**745,585**	**745,556**
total 2006	**984,387**	**984,387**	**573,642**	**573,642**

B.5 Large exposures

a) Amount
b) Number

Amount	613,764
Number	16

America		Asia		Rest of the world	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
		340	340	2,294	2,294
14,348	14,348	233,729	233,729	57,857	57,857
14,348	**14,348**	**234,069**	**234,069**	**60,151**	**60,151**
		55,627	55,606	251,416	251,288
		55,627	**55,606**	**251,416**	**251,288**
14,348	**14,348**	**289,696**	**289,675**	**311,567**	**311,439**
83,865	**83,865**	**221,163**	**221,163**	**216,032**	**216,032**

C. SECURITIZATIONS AND ASSIGNMENTS OF ASSETS

C1 Securitizations

QUALITATIVE INFORMATION

Banca UBAE securitized most of the bad debts in its loan portfolio in 1999. Outstanding positions are monitored by the Legal unit, which makes periodic assessments of their collectability, estimates the value of related securities, and recommends write-downs where and as appropriate. The unit's findings are submitted to the Board of Directors on a half-yearly basis.

QUANTITATIVE INFORMATION

C.1.1 Exposures in respect of securitizations by quality of underlying assets

Quality of underlyng assets/Exposures		Cash exposures					
		Senior		Mezzanine		Junior	
		Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A	**With own underlying assets**						
a)	Impaired	2,796	1,996				
b)	Other						
B	**With third-party underlying assets**						
a)	Impaired						
b)	Other						

Guarantees given						Credit line					
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

C.1.2 Exposures in respect of main in-house securitization by type of securitized assets and type of exposure

Type of securitized assets / Exposures		Cash exposures					
		Senior		Mezzanine		Junior	
		Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A	**Totally derecognized**						
A1							
B	**Partially derecognized**						
B1							
C	-**Non- derecognized**						
C1	Eurofinance	1,996	800				

Guarantees given						Credit line					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks

C.1.3 Exposures in res pect of main third-party securitization by type of securitized assets and type of exposure

Type of securitized assets / Exposures	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A1 - Type of asset						
A2 - Type of asset						
A3 - Type of asset						

C.1.4 Exposures in respect of securitizations by portfolio of financial assets and type

Exposure / portfolio	Trading	Designated at fair value	Available-for-sale	Held to maturity	Loans	Total 2007	Total 2008
1 Cash exposure							
- Senior			1,996				
- Mezzanine							
- Junior							
2 Off-balance-sheet exposure							
- Senior							
- Mezzanine							
- Junior							

Guarantees given						Credit line					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks

C.1.5 Amount of securitized assets underlying junior securities or other forms of credit support

Assets / Values		Traditional	Synthetic
A	**Own underlying assets**		
A1	Totally derecognized		
1	Bad debts	17,003	
2	Substandard loans		
3	Ristructured positions		
4	Past due positions		
5	Other exposures		
A2	Partially derecognized		
1	Bad debts		
2	Substandard loans		
3	Ristructured positions		
4	Past due positions		
5	Other exposures		
A3	Non-derecognized		
1	Bad debts		
2	Substandard loans		
3	Ristructured positions		
4	Past due positions		
5	Other exposures		
B	**Third-party underlying assets**		
B1	Bad debts		
B2	Substandard loans		
B3	Ristructured positions		
B4	Past due positions		
B5	Other exposures		

C.1.6 Stakes in special purpose vehicles

Name	Headquarters	Stake %

C.1.7 Servicer activities – Collections of securitized loans and redemptions of securities issued by the special purpose vehicle

Companies Vehicle	Securitized assets (year end figure)		Loans collected during the year		Percentage of securities redeemed (year end figure)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Eurofinance 2000	22,614		380		51%		0%		0%	

C.2 Sales transaction

C 2.1 Financial assets assigned but not derecognized

Type/portfolio	Trading			Designated at fair value			Available-for-sale			Held to maturity			Loans to banks			loans to costomers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	2007	2008
A Cash assets																				
1 Debt securities																				
2 Equity securitiese																				
3 UCIS																				
4 Loans																				
5 Impaired assets																				
B Derivatives																				
Total																				

Legend

A = financial assets sold and accounted for in full (book value)
B = financial assets sold and accounted for in part (book value)
C = financial assets sold and accounted for in part (full value)

C.2.2 Financial liabilities relating to financial assets assigned but not derecognized

Liabilities / Asset Portfolios	Trading	Designated at fair value	Available-for-sale	Held to maturity	Loans to banks	Loans to customers	Total
1 Due to customers							
a) relating to fully recognized assets							
b) relating to partially recognized assets							
2 Due to banks							
a) relating to fully recognized assets							
b) relating to partially recognized assets							
Total							

D. MODELS FOR MEASURING CREDIT RISK

Banca UBAE does not use its own model for measuring exposure to credit risk, such as might be based on a combination of internal and external inputs for probability of default (PD).

The Risk Management Dept. is in the process of mapping all the Bank's risk categories with a view to using the ECAIs' transition tables to link each internal category to the corresponding PD value reported by the ECAI itself.

Risk Management will use the PD values obtained for each debtor in this way to quantify the Bank's expected and unexpected losses. These in turn will be entered into an equation for pricing credit facilities that will highlight the required premium on risk and the cost of regulatory capital (a.k.a. risk adjusted performance measurement).

Section 2 – Market risk

2.1 – Interest rate risk – Supervisory trading portfolio

QUALITATIVE INFORMATION

A. GENERAL ASPECTS

Established by the Board of Directors, the maximum level of market risk acceptable for the trading portfolio is equivalent to the amount of economic capital which the Bank is prepared to allocate against market risk. Risk management policy in this area will identify the units authorized to take on risks and define their respective responsibilities.

In supporting risk-taking activities through a range of designated tasks, the Risk Management Dept. helps to implement the strategy set out by the Bank's governing bodies and sees that risks in each category are properly monitored and reported in light of their established limits.

The risk management process is meant to ensure that the actual risk profile remains within the overall accepted risk level and within the limits set for each risk category, and that the risk profile is attained in a transparent manner.

The Bank's risk profile is communicated and analyzed through a reporting system that is adequate, shared and subject to regular independent controls.

Financial transactions are recorded by Master Finance (MF), a software application forming part of the Bank's IT and accounting system. Risk control and executive reporting requirements are ade-quately served by MF.

Recent adjustments to MF took account of new internal rules governing Banca UBAE's financial operations, signally the latter's subdivision into a number of elementary portfolios, the roles of the various actors involved, management and control processes, the instruments that may be assigned to each portfolio, operating limits, and the nature and frequency of reports for the Management.

MF handles the following financial instruments:

- forex (traditional and OTC derivatives)
- money market (traditional and derivatives: FRA, IRS, OIS)
- bonds and derivatives (options)
- equities and derivatives (options)

MF also contains information regarding risk positions generated by the Money Market Dept. and by the three business divisions (loans/discounting). The product was configured for automatic updates to and from all relevant SEC programs.

Since it is linked up with the most widely used infoproviders, MF supports pricing activity for both cash and derivative instruments.

