GRUPPO BANCA CR FIRENZE

Consolidated Financial Statements
at 31 December 2007

Contents

Banca CR Firenze Group - Summary consolidated data

(millions of euros)	31 December 2007	31 December 2006	Change %
CONSOLIDATED INCOME STATEMENT DATA			
Net interest margin	712	573	+24.3%
Net commissions and recoveries from customers	293	285	+2.8%
Overall business margin	1,080	1,004	+7.6%
Value (adjustments)/write backs for worsening of loans and other financial assets	94	51	+84.3%
Net business margin	986	953	+3.5%
Operating expenses	601	594	+1.2%
Gains/(Losses) from current operations, including taxes	380	313	+21.4%
Gains from non-recurring transactions	0	101	-100.0%
Parent Company net profit/(loss)	185	271	-31.7%
Comprehensive income **(1)**	160	212	-24.5%
EARNINGS RATIOS			
ROE **(2)**	11.9%	12.8%	-0.9%
Adjusted ROE **(3)**	10.3%	15.7%	-5.4%
Cost / income ratio **(4)**	55.6%	59.1%	-3.5%
CONSOLIDATED BALANCE SHEET DATA			
Total assets	29,160	23,813	+22.5%
Customer loans (excluding doubtful loans)	20,185	14,477	+39.4%
Equity investments	382	476	-19.7%
Financial liabilities valued at amortized cost and fair value	22,797	17,774	+28.3%
Shareholders' equity	1,710	1,621	+5.5%
CUSTOMERS' FINANCIAL ASSETS			
Total financial assets	40,421	38,919	+3.9%
Direct borrowing	18,572	17,009	+9.2%
Indirect borrowing	21,849	21,910	-0.3%
- Administered savings	11,436	11,470	-0.3%
- Managed savings	10,413	10,440	-0.3%
- Asset management (assets managed with any destination - "GPM"; assets managed placed in open-end investment companies - "GPS"; assets managed placed only with funds run by related or associated banks - "GPF")	2,154	2,603	-17.2%
- Funds	5,364	5,106	+5.1%
- Insurance	2,810	2,669	+5.3%
- Supplementary pension funds	85	62	+37.1%
RISK RATIOS ON LOANS			
Net doubtful loans / Net customer loans	0.98%	1.03%	-0.05%
Other net problem loans/ Net customer loans	2.25%	1.54%	+0.71%
Net risk positions / Net customer loans	3.23%	2.57%	+0.66%
SOLVENCY RATIOS			
Primary capital / Risk-weighted assets	5.26%	6.22%	-0.96%
Regulatory capital / Risk-weighted assets	8.24%	9.34%	-1.10%
THE BANK'S SHARE (5)			
Number of shares outstanding (in millions)	828.8	827.3	+0.2%
Unit share value (in €)			
- average	5.988	4.000	+49.7%
- minimum	4.250	3.448	+23.2%
- maximum	6.640	4.662	+42.4%
Net earnings per share (in €)	0.223	0.328	-31.9%
Net earnings per share - diluted (in €) **(6)**	0.223	0.328	-31.9%
Dividend per share (in €) **(7)**	0.130	0.100	+30.0%
Book value per share (in €) **(8)**	2.063	1.958	+5.4%
Dividend / average annual price (%)	2.17%	2.50%	-0.33%
OPERATING STRUCTURE			
Employees **(9)**	6,468	6,340	+2.0%
Financial promoters	294	167	+76.0%
Bank branches	569	553	+2.9%
Financial spaces	49	31	+58.1%
Business and private centres	57	42	+35.7%
Public Agencies / Authorities and Treasury centres	4	2	+100.0%

(1) Net profit +/- Variation in the valuation reserves for financial assets available for sale.
(2) Profit excluding non-recurring transactions/ Average net equity of the last two financial years (excluding net profit).
(3) Comprehensive income / Average net equity of the last two financial years (excluding net profit).
(4) Operating expenses / Overall business margin.
(5) Take note that there was a reverse stock split on 5 March 2007; consequently the comparative data have been re-aligned to this transaction.
(6) Calculated by quantifying the effects of all the potential ordinary shares in circulation with dilution impact as foreseen by IAS 33.
(7) Dividend proposed to the Parent Company Shareholders' Meeting.
(8) Shareholders' equity / number of shares in circulation.
(9) The figure at 31 December 2006 is different from the one reported in the financial statements prepared for the period ended on that date because limited term employees were included to allow comparison with the figure at 31 December 2007.

Directors’ report on consolidated activities

1. Reclassified consolidated financial statements schedules

In order to ensure greater understanding of Group management and the performance of the main economic-equity items related to the period under consideration, the reclassified income statement and balance sheet formats below have been prepared starting from the “official” accounting statements; specifically, the contribution from ordinary items in the insurance sector to the "Overall business margin" is customarily shown under the operating item "Net result from insurance activities". Below are the reclassifications made:

1. Reclassified consolidated income statement:

- breakdown of item 220-“Other operating (expense)/income” into the operating item “Recoveries on savings deposits and creditors accounts” (included in the Overall business margin) and operating sub-items “Recoveries of expenses” (included in the administrative expenses) and “Other residual operating (expense)/income” (shown under “Other costs and revenues from current operations”);
- aggregation of items 70-“Dividends and similar income” and 240-“Gains/(Losses) from equity investments” (limited to the profits of companies consolidated on an equity basis) into the operating item “Dividends and gains/(losses) from equity investments”;
- aggregation of items 80-“Net result from trading” and 100-“Gains/(Losses) from sale of loans and other financial assets” under the operating item “Result from financial assets and liabilities”, minus gains realised on “non-recurring” transactions which are separately shown under the operating item “Gain from non-recurring transactions”;
- aggregation of items 110-“Net result from financial assets and liabilities valued at fair value”, 150-“Net Premiums” e 160-“ Other income from/(expense to) insurance activities ” under the operating item “Net result from insurance activities”;
- aggregation of the operating sub-item “Other residual operating (expense)/income” and of the items 240-“Gains/(Losses) from equity investments” (with exception to the profits of companies consolidated on an equity basis), 250-“Net result of valuation of property and equipment and intangible assets at fair value”, 270-“Gains/(Losses) from sale of investments” and 310-“Net (after-tax) profit (loss) from groups of assets being disposed” under the operating item “Other costs and revenues from current operations”;

2. Reclassified consolidated balance sheet:

- inclusion of items 110-“ Actuarial reserves of reinsurers” and 150-“ Non-current assets and groups of assets being disposed” under the item “Other assets” of the balance sheet assets;
- inclusion of item 90-“ Liabilities related to assets being disposed” under the item “Other liabilities” of the balance sheet liabilities; furthermore, the amount of “Commitments to repurchase the Group’s own assets” has been extrapolated and shown separately;
- aggregation of items 140-“ Valuation reserves”, 170-“ Reserves”, 180-“ Share premiums”, 190-“ Share capital”, 200-“ Treasury Shares” and 220-“ Parent Company net profit/(loss)” under item “Shareholders' equity” of the balance sheet liabilities.

The Group’s economic-equity data as reported in these financial statements incorporate the final results of Centro Leasing Banca, Centro Leasing Rete, Centro Leasing Gmbh and Centro Factoring from the date on which control over these companies was acquired (11 July 2007), applying the provisions of IFRS 3, which also required the increase in value to be recognised on the basis of the rules laid down therein (Purchase Price Allocation – “PPA”).

Reclassified consolidated income statement

Code of the item in the mandatory financial statement schedule (1)	ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
30	**Interest margin**	**711**	**570**	**141**	**+24.7%**
90	Net result from hedging	1	3	-2	-66.7%
	Net interest margin	**712**	**573**	**139**	**+24.3%**
60	Net commissions	232	222	10	+4.5%
of which of 220	Recoveries on savings deposits and creditors accounts	61	63	-2	-3.2%
70, 240 and part of 270	Dividends and profits (losses) from equity investments	39	69	-30	-43.5%
80 and 100	Result of financial assets and liabilities	33	53	-20	-37.7%
110, 150 and 160	Net result from insurance activities	3	24	-21	-87.5%
	Overall business margin	**1,080**	**1,004**	**76**	**+7.6%**
130	Value (adjustments)/write-backs for worsening of loans and other financial assets	-94	-51	-43	+84.3%
	Net business margin	**986**	**953**	**33**	**+3.5%**
	Operating expenses:	-601	-594	-7	+1.2%
180 a)	*- Staff costs*	*-385*	*-400*	*15*	*-3.8%*
180 b)	*- Other administrative expenses*	*-222*	*-201*	*-21*	*+10.4%*
200 and 210	*- Value (adjustments)/write-backs to property and equipment and intangible assets*	*-42*	*-42*	*0*	*0.0%*
of which of 220	*- Other operating (expense)/income (recoveries of expenses)*	*48*	*49*	*-1*	*-2.0%*
	Net operating result	**385**	**359**	**26**	**+7.2%**
190	Provisions for risks and charges, net	-22	-32	10	-31.3%
of which of 220, 250, residual 270, 310	Other costs and revenues from current operations	17	-14	31	n.s.
	Gains/(Losses) from current operations, including taxes	**380**	**313**	**67**	**+21.4%**
of which of 100	Gains from non-recurring transactions	0	101	-101	-100.0%
290	Income taxes for the year on current operations	-158	-111	-47	+42.3%
330	Minority interest net profit/(loss)	-37	-32	-5	+15.6%
	Parent Company net profit/(loss)	**185**	**271**	**-86**	**-31.7%**

(1) The column reports the codes of the items in the mandatory financial statement schedules whose amounts are included in the items of this reclassified schedule (Consob Communication no. DEM/6064293 of 28.07.2006).

Reclassified consolidated balance sheet

Code of the item in the mandatory financial statement schedule (1)	ASSETS (millions of euros)	31 December 2007	31 December 2006	Change %
10	**Cash and cash on hand**	**272**	**230**	**+18.3%**
	Financial assets	**26,908**	**21,687**	**+24.1%**
	Amounts receivable	21,637	16,300	+32.7%
60	*- amounts owing by banks*	*1,252*	*1,672*	*-25.1%*
70	*- customer loans*	*20,385*	*14,628*	*+39.4%*
	Negotiable financial assets	5,260	5,380	-2.2%
20	*- financial assets held for trading*	*200*	*546*	*-63.4%*
30	*- financial assets measured at fair value*	*1,703*	*1,531*	*+11.2%*
40	*- financial assets available for sale*	*3,357*	*3,303*	*+1.6%*
80	Hedging derivatives	11	7	+57.1%
	Non-current assets	**1,371**	**1,256**	**+9.2%**
100	Equity investments	382	476	-19.7%
120 and 130	Property and equipment and intangible assets	989	780	+26.8%
140	**Tax assets**	**186**	**188**	**-1.1%**
110 and 160	**Other assets**	**423**	**366**	**+15.6%**
	Total assets	**29,160**	**23,727**	**+22.9%**

Code of the item in the mandatory financial statement schedule (1)	LIABILITIES (millions of euros)	31 December 2007	31 December 2006	Change %
	Financial liabilities	**23,778**	**18,953**	**+25.5%**
	Financial liabilities valued at amortized cost and fair value	22,797	17,774	+28.3%
10	*- amounts owing to banks*	*4,281*	*816*	*+424.6%*
of which of 20	*- customer deposits*	*11,980*	*11,389*	*+5.2%*
30	*- outstanding securities*	*6,536*	*5,569*	*+17.4%*
40	Financial liabilities held for trading	56	51	+9.8%
50	Financial liabilities measured at fair value	889	1,099	-19.1%
60	Hedging derivatives	36	29	+24.1%
of which of 100	**Agreements to re-purchase the Group's own assets**	**123**	**165**	**-25.5%**
80	**Tax liabilities**	**70**	**74**	**-5.4%**
	Provisions allocated for specific purposes	**439**	**448**	**-2.0%**
110	Provision for staff termination pay	156	180	-13.3%
120	Provision for risks and charges and pension funds	283	268	+5.6%
130	**Actuarial reserves**	**1,901**	**1,547**	**+22.9%**
90 and of which of 100	**Other liabilities**	**938**	**775**	**+21.0%**
210	**Minority interests**	**201**	**144**	**+39.6%**
from 140 to 200 and 220	**Shareholders' equity**	**1,710**	**1,621**	**+5.5%**
	Total liabilities	**29,160**	**23,727**	**+22.9%**

(1) The column reports the codes of the items in the mandatory financial statement schedules whose amounts are included in the items of this reclassified schedule (Consob Communication no. DEM/6064293 of 28.07.2006).

2. The Group Composition

	CR Firenze S.p.A. Direct Holding	CR Pistoia e Pescia S.p.A.	CR Civitavecchia S.p.A.	CR Orvieto S.p.A.	CR La Spezia S.p.A.	Ge.FI.L. S.p.A.	Infogroup S.p.A.	Centro Leasing Banca S.p.A.	Centro Leasing Rete S.p.A.	Total
Companies in the Banking Group										
Cassa di Risparmio di Orvieto S.p.A.	73.570%									73.570%
Cassa di Risparmio della Spezia S.p.A.	79.999%									79.999%
Cassa di Risparmio di Pistoia e Pescia S.p.A.	60.000%									60.000%
Banca C.R. Firenze Romania S.A.	56.229%									56.229%
Cassa di Risparmio di Civitavecchia S.p.A.	51.000%									51.000%
CR Firenze Gestion Internationale S.A.	80.000%									80.000%
Centro Leasing Banca S.p.A.	77.491%	7.087%	0.561%	1.182%	0.790%					87.112%
Centro Factoring S.p.A.	41.767%	5.729%		0.033%	0.164%			14.946%		62.639%
Centro Leasing Rete S.p.A.								100.000%		100.000%
Infogroup S.p.A.	94.000%	4.000%	1.000%	1.000%						100.000%
Citylife S.p.A.	60.000%						40.000%			100.000%
Tebe Tours S.p.A.	100.000%									100.000%
Ge.FI.L. S.p.A. (Gestione Fiscalità Locale)					100.000%					100.000%
Immobiliare Nuova Sede S.r.l.	100.000%									100.000%
Subsidiaries										
Centrovita Assicurazioni S.p.A.	43.000%	8.000%								51.000%
Centro Leasing G.m.b.h.								100.000%		100.000%
Banking and financial companies held at least 20%										
Soprarno SGR S.p.A. *	47.500%									47.500%
Findomestic Banca S.p.A. *	47.170%	2.830%								50.000%
Sviluppo Industriale S.p.A.		29.187%								29.187%
Acileasing Friuli Venezia Giulia S.p.A.								25.070%		25.070%
Spezia Risorse S.p.A.						20.000%				20.000%
Other companies held at least 20%										
Immobiliare Novoli S.p.A. **	25.000%									25.000%
Ce.Spe.Vi. S.r.l.		20.000%								20.000%
Euroasset Italia S.r.l.								49.000%		49.000%
Safi S.r.l.									20.000%	20.000%

* Companies over which the Group exercises joint control with another shareholder (Cetelem S.A. in the case of Findomestic Banca S.p.A. and Banca Ifigest S.p.A. in the case of Soprarno SGR).

** Interest posted under available-for-sale (AFS) financial assets owing to the characteristics of the investment.

Directors’ report on consolidated activities

2. The Group composition

At 31 December 2007 the Banking Group was made up as follows:

- Banca CR Firenze S.p.A. – Parent Company Bank, with registered offices in Florence;
- Cassa di Risparmio della Spezia S.p.A. – Bank with registered offices in La Spezia;
- Cassa di Risparmio di Orvieto S.p.A. – Bank with registered offices in Orvieto (Terni area);
- Cassa di Risparmio di Pistoia e Pescia S.p.A. – Bank with registered offices in Pistoia;
- Cassa di Risparmio di Civitavecchia S.p.A. – Bank with registered offices in Civitavecchia (Rome area);
- Banca CR Firenze Romania S.A. – Bank with registered offices in Bucharest (Romania);
- CR Firenze Gestion Internationale S.A. – Company managing common investment funds with registered office in Luxembourg;
- Infogroup S.p.A. – Service company with registered offices in Florence;
- Citylife S.p.A. – Service company with registered offices in Florence;
- Tebe Tours S.p.A. – Service company with registered offices in Mirandola (Modena area);
- GE.FI.L S.p.A. Gestione Fiscalità Locale – Local tax collection finance company with registered offices in La Spezia;
- Immobiliare Nuova Sede S.r.l. – Service company with registered offices in Florence;
- Centro Leasing Banca S.p.A. – Bank with registered offices in Florence;
- Centro Factoring S.p.A. – Finance company with registered offices in Florence;
- Centro Leasing Rete S.p.A. – Finance company with registered offices in Florence.

The main changes occurring from 1st January to 31 December 2007 within the Group are concerned with the increase of Banca CR Firenze S.p.A.’s equity investment held in Cassa di Risparmio della Spezia S.p.A., in Centro Leasing Banca S.p.A.; the entry of the latter, of Centro Leasing Rete S.p.A., of Centro Factoring S.p.A. and Immobiliare Nuova Sede S.r.l. into the Group; the sale of the equity investment in Perseo Finance s.r.l..

Cassa di Risparmio della Spezia S.p.A.

In performance of an agreement signed on 2 March 2007 with Fondazione Cassa di Risparmio della Spezia, on 23 May 2007 and effective from 1st January 2007, Banca CR Firenze S.p.A. purchased 17,443,000 Cassa di Risparmio della Spezia S.p.A. ordinary shares, representing about 11.906% of the bank’s share capital for a price of about Euro 46.3 million following the coupon detachment. This increased its stake from 68.093% to 79.999%. Cassa di Risparmio della Spezia S.p.A amended its By-Laws to adapt them to the main governance agreements contained in the new Shareholder Agreement becoming effective, as a replacement to the one in force, at the date of the aforementioned transfer of shares.

Immobiliare Nuova Sede S.r.l.

Immobiliare Nuova Sede S.r.l., is subject to the direction and co-ordination activities of its sole Shareholder Banca CR Firenze S.p.A.. Its General Meeting on 4 April 2007 approved changes to its By-Laws under which the Company adopted the role of “service company” for the purposes of the supervisory legislation. Starting from 17 May 2007 Immobiliare Nuova Sede S.r.l. has thus been registered as part of the Banca CR Firenze banking Group by the Bank of Italy.

Perseo Finance S.r.l.

Banca CR Firenze’s 60% stake held in vehicle company Perseo Finance S.r.l., which was acquired in 1999 to carry out the securitisation transaction for doubtful loans in that year, was sold on 9 August 2007 after the transaction had been completed.

Centro Leasing Banca S.p.A. – Centro Leasing Rete S.p.A. – Centro Factoring S.p.A.

On 11 July 2007 Banca CR Firenze S.p.A. acquired BNP Paribas Lease Group 43.537% stake in Centro Leasing Banca S.p.A. As an effect of this transaction, the Group’s interest in Centro Leasing Banca S.p.A. rose to 87.075%, a percentage that led to the entry, with effect from 11 July 2007, of Centro Leasing Banca S.p.A., of its 100% subsidiary Centro Leasing Rete S.p.A. and Centro Factoring S.p.A. (of which Centro Leasing Banca S.p.A., in its turn, holds a 14.946% stake, which was added to that of the Group) into the banking Group.
Through Centro Leasing Banca S.p.A., the control of the German Centro Leasing G.m.b.h., was also taken over; then, investments in associated companies - in Acileasing Friuli Venezia Giulia S.p.A. and Euroasset Italia S.r.l. through Centro Leasing Banca S.p.A. and in Safi S.r.l. through Centro Leasing Rete S.p.A. - were also assumed.
In August 2007 the capital increase from Euro 110,728,591.02 to Euro 155,020,051.50, carried out by issuing 12,511,712 new shares with a nominal value of Euro 3.54 each, was completed. This had been resolved by Centro Leasing Banca S.p.A. on 4 June 2007. The Banca CR Firenze Group which, together with another shareholder,

exercised its pre-emption right over the minimum unclaimed portion in addition to its own option (0.142%), saw its share rise from 87.075% to 87.112%.
The accounting policy of this business combination was determined in accordance with IFRS 3. In compliance with paragraph 62 of IFRS 3, a business combination must be first reported in the accounts within 12 months of the acquisition date, and if the fair value of assets, liabilities or contingent liabilities that can be associated with the acquisition or the cost of the combination can only be measured provisionally, the buyer must account for the combination using these provisional values. The buyer must adjust these provisional values on completing the initial reporting of the combination within twelve months of the acquisition date.
Banca CR Firenze then finalised the PPA (Purchase Price Allocation) as required by IFRS 3, calculating and verifying, as allowed by paragraph 62, the net fair value of the financial statements' items in the acquired Group (Net Asset Fair Value) on the date of the transaction, by measuring assets and liabilities at fair value, identifying and measuring contingent liabilities and identifying and measuring any intangible assets.
Paragraph 56 of IFRS 3 provides that, in the event that the equity interest held by the buyer in the net fair value of assets, liabilities and contingent liabilities which may be identified, exceeds the cost of the business combination, the buyer should immediately recognise any residual excess in the profit and loss account.
A gain (represented by an acquisition badwill) amounting to Euro 9.7 million net of the tax consequence emerged from the Purchase Price Allocation. This was reported in "Gain/(Losses) from equity investments" (line 240 of the consolidated income statement) and commented on under the appropriate table of the notes to the financial statements.
The changes that occurred in the Group's area affecting the companies in which it holds or held an interest of more than 20% regard the following companies: Soprarno SGR S.p.A., et-Group S.r.l. e Equitalia Spezia S.p.A. (formerly Società Riscossione Tributi – SRT S.p.A.).

Soprarno SGR S.p.A.

Soprarno SGR S.p.A. was formed in August 2006 in equal partnership with Banca Ifigest S.p.A.. On 15 January 2007 it received authorisation from the Bank of Italy for the provision of asset management services and was registered on the Asset Management Company Register under number 236, also opening its Shareholder structure to two private members.
As required by the agreements executed during the establishment of the company, in March 2007 Banca CR Firenze S.p.A. and Banca Ifigest S.p.A. transferred a share equal to 2.5% each. This means that the holding by the Group has been reduced from 50% to 47.5%. The company commenced business in mid-July 2007.
In December the shareholders paid Euro 800,000 to cover the loss for the 2007 period, Banca CR Firenze S.p.A.'s liability being Euro 380,000.

et -Group S.r.l.

In September 2007 Citylife S.p.A. disposed of the 42.723% interest that it held in et – Group S.r.l., a company with registered office in Florence whose mission was the management and development of a specialised portal devoted to the textile sector.

Equitalia Spezia S.p.A.

In December 2007 subsidiary Cassa di Risparmio della Spezia S.p.A. sold to Equitalia S.p.A. the residual 25% it held in Equitalia Spezia S.p.A..
This completed the transfer to the public sector of the company of which Cassa di Risparmio della Spezia had already sold 75% in September 2006, in compliance with legal provisions regarding the reorganisation of the Italian tax collection service.
The consideration for the entire 100% was settled in January 2008 in financial instruments (bonds), which the buyer offered the banks that sold the former concessionaire as payment, instead of the Equitalia S.p.A.' shares originally envisaged.
Cassa di Risparmio della Spezia S.p.A. will also receive, in cash, a portion of the profit reported in Equitalia Spezia S.p.A. 's financial statements for the period ended on 31 December 2007.

Directors' report on consolidated activities

3. Overall earnings

Introduction

During 2007, the Group's business was characterised, in compliance with the objectives set forth in the budget and the business plan, by effective client-oriented commercial actions to improve customer service while streamlining and containing costs.
Significant results were recorded in economic, equity and financial terms, with much attention always being paid to achieving a better and more efficient capital allocation, for monitoring risks and creating value.
It should be recalled that the income statement for the 2007 period incorporates the costs and income of Centro Leasing Banca, Centro Leasing Rete, Centro Leasing Gmbh and Centro Factoring from 1st July 2007 on the basis of the date of the acquisition of control (11 July 2007) over these companies in the application of the provisions of IFRS 3, which also requires the greater value measured according to the rules laid down in the principle to be recognised (Purchase Price Allocation – "PPA").

Results summary

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Interest margin	711	570	141	+24.7%
Net interest margin	712	573	139	+24.3%
Overall business margin	1,080	1,004	76	+7.6%
Net business margin	986	953	33	+3.5%
Net operating result	385	359	26	+7.2%
Gains/(Losses) from current operations, including taxes	380	313	67	+21.4%
Gains from non-recurring transactions	0	101	-101	n.s.
Parent Company net profit/(loss)	**185**	**271**	**-86**	**-31.7%**

Net profit gained in 2007, Euro 185 million, were 86 million down on the 271 million Euro of the previous period (-31.7%), which, however, included gains from non-recurring transactions amounting to about Euro 101 million (Euro 98 million net of tax impact), being the capital gains obtained as a result of the sale of the interests held by the Parent Company in Sanpaolo Imi and Fondiaria–SAI; not considering these components, even if there was a high increase in the "Income tax" item (+42.3%), due to non-existing deferred tax assets following the changes in regulations regarding IRES and IRAP tax rates brought in under the 2008 budget law with an impact on the 2007 period, the net profit reported at 31 December 2007 would show an increase of 6.9% over 31 December 2006.
This positive result is confirmed by the increases in all profit margins, which benefit, with effect from 1st July 2007, from the above-mentioned line by line consolidation of the income components of the companies belonging to the former Centro Leasing and Centro Factoring Group; the rises in profit margins calculated on "the same consolidation area" in comparison with 31 December 2006, would be substantial in any event, as shown in detail in the following paragraphs of this section.

The interest margin

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Net interest from customers	931	594	337	+56.7%
Interest charged to customers	*1,074*	*716*	*358*	*+50.0%*
Interest paid to customers	*-143*	*-122*	*-21*	*+17.2%*
Net interest on securities	-167	-40	-127	+317.5%
Interest earned on securities	*69*	*109*	*-40*	*-36.5%*
Interest paid on securities (net of differentials on hedging transactions)	*-236*	*-149*	*-87*	*+58.5%*
Net interest from banks	-42	19	-61	n.s.
Interest received from banks	*65*	*54*	*11*	*+20.4%*
Interest due to banks	*-107*	*-35*	*-72*	*+205.7%*
Other net interest	-11	-3	-8	+266.7%
Interest margin	**711**	**570**	**141**	**+24.7%**
Result of hedging activities	1	3	-2	-66.7%
Net interest margin	**712**	**573**	**139**	**+24.3%**

The significant increase in the net interest margin compared to 31 December 2006 (+24.3%) is essentially due to the growth in interest charged to customers (Euro 358 million, equal to +50.0%). The decisive factors of these changes in terms of volumes and earnings are analysed in the following paragraph.
If the data at 31 December 2007 are purged of the impact of the variation in the consolidation area that occurred during the period, both the interest margin and the net interest margin would be significantly higher, respectively +15.6% and +15.2%.

Earnings

Aggregate figures for the Group's banking companies (*)	31 December 2007 Average deposits (in €/mil)	31 December 2007 Average annual interest rates (%)	31 December 2006 Average deposits (in €/mil)	31 December 2006 Average annual interest rates (%)	Change Average deposits (%)	Change Average annual interest rates (points %)
Interest-bearing assets						
Customer loans	*15,361*	*6.00*	*13,793*	*5.12*	*+11.37%*	*+0.88*
Securities portfolio	*2,349*	*3.78*	*2,474*	*2.80*	*-5.05%*	*+0.98*
Interbank receivables	*2,674*	*3.94*	*2,072*	*3.00*	*+29.05%*	*+0.94*
Total interest-bearing assets	**20,384**	**5.47**	**18,339**	**4.57**	**+11.15%**	**+0.91**
Cost-bearing liabilities						
Direct borrowing	*17,186*	*2.50*	*15,770*	*1.71*	*+8.98%*	*+0.79*
Interbank payables	*1,974*	*3.90*	*1,654*	*2.85*	*+19.35%*	*+1.05*
Total cost-bearing liabilities	**19,160**	**2.64**	**17,424**	**1.82**	**+9.96%**	**+0.83**

(*) Excluding Centro Leasing Banca S.p.A.

In order to point out the main interest margin components, the analysis of volumes and average rates was developed pointing out the increase in traded volumes as the main growth factor.
Interest-bearing assets recorded an increase of 11.15% compared to the previous year, with a growth that has been mainly determined by the increase of 11.37% % in the customer loans during the period.
Cost-bearing liabilities show an increase of 9.96% in terms of average balances, supported by the growth in direct borrowing (+8.98%).
The overall average spread was equal to 2.83%, up compared to the value recorded in 2006 (2.75%).

The overall business margin

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Net interest margin	**712**	**573**	**139**	**+24.3%**
Net commissions and recoveries from customers	293	285	8	+2.8%
- Net commissions	*232*	*222*	*10*	*+4.5%*
- Recoveries on savings deposits and creditors accounts	*61*	*63*	*-2*	*-3.2%*
Dividends and profits (losses) from equity investments	39	69	-30	-43.5%
Result from financial assets and liabilities	33	53	-20	-37.7%
Net result from insurance activities	3	24	-21	-87.5%
Overall business margin	**1,080**	**1,004**	**76**	**+7.6%**

The overall business margin showed an increase of Euro 76 million (+7.6%), compared to the previous period, connected mainly to the growth in the interest margin previously described, to the increase (2.8%) in net commissions and other income and to the diminution in the following items:

- dividends and similar income and gains/(losses) from equity investments, which were affected: by a decrease of about Euro 20 million in the Group's share of Findomestic Banca S.p.A.'s profit (also as a result of the adjustments to "deferred tax assets and liabilities"); by the consolidation on a line-by-line basis of the former Centro Leasing Group companies, which had made a contribution of about Euro 5 million to this item at 31 December 2006; and by the sale of the interest in Sanpaolo IMI S.p.A. in the third quarter of 2006, on which about Euro 5 million in dividends had been collected in 2006;
- the result from financial assets and liabilities, which incorporate a decrease of about Euro 16 million in the net result of trading activity, mainly ascribable to a lower trading profit and the capital losses of subsidiary Centrovita Assicurazioni's "Held For Trading" (HFT) portfolio; a fall of about Euro 5 million in the profit on the sale or repurchase of financial assets/liabilities, mainly due to the fact that on 31 December 2006 this item included the capital gain on the sale of some interests in the "Available for sale" (AFS) portfolio;
- net result from insurance activities, also connected with the reclassification, during 2007, of commissions paid for products with a predominantly insurance content, which amounted to about Euro 13 million at 31 December 2006, while at the end of 2007 they amounted to about Euro 30 million.

If the data at 31 December 2007 are purged of the impact of the capital gains from the sales mentioned above, the reclassification of the income and costs of the Supplementary Pension Funds (FIP) without an independent legal status in the "Other costs and revenues from current operations" item, and the variation in the consolidation area that took place during the period, the overall business margin would be 3.7% higher.

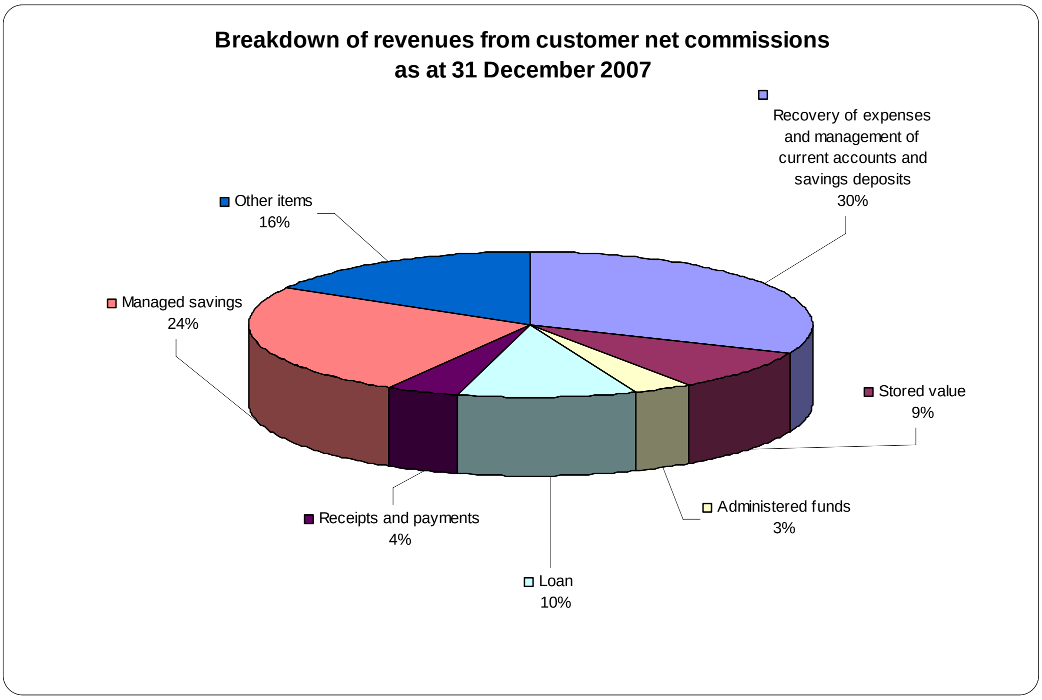
As regards "Net commissions and recoveries from customers", the table below shows the breakdown of the main operating items.

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Recovery of expenses and management of current accounts and savings deposits	87	92	-5	-5.4%
Stored value	27	25	2	8.0%
Administered funds	10	10	0	0.0%
Loan	30	29	1	3.4%
Receipts and payments	20	18	2	+11.1%
Managed savings	71	54	17	+31.5%
of which: Bank-insurance	*15*	*-3*	*18*	n.s.
Other items	48	57	-9	-15.8%
Total net commissions and recoveries from customers	**293**	**285**	**8**	**+2.8%**

The 2.8% rise in "Net commissions and recoveries from customers" mainly depends on the greater net commissions in the managed savings, and, especially, in the bank-insurance segment. In this connection, it should be recalled that during 2007 commissions paid on products with a mainly insurance content were reclassified in the "Net result from insurance activities" item; at 31 December 2006, these commissions amounted to about Euro 13 million. If these commissions were included in the above net result, and the 2006 data were made to conform in order to take this reclassification into account, the "Net commissions and other income" would be slightly down: Euro 5 million, corresponding to -1.7%.

The decrease in the item "Recovery of expenses and management of current accounts and savings deposits" is also the result of the marketing policies employed to counter the strong competition in this market and to meet customer requirements; this, on the other hand, led to an appreciable rise in the number of current accounts during the period.

The decrease in "Other items" is mainly to be attributed to the net effect of the higher commissions, of about Euro 7 million: it was recognised as a consequence of the consolidation on a line-by-line basis with effect from 11 July 2007 of the former Centro Leasing and Centro Factoring Group companies and of the reversal of the commissions, amounting to about Euro 13 million, received by the retail banks on the placement of financial products of the aforementioned companies for which these financial products came into the calculation of amortised cost.
Finally, if the data at 31 December 2007 are purged of the impact of the variation in the consolidation area that took place during the period and of the reclassification of the Centrovita Assicurazioni commissions mentioned above, the item "total commissions and recoveries from customers" would have been about 2.7% lower.



The net business margin

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Overall business margin	**1,080**	**1,004**	**76**	**+7.6%**
Net value adjustments/ write-backs due to worsening of:	-94	-51	-43	+84.3%
Loans	*-89*	*-48*	*-41*	*+85.4%*
Financial assets available for sale	*-1*	*-1*	*0*	*0.0%*
Other financial transactions	*-4*	*-2*	*-2*	*+100.0%*
Net business margin	**986**	**953**	**33**	**+3.5%**

The effect of the dynamics that have been described, of the increase in receivables adjustments made as a result of the increase in the provisions made for new doubtful loans in the period and of the inclusion of the former Centro Leasing and Centro Factoring Group companies in the consolidation area with effect from 11 July 2007, is that there is a rise amounting to Euro 33 million (+3.5%) in the net business margin.
Using the same consolidation area compared with that of 31 December 2006, adjustments to receivables would record a smaller increase (Euro 21 million, equal to +41.2%), while the net business margin would be 0.4% higher, also considering the increases in the margin already commented on a homogenous consolidation base.

The net operating result

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Net business margin	**986**	**953**	**33**	**+3.5%**
Operating expenses:	-601	-594	-7	+1.2%
Administrative expenses	*-607*	*-601*	*-6*	*+1.0%*
- Staff costs	*-385*	*-400*	*15*	*-3.8%*
- Current expenses	*-169*	*-149*	*-20*	*13.4%*
- Indirect taxes and duties	*-53*	*-52*	*-1*	*+1.9%*
Net value adjustments to property and equipment and intangible assets	*-42*	*-42*	*0*	*0.0%*
Other operating income (recoveries of expenses)	*48*	*49*	*-1*	*-2.0%*
Net operating result	**385**	**359**	**26**	**+7.2%**

The net operating result was 7.2% higher than at 31 December 2006. Apart from the performance of the net business margin previously described, it benefited from the limited increase in operating expenses (+1.2%); if the effects of the variation in the consolidation area already described are excluded, the operating expenses would have gone down by 2.9%. Particularly noteworthy were:

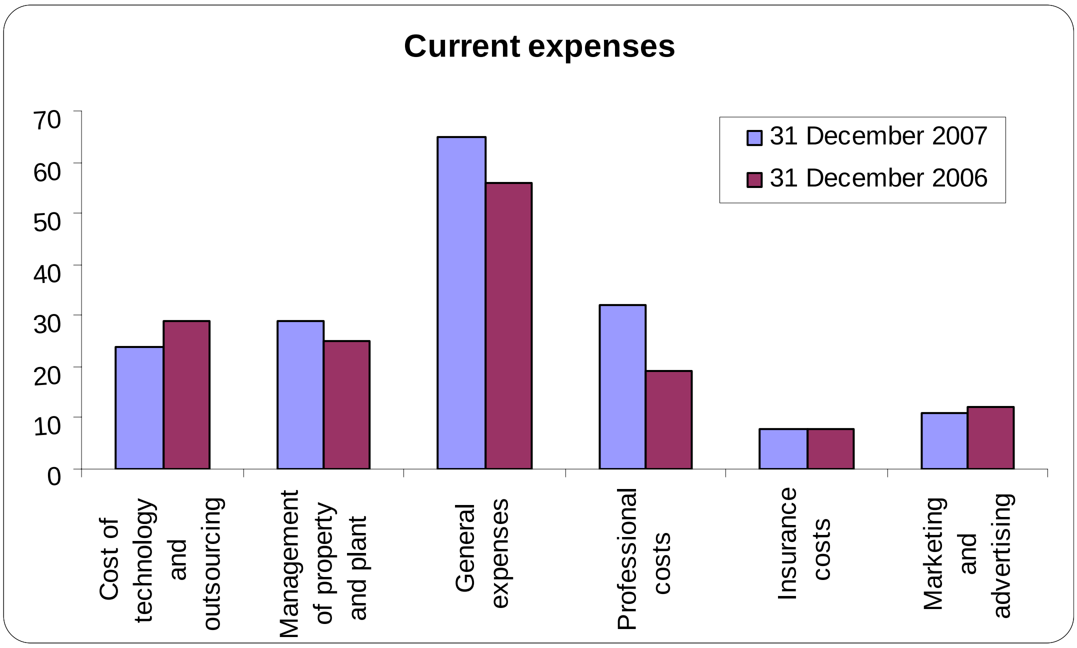
- a fall in staff costs (-3.8%), also affected by the excess portion of the Staff Termination Pay (TFR) being recognised in profit and loss - about Euro 23 million gross of tax - following the application of the amendments to the law introduced by Legislative Decree 252/2005 and by Law 296/2006 which, with effect from 1st January 2007, required that employees' accrued positions were to be transferred either to INPS or to supplementary pension funds;
- the increase in current expenses (+13.4%, including Centro Leasing Banca and Centro Factoring as from 11 July 2007), has been described in detail in the following table.

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Cost of technology and outsourcing	24	29	-5	-17.2%
Management of property and plant	29	25	4	+16.0%
General expenses	65	56	9	+16.1%
Professional costs	32	19	13	+68.4%
Insurance costs	8	8	0	0.0%
Marketing and advertising	11	12	-1	-8.3%
Total current expenses	**169**	**149**	**20**	**+13.4%**

In detail:

- Cost of technology and outsourcing: the decrease is substantially due to lower data processing and back office costs, about Euro 2 million each;
- Management of property and plant: in this period there were higher costs on the payment of rent and maintenance, the main reasons for which were the opening of new branches, branch moves and the refurbishment of existing branches;
- General expenses: the greater costs reported in 2007 were due to rises in the cost of postage (Euro 3 million), transport (Euro 1 million) and sundry expenditures (Euro 4 million); about Euro 5 million of these were also attributable to the variation in the consolidation area;
- Professional costs: the rise in the total of this item includes Euro 3 million as the effect of the variation in the consolidation area, about Euro 3 million more paid to business advisors by the Parent Company and the reclassification of about Euro 5 million costs for professional services rendered by the subsidiary Infogroup, previously included in the "Staff costs" item.

If the consolidation area was the same compared with that of 31 December 2006, current expenditure would rise much less (Euro 11 million, equal to +5.3%).



Gain from current operations, including taxes

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Net operating result	**385**	**359**	**26**	**+7.2%**
Provisions for risks and charges, net	-22	-32	10	-31.3%
Other costs and revenues from current operations	17	-14	31	n.s.
Gains/ (losses) from current operations, including taxes	**380**	**313**	**67**	**+21.4%**

The lower incidence of the provisions for risks and charges, which, at 31 December 2006, also included appropriations for the renewal of the national collective labour agreement at the end of 2007, together with other lower costs net of the current operating costs reported during the period, caused a 21.4% rise in gains from current operations.

In this connection, it is as well to point out that the substantial positive variation in the item “Other costs and revenues from current operations” is mainly attributable to the variation in the consolidation area that occurred during the period, which also incorporates the greater amounts deriving from the application of IFRS 3 to consolidate the former Centro Leasing Group companies, Euro 17 million gross of tax and with an impact of Euro 9.7 million on consolidated net profit. If the data at 31 December 2007 are purged of the impact of the variation in the consolidation area that occurred during the period, this item would in any event have recorded net costs 57.1% less than in the 2006 period.

Parent Company net profit

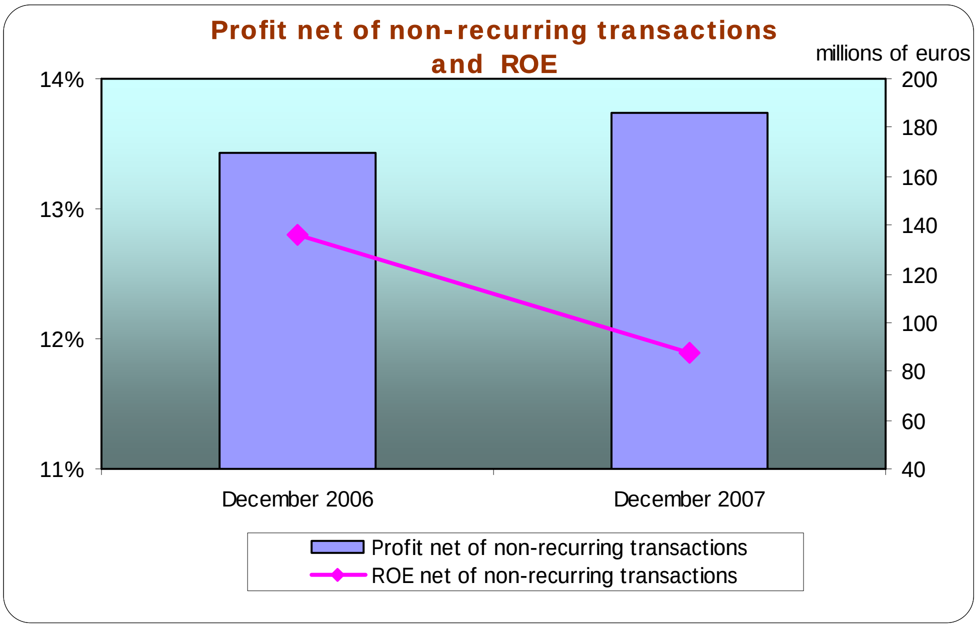
Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Gains/ (losses) from current operations, including taxes	**380**	**313**	**67**	**+21.4%**
Gains from non-recurring transactions	0	101	-101	-100.0%
Income taxes for the year on current operations	-158	-111	-47	+42.3%
Minority interests net profit/(loss)	-37	-32	-5	+15.6%
Parent Company net profit/(loss)	**185**	**271**	**-86**	**-31.7%**

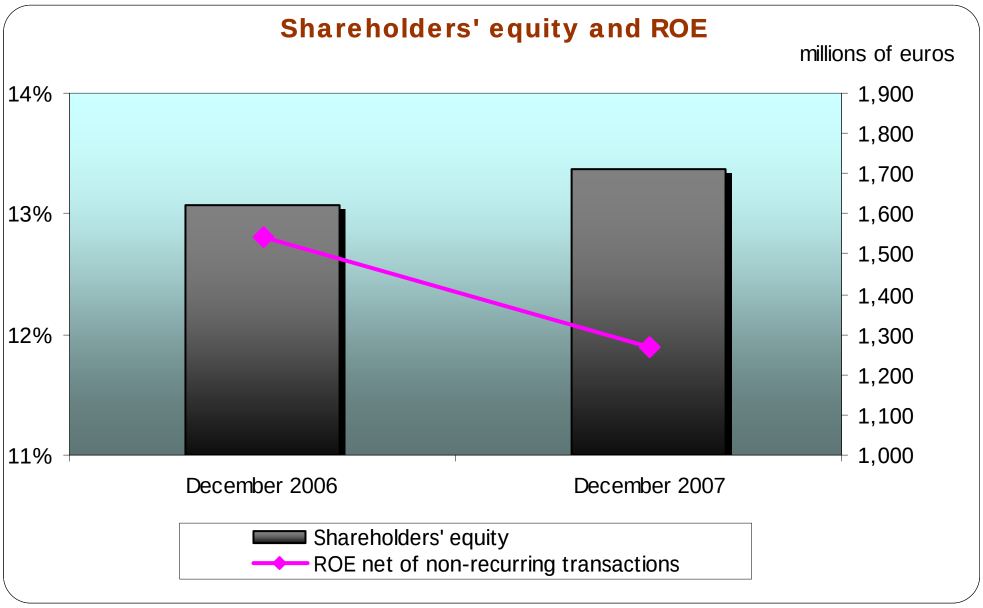
The amount of Euro 101 million (Euro 98 million net of tax) for non-recurring transactions in the accounts at 31 December 2006, as previously mentioned, caused a reduction of Euro 86 million in net profit, -31.7%; nevertheless, net of these non-recurring components, net profit would have risen by about Euro 12 million, +6.9%, over the previous period.
The income tax payable for the period is higher because it includes the liability on the lower net deferred tax credit, about Euro 11 million, recognised as a result of the reduction in the IRES and IRAP tax rates, introduced with the tax law amendments mentioned in the "Introduction".

Return on Equity and other ratios

The Group's Return on Equity, calculated as the Parent Company net profit for 2007 over weighted average equity for the period 31 December 2006 to 31 December 2007, excluding accruing net profit, is 11.9% (12.8% at 31 December 2006 without taking account of the gains from non-recurring transactions); in this regard, note that equity increased of about Euro 89 million (+5.5%).
As to some economic ratios of the Banca CR Firenze Group, compared to 31 December 2006, take note of the following significant decreases:

- in cost/income, calculated by comparing operating expenses to overall business margin, and then not affected by the gains from non-recurring transactions, passing from 59.1% to 55.6%;
- in the staff costs and total administrative expenses impact on total assets, passing from 1.68% to 1.32% and from 2.53% to 2.08% respectively. The main reason for the decrease was the recognition of the excess portion of the Staff Termination Pay (TFR) in profit and loss, as stated in the comment on the net operating result.


Profit net of non-recurring transactions
and ROE
millions of euros
14%
13%
12%
11%
200
180
160
140
120
100
80
60
40
December 2006
December 2007
Profit net of non-recurring transactions
ROE net of non-recurring transactions


Shareholders' equity and ROE
millions of euros
14%
13%
12%
11%
1,900
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
December 2006
December 2007
Shareholders' equity
ROE net of non-recurring transactions

Directors' report on consolidated activities

4. Analysis of assets and structure

As mentioned in the previous chapter, the Group's economic and financial results were affected by the variation in the consolidation perimeter that involved the consolidation on a line-by-line basis of the Centro Leasing Banca and Centro Factoring S.p.A. Group's accounts with effect from 1st July 2007.

Assets managed on behalf of customers

Borrowing

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Direct borrowing	18,572	17,009	1,563	+9.2%
Indirect borrowing	21,849	21,910	-61	-0.3%
Total borrowing	**40,421**	**38,919**	**1,502**	**+3.9%**

Total borrowing rose by 3.9%, mainly owing to the increase in direct borrowing (+9.2%), indirect borrowing remaining substantially at the same level (-0.3%).

Direct borrowing

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Financial liabilities valued at amortized cost and fair value	18,516	16,958	1,558	+9.2%
- Sight borrowing	*10,397*	*10,099*	*298*	*+3.0%*
- Bonds (including subordinated bonds)	*6,335*	*5,346*	*989*	*+18.5%*
- Repurchase agreements	*1,285*	*1,115*	*170*	*+15.2%*
- Other amounts payable	*499*	*398*	*101*	*+25.4%*
Financial liabilities held for trading	*56*	51	5	+9.8%
Direct borrowing	**18,572**	**17,009**	**1,563**	**+9.2%**

The aggregate under examination is 9.2% higher than in the previous period, substantially attributable to the expansion of the bond component, also influenced by the consolidation on a line-by-line basis of Centro Leasing Banca S.p.A., as well as by the greater volumes of sight borrowing and repurchase transactions.

Indirect borrowing

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Administered funds	11,436	11,470	-34	-0.3%
Managed savings	10,413	10,440	-27	-0.3%
Asset management (GPM - GPS - GPF)	*2,154*	*2,603*	*-449*	*-17.2%*
Funds	*5,364*	*5,106*	*258*	*+5.1%*
Insurance	*2,810*	*2,669*	*141*	*+5.3%*
Supplementary pension funds	*85*	*62*	*23*	*+36.4%*
Indirect borrowing	**21,849**	**21,910**	**-61**	**-0.3%**

Indirect borrowing was substantially in line with the amounts reported in the previous period. The stability of the administered funds felt the effect of the transfer of the Banca CR Firenze shares belonging to Ente Cassa di Risparmio di Firenze and Fondazione Cassa di Risparmio della Spezia to another bank in the framework of the agreements entered into by the two foundations for the transfer of the control over the Bank to Intesa Sanpaolo S.p.A.; net of this transfer, administered funds would have risen by 10.3%. There was a restatement of the total balance within the managed savings, with a decrease in asset management only partly offset by rises in the insurance sector, funds and supplementary pension funds.

Insurance liabilities

Millions of euros	31 December 2007	31 December 2006 pro-forma	Change absolute	Change %
Financial liabilities measured at fair value	889	1,099	-210	-19.1%
Actuarial reserves	1,901	1,547	354	+22.9%
Total insurance liabilities	**2,790**	**2,646**	**144**	**+5.5%**

The net change in insurance liabilities (+5.5%) follows the application of the fair value option by the subsidiary Centrovita Assicurazioni S.p.A. and is consistent with the increase recorded in “Financial assets measured at fair value”, described later on in this Report on activities.
However, as it can be from the table shown above, insurance liabilities experienced a change in their composition following the operations undertaken over the year, characterised by the conclusion of contracts whose prevailing content is insurance proper, tending to replace those of a purely financial character.

Customer loans

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Current accounts	2,450	2,284	166	+7.3%
Mortgage loans	8,679	7,345	1,334	+18.2%
Credit cards, personal loans and assignment of one’s salary	197	211	-14	-6.6%
Financial lease	3,298	0	3,298	n.s.
Factoring	806	0	806	n.s.
Other transactions	4,294	4,411	-117	-2.7%
Impaired loans	661	377	284	+75.3%
Customer loans	**20,385**	**14,628**	**5,757**	**+39.4%**

At the end of 2007 customer loans reached 20,385 million Euro, 39.4% more than at the end of the previous year. Apart from the expansion of the mortgage loans, this increase was due to the inclusion, with effect from 1st July 2007, of the former Centro Leasing and Centro Factoring S.p.A. Group companies in the consolidation area. This entailed the recognition of the various actuarial forms of lending.

Loan portfolio quality

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Gross doubtful loans	437	315	122	+38.7%
Amounts written off	-235	-164	-71	+43.3%
Net doubtful loans	**202**	**151**	**51**	**+33.8%**
Doubtful loans coverage ratio	**53.8%**	**52.1%**		**+1.7%**
Gross non-performing and restructured loans	266	197	69	+35.0%
Amounts written off	-60	-39	-21	+53.8%
Net non-performing and restructured loans	**206**	**158**	**48**	**+30.4%**
Non-performing and restructured loans coverage ratio	**22.6%**	**19.8%**		**+2.8%**
Expired/overdue by more than 180 days - gross	260	76	184	+242.1%
Amounts written off	-7	-8	1	-12.5%
Expired/overdue by more than 180 days - net	**253**	**68**	**185**	**+272.1%**
Expired/overdue by more than 180 days loans coverage ratio	**2.7%**	**10.5%**		**-7.8%**
Gross deteriorated loans	963	588	375	+63.8%
Amounts written off	-302	-211	-91	+43.1%
Net deteriorated loans	**661**	**377**	**284**	**+75.3%**
Deteriorated loans coverage ratio	**31.4%**	**35.9%**		**-4.5%**

The Group has gone on pursuing policies of precautionary provisions, as shown by the rise in the extent to which doubtful, non-performing and restructured loans are covered; nevertheless, the Centro Leasing Banca S.p.A. and Centro Factoring S.p.A. Group's entry into the area led to a substantial increase in impaired loans, particularly owing to the consolidation of the positions that are outstanding or that have been overdue for more than 180 days of Centro Factoring S.p.A. (185 million Euro), regarding which moderate "amounts written off" have been calculated (1 million Euro) owing to the fact that 48 million Euro of these were bought at a price that is in line with their presumable realisation value and that also incorporates their time-discounting; the remainder are sums due from the Public Authorities (district health bodies and other local organisations) in connection with sales without recourse, the delays in whose payment exclusively depends on cash flow mismatches. This sector, therefore, recorded a decrease of 4.1% in the extent to which impaired loans is covered: this indicator would have been 39.2% if the above Centro Factoring S.p.A. receivables had not been consolidated, which would mean a 3.3% base point increase over the previous year. The amount of the provision for the regular loans portfolio was 82 million Euro, substantially in line with the amount at 31 December 2006. It was calculated taking into account the inclusion in the consolidation area of the former Centro Leasing and Centro Factoring S.p.A. Group companies with effect from 1st July 2007 and corresponds to 0.42% of the amount of the regular loans, slightly lower than the percentage recorded in the previous year (0.46%) using the same consolidation area. One reason for this is the rise in customer loans during the period in question, which concentrated particularly on forms of loans backed by special forms of security.

Transactions on financial markets and own shares transactions

Millions of euros	31 December 2007	31 December 2006	Change	
			absolute	%
Interbank				
- assets	1,252	1,672	-420	-25.1%
- liabilities	-4,281	-816	-3,465	n.s.
Total net transactions between banks	**-3,029**	**856**	**-3,885**	**n.s.**
Negotiable financial assets in portfolio				
- financial assets held for trading	200	546	-346	-63.4%
- financial assets measured at fair value	1,703	1,531	172	+11.2%
- financial assets available for sale	3,357	3,303	54	+1.6%
Total negotiable financial assets in portfolio	**5,260**	**5,380**	**-120**	**-2.2%**
Derivatives				
- hedging derivatives (notional values)	2,924	2,302	622	+27.0%
- derivatives held for trading (notional values)	9,201	8,897	304	+3.4%
Total derivatives	**12,125**	**11,199**	**926**	**+8.3%**

Total net transactions between banks at 31 December 2007 is negative, substantially due to the consolidation of the inter-bank positions of the former Centro Leasing and Centro Factoring S.p.A Group companies.
The financial assets in the portfolio are slightly lower owing to a decrease in the assets held for trading that exceeded the rise in the securities available for sale and assets measured at fair value.
Financial assets made up of debt securities, fund units, Sicav (Mutual Funds), ETFs and minority interests, acquired and held for income purposes and in relation to medium- or long-term investment strategies (without the intention of extending this investment up to the expiry of the security concerned) are included in the Group's portfolios classified as AFS (Available for Sale).
Management of the AFS bond portfolio was characterized in the year by a partial rotation mainly involving the replacement of positions in variable rate bank securities (giving rise to partial realisation of assets in the presence of interesting price levels) by means of the purchase of CCTs (Treasury Credit Certificates), BOTs (Treasury bills) and CTZ (Zero coupon Treasury bills), mainly intended to meet the renewal requirements of customers' repurchase transactions and of particular interest from an income point of view in the current market phase.
On the whole, from a Group point of view, the bond portfolios were substantially stable in spite of the fact that the portfolios belonging to Cassa di Risparmio della Spezia S.p.A. and Cassa di Risparmio di Pistoia e Pescia S.p.A. were in the process of being centralised in the framework of the centralisation of finance with the Parent Company. Management of bond portfolios gives preference, generally, to instruments that have frequent price changes, shorter terms, good liquidity and creditworthiness.
With a view to improving investment diversification in the relevant markets, while still limiting exposure to market fluctuations, we have also acquired marginal units in balanced funds and hedge funds.
Financial assets purchased and held with the aim of benefiting from price differentials in relation to short-term trading or arbitrage strategies have been included in the Group's portfolios classified as HFT ("Held for Trading"). Debt securities held by the Group for trading with Customers have also been included in the portfolios classified as HFT.
Management of HFT share portfolios was characterised by prudential criteria, based on the analysis of the performance of the main macro-economic and basic indicators and the opportunities offered by trading activities. The position in shares was marginal.
As at 31 December 2007, the Group's trading portfolios did not include shares of Banca CR Firenze SpA.
Operations in derivatives contracts, finalized primarily at balancing financial risks and brokerage, was kept at interesting levels also in the year under consideration, in particular as regards activities of corporate customers ("Business") in search for instruments giving protection against interest rate risk and cost reduction. The operations in derivatives included also the execution of swaps to hedge debenture loans issued or placed by the Group' banks.
At 31 December 2007 the overall notional value of the existing derivatives contracts is 12,125 million Euro, of which:

- 2,924 million Euro bond loans hedging derivatives;
- 9,201million Euro derivatives held for trading.

Equity investments

The related financial statement item, which reflects the "relevant" equity investments, namely in companies in which the Group exerts considerable influence or in jointly-controlled companies consolidated on an equity basis, amounted to 382 million Euro as at 31 December 2007.
The item recorded a net decrease of 94 million Euro compared to 31 December 2006. The decrease is due to the consolidation on a line-by-line basis of the equity investment in Centro Leasing Banca S.p.A. and Centro Factoring S.p.A., which were measured on an equity basis at 31 December 2006, being associate companies, and entered this item at a value corresponding to their portion of the Group's net book value.
Take note that with the transition to IAS/IFRS standards, other equity investments of the Group are now included among "Financial assets available for sale", which also include other equity securities.

Below are reported the data and information concerning the economic and financial performance of the main subsidiaries during 2007; in this regard, please note that the information reported therein has been drawn up according to IAS/IFRS standards with the exception of the balance sheet data of Centrovita Assicurazioni. Even if consolidated on the basis of "IAS compliant" values, the company applies such standards exclusively for the purposes of the Group's financial statements since it prepares its own "official" financial statements in accordance with the regulations of ISVAP (Insurance Supervisory Authority).

Subsidiaries

CR Pistoia e Pescia S.p.A.

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Interest margin	**86**	**75**	**11**	**14.7%**
Net commissions and recoveries on deposits and current accounts	38	38	0	0.0%
Other revenues	1	3	-2	-66.7%
Overall business margin	**125**	**116**	**9**	**7.8%**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	-3	-1	-2	200.0%
Operating costs (operating expenses + provisions for risks and charges)	-76	-78	2	-2.6%
Other costs and revenues balance	-1	-2	1	-50.0%
Gains/(Losses) from current operations, including taxes	**45**	**35**	**10**	**28.6%**
Taxes	-19	-14	-5	35.7%
Net profit	**26**	**21**	**5**	**23.8%**
ROE	**10.7%**	**9.0%**	**1.7%**	**-**
Customer loans	2,227	2,011	216	10.7%
Direct borrowing from customers	2,138	1,995	143	7.2%
Indirect borrowing from customers	2,109	2,301	-192	-8.3%
Shareholders' equity	262	254	8	3.1%
Branches	**80**	**78**	**2**	**2.6%**

The 2007 financial year closed with a net profit of 26 million Euro, 23.8% more than in 2006 thanks to cost reductions and a rise in the interest margin (+14.7%) that favourably influenced all the profit margins. This effect also came about as a result of sustained growth in customer loans, which were 2,227 million Euro at 31 December 2007, 10.7% more than in 2006.

Gains from current operations including taxes showed an increase of 28.6%.

The improvements in the cost/income ratio were significant, passing from 62.9% in the previous year to 58.9%, as well as in the ROE, reaching 10.7% against 9.0% in the previous year.

Finally, direct borrowing reached 2,138 million Euro, showing a positive change of 7.2%, while the indirect borrowing was 8.3% lower owing to a fall in both administered (-13.8%) and managed savings (-4.4%).

CR La Spezia S.p.A.

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Interest margin	**76**	**57**	**19**	**33.3%**
Net commissions and recoveries on deposits and current accounts	32	29	3	10.3%
Other revenues	2	2	0	0.0%
Overall business margin	**110**	**88**	**22**	**25.0%**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	-6	-1	-5	n.s.
Operating costs (operating expenses + provisions for risks and charges)	-63	-58	-5	8.6%
Other costs and revenues balance	2	-1	3	n.s.
Gains/(Losses) from current operations, including taxes	**43**	**28**	**15**	**53.6%**
Taxes	-19	-13	-6	46.2%
Net profit	**24**	**15**	**9**	**60.0%**
ROE	**13.9%**	**8.6%**	**5.3%**	**-**
Customer loans	1,459	1,188	271	22.8%
Direct borrowing from customers	1,889	1,584	305	19.3%
Indirect borrowing from customers	1,885	1,633	252	15.4%
Shareholders' equity	184	191	-7	-3.7%
Branches	**75**	**66**	**9**	**13.6%**

The 2007 financial year closed with a net profit of 24 million Euro, showing a growth of 60.0% compared to 2006, including the net interest margin equal to 33.3% which, together with the other revenue components, caused the overall business margin to rise up to 110 million Euro, up 25.0% over December 2006.
Current expenses rose (+20.9%) after the significant increase in the company's operations and the acquisition of 10 branches from the Parent Company on 1st January 2007. Staff costs remained substantially in line with the amount reported at 31 December 2006, since the greater costs involved in the acquisition of 10 branches from the Parent Company were largely offset by the positive adjustment to the Staff Termination Pay (TFR) on 1st January 2007 being recognised in profit and loss. This accounting transaction was carried out as a result of the application of the amendments to Staff Termination Pay regulations introduced by Legislative Decree 252/2005 and 296/2006, in accordance with which, with effect from 1st January 2007, the amounts accrued to the benefit of the employees had to be transferred to INPS or to supplementary pension funds.
The growth of 19.3% and 15.4% recorded by direct and in direct borrowing, respectively, as well as the strong growth in customer loans (+22.8% compared to 2006), reaching 1,459 million Euro at period-end, confirmed the positive results reached from the income point of view.

CR Orvieto S.p.A.

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Interest margin	**29**	**25**	**4**	**16.0%**
Net commissions and recoveries on deposits and current accounts	9	9	0	0.0%
Other revenues	1	0	1	n.s.
Overall business margin	**39**	**34**	**5**	**14.7%**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	-4	-2	-2	100.0%
Operating costs (operating expenses + provisions for risks and charges)	-23	-22	-1	4.5%
Other costs and revenues balance	-1	-1	0	n.s.
Gains/(Losses) from current operations, including taxes	**11**	**9**	**2**	**22.2%**
Taxes	-5	-4	-1	25.0%
Net profit	**6**	**5**	**1**	**20.0%**
ROE	**12.7%**	**11.9%**	**0.8%**	**-**
Customer loans	609	524	85	16.2%
Direct borrowing from customers	593	559	34	6.1%
Indirect borrowing from customers	268	268	0	0.0%
Shareholders' equity	49	47	2	4.3%
Branches	**42**	**41**	**1**	**2.4%**

The 2007 financial year closed with a net profit of 6 million Euro (against 5 million Euro in 2006), showing an increase by 20.0% and a growth of 0.8 percentage points in the ROE.
The net interest margin, equal to 29 million Euro, showed an increase of 16.0% mainly due to the increase in the interest charged to customers (+27.0%), which benefited from the positive performance of the customer loans (+16.2%) and from the increase in the differential between interest paid and received, which more than offset the significant increase in interest paid on instruments during the period.
Owing to the substantial stability of operating costs, even taking into account the steep rise in value adjustments owing to a larger number of amounts written off in connection with doubtful loans that were recognised during the period, the Gains/(Losses) from current operations were 11 million Euro, 22.2% more than in 2006.
In 2007 the overall borrowing from customers recorded an increase of 4.1% compared to the previous year; in particular, direct borrowing reached around 600 million Euro, up 6.1%.

CR Civitavecchia S.p.A.

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Interest margin	**37**	**30**	**7**	**23.3%**
Net commissions and recoveries on deposits and current accounts	11	11	0	0.0%
Overall business margin	**48**	**41**	**7**	**17.1%**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	-1	-3	2	-66.7%
Operating costs (operating expenses + provisions for risks and charges)	-28	-25	-3	12.0%
Gains/(Losses) from current operations, including taxes	**19**	**13**	**6**	**46.2%**
Taxes	-8	-6	-2	33.3%
Net profit	**11**	**7**	**4**	**57.1%**
ROE	**15.3%**	**10.1%**	**5.2%**	**-**
Customer loans	733	617	116	18.8%
Direct borrowing from customers	777	680	97	14.3%
Indirect borrowing from customers	387	371	16	4.3%
Shareholders' equity	82	77	5	6.5%
Branches	**35**	**32**	**3**	**9.4%**

The 2007 financial year closed with a net profit of 11 million Euro, 57.1% more than in 2006, with sustained growth in all profit margins starting from net interest margin (+23.3%), which benefited from the greater investment volumes during the period (+18.8%, equal to 116 million Euro).
Owing to lower value adjustments, Gains/(Losses) from current operations absorbed the increase in operating costs, which thus amounted to 19 million Euro, a 46.2% rise on an annual basis.
Total direct borrowing from customers were 11.8% up, especially owing to a rise in direct borrowing (+14.3%), connected with an increase in all the special actuarial forms of borrowing and particularly in sight borrowing and repurchase transactions.

Banca C.R. Firenze Romania S.A.

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Interest margin	**4**	**3**	**1**	**33.3%**
Net commissions and recoveries on deposits and current accounts	1	1	0	0.0%
Other revenues	1	1	0	0.0%
Overall business margin	**6**	**5**	**1**	**20.0%**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	0	0	0	n.s.
Operating costs (operating expenses + provisions for risks and charges)	-9	-5	-4	80.0%
Other costs and revenues balance	0	0	0	n.s.
Gains/(Losses) from current operations, including taxes	**-3**	**0**	**-3**	**n.s.**
Taxes	0	0	0	n.s.
Net profit	**-3**	**0**	**-3**	**n.s.**
ROE	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Customer loans	67	45	22	48.9%
Direct borrowing from customers	52	39	13	33.3%
Shareholders' equity	12	16	-4	-25.0%
Branches	**19**	**11**	**8**	**72.7%**

At 31 December 2007 the Romanian bank returned a net loss of 3 million Euro: the main factors giving rise to this were investments made to open eight new branches, the engagement of staff for the new branches and the cost of conforming them to the Group's operating standards.

Take note of the increase in the interest margin (+33.3% compared to 2006) directly attributable to the growth in customers loans (+ 22 million Euro, equal to 48.9%).

Centro Leasing Banca S.p.A. and Centro Leasing Rete S.p.A. (consolidated data)

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Interest margin	**70**	**51**	**19**	**37.3%**
Net commissions and recoveries on deposits and current accounts	10	5	5	100.0%
Other revenues	6	10	-4	-40.0%
Overall business margin	**86**	**66**	**20**	**30.3%**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	-27	-22	-5	22.7%
Operating costs (operating expenses + provisions for risks and charges)	-41	-33	-8	24.2%
Other costs and revenues balance	1	1	0	0.0%
Gains/(Losses) from current operations, including taxes	**19**	**12**	**7**	**58.3%**
Taxes	-10	-6	-4	66.7%
Net profit	**9**	**6**	**3**	**50.0%**

The profit for 2007 was 9 million Euro, compared with 6 million Euro in the previous period: this growth (+50.0%) was mainly due to the first effects of the business plan and was also due to the repurchase of receivables with regard to a securitisation transaction and the capital gain obtained thereby.
Favourable influences on interest margin, 19 million Euro higher (+37.3%), were the increase in customer loans generated both by increased production and the repurchase of securitised receivables coming to about 4 million Euro in all (+11.5% compared to 2006).
Gains/(Losses) from current operations including taxes were 19 million Euro, 58.3% up on 2006, mainly thanks to the growth of interest margin, which offset the increase of about 5 million Euro (+22.7%) in value adjustments and of about 8 million Euro in operating costs (+24.2%).

Centro Factoring S.p.A.

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Interest margin	**14**	**13**	**1**	**7.7%**
Net commissions and recoveries on deposits and current accounts	11	12	-1	-8.3%
Overall business margin	**25**	**25**	**0**	**n.s.**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	-10	-7	-3	42.9%
Operating costs (operating expenses + provisions for risks and charges)	-11	-13	2	-15.4%
Other costs and revenues balance	5	5	0	0.0%
Gains/(Losses) from current operations, including taxes	**9**	**10**	**-1**	**-10.0%**
Taxes	-4	-5	1	-20.0%
Net profit	**5**	**5**	**0**	**-0.1%**
ROE	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Customer loans	937	929	8	0.9%
Direct borrowing from customers	93	68	25	36.8%
Amounts owing to leasing companies	4	4	0	0.0%
Shareholders' equity	57	53	4	7.5%

The 2007 profit was 5 million Euro, in line with the result for the preceding period, in spite of a 42.9% increase in adjustments to receivables as a result of a more in-depth analysis of the counterparties and the full adoption of the dictates of Basel II.

Centrovita Assicurazioni S.p.A.

ITEMS (amounts in millions of euro calculated according to ISVAP regulations)	31 December 2007	31 December 2006	Absolute change	Change %
DAMAGE INSURANCE				
Premiums attributable to the period	25	21	4	+16.9%
Charges related to accidents	-2	-2	-1	+27.8%
Reverses, profit-sharing and other items	-1	-2	1	-26.3%
Operating expenses	-15	-13	-2	+16.3%
Result from damage insurance	**6**	**5**	**2**	**+31.9%**
LIFE INSURANCE				
Premiums attributable to the period	713	631	82	+13.0%
Proceeds from investments	36	44	-7	-16.9%
Other net proceeds	50	156	-107	-68.3%
Charges related to accidents	-565	-739	175	-23.6%
Change in actuarial reserves	-160	69	-229	-331.2%
Operating expenses	-57	-47	-10	+21.2%
Other items	-3	-98	94	-96.6%
Result from life insurance	**15**	**17**	**-2**	**-12.6%**
Result from damage insurance + life insurance	**21**	**21**	**-1**	**-2.8%**
Sundry other costs and revenues	**-1**	**0**	**-1**	**n.s.**
Income taxes	-8	-8	0	+0.0%
Net profit	**12**	**13**	**-1**	**-6.8%**
ROE	**21.4%**	**23.1%**	**-**	**-1.8%**

The 2007 financial year closed with a net profit of 12 million Euro, 6.8% less than in 2006: while the “Damage insurance” sector was positive (+31.9%), there was a decrease in “Life insurance” (-12.6%), mainly attributable to a fall in “proceeds from investments” (-16.9%) compared with 31 December 2006.
The overall amount of the premiums accounted for over the period was 738 million Euro, showing an increase of 13.2% compared to 31 December 2006.

Infogroup S.p.A.

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Net sales	85	81	4	4.9%
Operating costs	80	76	4	5.7%
Net operating margin	**5**	**5**	**0**	**0.0%**
Financial income and charges	0	0	0	n.s.
Other costs and revenues balance	0	0	0	n.s.
Current result	**5**	**5**	**0**	**0.0%**
Taxes	-3	-3	0	0.0%
Net result	**3**	**3**	**0**	**0.0%**
ROE	**31.1%**	**32.2%**	**-1.1%**	-
Shareholders' equity	11	10	1	10.0%
Financial payables	0	2	-2	-100.0%
Total shareholders' equity and pertaining to minority interests	11	12	-1	-8.3%
Financial payables / Shareholders' equity in %	0.1%	19.9%	-19.8%	-99.5%
Third parties' funds / Shareholders' equity in %	318.6%	418.4%	-99.8%	-23.9%
Available funds and negotiable securities	0.7	1.2	-0.5	-41.7%

The company operates in the provision of IT services in the banking and insurance sectors, offering solutions for bank-insurance systems and for systems related to the use of credit, debit and fidelity card, in the development of virtual bank products and in the provision of banking services in a multi-channel context, in the development of products and the provision of services for e-commerce, for the provision of stored value and telematic services for financial institutions and for large and retail distribution groups, in the development of products and the provision of services in e-training for banks and by means of the use of innovative technologies.

Production income was over 85 million Euro, 39 million of which deriving from services rendered to the Group.
All profitability indicators were favourable: net profit, expressed in thousands of euros (2,861), was 11.3% higher than in 2006.

CR Firenze Gestion Internationale S.A.

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Interest margin	**1**	**1**	**0**	**n.s.**
Net commissions and recoveries on deposits and current accounts	20	20	0	0.0%
Overall business margin	**21**	**21**	**0**	**0.0%**
Operating costs (operating expenses + provisions for risks and charges)	-1	-1	0	n.s.
Gains/(Losses) from current operations, including taxes	**20**	**20**	**0**	**0.0%**
Taxes	-1	-1	0	0.0%
Net profit	**19**	**19**	**0**	**0.0%**

The net profit of 19 million Euro was completely in line with the result for the preceding period, as were overall business margins. Assets diversification work continued in order to obtain a correct approach to market trends.

Immobiliare Nuova Sede S.r.l.

Immobiliare Nuova Sede Srl, a company whose mission is to build and utilise the complex in the Novoli district of Florence, to which Banca CR Firenze S.p.A.'s head office is move, closed its accounts at 31 December 2007 with a loss of 377,000 Euro.
The end-of-period result is due to the company's functioning costs, and this will be the position until the works are finished and the complex starts to generate income, which it is expected to do by the end of the current year.

City Life S.p.A.

After some negative financial years, the company closed the 2007 financial statements with a net profit of 0.2 million Euro.
The main actions undertaken in 2007 were the following:

- A further review of the customer and product/services portfolio with a consequential reduction in medium/small customers and concentration on the products/services oriented to content management and tourism/leisure activities;
- The consolidation of the relationship and services supplied to the CRF Group for the LIBERAMENTE – IOIMPRESA portals;
- The management and development of CITYLIFE-owned portals for tourism, weather and leisure activities (www.GoTuscany.it – www.viaggipiramide.it.);
- The maintenance of the local dominant position of the www.firenze.net portal, transferred to Banca CR Firenze during the year, with the confirmation, notwithstanding the presence of the other competing portals, of about 1,200,000 visitors /year, viewing a total of 11,800,000 pages/year.

Jointly-controlled companies (joint ventures)

Findomestic Group

ITEMS (millions of euros)	31 December 2007	31 December 2006	Absolute change	Change %
Overall business margin	**620**	**578**	**42**	**7.3%**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	-144	-103	-41	39.8%
Net result from financial activities	476	475	1	**0.2%**
Operating costs (operating expenses and provisions for risks and charges)	-304	-280	-24	8.6%
Others	0	2	-2	-100.0%
Operating result	**171**	**196**	**-25**	**-12.8%**
Taxes	-102	-90	-12	13.3%
Net profit	**69**	**106**	**-37**	**-34.9%**
ROE	**10.20%**	**17.30%**	**-7.10%**	

Overall business margin, which was 6.04% of medium-term performing customer loans, was 31 basis points lower than in 2006 at 620 million Euro, 7.3% higher than in 2006, sustained by a rise in loans (+12.8% compared to 2006) and the growth in income from insurance products.
This performance tends to illustrate the downward tendency of financial profitability, which on one hand has to counter an increase in refinancing costs and on the other hand stronger competition, particularly in retail outlets or licensees.
As regards credit risk at 31 December 2007, adjustments to the value of loans, net of write-backs, were 144.4 million Euro, 39.8% more than the previous year.
In these conditions, the overall risk cost/medium-term managed loans ratio was 1.41% in 2007, an increase over the level reached in the previous year (1.14%). This level, however, still remains among the best on the market.
Risk cost performance, in spite of the continual introduction of procedural innovations in the management and analysis of the transactions, is mainly due to a worsening of the position with regard to recoveries, which was, in its turn, related broader financing profiles and longer loan durations than in past years.
Impaired loans (doubtful, non performing and expired) were 2.19% of gross loans from customers, compared with 1.73% at 31 December 2006.
Operating costs in 2007 amounted to 304.3 million Euro, 8.6% higher than last year, particularly owing to the increase in marketing investment during 2007 and the renewal of the national collective labour agreement (CCNL) for the banking sector.
The operating result was 171.1 million Euro, 12.8% lower. Compared with medium-term loans, the operating result is 1.67%, 0.49% lower than in 2006.
Taxes for the period (101.9 million Euro) includes current taxes of 112.1 million Euro and net deferred taxes of 10.2 million Euro. The amendments that the 2008 Budget Law made to the IRES and IRAP tax rates had an extraordinary negative effect amounting to 11.4 million Euro owing to the re-determination of the deferred tax recognised in previous periods and a further negative impact of 7.0 million Euro on current taxes for the year 2007 owing to the 2007 rate differentials and the 0.85% increase in the IRAP rate, leading to an increase in tax of Euro 3.6 million.
Overall performance as a result of all the factors analysed above was a net profit of 68.7 million Euro, a fall of 35.1%. Net of the additional tax liabilities, net profit would have been 90.8 million Euro, 18.5% lower than in 2006 (106 million Euro).
As a consequence of the increase in own resources after 44.8 million Euro profit in 2006 had been allocated to the reserve and of the increase in the revaluation reserve, ROE went from 17.3% in 2006 to 10.2% in 2007.

Soprarno SGR S.p.A.

Soprarno SGR S.p.A. was established on 3 August 2006 and was enrolled as No. 236 in the Register of Asset Management Companies on 15 January 2007.
95% of the company's share capital, 2 million Euro, is held by Banca Ifigest S.p.A. and Banca CR Firenze S.p.A. in equal parts.
The first half-year of 2007 was totally spent in structuring the company and the products managed.
Outsourcing agreements for various functions were entered into with partner banks.
In detail, Banca Ifigest S.p.A. deals with internal control, compliance, administration, budget, management control and information technology, while Banca CR Firenze S.p.A. acts as custodian.
The company has equipped itself with a Management Committee and a Risk Management Committee, made up of persons from the company and from other partner banks with a high degree of proven experience in the sector.
Management activities began in July 2007, after the Uniform Fund Regulations (*Regolamento Unico dei Fondi*) were approved on 14 June 2007.
At the moment, the company offers its customers three fund types with a total of ten individual funds: six flexible, three passive equity and one bond.
With regard to distribution channels, placement agreements have been executed with the two other partner banks. In its first months of activity, the company had assets of about 100 million Euro and reached a managed asset of about 196 million Euro by the end of the year.
As far as economic results are concerned (-0.9 million Euro), the company's costs are in line with those estimated when it was incorporated. As its income derives solely from management and incentive commissions from the managed funds, the revenues obviously could not offset the costs of an entire year in the few months of 2007 during which it was active.
The company, however, estimates it can break even on its operations starting from 2008.

Capital accounts

Shareholders' equity

Millions of euros	31 December 2007	31 December 2006	Change absolute	Change %
Share capital and share premiums	931	929	2	+0.3%
Valuation reserves (adjustment to fair value)	-29	-12	-17	+141.7%
Other reserves	623	433	190	+43.9%
Parent Company Net profit (Loss)	185	271	-86	-31.7%
Shareholders' equity	**1,710**	**1,621**	**89**	**+5.5%**

The Group equity grew by about 89 million Euro (+5.5%) compared to 31 December 2006, mainly as a result of the partial allocation of the 2006 profits to reserves; such positive changes has more than offset the reduction recorded in the valuation reserves and in the Parent Company net profit for the period.

Regulatory capital and solvency ratios

Millions of euros	31 December 2007	31 December 2006	Change	
			absolute	%
Primary capital net of deductions (tier 1)	1,441	1,282	159	+12.4%
Supplementary capital net of deductions (tier 2)	802	834	-32	-3.8%
Elements to be deducted from the primary and supplementary capital	-34	-50	16	-32.0%
Regulatory capital	**2,209**	**2,066**	**143**	**+6.9%**
Credit risk	2,088	1,747	341	+19.5%
Market risk	51	42	9	+21.4%
Other requirements	52	9	43	+477.8%
Total requirements	**2,191**	**1,798**	**393**	**+21.9%**
Risk-weighted assets	27,385	22,485	4,900	+21.8%
Primary capital / Risk-weighted assets (tier 1 capital ratio)	5.26%	6.22%		-0.96%
Regulatory capital / Risk-weighted assets (total capital ratio)	8.24%	9.34%		-1.10%
Solvency ratio	8.46%	9.45%		-0.99%

The increase in primary capital is mainly related to the increase in the Group's reserves (which, in its turn, is mainly due to the allocation of a part of the substantial profit in the 2007 period being allocated to reserves) and in minority interest as a result of the consolidation on a line-by-line basis of Centro Leasing Banca S.p.A. and Centro Factoring S.p.A.; these variations, in fact, more than made up for the smaller profit compared with the previous period, which, however, included: 98 million Euro non-recurring profit net of its tax impact; fewer positive prudential filters deriving from the closure of some put options on equity investments existing at 31 December 2006; and the increase in negative reserves on AFS securities, deducted from primary capital and higher than before owing to the greater amount related to the interest in Cassa dei Risparmi di Forlì e della Romagna S.p.A., which fell below 10% during the year, the effect of this being that the equity investment was not reported among deductions. Finally, in this connection elements to be deducted from the primary and supplementary capital, decreased as a result of the consolidation on a line-by-line basis of Centro Leasing Banca and Centro Factoring. These elements were included in the item in question inasmuch as they were consolidated on an equity basis. The elements also decreased because, as has already been mentioned, the interest in Cassa dei Risparmi di Forlì e della Romagna S.p.A. fell below the 10% threshold.
The decrease in supplementary capital includes the decrease in subordinated liabilities arising from the amounts of some bond issues carried out in previous periods being reported at lower values in order to satisfy regulatory requirements.
The increase in risk-weighted assets is substantially due to the variation in the consolidation area, which entailed the inclusion of Centro Leasing Banca S.p.A. and Centro Factoring S.p.A.'s values among these items.

Statement of reconciliation between the Parent Company's shareholders' equity and net profit for the period and the corresponding values in the consolidated accounts

Description	31 December 2007		31 December 2006	
	Shareholders' equity	Net profit for the year	Shareholders' equity	Net profit for the year
Share capital	828		827	
Share premiums	102		101	
Reserves	485		310	
Valuation reserves	-28		-12	
Goodwill	-89		-88	
Net profit for the year		150		240
Total for Banca CR Firenze SpA	**1,298**	**150**	**1,138**	**240**
Valuation reserves pertaining to the Group	0		0	
Other reserves pertaining to the Group	16		6	
Consolidation reserve	-31		-31	
Measurement of net equity pertaining to minority interests	197		139	
Goodwill arising on consolidation	-220		-216	
Net results for companies consolidated on a line-by-line basis		116		86
Assignment of net profits attributable to minority interests		-36		-30
Elimination of inter-group dividends		-48		-43
Interest payable on consolidated put option liabilities		-4		-4
Effect of commissions due as up-front		-2		0
PPA effect		10		
Elimination of adjustments to participating interests in companies consolidated on a line-by-line basis		0		0
Elimination of capital gains on transfer of inter-group financial assets and property and equipment		0		0
Total for companies consolidated on a line-by-line basis	**-38**	**36**	**-102**	**9**
Consolidation reserve	153		148	
Measurement of net equity pertaining to minority interests	4		5	
Positive shareholders' equity differences	-14		-14	
Net results for the companies valuated under the equity method		33		57
Elimination of dividends from companies consolidated on an equity basis		-31		-34
Assignment of net profits pertaining to minority interests		-1		-1
Effect of commissions due as up-front		-2		0
Total for companies consolidated under the equity method	**143**	**-1**	**139**	**22**
Consolidated Shareholders' equity and profits (including minority interests and goodwill)	**1,403**	**185**	**1,175**	**271**

The consolidated Shareholders' equity of the Banca CR Firenze Group is broken down as follows:

Description	31 December 2007		31 December 2006	
	Shareholders' equity	Net profit for the year	Shareholders' equity	Net profit for the year
Share capital	828		827	
Share premiums	102		101	
Reserves	623		433	
Valuation reserves	-28		-12	
Net profit pertaining to the Group		185		271
Shareholders' equity and net profit pertaining to the Group	**1,525**	**185**	**1,349**	**271**
Shareholders' equity and net profit pertaining to minority interests	**201**	**37**	**144**	**31**
Consolidated shareholders' equity and net profit	**1,726**	**185**	**1,493**	**271**
Goodwill pertaining to the Group	-89		-88	
Goodwill arising on consolidation	-220		-216	
Positive shareholders' equity differences (goodwill)	-14		-14	
Consolidated Shareholders' equity and profits (including minority interests and goodwill)	**1,403**	**185**	**1,175**	**271**

Cash flows

The changes in the Group's cash flows as at 31 December 2007 compared to 2006 can be summarised as follows:

Millions of euros	31 December 2007	31 December 2006
Management	1,049	890
- profit for the period	*185*	*271*
- other changes	*864*	*619*
Net liquidity generated from/(absorbed by) financial assets and liabilities	**-705**	**-903**
Net liquidity generated from/(absorbed by) operating activities	**345**	**-13**
Net liquidity generated from /(absorbed by) investing activities	**-195**	**-28**
Net liquidity generated from/(absorbed by) financing activities	**-109**	**86**
CASH FLOW FOR THE PERIOD	**41**	**45**

The dynamics described above reflect the performances of the economic and equity variables commented on in the previous paragraphs of this Report. For more details, reference is made to the "Cash flow statement" under the consolidated financial statements schedules reported in the pages below.

Organisational activities

Regulatory actions

In 2007 the following actions have been arranged:

- the review of the organisational Model (pursuant to Law 231) was completed and formalized by being issued as an internal regulation for Banca CR Firenze, CR Orvieto and CR Civitavecchia.
- the "Group Regulations for the Operating Risks Management System" was adopted. The objective of these regulations is to define the Banca CR Firenze Group's policy for the management of specific risks, namely the risk of losses deriving from inadequacies or malfunctioning in procedures, human resources and internal systems or from external events.
- the "Banca CR Firenze Group Regulations" were updated to take into account the variations that have taken place in the composition of the Group and the role of the Risks Committee. The role of the Manager responsible for the drawing up of the company's accounting documentation was formalised in order to conform to Law 626/2005, containing provisions for the safeguarding of investments and the regulation of financial markets ("*Disposizioni per la tutela del risparmio e la disciplina dei mercati finanziari*").
- the adoption of the "Group Regulations for the Validation and Control of the Rating System" was extended. Specifically, a "credit risk model auditing Function" was introduced in the Parent Company, whose purpose is to verify the efficacy of the in-house models; in the process of adaptation to the Basel II principles and to the "New Prudential Supervision Instructions" issued by the Bank of Italy, the "validation" function was also introduced within the Parent Company

Group integration Process

To complete the process of integration launched in 2006, on 1st June 2007 Banca CR Firenze took over the previous activities performed by CR Spezia, as well as the organisation, logistics, human resources management and legal departments.
On 7 May, the CR Pistoia e Pescia Board of Directors approved the guidelines of the Group Integration and Governance Project and the starting of the analytical phase, followed by the proposals for action on the Bank's organisational structure consequent on the phases of the assessment of organisation and human resources that was carried out between June and September.
On 17 December the reorganisation of the central Head Office began and the centralisation in the Parent Company also began of the General Accounts, Human Resources Management, Logistics, Technical, Support Services, Legal and Litigation, Finance and Central Treasury Departments.

Operational and Control Processes

As regards the Bersani Decree, the process of the handling of the early repayment fee was reviewed and the "transfer" of home mortgage loans was made possible; finally, rules were laid down for the refund of early repayment fees received after the decree came into force.
The new procedure for the management of customers shared between Group banks was implemented in compliance with Basel II. Rules for credit procedures relating to analytical and collective assessment and country risk together with the calculation of the loss rate were approved. Two new applications have been introduced to assist in the credit pricing calculation, with differentiation according to risk level, and to allow the checking of the business rating.

With regard to receipts and payment processes, within the Parent Company the production of the new "Microcircuito" cards was started. These will gradually replace the multi-function cards (Bancomat, Pagobancomat and VisaElectron), in compliance with the European SEPA (Single Euro Payments Area) provisions.
Bank transfer procedures were adapted in the light of the obligations related to the information on the payer accompanying transfers of funds, as introduced by the EC Regulation no. 1781, and a special procedure was adopted for the administrative handling of requests for the completion of data from and to corresponding Banks, both domestic and foreign. A function containing information on foreign bank transfers was created in Home Banking.

Operational services

The process for correspondence sent to branches was standardised, extending it to CR Civitavecchia, CR Orvieto and CR Spezia, shortening delivery times and allowing a corresponding lightening of the workload in the Banks' internal sorting offices.

Commercial activities

Commercial policies and distribution channels

During 2007 the Group achieved noteworthy commercial results, confirming its position in its market and increasing its customer base by 8,000 persons.
These results were achieved by paying constant attention to the needs of various customer segments, focusing on the growth of new business areas and widening the possibilities and the methods of contact with customers.
As regards remote channels in particular, there were 109,000 new registrations for the *Liberamente* service for private customers by the end of December (+ 12% more than December 2006). More than 600,000 log-ons to give instructions and 12,000,000 to receive information were recorded (82% and 40% respectively higher compared to 2006).
This marked increase in transaction instructions was assisted by the expansion of the payment services that took place during the 2007 period with the introduction of pre-printed postal order forms, *MAVs* (orders and outcome of notified payments) and the top-up service for Mediaset Premium TV cards. A further service that started in 2007 was the on-line calculation of detailed and personalised mortgage loan offers and their actual feasibility.
Another important contribution to the increase in multi-channel business was provided by the "Oasi Relax" project which saw the installation of interactive stations connected with the "Liberamente.net" site at 21 branches of the Group to allow customers to try out the internet channel with the support of the branch personnel and appreciate its advantages in terms of simplicity and quickness of use.
The number of customers registered for the business home banking service went from 26,600 in December 2006 to about 36,800 in December 2007, an increase of 38%.
New services for business were added to the multi-channel range, such as the invoice document management, which allows firms to handle the entire invoicing process electronically; the online "Bank Statement and Accounting" service for the consultation/downloading on line of the documents that the Bank provides on the virtual channel; a service for the electronic alignment of IBAN bank sort code archives to make it easier for firms to convert to the IBAN code, which is obligatory with effect from 1st January 2008; the introduction of the digital receipt, taking the place of a hard copy receipt, for on-line F24 form payments.
The POS machines now installed with CR Firenze Group customers amount to 18,800 (+8%) with total trading volumes of about Euro 1,435 million (+15%).
Representation through the Promoter Network was also expanded through the acquisition of the Cortal Consors S.A. network; as a result of this, the Banca CR Firenze Promoter Network has 67 sales points in the country with 294 Promoters, raising more than 1 billion Euro.

Retail Market

Activities for private customers focused on improving the capacity to attract new customers, reducing the customer attrition rate and supporting the growth of some important business lines, such as insurance policies, pension funds and personal loans.
A new offer was launched to subscribe the *ScontoCorrente* current account, which was responsible for an increase in the number of these accounts to about 19,000 (+13,000 more than December 2006).
As mentioned in the Parent Company's financial statements, in order to prevent "customer attrition", a new Private Customer Attrition Score was prepared, with a higher degree of prediction that the previous one, so that action can be taken when there is a gradual reduction in or erosion of the customer/bank relationship; in April the *Viaggi di Valore* campaign was started to support the action taken to gain and retain new customers and to develop cross-selling, envisaging the award of a "loyalty prize" to long-established customers with a high cross-selling ratio, and an entry prize to the new customers.
As regards investment products, in 2007 64 bond issues were carried out on the domestic market amounting to 1,064 million Euro placed, a substantial increase over the previous year (+16%).
In the insurance sector, the Group's gross receipts in premiums were 684 million Euro (13% more than the previous year). The new annual production was mainly concentrated on BRANCH III, with a high insurance content (88% of both Index and Unit-linked).
Personal risk insurance policies (third party liability, health, temporary for death, injury) performed steadily throughout 2007, as also insurance policies against damage linked to mortgages (+60% more than December 2006).
Among the other products that achieved considerable commercial success were:

- *Prestissimo* personal loans (product managed by Findomestic Banca Spa): 97 million Euro was lent in this sector, 47% more than the previous year;
- home mortgages: loans amounting to 990 million Euro were granted, 42% more than the same period of the preceding year;
- *CRF Previdenza* pension funds: at 31 December 2007 35,000 members (46% more than 31 December 2006), of whom 4,000 collective members. The funds manage 85 million Euro of assets (37% more than 2006);
- Prepaid cards, on the other hand, went above 80,000, 13% more than in 2006.

In the Small Firms market, during 2007 retail activity concentrated on acquiring new customers and developing lending activity by taking advantage of partnership with Trade Associations.
As regards collaboration with Consorzi Garanzia Fidi, the credit guarantee consortia, two projects were carried out during the year with Toscana Comfidi and Artigiancredito Toscano, which led to a maximum of 140 million Euro in financing being made available to stimulate the growth and the competitiveness of the area's businesses. Both availed themselves of the contribution of Fidi Toscana, which counter-guaranteed the credit facilities that were granted. In detail, the project with Toscana Comfidi (plafond: 100 million Euro) generated about 700 requests for financing amounting to about 100 million Euro, therefore the set plafond was almost totally used. The project with Artigiancredito Toscano (plafond: 40 million Euro) at 31 December 2007 elicited 130 requests for about 12 million Euro in loans and will end on 30 April 2008.
The range of products offered by agreement with the "Confidi Imprese Toscane" Consortium, whose purpose is to increase operations with the appropriate Consortium of the Industrialists' Association, was also reviewed: in the new list, the rates are benchmarked to market indices for all the credit lines available and the pricing applied by Banca CR Firenze and the cost of the Consortium guarantee is differentiated according to the degree of risk presented by the counterparty.

The Business Customer Market

Marketing projects in the business customer market, were directed at consolidating the Group's role as leading banking partner, aiming at increasing market share in loans and increasing revenues from services.
The Agrarian Business Centre was formed in order to increase the bank's presence in the agricultural sector and optimise commercial effectiveness. The Agrarian Business Centre has a high-level specialist structure and has been assigned the management of about 650 customers, transferred from the various business centres. This unit operates through a main office in Florence and three local branches in Montevarchi, Empoli and Siena.
The Modena business centre was opened in December to strengthen representation in Emilia Romagna and support Group synergy, operating units of Centro Leasing and Centro Factoring also being transferred to this location.
310 million Euro worth of leasing agreements (+13%) were concluded during 2007 and the turnover from factoring transactions reached 550 million Euro (+15%).
Activities in the corporate financing area took the form of various campaigns in the different segments of operations, offering innovative solutions to integrate traditional types of lending.

The Private Banking Market

In 2007 the main lines of action addressed at the private market were connected with expanding the product range, completing technological platforms and increasing representation in the area, with the double aim of improving the quality of the service offered and achieving the planned increase in the number of private customers.
As already pointed out in the Parent Company's financial statements, the *Privato Scelta Esclusiva* policy was created in the framework of the expansion of the product catalogue. This is an investment approach that combines the advantages of planning the inheritance and tax aspects of capital offered by the insurance solution and by the plancher guarantee with a high level of personalisation of portfolio assets by setting up an insurance fund restricted to a single family group; in the core product of the Private market, the Asset Management, the *Private Scelta Dinamica* line was improved, being made more flexible in order to meet the requirements of the higher-risk customers.
The range of UCITS was also further specialised and expanded by the possibility of buying from open-ended investment funds with the Sicav (Mutual Funds) Banque Pictet.
As regards support tools for reporting, new analytical functions (Asset Risk and Alert) for the *Pianoforte* application were released. *Pianoforte* is a tool that supports managers of private and personal markets in work as financial advisors. The new functions integrate those already existing with regard to the customer's general position and risk analysis, complete the analysis of the portfolio and compare the customer's actual portfolio with the model portfolio most suitable for his/her specific expectations. The objective being to provide a tool for analysing and positioning risk and/or investment class for the risk profiles in individual customer Portfolio.

The Public Bodies Market

Commercial activity was directed both to making the traditional range of services and the payment systems (treasury management, loans, mortgages) more efficient and to expanding the range of innovative products, such as the first systems for the collection of some taxes on line, such as fines for the infringement of traffic regulations.
The work of computerising new cash and treasury services continued together with the progressive increase in the number of public bodies that send cash flows on line in parallel with the delivery of hard copy material. This system is preparatory to the introduction of the "digital signature" of orders allowing the gradual elimination of hard copies, now in the advanced trial stage with three leading Authorities; for two of these, the parallel hard copy/digital phase has reached its conclusion and the new service is to become operational during the months to come.

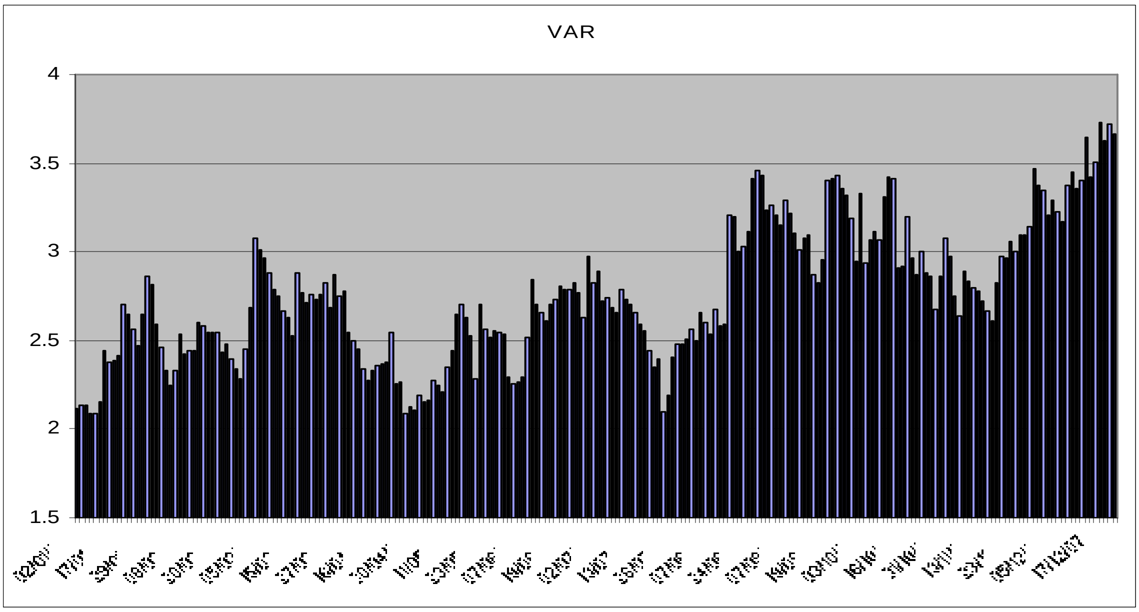
Risk Management

General aspects

The Banca CR Firenze Group gives considerable importance to the management and control of the various types of risk. The policies related to the risk-taking are defined by the statutory bodies of the Parent Company (Board of Directors, Executive Committee and General Management) which make use of the support from the Risk Committee, a collective body chaired by a board member specially delegated and also including the General Managers of the Group's Italian commercial banks and the managers responsible for the main functions concerned. While conducting its activities, the Risk Committee is assisted by the Risk Management which ensures the identification, measurement and control of the risks in their quantitative aspects, assessment of methodologies provided for by the Supervisory Board and in the comparison with any external benchmarks deemed appropriate.
The methodology and regulations supporting the process of measurement and control are standardised for all the Italian commercial banks. Specific activities are in hand to standardise measurement methodologies in the other Group companies, where appropriate.

Financial risks

The Parent Company's Board of Directors lays down the strategic guidelines for the taking of risks depending on the value creation objectives and capitalization levels of the Parent Company itself and of its subsidiaries.
At Group level, the management of financial risks is regulated by the "Regulations for the management of financial risks and counterpart risk".
The risk indicators (decrease of economic value of assets and liabilities following parallel interest rate shocks of 200 basis points, and Regulatory Capital, and the impact on interest margins of a change in interest rates of 100 basis points), monitored monthly, show values that are below the ceilings envisaged in corporate regulations in the Group's Italian commercial banks at the end of the 2007 period. In the aggregate for the Group's Italian retail banks, the variation in the interest margin as a result of a parallel shock in the interest rate of 100 basis points is about 67million Euro.
The VaR of the Bank's portfolio (utilised for operations), determined on the entire amount of debt and equity securities, regardless of their accounting nature (AFS or HFT), except for equity investments, replicated the risk factor volatility trend, having a mean value of 2.7 million Euro, reaching a maximum figure of 3.7 million Euro and always remaining below the figure prescribed in corporate regulations, and always remaining below the figure prescribed in corporate regulations (0.5% of Tier 1 and Tier 2 gross of deductions).

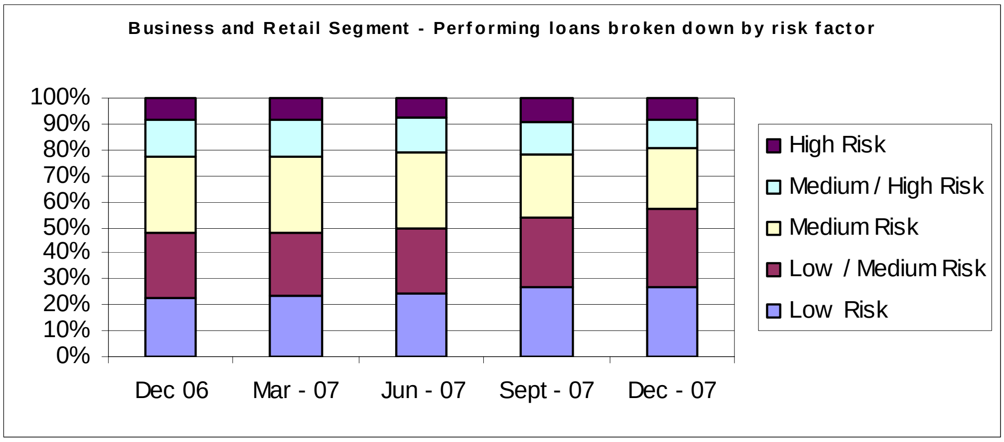


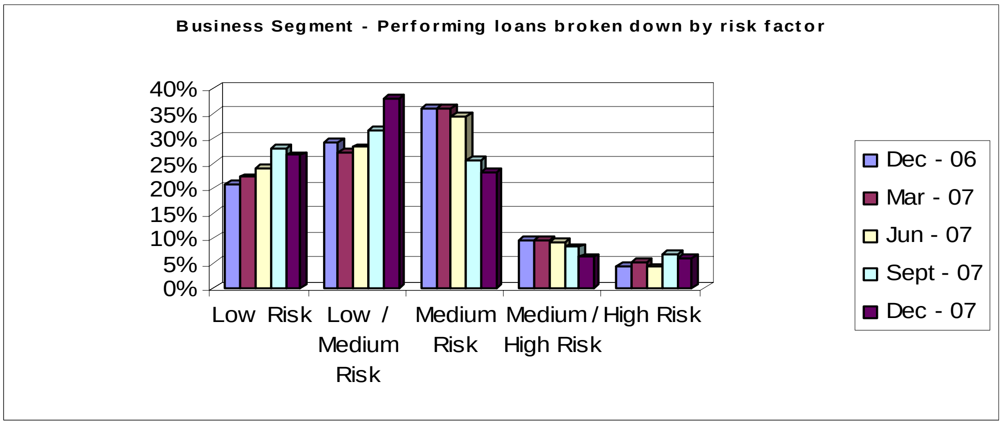
As a result of the events connected with the sub-prime mortgage crisis, the Bank carried out a study on the theme of liquidity risk management, which showed that the procedures for the management of this type of risk are appropriate to the Bank's operational complexity and size

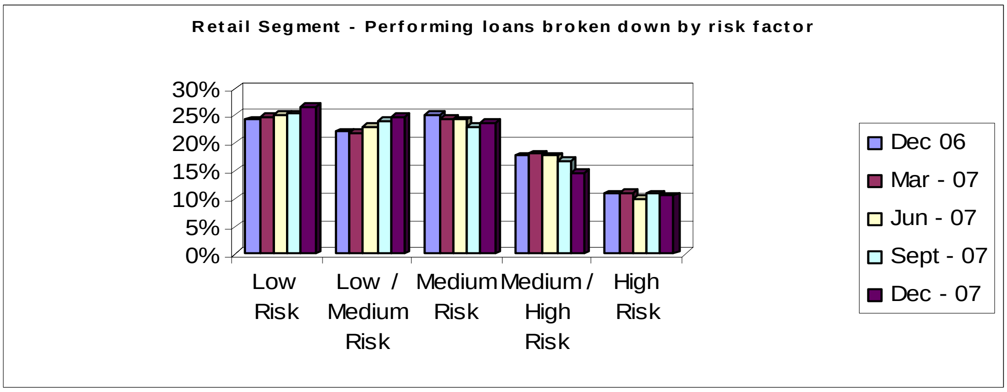
Credit risks

Counterparty risk is determined by utilising a number of rating and scoring models consistently with Supervisory Board instructions. The rating system is worked out in accordance with the best practice in use and is differentiated by customer size and type. In December 2007, these models, as a whole, can cover about 90% of total exposure to ordinary customers, while the

percentage of cover was about 70% in December 2006: the increase is mainly due to the PD mapping of retail scoring models and the fact that rating models for real estate management and financial companies were defined.
The distribution of ordinary customers' performing loans, broken down by risk factor, shows that correct credit management has led to a concentration of exposure on the lower risk bands ("Low Risk" e "Low-Medium Risk") and an appreciable improvement in their distribution: in fact the graphs show that, from December 2006 to December 2007, low or low-medium risk components have risen more than medium to high or high risk components.