MF supports risk-measuring methods that provide an accurate and comprehensive representation of the Bank's VaR by monitoring operating limits. In particular:

- position risk on the trading portfolio is expressed in terms of VaR, with a 99% confidence interval and a 10-day holding period
- option risk is monitored in terms of delta, gamma and vega factors
- counterparty risk is calculated on the basis of the current value of OTC derivatives
- interest rate risk is expressed in terms of sensitivity to shifts in the interest rate curve (dura-tion, interest rate potential loss, etc).

In 2005, Banca UBAE approved a New Finance Directive which redefined risk-taking policies and established roles and responsibilities with regard to policy-making, operational aspects and controls. Specific risk limits were set for each portfolio, which was entrusted in turn to a specified desk within the Capital Markets Division. The Directive aligned quantitative limits with the new monitoring environment created by the introduction of MF and redesigned the systems for both line controls and risks in light of UBAE's declared operating strategy and the principles laid down by Banca d'Italia.

The New Finance Directive embodies two key principles:

- each type of activity will be pursued through a single portfolio of financial instruments;
- each type of risk - as defined in relation to the various types of activity - will be handled by a single unit within the Division.

Adherence to both principles ensures the decision-making process is more transparent and controls are more effective.

The Directive sets guidelines for the distribution of powers in the financial sphere, defines internal communication flows for managing exceptional events, and describes the limits, the typical risks, and the mission assigned to each department within the Capital Markets Division.

The entire system of operating limits is replicated in MF to enable first-, second- and third-order controls to be carried out in real time by the competent units.

A reporting system has also been implemented within MF, which automatically generates a series of reports enabling the competent bodies to be informed on a daily, weekly or monthly basis (as variously stipulated by the Directive) about financial positions, risks and any overruns on operating limits. Reports are delivered to the Management, the head of the Division and the Risk Committee.

B. MANAGEMENT PROCESSES AND MEASURING METHODS OF INTEREST RATE RISK

Dealing on behalf of bank or corporate customers in interest- or exchange-rate derivatives may result in day-to-day misalignments in the portfolio for such instruments, hence in a temporary increase in exposure to generic position risk for either the Money Market Dept. or the Financial Markets Dept.

Trading positions in interest- and exchange-rate derivatives, whether regulated or OTC, are entered in the MF front-office system, which supports the daily pricing of these instruments and calculates unrealized gains and losses. The risk associated with each position opened on financial instruments is expressed in terms of VaR (with a 10-day holding period and a 99% confidence interval) and is subject to quantitative limits proposed by the Risk Committee. These are approved by the Board of Directors and monitored daily by the Risk Management Dept.

If a limit is approached, procedures for checking and possibly calling in the exposure are activated.

Risk Management ensures the accuracy of measurements obtained from the VaR model through periodic backtesting.

QUALITATIVE INFORMATION

1. Trading portfolio: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
EURO - ECU

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1 Cash asset		**56,272**	**24,182**		**5,189**	**28,420**		
1.1 Debt security		56,272	24,182		5,189	28,420		
- with redemption deferred								
1.2 - other		56,272	24,182		5,189	28,420		
Other assets								
2 Cash liability								
2.1 P.C.T. liability								
2.2 Other liabilities								
3 Financial derivatives		**26,632**	**34,019**		**7,300**			
3.1 with underlying security		715						
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		715						
+ Long of stock		715						
+ Short of stock								
3.2 Without underlying security		25,917	34,019		7,300			
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		25,917	34,019		7,300	35,019		
+ Long of stock		262,758	141,519	3,000		5,000		
+ Short of stock		236,841	107,500	3,000	7,300	40,019		

2. Trading portfolio: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
US DOLLAR - USD

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1 Cash asset		**6,451**						
1.1 Debt security		6,451						
- with redemption deferred								
1.2 - other		6,451						
Other assets								
2 Cash liability								
2.1 P.C.T. liability								
2.2 Other liabilities								
3 Financial derivatives		**17,873**						
3.1 with underlying security								
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives								
+ Long of stock								
+ Short of stock								
3.2 Without underlying security		17,873						
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		17,873						
+ Long of stock		130,086	5,027	38,720				
+ Short of stock		147,959	5,027	38,720				

3. Trading portfolio: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
STERLING POUND - GBP

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1 Cash asset								
1.1 Debt security								
- with redemption deferred								
1.2 - other								
Other assets								
2 Cash liability								
2.1 P.C.T. liability								
2.2 Other liabilities								
3 Financial derivatives		**852**						
3.1 with underlying security								
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives								
+ Long of stock								
+ Short of stock								
3.2 Without underlying security		852						
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		852						
+ Long of stock		20,085						
+ Short of stock		19,233						

4. Eligible trading book: internal models and other sensitivity-analysis methods

Section 2.2 – Interest rate risk. Banking book

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, MANAGEMENT PROCEDURE AND MEASURING METHODS

Pillar II of the Basel 2 framework does not foresee an additional capital requirement against interest rate risk or that associated with the transformation of maturities in the banking book, though it does require banks to check the size of such risk regularly by calculating a (simplified) "risk indicator" corresponding to a shock producing a 2% shift in the interest rate curve.

Readings for the indicator should never exceed 20%, which is well above the level recorded at UBAE on account of the concentration of the Bank's assets and liabilities within a 12-month time frame and the presence of derivatives mitigating their riskiness.

Risk Management is preparing tools to monitor the simplified risk indicator on a continuing basis. The Finance Directive already contains operating limits for the transformation of maturities, based on the sensitivity analysis that is performed by Master Finance automatically

B. HEDGING ASSET AT FAIR VALUE

Banca UBAE does not keep derivatives to hedge assets held at fair value.

C. HEDGING ASSETS OF CASH FLOW

Banca UBAE's portfolio includes interest rate derivatives (OIS, IRS) whose purpose is to provide a sort of macro-coverage of the interest margin implicit in the financial flows generated by banking activities (bonds, loans and discounting). Hedging and the negotiation of derivatives are tasks for the Money Market Dept. within the Capital Markets Division.

QUANTITATIVE INFORMATION

1. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives.
Value: EURO - EUR

Type/Residual maturity		On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1	**Cash assets**	**352,258**	**1,021,499**	**27,170**	**8,652**	**4,964**	**26**	**6**	**1,517**
1.1	Debt securities		1,996	206					
	- with								
	redemption								
	deferred		1,996	206					
1.2	- other	341,481	983,399	22,327	7,603	4,091			1,379
1.3	Loans to banks	10,777	36,104	4,637	1,049	873	26	6	138
	Loans to	2,469							
	customers	8,308	36,104	4,637	1,049	873	26	6	138
	- Current								
	account	7,976	9,079	42	82	364	26	6	
	- Other loans	332	27,025	4,595	967	509			138
	- with								
	redemption								
	deferred								
	- other								
2	**Cash liabilities**	**329,410**	**1,039,915**	**2,137**	**37,746**				
2.1	Loans to	61,857	47,493	82					
	customers	61,857							
	- Current		47,493	82					
	account								
	- Other loans								
	- with		47,493	82					
2.2	redemption	267,553	992,422	2,055	37,746				
	deferred	44,170							
	- other	223,383	992,422	2,055	37,746				
2.3	Loans to banks								
	- Current								
	account								
	- Other loans								