The breakdown of exposure by type of guarantee shows, compared to the system, a decrease in the proportion of exposures backed by collateral, which is the result of the entry into the consolidation area of Centro Leasing Banca, for which a real estate leasing agreement is considered an unsecured transaction.
As regards non-performing loans, the "gross doubtful loans/deposits" ratio is substantially stable (gross of amounts written off) with amounts in line with the average banking system figures. The trend of the other categories of default (non-performing loans and loans overdue for more than 180 days) is substantially stable on an annual basis but the proportion of these loans is lower than the average in the banking system: the "non-performing cash loans/loans" ratio in particular is much lower than those of the banking system mean and median. In 2007 the new metrics provided as a result of the progressive alignment to the provisions of Basel II led to the use of the tools that were also introduced to lay down the lines for the credit policy strategy plan.

A feature of credit risk management has always been attention to the handling of relations with Confidi. In this connection, during 2007 financing transactions of the “segmented type” were concluded, involving the creation of guarantee funds gauged to customer risk, whose pricing was calculated on the basis of in-house simulation models.

Operating risks

In 2007 the Group, with respect to the other banks joining the Italian Database of Operating Losses (“DIPO”), has recorded a smaller percentage of operating losses on the business margin with respect to the banking System. No event in the Group over the period under consideration gave rise to the maximum loss at the System level.
A study adopting the risk self-assessment technique was carried out in order to establish the corporate structure’s likely losses. A comparison between losses that occurred and those expected was made. The first result of this was that it was seen that the former were in line with the latter and the second result was that the processes most at risk were identified and began to be subjected to evaluation as appropriate**.**

Human Resources and the local area network

Group staff

At 31 December 2007, the Banca CR Firenze Group’s permanent staff totalled 6,468 resources, of which 6,333 permanent staff and 135 on limited term contracts (exact end-of-period data), an overall increase of 128 over the end of the 2006 period. There were 163 more permanent staff and 35 fewer limited term staff.

	31 December 2007			31 December 2006			Change Dec/07 on Dec/2006		
	Establishment staff	Staff on limited term contracts	Total employed staff	Establishment staff	Staff on limited term contracts	Total employed staff	Establishment staff	Staff on limited term contracts	Total employed staff
Companies consolidated on a line-by-line basis									
Banca CR Firenze	3,593	75	3,668	3,467	88	3,555	126	-13	113
CR Pistoia e Pescia	673	10	683	682	12	694	-9	-2	-11
CR Civitavecchia	235	8	243	220	12	232	15	-4	11
CR Orvieto	210	-	210	195	17	212	15	-17	-2
CR La Spezia	600	12	612	601	12	613	-1	-	-1
Banca CR Firenze Romania	179	4	183	159	-	159	20	4	24
CR Firenze Gestion Internationale	3	-	3	2	-	2	1	-	1
Infogroup	390	9	399	392	8	400	-2	1	-1
Citylife	4	-	4	4	-	4	-	-	-
Centrovita Assicurazioni	41	16	57	37	20	57	4	-4	-
Immobiliare Nuova Sede	-	-	-	1	-	1	-1	0	-1
Centro Factoring	112	-	112	106	1	107	6	-1	5
Centro Leasing Banca	292	1	293	303	-	303	-11	1	-10
Centro Leasing	1	-	1	1	-	1	-	-	-
Total consolidated Group staff	**6,333**	**135**	**6,468**	**6,170**	**170**	**6,340**	**163**	**-35**	**128**
Companies consolidated under the equity method									
Findomestic Group	2,113	283	2,396	1,993	291	2,284	120	-8	112
Soprarno Sgr	9	-	9	2	-	2	7	-	7
Total companies consolidated under the equity method	**2,122**	**283**	**2,405**	**1,995**	**291**	**2,286**	**127**	**-8**	**119**

6,468 resources include 3,167 women and 3,301 men (the female staff is equal to 48.9% of the total permanent staff, compared to 47.3% in the last year).
The Group’s Retail Banks in Italy and abroad have 74.8% of the human resources working in the various channels, 1.1% more than last year.

	31 December 2007				31 December 2006			
	Establishment staff	Staff on limited term contracts	Total employed staff	channels %	Establishment staff	Staff on limited term contracts	Total employed staff	channels %
Banca CR Firenze	3,593	75	3,668	72.4%	3,467	88	3,555	71.6%
CR Pistoia e Pescia	673	10	683	78.8%	682	12	694	76.2%
CR Civitavecchia	235	8	243	88.1%	220	12	232	87.1%
CR Orvieto	210	-	210	83.3%	195	17	212	82.5%
CR La Spezia	600	12	612	81.0%	601	12	613	78.8%
Total Retail Banks in Italy	**5,311**	**105**	**5,416**	**75.3%**	**5,165**	**141**	**5,306**	**74.2%**
Banca CR Firenze Romania	179	4	183	61.2%	159	-	159	58.5%
Total Retail Banks	**5,490**	**109**	**5,599**	**74.8%**	**5,324**	**141**	**5,465**	**73.7%**

At 31 December 2007 there were 389 part-time resources in all, 6.9% of the total establishment compared with 6.8% in 2006.
The average age was 42.4 years, substantially unchanged since last year, while average seniority was 0.3 years down at 14.9 years.

Staff employed by the Group's banks - Group Staff	Resources	Average age (years)	Average lenght of service (years)	channels %
Banca CR Firenze Spa	3,668	41.9	14.3	72.4%
CR Pistoia e Pescia	683	45.7	20.3	78.8%
CR Civitavecchia	243	42.4	14.3	88.1%
CR Orvieto Spa	210	42.3	14.5	83.3%
CR La Spezia Spa	612	43.6	16.7	81.0%
Banca CR Firenze Romania Spa	183	36.0	2.2	61.2%
Total Retail Banks	**5,599**	**42.4**	**14.9**	**74.8%**

As regards the composition of the staff by grade, there was a slight increase in absolute terms in executives and in the Professional Areas (although the latter decreased as a percentage of the total number of resources) and an increase, both in absolute terms and as a percentage, of Senior Employees.
The table below shows staff details by grade for each Retail Bank in the Group:

Staff employed by the Group's banks - composition by position	Managers	Senior employees	Professional areas
Banca CR Firenze Spa	70	1,067	2,531
CR Pistoia e Pescia	12	196	475
CR Civitavecchia	1	64	178
CR Orvieto Spa	1	59	150
CR La Spezia Spa	6	190	416
Banca CR Firenze Romania Spa	2	29	152
Total Retail Banks	**92**	**1,605**	**3,902**

Finally, 107 resources were posted to the Parent Company at 31 December 2007, against 115 at the end of the previous period. Recourse to detached staff has grown more frequent in the last few years, allowing the allocation of resources at Group level to be improved and ensuring that the parent company's requirements are met in step with the gradual centralisation of work.

Selection

More than 15,330 applications for employment were received during the 2007 period, against 14,500 the previous year (630 curricula to CR Pistoia, 245 to CR La Spezia, 40 to CR Orvieto, 115 to CR Civitavecchia and 14,700 to Banca CR Firenze).
1,284 candidates (of which 946 for Banca CR Firenze and 338 for the other Group Banks) were overall involved in the selection of staff without any specific experience, aimed at a first insertion under a fixed-term contract. This number was 19.0% more than the previous year for the subsidiary Banks, but 49.0% lower overall. The percentage of candidates that passed the test to be admitted to an interview was about 2.0% higher for Banca CR Firenze but slightly lower for the other banks, the total proportion being 33.4% (against 34.0% in 2006).
72.6% of those that attended an interview were found satisfactory, against 76.0% in 2006.
During 2007 111 candidates from Banca CR Firenze and 7 from other Group Banks (5 from CR La Spezia and 2 from CR Civitavecchia) underwent a specific selection process for work entry contracts, 83.0% of whom were engaged (a 82.9% success rate as regards Banca CR Firenze, 80.0% as regards CR La Spezia, 100.0% as regards CR Civitavecchia).
Apprenticeship contracts were introduced in the Parent Company during the period. 61 candidates took part in the recruitment process for these positions, 50 of whom were successful (82.0%). 25 of these were brought into the Company on 1st April.
The process for the recruitment of personnel without any specific experience envisages that all those that have worked one or more limited-term periods of at least 3 months, with satisfactory reports on their work, may take part in the second recruitment phase, whose purpose is to engage staff on indefinite term contracts. 154 candidates were allowed to take part in this phase, 108 from Banca CR Firenze and 46 from the other Group Banks, with a 94% success rate (95.0% as regards Banca CR Firenze and 91.0% as regards the other Banks), against 85.0% in 2006.

The specialist recruitment procedure, restricted to resources that have mature experience, involved 214 Banca CR Firenze candidates and 24 candidates from other Group Banks during the year. 79.0% of the candidates examined were successful, less than the 83.0% of 2006.
As regards recruitment to Banca CR Firenze Romania, 47 selection interviews were held to engage staff on both work entry and specialist contracts, with a success rate of 68%.

Human resources development and management

In agreement with the Commercial Department, in Banca CR Firenze the main development paths for the distribution network were announced, and the process of internal selection began for vertical movements from one work level to another (groups of employees with similar characteristics and expertise performing duties of a similar degree of difficulty).
October saw the end of the first phase of the process of internal selection envisaged in the development paths, a phase whose purpose was to form pools of staff suitable for assigning to various roles according to the needs of the company.
During the first half-year, CR La Spezia published the results of the assessment conducted in 2006 on Bank Personnel in order to establish their skills and specialised knowledge, which were then passed on to the persons concerned and entered in the system containing information regarding staff.
During the year, work also started on the assessment of human resources in CR Pistoia e Pescia in the framework of the Group's Integration And Governance Project. The assessment involved 375 persons and envisaged an on-line skills and specialised knowledge census restricted to the distribution Network. The information was collected on the basis of self-assessment by an available environment on the *People's Web* procedure already in use by the Parent Company.
The first edition (2006-2007) of the *Perseo* managerial development project conducted at Group level was concluded. The first phase (Master), which began in September 2006, was carried out over a six-month period during which managerial techniques were handled within a modular process and which ended with the solution of a case study. The second (Workshop) phase followed, during which the members of staff were called upon to put the knowledge and skills acquired during the six months of teaching into practice in a simulated situation (a team business game). The third and final phase of the programme started with a preliminary Project Management course and ended with the participants presenting their projects to the Managers of their Departments.
At the end of the year selection procedures began to find 30 participants for the Group' s second edition. Selection will end in February 2008 and will involve about 400 persons.
The project for Banca CR Firenze resources that obtained the PERSEO patent in 2006 (Progetto ME!) was also officially launched. This project is based on a programme of analogical workshops ("Experiences") within which the participants can make experiments using the skills suitable for the organisational context of the project.

Training

There were 58,169 man/days of training in the Group within working hours (+72.7% in comparison with 2006, 33,678 man/days), with 64,422 participants (+81.9% over 2006, 35,411 participants). In detail, the following are the participation volumes and man/days of the various different companies:

	Participants	Man/days
Banca CR Firenze	43,037	40,408
CR Pistoia e Pescia	8,471	6,724
CR La Spezia	5,148	4,509
CR Orvieto	2,657	2,429
CR Civitavecchia	3,409	2,720
Other Group companies	91	180
Total	**64,422**	**58,169**

Most of the courses were held at the Parent Company's training centre; some courses were given directly at the offices of the other Group Banks.
In addition to the information given in the Parent Company's financial statements, the following training courses were given by the other Italian banks of the Group:

- CR Pistoia e Pescia – with a mind to the business and private customer segments and the introduction of Business And Private Customer Centres, training courses were given and work experience arranged with regard to pension funds; the specialised technical knowledge census process was also started.
- CR La Spezia - local training was given on service quality and sales techniques, multi-channel organisation, mortgage loans to private customers, Giotto current accounts, leasing and management control and reporting. Refresher courses were also provided with regard to conditions and credit facilities.

- CR Orvieto - local training was provided for Network Managers and Resources on the handling of sales relations with customers and basic and intermediate courses in finance were held.
- CR Civitavecchia - specialised courses on granting loans, pension funds and the reform of Staff Termination Pay regulations were given. At the end of the year the specialised technical knowledge census process was started.

The local area network

At 31 December 2007 the number of branches of the Italian retail banks in the Group amounted to 550 units, spread out over 25 Provinces (7 Regions); to these must be added the 19 Branches of Banca C.R. Firenze Romania.

Province	Banca CR Firenze	CR Pistoia e Pescia	CR la Spezia	CR Civitavecchia	CR Orvieto	Group
Florence	131	4				135
Arezzo	35					35
Bologna	6	11				17
Ferrara	1					1
Genoa			2			2
Grosseto	16					16
La-Spezia			53			53
Livorno	10					10
Lucca	13	9				22
Mantova	7					7
Massa-Carrara			16			16
Modena	20					20
Parma			2			2
Perugia	16				2	18
Pisa	13					13
Pistoia	2	52				54
Prato	11	4				15
Ravenna	1					1
Reggio-Emilia	2		2			4
Rimini	1					1
Rome	13			31	9	53
Siena	19					19
Terni					22	22
Verona	1					1
Viterbo				4	9	13
TOTAL	**318**	**80**	**75**	**35**	**42**	**550**
CR Firenze Romania	19					19
TOTAL	**337**	**80**	**75**	**35**	**42**	**569**

Region	No. of Branches
TUSCANY	335
LIGURIA	55
UMBRIA	40
LAZIO	66
EMILIA ROMAGNA	46
LOMBARDY	7
VENETO	1
Total	**550**

35 Business Customer Centres, 22 Private Customer Centres, 4 Public Authorities and Treasury Centres and 49 Financial Spaces also operate in this context.

Communications

As regards external communication, a large number of external communication projects were carried out during 2007, as already described in detail in the Parent Company's financial statements.
As regards internal communication, 2007 saw a further consolidation and growth of the Group's system of internal communications in order to assist in the circulation of information and the professional growth of its human resources by defining a network of communications contacts in the various corporate departments.
Particular attention was devoted to the IT channel by means of the Group Intranet. The site was updated, additional functions were added and the number of items of news published each day doubled.
The Group executed the Integrated Internal Communication Plan (*Piano Integrato di Comunicazione Interna*, PIIC), under which all the activities and most significant projects that will be carried out by the Group and by the various company Divisions are planned during 2007.
A survey of personnel motivation and overall internal climate in the workplaces, already present in the Parent Company and CR Pistoia, was introduced into CR Civitavecchia and a feasibility study has begun to assess whether it should be extended to CR Orvieto. A project to computerise the system is in progress in order to reduce data processing times. The analysis of socio-demographic factors was introduced at the parent company in addition to that regarding the Group's organisational units.
The editorial lines of the "Flash News" house organ, of the commercial magazine PIN and of Intranet were integrated in order to exploit the synergies between the three resources. Flash News began publication for the whole Group, a single newspaper in tabloid format with separate pages for individual Banks.

Directors’ report on consolidated activities

5. The Group’s segments of activity

Introduction

Following the introduction of the new IAS/IFRS and according to the Bank of Italy’s Circular Letter No. 262 of 22 December 2005, the Group set up a VBM (Value Based Management) system which made it possible not only to produce reporting schemes in compliance with the new regulations, but also to enhance internal management reporting, reinforcing the tie between the latter and the data used for external information. Compared to 2006 the Leasing & Factoring business area was introduced as a result of the variation in the consolidation area.

Identification of the segments of activity

In order to implement the process of re-attributing income and equity elements, the following business areas were firstly identified:

- *Retail*, including the following sub-areas:
  - ✓ retail;
  - ✓ financial promoters;
  - ✓ other bank networks (networks of subsidiary banks that at this time do not have different distribution channels for each of the customer segments served);
- *Business and Private*;
- *Finance* (structure responsible for management of the owned portfolio and Treasury on a Group level);
- *Wealth Management* (companies that develop products for savings management);
- *Leasing and Factoring*; (*a newly created business area as a result of the consolidation on a line-by-line basis of Centro Leasing Banca S.p.A. and Centro Factoring S.p.A., as previously reported*)
- *Corporate Center*, or the structure in which the governance, control and management divisions relating to participating interests (including those consolidated on an equity method among which, specifically, Findomestic Banca S.p.A.) are concentrated.

Criteria for calculation of profitability by segment of activity

Costs and revenues of the various business areas have been allocated according to the following rules:

- the interest margin has been calculated using internal transfer rates;
- each business area has been assigned the respective direct costs; in addition, indirect costs related to the services rendered by the Corporate Center to the various operating business units have also been assigned to these, based on their effective use;
- the services rendered by the individual business units in favour of other business units were "billed" to the latter;
- a "real property center" was set up as part of the Corporate Center which bears the actual costs related to real assets, billing the individual organizational units notional rents, as calculated based on the actual expenses (for the leased property) or the presumed realisable value of the property (for the owned property);
- risk cost is debited to the single business units on the basis of measurement parameters consistent with Basel II: this represents an “assurance” against credit risk that is recognised in favour of the Corporate Center, which, on the other hand, recognises actual losses and write-downs of doubtful debts.

Each business unit has been assigned a specific average absorbed capital, based on the exposure to various types of risk (market, credit, transformation and operating risk); as a result, the profitability of the individual unit was measured in terms of RORAC (Return on Risk Adjusted Capital), through the ratio between the contribution to net Group profit of the unit and the capital absorbed by it, calculated as described above.

Summary

	RETAIL	BUSINESS AND PRIVATE	FINANCE	WEALTH MANAGEMENT	LEASING & FACTORING	CORPORATE CENTER (1)	GROUP TOTAL
OVERALL BUSINESS MARGIN (€/mil)							
December 2007	756	153	44	62	61	4	1,080
December 2006	702	166	33	61	n.a.	42	1,004
2007/ 2006 (%) change	7.7%	-7.8%	33.3%	1.6%	n.s.	-90.5%	7.6%
PROFIT FROM CURRENT OPERATIONS (€/mil)							
December 2007	253	59	33	47	31	-43	380
December 2006	204	62	20	46	n.a.	-19	313
2007/ 2006 (%) change	24.0%	-4.8%	65.0%	2.2%	n.s.	126.3%	21.4%
NET PROFIT (*) (€/mil)							
December 2007	146	39	22	35	18	-38	222
December 2006	138	49	16	34	n.a.	66	303
2007/ 2006 (%) change	5.8%	-20.4%	37.5%	2.9%	n.s.	n.s.	-26.7%
TOTAL INTEREST-BEARING ASSETS (€/mil)							
December 2007	9,841	5,184	5,119	2,895	4,622	-362	27,299
December 2006	9,802	4,825	3,929	2,754	n.a.	846	22,156
2007/ 2006 (%) change	0.4%	7.4%	30.3%	5.1%	n.s.	n.s.	23.2%
TOTAL COST-BEARING LIABILITIES (€/mil)							
December 2007	12,552	2,998	3,327	18	4,419	-441	22,873
December 2006	12,374	2,954	1,836	34	n.a.	627	17,825
2007/ 2006 (%) change	1.4%	1.5%	81.2%	-47.1%	n.s.	n.s.	28.3%
AVERAGE ALLOCATED CAPITAL (€/mil)							
December 2007	579	362	97	81	232	544	1,895
December 2006	584	276	103	83	n.a.	776	1,822
2007/ 2006 (%) change	-0.9%	31.2%	-5.8%	-2.4%	n.s.	-29.9%	4.0%
ANNUALIZED PROFITABILITY (%)							
December 2007	25.2%	10.8%	22.7%	43.2%	7.8%	-7.0%	11.7%
December 2006	23.6%	17.8%	15.5%	41.0%	n.a.	8.5%	16.6%
2007/ 2006 (%) change	1.6%	-7.0%	7.1%	2.2%	n.s.	n.s.	-4.9%
STAFF (including fixed-term contracts)							
December 2007	4,345	479	25	60	406	1,154	6,468
December 2006	4,223	433	25	59	n.a.	1,189	5,929
2007/ 2006 (%) change	2.9%	10.5%	1.0%	1.7%	n.s.	-3.0%	9.1%

(1) Includes the elimination of the transactions with "internal customers" entailing inter-sector transactions. In this connection, it should be noted that the inclusion of these dealings, shown in detail in Part D of the Notes to the consolidated financial statements, determined a substantial variation in the amounts of the interest-bearing assets (-1,206 million Euro) and cost-bearing liabilities (-1,129 million Euro) at 31 December 2007.
(*)The figure of net profits includes minority interests both for the various sectors and at an overall level.

As explained before, in 2007 the Group's net profit, including minority interests, was 26.7% lower; if profit from non-recurring transactions (98 million Euro) is not taken into account, substantially connected with the capital gains from the sale of equity investments in Sanpaolo Imi S.p.A. and Fondiaria–SAI S.p.A., the net result would have been a growth of 8.3%. The best results were achieved in the Retail (+5.8%), Finance (+37.5%) and Wealth Management (+2.9%) sectors.
As to the dynamics of the equity aggregates underlying income performances, both interest-bearing assets and cost-bearing liabilities have continued to grow, however modestly, as detailed in the following paragraphs.

Retail

	December 2007	December 2006	Absolute change	Change
INCOME STATEMENT ITEMS				
Interest margin	**509**	**441**	**68**	**15.4%**
Net commissions and recoveries on savings deposits and current accounts	242	255	-13	-5.1%
Dividends and profits (losses) from equity investments	1	1	0	0.0%
Result of financial assets and liabilities	4	5	-1	-20.0%
Net result from insurance activities	0	0	0	n.s.
Overall business margin	**756**	**702**	**54**	**7.7%**
Value (adjustments)/write-backs for worsening of loans and other financial assets	-41	-29	-12	41.4%
Net business margin	**715**	**673**	**42**	**6.2%**
Operating expenses	-464	-463	-1	0.2%
Net operating result	**251**	**210**	**41**	**19.5%**
Net provisions for risks and charges	-3	-3	0	0.0%
Other costs and revenues from current operations	5	-3	8	n.s.
Gain from current operations	**253**	**204**	**49**	**24.0%**
Income taxes	-107	-66	-41	62.1%
Gain (Loss) from non-current assets under disposal	0	0	0	n.a.
Minority interests net profit/(loss)	n.a.	n.a.	n.a.	n.a.
Net profit (including minority interests)	**146**	**138**	**8**	**5.8%**
SEGMENT REVENUES	715	673	42	6.2%
SEGMENT RESULT	146	138	8	5.8%
AVERAGE ALLOCATED CAPITAL	579	584	-5	-0.9%
INDICATORS (%)				
Annual profitability	25.2%	23.6%	1.6%	
Cost/ Income ratio	61.4%	66.0%	-4.6%	
BALANCE SHEET FIGURES				
Total customers' assets				
Financial assets	26,602	25,572	1,030	4.0%
- direct borrowing	13,352	12,446	906	7.3%
- indirect borrowing	13,250	13,126	124	0.9%
- administered funds	4,208	4,107	101	2.5%
- managed funds	9,042	9,019	23	0.3%
- asset management: Gpm, Gps, Gpf	1,473	1,882	-409	-21.7%
- funds	5,063	4,733	330	7.0%
- insurance (actuarial reserves)	2,506	2,404	102	4.2%
Financial assets in portfolio	15	460	-445	-96.7%
Customer Loans	10,087	9,201	886	9.6%
Total interest-bearing assets	9,841	9,802	39	0.4%
Total cost-bearing liabilities	12,552	12,374	178	1.4%
STRUCTURE				
Staff	4,345	4,223	122	2.9%
Branches	550	529	21	4.0%
Foreign branches and representative offices	19	11	8	72.7%

The Retail sector, representing the most considerable portion of the Group's activities in terms of quantity, saw a growth of 54 million Euro (+7.7%) in the overall business margin, which was substantially determined by the increase in interest margin (+15.9%) as a consequence of the higher volumes traded over the period.

The increase in revenues was accompanied by substantially stable operating expenses (+0.2%) and a high increase in net value adjustments to loans (+41.4%), which, in this period, were affected by a refinement of the application of measurement criteria consistent with Basel II, generating higher write-downs, especially in the other Group banks.

Direct borrowing increased by 7.3%, while indirect borrowing saw an increase both in administered funds (+2.5%) and in managed savings (+0.3%). Customer loans grew by 9.6%.

Business and Private

	December 2007	December 2006	Absolute change	Change
INCOME STATEMENT ITEMS				
Interest margin	**94**	**101**	**-7**	**-6.9%**
Net commissions and recoveries on savings deposits and current accounts	52	57	-5	-8.8%
Dividends and profits (losses) from equity investments	0	0	0	n.s.
Result of financial assets and liabilities	7	8	-1	-12.5%
Net result from insurance activities	0	0	0	n.s.
Overall business margin	**153**	**166**	**-13**	**-7.8%**
Value (adjustments)/write-backs for worsening of loans and other financial assets	-27	-35	8	-22.9%
Net business margin	**126**	**131**	**-5**	**-3.8%**
Operating expenses	-66	-66	0	0.0%
Net operating result	**60**	**65**	**-5**	**-7.7%**
Net provisions for risks and charges	0	0	0	n.s.
Other costs and revenues from current operations	-1	-3	2	-66.7%
Gain from current operations	**59**	**62**	**-3**	**-4.8%**
Income taxes	-20	-13	-7	53.8%
Gain (Loss) from non-current assets under disposal	0	0	0	n.a.
Minority interests net profit/(loss)	n.a.	n.a.	n.a.	n.a.
Net profit (including minority interests)	**39**	**49**	**-10**	**-20.4%**
SEGMENT REVENUES	126	131	-5	-3.8%
SEGMENT RESULT	39	49	-10	-20.4%
AVERAGE ALLOCATED CAPITAL	362	276	86	31.2%
INDICATORS (%)				
Annual profitability	10.8%	17.8%	-7.0%	
Cost/ Income ratio	43.1%	39.8%	3.4%	
BALANCE SHEET FIGURES				
Total customers' assets				
Financial assets	11,596	11,738	-142	-1.2%
- direct borrowing	2,997	2,954	43	1.5%
- indirect borrowing	8,599	8,784	-185	-2.1%
- administered funds	7,228	7,363	-135	-1.8%
- managed funds	1,371	1,421	-50	-3.5%
- asset management: Gpm, Gps, Gpf	681	721	-40	-5.5%
- funds	386	435	-49	-11.3%
- insurance (actuarial reserves)	304	265	39	14.7%
Financial assets in portfolio	0	0	0	n.s.
Customer Loans	5,179	4,822	357	7.4%
Total interest-bearing assets	5,184	4,825	359	7.4%
Total cost-bearing liabilities	2,998	2,954	44	1.5%
STRUCTURE				
Staff	479	433	46	10.6%
Business and private centres	57	30	27	90.0%

There was a reduction of 7.8% in the overall business margin in the Business and Private sector, caused by a fall in the interest margin (-6.9%) that, in its turn, was due to the greater figurative interest paid to the Finance sector as a result of the rise in internal transfer rates, net commissions and recoveries (-8.8%). Operating expenses were almost unvaried, while the improvement in credit quality determined a reduction of about 8 million Euro in net value adjustments to loans.
Direct borrowing increased by 1.5% and indirect borrowing fell by 2.1%, mainly owing to the assignment of the Banca CR Firenze shares held by Ente Cassa di Risparmio di Firenze and Fondazione Cassa di Risparmio della Spezia to a trust deposit in the framework of the arrangements with Intesa Sanpaolo. Customer loans grew by 7.4%.

Finance

	December 2007	December 2006	Absolute change	Change
INCOME STATEMENT ITEMS				
Interest margin	**25**	**7**	**18**	**257.1%**
Net commissions and recoveries on savings deposits and current accounts	5	2	3	150.0%
Dividends and profits (losses) from equity investments	0	1	-1	-100.0%
Result of financial assets and liabilities	14	23	-9	-39.1%
Net result from insurance activities	0	0	0	n.s.
Overall business margin	**44**	**33**	**11**	**33.3%**
Value (adjustments)/write-backs for worsening of loans and other financial assets	0	0	0	n.s.
Net business margin	**44**	**33**	**11**	**33.3%**
Operating expenses	-10	-12	2	-16.7%
Net operating result	**34**	**21**	**13**	**61.9%**
Net provisions for risks and charges	0	0	0	n.s.
Other costs and revenues from current operations	-1	-1	0	0.0%
Gain from current operations	**33**	**20**	**13**	**65.0%**
Income taxes	-11	-4	-7	175.0%
Gain (Loss) from non-current assets under disposal	0	0	0	n.d.
Minority interests net profit/(loss)	n.d.	n.d.	n.d.	n.d.
Net profit (including minority interests)	**22**	**16**	**6**	**37.5%**
SEGMENT REVENUES	44	33	11	33.3%
SEGMENT RESULT	22	16	6	37.5%
AVERAGE ALLOCATED CAPITAL	97	103	-6	-5.8%
INDICATORS (%)				
Annual profitabiity	22.7%	15.5%	7.1%	
Cost / Income ratio	22.7%	36.4%	-13.6%	
BALANCE SHEET FIGURES				
Total customers' assets				
Financial assets	1,111	1,087	24	2.2%
- direct borrowing	1,111	1,087	24	2.2%
- indirect borrowing	0	0	0	n.s.
- *administered funds*	0	0	0	n.s.
- *managed funds*	0	0	0	n.s.
- asset management: Gpm, Gps, Gpf	0	0	0	n.s.
- funds	0	0	0	n.s.
- insurance (actuarial reserves)	0	0	0	n.s.
Financial assets in portfolio	2,241	2,031	210	10.3%
Customer Loans	701	412	289	70.1%
Total interest-bearing assets	5,119	3,929	1,190	30.3%
Total cost-bearing liabilities	3,327	1,836	1,491	81.2%
STRUCTURE				
Staff	25	25	0	0.0%

The Finance sector, whose profitability (net of the results of equity investments and AFS, which are classified in the Corporate Center sector), rose by 7.1%, benefiting from a higher interest margin as a consequence of the increase in the interest-bearing assets in the period. This, along with lower operating expenses, led to an appreciable improvement in the cost/income ratio (-13.6%).

Wealth management

	December 2007	December 2006	Absolute change	Change
INCOME STATEMENT ITEMS				
Interest margin	**41**	**35**	**6**	**17.1%**
Net commissions and recoveries on savings deposits and current accounts	16	-17	33	-194.1%
Dividends and profits (losses) from equity investments	0	1	-1	-100.0%
Result of financial assets and liabilities	3	12	-9	-75.0%
Net result from insurance activities	2	30	-28	-93.3%
Overall business margin	**62**	**61**	**1**	**1.6%**
Value (adjustments)/write-backs for worsening of loans and other financial assets	0	0	0	n.s.
Net business margin	**62**	**61**	**1**	**1.6%**
Operating expenses	-15	-15	0	0.0%
Net operating result	**47**	**46**	**1**	2.2%
Net provisions for risks and charges	0	0	0	n.s.
Other costs and revenues from current operations	0	0	0	n.s.
Gain from current operations	**47**	**46**	**1**	**2.2%**
Income taxes	-12	-12	0	0.0%
Gain (Loss) from non-current assets under disposal	0	0	0	n.d.
Minority interests net profit/(loss)	n.d.	n.d.	n.d.	n.d.
Net profit (including minority interests)	**35**	**34**	**1**	**2.9%**
SEGMENT REVENUES	62	61	1	1.6%
SEGMENT RESULT	35	34	1	2.9%
AVERAGE ALLOCATED CAPITAL	81	83	-2	-2.4%
INDICATORS (%)				
Annual profitabiity	43.2%	41.0%	2.2%	
Cost / Income ratio	24.2%	24.6%	-0.4%	
BALANCE SHEET FIGURES				
Total customers' assets				
Financial assets	0	0	0	n.s.
- direct borrowing	0	0	0	n.s.
- indirect borrowing	0	0	0	n.s.
- *administered funds*	0	0	0	n.s.
- *managed funds*	0	0	0	n.s.
- asset management: Gpm, Gps, Gpf	0	0	0	n.s.
- funds	0	0	0	n.s.
- insurance (actuarial reserves)	0	0	0	n.s.
Financial assets in portfolio	2,808	2,663	145	5.4%
Customer loans	0	0	0	n.s.
Total interest-bearing assets	2,895	2,754	141	5.1%
Total cost-bearing liabilities	18	34	-16	-47.1%
STRUCTURE				
Staff	60	59	1	1.7%

The Wealth management sector, including the product companies Centrovita Assicurazioni and CR Firenze Gestion Internationale, shows an increase in interest-bearing assets equal to 5.1% per year, which has affected the high growth recorded by the business margin, equal to +1.6%, in any case without recording an increase in operating expenses (which remained substantially unchanged in absolute value compared to the previous year). On the other hand, the business margin shows an increase in net commissions and recoveries and a decrease in the result from insurance activities. In this connection, it should be recalled that during 2007 commissions paid on products with a significant insurance component were reclassified under "Result from insurance activities".

Leasing & Factoring

	December 2007	December 2006	Absolute change	Change
INCOME STATEMENT ITEMS				
Interest margin	**49**	**n.a.**	**49**	**n.s.**
Net commissions and recoveries on savings deposits and current accounts	4	n.a.	4	n.s.
Dividends and profits (losses) from equity investments	4	n.a.	4	n.s.
Result of financial assets and liabilities	4	n.a.	4	n.s.
Net result from insurance activities	0	n.a.	0	n.s.
Overall business margin	**61**	**n.a.**	**61**	**n.s.**
Value (adjustments)/write-backs for worsening of loans and other financial assets	-22	n.a.	-22	n.s.
Net business margin	**39**	**n.a.**	**39**	**n.s.**
Operating expenses	-23	n.a.	-23	n.s.
Net operating result	**16**	**n.a.**	**16**	**n.s.**
Net provisions for risks and charges	-4	n.a.	-4	n.s.
Other costs and revenues from current operations	19	n.a.	19	n.s.
Gain from current operations	**31**	**n.a.**	**31**	**n.s.**
Income taxes	-13	n.a.	-13	n.s.
Gain (Loss) from non-current assets under disposal	0	n.a.	0	n.a.
Minority interests net profit/(loss)	n.a.	n.a.	n.a.	n.a.
Net profit (including minority interests)	**18**	**n.a.**	**18**	**n.s.**
SEGMENT REVENUES	39	n.a.	39	n.s.
SEGMENT RESULT	18	n.a.	18	n.s.
AVERAGE ALLOCATED CAPITAL	232	n.a.	232	n.s.
INDICATORS (%)				
Annual profitabiity	7.8%	n.a.	n.s.	
Cost/ Income ratio	37.7%	n.a.	n.s.	
BALANCE SHEET FIGURES				
Total customers' assets				
Financial assets	661	n.a.	661	n.s.
- direct borrowing	661	n.a.	661	n.s.
- indirect borrowing	0	n.a.	0	n.s.
- administered funds	0	n.a.	0	n.s.
- managed funds	0	n.a.	0	n.s.
- asset management: Gpm, Gps, Gpf	0	n.a.	0	n.s.
- funds	0	n.a.	0	n.s.
- insurance (actuarial reserves)	0	n.a.	0	n.s.
Financial assets in portfolio	13	n.a.	13	n.s.
Customer loans	4,592	n.a.	4,592	n.s.
Total interest-bearing assets	4,622	n.a.	4,622	n.s.
Total cost-bearing liabilities	4,419	n.a.	4,419	n.s.
STRUCTURE				
Staff	406	n.a.	406	n.s.

The 2006 financial statements reported the consolidation of Centro Leasing Banca S.p.A. and Centro Factoring S.p.A. on an equity basis and, consequently, the inclusion in the "Corporate Center" sector. The report on "equity investments" should therefore be consulted for an analysis of the evolution of the final result.

Corporate center

	December 2007	December 2006	Absolute change	Change
INCOME STATEMENT ITEMS				
Interest margin	**-6**	**-11**	**5**	**-45.5%**
Net commissions and recoveries on savings deposits and current accounts	-26	-12	-14	116.7%
Dividends and profits (losses) from equity investments	34	66	-32	-48.5%
Result of financial assets and liabilities	1	5	-4	-80.0%
Net result from insurance activities	1	-6	7	n.s.
Overall business margin	**4**	**42**	**-38**	**-90.5%**
Value (adjustments)/write-backs for worsening of loans and other financial assets	-4	13	-17	n.s.
Net business margin	**0**	**55**	**-55**	**n.s.**
Operating expenses	-23	-38	15	-39.5%
Net operating result	**-23**	**17**	**-40**	**n.s.**
Net provisions for risks and charges	-15	-29	14	-48.3%
Other costs and revenues from current operations	-5	-7	2	-28.6%
Gain from current operations	**-43**	**-19**	**-24**	**126.3%**
Gains from non-recurring transactions	0	101	-101	-100.0%
Income taxes	5	-16	21	n.s.
Gain (Loss) from non-current assets under disposal	0	0	0	n.a.
Minority interests net profit/(loss)	n.a.	n.a.	n.a.	n.a.
Net profit (including minority interests)	**-38**	**66**	**-104**	**n.s.**
SEGMENT REVENUES	0	55	-55	n.s.
SEGMENT RESULT	-38	66	-104	n.s.
AVERAGE ALLOCATED CAPITAL	544	776	-232	-29.9%
INDICATORS (%)				
Annual profitabiity	-7.0%	8.5%	n.s.	
Cost/ Income ratio	575.0%	90.5%	n.s.	
BALANCE SHEET FIGURES				
Total customers' assets				
Financial assets	471.0	522.0	-51	-9.8%
- direct borrowing	471.0	522.0	-51	-9.8%
- indirect borrowing	0.0	0.0	0	n.s.
- administered funds	0.0	0.0	0	n.s.
- managed funds	0.0	0.0	0	n.s.
- asset management: Gpm, Gps, Gpf	0.0	0.0	0	n.s.
- funds	0.0	0.0	0	n.s.
- insurance (actuarial reserves)	0.0	0.0	0	n.s.
Financial assets in portfolio	585.0	702.0	-117	-16.7%
Customer loans	-174.0	193.0	-367	-190.2%
Total interest-bearing assets	-362.0	846.0	-1,208	-142.8%
Total cost-bearing liabilities	-441.0	627.0	-1,068	-170.3%
STRUCTURE				
Staff	1,154	1,189	-35	-2.9%

The central functions include holding activities, the management of the group's equity investments (including the product companies consolidated on an equity basis).
The main component is represented by the organisational units performing governance, support and supervision activities over the other business segments, whose costs are assigned to the latter according to the mechanisms described in the introduction of this section. This sector also recognises the profits from the Findomestic Banca, a joint-controlled company and consolidated on an equity basis; for more details concerning the performance of the Findomestic Group, reference is made to what is previously reported with reference to "equity investments".
It should also be noted that the variation that emerges from the result for the period is due to:

- the profit from non-recurring transactions in 2006, previously mentioned;
- the decrease of about 20 million Euro in Findomestic's portion of the Group's profit;
- the consolidation on a line-by-line basis of the former Centro Leasing Group companies, which contributed about 5 million Euro to this item at 31 December 2006;
- the sale during the third quarter of 2006 of the equity investment in Sanpaolo IMI S.p.A., from which about 5 million Euro in dividends were collected in 2006;
- the higher adjustments to receivables recognised during the period, only partially offset by the favourable effects of the application of a specific risk model for financial companies consistent with Basel II.

Directors’ report on consolidated activities

6. Other information

Transactions between Group companies and with related parties

Transactions between Banca CR Firenze S.p.A., subsidiaries and companies subject to significant influence have been entered into in compliance with the law, on the basis of evaluations made of the resultant mutual economic advantage to the companies concerned.
As for transactions with related parties, as defined by IAS 24 “Related Party Disclosures”, as well as by Consob communications of 20 February 1997, 27 February 1998 and 28 July 2006, in particular those with shareholders who have contributed holdings in a syndicate agreement, and with firms which might possibly be connected with them, such transactions have been effected in compliance with the law and are at arm’s length.
Further data and information on the abovementioned transactions are reported in the appropriate Section in the notes to the Parent Company’s financial statements, as well as in Part H of the notes to the consolidated financial statements.

Law 262/05 - Article 154 bis of the Italian Consolidated Financial Law (TUF): the Reference model – Approach of Banca CR Firenze Group

Full information regarding the application of this law is given in the Parent Company’s Directors report on activities.

Events after the end of the year

As to the events after the closing date of the financial year, reference is made to what has already been reported in the corresponding paragraph of the Directors’ Report on the Parent Company.
In accordance with the requirements under IAS/IFRS and as required by the Bank of Italy, the abovementioned events showing impacts on the Group’s financial and economic position are reported in Part A.1, Section 4, of the explanatory notes to the consolidated financial statements.

2008 outlook

The performance of consolidated results is strongly dependent on the Parent Company’s results. Therefore, reference is made to the Directors’ Report on activities accompanying the Parent Company’s financial statements, as to both the references to economic forecasts and the expected targets, whose attainment will determine the outlook at Group level as well.

Structure and Exhibits to the Consolidated financial statements

Introduction
Pursuant to Articles 60 to 64 of Legislative Decree no. 385/1993, Banca CR Firenze S.p.A. is required, in its capacity as Parent Company of the Banca CR Firenze Group ("The Group"), to prepare the consolidated financial statements in compliance with EC Regulation no. 1606/2002, Legislative Decree no. 38 of 26 February 2005 ("IAS Decree") and the Bank of Italy's Circular Letter no 262 of 22 December 2005 - "Financial statements of Banks: formats and rules for compilation".

The financial statements as at 31 December 2007 are accompanied by the Directors' report on operations, and are made up of the balance sheet, the profit and loss account, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements, which have been drawn up in the form required by the Circular Letter indicated above.

In accordance with the regulations issued by the Bank of Italy and Consob, the consolidated financial statements' formats are drawn up in thousands of Euros, whereas the notes to the consolidated financial statements have been prepared in millions of Euros, since the Group's total assets significantly exceed the figure of Euro 10 billion identified in this regard by the Bank of Italy. Furthermore, prior year comparative figures are given for all the abovementioned documents, where required by the abovementioned regulations or where deemed appropriate to provide more accurate information.

The Group's consolidated financial statements as at 31 December 2007 are audited by the accounting firm PricewaterhouseCoopers S.p.A. who was appointed by the 27 April 2006 Annual General Meeting of Shareholders as auditors for the 2006/2011 six-year period.

Consolidated balance sheet

(thousands of Euros)

	Assets	31 December 2007	31 December 2006
10.	Cash and cash on hand	271,503	230,321
20.	Financial assets held for trading	200,343	546,171
30.	Financial assets measured at fair value	1,703,230	1,531,303
40.	Financial assets available for sale	3,356,819	3,302,955
60.	Amounts owing by banks	1,251,995	1,672,178
70.	Customer loans	20,385,481	14,627,955
80.	Hedging derivatives	10,545	6,829
100.	Equity investments	382,247	476,083
110.	Actuarial reserves of reinsurers	171	195
120.	Property and equipment	649,111	445,750
130.	Intangible assets	340,309	334,228
	of which:		
	- *goodwill*	*321,898*	*318,053*
140.	Tax assets	186,024	188,037
	a) current	*86,982*	*98,809*
	b) deferred	*99,042*	*89,228*
160.	Other assets	422,619	365,075
	Total assets	**29,160,397**	**23,727,080**

	Liabilities and Equity	31 December 2007	31 December 2006
10.	Amounts owing to banks	4,281,110	816,012
20.	Customer deposits	11,980,148	11,389,487
30.	Outstanding securities	6,536,031	5,569,033
40.	Financial liabilities held for trading	55,671	50,657
50.	Financial liabilities measured at fair value	889,220	1,098,789
60.	Hedging derivatives	35,839	28,974
80.	Tax liabilities	69,747	73,615
	a) current	*24,147*	*49,287*
	b) deferred	*45,600*	*24,328*
100.	Other liabilities	1,060,838	940,346
110.	Provision for staff termination pay	156,061	180,100
120.	Provision for risks and charges	282,926	267,815
	a) provisions for pensions and similar obligations	*197,185*	*191,689*
	b) other provisions	*85,741*	*76,126*
130.	Actuarial reserves	1,901,272	1,547,241
140.	Valuation reserves	(28,995)	(12,074)
170.	Reserves	623,510	433,416
180.	Share premiums	102,209	101,310
190.	Share capital	828,753	827,307
210.	Minority interest (+/-)	200,650	143,985
220.	Parent Company net profit/(loss) (+/-)	185,407	271,067
	Total liabilities and equity	**29,160,397**	**23,727,080**

It should be noted that as at 31 December 2006, the values related to current “tax assets” and current “tax liabilities” were restated determining the debit balance of direct taxes outstanding at the end of the financial year, taking into account the relevant advances paid during the year, similarly to the procedure for recognition adopted in the preparation of the 2007 financial statements.

Consolidated income statement

(thousands of Euros)

	Items	31 December 2007	31 December 2006
10.	Interest earned and similar income	1,271,221	887,562
20.	Interest expense and similar charges	(560,681)	(317,871)
30.	**Interest margin**	**710,540**	**569,691**
40.	Commissions earned	299,193	285,326
50.	Commissions expense	(66,700)	(63,826)
60.	**Net commissions**	**232,493**	**221,500**
70.	Dividends and similar income	5,716	12,158
80.	Net result from trading	21,983	38,265
90.	Net result from hedging	1,462	3,410
100.	Gains/(Losses) from sale or repurchase of :	10,558	115,791
	a) loans	*(28)*	0
	b) financial assets available for sale	*3,239*	*112,718*
	d) financial liabilities	*7,347*	*3,073*
120.	**Net banking revenues**	**982,752**	**960,815**
130.	Value (adjustments)/write-backs for worsening of:	(94,204)	(51,336)
	a) loans	*(89,509)*	*(47,978)*
	b) financial assets available for sale	*(533)*	*(1,386)*
	d) other financial transactions	*(4,162)*	*(1,972)*
140.	**Net result from financial activities**	**888,548**	**909,479**
110.+ 150.+160.	Net result from insurance activities	2,852	24,069
170.	**Net result from financial and insurance activities**	**891,400**	**933,548**
180.	Administrative expenses:	(607,056)	(601,259)
	a) staff costs	(384,634)	*(400,054)*
	b) other administrative expenses	(222,422)	*(201,205)*
190.	Provision for risks and charges, net	(22,259)	(32,216)
200.	Value (adjustments)/write-backs to property and equipment	(25,254)	(24,007)
210.	Value (adjustments)/write-backs to intangible assets	(16,699)	(17,322)
220.	Other operating (expense)/income	101,296	95,093
230.	**Operating costs**	**(569,972)**	**(579,711)**
240.	Gains/(Losses) from equity investments	54,528	56,812
250.	Net result of measurement of property and equipment and intangible assets at fair value	1,451	1,195
270.	Gains/(Losses) from sale of investments	2,288	1,904
280.	**Gains/(Losses) from current operations, including taxes**	**379,695**	**413,748**
290.	Income taxes for the year on current operations	(157,659)	(111,184)
300.	**Gains/(Losses) from current operations, net of taxes**	**222,036**	**302,564**
320.	**Net profit/(loss)**	**222,036**	**302,564**
330.	Minority interest net profit/(loss)	(36,629)	(31,497)
340.	**Parent Company net profit /(loss)**	**185,407**	**271,067**

NOTES:

- items 110 "Net result from financial assets measured at fair value", 150 "Net premiums" and 160 "Other income from/(expense to) insurance activities" were combined under item "Net result of insurance activities" and represent a summary of the result from ordinary insurance activities in order to make the results clearer as it was considered appropriate to separate the aforesaid sector from the ordinary activities of the Banking Group. For a detailed analysis of the aforesaid items' breakdown, reference is made to the notes to the consolidated financial statements, Part C, Sections 9 and 10;

- for the purposes of the preparation of the income statement for the financial year 2007, costs and revenues pertaining to the Supplementary Pension Fund ("FIP"), which, in aggregate show an identical balance and, thus, do not in any way affect the net profit of the Group, were included under item 220-"Other operating (expense)/income", whereas as at 31 December 2006 the aforementioned components were recognised in the income statement under the items 10- "Interest earned and similar income", 80-"Net result from trading", 100 b) "Gains/(Losses) from sale or repurchase of financial assets available for sale" and 180 a) "Staff costs", for amounts equal to approximately 4 million Euro (income), 5 million Euro (income), 2 million Euro (costs) and 7 million Euro (costs).

Statement of changes in consolidated shareholders' equity

(thousands of Euros)

	Shareholders' Equity attributable to the Group as of 31.12.2006	Shareholders' Equity attributable to minority interest as of 31.12.2006 (*)	Allocation of result from previous period: Reserves attributable to the Group	Allocation of result from previous period: Reserves attributable to minority interest (*)	Allocation of result from previous period: Dividends and other allocations	Changes over the period: Changes in reserves attributable to the Group	Changes over the period: Changes in reserves attributable to minority interest (*)	Changes over the period: Transactions on equity: Stock options	Changes over the period: Net Profit (Loss) for the year as of 31.12.2007 - The Group	Changes over the period: Net Profit (Loss) for the year as of 31.12.2007 - Minority interest (*)	Shareholders' Equity attributable to the Group as of 31.12.2007	Shareholders' Equity attributable to minority interest as of 31.12.2007 (*)
Share capital:	**827,307**							**1,446**			**828,753**	
a) ordinary shares	827,307							1,446			828,753	
b) other shares												
Share premiums	**101,310**							**899**			**102,209**	
Reserves	**433,416**	**110,964**	**186,810**	**31,497**		**3,284**	**17,504**				**623,510**	**159,965**
a) retained earnings	395,295	110,382	186,810	31,497		(39,049)	17,504				543,056	159,383
b) others	38,121	582				42,333					80,454	582
Revaluation reserves:	**(12,074)**	**1,524**				**(16,921)**	**2,532**				**(28,995)**	**4,056**
a) available for sale	(12,074)	1,524				(24,918)	825				(36,992)	2,349
b) cash flow hedge						3,111	515				3,111	515
c) revaluation of real property and property and equipment						4,886	1,192				4,886	1,192
Net profit /(loss) for the year	**271,067**	**31,497**	**(186,810)**	**(31,497)**	**(84,257)**				**185,407**	**36,629**	**185,407**	**36,629**
Shareholders' Equity	**1,621,026**	**143,985**			**(84,257)**	**(13,637)**	**20,036**	**2,345**	**185,407**	**36,629**	**1,710,884**	**200,650**

(*)The columns indicated have been inserted as per the instructions given by the Bank of Italy and include the movement of the minority interests' components, whose breakdown is provided in the notes to the consolidated financial statements, Part B, Section 16 of liabilities.

Consolidated cash flow statement

Indirect Method (thousands of Euros)

A. OPERATING ACTIVITIES	Amount	
	31 December 2007	31 December 2006
1. Operations	**1,049,723**	**889,877**
- Parent Company net profit /(loss) (+/-)	185,407	271,067
- capital gains/losses on financial assets held for trading and on assets and liabilities measured at fair value (-/+)	(48,090)	(56,950)
- capital gains/losses on hedging activities (-/+)	(1,462)	(3,410)
- value (adjustments)/write-backs for worsening (+/-)	128,556	84,342
- value (adjustments)/write-backs to property and equipment and intangible assets (+/-)	40,502	41,329
- net provisions for risks and charges and other costs/revenues (+/-)	22,259	32,216
- other uncollected insurance income/charges (-/+)	423,717	492,939
- unpaid taxes and duties (+)	157,659	125,651
- other adjustments (+/-)	141,175	(97,307)
2. Net cash flow from/for financial assets	**(5,424,839)**	**(1,571,645)**
- financial assets held for trading	342,038	105,391
- financial assets measured at fair value	(204,092)	77,879
- financial assets available for sale	(53,864)	(309,222)
- amounts owing by banks	420,183	(146,054)
- customer loans	(5,881,387)	(1,561,108)
- other assets	(47,717)	261,469
3. Net cash flow from/for financial liabilities	**4,719,986**	**669,612**
- amounts owing to banks	3,465,098	(57,337)
- customer deposits	590,661	1,044,932
- outstanding securities	973,072	410,037
- financial liabilities held for trading	5,014	15,155
- financial liabilities measured at fair value	(221,704)	(687,483)
- other liabilities	(92,155)	(55,692)
Net cash flow from/for operating activities	**344,870**	**(12,156)**
B. INVESTING ACTIVITIES		
1. Net cash flow from	**1,284**	**3,447**
- disposals of equity investments	56	
- disposals of property and equipment	1,228	3,447
2. Net cash flow for	**(196,131)**	**(31,734)**
- purchases of equity investments	(160,273)	(1,000)
- purchases of property and equipment	(16,900)	(18,802)
- purchases of intangible assets	(14,650)	(11,932)
- purchases of branches of business	(4,308)	
Net cash flow from/for investing activities	**(194,847)**	**(28,287)**
C. BORROWING ACTIVITIES		
- issues/purchases of own shares	0	146,300
- distribution of dividends and other purposes	(108,841)	(60,532)
Net cash flow from/for borrowing activities	**(108,841)**	**85,768**
NET CASH FLOW FROM/FOR THE YEAR	**41,182**	**45,325**

LEGEND
(+) from
(-) for

RECONCILIATION

Financial statements' items		*Amount*
(thousands of Euros)	31 December 2007	31 December 2006
Cash and cash on hand at beginning of year	**230,321**	**184,996**
Net cash flow from/for the year	**41,182**	**45,325**
Cash and cash on hand at end of year	**271,503**	**230,321**

PART A – ACCOUNTING POLICIES

1 - GENERAL CRITERIA

Section 1 – Statement of compliance with the International Accounting Standards

The consolidated financial statements of the CR Firenze Banking Group for the 2007 financial year complies with the International Accounting Standards IASs/IFRSs, issued by the *International Accounting Standards Board* ("IASB") and adopted by the European Union by EC Regulation No. 1606/2002 and transposed into our law by Legislative Decree No. 38 of 26 February 2005 (the "IAS Decree") and by the Bank of Italy's Circular Letter No. 262 of 22 December 2005 – "Financial statements of Banks: formats and rules for compilation", also taking into account the interpretations by the *International Financial Reporting Interpretations Committee* ("IFRIC").