2.4	Debt securities - with redemption deferred - other Other liabilities - with redemption deferred - other
3	**Derivatives**
3.1	with underlying security - Options + Long of stock + Short of stock - other derivatives + Long of stock + Short of stock
3.2	Without underlying security - Options + Long of stock + Short of stock - other derivatives + Long of stock + Short of stock

2. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
Value: US DOLLAR - USD

	Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1	**Cash assets**	**441,391**	**414,274**	**234,574**	**10,064**	**897**	**1,202**		
1.1	Debt securities		2,828						
	- with redemption deferred								
	- other		2,828						
1.2	Loans to banks	438,374	329,648	233,803	10,056	897	1,202		
1.3	Loans to customers	3,017	81,798	771	8				
	- Current account	6							
	- Other loans	3,011	81,798	771	8				
	- with redemption deferred	124	75,293		8				
	- other	2,887	6,505	771					
2	**Cash liabilities**	**392,179**	**411,596**	**281,373**	**3,404**				
2.1	Loans to customers	8,686	5,481						
	- Current account	8,686							
	- Other loans		5,481						
	- with redemption deferred								
	- other		5,481						
2.2	Loans to banks	308,274	406,115	281,373	3,404				
	- Current account	18,606							
	- Other loans	289,668	406,115	281,373	3,404				
	Debt securities								
2.3	- with redemption deferred								
	- other								
2.4	Other liabilities	75,219							
	- with redemption deferred								
	- other	75,219							

3	**Derivatives**	
3.1	with underlying security	
	- Options	
	+ Long of stock	
	+ Short of stock	
	- other derivatives	
	+ Long of stock	
3.2	+ Short of stock	
	Without underlying security	
	- Options	
	+ Long of stock	
	+ Short of stock	
	- other derivatives	
	+ Long of stock	10,523
	+ Short of stock	10,523

3. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
Value: POUND STERLIN - GBP

Type/Residual maturity		On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1	**Cash assets**	**623**	**14,385**	**824**					
1.1	Debt securities								
	- with redemption deferred								
	- other								
1.2	Loans to banks	622	14,385	824					
1.3	Loans to customers	1							
	- Current account	1							
	- Other loans								
	- with redemption deferred								
	- other								
2	**Cash liabilities**	**562**	**15,262**	**824**					
2.1	Loans to customers	80	197						
	- Current account	80							
	- Other loans		197						
	- with redemption deferred								
	- other		197						
2.2	Loans to banks	482	15,065	824					
	- Current account	346							
	- Other loans	136	15,065	824					
2.3	Debt securities								
	- with redemption deferred								
2.4	- other								
	Other liabilities								
	- with redemption deferred								
	- other								

3	**Derivatives**
3.1	with underlying security - Options + Long of stock + Short of stock - other derivatives + Long of stock
3.2	+ Short of stock Without underlying security - Options + Long of stock + Short of stock - other derivatives + Long of stock + Short of stock

4. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
Value: SWISS FRANC - CHF

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1 Cash assets	**2,917**							
1.1 Debt securities								
- with redemption deferred								
- other								
1.2 Loans to banks	2,197							
1.3 Loans to customers								
- Current account								
- Other loans								
- with redemption deferred								
- other								
2 Cash liabilities	**2,884**							
2.1 Loans to customers	702							
- Current account	702							
- Other loans								
- with redemption deferred								
- other								
2.2 Loans to banks	2,182							
- Current account	2,182							
- Other loans								
2.3 Debt securities								
- with redemption deferred								
2.4 - other								
Other liabilities								
- with redemption deferred								
- other								

3	**Derivatives**
3.1	with underlying security - Options + Long of stock + Short of stock - other derivatives + Long of stock
3.2	+ Short of stock Without underlying security - Options + Long of stock + Short of stock - other derivatives + Long of stock + Short of stock

5. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
Value: YEN JAPAN - JPY

Type/Residual maturity		On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1	**Cash assets**	**38**	**574**						
1.1	Debt securities								
	- with redemption deferred								
	- other								
1.2	Loans to banks	38	574						
1.3	Loans to customers								
	- Current account								
	- Other loans								
	- with redemption deferred								
	- other								
2	**Cash liabilities**	**77**	**424**						
2.1	Loans to customers								
	- Current account								
	- Other loans								
	- with redemption deferred								
	- other								
2.2	Loans to banks	77	424						
	- Current account								
	- Other loans								
2.3	Debt securities	77	424						
	- with redemption deferred								
2.4	- other								
	Other liabilities								
	- with redemption deferred								
	- other								

3	**Derivatives**
3.1	with underlying security - Options + Long of stock + Short of stock - other derivatives + Long of stock
3.2	+ Short of stock Without underlying security - Options + Long of stock + Short of stock - other derivatives + Long of stock + Short of stock

6. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
Value: OTHER CURRENCIES

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Oltre 10 years	Indefinite duration
1 Cash assets	**98**	**6**						
1.1 Debt securities								
- with redemption deferred								
- other								
1.2 Loans to banks	98							
1.3 Loans to customers		7						
- Current account								
- Other loans		7						
- with redemption deferred								
- other		7						
2 Cash liabilities	**59**							
2.1 Loans to customers								
- Current account								
- Other loans								
- with redemption deferred								
- other								
2.2 Loans to banks	59							
- Current account	21							
- Other loans	38							
2.3 Debt securities								
- with redemption deferred								
2.4 - other								
Other liabilities								
- with redemption deferred								
- other								

3	**Derivatives**
3.1	with underlying security
	- Options
	+ Long of stock
	+ Short of stock
	- other derivatives
	+ Long of stock
3.2	+ Short of stock
	Without underlying security
	- Options
	+ Long of stock
	+ Short of stock
	- other derivatives
	+ Long of stock
	+ Short of stock

Section 2.3 – Price risk – Supervisory trading portfolio

QUALITATIVE INFORMATION

A. GENERAL ASPECTS

B. MANAGEMENT PROCEDURE AND MEASURING METHODS OF PRICE RISK

QUANTITATIVE INFORMATION

1. Trading portfolio: cash exposures in equity securities and units collective investment undertakings

Type of transaction / Values		Book value	
		Listed	Unlisted
A	**Equity securities**	**1,438**	
A1	Shares	1,438	
A2	Innovative equity instruments		
A3	Other equity securities		
B	**Units collective investment undertakings**		
B1	Of Italian law		
	- Harmonized open		
	- non-harmonized open		
	- closed		
	- restricted		
	- speculatives		
B2	Of other European Countries		
	- Harmonized		
	- Harmonized open		
	- non-harmonized open		
B3	Of non-European Countries		
	- open		
	- closed		
Total		**1,438**	

2. Supervisory trading portfolio: exposures distribution in equity securities and share index for main Countries of stock market

Type of transaction / Share index	Listed			Unlisted
	Italy	Paese2	Country...	
A Equity securities				
+ Long of stock				
+ Short of stock				
B Equity security tradings not settled yet				
+ Long of stock	719			
+ Short of stock				
C Other derivatives on equity securities	**719**			
+ Long of stock				
+ Short of stock				
D Derivatives on share index				
+ Long of stock				
+ Short of stock				