Section 2 – General principles for the preparation of financial statements

The foregoing principles are the following:

a. *going concern*: assets, liabilities and "off-balance sheet" transactions are measured on the basis of the working values of, since being long-term;
b. *accruals basis of accounting*: costs and revenues are recognised on an accruals basis, in relation to the underlying services received and supplied, irrespective of the date of the relevant money settlement;
c. *consistency of presentation*: to guarantee comparability of figures and information shown in financial statements schedules, presentation and classification criteria are maintained, unless their change is required by an international accounting standard or its interpretation, or unless their change is designed to provide a more significant and reliable presentation of the values; whenever a specific presentation or classification method is changed, the new method applies - if possible - retroactively, detailing the reasons and nature and indicating the effects on the presentation of financial statements;
d. *materiality and aggregation*: each material class of elements showing similar nature or functions is shown separately in the balance sheet and profit and loss
e. *prohibition of offsetting elements*: the prohibition of offsetting elements applies, unless such rule is provided for or allowed by international accounting standards or by their relevant interpretation;
f. *comparison with preceding financial year or period:* the financial statements schedules include figures from the preceding period, adapted where possible and necessary, to ensure their comparability.

Section 3 – Consolidation area and methods

Consolidation criteria and methods

The consolidation of figures related to the Parent Company and to subsidiaries wholly-owned or jointly controlled, is governed as follows:

Wholly-owned subsidiaries: assets, liabilities, equity, "off-balance sheet" transactions, costs and revenues of the Parent Company and of all the wholly-owned subsidiaries, whatever the business carried on, are grouped under the relevant items and sub-items of the consolidated financial statements according to the consolidation method on a line-by-line basis under IAS 27, except for the elimination of participating interests in subsidiaries and the corresponding portions of equity of such companies, as well as the other inter-group balance sheet and profit and loss account relations. Any positive difference arising from the comparison between the carrying value of each participating interest and the corresponding portion of the equity of the subsidiary is entered as goodwill and subject to impairment test associated with the impairment of the company's overall economic or financial position, or with circumstances that might similarly affect the future prospects of the company itself and the presumed realisable value. If the foregoing difference is negative, such value is entered as revenue in the consolidated profit and loss account.

Jointly-controlled subsidiaries: participating interests in companies jointly controlled are valued at equity, as permitted under IAS 31.

Consolidation area

The scope of consolidation includes the Parent Company and the companies it either directly or indirectly controls, the scope also including companies operating in lines of business other than the Parent Company's; likewise, the foregoing perimeter also includes SPVs set up in the frame of the securitisation transactions, whenever the requirements provided for by the standards IASs/IFRSs and their interpretations apply, with special reference to SIC 12 in the case of a control position. Consolidation area includes therefore the following companies:

Company name	HQ	Type of holding (1)	Investing Company relationship	% held
A. Companies				
A.1 Companies consolidated on a line-by-line basis				
1. Cassa di Risparmio di Firenze S.p.A.	Florence	1		
2. Cassa di Risparmio di Pistoia e Pescia S.p.A.	Pistoia	1	A.1.1	60.000
3. Cassa di Risparmio di Orvieto S.p.A.	Orvieto (TR)	1	A.1.1	73.570
4. Cassa di Risparmio di Civitavecchia S.p.A.	Civitavecchia (RM)	1	A.1.1	51.000
5. Cassa di Risparmio della Spezia S.p.A.	La Spezia	1	A.1.1	79.999
6. Banca C.R. Firenze Romania S.A.	Bucharest (RO)	1	A.1.1	56.229
7. CR Firenze Gestion Internationale S.A.	Luxembourg (LUX)	1	A.1.1	80.000
8. Ge.FI.L S.p.A.	La Spezia	1	A.1.5	100.000
9. Infogroup S.p.A.	Florence	1	A.1.1	94.000
			A.1.2	4.000
			A.1.3	1.000
			A.1.4	1.000
10. Centro Leasing Banca	Florence	1	A.1.1	77.491
			A.1.2	7.084
			A.1.4	0.561
			A.1.3	1.182
			A.1.5	0.790
11. Centro Leasing Rete	Florence	1	A.1.10	100.000
12. Centro Leasing GMBH	Bad Homburg (DE)	1	A.1.10	100.000
13. Centro Factoring	Florence	1	A.1.1	41.767
			A.1.2	5.729
			A.1.3	0.033
			A.1.5	0.163
			A.1.10	14.946
14. Immobiliare Nuova Sede S.r.l.	Florence	1	A.1.1	100.000
15. City Life S.p.A.	Florence	1	A.1.1	60.000
			A.1.9	40.000
16. Centrovita Assicurazioni S.p.A.	Florence	1	A.1.1	43.000
			A.1.2	8.000
17. CR Firenze Mutui S.r.l.	Florence	4	A.1.1	10.000

Legend:
(1) Type of holding:
1 = majority of voting rights at the ordinary shareholders' meeting
2 = dominant influence at the ordinary shareholders' meeting
3 = agreements with other shareholders
4 = other control forms
5 = management on a unified basis pursuant to Article 26, paragraph 1, of "Legislative Decree No. 87/1992"
6 = management on a unified basis pursuant to Article 26, paragraph 2, of "Legislative Decree No. 87/1992"
7 = joint control

It is specified that there are no restrictions on exercise of voting rights.

Section 4 – Events after the year-end

This Section reports events occurred after the closing date of the financial year which, based on the requirements of IASs/IFRSs and the Bank of Italy, must be mentioned in the notes to the financial statements to explain, where possible, the nature and estimated effects of the equity, financial and economic position of the Group.
To this regard it should be noted that, based on data and information currently available, in addition to those outlined in the Report on Activities, there is no event which required to be reported in this Section.

A.2 – THE MAIN FINANCIAL STATEMENTS' ITEMS

1. Financial assets held for trading

a) Criteria for recognition
Financial assets held for trading are initially entered upon settlement date for debt and equity securities, and upon subscription date for derivative contracts; upon initial recognition, financial assets held for trading are valued at fair value, namely the cost of the instrument, without taking into account trading costs or income directly attributable to the instrument itself.
Securities are included in the trading portfolio upon purchase and cannot be subsequently transferred into other portfolios, as is the case for securities held in other portfolios, which cannot be transferred to the trading portfolio; instead, derivative contracts held for trading may be used, subsequent to their initial purchase, for risk hedging purposes, as is the case for derivative instruments initially used for risk hedging purposes, subsequently transferred to the trading portfolio when the foregoing purposes no longer apply.

(b) Criteria for classification
Financial assets held for trading include securities purchased for ordinary purchase/sale or treasury transactions, as well as derivative instruments with a positive fair value (other than hedging instruments), including those embedded in structured financial instruments, for which the conditions laid down for separate accounting from the underlying financial instruments apply.

(c) Measurement criteria
Subsequent to initial recognition, financial assets held for trading are measured at fair value; as for financial instruments listed on regulated (efficient) markets, the fair value is equal to the closing market prices. For financial instruments not listed on regulated markets, the fair value is calculated by taking into consideration the market quotations of similar instruments (if available) or the present value of expected cash flows, considering the range of risk profiles typical of the instruments themselves, and through discount rate adjustment or cash flow adjustment-type approaches; expected losses are calculated in accordance with the relevant Probability of Default ("PD") and Loss Given Default ("LGD") provided by internal rating systems or calculated on a historical-statistical basis, whereas interest rates are determined by adopting zero-coupon rate curves. Equity securities, whose fair value cannot be reliably measured, though applying the foregoing guidelines, are maintained at cost.

(d) Criteria for derecognition
Securities transferred to third parties are derecognised from the balance sheet only in the event the transferees are materially transferred all the risks and benefits or actual control of such securities; otherwise, such securities are entered under liabilities to transferees for the amount equal to the transfer prices, inclusive of relevant costs and revenues.
Incoming and outgoing transfers of trading securities are governed by the "settlement date" method, whereas derivative instruments are recognised in accordance with the "trade date" criterion; interest on securities is determined by adopting the nominal interest rate, whereas trading profits and losses are calculated by assigning to the residual amounts the book values calculated by applying the continuous weighted average cost method.

(e) Criteria for recognition of income components
Interest and dividends on securities are entered, respectively, under "interest earned and similar income" and under "dividends and similar income"; trading profits and losses and capital gains and losses from valuation are entered under "net result from trading".

2 - Financial assets available for sale

(a) Criteria for recognition
Financial assets are initially entered upon settlement date for debt or equity securities and at fair value, being intended as the cost of such asset; if entry arises from a reclassification of assets held to maturity, the relevant value is the fair value upon transfer.

(b) Criteria for classification
Financial assets available for sale include securities purchased also for investment purposes, without excluding their transfer; such securities are mainly from the company's treasury, as well as equity securities representing minority interests.
Securities are included in the portfolio available for sale upon purchase and cannot be subsequently transferred into other portfolios, except for exceptions permitted under IAS 39.
Incoming and outgoing transfers of financial assets available for sale are governed by the "settlement date" method; interest is determined by adopting the internal rate of return, whereas trading profits and losses are calculated by assigning to the residual amounts the book values calculated by applying the continuous weighted average cost method. Structured securities, formed by the combination of a security and of one or more embedded derivative instruments, are separated, then recorded separately from their inherent derivatives, if their economic and risk profiles differ from the underlying securities, and if they are classifiable as separate derivative contracts.

(c) Measurement criteria

Measurements subsequent to initial recognition are made at fair value.

As for securities listed on regulated (efficient) markets, the fair value is equal to the closing market prices.

For debt and equity securities not listed on regulated markets, the fair value is calculated by taking into consideration the market quotations of similar instruments (if available) or the present value of expected cash flows, considering the range of risk profiles typical of the instruments themselves, and through discount rate adjustment or cash flow adjustment-type approaches; expected losses are calculated in accordance with the relevant Probability of Default ("PD") and Loss Given Default ("LGD") provided by internal rating systems or calculated on a historical-statistical basis, whereas interest rates are determined by adopting zero-coupon rate curves.

In regard to unlisted participating interests, the fair value is calculated on the basis of the company's most appropriate measurement methods, taking into account the business carried on by each related concern; such assets are maintained at their accounting value if their fair value cannot be reliably measured. Securities available for sale are also subject to impairment test, should circumstances arise hinting the existence of losses of value deriving from impairment of the issuers' solvency and from other indicators provided for by IAS 39.

(d) Criteria for derecognition

Securities transferred to third parties are derecognised from the balance sheet only in the event the transferees are materially transferred all the risks and benefits or actual control of such securities; otherwise, such securities are entered under liabilities to transferees for the amount equal to the transfer prices, inclusive of relevant costs and revenues.

(e) Criteria for recognition of income components

Interest and dividends on securities are entered, respectively, under "interest earned and similar income" and under "dividends and similar income"; trading profits and losses are entered under "gains/losses from sale or repurchase of financial assets available for sale"; capital gains and losses arising from the securities available for sale measured at fair value are entered under the "AFS Reserve" (within the "Valuation reserve") in the shareholders' equity, and allocated to the profit and loss account upon transfer of such securities, whereas any losses arising from the application of impairment procedures are recorded under "value (adjustments)/write-backs for worsening of financial assets available for sale".

3. Financial assets held to maturity

(a) Criteria for recognition

Financial assets are initially entered upon settlement date. Upon initial recognition, financial assets classified under this category are recognised at fair value, being intended as the cost of such asset, inclusive of any costs or income directly attributable. If recognition in said category is made through reclassification of Assets available for sale, the fair value of the asset, upon reclassification date, is taken as the new amortised cost of the asset itself.

(b) Criteria for classification

To date, the Group maintains no portfolio of financial assets held to maturity. This category includes securities purchased for long-term investment purposes, which cannot be sold or transferred into other portfolios, without prejudice to the exceptions permitted under IAS 39. Incoming and outgoing transfers of securities held to maturity are governed by the "settlement date" method; interest is determined by adopting the internal rate of return, whereas transfer profits and losses are calculated by assigning to the residual amounts the book values calculated by applying the continuous weighted average cost method. Structured securities, formed by the combination of a security and of one or more embedded derivative instruments, are separated, then recorded separately from their inherent derivatives, if their economic and risk profiles differ from the underlying securities, and if they are classifiable as separate derivative contracts.

(c) Measurement criteria

Measurements subsequent to initial recognition are made in accordance with the amortised cost method, by subjecting the securities to impairment test, should circumstances arise hinting the existence of losses of value deriving from impairment of the issuers' solvency and from other indicators provided for by IAS 39.

(d) Criteria for derecognition

Securities transferred to third parties are derecognised from the balance sheet only in the event the transferees are materially transferred all the risks and benefits or actual control of such securities; otherwise, such securities are entered under liabilities to transferees for the amount equal to the transfer prices, inclusive of costs and revenues associated with the abovementioned liabilities and the securities transferred, respectively.

(e) Criteria for recognition of income components

Interest on securities is entered under "interest earned and similar income", while transfer profits and losses are entered under "gains/losses from sale or repurchase of financial assets held to maturity"; any losses arising from impairment tests are recorded under "value (adjustments)/write-backs for worsening of financial assets held to maturity".

4. Loans

(a) Criteria for recognition

A receivable is initially entered upon its grant date or, for debt instruments, upon their settlement date, based on the fair value of the financial instrument, which is equal to the amount granted or to the subscription price, inclusive of costs/income directly attributable to each loan, as far as longer than short-term loans are concerned, determinable from inception, although paid out subsequently; the costs excluded are those that, although having said characteristics, are paid back by the borrower or are classifiable as ordinary internal administrative costs. For loans entered into at conditions other than market conditions, the fair value is calculated by using proper valuation techniques; the difference, with respect to the amount granted or to the subscription price, is entered in the profit and loss account. Loans are entered in said portfolio upon granting and cannot be subsequently transferred into other portfolios; interest is determined by adopting the internal rate of return.

Included in the cash loans are the receivables deriving from financial leasing transactions which, based on the provisions of IAS 17, are recognised according to the so called “financial method”.

As regards the receivables resulting from factoring transactions, the assessment of the transfer, now completed, of all the risks and benefits may not ignore the type of transfer, on a recourse basis or on a non recourse basis:

- as regards the “on-recourse” loans, the recognition of the loan against the seller corresponds to the consideration advanced;
- as regards the loans purchased on a “non-recourse” basis, the recognition implies an analytical assessment of the transfer clauses and, therefore, the verification of the actual transfer of all the risks and benefits or of the effective control on such loans; in the event that the analysis evidences the non existence of the requirements for the recognition of the loans, the payments advanced to the seller shall be recognised in a manner similar to the "on-recourse" loans.

Receivables falling in the frame of securitisation transactions or those assigned before 1st January 2004, may benefit from the exemption laid down by IFRS 1, allowing for adoption of the previous accounting standards under which said receivables are derecognised from the balance sheet; such exemption has been applied to all the transactions carried out, given that these transactions were in compliance with the provisions of the regulations, except for a securitisation transaction carried out by Centro Leasing Banca S.p.A., and therefore the recognition in the balance sheet was maintained for this specific transaction, whereas, as regard similar transactions carried out after such date and for the purposes of their registration, the maintenance of the risks and benefits or the control by the Group over such assets it has been verified.

(b) Criteria for classification

The receivables portfolio includes amounts owing by banks and customer loans directly granted or acquired from third parties, entailing fixed or otherwise determinable payments.

(c) Measurement criteria

Measurements subsequent to initial recognition are made in accordance with the amortised cost method, by subjecting the securities to impairment test, to verify the existence of any losses of value deriving from impairment of the issuers’ solvency and from other indicators provided for by IAS 39; in particular, the procedure to assess the status of the impairment test is split up into two stages:

1) individual assessments to select the impaired loans (problem loans) and define the presumed realisable value ascribable to such loans;
2) collective assessments for the lump-sum estimate of expected losses on regular loans.

Impaired loans subject to individual assessment are formed by the following types of loans:

a) doubtful loans;
b) non-performing loans;
c) restructured exposures;
d) unsettled or overdraft exposures for over 180 days.

Losses of value on single irregular loans are balanced to the negative difference between the respective recoverable discounted-back value and the corresponding amortised cost; such value is equal to the present value of cash flows expected for capital and interest calculated on the basis of:

1) the value of contractual cash flows, net of expected losses, estimated by taking into account any guarantee;
2) expected recovery time, estimated by also taking into account the procedures put in place for the recovery itself;
3) the discount rate, equal to the internal rate of return.

For collective assessments, losses in value of regular loans, broken down by homogeneous risk categories, are balanced to the expected losses on such loans calculated on the basis of the relevant Probability of Default (“PD”) and Loss Given Default (“LGD”) provided by internal rating systems or calculated on a historical-statistical basis.

(d) Criteria for derecognition

Receivables transferred to third parties are derecognised from the balance sheet only in the event the transferees are materially transferred all the risks and benefits or actual control of such receivables; otherwise, such receivables are entered under liabilities to transferees for the amount equal to the transfer prices, inclusive of costs and revenues associated with the abovementioned liabilities and the receivables transferred, respectively.

(e) Criteria for recognition of income components
Interest on receivables are entered under “interest earned and similar income”, whereas any losses arising from the application of impairment procedures are recorded under “Value (adjustments)/write-backs for worsening of loans”, and transfer profits or losses are entered under “gains/losses from sale or repurchase of loans”.

5. Financial assets measured at fair value

The Group has so far opted not to exercise the so-called “fair value option” under IAS 39; accordingly, there is no portfolio of financial assets measured at fair value, except for the values related to financial assets associated with insurance policies which have been classified as investment contracts pursuant to IFRS 4 and IAS 39. For more information on this specific case, reference should be made to point “Insurance assets and liabilities” below.

6. Hedging transactions

(a) Criteria for recognition
There are three types of hedging relationships:
1) fair value hedges: i.e. hedging the exposure to the fluctuation of the fair value of assets or liabilities recognised, or an irrevocable non-written commitments, or an identified part of such assets, liabilities or irrevocable commitments, attributable to a specific risk and which might affect the profit and loss account;
2) hedging of cash flows: i.e. hedging of the exposure to the fluctuations of cash flows attributable to a specific risk associated to recognised assets or liabilities (nearly all or only some of future interest payments on a floating rate debt) or to a highly probable transaction planned which might affect the profit and loss account;
3) hedging of a net investment in a foreign entity.
Each hedging relationship is formally documented and regularly tested for its retrospective and perspective effectiveness, in order to assess its strength.

(b) Criteria for classification
Hedging transactions are finalised at neutralising any potential losses attributable to market risks and/or interest rate risks on a certain element or group of elements the hedged financial instruments are exposed to.
Only instruments involving a counterpart external to the Group may be designated as hedging instruments.

(c) Measurement criteria
Hedging derivative instruments are measured at fair value, as well as hedged positions, such measurements are carried out by adopting models similar to those used for unlisted financial instruments.
In case of cash flow hedging, the changes in the fair value of the derivative instrument are registered under shareholders' equity to the extent of the portion of the hedge considered as effective; hedging of an investment expressed in foreign currency are recorded in accordance with the accounting principles provided for the hedging of cash flows.
A valuation of the effectiveness of the hedging is performed at the end of every annual or interim financial statements via:
- prospective tests to justify the application of hedge accounting, in that the tests demonstrate the expected effectiveness;
- retrospective tests to identify the efficiency level achieved by the hedge in the reference period and, in other terms, to measure the extent to which actual results differ from the perfect hedge.

(d) Criteria for derecognition
Hedging transactions are derecognised upon conclusion, revocation or early termination or whenever they fail to pass the effectiveness tests; in the event that the tests do not confirm the effectiveness of the hedging, from that moment accounting of such transaction in accordance with the method described above is suspended, the hedging agreement is reclassified under trading derivatives and the hedged financial instrument shall again be valued in accordance with the criteria corresponding to its classification in the financial statements.

(e) Criteria for recognition of income components
Capital gains and losses from hedging derivative instruments and from hedged positions are entered under “net result from hedging”, whereas differentials accrued on hedging derivative instruments are recognised under “interest earned and similar income” or “interest expense and similar charges”; in hedging cash flows, the variations in the fair value of the derivative instrument are recognised in the profit and loss account, with reference to the item hedged, only upon appearance of the change in cash flows to be offset, or when the relevant hedging results to be ineffective.

7. Equity investments

(a) Criteria for recognition
Upon first-time entry date of each equity investment, calculation is made of the difference between cost - inclusive of any additional charges - and the portion of fair value pertaining to the identifiable net assets of the related concern; the foregoing difference, if positive, is kept included in the cost of equity investments as goodwill and is not amortised, whereas any difference, if negative, is recorded as revenues in the profit and loss account.

(b) Criteria for classification

The equity investments portfolio includes interests in joint ventures, as well as in associated companies, over which control is considerable within their respective Group; such a control, unless proven otherwise, is presumed to represent at least 20% of voting rights in the underlying companies.

The existence of considerable control is normally evidenced by the occurrence of one or more of the following circumstances: being represented in the Board of Directors or similar body of the subsidiary, the participation in the decision making process, included the participation to the decisions concerning dividends or any other kind of profit distribution, the occurrence of relevant transactions between the subsidiary and the investing company, the mutual exchange of executive personnel and the provision of key technical information.

(c) Measurement criteria

Equity investments are valued at equity; subsequent to the acquisition date, the initial value of each equity investment is either increased or decreased of the relevant portion of the period's economic results of the related concern and decreased of dividends paid. Should a related concern be affected by economic-financial impairment, the relevant equity investment is subject to impairment test to verify the existence of any permanent losses of value.

(d) Criteria for derecognition

Equity investments are derecognised from the balance sheet when the financial rights on the financial flows no longer apply, or when the asset is disposed of by substantially transferring all the relevant risks and benefits.

(e) Criteria for recognition of income components

The negative differences in shareholders' equity arising upon the first-time entry of equity investments, the subsequent changes corresponding to the relevant portion of the period's economic results of the related concerns, as well as any losses arising from the application of impairment procedures, are recorded under "gains/losses of equity investments"; under this item are also registered, at the moment of the execution of the agreement, the gains or losses deriving from the sale.

8. Property and equipment

(a) Criteria for recognition

Property and equipment are initially entered on the basis of their relevant purchase costs, inclusive of any additional charges; extraordinary expenses subsequently incurred are entered to increase initial costs, if they increase the value, the useful life or the production capacity of the underlying assets.

(b) Criteria for classification

Property and equipment include both assets used for own use and those held for investment, to be used in the production or supply of goods and services; said item also includes assets used in finance lease contracts, even though their legal ownership remains in the hands of the lessor. It also includes the assets under construction and the assets subject to a finance lease (the Bank as the lessor) in accordance with the provisions of the Circular Letter no. 262/2005 issued by the Bank of Italy.

(c) Measurement criteria

Subsequent measurements of property and equipment for own use of definite life are made on the basis of the cost principle written down for depreciation, revalued upon first-time adoption of IAS/IFRS at fair value as deemed cost, by resorting to appropriate expert estimates made by qualified external agencies or by experts listed in the Professional Rolls; the book value of real property to be depreciated is separated from the value of underlying land, not to be depreciated since classified as a permanent asset, by adopting appropriate estimates for real property purchased before the effective date of IAS/IFRS. The duration of the depreciation is balanced to the useful life of the assets to be depreciated and the relevant time span is determined on a straight-line basis. The assets under constructions and the assets subject to a finance lease are not subject to depreciation.

Property and equipment for own use are also subject to impairment test, should circumstances arise hinting the existence of permanent losses of value.

Property and equipment held for investment are measured at fair value, which is periodically calculated by resorting to appropriate expert estimates made by qualified external agencies or by experts listed in the Professional Rolls.

(d) Criteria for derecognition

A tangible asset is derecognised from the balance sheet upon its disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

As regards the assets under construction and the assets subject to a finance lease, the derecognition of the item "Property and equipment" is carried out upon the recognition under "revenues" of the financial lease agreement against the items "customer loans" and/or "amounts owing by banks".

(e) Criteria for recognition of income components

Regular depreciation and any permanent losses of value of property and equipment for own use are entered under "value (adjustments)/write-backs to property and equipment"; capital gains and losses calculated on the basis of property and equipment held for investment and valued at equity are recorded under "Net result of measurement of property and equipment and intangible assets at fair value”, whereas profits and losses resulting from the transfer of all tangible assets are registered under “Gains/(Losses) from sale of investments”.

9. Intangible assets

(a) Criteria for recognition

Intangible assets are initially entered on the basis of their relevant purchase costs, inclusive of any additional charges; expenses subsequently incurred are entered to increase initial costs, if they increase the value or the production capacity of the underlying assets.
Goodwill is entered for an amount equal to the positive difference between costs incurred to acquire the companies or underlying business complexes and the corresponding portion of shareholders’ equity.

(b) Criteria for classification

Intangible assets include non-physical production factors with a long-term useful life, whose cost can be reliably measured, provided said elements are identifiable, that is, legally protected or traded separately from other corporate assets.

(c) Measurement criteria

Subsequent measurements of intangible assets of definite duration are made on the basis of the cost principle written down for amortisation. The duration of the amortisation is balanced to the useful life of the assets to be amortised and the relevant time span is determined on a straight-line basis; intangible assets are also subject to impairment test, should circumstances arise hinting the existence of permanent losses of value.
Goodwill and intangible assets with indefinite life, therefore not subject to amortisation, are regularly subject to impairment test, balancing the losses of value to any negative difference between the book value of shareholders’ equity and the recoverable value of each individual asset or of the Group's industry, calculated in accordance with business segmentation criteria underlying the segment information each goodwill or intangible asset belongs to; the recoverable value is the higher of the value in use and the value in exchange (current value net of transaction costs) of the business segment in question, both measured on the basis of the most appropriate measurement criteria according to industry.

(d) Criteria for derecognition

An intangible asset is derecognised from the balance sheet upon its disposal and no future economic benefits are expected.

(e) Criteria for recognition of income components

Regular amortisation is recorded under “net value adjustments to intangible assets”, while permanent losses of value ascribable to goodwill and to intangible assets with indefinite life are entered, respectively, under “value adjustments to goodwill” and “net value adjustments to intangible assets”; profits and losses deriving from the transfer of intangible assets are registered under “Gains/(Losses) from sale of investments”.

10. Non current assets and groups of assets being disposed

(a) Criteria for recognition
(b) Criteria for classification

These assets and groups of assets that are being disposed and the individual non-current assets, cash generating units, their groups or individual parts of them, are classified under this item when their sale is deemed highly probable.

(c) Measurement criteria
(d) Criteria for derecognition

Non-current assets and groups of these assets are valued at the lower of book value and fair value, net of any selling costs; should the assets being disposed be amortizable, the amortization process ceases starting from the period when they are classified under this item.

(e) Criteria for recognition of income components

The results of the measurement of the individual assets being disposed, as well as the results deriving from their subsequent sale, are entered under the relevant items in the profit and loss account related to the type of assets.
The balance, whether positive or negative, of income and charges relating to “groups of non-current assets and liabilities” being disposed, net of any related current and deferred taxes, is entered in profit and loss account.

11. Current and deferred taxes

(a) Criteria for recognition
(b) Criteria for classification
(c) Measurement criteria
(d) Criteria for derecognition

The effects relating to current, prepaid and deferred taxes are recognised by applying the currently applicable tax rate. Income taxes are recorded in the profit and loss account, except for those relating to items debited or credited

directly to shareholders' equity. Provisions for income taxes are calculated on the basis of a prudent forecast of the current, anticipated and deferred tax charges, and are registered inclusive of the advances paid and other tax credits for deductions paid. Prepaid and deferred taxes are calculated, without any time limits, based on the temporary differences between the value assigned to an asset or liability according to the criteria for the preparation of the financial statements, and the corresponding values assumed for tax purposes.
Assets for prepaid taxes are recorded in the financial statements to the extent in which there is the likelihood of their recovery, assessed on the basis of the ability of the interested company or of the group of member companies to continuously generate positive taxable revenues, due to the election of the option for the consolidated taxation. Liabilities for prepaid taxes are recorded in the financial statements, with the sole exception of the deferred tax reserves, given that the amount of reserves available already taxed allows to reasonably believe that no transaction will be carried out which would lead to their taxation. Prepaid and deferred taxes are accounted for, in the balance sheet, as open balances and are not offset, by including the first under "tax assets" and the latter under "tax liabilities". Assets and liabilities recognised for prepaid and deferred taxes are valued systematically in order to account for both the changes occurred in the regulations or in the tax rates, as well as any possible different objective situation of the each company of the Group.

(e) Criteria for recognition of income components

Either current or deferred tax assets and liabilities are recorded against "Income taxes for the year on current operations", unless they can be recognized in shareholders' equity or in goodwill, since being respectively related to transactions whose results directly involve shareholders' equity or business combinations.

12. Provisions for risks and charges

(a) Criteria for recognition
(b) Criteria for classification
(c) Measurement criteria
(d) Criteria for derecognition

Provisions for risks and charges reflect certain or likely liabilities, the amount or timing of which is uncertain; such provisions are comprised of:

a) *Pensions*

Provisions are allocated in implementation of corporate agreements and the relevant commitment is determined as follows:

- current value of the obligation for defined benefits or contributions assumed as at the date of the financial year or period end;
- plus (minus) every profit (loss) not recognised arising from adoption of the actuarial method;
- minus any social security costs related to previous services yet to be recognised;
- minus the fair value of assets servicing the defined-benefit plan upon the closing date.

b) *Other provisions for risks and charges*

Such provisions include provisions related to current obligations, generated by a past event, for which it is possible to make a reliable estimate of the amount of the payment expected in connection with the performance of the obligation; where the time value is material, provisions are discounted back by adopting current market rates.

(e) Criteria for recognition of income components

Provisions for retirement funds are registered under "Administrative expenses – staff costs", while the economic components connected to the financial management of said funds are registered in the item "Other operating (expense)/income"; allocations related to other risk and charges provisions and any possible excess of funds previously allocated, are accounted under "Provisions for risks and charges, net".

13. Payables and outstanding securities

(a) Criteria for recognition

Financial liabilities are initially entered upon receipt of the sums deposited or at the issue of debt securities; initial entry is made on the basis of the fair value of such liabilities, which is usually equal to the amount collected or the issue price, adjusted by any additional costs and/or income directly attributable to the individual funding or issuing transaction, not reimbursed by the funding counterpart; internal administrative costs are excluded.
The fair value of the foregoing financial liabilities issued at conditions other than market conditions is appropriately estimated and the difference from the market value is directly taken to the profit and loss account.
Incoming and outgoing transfers of the foregoing financial liabilities, consequent to issue or spot transactions, are governed by the "settlement date" method; liabilities issued and subsequently repurchased are derecognised from liabilities. Interest is determined by adopting the internal rate of return; profits and losses from repurchase of liabilities are calculated by assigning to the residual amounts the book values calculated by applying the continuous weighted average cost method.
Re-placement on the market of own securities subsequent to repurchase, is considered a new issue, with recognition at the new placement price, carrying no effects on the profit and loss account. Structured financial liabilities, formed by the combination of a security and of one or more embedded derivative instruments, are

separated, then recorded separately from their inherent derivatives, if their economic and risk profiles differ from the underlying securities, and if they are classifiable as separate derivative contracts.

(b) Criteria for classification

Payables and outstanding securities, including subordinated debt, include all debt financial liabilities, other than liabilities held for trading, representing the typical forms of fund raising, either from customers or banks, or embedded in securities, net of any repurchased amount; payables recorded by the lessee in the frame of finance lease transactions are also included.

The foregoing financial liabilities are transferred into said portfolio upon acquisition of the funds, and cannot be subsequently transferred to liabilities held for trading, as is the case for liabilities held for trading, which cannot be transferred to the foregoing financial liabilities.

(c) Measurement criteria

After initial recognition, the foregoing financial liabilities are valued at amortised cost, based upon the actual interest rate method, except for short-term liabilities, which are stated at collected amount.

(d) Criteria for derecognition

The financial liabilities in question are derecognised from the balance sheet when they have expired or extinguished, as well as in case of repurchase of securities previously issued; the difference between the book value of the liability and the amount paid for purchase is recorded in the profit and loss account.

(e) Criteria for recognition of income components

Interest is entered under “interest expense and similar charges”; while profits and losses from repurchase of liabilities are entered under “Gains/losses from sale or repurchase of financial liabilities”.

14. Financial liabilities held for trading

(a) Criteria for recognition
(c) Measurement criteria
(d) Criteria for derecognition
(e) Criteria for recognition of income components

The same criteria established for financial assets held for trading apply.

(b) Criteria for classification

The abovementioned financial liabilities include technical overdrafts arising from securities trading and all the derivative instruments with a negative fair value, other than those used for risk hedging purposes, including derivative instruments embedded in structured financial instruments for which the conditions laid down for separate accounting from the underlying financial instruments apply.

15. Financial liabilities measured at fair value

At present, the so-called “fair value option” under IAS 39 has not been exercised and therefore the portfolio of financial liabilities measured at fair value is not present except for values referred to financial liabilities connected with insurance policies, which have been classified as investment contracts pursuant to IFRS 4 and IAS 39; for more information related to this case, reference is made to point “Insurance assets and liabilities” below.

16. Liabilities related to assets being disposed

The same criteria as those envisaged for non-current assets and groups of assets being disposed are applied.

17. Transactions in foreign currency

(a) Criteria for recognition
(b) Criteria for classification
(d) Criteria for derecognition

Upon initial recognition, foreign currency transactions are translated into Euro, by applying to the foreign currency amount the exchange rate prevailing at the date of such transaction.

(c) Measurement criteria

Upon the reference date, assets and liabilities in foreign currency are translated into Euro by adopting the following criteria:

1. for monetary items (receivables, debt securities, financial liabilities), using the spot exchange rates prevailing at the closing date;
2. for non-monetary items (equity securities) valued at cost, based upon the spot exchange rates prevailing at the date of the underlying transactions (historical exchange rates), except for losses arising from adoption of impairment procedures, for the translation of which closing spot exchange rates apply;
3. for non-monetary items (equity securities) measured at fair value, using the spot exchange rates prevailing at the closing date.

(e) Criteria for recognition of income components
Exchange differences are recorded under “net result from trading”, except for differences related to revaluation reserves of securities available for sale, which are recorded directly in such reserves.

18. Insurance assets and liabilities

Financial assets measured at *fair value*

(a) Criteria for recognition
(d) Criteria for derecognition
Financial assets measured at fair value are initially entered upon settlement date for debt and equity securities; upon initial recognition, financial assets are valued at cost, namely the fair value of the instrument, without taking into account trading costs or income directly attributable to the instrument itself.
Securities are included in the portfolio measured at fair value upon purchase and cannot be subsequently transferred into other portfolios; securities which are possibly transferred to third parties are derecognised from the balance sheet only in the event the transferees are materially transferred all the risks and benefits or actual control of the securities themselves.
Incoming and outgoing transfers of securities measured at fair value are governed by the “settlement date” method; interest on securities is determined by adopting the nominal interest rate, whereas trading profits and losses are calculated by assigning to the residual amounts the book values calculated by applying the FIFO method; since fair value calculation is made on a weekly basis, consistently with the rules for the valuation of connected policies, it is considered that significant differences do not arise with respect to the continuous weighted average cost method.

(b) Criteria for classification
Financial assets measured at fair value include securities relating to insurance or investment contracts (pursuant to IFRS 4) for which the investment risk is borne by the insured parties in line with ISVAP (insurance supervisory authority) Instructions 2404/2005 and related provisions concerning the actuarial forms of the consolidated accounts prepared in accordance with IAS/IFRS standards, which provide that such financial assets should be included under financial assets measured at fair value recognized in the profit and loss account. Securities under the above financial assets are currently made up exclusively of UCITS units and index linked structured bonds. Callable and index structured bonds representing investments hedging actuarial reserves and hence commitments relating to insurance contracts and financial instruments with discretionary profit sharing pursuant to IFRS 4, have also been included in the same category.

(c) Measurement criteria
For financial instruments listed on regulated (efficient) markets, the fair value is equal to the closing market prices; the fair value of structured financial instruments made up of structured index linked bonds, listed in regulated but not efficient markets, has been considered in any case to be the price recognized notwithstanding the particular nature of the market where they are listed in that sales of the above mentioned securities take place on a periodical basis at such prices. The prices are in any case checked periodically by means of appropriate calculation models to value any departures from the theoretical value of the assets.

(e) Criteria for recognition of income components
Interest earned and dividends on securities are entered, respectively, under “interest earned and similar income” and under “dividends and similar income”; trading profits and losses and capital gains and losses from valuation are entered under “Net result of measurement of property and equipment and intangible assets at fair value”. Commission relating to investment contracts not falling within IFRS 4’s scope of application, such as explicit charges on the contract and, for contracts providing for investment in an internal funds, the management commission and similar items, has been recorded under the heading “commissions earned”.

Financial liabilities measured at *fair value*

(a) Criteria for recognition
(b) Criteria for classification
(c) Measurement criteria
(d) Criteria for derecognition
Financial liabilities measured at fair value include commitments (actuarial reserves) relating to investment contracts which, pursuant to IFRS 4, do not come within the scope of application of that standard and for which the investment risk is borne by the insured parties (and related to contracts linked to the value of UCITS units or of internal insurance funds or index-linked), corresponding to securities classified under “financial assets measured at fair value” in line with the ISVAP instructions No. 2404/2005 and related provisions on actuarial forms of consolidated accounts prepared in accordance with the IAS/IFRS standards, which provides that such financial liabilities are to be included under financial liabilities measured at fair value recognized in the profit and loss account.

(e) Criteria for recognition of income components
Interest expense and capital gains and losses from valuation are entered, respectively, under “interest expense and similar charges” and under “Net result of measurement of property and equipment and intangible assets at fair

value". Commission expense, including purchase and money receipt commission and similar items relating to investment contracts not coming within IFRS 4's scope of application, insurance contracts and financial instruments with discretionary profit sharing pursuant to IFRS 4, have been entered under "Commission expense".

19. Other information

Staff termination pay

Staff termination pay is recorded by the actuarial value, calculated annually and based upon estimates made by an independent actuary, taking also into account the changes in the regulations implemented by the Legislative Decree no. 252/2005 and by Law no. 296/2006; for discounting-back purposes, the projected unit credit method is adopted, which envisages future obligations on the basis of historical-statistical analyses, the demographic curve and the financial discounting-back of such flows based upon a market interest rate. The contributions paid in each financial year are considered separately, and recognised and measured individually to determine final obligation.

Provisions for staff termination pay, as well as any actuarial profits and losses are recognised in the profit and loss account under "staff costs"; where time value is material, the provisions are discounted back by adopting current market rates.

Actuarial Reserves

Actuarial reserves related to insurance contracts and financial instruments with discretionary profit sharing under IFRS 4 are recognised under "actuarial reserves" and the corresponding actuarial reserves borne by re-insurers are recorded under "actuarial reserves borne by re-insurers"; the relevant measurement criteria are consistent with the indications set out by ANIA (*Associazione di categoria delle imrpese assicurative*, Insurance Companies Association), as well as with the ISVAP (insurance supervisory authority) Instructions 2404/2005 and related provisions concerning the actuarial forms of the consolidated accounts prepared in accordance with IAS/IFRS standards; specifically, these also include the reserves, if any, set aside following the Liability Adequacy Test, deferred liabilities to insured parties from the application of the shadow accounting and the reserve for sums to be paid.

Income components typical of the insurance business are entered under "Net premiums" and "Other income from/(expense to) insurance activities" which are made up of the algebraic sum of net change in actuarial reserves, by the accidents pertaining to and paid over the period and by income and charges from insurance management, respectively. Non-insurance contracts or contracts without discretionary profit sharing pursuant to IFRS 4 giving rise to recognising financial assets and liabilities have been classified as investment contracts and as such have been valued on the basis of IAS 39 , applying an accounting criterion analogous to that of deposits (deposit accounting). Premiums received do not represent income to be entered in the profit and loss account but have been recognised as liabilities in the balance sheet. The sums paid do not constitute costs transferred to the profit and loss account but have been entered in reduction of the related liabilities.

Guarantees and commitments

The guarantees given and the commitments to make payment of monies representing credit risks have been entered at the nominal value of the commitment made, net of cash drawings and any value adjustments recognised, on both an analytical and collective basis in relation to an estimate of the possible payments connected to the credit risk, under "value (adjustments)/write-backs for worsening of other financial transactions"; the abovementioned guarantees and commitments are shown in Part B, Section "Other information", of the notes to the financial statements, while the relevant value adjustments are entered "Other liabilities" in the balance sheet.

Put options

Commitments arising from put options granted by the Parent Company on minority interests in the equity of subsidiaries, are entered in the balance sheet under "customer deposits" for a value equal to the present value of the relevant exercise prices.

Share-based payments

The stock option plans resolved by the Parent company's Board of Directors are accounted for according to the procedures under IFRS 2 "Share-based payments". The fair value of the abovementioned plans constitutes a negative income component from the moment the plan is resolved upon to the date the option is exercised (the so-called "vesting period"), is recognised under staff costs on an accrual basis and against an equity item, and distributing the total charges of each plan based upon the rules set out in the granting resolution (exclusion of resigning people, estimate of achievement of pre-established objectives, exercise prices, etc.), estimating the exercise percentage of the plan during its life. To determine the abovementioned initial fair value and its subsequent changes makes reference to the market value of the options at the assignment date and in subsequent periods to the date of exercise; this value depends on the difference between market prices and the assignment price of the underlying shares established in the plan.

Revenue and cost recognition

Revenues are recognised when collected or, in any case, when it is probable that the future benefits will be received and such benefits may be reliably determined; in particular:

- default interest, which may be contractually provided for, is recorded in the profit and loss account only upon actual collection;
- revenues arising from dealing financial instruments held for trading, determined by the difference between the transaction price and the fair value of the instrument, are recognized in the profit and loss account upon recognition of the transaction, if the fair value is determinable by referring to parameters or transactions recently reported on the same market on which the instrument is traded, whereas income from financial instruments, for which the foregoing measurement cannot be applied, is recorded in the profit and loss account over the life of the transaction.

Commissions earned and expense referable to investment contracts not coming within the scope of application of IFRS 4 and relating to contracts linked to the value of UCITS units or internal insurance funds or index-linked have been recognised as revenues and costs in the profit and loss account at the moment of the assignment of the number of units.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Assets

Section 1 - Cash and cash on hand - Line 10

1.1 Cash and cash on hand: breakdown

	Banking group	31 December 2007	31 December 2006	changes %
a) Cash	245	**245**	**226**	8.4%
b) Sight deposits with Central Banks	27	**27**	**4**	n.s.
Total	**272**	**272**	**230**	**18.3%**

Section 2 - Financial assets held for trading - Line 20

2.1 Financial assets held for trading: breakdown by product

Items/Values	Banking group		Insurance companies		**31 December 2007**	**31 December 2006**	**changes %**
	Listed	Unlisted	Listed	Unlisted			
A.Cash assets							
1. Debt securities	50				**50**	**397**	-87.4%
1.1 Structured securities							
1.2 Other debt securities	50				**50**	**397**	-87.4%
2. Equity securities	6				**6**	**2**	200.0%
3. UCITS units	6		89		**95**	**96**	-1.0%
4. Loans							
4.1 Resale agreements							
4.2 Others							
5. Impaired assets							
6. Transferred assets not written off							
Total A	**62**		**89**		**151**	**495**	**-69.5%**
B. Derivative instruments							
1. Financial derivatives		49			**49**	**51**	-3.9%
1.1 held for trading		27			**27**	**33**	-18.2%
1.2 linked to the fair value option							
1.3 others		22			**22**	**18**	22.2%
2. Credit derivatives							
2.1 held for trading							
2.2 linked to the fair value option							
2.3 others							
Total B		**49**			**49**	**51**	**-3.9%**
Total (A+B)	**62**	**49**	**89**		**200**	**546**	**-63.4%**

The financial derivatives under "others" are represented by contracts entered into against issues for which the derivative component embedded in the host contract has been separated.

The fair value of over the counter trading derivatives is determined using generally recognised valuation techniques and, specifically, the "*discounted cash flow*" method as regards Interest Rate Swaps, the "*Black and Scholes*" method for options and the "*Monte Carlo*" method for embedded derivatives separated from the relevant structured derivative instruments. The external factors adopted in the aforementioned valuation techniques (interest rate curves, volatility matrixes, etc.) are provided by primary international providers.

2.2 Financial assets held for trading: breakdown by debtors/issuers

Items/Values	Banking group	Insurance companies	**31 December 2007**	**31 December 2006**	**changes %**
A. Cash assets					
1. Debt securities	**50**		**50**	**397**	**-87.4%**
a) Governments and Central Banks	50		50	34	47.1%
b) Other public agencies					
c) Banks				292	-100.0%
d) Other issuers				71	-100.0%
2. Equity securities	**6**		**6**	**2**	**200.0%**
a) Banks	2		2		100.0%
b) Other issuers:	4		4	2	100.0%
- insurance companies	2		2	1	100.0%
- financial companies					
- non-financial companies	2		2	1	100.0%
- others					
3. UCITS units	**6**	**89**	**95**	**96**	**-1.0%**
4. Loans					
a) Governments and Central Banks					
b) Other public agencies					
c) Banks					
d) Other entities					
5. Impaired assets					
a) Governments and Central Banks					
b) Other public agencies					
c) Banks					
d) Other issuers					
6. Transferred assets not written off					
a) Governments and Central Banks					
b) Other public agencies					
c) Banks					
d) Other issuers					
Total A	**62**	**89**	**151**	**495**	**-69.5%**
B. Derivative instruments	**49**		**49**	**51**	**-3.9%**
a) Banks	38		38	27	40.7%
b) Customers	11		11	24	-54.2%
Total B	**49**		**49**	**51**	**-3.9%**
Total (A+B)	**111**	**89**	**200**	**546**	**-63.4%**

2.3 Financial assets held for trading: derivative instruments held for trading

2.3.1 Banking group portion

Types of derivatives/Underying assets	Interest rates	Currencies and gold	Equity securities	Loans	Other	**31 December 2007**	**31 December 2006**	**changes %**
A) Listed derivatives								
1) Financial derivatives:								
• with exchange of capital								
- options acquired								
- other derivatives								
• without exchange of capital								
- options acquired								
- other derivatives								
2) Credit derivatives:								
• with exchange of capital								
• without exchange of capital								
Total A								
B) Unlisted derivatives								
1) Financial derivatives:	**24**	**1**	**22**		**2**	**49**	**51**	**-3.9%**
• with exchange of capital		1				1	1	0.0%
- options acquired								
- other derivatives		*1*				*1*	*1*	*0.0%*
• without exchange of capital	24		22		**2**	48	50	-4.0%
- options acquired			*22*			*22*	*18*	*22.2%*
- other derivatives	*24*				*2*	*26*	*32*	*-18.8%*
2) Credit derivatives:								
• with exchange of capital								
• without exchange of capital								
Total B	**24**	**1**	**22**		**2**	**49**	**51**	**-3.9%**
Total (A+B)	**24**	**1**	**22**		**2**	**49**	**51**	**-3.9%**

2.4 Cash financial assets held for trading (other than those transferred and not written off and those impaired): annual changes

2.4.1 Banking group portion

Changes/Underlying assets	Debt securities	Equity securities	UCITS units	Loans	**Total**
A. Opening balance	**397**	**2**	**11**		**410**
B. Increases	**15,775**	**1,069**	**1,604**		**18,448**
B1. Purchases	15,761	1,068	1,603		18,432
B2. Positive changes in fair value					
B3. Other changes	14	1	1		16
C. Decreases	**16,122**	**1,065**	**1,609**		**18,796**
C1. Sales	16,090	1,064	1,609		18,763
C2. Redemptions	21				21
C3. Negative changes in fair value	1				1
C4. Other changes	10	1			11
D. Closing balance	**50**	**6**	**6**		**62**

2.4.2 Insurance companies portion

Changes/Underlying assets	Debt securities	Equity securities	UCITS units	Loans	**Total**
A. Opening balance			**85**		**85**
B. Increases			**16**		**16**
B1. Purchases			12		12
B2. Positive changes in fair value			4		4
B3. Other changes					
C. Decreases			**12**		**12**
C1. Sales			12		12
C2. Redemptions					
C3. Negative changes in fair value					
C4. Other changes					
D. Closing balance			**89**		**89**

Section 3 - Financial assets measured at fair value - Line 30

3.1 Financial assets measured at fair value: breakdown by product

Items/Values	Insurance companies		**31 December 2007**	**31 December 2006**	**changes %**
	Listed	Unlisted			
1. Debt securities	**778**		**778**	**419**	**85.7%**
1.1 Structured securities				419	-100.0%
1.2 Other debt securities	778		**778**		100.0%
2. Equity securities	**13**		**13**		100.0%
3. UCITS units	**912**		**912**	**1,112**	**-18.0%**
4. Loans					
4.1 Structured					
4.2 Others					
5. Impaired assets					
6. Transferred assets not written off					
Total	**1,703**		**1,703**	**1,531**	**11.2%**
Cost	**1,703**		**1,703**	**1,531**	**11.2%**

3.2 Financial assets measured at fair value : breakdown by debtors/issuers

Items/Values	Insurance companies	**31 December 2007**	**31 December 2006**	**changes %**
1. Debt securities	**778**	**778**	**419**	**85.7%**
a) Governments and Central Banks				
b) Other public agencies				
c) Banks			419	-100.0%
d) Other issuers	778	778		
2. Equity securities	**13**	**13**		**100.0%**
a) Banks				
b) Other issuers:	13	13		100.0%
- insurance companies				
- financial companies				
- non-financial companies				
- others	13	13		100.0%
3. UCITS units	**912**	**912**	**1,112**	**-18.0%**
4. Loans				
a) Governments and Central Banks				
b) Other public agencies				
c) Banks				
d) Other entities				
5. Impaired assets				
a) Governments and Central Banks				
b) Other public agencies				
c) Banks				
d) Other issuers				
6. Transferred assets not written off				
a) Governments and Central Banks				
b) Other public agencies				
c) Banks				
d) Other issuers				
Total	**1,703**	**1,703**	**1,531**	**11.2%**

3.3 Financial assets measured at fair value (other than those transferred and not written off and those impaired): annual changes

3.3.2 Insurance companies portion

	Debt securities	Equity securities	UCITS units	Loans	Total
A. Opening balance	**513**		**1,018**		**1,531**
B. Increases	**395**	**13**	**41**		**449**
B1. Purchases		13			13
B2. Positive changes in fair value			34		34
B3. Other changes	395		7		402
C. Decreases	**130**		**147**		**277**
C1. Sales					
C2. Redemptions					
C3. Negative changes in fair value			143		143
C4. Other changes	130		4		134
D. Closing balance	**778**	**13**	**912**		**1,703**

Section 4 - Financial assets available for sale - Line 40

4.1 Financial assets available for sale: breakdown by product

Items/Values	Banking group		Insurance companies		**31 December 2007**		**31 December 2006**		**changes %**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	**681**	**4**	**882**		**1,563**	**4**	**1,550**	**100**	**0.8%**	**-96.0%**
1.1 Structured securities	8				8				100.0%	
1.2 Other debt securities	673	4	882		1,555	4	1,550	100	0.3%	-96.0%
2. Equity securities	**6**	**191**			**6**	**191**	**4**	**194**	**n.s.**	**-1.5%**
2.1 Measured at fair value	6	91			6	91	4	95	n.s.	-4.2%
2.2 Measured at cost		100				100		99		1.0%
3. UCITS units	**111**	**33**	**2**		**113**	**33**	**34**	**80**	**232.4%**	**-58.8%**
4. Loans										
5. Impaired assets		**2**				**2**				**100.0%**
6. Transferred assets not written off	**1,441**	**4**			**1,441**	**4**	**1,097**	**244**	**31.4%**	**-98.4%**
Total	**2,239**	**234**	**884**		**3,123**	**234**	**2,685**	**618**	**16.3%**	**-62.1%**

The fair value of listed debt and equity securities is equal to the closing market prices.

The fair value of unlisted debt securities is estimated on the basis of the prices of similar securities.
The fair value of unlisted equity securities is estimated on the basis of the most appropriate valuation methods according to the kind of activity performed by the individual companies; normally, these methods are based on the discount of cash flows or other methods based on the market multiples deemed more appropriate.

For equity securities of banking institutions, the valuation method deemed more appropriate is the Dividend Discount Model (DDM) in the “excess capital” version, which assumes that the economic value of a bank is determined by the discount of a dividend flow which would not affect the level of capitalisation deemed necessary in order to ensure the expected growth of the bank. The discount rate applied to the future dividends is the cost of equity (KE) determined by applying the Capital Asset Pricing Model (CAPM).
As regards equity securities of industrial or real estate enterprises, Equity Value/sales multiples or shareholders’ equity multiples were used.