3. Eligible trading book: internal models and other sensitivity-analysis methods

Section 2.4 Price risk- Banking portfolio

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, MANAGEMENT PROCEDURE AND MEASURING METHODS OF CURRENCY RISK

B. Hedges of price risks

QUANTITATIVE INFORMATION

1. Banking portfolio: cash exposures in equity securities and units collective investment undertakings

Type of transactions / Values		Book value	
		Listed	Unlisted
A	**Equity securities**		**63**
A1	Shares		63
A2	Innovative equity instruments		
A3	Other equity securities		
B	**Units collective investment undertakings**		
B1	Of Italian law		
	- Harmonized open		
	- non-harmonized open		
	- closed		
	- restricted		
	- speculatives		
B2	Of other European Countries		
	- Harmonized		
	- Harmonized open		
	- non-harmonized open		
B3	Of non-European Countries		
	- open		
	- closed		
Total			**63**

2. Banking book: internal models and other sensitivity-analysis methods

Section 2.5 – Currency risk

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, MANAGEMENT PROCEDURE AND MEASURING METHODS OF CURRENCY RISK

UBAE’s banking book denotes a prevalence of US dollars for short-term funding and euros for earning assets.

Securities making up the trading portfolio are mostly denominated in euros. Dealing in forward exchange rate derivatives may increase the Bank’s global exposure to exchange rate risk insofar as it holds assets and liabilities denominated in other currencies.

Risk Management makes periodic measurements of the Bank’s global exposure to exchange rate risk and reports the outcome to the Capital Markets Division and the Risk Committee.

Intraday and overnight limits for global exposure to exchange rate risk are approved by the Board of Directors, administered by the Risk Committee and monitored daily by Risk Management.

If a limit is approached, the situation is swiftly analyzed and steps to reduce the exposure taken if and as necessary.

B. HEDGES OF CURRENCY RISKS

The Capital Markets Division ensures a macro-coverage of financial flows denominated in non-euro currencies by holding interest rate and exchange rate derivatives (currency swaps) as dictated by its appreciation of the market.

QUANTITATIVE INFORMATION

1. Distribution for denomination currency of assets/liabilities and derivatives

Items		Currencies					
		USA Dollar	Pounds	Yen	Canadian Dollar	Swiss Franc	Other Currencies
A	**Financial assets**	**1,112,900**	**15,832**	**612**	**2**	**2,917**	**108**
A1	Debt securities	9,323					
A2	Equity securities	3					5
A3	Loans to banks	1,013,980	15,831	612	2	2,917	96
A4	Loans to customers	89,594	1				7
A5	Other financial assets						
B	**Other assets**						
C	**Financial liabilities**	**1,013,333**	**16,648**	**501**		**2,884**	**59**
C1	Due to banks	999,166	16,371	501		2,182	59
C2	Due to customers	14,167	277			702	
C3	Debt securities						
D	**Other liabilities**	**75,219**					
E	**Financial derivatives**	**17,873**	**852**	**303**			
	- Options						
	+ Long of stock						
	+ Short of stock						
	- other derivatives	17,873	852	303			
	+ Long of stock	184,356	20,085				
	+ Short of stock	202,229	19,233	303			
Total of assets		**1,297,256**	**35,917**	**612**	**2**	**2,917**	**108**
Total of liabilities		**1,290,781**	**35,881**	**804**		**2,884**	**59**
Profit (+/-)		**6,475**	**36**	**-192**	**2**	**33**	**49**

2. Internal models and other sensitivity-analysis methods

Section 2.6 Financial derivative instruments

A. FINANCIAL DERIVATIVES

A.1 Supervisory trading portfolio: average notional values (at the end of the period)

Type of transactions / Underlyings	Debt securities and interest rates		Equity secyrutues and share index		Currency rates and golds		Other values		Total 2007		Total 2006	
	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled
1 Forward rate agreement		100,000								100,000		
2 Interest rate swap		278,704								278,704		148,390
3 Domestic currency swap												
4 Currency interest rate swap												
5 Basis swap												
6 Share index exchanges												
7 Real index exchanges												
8 Futures												
9 Options cap												
- Acquirements												
- Isuued												
10 Options floor												
- Acquirments												
- Isuued												
11 Other options												
- Acquirements												
- Plain Vanilla												
- Exotics												
Issued												

	- Plain Vanilla							
	- Exotics							
12	Future Contracts		715	225,282	715	225,282	231	309,636
	- Acquirements			103,979		103,979		124,191
	- Sales		715	121,303	715	121,303	231	184,377
	- Currencies against currencies							1,068
13	Other derivative contracts							
Total		**378,704**	**715**	**225,282**	**715**	**603,986**	**231**	**458,026**
Average Value		**172,218**	**627**	**267,048**	**627**	**439,266**		**589,771**

A.2 Banking portfolio: average notional values (at the end of the period)

A.2.1 Hedging

Type of transactions / Underlyings	Debt securities and interest rates		Equity secyrutues and share index		Currency rates and golds		Other values		Total 2007		Total 2006	
	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled
1 Forward rate agreement												
2 Interest rate swap												
3 Domestic currency swap												
4 Currency interest rate swap												
5 Basis swap												
6 Share index exchanges												
7 Real index exchanges												
8 Futures												
9 Options cap												
- Acquirments												
- Isuued												
10 Options floor												
- Acquirments												
- Issued												
11 Other options												
- Acquirements												
- Plain Vanilla												
- Exotics												
Issued												
- Plain Vanilla												
- Exotics												
12 Future Contracts												
- Acquirements												
- Sales												
- Currencies against currencies												
13 Other derivative contracts												
Total												
Average values												

A.2.2 Other derivatives

Type of transactions / Underlyings	Debt securities and interest rates		Equity secyrutues and share index		Currency rates and golds		Other values		Total 2007		Total 2006	
	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled
1 Forward rate agreement												
2 Interest rate swap												
3 Domestic currency swap												
4 Currency interest rate swap												
5 Basis swap												
6 Share index exchanges												
7 Real index exchanges												
8 Futures												
9 Options cap												
- Acquirments												
- Isuued												
10 Options floor												
- Acquirments												
- Issued												
11 Other options												
- Acquirements												
- Plain Vanilla												
- Exotics												
Issued												
- Plain Vanilla												
- Exotics												
12 Future Contracts												
- Acquirements												
- Sales												
- Currencies against currencies												
13 Other derivative contracts												
Total												
Average values												

A.3 Financial derivatives: Purchase and sale of underlyings

Type of transactions / Underlyings	Debt securities and interest rates		Equity secyrutues and share index		Currency rates and golds		Other values		Total 2007		Total 2006	
	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled
A Supervisory trading portfolio		**378,704**	**715**			**225,282**			**715**	**603,986**	**231**	**458,026**
1 Transactions with equity exchange			715			225,282			715	225,282	231	309,636
- Purchases						103,979				103,979		124,191
- Sales			715			121,303			715	121,303	231	184,377
- Currencies against												1,068
2 Currencies Transactions without equity exchange		378,704								378,704		148,390
- Purchases		58,397								58,397		8,797
- Sales		320,307								320,307		139,593
- Currencies against currencie												
B Banking portfolio:												
B1 Hedging												
1 Transactions with equity exchange												
- Purchases												
- Sales												
- Currencies against currencies												
2 Transactions without equity exchange												
- Purchases												

	- Sales
	- Currencies against currencies
B2	**Other derivatives**
1	Transactions with equity exchange
	- Purchases
	- Sales
	- Currencies against currencies
2	Transactions without equity exchange
	- Purchases
	- Sales
	- Currencies against currencies

A.4 Financial derivatives "over the counter" : positive fair value – Counterparty risk

Counterparties / Underlyings	Debt securities and interest rates			Equity securities and share		
	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure
A Supervisory trading portfolio						
A1 Governments and central banks						
A2 Public entities						
A3 Banks	1,419		457			
A4 Financial companies						
A5 Insurance undertakings						
A6 Non financial companies						
A7 Other						
Total 2007	**1,419**		**457**			
Total 2006	**1,011**		**332**			
B Banking portfolio:						
B1 Governments and central banks						
B2 Public entities						
B3 Banks						
B4 Financial companies						
B5 Insurance undertakings						
B6 Non financial companies						
B7 Other						
Total (B)						

Currency rates and gold			Other values			Different underlyings	
Gross not netted	**Gross netted**	**Future exposure**	**Gross not netted**	**Gross netted**	**Future exposure**	**Netted**	**Future exposure**
209		55					
2,029		895					
2,238		**950**					
4,915		**1,194**					

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

Counterparties / Underlyings	Debt securities and interest rates			Equity securities and share		
	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure
A Supervisory trading portfolio						
A1 Governments and central banks						
A2 Public entities						
A3 Banks	763		255			
A4 Financial companies						
A5 Insurance undertakings						
A6 Non financial companies						
A7 Other						
Total 2007	**763**		**255**			
Total 2006	**716**		**169**			
B Banking portfolio:						
B1 Governments and central banks						
B2 Public entities						
B3 Banks						
B4 Financial companies						
B5 Insurance undertakings						
B6 Non financial companies						
B7 Other						
Total (B)						

Currency rates and gold			Other values			Different underlyings	
Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Netted	Future exposure
1,946		844					
1,946		**844**					
7,146		**1,319**					

A.6 Residual maturity of financial derivatives "over the counter": notionals values

Underlyings / Residual maturity		Up to 1 year	Over 1 year and up to 5	Over 5 year	Total
A	**Supervisory trading portfolio**	522,382	7,300	45,019	604,701
A1	Financial derivatives on debt securities and interst rates	326,385	7,300	45,019	378,704
A2	Financial derivatives on equity securities and equity indices	715			715
A3	Financial derivatives on exchange rates and gold	225,282			225,282
A4	Financial derivatives on other assets				
B	**Banking portfolio**				
B1	Financial derivatives on debt securities and interst rates				
B2	Financial derivatives on equity securities and equity indices				
B3	Financial derivatives on exchange rates and gold				
B4	Financial derivatives on other assets				
Total		**552,382**	**7,300**	**45,019**	**604,701**

B. CREDIT DERIVATIVES

B.1 Credit derivatives: notional and book values

Categories of transactions		Supervisory trading portfolio		Other transactions	
		Individual party	More than one party (basket)	Individual party	More than one party (basket)
1	**Purchases of protection**				
1.1	With equity exchange (with specific indicationof the contract forms)				
1.2	Without equity exchange (with specific indicationof the contract forms)				
Total					
Average values					
2	**Sales of protection**				
2.1	With equity exchange (with specific indicationof the contract forms)			2,500	
2.2	Without equity exchange (with specific indicationof the contract forms)				
Total 2007				**2,500**	
Total 2006				**2,500**	
Average values				**2,500**	

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

Type of transactions / Values		Natuonal values	Positive Fair value	Future exposure
A	**Supervisory trading portfolio**			
A.1	Purchases of protection with counterparty			
1	Governments and central banks			
2	Public entities			
3	Banks			
4	Financial companies			
5	Insurance undertakings			
6	Non financial companies			
7	Other			
A.2	Sales of protection with counterparty			
1	Governments and central banks			
2	Public entities			
3	Banks			
4	Financial companies			
5	Insurance undertakings			
6	Non financial companies			
7	Other			
B	**BANKING PORTFOLIO**			
B.1	Purchases of protection with counterparty			
1	Governments and central banks			
2	Public entities			
3	Banks			
4	Financial companies			
5	Insurance undertakings			
6	Non financial companies			
7	Other			
B.2	Sales of protection with counterparty			
1	Governments and central banks			
2	Public entities			
3	Banks			
4	Financial companies			
5	Insurance undertakings			
6	Non financial companies			
7	Other			
Total				

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

Type of transactions / Values		Notional values	Negative Fair value
	Supervisory trading portfolio		
1	**Purchases of protection with counterparty**		
1.1	Governments and central banks		
1.2	Public entities		
1.3	Banks		
1.4	Financial companies		
1.5	Insurance undertakings		
1.6	Non financial companies		
1.7	Other		
Total			

B.4 Residual maturity of drivative contracts: notional values

Underlyings / Residual maturity		Up to 1 year	Over 1 year and up to 5	Over 5 year	Total
A	**Supervisory trading portfolio**				
A1	Credit derivatives with “reference obbligation” “qualified”				
A2	Credit derivatives with “reference obbligation” “not qualified”				
B	**BANKING PORTFOLIO**		2,500		2,500
B1	Credit derivatives with “reference obbligation” “qualified”		2,500		2,500
B2	Credit derivatives with “reference obbligation” “not qualified”				
Total 2007			**2,500**		**2,500**
Total 2006			**2,500**		**2,500**

Section 3 –Liquidity Risk

QUALITATIVE INFORMATION

A. GENERAL ASPECTS

As with interest rate risk in the banking book, banks do not need to calculate an additional capital requirement against liquidity risk under Pillar II of the Basel 2 framework. (Liquidity risk refers to a counterparty's failure to meet payment obligations as a result of a sudden inability to raise the necessary funds on the market and/or to liquidate positions in financial instruments promptly). They must, however, guard against liquidity risk by adopting suitable monitoring and audit procedures which have scope for scenario (what-if) analyses and stress tests in relation to prospective liquidity crises in the market.

Unlike its approach to interest rate risk, Banca d'Italia does not foresee a core risk indicator and a corresponding operating limit for liquidity risk. Its method - the liquidity cash flow method - is consistent with the aim of monitoring risk size continuously (mismatchings between incoming and outgoing cash flows for any given maturity are made available automatically by MF) but needs further refining to allow for scenario analyses and proper contingency planning.

B. MANAGEMENT PROCEDURE AND MEASURING METHODS OF LIQUIDITY RISK

Banca UBAE invests primarily on the interbank money market. For practical purposes, the Capital Markets Division is nonetheless evaluating the possibility of resorting to extraordinary credit lines in the Bank's favour to deal with potential liquidity crises.