Part of the equity securities, furthermore, was maintained at cost, given that there is a wide range of reasonable estimates of the fair value, and the likelihood of the different estimates may not be reliably assessed

4.2 Financial assets available for sale: breakdown by debtors/issuers

Items/Values	Banking group	Insurance companies	**31 December 2007**	**31 December 2006**	**changes %**
1. Debt securities	**685**	**882**	**1,567**	**1,650**	**-5.0%**
a) Governments and Central Banks	483		483	1,199	-59.7%
b) Other public agencies	5		5	6	-16.7%
c) Banks	154		154	343	-55.1%
d) Other issuers	43	882	925	102	n.s.
2. Equity securities	**197**		**197**	**198**	**-0.5%**
a) Banks	136		136	67	103.0%
b) Other issuers:	61		61	131	-53.4%
- insurance companies					
- financial companies	21		21	17	23.5%
- non-financial companies	38		38	37	2.7%
- others	2		2	77	-97.4%
3. UCITS units	**144**	**2**	**146**	**114**	**28.1%**
4. Loans					
a) Governments and Central Banks					
b) Other public agencies					
c) Banks					
d) Other entities					
5. Impaired assets	**2**		**2**		**100.0%**
a) Governments and Central Banks	2		2		100.0%
b) Other public agencies					
c) Banks					
d) Other issuers					
6. Transferred assets not written off	**1,445**		**1,445**	**1,341**	**7.8%**
a) Governments and Central Banks	1,098		1,098	945	16.2%
b) Other public agencies					
c) Banks	260		260	366	-29.0%
d) Other issuers	87		87	30	190.0%
Total	**2,473**	**884**	**3,357**	**3,303**	**1.6%**

4.5 Financial assets available for sale (other than those transferred and not written off and those impaired): annual changes

4.5.1 Banking group portion

	Debt securities	Equity securities	UCITS units	Loans	**Total**
A. Opening balance	**750**	**205**	**112**		**1,067**
B. Increases	**2,018**	**4**	**104**		**2,126**
B1. Purchases	1,995	1	100		2,096
B2. Positive changes in FV	2	2	3		7
B3. Write-backs					
- charged to profit and loss account					
- charged to equity					
B4. Transfers from other portfolios					
B5. Other changes	21	1	1		23
C. Decreases	**2,083**	**12**	**72**		**2,167**
C1. Sales	1,103		65		1,168
C2. Redemptions	929	1			930
C3. Negative changes in FV	23	10	6		39
C4. Write-downs from impairment		1			1
- charged to profit and loss account		*1*			*1*
- charged to equity					
C5. Transfers to other portfolios					
C6. Other changes	28		1		29
D. Closing balance	**685**	**197**	**144**		**1,026**

4.5.2 Insurance companies portion

	Debt securities	Equity securities	UCITS units	Loans	**Total**
A. Opening balance	**904**		**2**		**906**
B. Increases	**128**				**128**
B1. Purchases	110				110
B2. Positive changes in FV	6				6
B3. Write-backs					
- charged to profit and loss account					
- charged to equity					
B4. Transfers from other portfolios					
B5. Other changes	12				12
C. Decreases	**150**				**150**
C1. Sales	97				97
C2. Redemptions					
C3. Negative changes in FV					
C4. Write-downs from impairment					
- charged to profit and loss account					
- charged to equity					
C5. Transfers to other portfolios					
C6. Other changes	53				53
D. Closing balance	**882**		**2**		**884**

Section 6 - Amounts owing by banks - Line 60

6.1 Amounts owing by banks: breakdown by product

6.1.1 Banking group portion

Type of transactions / Values	31 December 2007	31 December 2006	changes %
A. Amounts owing by Central Banks	**117**	**98**	**19.4%**
1. Fixed deposits		28	-100.0%
2. Obligatory reserve	117	70	67.1%
3. Resale agreements			
4. Others			
B. Amounts owing by banks	**1,120**	**1,541**	**-27.3%**
1. Current accounts and free deposits	118	309	-61.8%
2. Fixed deposits	899	1,168	-23.0%
3. Other loans	103	64	60.9%
3.1 Resale agreements	51	12	n.s.
3.2 Financial lease	13		100.0%
3.3 Others	39	52	-25.0%
4. Debt securities			
4.1 Structured securities			
4.2 Other debt securities			
5. Impaired assets			
6. Transferred assets not written off			
Total (book value)	**1,237**	**1,639**	**-24.5%**
Total (fair value)	**1,263**	**1,639**	**-22.9%**

6.1.2 Insurance companies portion

Type of transactions / Values	31 December 2007	31 December 2006	changes %
A. Amounts owing by Central Banks			
1. Fixed deposits			
2. Obligatory reserve			
3. Resale agreements			
4. Others			
B. Amounts owing by banks	**15**	**33**	**-54.5%**
1. Current accounts and free deposits	15	33	-54.5%
2. Fixed deposits			
3. Other loans			
3.1 Resale agreements			
3.2 Financial lease			
3.3 Others			
4. Debt securities			
4.1 Structured securities			
4.2 Other debt securities			
5. Impaired assets			
6. Transferred assets not written off			
Total (book value)	**15**	**33**	**-54.5%**
Total (fair value)	**15**	**33**	**-54.5%**

Section 7 - Customer loans - Line 70

7.1 Customer loans: breakdown by product

7.1.1 Banking group portion

Type of transactions/Values	31 December 2007	31 December 2006	changes %
1. Current accounts	2,450	2,284	7.3%
2. Resale agreements			
3. Mortgages	8,679	7,345	18.2%
4. Credit cards, personal loans and assignment of one's salary	197	211	-6.6%
5. Financial lease	3,298		100.0%
6. Factoring	806		100.0%
7. Other transactions	4,294	4,412	-2.7%
8. Debt securities			
8.1 Structured securities			
8.2 Other debt securities			
9. Impaired assets	661	376	75.8%
10. Transferred assets not written off			
Total (book value)	**20,385**	**14,628**	**39.4%**
Total (fair value)	**20,894**	**14,929**	**40.0%**

7.2 Customer loans: breakdown by debtors/issuers

7.2.1 Banking group portion

Type of transactions/Values	31 December 2007	31 December 2006	changes %
1. Debt securities			
a) Governments and Central Banks			
b) Other public agencies			
c) Other issuers			
- non-financial companies			
- financial companies			
- insurance companies			
- others			
2. Loans to:	**19,724**	**14,251**	**38.4%**
a) Governments	44	64	-31.3%
b) Other public agencies	343	347	-1.2%
c) Other entities	19,337	13,840	39.7%
- non-financial companies	14,448	9,347	54.6%
- financial companies	497	662	-24.9%
- insurance companies			
- others	4,392	3,831	14.6%
3. Impaired loans:	**661**	**377**	**75.3%**
a) Governments			
b) Other public agencies	123		100.0%
c) Other entities	538	377	42.7%
- non-financial companies	445	287	55.1%
- financial companies	4	3	33.3%
- insurance companies			
- others	89	87	2.3%
4. Transferred assets not written off:			
a) Governments			
b) Other public agencies			
c) Other entities			
- non-financial companies			
- financial companies			
- insurance companies			
- others			
Total	**20,385**	**14,628**	**39.4%**

Section 8- Hedging derivatives - Line 80

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

8.1.1 Banking group portion

Types of derivatives/Underlying assets	Interest rates	Currencies and gold	Equity securities	Loans	Other	**31 December 2007**	**31 December 2006**	**changes %**
A) Listed								
1) Financial derivatives:								
• with exchange of capital								
- options acquired								
- other derivatives								
• without exchange of capital								
- options acquired								
- other derivatives								
2) Credit derivatives:								
• with exchange of capital								
• without exchange of capital								
Total A								
B) Unlisted								
1) Financial derivatives :	***11***					***11***	***7***	***57.1%***
• with exchange of capital								
- options acquired								
- other derivatives								
• without exchange of capital								
- options acquired								
- other derivatives	11					11	7	57.1%
2) Credit derivatives:								
• with exchange of capital								
• without exchange of capital								
Total B	**11**					**11**	**7**	**57.1%**
Total A + B	**11**					**11**	**7**	**57.1%**

8.2 Hedging derivatives: breakdown by portfolios covered and by type of hedging (book value)

8.2.1 Banking group portion

Transactions/Type of hedging	Fair value						Financial flows	
	Specific					General	Specific	General
	interest rate risk	exchange risk	credit risk	price risk	other risks			
1. Financial assets available for sale						X		X
2. Loans				X		X		X
3. Financial assets held to maturity	X			X		X		X
4. Portfolio	X	X	X	X	X		X	
Total assets								
1. Financial liabilities	5			X		X	6	X
2. Portfolio	X	X	X	X	X		X	
Total liabilities	**5**						**6**	

The table above reports the positive value of fair value hedge contracts concerning non-structured and structured liabilities, as required by IAS 39 in relation to hedge accounting.

Section 10 - Equity investments - Line 100

10.1 Equity investments in companies subject to joint control (valued at equity) and in companies subject to significant influence: information on investing relations

Companies	HQ	Type of holding **1)**	Investing		Available votes %
			Investing company	% held	
A. Companies subject to joint control					
1. Findomestic Banca S.p.A.	Florence	**7)**	Banca CR Firenze S.p.A.	47.17	50.00
			Cassa di Risparmio di Pistoia e Pescia S.p.A.	2.83	
2. Soprarno SGR S.p.A.	Florence	**7)**	Banca CR Firenze S.p.A.	47.50	47.50
B. Companies subject to significant influence					
1. Spezia Risorse S.p.A.	La Spezia	**8)**	Ge.FI.L. S.p.A.	20.00	20.00
2. Sviluppo Industriale S.p.A.	Pistoia	**8)**	Cassa di Risparmio di Pistoia e Pescia S.p.A.	29.19	29.19
3. Acileasing Friuli Venezia Giulia S.p.A.	Udine	**8)**	Centro Leasing Banca S.p.A.	25.07	25.07
4. Euroasset Italia S.r.l.	Florence	**8)**	Centro Leasing Banca S.p.A.	49.00	49.00
5. CE.SPE.VI S.r.l.	Pistoia	**8)**	Cassa di Risparmio di Pistoia e Pescia S.p.A.	20.00	20.00
6. S.A.F.I. S.r.l.	Venice	**8)**	Centro Leasing Rete S.p.A.	20.00	20.00

1) The type of holding is expressed according to the rules laid down by the Bank of Italy, where **7)** defines joint control pursuant to IAS 31 and **8)** relates to the associated company pursuant to IAS 28.

10.2 Equity investments in companies subject to joint control and in companies subject to significant influence: accounting information

Companies	Total assets (1)	Total revenues (2)	Profit (Loss)	Shareholders' equity (3)	Consolidated book value	Fair value (4)
A. Companies valued at equity	**11,440**	**1,182**	**69**	**749**	**381**	
A.1 Subject to joint control						
1. Findomestic Group	11,426	1,181	69	745	380	X
2. Soprarno SGR S.p.A.	2			2	1	X
A.2 Subject to significant influence						
1. Spezia Risorse S.p.A.	7			1		
2. Sviluppo Industriale S.p.A.	5	1		1		
3. Acileasing Friuli Venezia Giulia S.p.A.	25	9		3		
4. Euroasset Italia S.r.l.						
5. CE.SPE.VI. S.r.l.	1			1		
6. S.A.F.I. S.r.l.						

Where no value is indicated, the amount is lower than Euro 1 million.

(1) Accounting data are inferred from the financial statements as at 31 December 2006 approved by the respective Board of Directors, except for Spezia Risorse S.p.A., Acileasing S.p.A. and Euroasset S.r.l. for which data are inferred from the financial statements as at 31 December 2006.
(2) Total revenues indicate the overall amount of the income components showing a positive sign including taxes.
(3) Shareholders' equity includes the net profit of the year.
(4) The fair value is not indicated as there are no listed companies subject to a significant influence.

10.3 Equity investments: annual changes

	Banking group	**31 December 2007**	**31 December 2006**
A. Opening balance	**476**	**476**	**435**
B. Increases	**7**	**7**	**41**
B.1 Purchases			1
B.2 Write-backs			
B.3 Revaluations			
B.4 Other changes	7	7	40
C. Decreases	**101**	**101**	
C.1 Sales	1	1	
C.2 Value adjustments			
C.3 Other changes	100	100	
D. Closing balance	**382**	**382**	**476**
E. Total revaluations			
F. Total adjustments			

Item C.3 includes the aggregate value as at 31 December 2006 of Centro Leasing Banca S.p.A. and of Centro Factoring S.p.A. which, starting from the second half of 2007, are consolidated on a line-by-line basis.

10.4 Commitments relating to investments in jointly-controlled companies

As at the closing date of the year, there were no commitments referred to participating interests in jointly-controlled companies.

10.5 Commitments relating to investments in companies subject to significant influence

As at the closing date of the year, there were no commitments referred to participating interests in associated companies.

Section 11 - Actuarial reserves of reinsurers - Line 110

11.1 Actuarial reserves of reinsurers: breakdown

	31 December 2007	31 December 2006	changes %
A. Damage insurance			
A1. Premiums reserves			
A2. Accident reserves			
A3. Other reserves			
B. Life insurance			
B1. Actuarial reserves			
B2. Reserves for sums to be paid			
B3. Other reserves			
C. Actuarial reserves when the investment risk is borne by insured parties			
C1. Reserves relating to contracts whose performances are linked to investment funds and market indices			
C2. Reserves from management of pension funds			
D. Total actuarial reserves of reinsurers			

The balance of actuarial reserves was less than Euro 1 million and accordingly no value has been entered in this table.

Section 12 - Property and equipment - Line 120

12.1 Property and equipment: breakdown of assets valued at cost

Assets/Values	Banking group	Other companies	31 December 2007	31 December 2006	changes %
A. Assets held for own use					
1.1 owned assets	**507**	**66**	**573**	**377**	**52.0%**
a) land	91	20	111	107	3.7%
b) buildings	214		214	202	5.9%
c) furniture	20		20	20	0.0%
d) electronic systems	16		16	14	14.3%
e) others	166	46	212	34	n.s.
1.2 acquired under finance lease	**8**		**8**	**3**	**166.7%**
a) land	3		3	1	200.0%
b) buildings	5		5	2	150.0%
c) furniture					
d) electronic systems					
e) others					
Total A	**515**	**66**	**581**	**380**	**52.9%**
B. Assets held for investment					
2.1 owned assets					
a) land					
b) buildings					
2.2 acquired under finance lease					
a) land					
b) buildings					
Total B					
Total (A+B)	**515**	**66**	**581**	**380**	**52.9%**

12.2 Property and equipment: breakdown of assets measured at fair value or revalued

Assets/Values	Banking group	Other companies	31 December 2007	31 December 2006	changes %
A. Assets held for own use					
1.1 owned assets					
a) land					
b) buildings					
c) furniture					
d) electronic systems					
e) others					
1.2 acquired under finance lease					
a) land					
b) buildings					
c) furniture					
d) electronic systems					
e) others					
Total A					
B. Assets held for investment					
2.1 owned assets	**68**		**68**	**66**	**3.0%**
a) land	20		20	19	5.3%
b) buildings	48		48	47	2.1%
2.2 acquired under finance lease					
a) land					
b) buildings					
Total B	**68**		**68**	**66**	**3.0%**
Total (A+B)	**68**		**68**	**66**	**3.0%**

12.3 Property and equipment held for own use: annual changes

12.3.1 Banking group portion

	Land	Buildings	Furniture	Electronic systems	Others	31 December 2007
A. Opening gross balance	**90**	**413**	**40**	**33**	**41**	**617**
A.1 Total net impairment losses	(1)	(209)	(20)	(19)	(28)	(277)
A.2 Opening net balance	**89**	**204**	**20**	**14**	**13**	**340**
B. Increases	**5**	**26**	**3**	**9**	**1,321**	**1,364**
B.1 Purchases	2	5	3	8	1,204	1,222
B.2 Capitalized expenses for improvements						
B.3 Write-backs						
B.4 Positive changes in fair value charged to:						
a) equity						
b) profit and loss account						
B.5 Positive exchange differences						
B.6 Transfers from property held for investment		1				1
B.7 Other changes	3	20		1	117	141
C. Decreases		**(11)**	**(3)**	**(7)**	**(1,168)**	**(1,189)**
C.1 Sales						
C.2 Depreciation		(11)	(3)	(7)	(5)	(26)
C.3 Value adjustments from impairment charged to:						
a) equity						
b) profit and loss account						
C.4 Negative changes in fair value charged to:						
a) equity						
b) profit and loss account						
C.5 Negative exchange differences						
C.6 Transfers to						
a) property and equipment held for investment						
b) assets under disposal						
C.7 Other changes					(1,163)	(1,163)
D. Closing net balance	**94**	**219**	**20**	**16**	**166**	**515**
D.1 Total net impairment losses	1	227	23	25	37	313
D.2 Closing gross balance	**95**	**446**	**43**	**41**	**203**	**828**
E. Measurement at cost						

12.3.3 Other companies portion

Property and equipment related to "Other companies" refer to land and buildings of Immobiliare Nuova Sede S.r.l.; during 2007, this item showed a change of about Euro 27 million due to the construction of the new headquarters of the Parent Company.

12.4 Property and equipment held for investment: annual changes

	Banking group		**31 December 2007**		**31 December 2006**	
	Land	Buildings	Land	Buildings	Land	Buildings
A. Opening balance	**19**	**47**	**19**	**47**	**17**	**41**
B. Increases						
B.1 Purchases					1	2
B.2 Capitalized costs for leasehold improvements						
B.3 Positive changes in fair value	1	1	1	1		2
B.4 Write-backs						
B.5 Positive exchange differences						
B.6 Transfers from property held for own use					2	3
B.7 Other changes		2		2		1
C. Decreases						
C.1 Sales		(1)		(1)	(1)	(1)
C.2 Depreciation						
C.3 Negative changes in fair value						
C.4 Value adjustments from impairment						
C.5 Negative exchange differences						
C.6 Transfers to other asset portfolios						
a) property held for own use		(1)		(1)		(1)
b) non-current assets under disposal						
C.7 Other changes						
D. Final balance	**20**	**48**	**20**	**48**	**19**	**47**
E. Measurement at fair value	20	48	20	48	19	47

Section 13 - Intangible assets - Line 130

13.1 Intangible assets: breakdown by type of asset

Assets/Values	Banking group		Insurance companies		**31 December 2007**		**31 December 2006**		**changes %**	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X		X		X		X			
A.1.1 attributable to the group	X	322	X		X	**322**	X	**318**		**1.3%**
A.1.2 attributable to minority interests	X		X		X		X			
A.2 Other intangible assets										
A.2.1 Assets measured at cost:										
a) Internally-generated intangible assets										
b) Other assets	17		1		**18**		**16**		**12.5%**	
A.2.2 Assets measured at fair value:										
a) Internally-generated intangible assets										
b) Other assets										
Total	**17**	**322**	**1**		**18**	**322**	**16**	**318**	**12.5%**	**1.3%**

The item A.1.1 "Goodwill with an indefinite life" refers to goodwill arising on consolidation and in shareholders' equity for Euro 233 million, and to deficits arising from purchases of branches of business and by mergers made by the Parent Company for Euro 89 million.

13.2 Intangible assets: annual changes

13.2.1 Banking group portion

	Goodwill	Other intangible assets: internally-generated		Other intangible assets: others		**31 December 2007**	**31 December 2006**
		Definite life	Indefinite life	Definite life	Indefinite life		
A. Opening balance	**318**			**81**		**399**	**363**
A.1 Total net impairment losses				(65)		(65)	(52)
A.2 Opening net balance	**318**			**16**		**334**	**311**
B. Increases							
B.1 Purchases				15		**15**	**35**
B.2 Capitalization of internal constructions costs	X			2			
B.3 Write-backs	X						
B.4 Increases in fair value							
- through equity	X						
- through profit and loss	X						
B.5 Positive exchange differences							
B.6 Other changes	4			1		**5**	**5**
C. Decreases							
C.1 Sales							
C.2 Value adjustments							
- Amortization	X			(16)		**(16)**	**(17)**
- Write-downs:							
+ equity	X						
+ profit and loss account							
C.3 Decreases in fair value:							
- through equity	X						
- through profit and loss	X						
C.4 Transfers to non-current assets under disposal							
C.5 Negative exchange differences							
C.6 Other changes							
D. Closing net balance	**322**			**18**		**340**	**334**
D.1 Total net value adjustments				92		92	65
E. Closing gross balance	**322**			**110**		**432**	**399**
F. Measurement at cost							

Section 14 - Tax assets and liabilities - Line 140 of assets and Line 80 of liabilities

Considering the fiscal situation of the Group 's companies and accordingly the expectations of considerable taxable income in future years, all deferred tax assets and liabilities have been accounted for by applying the current IRES and IRAP tax rates, which are applicable at rates effective from 1st January 2008, which are applicable at rates equal to 27.5% and 3.90%, respectively, according to prudential criteria; to this regard, it is worth noting that until 31 December 2007, the aforementioned rates were equal to 33% and 4.25%, while the relevant deductions led to a decrease of the amount of prepaid and deferred taxes recognised until 31 December 2006 and still outstanding as at the date of closure of the financial year.

Following the application of IAS/IFRS accounting standards, current and deferred assets/liabilities were accounted for effective from 1st January 2006, which relate to equity items mainly connected with the valuation effect of the AFS portfolio and to the allocation of the expenses incurred against the capital increase to equity.

Take note that the item “Share capital”, entirely referred to the Parent Company, includes reserves in a tax-suspended status equal to a total of Euro 307.4 million (constituted pursuant to Laws no. 823/1973, 576/1975, 72/1983, 408/1990, 413/1991, 342/2000 and 266/2005), against which no deferred tax liabilities were recognised, whose theoretical total amount would be equal to Euro 93.3 million, as currently there is no possibility of a reduction in the share capital. Finally, take note that there are no fiscal losses and therefore no deferred tax assets have been recognised relating to this case.

14.1 Deferred tax assets: breakdown

	31 December 2007	31 December 2006	changes %
Loans	34	32	6.3%
Securities	11	3	266.7%
Provisions for risks and charges	27	33	-18.2%
Pensions and similar obligations	12	12	0.0%
Provision for Staff Termination Pay		6	-100.0%
Goodwill	1	1	0.0%
Other	14	2	600.0%
Total	**99**	**89**	**11.2%**

14.2 Deferred tax liabilities: breakdown

	31 December 2007	31 December 2006	changes %
Loans	4	2	100.0%
Securities	13	10	30.0%
Provision for Staff Termination Pay	2		100.0%
Pensions and similar obligations	1		100.0%
Goodwill	1	1	0.0%
Equity investments	6		100.0%
Real property	5	3	66.7%
Other	14	8	75.0%
Total	**46**	**24**	**91.7%**

14.3 Changes in deferred tax assets (against an entry in the income statement)

	Banking group	Insurance companies	31 December 2007	31 December 2006
Initial amount	**109**	**3**	**112**	**83**
Increases	**30**	**6**	**36**	**49**
2.1 Deferred tax assets recognised over the period				
a) relating to previous periods	2		2	5
b) due to changed accounting criteria				
c) write-backs				
d) others	5		5	2
2.2 New taxes or increases in tax rates	23		23	42
2.3 Other increases		6	6	
Decreases	**(54)**		**(54)**	**(43)**
3.1 Deferred tax assets written off over the period				
a) reversals	(38)		(38)	(43)
b) write-downs for irrecoverability				
c) change in accounting criteria				
3.2 Reductions in tax rates	(16)		(16)	
3.3 Other decreases				
Final amount	**85**	**9**	**94**	**89**

14.4 Changes in deferred tax liabilities (against an entry in the income statement)

	Banking group	Insurance companies	31 December 2007	31 December 2006
1. Initial amount	**25**	**4**	**29**	**46**
2. Increases	**21**	**6**	**27**	**11**
2.1 Deferred tax liabilities recognised over the period				
a) relating to previous periods	7		7	2
b) due to changed accounting criteria				
c) others	2		2	4
2.2 New taxes or increases in tax rates	6		6	4
2.3 Other increases	6	6	12	1
3. Decreases	**(16)**	**(1)**	**(17)**	**(38)**
3.1 Deferred tax liabilities written off over the period				
a) reversals	(10)		(10)	(30)
b) due to changed accounting criteria				(8)
c) others				
3.2 Reductions in tax rates	(5)		(5)	
3.3 Other decreases	(1)	(1)	(2)	
4. Final amount	**30**	**9**	**39**	**19**

14.5 Changes in deferred tax assets (against an entry in equity)

	Banking group	Insurance companies	31 December 2007	31 December 2006
1. Initial amount				**16**
2. Increases	**6**		**6**	**3**
2.1 Deferred tax liabilities recognised over the period				
a) relating to previous periods				3
b) due to changed accounting criteria				
c) others	2		2	
2.2 New taxes or increases in tax rates	4		4	
2.3 Other increases				
3. Decreases	**(1)**		**(1)**	**(19)**
3.1 Deferred tax assets written off over the period				
a) reversals	(1)		(1)	(19)
b) write-downs for irrecoverability				
c) due to changed accounting criteria				
3.2 Reductions in tax rates				
3.3 Other decreases				
4. Final amount	**5**		**5**	

14.6 Changes in deferred tax liabilities (against an entry in equity)

	Banking group	Insurance companies	31 December 2007	31 December 2006
1. Initial amount	**8**		**8**	**11**
2. Increases	**4**		**4**	**2**
2.1 Deferred tax liabilities recognised over the period				
a) relating to previous periods	1		1	2
b) due to changed accounting criteria				
c) others	1		1	
2.2 New taxes or increases in tax rates	2		2	
2.3 Other increases				
3. Decreases	**(5)**		**(5)**	**(8)**
3.1 Deferred tax liabilities written off over the period				
a) reversals	(4)		(4)	(8)
b) due to changed accounting criteria				
c) others				
3.2 Reductions in tax rates	(1)		(1)	
3.3 Other decreases				
4. Final amount	**7**		**7**	**5**

14.7 Other information

Information on current taxes and on the National Fiscal Consolidation

Item 140 a) "Tax assets - current" is broken down as follows:

	31 December 2007	31 December 2006	changes %
On-account payments for direct taxes	2	3	-33.3%
On-account payments for IRES taxes related to the National Fiscal Consolidation	4	8	-50.0%
On-account payments for indirect taxes	24	26	-7.7%
Tax credit - interest	7	8	-12.5%
Tax credit - principal	13	14	-7.1%
Credit for taxes advanced on staff termination indemnities	1	4	-75.0%
Other tax credits	36	41	-12.2%
Total B	**87**	**104**	**-16.3%**

On-account payments for IRES taxes related to the National Fiscal Consolidation refer to the amounts paid to the Parent Company by companies joining the National Fiscal Consolidation, a legal institute regulated by Articles 117 and ff. of Presidential Decree no. 917/1986 and introduced in the tax legislation by the Legislative Decree no. 344/2003, which these companies opted for through the adoption of the relevant “Regulations”, prepared by Banca CR Firenze S.p.A. and submitted to the approval of the respective Boards of Directors.

Section 16 - Other assets - Line 160

16.1 Other assets: breakdown

	31 December 2007	31 December 2006	changes %
Tax credits from tax offices and authorities and the National Fiscal Consolidation	28	2	n.s.
Current account cheques drawn by third parties	70	68	2.9%
Current account cheques drawn on the bank		1	-100.0%
Accounting items in transit between branches	141	95	48.4%
Transit items settled in the subsequent financial year	19	11	72.7%
Prepayments not attributable to a specific item	9	6	50.0%
Accrued income not attributable to a specific item	5	4	25.0%
Leasehold improvements	5	2	150.0%
Balance sheet assessments	44	48	-8.3%
Software to be definitely allocated	10	4	150.0%
Sundry assets within the branches	3	2	50.0%
Foreign transactions	8	3	166.7%
Sundry assets to be allocated	27	42	-35.7%
Others	54	77	-29.9%
Total	**423**	**365**	**15.9%**

The item "Others" mainly includes balance sheet assessments and the entries not attributable to other items.

Take note that "Other assets" relate almost entirely to the banking group.

LIABILITIES

Section 1 - Amounts owing to banks - Line 10

1.1 Amounts owing to banks: breakdown by product

Type of transactions/Group components	Banking group	Insurance companies	**31 December 2007**	**31 December 2006**	**changes %**
1. Amounts owing to central banks	**100**		**100**	**70**	**42.9%**
2. Amounts owing to banks	**4,181**		**4,181**	**746**	**460.5%**
2.1 Current accounts and free deposits	660		660	227	190.7%
2.2 Fixed deposits	847		847	277	205.8%
2.3 Loans	2,560		2,560	13	n.s.
2.3.1 financial lease					
2.3.2 others	2,560		2,560	13	n.s.
2.4 Liabilities for commitments to repurchase own equity					
2.5 Liabilities resulting from assets sold that were not derecognised	106		106	222	-52.3%
2.5.1 repurchase agreements	106		106	222	-52.3%
2.5.2 others					
2.6 Other accounts payable	8		8	7	14.3%
Total	**4,281**		**4,281**	**816**	**424.6%**
Fair value	**4,281**		**4,281**	**816**	**424.6%**

The considerable increases in current accounts, deposits and loans are due to the inclusion of Centro Leasing Banca SpA and Centro Factoring SpA in the consolidation perimeter of the group for an aggregate amount of approximately Euro 2,931 million.

Section 2 - Customer deposits - Line 20

2.1 Customer deposits: breakdown by product

Type of transactions/Group components	Banking group	**31 December 2007**	**31 December 2006**	**changes %**
1. Current accounts and free deposits	10,397	10,397	10,099	3.0%
2. Fixed deposits	38	38	30	26.7%
3. Third-party funds under administration				
4. Loans	2	2	3	-33.3%
4.1 financial lease	2	2	2	0.0%
4.2 others			1	-100.0%
5. Liabilities for commitments to repurchase own equity instruments				
6. Liabilities resulting from assets sold that were not derecognised from the balance sheet	1,285	1,285	1,115	15.2%
6.1 repurchase agreements	1,285	1,285	1,115	15.2%
6.2 others				
7. Other accounts payable	258	258	142	81.7%
Total	**11,980**	**11,980**	**11,389**	**5.2%**
Fair value	**11,973**	**11,973**	**11,382**	**5.2%**

Section 3 - Outstanding securities - Line 30

3.1 Oustanding securities: breakdown by product

Type of securities/Group components	Banking group		31 December 2007		31 December 2006		changes %	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
A. Listed securities								
1. Bonds								
1.1 structured								
1.2 others								
2. Other securities								
2.1 structured								
2.2 others								
B. Unlisted securities	**6,536**	**6,536**	**6,536**	**6,536**	**5,569**	**5,569**	**17.4%**	**17.4%**
1. Bonds								
1.1 structured	*93*	*93*	*93*	*93*	*120*	*120*	*-22.5%*	*-22.5%*
1.2 others	*6,242*	*6,242*	*6,242*	*6,242*	*5,226*	*5,226*	*19.4%*	*19.4%*
2. Other securities								
2.1 structured								
2.2 others	*201*	*201*	*201*	*201*	*223*	*223*	*-9.9%*	*-9.9%*
Total	**6,536**	**6,536**	**6,536**	**6,536**	**5,569**	**5,569**	**17.4%**	**17.4%**

3.2 Breakdown of line 30 "Outstanding securities": subordinated securities

	face value	value to be included in the Regulatory Capital	Issuer	issue month	maturity date	contract interest rate
Second-level subordinated bond loan	145		Banca CR Firenze S.p.A.	March-1998	March-2008	6-month Euribor - 0.40 %
Second-level subordinated bond loan	78		Banca CR Firenze S.p.A.	June-2001	June 2008	6-month Euribor
Hybrid capitalisation instrument upper tier 2	200	200	Banca CR Firenze S.p.A.	June-2002	June-2012	6-month Euribor + 1.40 %
Second-level subordinated bond loan	50	10	Banca CR Firenze S.p.A.	July-2002	July-2009	6-month Euribor
Second-level subordinated bond loan	30	12	Banca CR Firenze S.p.A.	February-2003	February-2010	6-month Euribor
Hybrid capitalisation instrument upper tier 2	200	200	Banca CR Firenze S.p.A.	December-2003	December-2013	6-month Euribor + 0.95 %
Second-level subordinated bond loan	23	14	Banca CR Firenze S.p.A.	February-2004	February-2011	3-month Euribor
Second-level subordinated bond loan	40	16	Banca CR Firenze S.p.A.	July-2004	July-2011	6-month Euribor
Second-level subordinated bond loan	150	150	Banca CR Firenze S.p.A.	December-2004	December-2014	6-month Euribor + 0.40 b.p.
Second-level subordinated bond loan	16	16	Banca CR Firenze S.p.A.	May-2005	May-2015	3-month Euribor + 0.45%
Second-level subordinated bond loan	85	85	Banca CR Firenze S.p.A.	May-2006	May-2013	6-month Euribor + 0.15 %
Second-level subordinated bond loan	17	17	Cassa di Risparmio di Orvieto S.p.A.	January-2005	January-2012	6-month Euribor - 0.10 %
Third-level subordinated bond loan	60		Banca CR Firenze S.p.A.	December-2006	December-2009	3-month Euribor + 0.25%
Total subordinated debt	**1,094**	**720**				

Take note that none of the foregoing subordinated debts hold clauses allowing their conversion into shares or other form of liabilities.

3.3 Breakdown of line 30 "Outstanding securities": securities subject to specific hedge

Type of transactions/Values	31 December 2007	31 December 2006	changes %
1. Securities subject to a specific far value hedge:			
a) interest rate risk	2,194	1,806	21.5%
b) exchange risk			
c) other risks			
2. Securities subject to a specific cash flow hedge:			
a) interest rate risk	120		100.0%
b) exchange risk			
c) other risks			
Total	**2,314**	**1,806**	**28.1%**

Securities subject to a fair value hedge are represented by both structured and non-structured bonds.

Section 4 - Financial liabilities held for trading - Line 40

4.1 Financial liabilities held for trading: breakdown by product

Type of securities / Group components	Banking group				**31 December 2007**				**31 December 2006**				**changes %**			
	VN	FV		FV *	VN	FV		FV *	VN	FV		FV *	VN	FV		FV *
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
A. Cash liabilities																
1. Amounts owing to banks																
2. Customer deposits																
3. Debt securities																
3.1 Bonds																
3.1.1 Structured				X				X				X				X
3.1.2 Other bonds				X				X				X				X
3.2 Oher securities																
3.2.1 Structured				X				X				X				X
3.2.2 Others				X				X				X				X
Total A																
B. Derivative instruments																
1. Financial derivatives	X			X	X			X	X			X	X			X
1.1 Held for trading	X		32	X	X		32	X	X		31	X	X		3.2%	X
1.2 Linked to fair value option	X			X	X			X	X			X	X			X
1.3 Others	X		24	X	X		24	X	X		20	X	X		20.0%	X
2. Credit derivatives	X			X	X			X	X			X	X			X
2.1 Held for trading	X			X	X			X	X			X	X			X
2.2 Linked to fair value option	X			X	X			X	X			X	X			X
2.3 Others	X			X	X			X	X			X	X			X
Total B	X		**56**	X	X		**56**	X	X		**51**	X	X		**9.8%**	X
Total (A+B)	X		**56**	X	X		**56**	X	X		**51**	X	X		**9.8%**	X

Legend

FV = fair value

FV* = fair value calculated by disregarding changes in value following variations, after the issue date, in the issuer's credit worthiness

VN = face or nominal value

4.4 Financial liabilities held for trading: derivative instruments

4.4.1 Banking group portion

Type of derivatives/Underlying assets	Interest rates	Currencies and gold	Equity securities	Loans	Other	**31 December 2007**	**31 December 2006**	**changes %**
A) Listed derivatives								
1) Financial derivatives:								
• with exchange of principal								
- options issued								
- other derivatives								
• without exchange of capital								
- options issued								
- other derivatives								
2) Credit derivatives:								
• with exchange of principal								
• without exchange of capital								
Total A								
B) Unlisted derivatives								
1) Financial derivatives:	*31*	*1*	*22*		*2*	*56*	*51*	*9.8%*
• with exchange of capital		1				1	1	0.0%
- options issued		1				1	1	0.0%
- other derivatives								
• without exchange of capital	31		22		2	55	50	10.0%
- options issued	1		22			23	18	27.8%
- other derivatives	30				2	32	32	0.0%
2) Credit derivatives:								
• with exchange of principal								
• without exchange of capital								
Total B	**31**	**1**	**22**		**2**	**56**	**51**	**9.8%**
Total (A+B)	**31**	**1**	**22**		**2**	**56**	**51**	**9.8%**

Section 5 - Financial liabilities measured at fair value - Line 50

5.1 Financial liabilities measured at fair value: breakdown by product

Type of transaction/Values	Insurance companies				31 December 2007				31 December 2006				changes %			
	VN	FV		FV *	VN	FV		FV *	VN	FV		FV *	VN	FV		FV *
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
1. Amounts owing to banks																
1.1 Structured																
1.2 Others																
2. Customer deposits																
2.1 Structured																
2.2 Others	889			889	889			889	1,099			1,099	-19.1%			-19.1%
3. Debt securities																
3.1 Structured																
3.2 Others																
Total	**889**			**889**	**889**			**889**	**1,099**			**1,099**	**-19.1%**			**-19.1%**

The reduction in the item 2.2 relates to the reclassification of insurance liabilities in consideration of policies with a prevailing financial component as required by IFRS 4.

Legend
FV = fair value
FV* = Fair value calculated by disregarding changes in value following variations, after the issue date, in the issuer's credit worthiness
VN = nominal value

5.3 Financial liabilities measured at fair value: annual changes

	Amounts owing to banks	Customer deposits	Outstanding securities	**Total**
A. Opening balance		**1,099**		**1,099**
B. Increases				
B1. Issues				
B2. Sales				
B3. Increases in fair value				
B4. Other changes				
C. Decreases		**210**		**210**
C1. Purchases				
C2. Redemptions				
C3. Decreases in fair value				
C4. Other changes		210		210
D. Closing balance		**889**		**889**

Section 6- Hedging derivatives - Line 60

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

6.1.1 Banking group portion

	31 December 2007						31 December 2006	changes %
Type of derivatives / Underlying assets	Interest rates	Currencies and gold	Equity securities	Loans	Other	**Total**	**Total**	
A) Listed								
1) Financial derivatives:								
• with exchange of principal								
- options issued								
- other derivatives								
• without exchange of capital								
- options issued								
- other derivatives								
2) Credit derivatives:								
• with exchange of principal								
• without exchange of capital								
Total A								
B) Unlisted derivatives								
1) Financial derivatives:	***36***					***36***	***29***	***24.1%***
• with exchange of principal								
- options issued								
- other derivatives								
• without exchange of capital	36					36	29	24.1%
- options issued								
- other derivatives	36					36	29	24.1%
2) Credit derivatives:								
• with exchange of principal								
• without exchange of capital								
Total B	**36**					**36**	**29**	**24.1%**
Total (A+B)	**36**					**36**	**29**	**24.1%**

6.2 Hedging derivatives: breakdown by portfolios covered and by type of hedging

6.2.1 Banking group portion

Transactions/Type of hedging	Fair value hedge						Cash flow hedge	
	Specific					General	Specific	General
	interest rate risk	exchange risk	credit risk	other risks	other risks			
1. Financial assets available for sale						X		X
2. Loans				X		X		X
3. Financial assets held to maturity	X			X		X		X
4. Portfolio	X	X	X	X	X		X	
Total assets								
1. Financial liabilities	35					X	1	X
2. Portfolio	X	X	X	X	X		X	
Total liabilities	**35**						**1**	

Section 8 - Tax liabilities - Line 80

Reference is made to Section 14 of assets.

Section 10 - Other liabilities - Line 100

10.1 Other liabilities: breakdown

Items	**31 December 2007**	**31 December 2006**	**changes %**
Tax payables to tax offices and authorities	25	31	-19.4%
Sums available to customers	54	55	-1.8%
Other amounts owing to staff	65	47	38.3%
Accounting entries in transit between branches	57	88	-35.2%
Liabilities being traded	63	75	-16.0%
Deferred income not attributable to a specific item	13	3	n.s.
Accrued expense not attributable to a specific item	5	3	66.7%
Amounts owing against impairment of loans	7	6	16.7%
Money transfers to be settled	162	172	-5.8%
Suppliers and invoices to be received	81	49	65.3%
Balance sheet assessments	17	14	21.4%
Sundry assets within the branches	45	24	87.5%
Foreign transactions	8	7	14.3%
Sundry assets to be allocated	11	31	-64.5%
Consolidation adjustments	3		100.0%
Put options	120	165	-27.3%
Others	325	170	91.2%
Total	**1,061**	**940**	**12.9%**

Note that the item "Others" refers mainly to the Banking group.

Section 11 - Provision for staff termination pay - Line 110

11.1 Provision for staff termination pay: annual changes

	Banking group	31 December 2007	31 December 2006	changes %
A. Opening balance	**180**	**180**	**193**	**-6.7%**
B. Increases	**18**	**18**	**19**	**-5.3%**
B.1 Allocation for the period	4	4	16	-75.0%
B.2 Other increases	14	14	3	n.s.
C. Decreases	**42**	**42**	**32**	**31.3%**
C.1 Payments made	18	18	30	-40.0%
C.2 Other decreases	24	24	2	n.s.
D. Closing balance	**156**	**156**	**180**	**-13.3%**

The considerable increase in item B.2 "Other increases" is due to the consolidation on a line-by-line basis of Centro Leasing Banca S.p.A. and Centro Factoring S.p.A. starting from the second half of 2007.

As at 31 December 2007, the item C.2 “Other decreases” entirely reflected the recalculation as at 1st January 2007, following the entry into force of the Legislative Decree no. 252/2005 and of the Law no. 296/2006, of the amount of Staff Termination Pay (TFR) on the basis of the so called “total accrued” method which entails, in particular, the elimination of “wage dynamics” from the actuarial assumptions applied under IAS 19. To this regard, it should be specified that the Staff Termination Pay includes the severance indemnities accrued by the employees on the pay roll as at the end of the financial year, net of any advances granted to the employees. The 2007 Financial Act and the relevant enactment decrees introduced significant amendments to the regulations of the staff termination pay fund, including the possibility for the worker to elect the allocation of his/her severance indemnities accrued as at 1st January 2007. During the financial year 2007, workers could elect to have the new flows of the severance indemnities allocated to pension schemes of their choice, or to keep them within the company, in which case the company is required to pay the contributions related to the staff termination pay fund into a treasury account opened with INPS (the Italian social security institution). In accordance with the recent interpretations on the subject, the staff termination pay fund accrued as at 1st January 2007 was classified in the 2007 financial statements as a defined contribution scheme, both in the event of an allocation to the supplementary retirement arrangements as well as in case of allocation to the treasury fund opened with INPS. The staff termination pay fund accrued until 31 December 2006 remains a defined benefits scheme, and is consequently subject to the periodical actuarial assessments. The IAS 19 principle provides that, in the event of a change in the conditions of a defined benefit scheme such as a significant element of the next seniority level of the employees in service shall no longer give rise to any benefits, then any changes in the current value of the obligations generated by such event must be recognised in the profit and loss account at the moment of its occurrence; such event may therefore be defined as the difference between the amount of the staff termination pay fund calculated before the change in the regulations and after the occurrence of the aforementioned event which, in this specific case, as outlined above, excludes from the calculation the component relevant to future allocations connected to the "wage dynamics". The economic effect of the aforementioned event, determined with reference to 1st January 2007, was positive for approximately 23 million Euro.
With reference to the foregoing, item B.1 “Allocation for the period” includes only the actuarial adjustment of the Staff Termination Pay remained within the company and, thus, shows a considerable reduction compared with the previous financial year.

11.2 Other information

Take note that as at 31 December 2007 the amount of the provision for staff termination pay as determined according to the current contracts of employment and Civil Code regulations amounted to 164 million Euro, compared to 159.9 million Euro resulting at the end of the previous year.

Section 12 - Provisions for risks and charges - Line 120

12.1 Provisions for risks and charges: breakdown

Items/Components	Banking group	**31 December 2007**	**31 December 2006**	**changes %**
1. Provisions for pensions and similar obligations	197	197	192	2.6%
2. Other provisions for risks and charges	86	86	76	13.2%
2.1 legal disputes	*38*	*38*	*33*	*15.2%*
2.2 staff charges	*27*	*27*	*25*	*8.0%*
2.3 others	*21*	*21*	*18*	*16.7%*
Total	**283**	**283**	**268**	**5.6%**

12.2 Provisions for risks and charges: annual changes

Items/Components	Banking group		**Total**	
	Pension funds	Other funds	Pension funds	Other funds
A. Opening balance	**192**	**76**	**192**	**76**
B. Increases	**23**	**38**	**23**	**38**
B.1 Allocation for the period	20	26	20	26
B.2 Changes due to the passing of time	1	2	1	2
B.3 Variations due to changed discount rate				
B.4 Other changes	2	10	2	10
C. Decreases	**18**	**28**	**18**	**28**
C.1 Use over the period	15	24	15	24
C.2 Variations due to changed discount rate		1		1
C.3 Other changes	3	3	3	3
D. Closing balance	**197**	**86**	**197**	**86**

The considerable increase in item B4. "Other changes" is mainly due to the inclusion in the consolidation perimeter of Centro Leasing Banca S.p.A. e Centro Factoring S.p.A.

12.3 Corporate defined-benefit pension funds

Below are the information concerning the breakdown of line 120 relating to defined-benefit pension funds, as prepared according to IAS 19 "Employee benefits"; in this regard, take note that, based on the current agreements, such standard is not currently applicable to the defined-benefit fund pertaining to Banca CR Firenze ("FIP Ordinary Section") for which the allocations - even if assessed according to IAS 19 - are calculated by applying IAS 37, as a limitation in the Company's commitment is set forth in the contract. Accordingly, Sections 12.3.1 and followings have been drawn up without taking account of the funds pertaining to the Parent Company.

12.3.1 Funds illustration

Being defined-benefit supplementary pension funds, calculation of the actuarial values required under IAS 19 is made by independent external actuaries, according to the Projected Unit Credit Method. Such method, which falls in the broader frame of methods involving the so-called "accrued benefits", considers each year of employee service with the company as an additional credit unit; the actuarial liability is therefore quantified on the basis only of pension benefits accrued as at the valuation date; hence, total liability is generally adjusted on the basis of the length of employment completed at the valuation date and the total pension benefits accrued at the time they are to be paid. Moreover, the foregoing method considers future pay increases, for whatever reason (inflation, promotions, contractual renewals, etc.) until termination of employment.
However, take note that said adjustments do not apply to obligations regarding retired staff, since credit has been fully earned.

The discount rate used for the calculations is determined by referring to the market yield of "zero coupon bonds", since it is believed to represent market yields more, taking into account the estimated duration.

The Banca CR Firenze Group's internal supplementary pension funds are fully made up of assets under Article 2117 of the Italian Civil Code and are broken down as follows:

- *Banca CR Firenze:* the IAS 19 standard "Employee benefits" is applicable exclusively to the share of the supplementary pension fund pertaining to Cassa di Risparmio di Mirandola S.p.A.; for further information in this regard, reference is made to the notes to the company's financial statements;

- *Cassa di Risparmio di Pistoia e Pescia*: a supplementary pension fund set up in 1971 to integrate INPS benefits for disability and old age;

- *Cassa di Risparmio di Orvieto*: a supplementary pension fund set up in 1942, additional to INPS benefits;

- *Cassa di Risparmio di Civitavecchia*: a supplementary pension fund for staff pensioned off until 30 June 1999, governed by the regulations previously in force;

- *Cassa di Risparmio della Spezia*: funds set up to meet the commitments associated with internal supplementary pension schemes.

12.3.2 Changes in recognised pensions provisions

Opening balance	**22**
Increases for adjustment to the actuarial reserve	1
Reduction for pensions paid	(2)
Closing balance	**21**

This table reports the portion of the amount entered under the item 120 a) of the liabilities in the consolidated balance sheet "Provisions for risks and charges - pension and similar obligations" related to defined-benefit supplementary pension funds

12.3.3 Changes in the assets serving the plan over the period and other information

All assets serving the plans for which IAS 19 is applicable are made up of liquid assets, except for the fund of Cassa di Risparmio di Civitavecchia S.p.A., whose assets are made up of a government security (BTP - Long-term Treasury Bond expiring on 01/11/09).

12.3.4 Reconciliation between the present value of the funds, the assets serving the plan and the assets and liabilities entered in the accounts

Present value of defined-benefits obligations	24
Fund's accounting balance	(20)
Share allocated to the Provision for risks and charges - Other provisions - legal disputes	(4)
Fund's balance	**0**

The item "Share allocated to the "Provision for risks and charges - Other provisions - legal disputes" refers to a lawsuit brought against the beneficiaries of the supplementary pension fund of a subsidiary.

12.3.5 Description of the main actuarial assumptions

a) *Demographic assumptions:*
the expectation of death taken as a reference is that relating to the Italian population recorded by ISTAT (Istituto Nazionale di Statistica, National Institute of Statistics) in 1992, broken down by gender.
b) *Economic-financial assumptions:*
the valuations have been made based on the following dynamic assumption:

Parameters	Banca CR Firenze	CR Pistoia e Pescia	CR Orvieto	CR La Spezia	CR Civitavecchia
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate	4.90%	4.80%	4.80%	4.80%	4.90%

12.3.6 Comparative information

It must be mentioned that the "fund's balance" (that is the difference between the present value of defined-benefit obligations and the plan's fair value) has always been, over time, equal to zero.

12.4 Provisions for risks and charges: other provisions

Items/Components	31 December 2007	31 December 2006	changes %
Provisions for guarantees and commitments for securitised loans	3	3	0.0%
Miscellaneous provisions for risks and charges	56	48	16.7%
Provisions for staff risks and charges	27	25	8.0%
Total	**86**	**76**	**13.2%**

The increase in the "Other provisions" mainly relates to the provisions made for civil actions, claw-back actions and other minor lawsuits, as well as for personnel charges in relation to the new needs arisen in the 2007 financial year.

Section 13 - Actuarial reserves - Line 130

13.1 Actuarial reserves: breakdown

	Subordinate employment	Non-subordinate employment	**31 December 2007**	**31 December 2006**	**changes %**
A. Indemnity insurance	**15**		**15**	**12**	**25.0%**
A1. premium reserves	7		7	6	16.7%
A2. accident reserves	5		5	4	25.0%
A3. other reserves	3		3	2	50.0%
B. Life insurance	**952**		**952**	**1,535**	**-38.0%**
B1. actuarial reserves	923		923	929	-0.6%
B2. reserves for sums to be paid	19		19	26	-26.9%
B3. other reserves	10		10	10	0.0%
C. Actuarial reserves when the investment risk is borne by insured parties					
C1. reserves relating to contracts whose performances are linked to investment funds and market indexes	934		934	570	63.9%
C2. reserves from management of pension funds					
D. Total actuarial reserves	**1,901**		**1,901**	**1,547**	**22.9%**

13.2 Actuarial reserves: annual changes

A. Indemnity insurance	
Opening balance	**1,547**
Positive changes	**354**
A1. premium reserves	
A2. accident reserves	
A3. other reserves	354
Negative changes	
A1. premium reserves	
A2. accident reserves	
A3. other reserves	
Closing balance	**1,901**
B. Life insurance	
Opening balance	
Positive changes	
B1. actuarial reserves	
B2. reserves for sums to be paid	
B3. other reserves	
Negative changes	
B1. actuarial reserves	
B2. reserves for sums to be paid	
B3. other reserves	
Closing balance	
Total closing balance	**1,901**

Section 15 - Consolidated Shareholders' equity - Lines 140, 160, 170, 180, 190, 200 and 220

15.1 Group asset: breakdown

Items/Values	31 December 2007	31 December 2006	changes %
1. Share capital	829	827	0.2%
2. Share premiums	102	101	1.0%
3. Reserves	624	433	44.1%
4. (Treasury shares)			
a) parent company			
b) subsidiaries			
5. Valuation reserves	(29)	(12)	141.7%
6. Equity instruments			
7. Parent Company net profit/(loss)	185	271	-31.7%
Total	**1,711**	**1,620**	**5.6%**

For a detailed breakdown of the changes in the equity items, reference is made to the statement of changes in consolidated shareholders' equity included among the schedules of these financial statements.

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

On 5 March 2007 the reverse stock split and the change of the nominal value of the shares was effected, replacing each lot of 5 shares with a par value of Euro 0.60 per unit with a lot of 3 new shares with a par value of Euro 1.00 each.
As at 31 December 2007, the share capital of the Bank was equal to Euro 828,752,733, divided in no. 828,752,733 ordinary shares with a par value of Euro 1.00 each; furthermore, as at such date no treasury shares are recorded.
Below are the interests of the main Shareholders as at 31 December 2007.
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	No. of shares	Ratio %
Ente Cassa di Risparmio di Firenze	347,453,965	41.925%
Intesa Sanpaolo S.p.A.	153,898,664	18.570%
BNP Paribas S.A.	54,258,162	6.547%
Fondazione CR Spezia	32,398,176	3.909%
Fondazione CR Pistoia e Pescia	30,500,776	3.680%
Sofibar S.p.A.	9,015,000	1.088%
Others (market)	201,227,990	24.281%
	828,752,733	**100.000%**

With reference to the changes occurred in the corporate structure of the bank in the first months of 2008, reference should be made to the Report on activities of the Parent Company.