Besides, the Middle Office periodically verifies the existence of an "active market" for the financial instruments in the HFT portfolio so that any risk that such assets might not be amenable to liquida-tion is duly monitored.

QUANTITATIVE INFORMATION

1 Temporal distribution for contract residual duration of financial assets/liabilities – denomination value: EURO - ECU

Items/Temporal bracket		On sight	Over 1 up to 7 days	Over 7 up to 15 days	Over 1 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 years	Over 1 up to 5 years	Over 5 Years	Indefinite
A	**Cash assets**	**328,182**	**108,268**	**8,006**	**339,870**	**561,526**	**44,172**	**28,263**	**52,590**	**61,192**	**138**
A1	Government securities								206		
A2	Listed debt securities					10,569	12,174	14,865	29,569	50,934	
A3	Other debt securities										
A5	Units collective investment undertakings										
	Loans	328,182	108,268	8,006	339,870	550,957	31,998	13,398	22,815	10,258	138
	- Banks	325,667	108,268	2,381	330,698	530,912	27,429	12,224	20,160	2,541	
	- Customers	2,515		5,625	9,172	20,045	4,569	1,174	2,655	7,717	138
B	**Cash liabilities**	**304,207**	**172,726**	**17,188**	**247,680**	**602,508**	**2,137**	**14,346**	**48,416**		
B1	Deposits	304,207	172,726	17,188	247,680	602,508	2,137	14,346	48,416		
	- Banks	242,537	126,803	16,208	247,229	602,182	2,055	14,346	48,416		
	- Customers	61,670	45,923	980	451	326	82				
B2	Debt securities										
B3	Other liabilities										
C	**"Off-balance" transactions**										
C1	Financial derivatives with equity exchange		208,161	10,885	11,078						
	+ Long of stock		107,730	10,885	5,613						
	+ Short of stock		100,431		5,465						
C2	Financial deposits to receive										
	+ Long of stock										
C3	+ Short of stock										
	Irrevocables commitment to disburse funds								5,000		
	+ Long of stock								2,500		
	+ Short of stock								2,500		

2 Temporal distribution for contract residual duration of financial assets/liabilities – denomination value: US Dollar - USD

Items / Temporal bracket		On sight	Over 1 up to 7 days	Over 7 up to 15 days
A	**Cash assets**	**290,053**	**69,703**	**97,208**
A1	Government securities			
A2	Listed debt securities			
A3	Other debt securities			
A4	Units collective investment undertakings			
A5	Loans	290,053	69,703	97,208
	- Banks	290,047	33,554	58,064
	- Customers	6	36,149	39,144
B	**Cash liabilities**	**392,179**	**88,973**	**47,117**
B1	Deposits	316,960	88,973	47,117
	- Banks	308,274	88,174	45,336
	- Customers	8,686	799	1,781
B2	Debt securities			
B3	Other liabilities	75,219		
C	**“Off-balance” transactions**			
C1	Financial derivatives with equity exchange		174,929	10,731
	+ Long of stock		83,893	
	+ Short of stock		91,036	10,731
C2	Financial deposits to receive		10,523	3,399
	+ Long of stock		10,523	
	+ Short of stock			3,399
C3	Irrevocables commitment to disburse funds			
	+ Long of stock			
	+ Short of stock			

Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 up to 5 years	Over 5 years	Indefinite
12,743	**237,251**	**260,240**	**95,718**	**38,640**	**7,341**	
				3,285	6,038	
12,743	237,251	260,240	95,718	35,355	1,303	
12,743	228,938	259,346	94,630	35,355	1,303	
	8,313	894	1,088			
57,710	**217,796**	**281,373**	**3,404**			
57,710	217,796	281,373	3,404			
54,828	217,777	281,373	3,404			
2,882	19					
2,724	4,400					
2,724	4,400					

3 Temporal distribution for contract residual duration of financial assets/liabilities – denomination value: Pound Sterlin - GBP

Items/Temporal bracket	On sight	Over 1 up to 7 days	Over 7 up to 15 days	Over 1 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 years	Over 1 up to 5 years	Over 5 Years	Indefinite
A Cash assets	**623**	**13,696**		**689**		**824**				
A1 Government securities										
A2 Listed debt securities										
A3 Other debt securities										
A4 Units collective investment undertakings										
A5 Loans	623	13,696		689		824				
- Banks	622	13,696		689		824				
- Customers	1									
B Cash liabilities	**562**	**14,376**		**715**	**171**	**824**				
B1 Deposits	562	14,376		715	171	824				
- Banks	482	14,376		689		824				
- Customers	80			26	171					
B2 Debt securities										
B3 Other liabilities										
C "Off-balance" transactions										
C1 Financial derivatives with equity exchange		28,266		11,052						
+ Long of stock		14,634		5,451						
+ Short of stock		13,632		5,601						
C2 Financial deposits to receive										
+ Long of stock										
+ Short of stock										
C3 Irrevocables commitment to disburse funds										
+ Long of stock										
+ Short of stock										

4 Temporal distribution for contract residual duration of financial assets/liabilities – denomination value: Swisse Franc - CHF

Items/Temporal bracket		On sight	Over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 years	Over 1 up to 5 years	Over 5 Years	Indefinite
A	**Cash assets**	**2,917**									
A1	Government securities										
A2	Listed debt securities										
A3	Other debt securities										
A4	Units collective investment undertakings										
A5	Loans	2,917									
	- Banks	2,917									
	- Customers										
B	**Cash liabilities**	**2,884**									
B1	Deposits	2,884									
	- Banks	2,182									
	- Customers	702									
B2	Debt securities										
B3	Other liabilities										
C	**“Off-balance” transactions**										
C1	Financial derivatives with equity exchange										
	+ Long of stock										
	+ Short of stock										
C2	Financial deposits to receive										
	+ Long of stock										
	+ Short of stock										
C3	Irrevocables commitment to disburse funds										
	+ Long of stock										
	+ Short of stock										

5 Temporal distribution For contract residual duration of financial assets/liabilities – denomination value: Yen Japan - JPY

Items/Temporal bracket		On sight	Over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 years	Over 1 up to 5 years	Over 5 Years	Indefinite
A	**Cash assets**	**38**		**574**							
A1	Government securities										
A2	Listed debt securities										
A3	Other debt securities										
A4	Units collective investment undertakings	38		574							
A5	Loans										
	- Banks	38		574							
	- Customers										
B	**Cash liabilities**	**77**		**424**							
B1	Deposits	77		424							
	- Banks	77		424							
	- Customers										
B2	Debt securities										
B3	Other liabilities										
C	**"Off-balance" transactions**		303								
C1	Financial derivatives with equity exchange		303								
	+ Long of stock										
	+ Short of stock		303								
C2	Financial deposits to receive										
	+ Long of stock										
	+ Short of stock										
C3	Irrevocables commitment to disburse funds										
	+ Long of stock										
	+ Short of stock										

6. Temporal distribution For contract residual duration of financial assets/liabilities – denomination value: other currencies