15.3 Share capital - no. of shares held by the parent company: annual changes

Items/Types	Ordinary	Others
A. Outstanding shares at the beginning of the period	**1,378,844,935**	
- fully paid-up	1,378,844,935	
- not fully paid-up		
A.1 Treasury shares (-)		
A.2 Outstanding shares: opening balance	**1,378,844,935**	
B. Increases	**1,495,527**	
B.1 New issues		
- against payment:	1,445,772	
- business combination transactions		
- bond conversion		
- warrant exercise		
- *others*	*1,445,772*	
- without payment:		
- in favour of employees		
- in favour of directors		
- *others*		
B.2 Sale of treasury shares	49,755	
B.3 Other changes		
C. Decreases	**551,587,729**	
C.1 Cancellation		
C.2 Purchase of treasury shares	49,755	
C.3 Transfers of businesses		
C.4 Other changes	551,537,974	
D. Outstanding shares: closing balance	**828,752,733**	
D.1 Treasury shares (+)		
D.2 Outstanding shares at the end of the period	828,752,733	
- fully paid-up	828,752,733	
- not fully paid-up		

15.4 Share capital - other information

Figures and information on earnings per share are reported under Section 24 of Part C of the Notes to the consolidated financial statements.

15.5 Retained earnings: other information

For more information on available and distributable retained earnings of the Parent Company, reference is made to Part B, Section 14, of the Parent Company's annual accounts.

15.6 Valuation reserves: breakdown

Items/Components	31 December 2007	31 December 2006	changes %
1. Financial assets available for sale	(37)	(13)	184.6%
2. Property and equipment	5	1	n.s.
3. Intangible assets			
4. Foreign investments hedge			
5. Cash flow hedge	3		100.0%
6. Exchange differences			
7. Non-current assets under disposal			
8. Special laws on revaluation			
Total	**(29)**	**(12)**	**141.7%**

15.7 Valuation reserves: annual changes

15.7.1 Banking group portion

	Financial assets available for sale	Property and equipment	Cash flow hedge	**Total**
A. Opening balance	**(14)**	**1**		**(13)**
B. Increases	**21**	**4**	**3**	**28**
B1. Increases in fair value	7	4	2	13
B2. Other changes	14		1	15
C. Decreases	**(38)**			**(38)**
C1. Decreases in fair value	(31)			(31)
C2. Other changes	(7)			(7)
D. Closing balance	**(31)**	**5**	**3**	**(23)**

15.7.2 Insurance companies portion

	Financial assets available for sale	Property and equipment	Cash flow hedge	**Total**
A. Opening balance	**1**			**1**
B. Increases	**8**			**8**
B1. Increases in fair value				
B2. Other changes	8			8
C. Decreases	**(15)**			**(15)**
C1. Decreases in fair value				
C2. Other changes	(15)			(15)
D. Closing balance	**(6)**			**(6)**

15.8 Reserves from valuation of financial assets available for sale: breakdown

Assets/values	Banking group		Insurance companies		**31 December 2007**		**31 December 2006**		**changes %**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	4	(10)	9	(15)	13	(25)	7	(2)	85.7%	n.s.
2. Equity securities	13	(36)			13	(36)	11	(31)	18.2%	16.1%
3. UCITS units	3	(5)			3	(5)	4	(1)	-25.0%	n.s.
4. Loans										
Total	**20**	**(51)**	**9**	**(15)**	**29**	**(66)**	**22**	**(34)**	**31.8%**	**94.1%**

The considerable increase in the negative reserve on debt securities mainly refers to bonds issued on foreign markets by banks and financial companies, for which the relevant credit rating was lowered in 2007, while the increase in such reserve connected to equity securities is mainly due to the valuation at fair value of the minority interest in Cassa dei Risparmi di Forlì e della Romagna S.p.A. modified following the increase in the cost of capital compared with the previous financial year.

__15.9 Reserves from valuation of financial assets available for sale: annual changes__

15.9.1 Banking group portion

	Debt securities	Equity securities	UCITS units	Loans	**Total**
1. Opening balance	**4**	**(20)**	**2**		**(14)**
2. Increases	**7**	**8**	**5**		**20**
2.1 Increases in fair value	2	2	3		7
2.2 Reversal to profit and loss account of negative reserves					
- from impairment					
- from sale	1				1
2.3 Other changes	4	6	2		12
3. Decreases	**(17)**	**(11)**	**(9)**		**(37)**
3.1 Decreases in fair value	(15)	(11)	(6)		(32)
3.2 Adjustments from impairment					
3.3 Reversal to profit and loss account of positive reserves:					
from sale	(2)		(3)		(5)
3.4 Other changes					
4. Closing balance	**(6)**	**(23)**	**(2)**		**(31)**

15.9.2 Insurance companies portion

	Debt securities	Equity securities	UCITS units	Loans	**Total**
1. Opening balance	**1**				**1**
2. Increases	**8**				**8**
2.1 Increases in fair value					
2.2 Reversal to profit and loss account of negative reserves					
- from impairment					
- from sale					
2.3 Other changes	8				8
3. Decreases	**(15)**				**(15)**
3.1 Decreases in fair value					
3.2 Adjustments from impairment					
3.3 Reversal to profit and loss account of positive reserves:					
from sale					
3.4 Other changes	(15)				(15)
4. Closing balance	**(6)**				**(6)**

Section 16 - Minority interest - Line 210

16.1 Minority interests: breakdown

Items/Values	Banking group	Insurance companies	**31 December 2007**	**31 December 2006**	**changes %**
1. Share capital	145	20	165	114	44.7%
2. Share premiums	25		25	17	47.1%
3. Reserves	(35)	6	(29)	(20)	45.0%
4. (Treasury shares)					
5. Valuation reserves	7	(3)	4	2	100.0%
6. Equity instruments					
7. Minority interest net profit (loss)	27	9	36	31	16.1%
Total	**169**	**32**	**201**	**144**	**39.6%**

16.2 Valuation reserves attributable to minority interests: breakdown

Items/Values	Banking group	Insurance companies	**31 December 2007**	**31 December 2006**	**changes %**
1. Financial assets available for sale	5	(3)	2	2	0.0%
2. Property and equipment	1		1		100.0%
3. Intangible assets					
4. Foreign investments hedge					
5. Cash flow hedge	1		1		100.0%
6. Exchange differences					
7. Non-current assets under disposal					
8. Special laws on revaluation					
Total	**7**	**(3)**	**4**	**2**	**100.0%**

16.3 Equity instruments: breakdown and annual changes

As at 31 December 2007, there were no equity securities attributable to minority interests.

16.4 Reserves from valuation of financial assets available for sale: breakdown

Assets/values	Banking group		Insurance companies		**Total**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	**Positive reserve**	**Negative reserve**
1. Debt securities	5			3	5	3
2. Equity securities						
3. UCITS units						
4. Loans						
Total	**5**			**3**	**5**	**3**

16.5 Valuation reserves: annual changes

16.5.1 Banking group portion

	Financial assets available for sale	Property and equipment	Cash flow hedge	**Total**
A. Opening balance	**1**			**1**
B. Increases	**4**	**1**	**1**	**6**
B1. Increases in fair value	4			4
B2. Other changes		1	1	2
C. Decreases				
C1. Decreases in fair value				
C2. Other changes				
D. Closing balance	**5**	**1**	**1**	**7**

16.5.1 Insurance companies portion

	Financial assets available for sale	Property and equipment	Cash flow hedge	**Total**
A. Opening balance	**1**			**1**
B. Increases				
B1. Increases in fair value				
B2. Other changes				
C. Decreases	**(4)**			**(4)**
C1. Decreases in fair value	(4)			(4)
C2. Other changes				
D. Closing balance	**(3)**			**(3)**

Other information

1. Guarantees given and commitments

Transactions	Banking group	**31 December 2007**	**31 December 2006**	**changes %**
1) Financial guarantees given				
a) Banks	43	43	13	230.8%
b) Customers	726	726	587	23.7%
2) Commercial guarantees given				
a) Banks	47	47	46	2.2%
b) Customers	301	301	301	0.0%
3) Irrevocable commitments to disburse funds				
a) Banks				
i) for which usage is certain	201	201	345	-41.7%
ii) for which usage is uncertain	27	27	25	8.0%
b) Customers				
i) for which usage is certain	401	401	172	133.1%
ii) for which usage is uncertain	328	328	173	89.6%
4) Commitments underlying credit derivatives: sales for hedging purposes	4	4	6	-33.3%
5) Assets pledged as security for thir-party obligations				
6) Other commitments	136	136	28	385.7%
Total	**2,214**	**2,214**	**1,696**	**30.5%**

The considerable reduction in item 3) b derives from the lower amount of commitments related to mortgage loans and mortgage current accounts determined, where applicable, based on the states of progress of the works.
The item 4) "Commitments underlying credit derivatives: sales for hedging purposes" refers to the financial guarantees given which do not have the requirements for being included among credit derivatives according to IAS/IFRS.

2. Assets pledged as security for own liabilities and commitments

Portfolios	**31 December 2007**	**31 December 2006**	**changes %**
1. Financial assets held for trading			
2. Financial assets measured at fair value			
3. Financial assets available for sale	1,456	1,417	2.8%
4. Financial assets held to maturity			
5. Amounts owing by banks			
6. Customer loans			
7. Property and equipment			

The item 3 "Financial assets available for sale" is mainly made up of securities to guarantee "repurchase agreements" for funding purpose.

3. Information on operating leases

As at the closing date of the financial year, the amounts of the rentals related to existing transactions were not significant.

4. Breakdown of investments against unit-linked and index-linked policies

Below is the breakdown of assets and liabilities against unit-linked and index-linked policies, as shown in the format required under the ISVAP instructions.

	31 December 2007	**31 December 2006**	**changes %**
Financial assets entered in the accounts	1,824	1,669	9.3%
Liabilities entered in the accounts			
Total net assets	**1,824**	**1,669**	**9.3%**
Financial liabilities entered in the accounts	1,824	1,669	9.3%
Actuarial reserves entered in the accounts			
Total liabilities	**1,824**	**1,669**	**9.3%**

The amounts referred to above relate, for both the financial years, to "Class D.I." investments, or to investments in policies whose risk is borne by the insured parties; such values correspond to the results shown in the balance sheet of Centrovita Assicurazioni S.p.A. under lines 57 of assets and 127 of liabilities for 2007 and lines 237 of assets and 307 of liabilities for the previous year.

5. Asset management, custody and intermediation: Banking group

Type of services	**31 December 2007**
1. Trading of financial instruments on behalf of third parties	
a) purchases	**4,904**
1. settled	3,089
2. not settled	150
b) sales	
1. settled	1,651
2. not settled	14
2. Assets under management	**2,196**
a) individual	2,196
b) collective	
3. Securities under custody and administration	**40,044**
a) securties of third party on deposits: linked to the activities of custodian bank (excluding assets under management)	
1. securities issued by the companies included in the consolidation area	15
2. other securities	81
b) other securties of third party on deposits (excluding assets under management): others	
1. securities issued by the companies included in the consolidation area	4,663
2. other securities	14,833
c) securities of third parties deposited with third parties	17,607
d) owned securities on deposit with third parties	2,845
4. Other transactions	

PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - Lines 10 and 20

1.1 Interest earned and similar income: breakdown

1.1.1 Banking group portion

	Items/Actuarial forms	Regular financial assets		Impaired financial assets	Other assets	31 December 2007	31 December 2006	changes %
		Debt securities	Loans					
1	Financial assets held for trading	6				**6**	**15**	-60.0%
2	Financial assets measured at fair value							
3	Financial assets available for sale	19				**19**	**13**	46.2%
4	Financial assets held to maturity							
5	Amounts owing by banks		55		10	**65**	**54**	20.4%
6	Customer loans		1,030	23	21	**1,074**	**716**	50.0%
7	Hedging derivatives						**7**	-100.0%
8	Assets sold that were not derecognised from the balance sheet	63				**63**	**45**	40.0%
9	Other assets				1	**1**	**2**	-50.0%
	Total	**88**	**1,085**	**23**	**32**	**1,228**	**852**	**44.1%**

1.1.2 Insurance companies portion

	Items/Actuarial forms	Regular financial assets		Impaired financial assets	Other assets	31 December 2007	31 December 2006	changes %
		Debt securities	Loans					
1	Financial assets held for trading	4				**4**	**1**	300.0%
2	Financial assets measured at fair value						**2**	-100.0%
3	Financial assets available for sale	39				**39**	**33**	18.2%
4	Financial assets held to maturity							
5	Amounts owing by banks							
6	Customer loans							
7	Hedging derivatives							
8	Assets sold that were not derecognised from the balance sheet							
9	Other assets							
	Total	**43**				**43**	**36**	**19.4%**

1.2 Interest earned and similar income: differentials relating to hedging transactions

Items/sectors	Banking group	**31 December 2007**	**31 December 2006**	**changes %**
A. Positive differential on the following transactions:				
A.1 Specific fair value hedge of assets				
A.2 Specific fair value hedge of liabilities			31	-100.0%
A.3 General hedge of interest rate risk				
A.4 Specific cash flow hedge of assets				
A.5 Specific cash flow hedge of liabilities				
A.6 General cash flow hedge				
Total positive differential (A)			**31**	**-100.0%**
B. Negative differential on the following transactions:				
B.1 Specific fair value hedge of assets				
B.2 Specific fair value hedge of liabilities			(24)	-100.0%
B.3 General hedge of interest rate risk				
B.4 Specific cash flow hedge of assets				
B.5 Specific cash flow hedge of liabilities				
B.6 General cash flow hedge				
Total negative differential (B)			**(24)**	**-100.0%**
C. Balance (A-B)			**7**	**-100.0%**

As at 31 December 2007, the net balance of differentials on hedging transaction is negative. It is, therefore, included in the table 1.5.

1.3 Interest earned and similar income: other information

1.3.1 Interest earned on financial assets in foreign currency
As at 31 December 2007, interest income amounted to 11 million Euro.

1.3.2 Interest earned on finance leasing transactions
As at 31 December 2007, the value of interest income on finance leasing transactions, referring only to Centro Leasing Banca S.p.A., amounted to 102 million Euro.

1.3.3 Interest earned on loans connected with third-party funds under administration
As at 31 December 2007, the value of interest income on loans connected with third-paty funds under administration was less than 1 million Euro.

1.4 Interest expense and similar charges: breakdown

1.4.1. Banking group portion

	Items/Actuarial forms	Debts	Securities	Other liabilities	**31 December 2007**	**31 December 2006**	**changes %**
1.	Amounts owing to banks	(107)			**(107)**	**(26)**	311.5%
2.	Customer deposits	(143)			**(143)**	**(90)**	58.9%
3.	Outstanding securities		(223)		**(223)**	**(156)**	42.9%
4.	Financial liabilities held for trading						
5.	Financial liabilities measured at fair value						
6.	Liabilities resulting from assets sold that were not derecognised from the balance sheet		(69)		**(69)**	**(40)**	72.5%
7.	Other liabilities			(6)	**(6)**	**(5)**	20.0%
8.	Hedging derivatives			(11)	**(11)**		
	Total	**(250)**	**(292)**	**(17)**	**(559)**	**(317)**	**76.3%**

1.4.2. Insurance companies portion

	Items/Actuarial forms	Debts	Securities	Other liabilities	**31 December 2007**	**31 December 2006**	**changes %**
1.	Amounts owing to banks			(1)	**(1)**	**(1)**	0.0%
2.	Customer deposits						
3.	Outstanding securities						
4.	Financial liabilities held for trading						
5.	Financial liabilities measured at fair value						
6.	Liabilities resulting from assets sold that were not derecognised from the balance sheet						
7.	Other liabilities			(1)	**(1)**		100.0%
8.	Hedging derivatives						
	Total			**(2)**	**(2)**	**(1)**	**100.0%**

1.5 Interest expense and similar charges: differentials relating to hedging transactions

Items/sectors	Banking group	**31 December 2007**	**31 December 2006**	**changes %**
A. Positive differential on the following transactions:				
A.1 Specific fair value hedge of assets				
A.2 Specific fair value hedge of liabilities	27	27		100.0%
A.3 General hedge of interest rate risk				
A.4 Specific cash flow hedge of assets				
A.5 Specific cash flow hedge of liabilities	1	1		100.0%
A.6 General cash flow hedge				
Total positive differential (A)	**28**	**28**		**100.0%**
B. Negative differential on the following transactions:				
B.1 Specific fair value hedge of assets				
B.2 Specific fair value hedge of liabilities	(39)	(39)		100.0%
B.3 General hedge of interest rate risk				
B.4 Specific cash flow hedge of assets				
B.5 Specific cash flow hedge of liabilities				
B.6 General cash flow hedge				
Total negative differential (B)	**(39)**	**(39)**		**100.0%**
C. Balance (A-B)	**(11)**	**(11)**		**100.0%**

The net balance of the differentials related to hedging transactions, realised by the Group on its structured and straight fixed rate bond issues, is negative following the performance registered in the interest rates curve in 2007.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on financial liabilities in foreign currency
As at 31 December 2007, interest expense amounted to 17 million Euro.

1.6.2 Interest expense on finance leasing transactions
As at 31December 2007, the value of interest expense was less than 1 million Euro.

1.6.3 Interest expense on third-party funds under administration
As at 31December 2007, the value of interest expense was less than 1 million Euro.

Section 2 - Commissions - Lines 40 and 50

2.1 Commissions earned: breakdown

2.1.1 Banking group portion

Type of services/Sectors	**31 December 2007**	**31 December 2006**	**changes %**
a) guarantees issued	8	8	0.0%
b) derivatives on credits			
c) management, trading and advisory services:	132	125	5.6%
1. securities trading	2	3	-33.3%
2. foreign exchange trading	3	3	0.0%
3. asset management	87	86	1.2%
3.1. individual	17	*18*	-5.6%
3.2. collective	70	*68*	2.9%
4. securities custody and administration	3	3	0.0%
5. depositary bank			
6. securities placement	16	13	23.1%
7. order taking	6	6	0.0%
8. advisory services			
9. distribution of third-party services	15	11	36.4%
9.1. asset management	1	1	0.0%
9.1.1. individual	1	1	0.0%
9.1.2. collective			
9.2.insurance	14	9	55.6%
9.3. other		1	-100.0%
d) collection and payment services	70	72	-2.8%
e) securitisation servicing	5	5	0.0%
f) services for factoring transactions	7		100.0%
g) tax collection services	2		100.0%
h) other services	67	63	6.3%
Total	**291**	**273**	**6.6%**

Commissions earned for factoring transaction are mainly refferred to the services of Centro Factoring S.p.A.

2.1.2 Insurance companies portion

Type of services/Sectors	**31 December 2007**	**31 December 2006**	**changes %**
a) guarantees issued			
b) derivatives on credits			
c) management, trading and advisory services:			
1. securities trading			
2. foreign exchange trading			
3. asset management			
3.1. individual			
3.2. collective			
4. securities custody and administration			
5. depositary bank			
6. securities placement			
7. order taking			
8.advisory services			
9. distribution of third-party services			
9.1. asset management			
9.1.1. individual			
9.1.2. collective			
9.2. insurance	8	12	-33.3%
9.3. other			
d) collection and payment services			
e) securitisation servicing			
f) services for factoring transactions			
g) tax collection services			
h) other services			
Total	**8**	**12**	**-33.3%**

2.2 Commissions earned: distribution channels for products and services: Banking group portion

Channels/Sectors	**31 December 2007**	**31 December 2006**	**changes %**
a) through own offices:	**108**	**115**	**-6.1%**
1. asset management	85	84	1.2%
2. securities placement	8	8	0.0%
3. third-party services and products	15	23	-34.8%
b) through financial promoters:	**10**	**7**	**42.9%**
1. asset management	2	2	0.0%
2. securities placement	8	5	60.0%
3. third-party services and products			
c) other distribution channels:			
1. asset management			
2. securities placement			
3. third-party services and products			

The table represents the breakdown of items c) 3., 6. and 9. of Sections 2.1.1 and 2.1.2.

2.3 Commissions expense: breakdown

2.3.1 Banking group portion

Services/Sectors	**31 December 2007**	**31 December 2006**	**changes %**
a) guarantees received	(1)	(1)	0.0%
b) derivatives on loans			
c) management and trading services:	(32)	(26)	23.1%
1. securities trading	(2)	(2)	0.0%
2. foreign exchange trading			
3. asset management:	(10)	(9)	11.1%
3.1 own portfolio	(10)	(9)	11.1%
3.2 third-party portfolio			
4. securities custody and administration	(2)	(2)	0.0%
5. securities placement	(5)	(5)	0.0%
6. offers of securities, products and services through financial promoters	(13)	(8)	62.5%
d) collection and payment services	(12)	(11)	9.1%
e) other services	(20)	(3)	n.s.
Total	**(65)**	**(41)**	**58.5%**

2.3.2 Insurance companies portion

Services/Sectors	**31 December 2007**	**31 December 2006**	**changes %**
a) guarantees received			
b) derivatives on loans			
c) management and trading services:			
1. securities trading			
2. foreign exchange trading			
3. asset management:			
3.1 own portfolio			
3.2 third-party portfolio			
4. securities custody and administration			
5. securities placement	(2)	(23)	-91.3%
6. offers of securities, products and services through financial promoters			
d) collection and payment services			
e) other services			
Total	**(2)**	**(23)**	**-91.3%**

Section 3 - Dividends and similar income - Line 70

3.1 Dividends and similar income: breakdown

	Items/Income	Banking group		Insurance companies		Other companies		**31 December 2007**		**31 December 2006**		**changes**	
		dividends	income from UCITS units	dividends	income from UCITS units	dividends	income from UCITS units	dividends	income from UCITS units	dividends	income from UCITS units	dividends	income from UCITS units
A.	Financial assets held for trading												
B.	Financial assets available for sale	6						6		12		-50.0%	
C.	Financial assets measured at fair value												
D.	D. Equity investments		X		X		X		X		X		X
	Total	**6**						**6**		**12**		**-50.0%**	

The great reduction of dividens from financial assets available for sale is due to the transfer of the interests held in Sanpaolo IMI S.p.A., occurred during the previous financial year.

Section 4 - Net result from trading - Line 80

4.1 Net result from trading: breakdown

4.1.1 Banking group portion

Transactions/Income components	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Losses from trading (D)	**Net result 31 December 2007 [(A+B)-(C+D)]**	**Net result 31 December 2006**	**changes %**
1. Financial assets held for trading		**18**	**(2)**	**(1)**	**15**	**12**	**25.0%**
1.1 Debt securities		7		(1)	6	2	200.0%
1.2 Equity securities		1	(1)			1	-100.0%
1.3 UCITS units						1	-100.0%
1.4 Loans							
1.5 Others		10	(1)		9	8	12.5%
2. Financial liabilities held for trading							
2.1 Debt securities							
2.2 Debts							
2.3 Others							
3. Other financial assets and liabilities: exchange differences	X	X	X	X	**1**	**1**	**0%**
4. Derivative instruments							
4.1 Financial derivatives:	**10**	**45**	**(12)**	**(41)**	**1**	**15**	**-93.3%**
- On debt securities and interest rates	2	45	(4)	(41)	2	12	-83.3%
- On equity securities and share indices	6		(6)			3	-100.0%
- On currencies and gold	X	X	X	X	(1)		100.0%
- Others	2		(2)				
4.2 Credit derivatives							
Total	**10**	**63**	**(14)**	**(42)**	**17**	**28**	**-39.3%**

Item 1.5 refers to the result of the foreign exchange trading service.

As at 31 December 2006 net profit from the trading of financial derivatives included about 7 million Euro relating to net premiums pertaining to the FIP, of the Banking group, while as at 31 December 2007 these income components were included under the item “Other operating expense/income”.

4.1.2 Insurance companies portion

Transactions/Income components	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Losses from trading (D)	**Net result 31 December 2007 [(A+B)-(C+D)]**	**Net result 31 December 2006**	**changes %**
1. Financial assets held for trading	**4**	**2**	**(1)**		**5**	**10**	**-50.0%**
1.1 Debt securities							
1.2 Equity securities							
1.3 UCITS units	4	2	(1)		**5**	10	-50.0%
1.4 Loans							
1.5 Others							
2. Financial liabilities held for trading							
2.1 Debt securities							
2.2 Debts							
2.3 Others							
3. Other financial assets and liabilities: exchange differences							
4. Derivative instruments							
4.1 Financial derivatives:							
- On debt securities and interest rates							
- On equity securities and share indices							
- On currencies and gold							
- Others							
4.2 Credit derivatives							
Total	**4**	**2**	**(1)**		**5**	**10**	**-50.0%**

Section 5 - Net result from hedging - Line 90

5.1 Net result from hedging: breakdown

Income components/Values	Banking group	**31 December 2007**	**31 December 2006**	**changes %**
A. Gains relating to:				
A.1 Fair value hedge derivatives	13	**13**	**61**	-78.7%
A.2 Hedged financial assets (*fair value*)				
A.3 Hedged financial liabilities (*fair value*)	6	**6**	**87**	-93.1%
A.4 Cash flow hedge derivatives				
A.5 Assets and liabilities in foreign currency				
Total gains on hedging (A)	**19**	**19**	**148**	**-87.2%**
B. Charges relating to:				
B.1 Fair value hedge derivatives	(8)	**(8)**	**(137)**	-94.2%
B.2 Hedged financial assets (fair value)				
B.3 Hedged financial liabilities (fair value)	(10)	**(10)**	**(8)**	25.0%
B.4 Cash flow hedge derivatives				
B.5 Assets and liabilities in foreign currency				
Total charges on hedging (B)	**(18)**	**(18)**	**(145)**	**-87.6%**
C. Net result from hedging (A - B)	**1**	**1**	**3**	**-66.7%**

The considerable general decrease in revenues and charges related to hedging transactions is essentially due to the trend in interest rates registered in 2007.

Section 6 - Gains (Losses) from sale/repurchase - Line 100

6.1 Gains (Losses) from sale/repurchase: breakdown

Items/Income components	Banking group			Insurance companies			Other companies	**31 December 2007**			**31 December 2006**			**Net result changes %**
	Gains	Losses	Net Result	Gains	Losses	Net Result	Net Result	Gains	Losses	Net Result	Gains	Losses	Net Result	
Financial assets														
1. Amounts owing by banks														
2. Customer loans														
3. Financial assets available for sale														
3.1 Debt securities	4	(2)	2		(2)	(2)		4	(4)		1	(4)	**(3)**	-100.0%
3.2 Equity securities	1		1					1		**1**	114		**114**	-99.1%
3.3 UCITS units	4	(1)	3					4	(1)	**3**	2		**2**	50.0%
3.4 Loans														
4. Financial assets held to maturity														
Total assets	**9**	**(3)**	**6**		**(2)**	**(2)**		**9**	**(5)**	**4**	**117**	**(4)**	**113**	-96.5%
Financial liabilities														
1. Amounts owing to banks														
2. Customer deposits	4		4					4		**4**				100.0%
3. Outstanding securities	3		3					3		**3**	3		**3**	0.0%
Total liabilities	**7**		**7**					**7**		**7**	**3**		**3**	133.3%

The profits resulting from the transfer of “customer deposits” are entirely referred to the early termination of a securitisation transaction of the subsidiary Centro Leasing Banca S.p.A.

Section 7 - Net result of financial assets and liabilities measured at *fair value* - Line 110

7.1 Net result of financial assets and liabilities measured at fair value: breakdown

7.1.2 Insurance companies portion

Transactions/Income components	31 December 2007					31 December 2006	Net result changes %
	Capital gains (A)	Gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B)-(C+D)]	net result	
1. Financial assets	**19**	**93**	**(51)**	**(19)**	**42**	**70**	**-40.0%**
1.1 Debt securities						16	-100.0%
1.2 Equity securities							
1.3 UCITS units	19	93	(51)	(19)	42	54	-22.2%
1.4 Loans							
2. Financial liabilities			**(12)**		**(12)**	**(24)**	**-50.0%**
2.1 Debt securities			(12)		(12)	(24)	-50.0%
2.2 Amounts owing to banks							
2.3 Customer deposits							
3. Financial assets and liabilities in foreign currency: exchange differences	X	X	X	X			
4. Derivative instruments							
4.1 Financial derivatives:							
- on debt securities and interest rates							
- on equity securities and share indices							
- on foreign currencies and gold	X	X	X	X			
- others							
4.2 Credit derivatives							
Total derivatives							
Total	**19**	**93**	**(63)**	**(19)**	**30**	**46**	**-34.8%**

Section 8 - Value (adjustments)/write-backs for worsening - Line 130

8.1 Net value (adjustments) for worsening of loans: breakdown

8.1.1. Banking group portion

Transactions/ Income components	Value adjustments (1)			Write-backs (2)				31 December 2007 (3)=(1)-(2)	31 December 2006	changes %
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Others		A	B	A	B			
A. Amounts owing by banks										
B. Customer loans	(32)	(121)	(7)	16	55			(89)	(48)	85.4%
C. Total	(32)	(121)	(7)	16	55			**(89)**	**(48)**	**85.4%**

Specific value adjustments/write-backs relate to analytical valuations, while portfolio value adjustments/write-backs relate to collective valuations.

8.2 Net value adjustments for worsening of financial assets available for sale: breakdown

8.2.1. Banking group portion

Transactions/ Income components	Value adjustments (1)		Write-backs (2)		31 December 2007 (3)=(1)-(2)	31 December 2006	changes %
	Specific		Specific				
	Write-offs	Others	A	B			
A. Debt securities							
B. Equity securities		(1)			(1)	(1)	0.0%
C. UCITS units							
D. Amounts owing by banks							
E. Customer loans							
F. Total		**(1)**			**(1)**	**(1)**	**0.0%**

Legend
A= from interest
B= other write-backs

8.4 Net value adjustments for worsening of other financial transactions: breakdown

8.4.1 Banking group portion

Transactions/ Income components	Value adjustments (1)			Write-backs (2)				**31December 2007 (3)=(1)-(2)**	**31 December 2006**	**changes %**
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Others		A	B	A	B			
A. Guarantees issued			(2)					(2)	(2)	0.0%
B. Credit derivatives										
C. Commitments to disburse funds										
D. Other transactions		(2)						(2)		100.0%
D. Total		**(2)**	**(2)**					**(4)**	**(2)**	**100.0%**

Legend
A= from interest
B= other write-backs

Section 9 - Net premiums - Line 150

9.1 Net premiums: breakdown

	Premiums from insurance activities	Direct employment	Indirect employment	**31 December 2007**	**31 December 2006**	**changes %**
A.	**Life insurance**					
	A.1 Gross premiums accounted for (+)	553		553	590	-6.3%
	A.2 Premiums transferred under reinsurance policies (-)					
	A.3 Total	553		553	590	-6.3%
B.	**Indemnity insurance**					
	B.1 Gross premiums accounted for (+)	26		26	19	36.8%
	B.2 Premiums transferred under reinsurance policies (-)				(1)	-100.0%
	B.3 Change in the gross amount of the premium reserve (+/-)					
	B.4 Change in the premium reserve of reinsurers (-/+)					
	B.5 Total	26		26	18	44.4%
C.	**Total net premiums**	**579**		**579**	**608**	**-4.8%**

Below is the breakdown of the item "Net result from insurance activities", which, for the purposes of the preparation of the consolidated income statement schedule, has been included to represent the items 110, 150 and 160 in the abovementioned schedule, exclusively related to the insurance sector, in a single income component.

Net results from insurance activities: breakdown

		31 December 2007	**31 December 2006**	**changes %**
110.	Net result of financial assets and liabilities measured at fair value	**30**	**46**	-34.8%
150.	Net premiums	**579**	**608**	-4.8%
160.	Other income from/(expense to) insurance activities	**-606**	**-630**	-3.8%
	TOTAL	**3**	**24**	**-87.5%**

Section 10 - Other income from/(expense to) insurance activities - Line 160

10.1 Other income from/(expense to) insurance activities: breakdown

Items	31 December 2007	31 December 2006	changes %
1. Net change in actuarial reserves	(369)	(479)	-23.0%
2. Accidents pertaining to, and paid, over the period	(198)	(137)	44.5%
3. Other income from/(expense to) insurance activities	(39)	(14)	178.6%
Total	**(606)**	**(630)**	**-3.8%**

10.2 Breakdown of sub-item "Net change in actuarial reserves"

Net change in actuarial reserves	31 December 2007	31 December 2006	changes %
1. Life insurance			
A. Actuarial reserves	(5)	(49)	-89.8%
A.1 Gross annual amount	(5)	(49)	-89.8%
A.2 (-) Shares to be charged to reinsurers			
B. Other actuarial reserves		(1)	-100.0%
B.1 Gross annual amount		(1)	-100.0%
B.2 (-) Shares to be charged to reinsurers			
C. Actuarial reserves when the investment risk is borne by the insured parties	(364)	(429)	-15.2%
C.1 Gross annual amount	(364)	(429)	-15.2%
C.2 (-) Shares to be charged to reinsurers			
Total "life insurance reserves"	**(369)**	**(479)**	**-23.0%**
2. Indemnity insurance			
Changes in the other actuarial reserves within indemnity insurance other than accident reserves, net of transfers under reinsurance policies			

10.3 Breakdown of sub-item "Total accidents of the year "

Charges for accidents	31 December 2007	31 December 2006	changes %
Life insurance: charges relating to accidents, net of assignments under reinsurance policies			
A. Amounts paid	(572)	(121)	372.7%
A.1 Gross annual amount	(572)	(121)	372.7%
A.2 (-) Amount to be charged to reinsurers			
B. Change in the reserve for sums to be paid	376	(15)	n.s.
B.1 Gross annual amount	376	(15)	n.s.
B.2 (-) Amount to be charged to reinsurers			
Total accidents under life insurance policies	**(196)**	**(136)**	**44.1%**
Insurance indemnity: charges relating to accidents, net of recoveries and assignments under reinsurance policies			
C. Amounts paid	(2)	(1)	100.0%
C.1 Gross annual amount	(2)	(1)	100.0%
C.2 (-) Amount to be charged to reinsurers			
D. Change in recoveries net of shares to be charged to reinsurers			
E. Changes in accident reserve			
E.1 Gross annual amount			
E.2 (-) Amount to be charged to reinsurers			
Total accidents under indemnity insurance policies	**(2)**	**(1)**	**100.0%**

10.4 Breakdown of sub-item "Other income/(expense to) insurance activities"

	31 December 2007	31 December 2006	changes %
Life insurance	(38)	(12)	216.7%
Indemnity insurance	(1)	(2)	-50.0%
Total "Other income/(expense to) insurance activities"	**(39)**	**(14)**	178.6%

Section 11 - Administrative expenses - Line 180

11.1 Staff costs: breakdown

Type of expense/Sectors	Banking group	Insurance companies	**31 December 2007**	**31 December 2006**	**changes %**
1) Staff					
a) wages and salaries	(273)	(2)	(275)	(277)	-0.7%
b) social security contributions	(77)	(1)	(78)	(70)	11.4%
c) staff termination pay	(2)		(2)	(1)	100.0%
d) social security costs					
e) provision for staff termination pay	6		6	(16)	n.s
f) provision for pension and similar obligations:	(7)		(7)	(16)	-56.3%
- defined contribution	*(4)*		*(4)*	*(8)*	*-50.0%*
- defined benefit	*(3)*		*(3)*	*(8)*	*-62.5%*
g) payments to external supplementary pension funds:	(1)		(1)	(1)	0.0%
- defined contribution	*(1)*		*(1)*	*(1)*	*0.0%*
- defined benefit					
h) costs from payment arrangements based on own equity instruments					
i) other employee benefits	(10)		(10)	(7)	42.9%
2) Other employees	(12)		(12)	(8)	50.0%
3) Directors	(6)		(6)	(4)	50.0%
Total	**(382)**	**(3)**	**(385)**	**(400)**	**-3.8%**

As at 31 December 2007 the item “provision for staff termination pay” shows a positive balance since it includes the adjustment of the Staff Termination Pay, recalculated based on the so called “total accrued” method, following the entry into force of the Legislative Decree no. 252/2005 and of the Law no. 296/2006, for an amount as at 1st January 2007 equal, in light of the estimates made by the external actuary, to approximately 23 million Euro.

The considerable decrease in the sub-item “1),f) provision for pension and similar obligations” essentially reflects the recognition under item “Other operating expense/income” of the income components of the Supplementary Pension Fund, which for the portion related to “Staff costs” amounted, as at 31 December 2006, to approximately 7 million Euro in aggregate.

11.2 Average number of employees by category

	Banking group	Insurance companies	**31 December 2007**	**31 December 2006**	**changes %**
Employees:					
a) managers	117	2	119	102	16.7%
b) Senior employees	1,645	10	1,655	1,536	7.7%
- of which 3rd and 4th levels	*708*	*4*	*712*	*643*	*10.7%*
c) other subordinate staff	4,194	38	4,232	3,971	6.6%
Other staff	392	21	413	289	42.9%
Total	**6,348**	**71**	**6,419**	**5,898**	**8.8%**

The average number is calculated as the arithmetic mean of the number of employees at the end of the financial year and that of the prior financial year.

11.3 Defined-benefit pension funds: total costs

As to costs relating to the abovementioned funds, reference is made to Section 12 of Part B of these Notes to the Financial Statements.

11.4 Other employee benefits

Except those indicated in section 11.1., item 1), letter i), no other significant employee benefits are reported.

11.5 Other administrative expenses: breakdown

Items/Sectors	**31 December 2007**	**31 December 2006**	**changes %**
Property rents	(22)	(19)	15.8%
Ordinary maintenance	(6)	(5)	20.0%
Other expenses for property	(1)	(1)	0.0%
Postal charges	(12)	(9)	33.3%
Telephone charges	(5)	(6)	-16.7%
Electric power, heating and other	(8)	(7)	14.3%
ICT and outsourcing Costs	(24)	(29)	-17.2%
Hardware and software rental	*(3)*	*(4)*	*-25.0%*
Hardware and software maintenance	*(3)*	*(3)*	*0.0%*
Data processing services rendered by third parties	*(2)*	*(4)*	*-50.0%*
Data transmission	*(6)*	*(6)*	*0.0%*
Back office	*(10)*	*(12)*	*-16.7%*
Advertising	(9)	(8)	12.5%
Marketing and agency	(2)	(4)	-50.0%
Legal fees for credit collection	(7)	(7)	0.0%
Other professional consultancy	(25)	(11)	127.3%
Transport	(7)	(6)	16.7%
Information and title searches		(1)	-100.0%
Insurance	(8)	(8)	0.0%
Surveillance and security	(4)	(3)	33.3%
Cleaning	(6)	(6)	0.0%
Printed forms and stationery	(4)	(4)	0.0%
Collective bodies	(1)	(1)	0.0%
Miscellaneous contributions and donations	(1)		
Miscellaneous expenses	(17)	(13)	30.8%
Stamp duties and other revenues stamps	(41)	(40)	2.5%
Municipal Tax on Property	(1)	(2)	-50.0%
Municipal Tax on Property	(11)	(11)	0.0%
Total	**(222)**	**(201)**	**10.4%**

Section 12 - Provision for risks and charges, net - Line 190

12.1 Provision for risks and charges, net: breakdown

	31 December 2007	31 December 2006	changes %
Risks and charges relating to staff	(11)	(16)	-31.3%
Risks and charges on securitised loans		2	-100.0%
Miscellaneous risks and charges (legal disputes and other risks)	(11)	(18)	-38.9%
Total	**(22)**	**(32)**	**-31.3%**

The change in the provisions for risks and charges related to employees is essentially connected to the recognition in 2007, under "Staff costs", of the amounts related to the renewal of the national collective labour agreement (CCNL)
The change in provisions for miscellaneous risks and charges is due to the lower needs registered in 2007.

Section 13 - Value (adjustments)/write-backs to property and equipment - Line 200

13.1. Net value adjustments to property and equipment: breakdown

13.1.1 Banking group portion

Assets/Income components	Depreciation (a)	Value adjustments for worsening (b)	Write-backs (c)	**Net result 31 December 2007 (a + b - c)**	**Net result 31 December 2006**	**Net result changes %**
A. Property and equipment						
A.1 Owned assets	(25)			**(25)**	**(24)**	**4.2%**
- For own use	*(25)*			*(25)*	*(24)*	*4.2%*
- For investment						
A.2 Acquired under finance lease						
- For own use						
- For investment						
Total	**(25)**			**(25)**	**(24)**	**4.2%**

13.1.2 Insurance companies portion

13.1.3 Other companies portion

The related amount is not significant.

Section 14 - Value (adjustments)/write-backs to intangible assets - Line 210

14.1 Net value adjustments to intangible assets: breakdown

14.1.1 Banking group portion

Assets/Income components	Amortisation (a)	Value adjustments for worsening (b)	Write-backs (c)	**Net result 31 December 2007 (a + b - c)**	**Net result 31 December 2006**	**Net result changes %**
A. Intagible assets						
A.1 Owned assets	**(17)**			**(17)**	**(17)**	**0.0%**
- Internally generated	*(1)*			*(1)*	*(1)*	*0.0%*
- Others	*(16)*			*(16)*	*(16)*	*0.0%*
A.2 Acquired under finance lease						
Total	**(17)**			**(17)**	**(17)**	**0.0%**

14.1.2 Insurance companies portion

14.1.3 Other companies portion

The related amount is not significant.

Section 15 - Other operating (expense)/income - Line 220

15.1 Other operating expenses: breakdown

	31 December 2007	31 December 2006	changes %
Acquisition of business and services	(4)	(5)	-20.0%
Customer rebates and allowances		(2)	-100.0%
Losses for robberies covered by excess policies		(1)	-100.0%
Exceptional charges	(6)	(11)	-45.5%
Industrial costs of instrumental companies	(36)	(34)	5.9%
Other miscellaneous expenses	(15)	(7)	114.3%
Total	**(61)**	**(60)**	**1.7%**

15.2 Other operating income: breakdown

	31 December 2007	31 December 2006	changes %
Recovery of expenses on savings deposits and creditors accounts	61	63	-3.2%
Recovery of expenses from customers:	48	49	-2.0%
- Taxes on accounting documents	*32*	*34*	*-5.9%*
- Doubtful loans	*3*	*5*	*-40.0%*
- Other recoveries	*13*	*10*	*30.0%*
Property rents	2	2	0.0%
Exceptional income	7	4	75.0%
Industrial income from instrumental companies	21	18	16.7%
Other miscellaneous income	23	19	21.1%
Total	**162**	**155**	**4.5%**

Section 16 - Gains /(Losses) from equity investments - Line 240

16.1 Gains (Losses) from equity investments: breakdown

Income components/ Sectors	Banking group	Insurance companies	Other companies	**31 December 2007**	**31 December 2006**	**changes %**
1) Companies subject to joint control						
A. Income						
1. Revaluations	35			35	53	-34.0%
2. Gains from sale						
3. Write-backs						
4. Other increases						
B. Charges						
1. Write-downs						
2. Value adjustments from worsening						
3. Losses from sale						
4. Other decreases						
Net result	**35**			**35**	**53**	**-34.0%**
2) Companies subject to a significant influence						
A. Income						
1. Revaluations	4			4	4	0.0%
2. Gains from sale						
3. Write-backs						
4. Other increases	17			17		100.0%
B. Charges						
1.Write-downs						
2. Value adjustments from worsening						
3. Losses from sale						
4. Other decreases	(1)			(1)		100.0%
Net result	**20**			**20**	**4**	**400.0%**
Total	**55**			**55**	**57**	**-3.5%**

The item “Other increases” entirely reflects the application, pursuant to IFRS 3, of the purchase price allocation (PPA) to the acquisition of control over Centro Leasing Banca Sp.A.

The details of such transaction are outlined in Part G of these Notes.

Section 17 - Net result of measurement of property and equipment and intangible assets at fair value - Line 250

17.1 Net result of measurement of property and equipment and intangible assets at fair value (or revalued): breakdown

17.1.1 Banking group portion

	31 December 2007					31 December 2006	
Assets / Income components	Revaluations (a)	Write-downs (b)	Exchange differences Positive (c)	Exchange differences Negative (d)	**Net result (a-b+c-d)**	**Net result**	**changes %**
A. Property and equipment							
A.1 Owned assets:						**1**	**-100.0%**
- For own use							
- Held for investment	1				**1**	**1**	**0.0%**
A.2 Acquired under finance lease:							
- For own use							
- Held for investment							
B. Intangible assets							
B.1 Owned assets:							
B.1.1 Internally generated							
B.1.2 Others							
B.2 Acquired under finance lease:							
Total	**1**				**1**	**1**	**0.0%**

Section19 - Gains/(Losses) from the sale of investments - Line 270

19.1 Gains/(Losses) from the sale of investments: breakdown

Income components/Sectors	Banking group	**31 December 2007**	**31 December 2006**	**changes %**
A. Real property				
- Gains from sale			2	-100.0%
- Losses from sale				
B. Other assets				
- Gains from sale	2	2		100.0%
- Losses from sale				
Net result	**2**	**2**	**2**	**0.0%**

As at 31 December 2007 this item is entirely comprised of the amount received in the financial year as additional price for the sale of Cerit S.p.A. and S.R.T. S.p.A. to Equitalia S.p.A.

Section 20 - Income taxes for the year on current operations - Line 290

20.1 Income taxes for the year on current operations: breakdown

Income components/Sectors	Banking Group	Insurance companies	**31 December 2007**	**31 December 2006**	**changes%**
1. Current taxes (-)	(129)	(21)	(150)	(125)	20.0%
2. Changes in current taxes from previous years (+/-)	(1)		(1)		-100.0%
3. Reduction in the current taxes for the year (+)	1		1		100.0%
4. Change in deferred tax assets (+/-)	(24)	6	(18)	(1)	n.s.
5. Change in deferred tax liabilities (+/-)	5	5	10	15	-33.3%
6. Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	**(148)**	**(10)**	**(158)**	**(111)**	**42.3%**

20.2 Reconciliation between theoretical and effective tax charge in the accounts

	31 December 2007	**% on pre-tax profit**	**31 December 2006**	**% on pre-tax profit**
IRES tax	134	35.26%	137	33.09%
IRAP tax	17	4.47%	18	4.35%
Income taxes based on the nominal tax rate	**151**	**39.74%**	**155**	**37.44%**
Increases in the IRAP tax	18	4.74%	10	2.42%
Higher taxable income and effective tax rate	*18*	*4.74%*	*10*	*2.42%*
Total IRAP tax	**35**	**9.21%**	**28**	**6.76%**
Increases in the IRES tax rate	21	2.63%	5	1.21%
Non-deductible costs (capital losses on equity investments, ICI tax, staff costs, etc.)	*10*	*2.63%*	*5*	*1.21%*
Effect on deferred tax assets and liabilities resulting from the reduction, effective from 1st January 2008, of IRAS and IRAP tax rates	11	2.89%		
Decreases in the IRES tax	(32)	-8.42%	(59)	-14.25%
Untaxed gains on equity investments				
Tax-exempt portion of dividends	*(28)*	*-7.37%*	*(28)*	*-6.76%*
Income subject to the reduced rate (12.5%)				
Effect of the regulations on "Participation Exemption"	*(1)*	*-0.26%*	*(31)*	*-7.49%*
Other taxes	*(1)*	*-0.26%*		
Total IRES tax	**123**	**32.37%**	**83**	**20.05%**
Total income taxes for the year (line 290)	**158**	**41.58%**	**111**	**26.81%**

Below is reported the current tax burden broken down for IRES and IRAP taxes.

	31 December 2007	**31 December 2006**	**changes %**
IRES tax	96	97	-1.0%
IRAP tax	34	28	21.4%
Total current taxes in the income statement	**130**	**125**	**4.0%**

The change in prepaid taxes is mainly due to the change in the IRES and IRAP rates and also to the partial reallocation of the prepaid taxes calculated upon the FTA (First Time Adoption).

Section 22 - Minority interest net profit/(loss) - Line 330

22.1 Breakdown of line 330 "Minority interest net profit/(loss)"

Income components	**31 December 2007**	**31 December 2006**	**changes %**
Companies consolidated on a line-by-line basis	36	30	20.0%
Companies consolidated on an equity basis	1	1	0.0%
Total	**37**	**31**	**19.4%**

Section 23 - Other information

For further information on the Group's overall earnings in 2007, also relating to its different business areas, reference is made to Part D of these Notes to the Financial Statement and to the Directors' Report on the Group.

Section 24 - Earnings per share

24.1 Average number of diluted shares

As at 31 December 2007, the share capital of the Company was Euro 828,752,733 divided in no. 828,752,733 ordinary shares, with a par value of 1.00 Euro each.

Calculation of EPS - basic	31 December 2007	31 December 2006	changes %
Net consolidated profit	185	271	-31.7%
no. of outstanding shares	828,836,017	1,378,844,935	-39.9%
Earnings per share - basic (in Euro)	0.2232	0.1965	13.6%
Contribution from potential odinary shares under the stock option plans		2,807,648	-100.0%
no. of outstanding shares	828,836,017	1,381,652,583	-40.0%
Earnings per share - diluted (in Euro)	0.2232	0.1961	13.8%

On 5 March 2007 the ordinary shares of the Parent Company were grouped together, as resolved by the Extraordinary Shareholders' Meeting of 27 April 2006, by a reduction in the total number of ordinary shares making up the share capital through the assignment of 3 new ordinary shares with a unit value of Euro 1.00 per each 5 ordinary shares with a unit value of Euro 0.60 held, in line with the abovementioned shareholders' meeting's resolution, which provided for the assignment of 6 new ordinary shares with a unit value of Euro 1.00 per each 10 outstanding ordinary shares with a unit value of Euro 0.60 held.

24.2 Other information

The Parent Company's net profit, equal to about 150 million Euro, has been reconciled with the net profit of the consolidated financial statements in the Directors' Report on consolidated activities. Furthermore, take note that the case under paragraph 73 of IAS 33 is not applicable, no income statement components other than those required by the abovementioned standard have been used in the calculation of basic and diluted earnings per share.

PART D – *SEGMENT REPORTING*

A. Primary Format

	RETAIL	BUSINESS AND PRIVATE	FINANCE	WEALTH MANAGEMENT	LEASING & FACTORING	CORPORATE CENTER	INTERNAL CUSTOMERS	GROUP TOTAL
GROSS BANKING REVENUES (€/mil)								
FY2007	756	153	44	62	61	12	-8	1,080
FY 2006	702	166	33	61	n.a.	49	-7	1,004
2007/ 2006 (%) change	7.7%	-7.8%	33.3%	1.6%	n.s.	-75.6%	12.7%	7.6%
PROFIT FROM CURRENT OPERATIONS (€/mil)								
FY2007	253	59	33	47	31	-46	3	380
FY 2006	204	62	20	46	n.a.	-19	0	313
2007/ 2006 (%) change	24.0%	-4.8%	65.0%	2.2%	n.s.	146.0%	n.s.	21.4%
NET PROFIT (including III) (€/mil)								
FY2007	146	39	22	35	18	-41	3	222
FY 2006	138	49	16	34	n.a.	66	0	303
2007/ 2006 (%) change	5.8%	-20.4%	37.5%	2.9%	n.s.	n.s.	n.s.	-26.7%
TOTAL INTEREST BEARING ASSETS (€/mil)								
FY2007	9,841	5,184	5,119	2,895	4,622	844	-1,206	27,299
FY 2006	9,802	4,825	3,929	2,754	n.a.	988	-142	22,156
2007/ 2006 (%) change	0.4%	7.4%	30.3%	5.1%	n.s.	-14.6%	n.s.	23.2%
TOTAL COST-GENERATING LIABILITIES (€/mil)								
FY2007	12,552	2,998	3,327	18	4,419	688	-1,129	22,873
FY 2006	12,374	2,954	1,836	34	n.a.	860	-233	17,825
2007/ 2006 (%) change	1.4%	1.5%	81.2%	-47.1%	n.s.	-20.0%	n.s.	28.3%
AVERAGE ALLOCATED CAPITAL (€/mil)								
FY2007	579	362	97	81	232	544		1,870
FY 2006	584	276	103	83	n.a.	776		1,822
2007/ 2006 (%) change	-0.9%	31.2%	-5.8%	-2.4%	n.s.	-29.9%		2.7%
ANNUALIZED PROFITABILITY (%)								
FY2007	25.2%	10.8%	22.7%	43.2%	7.8%	-7.5%		11.9%
FY 2006	23.5%	17.8%	15.3%	41.8%	n.a.	8.5%		17.0%
2007/ 2006 (%) change	1.8%	-7.0%	7.4%	1.4%	n.s.	-16.1%		-5.1%
STAFF (including for fixed time periods)								
FY2007	4,345	479	25	60	406	1,154		6,468
FY 2006	4,223	433	25	59	n.a.	1,189		5,929
2007/ 2006 (%) change	2.9%	10.5%	1.0%	1.7%	n.s.	-3.0%		9.1%

B. Secondary Format

Breakdown of economic and financial values by geographical area is not relevant to the Banca CR Firenze Group.

For further details and analyses relating to segment information, reference should be made to the specific section in the consolidated Directors' report on the Group.

PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

INTRODUCTION

Risk-taking policies have been defined by the Parent Company's bodies provided for under the By-laws (Board of Directors, Executive Committee) which are assisted by the Risk Committee. This committee is made up of the General Managers of the Group Banks and of the managers of the main departments concerned. The committee examines the levels of risk assumed on a periodical basis, also supervising compliance with risk levels set by the Boards of Directors. Risk Committee makes use of the technical support of Planning Coordination and Risk Management Service which is responsible for identifying, measuring and checking the various risk categories (credit, financial and operating risks) in their essential quantitative aspects, the implications in terms of Supervision and in comparison with possible external benchmarks.

SECTION 1 - THE BANKING GROUP'S RISKS

1.1 CREDIT RISK

QUALITATIVE INFORMATION

General aspects

Credit risk management seeks to ensure that the activities of analysis, valuation and grant of credit facilities guarantee a continuing improvement in the quality of lending. The granting of the loans is preceded by an accurate preliminary investigation, focused on a documentation which allows an overall assessment of the credit rating: the most relevant elements are represented by the forecasts on the economic – financial flows from corporate assets and by the provision of supplementary guarantees (if any). In this context the issue of specific risk control is of greatest importance, including in terms of prevention and as an integral part of the management of counterparty relations, with appropriate and consistent procedures and service levels with respect to the characteristics of different customer segments and commercial strategies.

Credit risk management policies

Organisational aspects

The structure of the Distribution Model is characterised by regulation of processes differentiated by customer segment: consequently, within the Credit Management Department, there are different areas according to the relevant reference market: a Retail area for Business and Private Customers segments who are managed by the branches and a Business area for Business and Private Banking segments who are managed by Business and Private Centres. Branch managers and the directors of the Business Centres, together with the Credit Managers, if applicable, are responsible for the respective processes, from the information-gathering stages to actual grant with continuing monitoring.
The control function, which is separated from the decision-making function, is also ensured by the Loan Control and Secretariat Service (*Servizio Controllo e Segreteria Crediti*) by continuing checks on the levels of risk reached and adoption of timely precautionary measures to limit risks.
The control activity is performed on two levels:
- on individual positions for amounts in excess of Euro 5,000, identified by a specific procedure and by selections focused on abnormal events;
- on individual peripheral units (Branches and Business Centres), based on the performance of aggregates representing the risk level of the credit portfolio under management.

Management, measurement and control systems

Banca CR Firenze defined a complete rating system, compliant with the regulations set by the Supervisory Authority, aimed at monitoring the quality of the credit with reference to the counterparty. The rating system considers three fundamental parameters:

- the probability of counterparty insolvency (PD) expressed in terms of a creditworthiness level;
- the percentage of loss suffered in the event of default (LGD), deriving from the transaction structure and from the exposure class, mitigated by the guarantees (if any);
- expected credit exposure at the moment of insolvency (EAD) which is connected to the actuarial form of the credit facility.

The PD is determined through the use of several rating and scoring models, in accordance with the provisions of the Supervisory Authority.

These models are developed in accordance with the "best practices" in use and are differentiated by size and type of customers. For the purposes of an appropriate assessment of the credit rating, clients were segmented based on the size of the credit granted and the type of the counterparty.

An individual evaluation procedure has been developed for the Business Segment which focuses on the assignment of a succinct and homogeneous credit assessment represented by internal rating using a scale of 14 classes for solvent customers, each class being associated to an appropriate PD value. The procedure is based on an analysis of economic/property data and cash flows supplemented by a series of types of information with a bearing on quality (management evaluation, core market analysis), reviewed at least once a year in the context of the loan approval procedure.

In 2007 the rating was extended to the entire enterprises segment and, as of today, the rating may also be determined, thanks to models developed for this purpose, for enterprises which carry out non-industrial activities, such as real estate companies, financial enterprises and holding companies. For the assignment of the credit rating to the enterprises segment a web application is used, available for the entire peripheral sale network as well as for the central structures, which, besides the assessment of the credit rating of the enterprises, also provides support to the consultancy activities in favour of the client by displaying, in the form of an histogram, the situation of the main operational areas of the company being analysed.

As to the Retail segments (Small Enterprises and Privates), a diversified approach is adopted which is based on the application of statistical analysis techniques (scoring models) and according to the various phases in the credit process. During the “grant” and “renewal” phases Small Enterprises are subjected to an automatic evaluation process consisting of a specific algorithm. This then provides a grid of counterparty scores based on legal status and other parameters such as, for example, the type of accounting chosen, and selects out those customers with a high probability of insolvency, assigning different risk levels.

So far as private customers are concerned, a “scoring” system for loan payments has been developed, differentiated according to the form of lending (loans, personal loans, etc.) and developed through statistical analysis based on socio-demographic data from public and private Credit Bureaux sources and on information relating to behaviour.

As to Retail segments (Small Enterprises and Private customers), a differentiated approach is adopted which is based on the application of statistical analysis techniques (scoring models) and on the definition of the different phases in the credit process.

In the first half of 2008, the new models developed for those Retail segments with construction and representation of the rating models similar to the Business segment, will be available.

Finally, for the bank counterparties a system has been defined for the classification of the credit institutions to which a credit line is assigned, adapting the rating scale adopted to those used by the specialised rating agencies. The combination of the rating category with the technical form and duration of the transaction allows the determination of the credit limits for each counterparty.

During 2007 new models were developed for the calculation of the LGD and EAD and the procedures for their use in the credit processes are currently being assessed.

The application of rating systems is monitored through a continuous control activity which is reported both to the Management and to the Administrative Bodies. The result of such monitoring is a set of “tableau” capable of providing a series of information, from the description of the performance in time of granted and used PD and LGD, to the reports on the hedging percentage of the loan portfolio with the models divided by segment, to the analysis of the origin of the new defaulted loans. The different credit risk valuation models are made compatible with one another through the reconciliation of a scale of five increasing brackets of risk: “Low”, “Medium-Low”, “Medium”, “Medium-High” and “High”.

In addition, since January 2008, a specific identification engine (named “Early Warning) is available, which enables the identification of significant changes occurred in the risk level of individual counterparties; such risk level is expressed by a combination of a scoring for internal deviation (represented by a performance indicator) and a dimensional factor (represented by the expected loss). Based on the aforementioned combination, all the “regular” ordinary counterparties are classified in one of the following categories: “Very critical”, “Critical”, “Active” and “Ordinary”.

Risk of credit mitigation techniques

As a hedge to its credit risk Banca CR Firenze has implemented a strategy effectively aimed at the acquisition of collaterals. Mortgages are thus flanked by a wide range of collaterals protecting the various actuarial forms of lending listed in the "Loan Regulations". The principle applied is that of security shortfall according to which the security value is reduced by a sufficiently weighted percentage depending on the nature of the asset forming the subject matter of the pledge or mortgage. The Banca CR Firenze Group does not effect derivative transactions on receivables for hedging purposes.

Impaired financial assets

The technical-organisational and methodological procedures affecting the management and control of impaired loans should be distinguished depending on whether the positions concerned have become non-performing, restructured, loans overdue by more than 180 days or whether they have simply become insolvent.
A careful analysis of doubtful loans managed both by the Parent Banca CR Firenze, also on behalf of the subsidiaries Cassa di Risparmio di Orvieto and Cassa di Risparmio di Civitavecchia, is effected at the level of individual positions in order to assess the appropriateness of initiating legal action including where seeking to obtain collaterals or whether other initiatives should be taken aimed at achieving extra-judicial settlement. So far as receivables of small amounts are concerned, mainly due from private customers, where there are no assets to be seized and after the receipt of negative information relating to debtors, the next step is that of the assignment without recourse. Analytical checks on the appropriateness of value adjustments made are carried out regularly on the occurrence of events suggesting the need for re-assessment.
The other categories of impaired loans are followed by the Non-performing Loans Services (Servizio Incagli) in the context of Credit Management Department, which interacts with the distribution network and adopts all initiatives for the achievement of the risk target assigned.
Since all the impaired loans are included in the higher risk category (defined as "High"), their calculation is performed on the basis of objective and subjective parameters.
Examples of objective parameters are the number of unpaid instalments, the existence of doubtful loans in the system or the presence of seriously prejudicial events giving rise automatically to the transfer to impaired loan. Subjective parameters include a variety of situations of clear difficulty such as structural inadequacies arising from the accounts, revocation of credit facilities by other banks, *de facto* insolvency. These set in motion a procedure of proposed classification as an impaired item with a specific final evaluation. The restoration to ordinary operations of anomalous positions is a mirror image of the procedures giving rise to the classification under impaired loans. Thus the transfer is automatic once the objective negative parameters no longer exist or is effected on the initiative of the branch or Non-performing Loans Services (*Servizio Incagli*) when the subjective criteria no longer exist.

Risk management by Banca C.R. Firenze Romania S.A.

General aspects

The Board of Directors of Banca C.R. Firenze Romania S.A. is responsible for defining the strategies and the management and control policies of the various risk categories.
The Risk Committee plays a fundamental role in determining the internal limits in compliance with the Romanian bank legislation, for both the different types of exposure and the regulatory capital requirements.
The Planning and Risk management Service is assigned with a series of tasks ranging from identifying, measuring and monitoring risks to drawing up reports for the Risk Committee and the Board of Directors.
Banca C.R. Firenze Romania S.A. is still under the supervision of the Romanian Central Bank, as required by the Basel I Accord; the principles laid down by the Basel II Accord shall enter into force effective from January 2008.
Credit risk is the most significant risk for the bank; market risks are very lower given that the trading portfolio is small. Banca C.R. Firenze Romania S.A. does not carry out derivative transactions on behalf of customers, nor does it carry out transactions to hedge its own financial liabilities.

Credit risk

The credit risk management of Banca C.R. Firenze Romania S.A. has the objective of reducing losses arising from insolvency and concentration risks to the minimum.
The risk identification and assessment are critical activities which are preliminary to the grant of credit and substantiate in an internal rating system including 5 levels. Interest rates are fixed according to the creditworthiness level assigned and the strategies implemented as to loan pricing.
The credit risk is monitored through a series of internal indicators and operating limits: until now, the objective of a low risk profile has been attained, given that the ratio between doubtful loans and total lending remains below 1%.

Risk mitigation techniques essentially include guarantees and consist of mortgages, pledges, bank guarantees and delivery of cash.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND REGULAR EXPOSURES: VALUES, VALUE ADJUSTEMENTS, DYNAMICS, ECONOMIC AND LOCAL DISTRIBUTION

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

Portfolio/quality	Banking group						Other companies		Total
	Doubtful loans	Non-performing loans	Restructured loans	Overdue loans	Unsecured loans to risk countries	Regular loans	Deteriorated	Others	
1. Financial assets held for trading						111		89	**200**
2. Financial assets available for sale	2					2,471		884	**3,357**
3. Financial assets held to maturity									
4. Amounts owing by banks						1,236		16	**1,252**
5. Customer loans	202	193	13	253	1	19,724			**20,386**
6. Financial assets measured at fair value								1,703	**1,703**
7. Financial assets being disposed of									
8. Hedging derivatives						11			**11**
Total 31 December 2007	**204**	**193**	**13**	**253**	**1**	**23,553**		**2,692**	**26,909**
Total 31 December 2006	**151**	**145**	**12**	**68**		**18,758**		**2,552**	**21,686**

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

Portfolio/quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustements	Portfolio adjustements	Net exposure	Gross exposure	Other assets Portfolio adjustements	Net exposure	
Banking Group								
1. Financial assets held for trading					X	X	111	**111**
2. Financial assets available for sale	2			2	2,471		2,471	**2,473**
3. Financial assets held to maturity								
4. Amounts owing by banks					1,236		1,236	**1,236**
5. Customer loans	963	302		661	19,807	82	19,725	**20,386**
6. Financial assets measured at fair value					X	X		
7. Financial assets being disposed of								
8. Hedging derivates					X	X	11	**11**
Total A	**965**	**302**		**663**	**23,514**	**82**	**23,554**	**24,217**
B. Other companies included in the consolidation								
1. Financial assets held for trading					X	X	89	**89**
2. Financial assets available for sale					884		884	**884**
3. Financial assets held to maturity								
4. Amounts owing by banks					16		16	**16**
5. Customer loans								
6. Financial assets measured at fair value					X	X	1,703	**1,703**
7. Financial assets being disposed of								
8. Hedging derivates					X	X		
Total B					**900**		**2,692**	**2,692**
Total 31 December 2007	**965**	**302**		**663**	**24,414**	**82**	**26,246**	**26,909**
Total 31 December 2006	**587**	**211**		**376**	**19,284**	**58**	**21,310**	**21,686**

A.1.3 Exposure by cash and "off-balance sheet" to banks: gross and net values

Types of exposure/value	Gross exposure	Specific value adjustements	Portfolio value adjustements	Net exposure
A. EXPOSURE BY CASH				
A.1 Banking Group				
a) Doubtful loans				
b) Non-performing loans				
c) Restructured loans				
d) Overdue loans				
e) Unsecured loans to risk countries		X		
f) Regular loans	1,849	X		1,849
TOTAL A.1	**1,849**			**1,849**
A.2 Other companies				
a) Impaired				
b) Others	15	X		15
TOTAL A.2	**15**			**15**
TOTAL A	**1,864**			**1,864**
B ."OFF-BALANCE SHEET" EXPOSURES				
B.1 Banking Group				
a) Impaired				
b) Others		X		
TOTAL B.1				
B.2 Other companies				
a) Impaired				
b) Others	103	X		103
TOTAL B.2	**103**			**103**
TOTAL B	**103**			**103**

A.1.4 Exposures by cash to banks: dynamics of gross exposures impaired and subject to "country risk"

A.1.5 Exposures by cash to banks: dynamics of total value adjustments

No value has been entered in these two tables, since the relevant balances are less than 1 million Euro.

A.1.6 Exposures by cash and "off-balance sheet" to customers: gross and net value

Types of exposure/value	Gross exposure	Specific value adjustements	Portfolio value adjustements	Net exposure
A. EXPOSURE BY CASH				
A.1 Banking Group				
a) Doubtful loans	439	235		204
b) Non-performing loans	249	56		193
c) Restructured loans	17	4		13
d) Overdue loans	260	7		253
e) Unsecured loans to risk countries	1	X		1
f) Regular loans	21,727	X	82	21,645
TOTAL A.1	**22,693**	**302**	**82**	**22,309**
A.2 Other companies				
a) Impaired				
b) Others	2,676	X		2,676
TOTAL A.2	**2,676**			**2,676**
TOTAL A	**25,369**	**302**	**82**	**24,985**
B ."OFF-BALANCE SHEET" EXPOSURES				
B.1 Banking Group				
a) Impaired	10	3		7
b) Others	2,087	X	3	2,084
TOTAL B.1	**2,097**	**3**	**3**	**2,091**
B.2 Other companies				
a) Impaired				
b) Others		X		
TOTAL B.2				
TOTAL B	**2,097**	**3**	**3**	**2,091**

A.1.7 Exposures by cash to customers: dynamics of gross exposures impaired and subject to "country risk"

Reasons/Categories	Doubtful loans	Non-performing loans	Restructured loans	Overdue loans	Unsecured loans to risk countries
A. Initial gross exposures	**315**	**180**	**16**	**76**	
- of which: assigned exposures not written off					
B. Increases	**294**	**351**	**5**	**358**	**3**
B.1 receipts from regular exposures	35	240		177	
B.2 transfers from other categories of impaired exposures	108	37			
B.3 other increases	151	74	5	181	3
C. Decreases	**170**	**282**	**4**	**174**	**2**
C.1 payments to regular exposures	2	81	1	94	2
C.2 write-offs	86	3			
C.3 receipts	72	91	3	37	
C.4 profit from assignements	5				
C.5 transfers to other categories of impaired exposures	0	102		42	
C.6 other decreases	5	5		1	
D. Final gross exposure	**439**	**249**	**17**	**260**	**1**
- of which: assigned exposures not written off					

A.1.8 Exposures by cash to customers: dynamics of total value adjustments

Reasons/Categories	Doubtful loans	Non-performing loans	Restructured loans	Overdue loans	Unsecured loans to risk countries
A. Total initial adjustments	**164**	**35**	**3**	**8**	
- of which: assigned exposures not written off					
B. Increases	**205**	**69**	**1**	**9**	
B.1 value adjustements	103	50		5	
B.2 transfers from other categories of	23	2	1	0	
B.3 other increases	79	17		4	
C. Decreases	**134**	**48**	**0**	**10**	
C.1 write-backs from valuation	15	12		5	
C. 2 write-backs from collection	27	6		1	
C.3 write-offs	86	3		0	
C.4 transfers from other categories of impaired exposures	0	23		3	
C.5 other decreases	6	4		1	
D. Total final adjustments	**235**	**56**	**4**	**7**	
- of which: assigned exposures not written off					

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

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

Exposures	External rating classes						No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
A. Cash exposures	**262**	**1,953**	**49**			**2**	**22,507**	**24,773**
B. Derivatives							**61**	**61**
B.1 Financial derivatives							**61**	**61**
B.2 Credit derivatives								
C. Guarantees given							**1,083**	**1,083**
D. Other commitments to disburse funds							**1,105**	**1,105**
Total	**262**	**1,953**	**49**			**2**	**24,756**	**27,022**

The external rating classes used are those applied by Standard & Poor’s.

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

Exposures	Internal rating classes					**Total**
	High risk	Medium-High risk	Medium risk	Medium-Low risk	Low risk	
A. Cash exposures	**2,746**	**2,948**	**4,679**	**7,055**	**7,345**	**24,773**
B. Derivatives	**1**	**1**	**2**	**42**	**15**	**61**
B.1 Financial derivatives	1	1	2	42	15	61
B.2 Credit derivatives						
C. Guarantees given	**70**	**40**	**126**	**411**	**436**	**1,083**
D. Other commitments to disburse funds	**68**	**30**	**83**	**96**	**828**	**1,105**
Total	**2,885**	**3,019**	**4,890**	**7,604**	**8,624**	**27,022**

A.3 DISTRIBUTION OF SECURED EXPOSURE BY TYPE OF SECURITY

As at 31 December 2007, the Group does not hold any further instruments for the mitigation of the risk other than the various types of guarantees reported in the tables below.

A.3.1 Secured cash exposures to banks and to customers

	Exposure value	Collaterals (1)			Personal securities (2)								Total 31 December 2007
					Derivatives on loans				Endorsement credits				
		Property	Securities	Other assets	Governments	Other public agencies	Banks	Other persons	Governments	Other public agencies	Banks	Other persons	(1)+(2)
1. Secured exposures to banks:													
1.1 fully secured													
1.2 partially secured													
2. Secured exposures to customers:	*12,313*	*7,369*	*337*	*88*						*138*	*63*	*3,944*	*11,939*
2.1 fully secured	11,384	7,282	273	60						135	40	3,594	11,384
2.2 partially secured	929	87	64	28						3	23	350	555

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

	Exposure value	Collaterals (1)			Personal securities (2)								Total 31 December 2007
					Derivatives on loans				Endorsement credits				
		Property	Securities	Other assets	Governments	Other public agencies	Banks	Other persons	Governments	Other public agencies	Banks	Other persons	(1)+(2)
1. Secured exposures to banks:													
1.1 fully secured													
1.2 partially secured													
2. Secured exposures to customers:	*415*	*144*	*28*	*19*								*191*	*382*
2.1 fully secured	356	141	22	11								182	356
2.2 partially secured	59	3	6	8								9	26

A.3.3 Secured, impaired cash exposures to banks and to customers

			Guarantees (fair value)																		
			Collaterals			Personal securities															
						Derivatives on loans							Endorsement credits								
	Exposure value	Guaranteed amount	Property	Securities	Other assets	Governments and Central Banks	Other public agencies	Banks	Finance companies	Insurance companies	Non-financial companies	Oher persons	Governments and Central Banks	Other public agencies	Banks	Finance companies	Insurance companies	Non-financial companies	Oher persons	Total as at 31 December 2007	Excess fair value security
1. Secured exposures to banks:																					
1.1. over 150%																					
1.2. between 100% and 150%																					
1.3. between 50% and 100%																					
1.4. within 50%																					
2. Secured exposures to customers:	*328*	*319*	*166*	*7*	*4*											*5*			*131*	*314*	
2.1. over 150%	187	187	102	2	1										1	4			77	187	
2.2. between 100% and 150%	35	35	14	1															20	35	
2.3. between 50% and 100%	95	93	49	4	3											1			31	88	
2.4. within 50%	11	4	1																3	4	

A.3.4 Secured, impaired off-balance-sheet exposures to banks and to customers

			Guarantees (fair value)																		
			Collaterals			Personal securities															
						Derivatives on loans							Endorsement credits								
	Exposure value	Guaranteed amount	Property	Securities	Other assets	Governments and Central Banks	Other public agencies	Banks	Finance companies	Insurance companies	Non-financial companies	Oher persons	Governments and Central Banks	Other public agencies	Banks	Finance companies	Insurance companies	Non-financial companies	Oher persons	Total as at 31 December 2007	Excess fair value security
1. Secured exposures to banks:																					
1.1. over 150%																					
1.2. between 100% and 150%																					
1.3. between 50% and 100%																					
1.4. within 50%																					
2. Secured exposures to customers:	*3*	*3*																	*2*	***2***	
2.1. over 150%	1	1																	1	**1**	
2.2. between 100% and 150%																					
2.3. between 50% and 100%	2	2																	1	**1**	
2.4. within 50%																					

B. CREDIT DISTRIBUTION AND CONCENTRATION

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

Exposures/Counterparties	Governments and Central Banks				Other public agencies				Finance companies				Insurance companies				Non-financial companies				Other persons			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash exposures																								
A.1 Doubtful loans					1			1	6	4		2					361	197		164	71	34		37
A.2 Non-performing loans									3	1		2					209	51		158	37	4		33
A.3 Restructued loans																	17	4		13				
A.4 Overdue loans																	240	5		235	20	2		18
A.5 Other loans	1,673	X		1,673	328	X		328	717	X	1	716	4	X		4	14,731	X	75	14,656	6,952	X	6	6,946
Total A	**1,673**			**1,673**	**329**			**329**	**726**	**5**	**1**	**720**	**4**			**4**	**15,558**	**257**	**75**	**15,226**	**7,080**	**40**	**6**	**7,034**
B. "Off balance sheet" exposures																								
B.1 Doubtful loans																	6	2		4				
B.2 Non-performing loans																	3	1		2				
B.3 Other impaired loans																	1			1				
B.4 Other loans	703	X		703	181	X		181	9	X		9		X		0	1,130	X	3	1,127	64	X		64
Total B	**703**			**703**	**181**			**181**	**9**			**9**	**0**			**0**	**1,140**	**3**	**3**	**1,134**	**64**			**64**
Total 31 December 2007	**2,376**			**2,376**	**510**			**510**	**735**	**5**	**1**	**729**	**4**			**4**	**16,698**	**260**	**78**	**16,360**	**7,144**	**40**	**6**	**7,098**
Total 31 December 2006	**1,994**			**1,994**	**362**			**362**	**1,061**	**5**	**2**	**1,054**	**21**			**21**	**11,396**	**164**	**51**	**11,181**	**4,322**	**41**	**5**	**4,276**

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

	31 December 2007
a) Services intended for sale	2,941
b) Construction and public works	2,479
c) Commercial, recovery and repairs services	2,412
d) Textiles, leather and footwear	734
e) Farm, forestry and fishing products	714
f) Other sectors	5,685

The value related to "Other sectors" can be further broken down into the following main economic sectors:

Internal transport services	552
Hotels, restaurants, bars etc	512
Paper and products for the press	366
Food products	342
Other industrial products	298
Metal products excluding machinery and vehicles	269
Minerals and non-metallic products	218
Electric material and supplies	194
Energy products	170
Farm and industrial equipment	164
Transport vehicles	141
Chemical products	139
Transportation services	118
Plastic and rubber goods	116
Communication services	58
Minerals and ferrous and non ferrous metals	45
Office machinery	42
Sea and air transport services	30
Other segments	1,911
Total "Other sectors"	**5,685**

B.3 Breakdown of cash and "off balance sheet" exposures to customers by geographical area

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Doubtful loans	437	202	1	1	1	1				
A.2 Non-performing loans	249	193								
A.3 Restructued loans	17	13								
A.4 Overdue loans	260	253								
A.5 Other loans	24,183	24,101	147	147	60	60			1	1
Total	**25,146**	**24,762**	**148**	**148**	**61**	**61**			**1**	**1**
B. "Off balance sheet" exposures										
B.1 Doubtful loans	6	4								
B.2 Non-performing loans	3	2								
B.3 Other impaired loans	1	1								
B.4 Other loans	2,074	2,071	13	13						
Total	**2,084**	**2,078**	**13**	**13**						
Total 31 December 2007	**27,230**	**26,840**	**161**	**161**	**61**	**61**			**1**	**1**

B.4 Breakdown of cash and "off balance sheet" exposures to banks by geographical area

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Doubtful loans										
A.2 Non-performing loans										
A.3 Restructued loans										
A.4 Overdue loans										
A.5 Other loans	1,598	1,598	173	173	66	66	1	1	26	26
Total	**1,598**	**1,598**	**173**	**173**	**66**	**66**	**1**	**1**	**26**	**26**
B. "Off balance sheet" exposures										
B.1 Doubtful loans										
B.2 Non-performing loans										
B.3 Other impaired loans										
B.4 Other loans	74	79	21	22	2	2	1	1		
Total	**74**	**79**	**21**	**22**	**2**	**2**	**1**	**1**		
Total 31 December 2007	**1,672**	**1,677**	**194**	**195**	**68**	**68**	**2**	**2**	**26**	**26**
Total 31 December 2006	**2,328**	**2,328**	**543**	**543**	**84**	**84**	**2**	**2**	**25**	**25**

B.5 Large exposures

As at 31 December 2007 there were no “Large risks” at a consolidated level.

C. SECURISATIONS TRANSACTIONS AND TRANSFER OF ASSETS

C.1 SECURISATIONS TRANSACTIONS

Qualitative information

Own securisations

During this year the completion of the securitisation of the doubtful loans occurred. It had started in 1999 with the vehicle company Perseo Finance S.r.l., with the transfer of almost all of the underlying assets and of the equity investment held in such company.
At the year-end date, the Group had the following securitisation transaction in operation relating to regular loans, securitised in the fourth quarter of 2002 through the arrangers Banca IMI S.p.A. and BNP Paribas S.A. together with Finanziaria Internazionale S.p.A. and the vehicle company CR Firenze Mutui S.r.l.; this securitisation was effected as part of the measures taken to create liquidity, to obtain a balanced composition in the corporate financial statements in the presence of sustained growth in medium/long-term lending and to keep its capital ratios at adequate margins with respect to the regulatory minimums.
The operation regarded a portfolio of residential property mortgage loans consisting of 8,968 transactions affecting 8,953 different parties for total principal of about Euro 509 million, of which Euro 268.5 million was in respect of fixed-interest loans and Euro 240.5 million for floating-interest loans. These had been issued for over 99% in regions of central Italy and had the following residual lives at the date of the securitisation:

Residual life (in years)	Principal	Percentage of total	No. of transactions
0-2	0.4	0.08%	23
2-4	2.2	0.43%	66
4-6	46.5	9.13%	1,224
6-8	100.2	19.70%	2,355
8-10	31.7	6.23%	591
10-12	113.4	22.28%	1,869
12-14	77.0	15.14%	1,161
14-16	7.7	1.51%	112
16-18	74.9	14.71%	957
18-20	25.9	5.09%	307
20-22	0.4	0.08%	5
22-24	8.9	1.74%	90
24-26	0.9	0.17%	7
26-28	11.8	2.32%	127
28-30	7.1	1.39%	74
Total	509.0	100.00%	8,968

Against the mentioned securitisation, CR Firenze Mutui S.r.l., in which the Group has a 10% holding, made a payment of about Euro 512.8 million, which also covered the interest on the ceded loans accrued up to 18 November 2002, and issued securities totalling about Euro 521.0 million, as follows:

Classes	Amount of issue	Return	Subscribed by Banca CR Firenze S.p.A.	Subscription price (in euro)	Balance sheet value (in euro)	Issue Rating
A1	51.3	3-month Euribor + 19 bp	-	100.00	-	AAA/Aaa/AAA
A2	425.6	3-month Euribor + 28 bp	-	100.00	-	AAA/Aaa/AAA
B	28.2	3-month Euribor + 75 bp	-	100.00	-	A/A2/A
C	7.7	3-month Euribor + 145 bp	-	100.00	-	BBB/Baa2/BBB
D	8.2	Variable	8.2	100.00	95.74	-

The refund of the securities in each class is subordinated to the refund of principal and interest on the preceding classes. All the securities have an notional expiry date in 2034, with the possibility of advance redemption even on a proportional basis as from July 2004, following their subordination order.
At the year-end closing date, the Class “A1” securities were fully reimbursed and the Class “A2” securities were partially reimbursed up to about Euro 217.9 million.
On 28 January 2008, a further tranche of about Euro 14.4 million of Class “A2” securities was reimbursed, bringing the remaining balance to about Euro 193 million for the outstanding Class “A2” securities.
The Parent Company has been appointed to service the ceded loans, respecting an established Collection Policy. For this service, the Parent Company receives a quarterly servicing fee of 0.50% on collections, besides an additional servicing fee to be determined from time to time and equal to a percentage of the value of loans managed and the return on Class “D” Securities.

With regard to performance in this securitisation, take note that at the year-end closing date, a value adjustment was made to class "D" securities with allocation to "AFS" valuation reserve, for an amount equal to Euro 0.3 million, in consideration of the residual value of securitised loans and commitments still outstanding.
For these securities a quarterly monitoring activity is carried out, which is capable of quantifying the value of the Class D Securities held by the Parent Company.
It should be noted that in connection with this securitisation asset swap contracts were taken out to hedge CR Firenze Mutui S.r.l.'s interest rate risk whose notional value at the year-end closing date, Euro 360.5 million.
Finally, included with item “Other assets”, at the year-end closing date is an amount of about Euro 4.2 million for amounts claimed by the Parent Company from the vehicle company for an additional servicing fee and interest on Class “D” securities held in the Parent Company's portfolio accrued but not yet collected.

It is further pointed out the existence of 3 securitisation transactions carried out by Centro Leasing Banca S.p.A. through the creation of vehicle companies (SPVs), Ponte Vecchio Finance S.r.l. and Ponte Vecchio Finance n.2 S.r.l., for the purpose of finding financial resources for the acquisition of assets devoted to new leases.
As regards the securitisation carried out through the vehicle company Ponte Vecchio Finance S.r.l, the transfer agreement provides, at the end of the revolving period of the leasing agreements, for a pre-emption right in favour of Centro Leasing Banca S.p.A. for the re-purchase of the portfolio transferred at a re-purchase price for the regular loans equal to the respective nominal value. In July 2007, after having obtained from Bank of Italy the authorisation to the re-purchase of the loans, the transaction was terminated before its maturity by repurchasing the loans and the securities issued by the vehicle company, which were simultaneously redeemed. The transaction generated a gain from the repurchase of financial liabilities for 4,472,320 Euro.
As regards the second securitisation transaction carried out by Ponte Vecchio Finance n.2 S.r.l. in 2005 the junior securities underlying the transaction were sold.
Finally, with reference to the third securitisation transaction, also carried out by the vehicle company Ponte Vecchio Finance n.2 S.r.l. (second tranche), the underlying junior securities were redeemed in December 2006. In March 2007, the transaction was early terminated through the repurchase of the outstanding portfolio of loans, based on an independent appraisal of the value of the outstanding loans. Upon the redemption of the junior securities, which, in 2006, were written-off for 0.4 million Euro, a write-back was recorded for 0.2 million Euro, following the collection of 4,728,000 Euro as interests on the junior securities.

Securitisations of third parties

As at the closing date of the financial year, the Group held in portfolio securities connected to a third party securitisation transaction, linked to the privatisation process realised by MEF (Ministry of Economy and Finance) through the sale, securitisation and assignment of properties to real estate mutual funds.
The securitised portfolio was estimated, upon its initial assignment, in 3.7 billion Euro, but, in light of the 10% discount granted to the mutual fund ("Fund"), the transfer was carried out at a counter-value of 3.3 billion Euro.
The Fund issued two classes of units:
- class “A” for an aggregate amount of 1.3 billion Euro;
- class “B”, for the remaining amount.
The main purpose of the Fund is the optimisation of the value and of the long term revenues of the portfolio through an efficient management of the real estate properties, which envisages a plan for the renovation and subsequent sale of such properties.
The securitised portfolio may be divided in several uniform groups, both in terms of features of the properties as well as in terms of the most appropriate management strategy; as at the closing date of the financial year, the Bank held class "A2" securities for an amount equal to approximately 5 million Euro.

Quantitative information

C.1.1 Exposures from securitisation transactions broken down by quality of underlying assets

Quality of underlying assets/Exposures	Cash exposure						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets :					**8**	**8**												
a) impaired																		
b) others					8	8												
B. With underlying assets of third parties :	**5**	**5**																
a) impaired																		
b) others	5	5																

C.1.2 Exposures from the main securitisation transactions of "the Group" broken down by type of securitised assets and by type of exposure

Type of securitised assets/Exposures	Cash exposure						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/ Write-backs	Book value	Adjustments/ Write-backs	Book value	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs
A. Subject to total write-off from the accounts					**8**													
A.1 CR Firenze Mutui S.r.l.																		
- regular loans					8													
B. Subject to partial write-off from the accounts																		
C. Not written off from the accounts																		

C.1.3 Exposures from the main securitisation transactions of "third parties" broken down by type of securitised assets and by type of exposure

Type of securitised assets/Exposures	Cash exposure						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/ Write-backs	Book value	Adjustments/ Write-backs	Book value	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs	Net exposure	Adjustments/ Write-backs
A.1 FIP Funding 05/23 TV - State Real Property	5																	

C.1.4 Exposures to securitisations broken down by financial assets porfolio and by type

Exposure/portfolio	Trading	Designated at fair value	Available for sale	Held to maturity	Loans	**31 December 2007**	**31 December 2006**	**changes**
1. Cash exposure			13			**13**	**31**	**-58.1%**
- senior			5			5	3	66.7%
- mezzanine								
- junior			8			8	33	-75.8%
2. Off balance sheet exposure								
- senior								
- mezzanine								
- junior								

C.1.5 Total amount of securitised assets underlying the junior securities or other forms of credit aid

Assets/Values	Traditional securitisations	Synthetic securitisation
A. Own underlying assets	**8**	
A.1 Subject to total write-off	8	
1. Doubtful loans		X
2. Non-performing loans		X
3. Restructured exposures		X
4. Expired exposures		X
5. Other assets	8	X
A.2 Subject to partial write-off		
1. Doubtful loans		X
2. Non-performing loans		X
3. Restructured exposures		X
4. Expired exposures		X
5. Other assets		X
A.3 Not written off		
1. Doubtful loans		
2. Non-performing loans		
3. Restructured exposures		
4. Expired exposures		
5. Other assets		
B. Underlying assets of third parties	**5**	
B.1 Doubtful loans		
B.2 Non-performing loans		
B.3 Restructured exposures		
B.4 Expired exposures		
B.5 Other assets	5	

C.1.6 Interests in vehicle companies

Name	Registered office	Interest %
CR Firenze Mutui S.r.l.	Conegliano Veneto (TV)	10.00%

C.1.7 Servicer activity - receipts from securitised loans and redemptions of securities issued by vehicle companies

Servicer	Vehicle company	Securitised assets (period-end figure)		Receipts from loans over the period		% Share of securities redeemed (period-end figure)					
						Senior		Mezzanine		Junior	
		Impaired	Regular	Impaired	Regular	Impaired assets	Regular assets	Impaired assets	Regular assets	Attività deteriorate	Attività in bonis
Banca CR Firenze S.p.A.	CR Firenze Mutui S.r.l.	4	236		69		51.67%				
Centro Leasing Banca S.p.A	Ponte Vecchio Finance S.r.l			1	135		100.00%		100.00%	100.00%	100.00%
Centro Leasing Banca S.p.A	Ponte Vecchio Finance S.r.l n.2	10	65	2	74		85.86%		42.32%		
Centro Leasing Banca S.p.A	Ponte Vecchio Finance S.r.l n.2						100.00%		100.00%	100.00%	100.00%

C.1.8 Vehicle companies belonging to the banking group

As at 31 December 2007 there were no vehicle companies belonging the banking Group.

C.2 SALES TRANSACTIONS

C.2.1 Transferred financial assets not written off

Actuarial forms/Portfolios	Financial assets held for trading			Financial assets measured at fair value			Finacial assets available for sale			Financial assets held to maturity			Amounts owing to banks			Customer loans			**Total**
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets							**1,445**												**1,445**
1. Debt securities							1,445												**1,445**
2. Equity securities										X	X	X	X	X	X	X	X	X	
3. UCITS										X	X	X	X	X	X	X	X	X	
4. Loans																			
5. Impaired assets																			
B. Derivative instruments				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Total 31 December 2007							**1,445**												**1,445**
Total 31 December 2006							**1,341**												**1,341**

Legend:
A = transferred financial assets fully recognised (balance sheet value)
B = transferred financial assets partly recognised (balance sheet value)
C = transferred financial assets partly recognised (full value)

Transferred financial assets not written-off and subject to credit risk reflect repurchase agreements carried out with clients and banks.

C.2.2 Financial liabilities against transferred financial assets not written off

Liabilities/Asset portfolios	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held to maturity	Amounts owing to banks	Customer loans	**Total**
1. Customer deposits			**1,306**				**1,306**
a) against assets fully recognised			1,306				1,306
b) against assets partly recognised							
2. Amounts owing to banks			**371**				**371**
a) against assets fully recognised			371				371
b) against assets partly recognised							
Total 31 December 2007			**1,677**				**1,677**
Total 31 December 2006			**1,027**				**1,027**

D. CREDIT RISK MEASUREMENT MODELS

1.2 MARKET RISK

1.2.1 INTEREST RATE RISK - REGULATORY TRADING PORTFOLIO

QUALITATIVE INFORMATION

A. General aspects

The management of market risks (interest rate, price and exchange risk) is governed at the Group level by the "Regulations on financial and counterparty risk management".
The control over financial risks is of a preventive nature, realized through the definition of a set of operating maximum limits, as well as of a successive nature, through the application of statistic/mathematical models which measure the risk assumed.
Interest rate risk derives from asymmetries in maturity dates, in the types and times of redefinition of interest rates of the Bank's assets and liabilities. It takes form in the assessment of the impact that unexpected changes in interest rates may have on current profits and on the value of the bank's equity.
Based on the Group Model for the Finance Department, consistently with the Supervisory provisions aimed at centralizing in the Parent Company the risk control activities, and with the objective of optimizing the specific costs/income ratio of the individual banks, the ownership and management of discretionary financial positions are carried out by Banca CR Firenze, within the context of the delegated powers and for the purpose of maximizing the profitability for defined levels of risk.
The Parent Company is responsible for the ordinary operations on the inter-bank market and the integrated management of the liquidity, as well as for the mobilization of the obligatory reserve, with the aim of limiting the risks and reducing adjustment costs.

B. Processes for managing and methods for measuring interest rate risk

Interest rate risk derives from asymmetries in maturity dates, in the types and times of redefinition of interest rates of the Bank's assets and liabilities. It takes form in the assessment of the impact that unexpected changes in interest rates may have on current profits and on the value of the bank's equity.
The Parent Company's treasury office activities have as their main objective the best investment of excess financial resources.
In addition, in its trading activities, it carries out the role of "primary dealer" on the Government Bonds market (MTS, *Mercato dei Titoli di Stato*) for the category of "government" and "repo" securities (repurchase agreements), and of "dealer" on the Inter-bank Deposit Market (*MID*, *Mercato dei Depositi Interbancari,* the Italian-based electronic inter-bank trading system); it is also active on the main Italian regulated markets on its behalf or on behalf of third parties. In the former case the purpose is that of investment, trading or arbitrage and in the latter the purpose is that of acting as broker for customers. So far as Stock Exchange activities are concerned, the bank uses Stock Brockerage Companies with online connections and assisted access to both domestic and international markets. Evening operations, including for the main international markets, is guaranteed by use of "proprietary trading" and by customer activities gaining access through the TOL (Trading On-Line), GSM and "Call Centre" systems.
The Bank is also active on non-regulated markets. In specific terms, in the exchange market the preferred system is Reuters, while for securities it uses online connections through Bloomberg channels allowing it to transfer customer orders to contributors prepared to negotiate.
Trading transactions involving innovative financial or complex financial products are mainly concerned with IRS-type unlisted derivative contracts aimed in the first place at hedging financial risks correlated to the issue of structured bond loans or providing broking services to customers, particularly with regard to rate risk management instruments.
Management of the interest rate risk is governed by the "Regulations for the management of financial risks and counterpart risk".
The internal calculation model takes into account the totality of the positions assumed on and off balance sheet, but only to the extent of interest-bearing asset and cost-generating liability positions. As regards on-demand items, which represent a significant portion of deposits and loans, an estimate of the repricing risk was also used. To this regard, a review of the aforementioned risk level was started in light of the recent amendments in the regulations connected to the changes applied by the banks to interest rates on credit and overdrawn clients' current accounts.
The monitoring is carried out through the valuation, performed on a monthly basis, of two levels representing:
- the variation of the margin expected in 12 months, considering a parallel shift (negative and positive) equal to 1% of the interest rate curve: this indicator defines the level of exposure to changes in the market rates of the interest rate margin;

- the variation of the economic value of the Bank in the event of a parallel shift (negative and positive) of the interest rate curve against the Regulatory Capital equal to 200 basis points: this indicator defines the hedging degree of the corporate assets against the risks deriving from fluctuations in the interest rates, and is particularly relevant in light of the fact that it is considered a key factor also under the New Basel Accord, which establishes a reference limit of 2%.

The values of these indicators are reported to the Risk Committee, which assesses the opportunity to define actions aimed at modifying the risk position.

In 2008 the project for the review of the determination process of the interest rate risk on the bank portfolio will be completed.

QUANTITATIVE INFORMATION

1. Regulatory trading portfolio: breakdown by residual maturity (repricing date) of cash financial assets and liabilities and financial derivatives

Denomination currency: USA Dollar

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets								
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives		**149**	**23**	**25**	**8**			
3.1 With underlying security		4	2	10	2			
- Options		4	2	10	2			
+ long positions		2	1	5	1			
+ short positions		2	1	5	1			
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		145	21	15	6			
- Options								
+ long positions								
+ short positions								
- Other derivatives		145	21	15	6			
+ long positions		100	10	9	4			
+ short positions		45	11	6	2			

Denomination currency: Sterling

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets								
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives		**66**	**1**					
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		66	1					
- Options								
+ long positions								
+ short positions								
- Other derivatives		66	1					
+ long positions		64	1					
+ short positions		2						

Denomination currency: Swiss Franc

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets								
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives		9						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		9						
- Options								
+ long positions								
+ short positions								
- Other derivatives		9						
+ long positions								
+ short positions		9						

Denomination currency: Yen

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets								
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives		26						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		26						
- Options								
+ long positions								
+ short positions								
- Other derivatives		26						
+ long positions		11						
+ short positions		15						

Denomination currency: Australian Dollar

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets								
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives		3						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		3						
- Options								
+ long positions								
+ short positions								
- Other derivatives		3						
+ long positions		1						
+ short positions		2						

Denomination currency: Euro

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets		**2**	**3**	**10**	**6**		**35**	
1.1 Debt securities		2	3	10	6		35	
- with an early redemption option		2	3	10	6		35	
- others								
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives	**282**	**3,647**	**1,697**	**811**	**3,186**	**1,460**	**190**	
3.1 With underlying security	247	6	4	12	4		104	
- Options		4	2	10	4			
+ long positions		2	1	5	2			
+ short positions		2	1	5	2			
- Other derivatives	247	2	2	2			104	
+ long positions	194	1	1	1			47	
+ short positions	53	1	1	1			57	
3.2 Without underlying security	35	3,641	1,693	799	3,182	1,460	86	
- Options		915	236	41	695	440	8	
+ long positions		459	118	21	346	220	8	
+ short positions		456	118	20	349	220		
- Other derivatives	35	2,726	1,457	758	2,487	1,020	78	
+ long positions	1	1,239	708	378	1,183	504	39	
+ short positions	34	1,487	749	380	1,304	516	39	

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

This issue is dealt with in point B) “Processes for managing and methods for measuring interest rate risk” in this Section.

1.2.2 INTEREST RATE RISK – BANK PORTFOLIO

QUALITATIVE INFORMATION

A. General considerations, processes for managing and methods for measuring interest rate risk

As previously outlined, the management of the interest rate risk is governed by the “”Regulations on financial and counterparty risk management”.
The methods used in the measurement of interest rate risk on the banking portfolio are identical to those established for the trading portfolio for supervisory purposes, and thus for their description reference should be made to point B) in Section 2.1.

B. Fair value hedge

A fair value hedge is set up when it is wished to hedge exposure to fair value changes of a recognised asset or liability or an unrecorded irrevocable commitment, or an identified portion of such asset, liability or irrevocable commitment, which is attributable to a specific risk which is capable of impacting the profit and loss account. Banca CR Firenze has subjected the fixed rate (“plain” or “step up”-type) bond issues to fair value hedges and those providing for a guaranteed minimum. Against the abovementioned issues, (unlisted) IRSs have been entered into which exchange fixed rates with variable rates.
There are no macro-hedging transactions.

C. Cash flow hedge

The cash flow hedging activity is carried out solely by the subsidiary Centro Leasing Banca S.p.A. and is conducted with reference to both the funding received and the subordinated bonds issued.
The hedging strategy consists in “transforming” part of the funding received and settled at floating interest rates (3 month Euribor) into fixed interest rates, so to offset the amount of loans settled at fixed interest rates; this procedure mitigates the interest rate risk and consolidates a remuneration spread equal to the difference in interest rate between the fixed rate and the cost of funding, which is also at a fixed rate. For this purpose derivative contracts of the plain vanilla (IRS) type, both bullet and amortising, are used.
A similar objective is also pursued through CAPS and COLLAR contracts, in order to mitigate the effects of the transformation, resulting from the implementation of specific clauses included in the leasing agreements, of the loans into fixed rate loans, within certain interest rate ranges.

QUANTITATIVE INFORMATION

1. Bank portfolio: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Denomination currency: USA Dollar

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets	**43**	**102**	**5**					
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	35	11	2					
1.3 Customer loans	8	91	3					
- current accounts	1							
- other loans	7	91	3					
- with an early redemption option								
- others	7	91	3					
2. Cash liabilities	**123**	**81**	**2**					
2.1 Customer deposits	68							
- current accounts	68							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks	55	81	2					
- current accounts	23							
- other amounts owing	32	81	2					
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Denomination currency: Sterling

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets	**5**	**5**						
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	5							
1.3 Customer loans		5						
- current accounts								
- other loans		5						
- with an early redemption option								
- others		5						
2. Cash liabilities	**47**	**26**						
2.1 Customer deposits	4							
- current accounts	4							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks	43	26						
- current accounts	3							
- other amounts owing	40	26						
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Denomination currency: Swiss Franc

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets	**14**	**13**	**1**	**1**	**1**			
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	12	3						
1.3 Customer loans	2	10	1	1	1			
- current accounts	1							
- other loans	1	10	1	1	1			
- with an early redemption option								
- others	1	10	1	1	1			
2. Cash liabilities	**3**	**10**						
2.1 Customer deposits	3							
- current accounts	3							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks		10						
- current accounts								
- other amounts owing		10						
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Denomination currency: Danish Krone

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets	**2**	**1**						
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	2							
1.3 Customer loans		1						
- current accounts								
- other loans		1						
- with an early redemption option								
- others		1						
2. Cash liabilities	**2**							
2.1 Customer deposits								
- current accounts								
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks	2							
- current accounts								
- other amounts owing	2							
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Denomination currency: Canadian Dollar

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets	**1**	**1**						
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	1							
1.3 Customer loans		1						
- current accounts								
- other loans		1						
- with an early redemption option								
- others		1						
2. Cash liabilities		**1**						
2.1 Customer deposits								
- current accounts								
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks		1						
- current accounts								
- other amounts owing		1						
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Denomination currency: Yen

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets	**17**	**5**	**1**					
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	16							
1.3 Customer loans	1	5	1					
- current accounts								
- other loans	1	5	1					
- with an early redemption option								
- others	1	5	1					
2. Cash liabilities	**14**	**4**						
2.1 Customer deposits	12							
- current accounts	12							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks	2	4						
- current accounts	2							
- other amounts owing		4						
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Denomination currency: Australian Dollar

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets	**1**							
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	1							
1.3 Customer loans								
- current accounts								
- other loans								
- with an early redemption option								
- others								
2. Cash liabilities								
2.1 Customer deposits								
- current accounts								
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks								
- current accounts								
- other amounts owing								
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Denomination currency: New Leu

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets		**8**						
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks								
1.3 Customer loans		8						
- current accounts								
- other loans		8						
- with an early redemption option								
- others		8						
2. Cash liabilities		**8**						
2.1 Customer deposits								
- current accounts								
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks		8						
- current accounts								
- other amounts owing		8						
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Denomination currency: Euro

Type/Time to maturity	sight	until 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	indefinite life
1. Cash assets	**13,100**	**2,693**	**331**	**384**	**1,957**	**887**	**1,134**	**250**
1.1 Debt securities	2	46	57	83	1,037	472	453	2
- with an early redemption option		46	57	83	1,037	472	453	
- others	2							2
1.2 Amounts owing by banks	974	1,047	123	161	274	10		94
1.3 Customer loans	12,124	1,600	151	140	646	405	681	154
- current accounts	2,612							
- other loans	9,512	1,600	151	140	646	405	681	154
- with an early redemption option	7,870	1,551	112	130	645	405	675	
- others	1,642	49	39	10	1		6	154
2. Cash liabilities	**10,699**	**5,663**	**1,482**	**1,251**	**731**	**59**	**7**	
2.1 Customer deposits	10,380	1,204	101	2				
- current accounts	9,816							
- other amounts owing	564	1,204	101	2				
- with an early redemption option								
- others	564	1,204	101	2				
2.2 Amounts owing to banks	307	1,607	4		44	27	6	
- current accounts	36							
- other amounts owing	271	1,607	4		44	27	6	
2.3 Outstanding securities	12	2,852	1,377	1,249	687	32	1	
- with an early redemption option		964	163					
- others	12	1,888	1,214	1,249	687	32	1	
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives	**75**	**1,244**	**1,235**	**289**	**1,729**		**4**	
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security	75	1,244	1,235	289	1,729		4	
- Options			2	13	9		4	
+ long positions			1		9		4	
+ short positions			1	13				
- Other derivatives	75	1,244	1,233	276	1,720			
+ long positions		126	198	238	1,712			
+ short positions	75	1,118	1,035	38	8			

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

This issue is dealt with under point B) “Processes for managing and methods for measuring interest rate risk” in Section 2.1.

1.2.3 PRICE RISK – REGULATORY TRADING PORTFOLIO

QUALITATIVE INFORMATION

A. General aspects

The price risk represents the risk of capital losses in listed financial assets or in any case treated as listed instruments following fluctuations in the price of securities or due to the specific issuer's situation.

B. Processes for managing and methods for measuring price risk

The instrument used by the Banca CR Firenze Group for price risk measurement in relation to trading positions is the VaR (Value at Risk) parameter, identifying the greatest value variation of a financial instrument or portfolio over a specific period of time with a particular level of probability (confidence interval). Banca CR Firenze uses the so-called variance/co-variance VaR with a 99% confidence interval and a reference period of 10 days. The information on the correlation between the various financial instruments is obtained from specialist external providers.
The calculation of the VaR, in order to duly take into account the effects of the correlation between risk factors, is carried out on all the debt securities and equity securities owned, regardless of their accounting nature (AFS or HFT), except for equity investments.
Price risk limits are expressed in terms of:
- daily VaR limit, which is calculated as a percentage with respect to the sum of Tier 1 and Tier 2 capital; it indicates whether the bank's capital (identified as the sum of Tier 1 and Tier 2 capital) would be able to survive a period of negative price and/or quotation trends;
- strategic stop loss limit: this represents the annual loss considered acceptable on open positions in securities and derivatives.

The VaR measurement must be effected on instruments held in the portfolio managed by the Finance Department (*Direzione Finanza*) (trading book). In view of the fact that the VaR does not represent a complete check on price risks (currently derivatives and counterparty risk are not monitored with this technique) preventative control is exercised through the definition of operational maximums.
For an overview of the performance of the Bank's VaR in 2007, reference should be made to the relevant chart included in the Report on Activities.

QUANTITATIVE INFORMATION

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

Type of exposures/Values	Book value	
	Listed	Unlisted
A. Equity securities	**6**	
A.1 Shares	6	
A.2 Innovative equity instruments		
A.3 Other equity securities		
B. UCITS	**5**	
B.1 Incorporated under Italian law		
- harmonised open-end		
- non-harmonised open-end		
- closed-end		
- reserved		
- speculatives		
B.2 Incorporated in other EU States		
- harmonised	5	
- non-harmonised open-end		
- non-harmonised closed-end		
B.2 Incorporated in non-EU States		
- open-end		
- closed-end		
Total	**11**	

2. Regulatory trading portfolio: breakdown of exposures in equity securities and share indexes for the main countries of the trading market

Type of transactions/Index	Listed	Unlisted
	Italy	
A. Equity securities	**11**	
- long positions	11	
- short positions		
B. Purchases/sales not yet settled on equity securities		
- long positions		
- short positions		
C. Other derivatives on equity securities		
- long positions		
- short positions		
D. Derivatives on share indexes		
- long positions		
- short positions		

3. Regulatory trading portfolio: internal models and other sensitivity analysis methodologies

As already specified in point B) " Processes for managing and methods for measuring price risk” in this Section.