Items/Temporal bracket		On sight	Over 1 up to 7 days	Over 7 up to 15 days	Over 1 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 years	Over 1 up to 5 years	Over 5 Years	Indefinite
A	**Cash assets**	**98**		**7**							
A1	Government securities										
A2	Listed debt										
A3	securities										
A4	Other debt securities										
A5	Units collective investment undertakings										
	Loans	98		7							
	- Banks	98									
	- Customers			7							
B	**Cash liabilities**	**59**									
B1	Deposits	59									
	- Banks	59									
	- Customers										
B2	Debt securities										
B3	Other liabilities										
C	**"Off-balance" transactions**										
C1	Financial derivatives with equity exchange										
	+ Long of stock										
	+ Short of stock										
C2	Financial deposits to receive										
	+ Long of stock										
C3	+ Short of stock										
	Irrevocables commitment to disburse funds										
	+ Long of stock										
	+ Short of stock										

7. Distribution of financial liabilities

Exposures/Counterparty	Gov. and central banks	Public entities	Financial companies	Insurance undertakings	Non financial companies	Other
1 Due to customers		5,487	12,068	8,570	89,804	8,649
2 Securities in issue						
3 Financial liabilities held for trading						
4 Financial liabilities at fair value						
Total 2007		**5,487**	**12,068**	**8,570**	**89,804**	**8,649**
Total 2006		**9,756**	**5,779**	**10,384**	**39,147**	**7,399**

8. Sectorial distribution of financial liabilities

Exposures/Counterparty	Italy	Other European Countries	America	Asia	Rest of the world
1 Due to customers	18,935	69,032	9,127	860	26,624
2 Due to banks	1,955	32,657		1,115,838	1,167,604
3 Securities in issue					
4 Financial liabilities held for trading	1,304	1,260		143	1
5 Financial liabilities at fair value					
Total 2007	**22,194**	**102,949**	**9,127**	**1,116,841**	**1,194,229**
Total 2006	**27,434**	**74,611**	**4,754**	**322,411**	**1,032,794**

Section 4 – Operational Risk

QUALITATIVE INFORMATION

A GENERAL ASPECTS

Banca UBAE calculates its capital requirement against operational risks by applying the Basic Indicator Approach, in conformity with central bank regulations.

B MANAGEMENT PROCEDURE AND MEASURING METHODS OF OPERATIVE RISKS

To improve the quality and smoothness of all processes, the Organizational Development Dept. conducts yearly self risk assessment sessions with support from the Risk Management Dept. These involve the heads of the Bank’s main business and supporting units and are meant i) to identify the areas where operational risk is a potential problem, ii) to devise the appropriate remedies.

Before any new products or services are introduced, moreover, a thorough assessment of the risks associated with the new activity will be drawn up by the Capital Markets Division in collaboration with the Organization & IT Division, the Risk Management Dept. and the Internal Auditing Dept. and will be submitted to the Management.

QUANTITATIVE INFORMATION

Section 5 – Other Risk – Counterparty And Settlement Risk

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, MANAGEMENT PROCEDURE AND MEASURING METHODS OF COUNTERPARTY RISK

Dealing in OTC interest- and exchange-rate derivatives generates the risk that a counterparty will default on its contractual payment obligations when these fall due.

Counterparty risk is monitored, both as a whole and with reference to specific kinds of exposure, by the MF front-office system which manages the entire limit framework.

Banking and corporate counterparties authorized to negotiate forward derivatives are granted ad hoc credit lines by the Board of Directors, the Credit Committee or other competent bodies or officials.

Limits are monitored by MF through the daily recalculation of all outstanding positions on the basis of the latest prices.

If a pre-established percentage (90%) of any given limit is approached, steps are taken to safeguard the Bank’s exposure - possibly including a freeze on dealings with the counterparty concerned.

B. GENERAL ASPECTS, MANAGEMENT PROCEDURE AND MEASURING METHODS OF SETTLEMENT RISK

Settlement risk is kept to a minimum because the negotiation of forex and other financial instru-ments both listed and unlisted (aside from OTC derivatives, which generate counterparty risk) is always subject to a payment-versus-delivery clause.

QUANTITATIVE INFORMATION

Section 1 – Shareholders' equity of the Company

A. QUALITATIVE INFORMATION

B. QUANTITATIVE INFORMATION

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

1. Tier 1 capital

2. Tier 2 capital

3. Tier 3 capital

B. QUANTITATIVE INFORMATION

		Total 2007	Total 2006
A	**Tier 1 capital before prudential filters**	**176,607**	**168,876**
B	Tier 1 capital prudential filters	**0**	**0**
B.1	- positive IAS/IFRS prudential filters	**0**	**0**
B.2	- negative IAS/IFRS prudential filters	**0**	**0**
C	**Tier 1 capital before deductible items (A+B)**	**176,607**	**168,876**
D	**Tier 1 deductible items**	**0**	**0**
E	**Total capital (TIER1)(C-D)**	**176,607**	**168,876**
F	**TIER 2 capital before prudential filters**	**0**	**0**
G	Tier 2 capital prudential filters	**39,200**	**34,310**
G.1	- positive IAS/IFRS prudential filters	**0**	**0**
G.2	- negative IAS/IFRS prudential filters		
H	Tier 2 capital before deductible item (F+G)	**39,200**	**34,310**
J	item to be deducted from Tier 2 capital	**0**	**0**
L	**Total Tier 2 capital (h-j)**	**39,200**	**34,310**
M	items to be deducted from Tier 1 and Tier 2 combined tota	**0**	**0**
N	**Eligible capital (E+L-M)**	**215,807**	**203,186**
O	**Tier 3 capital (TIER 3)**	**0**	**0**
P	**Eliglible capital inclusive of TIER 3 capital (N+O)**	**215,807**	**203,186**

Section 2.2 Capital adequacy

A. QUALITATIVE INFORMATION

B. QUANTITATIVE INFORMATION

Categories/Values		Weighted amount		Non-weightted amount	
		Total 2007	Total 2006	Total 2007	Total 2006
A	**RISK ASSETS**				
A1	Credit risk				
	STANDARD METHODOLOGY				
	CASH ASSETS	2,586,690	1,836,821	678,849	490,811
1	Exposures (other than capital instruments and other subordinated assets) to (or guaranteed by):				
1.1	Governments and central banks	23,035	48,261	2,304	7,430
1.2	Public entities	2,828	1,179	2,828	1,179
1.3	Banks	2,389,468	1,659,671	505,070	357,404
1.4	Other (other than morgage loans on residential and non-residential buildings)	135,552	86,583	135,553	86,574
2	Mortgage loans on residential buildings	4,960	5,373	2,480	2,687
3	Mortgage loans on non-residential buildings				
4	Shares, equity participations and subordinated assets	63	5,017	63	5,017
5	Other cash assets	30,784	30,737	30,551	30,520
	OFF-BALANCE-SHEET ASSETS	3,002,376	2,441,508	228,433	177,879
1	Guarantees and commitments to (or guaranteed by)	3,002,376	2,441,508	228,433	177,879
1.1	Governments and central banks	45,099	49,235	894	14,051
1.2	Public entities		0		
1.3	Banks	2,245,029	1,808,734	85,028	42,487
1.4	Other	712,248	583,539	142,511	121,341
2	Derivative contracts with (or guaranteed by)	0	0	0	0
2.1	Governments and central banks				
2.2	Public entities				
2.3	Banks				
2.4	Other				
B	**CAPITAL REQUIREMENTS**				
B1	CREDIT RISK	72,583	53,495		
B2	MARKET RISK	4,320	3,027		
1	STANDARD METHODOLOGY				
	of which:				
	+ position risk on debt securities	4,108	2,869		
	+ position risk on equity securities	115			
	+ Currency risk				
	+ Other risks	97	158		
2	INTERNAL MODELS				
	of which:				
	+ position risk on debt securities				
	+ position risk on equity securities				
	+ Currency risk				
B3	OTHER PRUDENTIAL REQUIREMENTS	1,085	1,085		
B4	TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	77,988	57,607		
	SUPERVISORY				

C	**Risk assets and capital ratios**		
C1	Risk weighted assets	974,842	720,082
C2	Tier 1 capital ratio	18.12%	23.45%
C3	Total capital ratio	22.14%	28.22%

Section 1 Transactions realized during the period

1.1 Aggregate transactions

1.1 Other information on aggregate transactions

1.2.1 Goodwill yearly changes

1.2.2 other

Section 2 Transactions realized after the period

2.1 Aggregate transactions

1 Information on the compensation of Diretors and Management

The table below shows outlays in favour of the Board of Directors, Board of Auditors, and Management.

	Description		2007
(1)	Short-term benefits		**1,788**
	- Directors	845	
	- Auditors	88	
	- Management	855	
(2)	Post-severance benefits		**46**
(3)	Other benefits		**177**

(1) fixed and variable amounts payable to Directors and Auditors plus Management salaries and social charges

(2) Bank’s contribution to severance-payment allocations

(3) any other benefits sanctioned by the law and the Internal Regulations including Directors’ travel expenses

2 INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

2.1 Dealings with the lead shareholder

The Bank's dealings with its lead shareholder form part of its ordinary business operations and are conducted at market prices, as is the case with unrelated parties of similar credit standing.

Description	31/12/2007
Financial assets	**5,589**
Financial liabilities	**962,274**
Guarantees outstanding	**69,831**

A. QUALITATIVE INFORMATION

1. Description of payment agreements based on own capital instruments

B. QUANTITATIVE INFORMATION

1. Yearly changes

Items / Number of options and period prices		Total 2007			Total 2006		
		Number of options	Average period prices	average maturity	Number of options	Average period prices	average maturity
A	**Opening balance**						
B	**Increases**						
B1	New issues						
B2	Other changes						
C	**Decreases**						
C1	Cancelled						
C2	Exercised						
C3	Lapsed						
C4	Other changes						
D	**Closing balance**						
E	**Options exercitables at the end of the period**						

AGENDA

1. Review and approval of the accounts for the financial year ended 31 December 2007 and of the Directors' report on operations
2. Statutory Auditors' report
3. Independent Auditors' report
4. Proposal for the allocation of net profit and resolutions pertaining thereto
5. Grant of a remuneration to Directors in relation to 2007 profit results
6. Appointment of Directors

Having taken due cognizance of the Directors' report on operations, the Statutory Auditors' report and the Independent Auditors' report accompanying the accounts for the year ended 31 December 2007, the AGM unanimously:

- approved the financial statements for the year to 31 December 2007 and discharged the Board of Directors of any liability in relation thereto;

- accepted the Board of Directors' recommendation that net profit be allocated as follows:

- Net profit	EUR 7,689,037.00
- 5% to Legal Reserve (art. 30, para. a) of the Articles of Association)	EUR 384,800.00
- Residual gain	EUR 7,304,237.00
- Retained profit	EUR 4,044.23
	EUR 7,308,281.23
- Appropriation to Extraordinary Reserve (art. 30, para. b) of the Articles)	EUR 7,305,030.00
- Profit to be retained	EUR 3,251.23

Following such allocation, reserves will total EUR 40,951,706.90. Shareholders' equity (comprising paid-up share capital, reserves and the share premium fund) will add up to EUR 177,271,296.90.

The AGM moreover:

- **unanimously approved** the appointment of Messrs. Selim K. Ihmouda and Hadi N. Coobar to represent Libyan Foreign Bank and of Mr. Alberto Rossetti to represent UniCredito Italiano on the Board of Directors, it being understood that they would remain in office until the approval of the 2008 accounts.

The AGM voiced gratitude and appreciation for the authority with which Mr. Antonio Ciocio had contributed to the Bank's governance during his tenure as Vice Chairman (before stepping down in September 2007).
The AGM likewise thanked the Board and the Auditors for discharging their respective duties with unwavering dedication. In acknowledging that Mr. Biagio Matranga would be leaving the Bank at the end of April when his service contract expired, the AGM commended him, the entire Management team and all staff members, whose commitment had made Banca UBAE's year-end result possible.

AGENDA

A) Proposal to increase share capital from EUR 136,319,590.00 to EUR 143,624,470.00 by issuing 66,408 new free common shares of EUR 110.00 each to the Bank's Shareholders in proportion to their respective current holdings
B) Amendment to art. 6 of the Articles of Association

By a unanimous vote expressed as stipulated by the law, the ESM

RESOLVED

1. to increase the Bank's capital, on a bonus basis, from EUR 136,319,590.00 to EUR 143,624,470.00 by drawing on the Extraordinary Reserve, whose residual amount would thus be EUR 7,730,120.00; for this purpose, to issue 66,408 free common shares of EUR 110.00 each to the Bank's existing Shareholders in proportion to their current stakes, that is:

33,158 shares to Libyan Foreign Bank
11,701 shares to National Société Générale Bank
7,166 shares to UniCredito Italiano SpA
3,579 shares to SOFID SpA
3,095 shares to Bank Al Maghrib
2,882 shares to BMCE Banque Marocaine du Commerce Extérieur
2,437 shares to Sansedoni SpA
1,195 shares to Intesa Sanpaolo SpA
1,195 shares to Telecom Italia SpA

2. consequently to amend art. 6 of the Articles of Association so that it should read as follows:

quote

Article 6

Company capital

The share capital of the Bank is 143,624,470 (one hundred and forty-three million six hundred and twenty-four thousand four hundred and seventy) euros divided into 1,305,677 (one million three hundred and five thousand six hundred and seventy-seven) registered shares of 110 (one hundred and ten) euros each.

In accordance with the resolution passed by the extraordinary general meeting of shareholders on 27.4.2001, share capital increased to a maximum of 241,304,910 euros solely in connection with and for the purposes of exercising the right to subscribe common shares for a maximum total of 1,000,000 common shares, which shall be reserved for the holders of “Warrants for Banca UBAE SpA Common Shares 2001/2011” as referred to in the aforesaid resolution, on the terms stipulated therein, it being understood that such capital increase shall be deemed irrevocable throughout the subscription period and up to the established final expiry date, and shall be restricted to the amount of shares resulting from the exercise of the aforesaid subscription rights.
unquote

Banca UBAE - Front view

Banca UBAE - Reception

Our mission

Board of Directors

To become the preferred advisor and partner for Companies and Financial Institutions wishing to create or enhance commercial, financial, industrial and economic relations between Europe and the countries in North Africa and the Middle East