1.2.4 PRICE RISK – BANK PORTFOLIO

QUALITATIVE INFORMATION

A. General considerations, processes for managing and methods for measuring price risk

B. Price risk hedging operations

The price risk on the bank portfolio is calculated through the measurement of the economic value of each individual bank (see, in this regard, Section 1.2.2 “Interest rate risk – bank portfolio” in this Part E).

QUANTITATIVE INFORMATION

1. *Bank portfolio: cash exposures in equity securities and UCITS*

Items	Book value	
	Listed	Unlisted
A. Equity securities	**3**	**1,289**
A.1 Shares	3	1,289
A.2 Innovative equity instruments		
A.3 Other equity securities		
B. UCITS	**84**	**7**
B.1 Incorporated under Italian law		
- harmonised open-end	40	
- non-harmonised open-end		
- closed-end	15	
- reserved	6	
- speculatives	15	4
B.2 Incorporated in other EU States		
- harmonised		3
- non-harmonised open-end	3	
- non-harmonised closed-end	5	
B.3 Incorporated in non-EU States		
- open-end		
- closed-end		
Total	**87**	**1,296**

2. Bank portfolio: internal models and other sensitivity analysis methodologies

As already specified in point B) " Processes for managing and methods for measuring price risk” in Section 2.3, the Bank uses the VaR instrument only to the extent of the trading portfolio for supervisory purposes, and does not apply any methods for the analysis of the sensitivity to the price risk on the banking portfolio.

1.2.5 EXCHANGE RISK

QUALITATIVE INFORMATION

A. General considerations, processes for managing and methods for measuring foreign exchange-rate risk

B. Foreign exchange-rate risk hedging operations

The foreign exchange risk represents the risk that fluctuations in the foreign exchange rates might generate discrepancies between the value of an asset/liability and the amount from time to time registered in the accounting records.
The management of the exchange risk is also governed by the above mentioned "Regulations for the management of financial risks and counterpart risk", and is the responsibility of the Financial Department of the Parent Company, which carries out trading, hedging and brokerage activities within specific maximum operating limits of amount for financial assets and liabilities expressed in a foreign currency, both directly as well as a counterparty of the transactions with clients.

QUANTITATIVE INFORMATION

1. Breakdown by denomination currency of assets, liabilities and derivatives

Items	*Currencies*					
	US Dollars	Sterling	Yen	Canadian Dollars	Swiss Franc	Other currencies
A. Financial assets	**149**	**10**	**22**	**1**	**31**	**13**
A.1 Debt securities						
A.2 Equity securities	1					
A.3 Amounts owing by banks	48	5	16		15	4
A.4 Customers loans	100	5	6	1	16	9
A.5 Other financial assets						
B. Other assets	**3**	**1**				**1**
C. Financial liabilities	**204**	**73**	**18**	**1**	**22**	**10**
C.1 Amounts owing to banks	136	69	6	1	19	10
C.2 Customer deposits	68	4	12		3	
C.3 Debt securities						
D. Other liabilities	**3**					
E. Financial derivatives	**211**	**66**	**26**		**9**	**4**
- Options	19					
+ long positions	9					
+ short positions	10					
- Other derivatives	192	66	26		9	4
+ long positions	125	64	11			1
+ short positions	67	2	15		9	3
Total assets	**286**	**75**	**33**	**1**	**31**	**15**
Total liabilities	**284**	**75**	**33**	**1**	**31**	**13**
Imbalance (+/-)	**2**					**2**

2. Internal models and other sensitivity analysis methodologies

There is no internal method for such analysis.

1.2.6 DERIVATIVE FINANCIAL INSTRUMENTS

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading portfolio: period-end and interim nominal values portfolio

Type of transactions/Underlying assets	Debt securities and interest rates		Equity securities and share indexes		Exchange rates and gold		Other values		31 December 2007		31 December 2006		changes %	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement														
2. Interest rate swap		3,599								3,599		3,735		-3.6%
3. Domestic currency swap														
4. Currency i.r.s.														
5. Basis swap		360								360		394		-8.6%
6. Exchanges of share indexes														
7. Exchanges of real indexes														
8. Futures														
9. Caps		1,838								1,838		1,697		8.3%
- purchased		948								948		843		12.5%
- issued		890								890		854		4.2%
10. Floors		154								154		322		-52.2%
- purchased		91								91		250		-63.6%
- issued		63								63		72		-12.5%
11. Other options		2,630				40				2,670		1,846		44.6%
- purchased		1,315				20				1,335		866		54.2%
- plain vanilla		470				14				484		51		849.0%
- exotic		845				6				851		815		4.4%
- issued		1,315				20				1,335		980		36.2%
- plain vanilla		470				14				484		165		193.3%
- exotic		845				6				851		815		4.4%
12. Forward contracts	114	217	4			245			118	462	722	181	-83.7%	155.2%
- purchases	52	164	1			161			53	325	407	36	-87.0%	802.8%
- sales	62	53	3			55			65	108	315	94	-79.4%	14.9%
- foreign currencies against foreign currencies						29				29		51		-43.1%
13. Other derivatives contracts														
Total	**114**	**8,798**	**4**			**285**			**118**	**9,083**	**722**	**8,175**	**-83.7%**	**11.1%**
Average values	**405**	**8,362**	**16**	**10**		**258**			**420**	**8,629**	**382**	**8,601**	**9.9%**	**0.3%**

A.2 Bank portfolio: period-end and average nominal values

A.2.1 Hedging

Type of transactions/Underlying assets	Debt securities and interest rates		Equity securities and share indexes		Exchange rates and gold		Other values		31 December 2007		31 December 2006		changes %	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement														
2. Interest rate swap		2,432								2,432		1,741		39.7%
3. Domestic currency swap														
4. Currency i.r.s.														
5. Basis swap														
6. Exchanges of share indexes														
7. Exchanges of real indexes														
8. Futures														
9. Caps														
- purchased														
- issued														
10. Floors														
- purchased														
- issued														
11. Other options		246								246		280		-12.1%
- purchased		246								246		280		-12.1%
- plain vanilla		246								246		280		-12.1%
- exotic														
- issued														
- plain vanilla														
- exotic														
12. Forward contracts														
- purchases														
- sales														
- foreign currencies against foreign currencies														
13. Other derivatives contracts														
Total		**2,678**								**2,678**		**2,021**		**32.5%**
Average values		**2,350**								**2,350**		**2,301**		**2.1%**

This table reports the notional values of the derivative contracts entered into for the hedging of bond issues. Specifically, the table includes interest rate swaps and the options implied therein.

A.2.2 Other derivatives

Type of transactions/Underlying assets	Debt securities and interest rates		Equity securities and share indexes		Exchange rates and gold		Other values		31 December 2007		31 December 2006		changes %	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement														
2. Interest rate swap														
3. Domestic currency swap														
4. Currency i.r.s.														
5. Basis swap														
6. Exchanges of share indexes														
7. Exchanges of real indexes														
8. Futures														
9. Caps														
- purchased														
- issued														
10. Floors														
- purchased														
- issued														
11. Other options		246								**246**		**280**		**-12.1%**
- purchased														
- plain vanilla														
- exotic														
- issued		246								**246**		**280**		**-12.1%**
- plain vanilla		246								**246**		**280**		**-12.1%**
- exotic														
12. Forward contracts														
- purchases														
- sales														
- foreign currencies against foreign currencies														
13. Other derivatives contracts														
Total		**246**								**246**		**280**		**-12.1%**
Average values		**263**								**263**		**341**		**-22.9%**

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

Type of transactions/Underlying assets	Debt securities and interest rates		Equity securities and share indexes		Exchange rates and gold		Other values		31 December 2007		31 December 2006		changes %	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	**114**	**8,798**	**4**			**285**			**118**	**9,083**	**722**	**8,175**	**-83.7%**	**11.1%**
1. Transactions with exchange of capital	114	1,138	4			285			118	1,423	722	297	-83.7%	379.1%
- purchases	52	625	1			181			53	806	407	99	-87.0%	714.1%
- sales	62	513	3			75			65	588	315	147	-79.4%	300.0%
- foreign currencies against foreign currencies						29				29		51		-43.1%
2. Transactions without exchange of capital		7,660								7,660		7,878		-2.8%
- purchases		4,109								4,109		4,079		0.7%
- sales		3,551								3,551		3,799		-6.5%
- foreign currencies against foreign currencies														
B. Bank portfolio:		**2,924**								**2,924**		**2,301**		**27.1%**
B.1 Hedging		2,678								2,678		2,021		32.5%
1. Transactions with exchange of capital														
- purchases														
- sales														
- foreign currencies against foreign currencies														
2. Transactions without exchange of capital		2,678								2,678		2,021		32.5%
- purchases		2,678								2,678		2,021		32.5%
- sales														
- foreign currencies against foreign currencies														
B.2 Other derivatives		246								246		280		-12.1%
1. Transactions with exchange of capital														
- purchases														
- sales														
- foreign currencies against foreign currencies														
2. Transactions without exchange of capital		246								246		280		-12.1%
- purchases														
- sales		246								246		280		-12.1%
- foreign currencies against foreign currencies														

A.4 Financial derivatives "over the counter": positive fair value - counterparty risk

Counterparties/Underlying assets	Debt securities and interest rates			Equity securities and share indexes			Exchange rates and gold			Other values			Other underlying assets	
	Gross -not offset	Gross- Offset	Future exposure	Gross -not offset	Gross- Offset	Future exposure	Gross -not offset	Gross- Offset	Future exposure	Gross -not offset	Gross- Offset	Future exposure	Offset	Future exposure
A. Regulatory trading portfolio:														
A.1 Governments and Central Banks														
A.2 Public agencies														
A.3 Banks	15		7	1			1							
A.4 Financial companies														
A.5 Insurance companies														
A.6 Non-financial companies	9		7							2				
A.7 Other entities														
Total A 31 December 2007	**24**		**14**	**1**			**1**			**2**				
Total A 31 December 2006	**27**		**4**	**2**			**2**			**4**				
B. Bank portfolio:														
B.1 Governments and Central Banks														
B.2 Public agencies														
B.3 Banks	11		3	21		1								
B.4 Financial companies														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total B 31 December 2007	**11**		**3**	**21**		**1**								
Total B 31 December 2006	**7**		**3**	**18**		**1**								

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

Counterparties/Underlying assets	Debt securities and interest rates			Equity securities and share indexes			Exchange rates and gold			Other values			Other underlying assets	
	Gross -not offset	Gross-Offset	Future exposure	Gross -not offset	Gross-Offset	Future exposure	Gross -not offset	Gross-Offset	Future exposure	Gross -not offset	Gross-Offset	Future exposure	Offset	Future exposure
A. Regulatory trading portfolio:														
A.1 Governments and Central Banks														
A.2 Public agencies														
A.3 Banks	21		4	1			1			2				
A.4 Financial companies														
A.5 Insurance companies	10													
A.6 Non-financial companies														
A.7 Other entities														
Total A 31 December 2007	**31**		**4**	**1**			**1**			**2**				
Total A 31 December 2006	**30**		**3**				**1**			**3**				
B. Bank portfolio:														
B.1 Governments and Central Banks														
B.2 Public agencies														
B.3 Banks	36		4	21		1								
B.4 Financial companies														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total B 31 December 2007	**36**		**4**	**21**		**1**								
Total B 31 December 2006	**29**		**2**	**17**		**1**								

A.6 Over the counter financial derivatives - distribution by residual life: notional values

Counterparties/Underlying assets	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A. Regulatory trading portfolio:	**5,429**	**2,452**	**1,320**	**9,201**
A.1 Financial derivative contracts on debt securities and interest rates	1,255	2,441	1,320	5,016
A.2 Financial derivative contracts on equity securities and stock indexes	3,900			3,900
A.3 Financial derivative contracts on exchange rates and gold	274	11		285
A.4 Financial derivative contracts on other values				
B. Bank Portfolio	**595**	**2,247**	**82**	**2,924**
B.1 Financial derivative contracts on debt securities and interest rates	595	2,247	82	2,924
B.2 Financial derivative contracts on equity securities and stock indexes				
B.3 Financial derivative contracts on exchange rates and gold				
B.4 Financial derivative contracts on other values				
Total 31 December 2007	**6,024**	**4,699**	**1,402**	**12,125**

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General considerations, processes for managing and methods for measuring liquidity risk

Liquidity risks refer to negative effects deriving from lags in incoming and outgoing cash flows. Checks on structural liquidity which is managed by the Parent Company within an integrated Group perspective, is intended to evaluate equilibrium in the structure on the basis of due dates and is based on due date gaps supplemented by an analysis of customer flows and forecast projections connected to strategic business and seasonal market factors. In treasury activities this risk is related to incoming and outgoing commitments on the inter-bank market and with the central bank together with contemporaneous payment system obligations. The risk concerned is managed and monitored by the harmonisation of treasury flows in the context of dimensional and income mismatch with attention given to the possibility of rapid adaptation to market, by using specific operational instruments for monitoring the markets and the gross settlement system, in addition to specific forecasting analysis, provide a complete reference framework for related strategies. On the other, the mismatch calculated by classes of average due dates of asset and liability entries is harmonised on the basis of rate and exchange rate expectations.

QUANTITATIVE INFORMATION

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: USA Dollar

Items/Intervals of time	sight	from over 1 day to 7 days	from over 7 days to 15 days	from over 15 days to 1 month	from over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	Over 5 years
Cash assets	**36**	**7**	**4**	**11**	**64**	**3**			
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units	1								
A.5 Loans	35	7	4	11	64	3			
- banks	29	5		1	5	2			
- customers	6	2	4	10	59	1			
Cash liabilities	**103**	**9**		**26**	**42**				
B.1 Deposits	103	9		21	3				
- banks	41	9		21	3				
- customers	62								
B.2 Outstanding securities									
B.3 Other liabilities				5	39				
"Off balance sheet" transactions		**86**	**11**	**14**	**40**	**24**	**26**	**8**	
C.1 Financial derivatives with exchange of capital		**86**	11	**14**	**40**	**24**	**26**	**8**	
- long positions		69	9	5	21	11	14	5	
- short positions		17	2	9	19	13	12	3	
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: Sterling

Items/Intervals of time	sight	from over 1 day to 7 days	from over 7 days to 15 days	from over 15 days to 1 month	from over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	Over 5 years
Cash assets	**5**		**5**						
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Loans	5		5						
- banks	5								
- customers			5						
Cash liabilities	**47**		**2**	**21**	**3**				
B.1 Deposits	47		2	21	3				
- banks	43		2	21	3				
- customers	4								
B.2 Outstanding securities									
B.3 Other liabilities									
"Off balance sheet" transactions		**43**		**22**		**1**			
C.1 Financial derivatives with exchange of capital		**43**		**22**		**1**			
- long positions		41		22		1			
- short positions		2							
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: Swiss Franc

Items/Intervals of time	sight	from over 1 day to 7 days	from over 7 days to 15 days	from over 15 days to 1 month	from over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	Over 5 years
Cash assets	**14**		**1**	**3**	**9**		**1**	**1**	
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Loans	14		1	3	9		1	1	
- banks	12				2				
- customers	2		1	3	7		1	1	
Cash liabilities	**11**		**10**						
B.1 Deposits	11		10						
- banks	8		10						
- customers	3								
B.2 Outstanding securities									
B.3 Other liabilities									
"Off balance sheet" transactions		**2**	**7**						
C.1 Financial derivatives with exchange of capital		**2**	7						
- long positions									
- short positions		2	7						
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: Danish Krone

Items/Intervals of time	sight	from over 1 day to 7 days	from over 7 days to 15 days	from over 15 days to 1 month	from over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	Over 5 years
Cash assets	**2**			**1**					
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Loans	2			1					
- banks	2								
- customers				1					
Cash liabilities	**2**								
B.1 Deposits	2								
- banks	2								
- customers									
B.2 Outstanding securities									
B.3 Other liabilities									
"Off balance sheet" transactions									
C.1 Financial derivatives with exchange of capital									
- long positions									
- short positions									
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: Canadian Dollar

Items/Intervals of time	**sight**	**from over 1 day to 7 days**	**from over 7 days to 15 days**	**from over 15 days to 1 month**	**from over 1 month to 3 months**	**from over 3 months to 6 months**	**from over 6 months to 1 year**	**from over 1 year to 5 years**	**Over 5 years**
Cash assets					**1**				
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Loans					1				
- banks									
- customers					**1**				
Cash liabilities			**1**						
B.1 Deposits			1						
- banks			**1**						
- customers									
B.2 Outstanding securities									
B.3 Other liabilities									
"Off balance sheet" transactions									
C.1 Financial derivatives with exchange of capital									
- long positions									
- short positions									
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: Yen

Items/Intervals of time	sight	from over 1 day to 7 days	from over 7 days to 15 days	from over 15 days to 1 month	from over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	Over 5 years
Cash assets	**17**		**1**		**3**	**1**			
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Loans	17		1		3	1			
- banks	16								
- customers	1		1		3	1			
Cash liabilities	**14**	**4**							
B.1 Deposits	14	4							
- banks	2	4							
- customers	12								
B.2 Outstanding securities									
B.3 Other liabilities									
"Off balance sheet" transactions		**23**	**1**	**2**					
C.1 Financial derivatives with exchange of capital		**23**	1	**2**					
- long positions		11							
- short positions		12	1	2					
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: Australian Dollar

Items/Intervals of time	sight	from over 1 day to 7 days	from over 7 days to 15 days	from over 15 days to 1 month	from over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	Over 5 years
Cash assets	**1**								
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Loans	1								
- banks	1								
- customers									
Cash liabilities									
B.1 Deposits									
- banks									
- customers									
B.2 Outstanding securities									
B.3 Other liabilities									
"Off balance sheet" transactions					**3**	**1**			
C.1 Financial derivatives with exchange of capital					**3**	**1**			
- long positions					1				
- short positions					2	1			
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: New Leu

Items/Intervals of time	**sight**	**from over 1 day to 7 days**	**from over 7 days to 15 days**	**from over 15 days to 1 month**	**from over 1 month to 3 months**	**from over 3 months to 6 months**	**from over 6 months to 1 year**	**from over 1 year to 5 years**	**Over 5 years**
Cash assets				**8**					
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Loans				8					
- banks									
- customers				**8**					
Cash liabilities				**8**					
B.1 Deposits				8					
- banks				**8**					
- customers									
B.2 Outstanding securities									
B.3 Other liabilities									
"Off balance sheet" transactions									
C.1 Financial derivatives with exchange of capital									
- long positions									
- short positions									
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

1. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: Euro

Items/Intervals of time	sight	from over 1 day to 7 days	from over 7 days to 15 days	from over 15 days to 1 month	from over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	Over 5 years
Cash assets	**4,928**	**585**	**145**	**638**	**1,374**	**823**	**1,463**	**4,888**	**5,975**
A.1 Government bonds					25	57	15	804	728
A.2 Listed debt securities						2	71	44	431
A.3 Other debt securities							2		26
A.4 UCITS units	148								
A.5 Loans	4,780	585	145	638	1,349	764	1,375	4,040	4,790
- banks	592	83	37	383	544	176	552	313	10
- customers	4,188	502	108	255	805	588	823	3,727	4,780
Cash liabilities	**10,716**	**649**	**314**	**988**	**1,278**	**523**	**335**	**4,171**	**939**
B.1 Deposits	9,449	321	165	347	410	2	4	1	
- banks	320	321	165	348	410	2			
- customers	10,363			4	4	2	4	1	
B.2 Outstanding securities	18	26	16	55	309	413	330	4,127	906
B.3 Other liabilities	15	302	132	581	556	105	1	44	33
"Off balance sheet" transactions		**112**	**11**	**39**	**44**	**223**	**26**	**890**	**75**
C.1 Financial derivatives with exchange of capital		**111**	6	**39**	**44**	**202**	**26**	**890**	**74**
- long positions		12	7	11	22	180	12	444	33
- short positions		100	5	28	22	43	14	446	42
C.2 Deposits and loans receivable / to be made									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

2. *Breakdown of financial liabilities by sector*

Exposures/Counterparties	Government and Central Banks	Other public agencies	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Amounts owing to banks	14	287	756	6	3,276	7,641
2. Outstanding securities			628		114	4,235
3. Financial liabilities held for trading			1		23	10
4. Financial liabilities measured at fair value						889
Total 31 December 2007	**14**	**287**	**1,385**	**6**	**3,413**	**12,775**
Total 31 December 2006	**12**	**186**	**696**	**13**	**3,291**	**11,426**

3. *Breakdown of financial liabilities by territory*

Exposures/Counterparties	Italy	Other European Countries	America	Asia	Rest of the world
1. Customer deposits	11,784	175	15	2	4
2. Amounts owing to banks	3,794	410			77
3. Outstanding securities	6,084	452			
4. Financial liabilities held for trading	43	13			
5. Financial liabilities measured at fair value	889				
Total 31 December 2007	**22,594**	**1,050**	**15**	**2**	**81**
Total 31 December 2006	**17,188**	**527**	**20**	**2**	**88**

1.4 OPERATING RISKS

QUALITATIVE INFORMATION

A. General considerations, processes for managing and methods for measuring liquidity risk

Operating risk is represented by the risk of losses deriving from errors, breaches, interruptions or any damage attributable to internal processes, people, IT systems or unfavourable external events. Errors in the performance of transactions or in the entry of data, defects in the functioning of IT systems, damage to tangible assets, theft and fraud are the most frequent manifestations of operating risk.

In the management of this risk, Parent Company has initiated a process entailing the survey, recognition and validation of losses, also involving its subsidiary banks; the data obtained are transmitted to the Italian Operating Losses Database (DIPO, *Database Italiano delle Perdite Operative*). In 2006 the Board of Directors of Banca CR Firenze approved the “Group regulations of the operating risk management system” governing the operating procedures, the corporate governance structure and the internal control systems. These regulations will become executive in 2007 subject to the approval by the Boards of Directors of all banks in the Group, which will be followed by the fine tuning of the control instruments and the consequential issues of the internal detailed regulations.

The Banca CR Firenze Group intends to apply to the Supervisory Board for authorization to use the standard methodology for the calculation of the new capital requirements to hedge operating risks introduced by the Basel II Accord.

QUANTITATIVE INFORMATION

Quantitative information are not yet available as the Basel II Accord, III Pillar, has not yet come into force.

SECTION 2 – THE INSURANCE COMPANIES' RISKS

2.1 INSURANCE RISKS

Qualitative information

Life Insurance

The life insurance business is characterised by the presence of some risk categories peculiar to the activity: presumptive risk, which is in turn divided into biometric risk and premium risk and reserving risk.

Biometric risk is broken down into mortality risk (in the event of the death of the insured) or longevity risk (in the event of the survival of the insured at a certain date), according to the insurance cover set in the various life products.

This type of risk is monitored through a specific definition of the technical bases to be used in both the premium rating phase and the reserving phase. This definition has the objective of following the trend in the future accidents limiting the effects of variability in the future cash flows to the average.

The premium risk is monitored through an accurate definition of the product's technical characteristics, the sale procedures, the methods to calculate premiums and, accordingly, following these valuations, the best technical basis to ensure the equilibrium in rating and the profitability level desired.
A basic element in monitoring by the Company of the premium risk is the assessment of the need to reinsure. The recourse to reinsurance reduces the risk to be borne by the Company in that the risk of a specific products is shared with the reinsurer. This recourse is managed in accordance with the guidelines defined by the Company, with the objective of minimising the accident experience risk and credit risk towards the reinsurer.
The instruments utilised while defining the product include profit testing which is used to measure the expected profitability compared to the levels desired.
The particular types of products sold by the Company and the standardised procedures for issuing policies, at the disposal of the Company for risk taking, make the risk of taking risks with characteristics other than or exceeding those considered in the rating phase irrelevant for the most of the products sold.

The reserving procedure consists in periodically calculating the amount of commitments that the Company has undertaken for each insured. Therefore, the quantitative values of such commitments are determined for each individual policy, by using, for this purpose, the benchmarks indicated in the respective technical note.
The reserving risk is made up of a series of sub-risks both of a technical nature and which can be placed within operating risks.
The first case is when there is an unfavourable variance in the accident experience observed compared to that estimated in making the individual product or a financial risk unexpected or exceeding expectations, in the case of adjustable benefit life insurance policies.
The Company controls this risk by periodically monitoring the portfolio's technical performance and the financial risk divided by homogeneous rating types.
In the event of a particular rating category performing otherwise with respect to the expectations, it may be possible to allocate additional provisions, including through the use of updated technical bases, in compliance with the current regulations.
The second case is monitored through periodic checks, both analytical and of global consistency, to assess accuracy of the valuations provided by the system.

Damage Insurance

The types of insurance risks in this business conducted by the Company are very similar to the risks already described for life insurance, in both the nature and the type of measures adopted by the Company.

For damage insurance, biometric risk is broken down into morbidity or disability risk; the control procedures implemented by the Company are very similar to those described for life insurance.

The premium risk is monitored according to activities and methods which are very similar to those implemented for the risks relating to life insurance.

In addition to what has already been described for life insurance, the reserving risk in the damage insurance business conducted by the Company also provides for the monitoring of the technical performance as to the accident experience observed in the portfolio.

The type of risks insured, the times for reporting accidents and the benefits due in the case of accident, require particular attention to the correct release of the accident reserve over time.

The Company periodically carries out the monitoring of the portfolio *ex post* to assess the adequacy of the models utilised to determine the items in the accident reserve and of the statistical controls to supervise the accumulations of risks at the level of individual person insured, so as to monitor unexpected concentration levels.

Quantitative information

The life and damage insurance business is conducted, within the Group, by Centrovita Assicurazioni S.p.A., which is enrolled with the special register of ISVAP (insurance supervisory authority) and then subject to the supervisory activity carried out by the appropriate regulatory body. A supervisory instrument is also used in the insurance sector which provides for the capital requirements to be met by insurance companies against the quantification of the absorption of resources generated by insurance risks; this instrument is named "Solvency Margin" and is regulated by Legislative Decree no. 175 of 17 March 1995.

Below is the solvency margin position of Centrovita Assicurazioni S.p.A. as at 31 December 2007, showing an overall surplus of Euro 10 million:

Items relevant to solvency margin models **Life and damage insurance**	**Life insurance**	**Damage insurance**	**Total**
Amount of the solvency margin required	**62**	**5**	**67**
Constituent elements of the solvency margin available - Total elements A - Total elements B	71	6	77
Total constituent elements of the solvency margin available	**71**	**6**	**77**
Redundancy /lack of constituent elements of the solvency margin available with respect to the constituent elements of the solvency margin required	**9**	**1**	**10**

PART F – INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 – CONSOLIDATED CAPITAL

A. Qualitative information

Equity management involves all policies and choices necessary to define the size of the capital, as well as the optimal combination of different alternative capitalization instruments, in order to ensure that the capital and the equity ratios of the Parent Company and its subsidiaries are consistent with the risk profile undertaken, while at the same time complying with supervisory requirements.

B. Quantitative information

As to these information, reference should be made to Section 15 of Part B - Liabilities of these Notes to the Financial Statements.

SECTION 2 – REGULATORY CAPITAL AND BANK RATIOS

2.1 Scope of application of the regulations

2.2 Bank regulatory capital

A. Qualitative information

The regulatory capital and the equity ratios have been calculated based on equity data and operating results as determined by applying the regulations on financial statements under IAS/IFRS and taking account of the amendments introduced by the new regulations on regulatory capital and prudential ratios following the transposition of the 12th amendment to Circular Letter no. 155/91 published by the Bank of Italy on 5 February 2008.

1. Primary capital

2. Supplementary capital

3. Tier 3 capital

The regulatory capital is made up of primary capital and supplementary capital, net of some deductions; more in detail:
- the primary capital (Tier 1), included in the calculation with no limitation, is made up of paid-up capital, reserves including share premiums and profits for the period, net of own shares or quotas in the portfolio, intangible assets and losses for the current period and those recorded in previous periods;
- the supplementary capital (Tier 2), which cannot exceed the value of the primary capital, includes valuation reserves, Upper Tier 2 and Lower Tier 2, net of forecast value adjustments to loans for country risks not recognized in the accounts.

Equity investments, innovative equity instruments, Upper Tier 2 and the subordinated assets held in other banks and finance companies must be deducted from such aggregates.
The new provisions set by the aforementioned update of the Circular Letter no. 155/91 are finalised to the convergence of the national reporting systems regarding the prudential rules established in the First Pillar.

In the light of such regulatory framework, the calculation of the consolidated regulatory capital of the Banca CR Firenze Group took account of the following rules:
- the consolidation area has been re-determined for supervisory purposes through the inclusion of jointly-controlled companies in the area consolidated on a line-by-line basis, by applying the proportional method; this method entailed the recalculation of the equity deriving from the “shifting” of the joint venture related to the

Findomestic Group from consolidation area to shareholders' equity and the recalculation of prudential ratios through the inclusion of 50% of the risks referred to the abovementioned Group;

- the consolidation area has been re-determined for supervisory purposes by excluding the subsidiaries operating in the insurance sector from the line-by-line consolidation, as per the instructions given by the Bank of Italy; this method entailed the recalculation of the equity deriving from the "shifting" of the insurance company from consolidation area to shareholders' equity, impacting the amount of minority interests only;
- the net unrealised capital gains from financial assets available for sale, the supplementary capital include 50% of net capital gains on each of the portfolios of debt securities, credit instruments and UCITS units, net of tax effects;
- the unrealised capital gains from property, capital gains from the recalculation of cost (for both functional and investment use) made upon F.T.A. are fully counted in the supplementary capital;
- according to the application instructions of the Bank of Italy on Directive 2002/87/EC concerning the supplementary supervision of financial conglomerates the value of the participating interest held in Centrovita Assicurazioni S.p.A. valued at equity has been deducted from the sum of the primary capital and the supplementary capital; a similar treatment has been reserved to subordinated assets in the portfolio issued by the aforementioned insurance company;
- the interest in the Bank of Italy's capital has been deducted from the regulatory capital for an amount equal to the second of the five annual fixed instalments with which it is necessary to sterilize the abovementioned participating interest, as from 31 December 2005.

B. Quantitative information

	31 December 2007	31 December 2006	change	
			absolute	%
A. Primary capital before the application of prudential filters	**1,446**	**1,308**	**138**	**10.6%**
B. Prudential filters of primary capital:	19	90	(71)	-78.9%
B.1 Positive IAS/IFRS prudential filters (+)	49	91	(42)	-46.2%
B.2 Negative IAS/IFRS prudential filters (-)	(30)	(1)	(29)	n.s.
C. Primary capital, including the elements to be deducted (A+B)	**1,465**	**1,398**	**67**	**4.8%**
D. Elements to be deducted from the primary capital	24	116	(92)	-79.3%
E. Total primary capital (TIER1) (C-D)	**1,441**	**1,282**	**159**	**12.4%**
F. Supplementary capital before the application of prudential filters	**825**	**956**	**(131)**	**-13.7%**
G. Prudential filters of supplementary capital:	1	(6)	7	-116.7%
G.1 Positive IAS/IFRS prudential filters (+)	1	1		0.0%
G.2 Negative IAS/IFRS prudential filters (-)		(7)	7	-100.0%
H. Supplementary capital, including the elements to be deducted (F+G)	**826**	**950**	**(124)**	**-13.1%**
I. Elements to be deducted from the supplementary capital	24	116	(92)	-79.3%
L. Total supplementary capital (TIER 2) (H-I)	**802**	**834**	**(32)**	**-3.8%**
M. Elements to be deducted from the total primary and supplementary capital	34	50	(16)	-32.0%
N. Regulatory capital (E+L-M)	**2,209**	**2,066**	**143**	**6.9%**
O. TIER 3 capital				
P. Including regulatory capital (TIER 3) (N+O)	**2,209**	**2,066**	**143**	**6.9%**

The increase of approximately 143 million Euro in the Regulatory Capital, compared with the value recognised as at the end of the prior financial year, essentially reflects:

- increase, for approximately 67 million Euro, of the primary capital inclusive of the elements to be deducted, mainly related to the recognition under reserves of part of the net profit of 2007, and to the increase in the minority interests following the consolidation on a line-by-line basis of Centro Factoring S.p.A. and Centro Leasing Banca S.p.A.;
- reduction, for approximately 124 million Euro, of the supplementary capital inclusive of the elements to be deducted, which reflects, almost in its entirety, the decrease in the subordinated liabilities in connection with the lower amount of the securities issued in prior financial years which may be accounted for Supervisory purposes;
- reduction of deductible elements, mainly due to the non recognition in the aforementioned segment, as at 31 December 2007, of the value of the following equity investments:
  - Cassa dei Risparmi di Forlì e della Romagna S.p.A., as the interest dropped below the 10% threshold following the share capital increase not subscribed by the Bank;
  - Centro Leasing Banca S.p.A. and Centro Factoring S.p.A., the control of which was acquired by the Bank in the second half of 2007.

2.3 Capital adequacy

A. Qualitative information

The Banca CR Firenze Group is subject to the capital requirements established by the Basel Committee, based on the rules defined by the Bank of Italy which lay down a minimum ratio, at a consolidated level, between regulatory capital and risk-weighted assets, which must be equal to at least 8%.
The Parent Company periodically measures and monitors the equity profile of the Group, doing so in accordance with the expected growth dynamics of loans and other assets, quantifying risks (credit and market risks) and verifying the compatibility of the ratios. Compliance with capital requirements is achieved using several instruments, such as the pay out policy, the definition of strategic finance transactions (capital increases, issues of subordinated bonds) and the management of loan policies according to the counterparty risk.
A further phase of preliminary analysis and control on the Group capital requirements takes place every time extraordinary transactions are made, such as mergers, acquisitions and transfers, through an estimate of the impact on the coefficients of these events and planning any corrective actions aimed at complying with the limitations required by the Supervisory Authority.

B. Quantitative information

Categories/Values	Non weighted amounts		Weighted amounts/requirements		changes %	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	Non weighted amounts	Weighted amounts/requirements
A. RISKS ASSETS						
A.1 CREDIT RISK						
STANDARD METHOD	***43,584***	***30,003***	***26,561***	***21,408***	***45.3%***	***24.1%***
CASH ASSETS	29,583	25,924	24,378	20,328	14.1%	19.9%
1.Exposures (other than capital securities and other subordinated assets) to (or guaranteed by):	19,179	4,942	16,085	650	288.1%	n.s.
1.1 Governments and Central Banks	*2,015*	*1,784*	*1*	*1*	*12.9%*	*0.0%*
1.2 Public agencies	*332*	*355*	*69*	*71*	*-6.5%*	*-2.8%*
1.3 Banks	*1,043*	*2,803*	*226*	*578*	*-62.8%*	*-60.9%*
1.4 Other entities (other than mortgage loans on residential and non residential property)	*15,789*		*15,789*		*100.0%*	*100.0%*
2. Mortgage loans on residential property	3,022	2,491	1,509	1,246	21.3%	21.2%
3. Mortgage loans on non residential property	566		283		100.0%	100.0%
4. Shares, partecipating interests and subordinated assets	371		371		100.0%	100.0%
5. Other cash assets	6,445	18,491	6,130	18,432	-65.1%	-66.7%
OFF BALANCE SHEET ASSETS	14,001	4,079	2,183	1,081	243.2%	102.0%
1. Garantees and commitments to (or guaranteed by):	12,849	1,256	2,175	53	923.0%	n.s.
1.1 Governments and Central Banks	*25*	*41*			*-39.0%*	
1.2 Public agencies	*700*	*651*	*4*	*26*	*7.5%*	*-84.6%*
1.3 Banks	*561*	*564*	*9*	*27*	*-0.5%*	*-66.7%*
1.4 Other entities	*11,563*		*2,162*		*100.0%*	*100.0%*
2. Derivative contracts to (or guaranteed by):	1,152	2,823	8	1,028	-59.2%	-99.2%
2.1 Governments and Central Banks						
2.2 Public agencies						
2.3 Banks	*1,132*	*2,823*	*8*	*1,028*	*-59.9%*	*-99.2%*
2.4 Other persons	*20*				*100.0%*	
B. REGULATORY CAPITAL REQUIREMENTS						
B.1 CREDIT RISK			**2,089**	**1,748**		**19.5%**
B.2 MARKET RISKS			**51**	**42**		**21.4%**
1. STANDARD METHOD	X	X	**51**	**42**		**21.4%**
of which:						
+ risk on position on debt securities	X	X	46	38		21.1%
+ risk on position on capital securities	X	X	3	2		50.0%
+ exchange risk	X	X				
+ other risks	X	X	2	2		0.0%
2. INTERNAL MODELS						
of which:						
+ risk from position on debt securities	X	X				
+ risk on position on capital securities	X	X				
+ exchange risk	X	X				
B.3 OTHER PRUDENTIAL REQUIREMENTS	X	X	**51**	**9**		**466.7%**
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	X	X	**2,191**	**1,799**		**21.8%**
C. RISKS ASSETS AND REGULATORY COEFFICIENTS	X	X				
C.1 Risk weighted assets	X	X	27,385	22,485		21.8%
C.2 Primary Capital/Risk weighted assets (Tier 1 capital ratio)	X	X	5.26%	6.22%		-0.96%
C.3 Regulatory Capital/Risk weighted assets (Total capital ratio)	X	X	8.24%	9.34%		-1.10%

PART G – COMBINATIONS CONCERNING BUSINESSES OR BRANCHES OF BUSINESS

Section 1 – Transactions implemented before the year-end

1.1 Business combinations

Name	Date of transaction	(1)	(2)	(3)	(4)
Centro Leasing Banca S.p.A.	13 April 2007	75	43.54%	263	11

(1) Cost of transaction
(2) Percentage of the interest acquired with voting rights in the ordinary shareholders' meeting
(3) Total Group revenues
(4) Group net loss/gain

The agreement signed by BNP Paribas Lease Group S.A. and Banca CR Firenze S.p.A. on 13 April 2007 for the purchase of no. 13,618,175 shares of Centro Leasing Banca S.p.A., corresponding to 43.54% of the company at a price of Euro 74,899,962.50, became effective on 11 July 2007.
Following this transaction, the equity interest of the Banca CR Firenze Group in Centro Leasing Banca S.p.A. rose to 87.075%; Centro Leasing Banca S.p.A. was consolidated on a line-by-line basis and changed its status from associate to subsidiary. The acquisition of Centro Leasing Banca S.p.A. also entailed an increase from 47.693% to 62.643% in the equity investment in Centro Factoring S.p.A. and the acquisition of the 100% control over Centro Leasing Rete S.p.A. and Centro Leasing G.m.b.h., consolidated on a line-by-line basis as well.

The accounting treatment of the combination was determined in accordance with IFRS 3, which under paragraph 62 provides that the initial accounting of a business combination be made within 12 months following the realisation of the combination itself; in the event that the fair values to be assigned to the assets and liabilities or contingent liabilities which are identified at the moment of the acquisition, or the cost of the combination, may be determined only provisionally, then the buyer is required to account for the combination using such provisional values. Following the completion of the initial recording, the buyer is required to recognise the adjustments of such provisional values within twelve months from the acquisition date.

The Parent Company thus conducted the activity of PPA in compliance with the provisions of IAS/IFRS principles, assessing and verifying, as provided for in paragraph 62, the net fair value of the assets of the acquired Group (Net Asset Fair Value) on the date of the transaction, by measuring assets and liabilities at fair value, identifying and measuring contingent assets and identifying and measuring any intangible assets.

Paragraph 56 of IFRS 3 provides that, in the event that the equity interest held by the buyer in the net fair value of assets, liabilities and contingent liabilities which may be identified, exceeds the cost of the business combination, the buyer should immediately recognise any residual excess in the profit and loss account.

A gain (represented by an acquisition badwill) amounting to Euro 9.7 million net of the tax consequence emerged from the Purchase Price Allocation. This was reported in "Gain/(Losses) from equity investments" (item 240 of the consolidated income statement) and commented on under the appropriate table of the notes to the financial statements; the aforementioned surplus may, however, result from the "block purchase", as envisaged in paragraph 57 of the IFRS 3, as was the case for Centro Leasing Banca, where the Parent Company acquired the "bulk of the equity interest" equal to 43.54%.

PART H – TRANSACTIONS WITH RELATED PARTIES

1. Information on remuneration paid to directors and managers

Below is the table showing the amounts relating to the remuneration paid, also by the subsidiaries, to Directors, Statutory Auditors, the General Manager, the Vice General Manager and the Managers in areas of strategic importance to the Parent Company. In order to put more emphasis, the following amounts are shown in thousands of euros.

(thousands of euros)	Directors and Statutory Auditors (1)	General Manager, Deputy General Manager and other Managers
Fees and social security contributions	2,233	3,017
Bonuses, premiums and miscellaneous incentives (2)	2,000	2,627
Other social security and insurance charges (3)	136	102
Non-monetary benefits		18
Indemnities other than for employment termination (4)		352
Total	**4,369**	**6,116**

(1) For the breakdown of the fees to directors and statutory auditors, reference should be made to Part H of the Notes to the individual financial statement.
(2) This item includes bonuses, allowances and the amount received in 2007 pursuant to Law n° 243/2004.
(3) This item includes the charges, if any, charged to the Parent Company for supplementary indemnities, insurance policies, etc.
(4) This item includes the portion of Staff Termination Pay attributable to the period, as well as retirement allowances, if any.

2. Information on transactions with related parties

Below are the additional information on transactions and relations with related parties of Banca CR Firenze, as defined under IAS 24, required in order to understand their potential effects on the accounts of the Group therefore, pursuant to point 4 of IAS 24, the transactions and balances existing with the inter-group related parties are eliminated in the preparation of the consolidated financial statements.

In compliance with the provisions under point 18 of IAS 24, information has been set out separately for each category of Related Party, as follows:

a) Parent Company

As at 31 December 2007, no person held the control over Banca CR Firenze S.p.A. As regards the changes occurred in the corporate structure of the Bank on 29 January 2008, reference is made to the content of the Report on Activities included in these financial statements, under paragraph "Significant events and the outlook after the end of the year".

b) Entities who exercise a significant influence on the Parent Company

This category, in light of the equity interests held or of the relationships with the company, includes the three major shareholders of the Parent Company; Ente Cassa di Risparmio di Firenze, Intesa Sanpaolo S.p.A. (until 31 December 2006 the equity interest was held by Sanpaolo IMI S.p.A. which, starting from 1st January 2007, was merged with Banca Intesa S.p.A.) and BNP Paribas S.A.
For further details reference should be made to Part H of the Notes to the financial statements of the Company.

c) Subsidiaries

Transactions between Group companies are ascribable to the ordinary internal operations of a multi-purpose banking structure. As there are no subsidiaries with significant operations which are not consolidated on a line-by-line basis, all relations with the subsidiaries are subject to inter-group eliminations; therefore, this category is not reported in the tables below. The list of Group companies is detailed in the Notes to the Consolidated Financial Statements, Part B, Section 10. Furthermore, for more information, reference is made to Part H of the notes to the Parent Company's financial statements.

d) Associated companies

Following the acquisition of the controlling share of Centro Leasing Banca S.p.A. as outlined in Part H of the Notes to the financial statements of the Company and in the Report on Activities accompanying these consolidated financial statements, the companies of the Group, Centro Leasing and Centro Factoring S.p.A., are now part of the Banca CR Firenze Group as subsidiaries. In this category, therefore, there are no entities with significant operations.

e) Joint ventures

The Findomestic Banca Group comes within this category which receives significant financial assistance from Banca CR Firenze S.p.A. and BNP Paribas S.A., since not receiving savings from the general public. Soprarno SGR S.p.A., a company established in 2006, and not yet operational, also falls within this category.
Transactions with joint ventures fit in with ordinary Group operations and are carried out according to market conditions.

f) Managers with strategic responsibilities

This definition includes the members of the Governing and Supervisory Bodies, the General Manager, the Deputy General Managers and the members of the Management Committee, the body that supports and advises the General Manager and includes, in addition to the General Manager and two Deputy General Managers, six Central Directors of the Bank who have strategic responsibilities for these reasons; Section 1 above reports the fees due to these persons, in addition to those due to Directors and Statutory Auditors.

g) Other related parties

This category includes Cassa di Risparmio di Firenze's Staff Pension Fund, an independent legal entity, as well as the close family relatives of those persons under the abovementioned point f) and the companies attributable to them.

The transactions with related parties of Banca CR Firenze S.p.A., in terms of quantity, are reported below in a table summarising the impact that such transactions have had in the consolidated financial statements.

Supplementary information on transactions with related parties required pursuant to Consob Communication no. DEM/6064293 of 28.07.06

In addition to requirements under IAS 24 "Related Party Disclosures", the tables below provide quantity information on transactions with related parties, and show, as required by Consob Communication n. DEM/6064293 of 28 July 2006, the impact of such transactions on the Group's financial, economic and cash flow position.

(amounts in millions of Euro)

	Customer loans	% of the total	Amounts owing by banks	% of the total	Customer deposists	% of the total	Amounts owing to banks	% of the total	Garantees given	% of the total	Contribution Margin (1)	% of the total
a) Parent Company												
b) Entities who exercise a significant influence on the Company			1	0.08%	5	0.04%	67	1.56%	2	0.21%	1	0.54%
c) Subsidiaries												
d) Associated companies												
e) Joint ventures	5	0.02%	858	68.53%	20	0.17%	129	3.01%	8	0.84%	2	1.07%
f) Managers with strategic responsabilities	1	0.01%			1	0.01%						
g) Other related parties	31	0.15%			179	1.49%			3	0.32%	1	0.54%
Total	**37**	*0.18%*	**859**	*68.61%*	**205**	*1.71%*	**196**	*4.57%*	**13**	*1.37%*	**4**	*2.15%*

(1) This corresponds to the banking revenues: interest margin plus margin from services.

The table below shows the impact of transactions with related parties on the Bank's cash flows; for this purpose, an appropriate cash flow statement has been prepared according to the indirect method.

(amounts in millions of Euros)

OPERATING ACTIVITIES	31 December 2007	31 December 2006
Operations	**4**	**5**
- contribution margin to the net profit of related parties	4	5
Net cash flow for/from financial assets	**239**	**144**
- Amounts owing by banks	116	(75)
- Customer loans	123	219
Net cash flow for/from financial liabilities	**53**	**45**
- Amounts owing to banks	119	15
- Customer deposits	(66)	30
Net cash flow for/from operating activities of related parties	**296**	**194**
INVESTING ACTIVITIES		
Net cash flow from:	**0**	**11**
- Disposal of equity investments	0	11
Net cash flow for:	**0**	**(129)**
- Purchase of equity investments in companies consolidated with equity method	0	(53)
- Purchase (or increases) of intagible assets	0	(76)
Net cash flow for/from investing activities of related parties	**0**	**(118)**
BORROWING ACTIVITIES		
- Issues/purchase of own shares (stock options for the management)	0	2
- Distribution of dividends to related parties	(55)	(40)
- Subscription to the capital increase against payment made by related parties	0	101
Net cash flow for/from borrowing activities of related parties	**(55)**	**63**
NET CASH FLOW (OF RELATED PARTIES) FOR/FROM THE YEAR	**241**	**139**

PART I – PAYMENT ARRANGEMENTS BASED ON THE GROUP'S OWN EQUITY INSTRUMENTS

A – QUALITATIVE INFORMATION

1. Description of payment arrangements based on the Group's own equity instruments

Stock option

The Extraordinary Shareholders' Meeting of 27 March 2000 granted delegated powers to the Board of Directors to implement stock option plans for the benefit of the general managers and other managers of the Group banking companies.

These delegated powers have been used in their entirety by the Board of Directors which, pursuant to the abovementioned powers, resolved upon the setting up of the following stock option plans:

- *the first tranche,* involving a total of *4 million shares* was resolved on 16 October 2000 and gave the beneficiaries the power to subscribe to the company's new shares at a unit price of Euro 1.225 over the period from 16 October 2003 to 16 October 2006;
- *the second and last tranche* of allotments was resolved on 31 July 2003, granting subscription rights for a total of *6 million shares;* these rights may be exercised at a unit price of Euro 1.103 over the period from 1st August 2006 to 1st August 2009*;* in this regard, take note that following the transactions on capital share resolved by the Shareholders' Meeting of 27 April 2006, described in the Directors' Report, the terms relating to the number of shares and the unit exercise price have undergone changes, without altering the economic benefit of the plan.

The grant of stock options as a form of remuneration linked to the Bank's performance and economic prospects is intended to encourage the involvement and motivation of the Group's management. No financing or guarantees have been granted by the Bank as assistance to the subscription to the shares, pursuant to Article 2358, paragraph 3, of the Italian Civil Code.

B – QUANTITATIVE INFORMATION

1. Annual changes

In compliance with the provisions under IFRS 2, below are the information on changes and the breakdown of the stock option plans referring to general managers and the other managers of the group's banking companies.

- First tranche:

Items/Number of options and exercise price	31 December 2007			31 December 2006		
	Number of options	Average prices (in Euro)	Average maturity (1)	Number of options	Average prices (in Euro)	Average maturity (1)
A Opening balance (2)				**241,181**	**1.22500**	**289**
B. Increases						
B.1 New issues						
B.2 Other changes						
C. Decreases				**241,181**	**1.22500**	
C.1 Cancelled						
C.2 Exercised				241,181	1.22500	
C.3 Expired						
C.4 Other changes						
D. Closing balance						
E. Options exercisable at year-end						

- ***Second tranche (exercitable from 1st August 2006):***

Items/Number of options and exercise price	31 December 2007			31 December 2006		
	Number of options	Average prices (in Euro)	Average maturity (1)	Number of options	Average prices (in Euro)	Average maturity (1)
A Opening balance (2)	**2,548,428**	**0.97300**	**944**	**6,540,780**	**0.97300**	**1,096**
B. Increases						
B.1 New issues						
B.2 Other changes		1.62200				
C. Decreases	**2,548,428**	**1.62200**		**3,992,352**	**0.97300**	
C.1 Cancelled						
C.2 Exercised	1,373,525	1.62200		3,992,352	0.97300	
C.3 Expired						
C.4 Other changes	1,174,903	1.62200				
D. Closing balance		**1.62200**	**944**	**2,548,428**	**0.97300**	**944**
E. Options exercisable at year-end		**1.62200**	**944**	**2,548,428**	**0.97300**	**944**

(1) Since there is a single due date for each of the tranches existing at the beginning of the period, the precise number of days has been indicated.
(2) Net of those rights no longer exercisable following the termination of a number of employment relationships.

Item C.4 represents the effect of the reverse stock split carried out on 5 March 2007.

Florence, 3rd March 2008

Certification of the consolidated financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

1. The undersigned Aureliano Benedetti, Chairman of the Board of Directors and Egidio Mancini, the Manager in charge of the preparation of the company accounting documents of Banca CR Firenze S.p.A. certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

"the appropriateness of the consolidated financial statements with regard to the nature of the Banca CR Firenze Group and the effective application of administrative and accounting procedures in preparing the consolidated financial statements during 2007."

2. The reference model.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the separate and consolidated financial statements at 31 December 2007 is based on a Model defined by Banca CR Firenze S.p.A., as outlined in the Bank Directors' Report on Activities, section "5 Other information" under the paragraph "Law no. 262/05 – Art. 154 bis of the Consolidated Financial Law (TUF): Reference Model – Approach adopted by Banca CR Firenze Group", consistently with the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission and with the "Control Objectives for IT and related technology" framework, issued by IT Governance Institute, as regards the IT systems component, which represent the generally accepted benchmarks for the internal control system at an international level.

3. It is also certified that the consolidated financial statements at 31 December 2007:
   a. correspond to the entries in the books and accounting records;
   b. were prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued under Art. 9 of Legislative Decree 38/2005, and, to our knowledge, provide a true and fair representation of the situation of the assets and liabilities, the economic and financial position of the issuer and all the companies included in the scope of consolidation.

SIGNATURES

Aureliano Benedetti
Chairman of the Board of Directors

Egidio Mancini
Manager in charge of the preparation
of the company accounting documents

This report has been translated from the original which was issued in accordance with Italian legislation.

PRICEWATERHOUSECOOPERS

BANCA CR FIRENZE SPA

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2007

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE No. 58 DATED 24 FEBRUARY 1998

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE No. 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Banca CR Firenze SpA

1. We have audited the consolidated financial statements of Banca CR Firenze SpA and its subsidiaries (Banca CR Firenze Group), which comprise the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the related notes as at of 31 December 2007. These consolidated financial statements are the responsibility of Banca CR Firenze SpA's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present, for comparative purposes, the prior year corresponding figures. As shown in the notes to the consolidated financial statements, the Directors have modified the comparative information related to the prior year financial statements that we audited and on which we issued our report dated 11 April 2007. The methods to redetermine the prior year corresponding figures and the disclosures in the notes to the consolidated financial statements regarding such modifications have been examined by us to provide a reasonable basis for our opinion on the consolidated financial statements as at 31 December 2007.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

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3. In our opinion, the consolidated financial statements of the Banca CR Firenze Group as at 31 December 2007 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement Article 9 of Legislative Decree no. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, the results of operations, the changes in the shareholders' equity and cash flows of the Banca CR Firenze Group for the year then ended.

Florence, 26 March 2008

PricewaterhouseCoopers SpA

Signed by

Alessandro Parrini
(Partner)

"This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation".