BANCA CR FIRENZE

FINANCIAL STATEMENTS 2008

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FINANCIAL STATEMENTS 2008
Part one
(Consolidated Financial Statements)

Company subject to management and coordination by
the Parent company Intesa Sanpaolo S.p.A.

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PART ONE
CONSOLIDATED FINANCIAL STATEMENTS

Corporate positions

Board of Directors

Chairman	Aureliano Benedetti
Deputy Chairman	Piero Antinori
CEO	Lino Moscatelli
Directors and members of the Executive Committee	Massimo Mattera
	Giuseppe Morbidelli
Directors	Sergio Ceccuzzi
	Francesco Favotto
	Paolo Maria Grandi
	Francesco Micheli
	Alberto Pacifici
	Francesco Taranto
	Federico Vecchioni

Board of Auditors

Chairman	Rosalba Casiraghi
Acting Auditors	Carlo Giuseppe Angelini
	Vieri Fiori
Substitute Auditors	Francesco Maria Mancini
	Marco Sacconi

General Management

General Manager	Luciano Nebbia

Financial highlights and alternative performance measures (*)

(millions of euro)

	31 December 2008	31 December 2007 (1)	% Change
CONSOLIDATED INCOME STATEMENT DATA			
Net interests	717	677	+5.9%
Net commissions	287	277	+3.6%
Result from trading	14	39	-64.1%
Result from insurance activities	21	52	-59.6%
Net operating income	1,112	1,115	-0.3%
Operating costs	668	676	-1.2%
Operating result	444	439	+1.1%
Value (adjustments)/write backs for worsening of loans	184	118	+55.9%
Net profit	79	167	-52.7%
EARNINGS RATIOS			
ROE **(2)**	5.3%	10.7%	-5.4%
Adjusted ROE **(3)**	9.8%		
Cost / income ratio **(4)**	60.1%	60.6%	-0.6%
CONSOLIDATED BALANCE SHEET DATA			
Total assets	39,982	29,150	+37.2%
Customer loans (excluding doubtful loans)	27,820	20,185	+37.8%
Equity investments	497	397	+25.2%
Customer deposits and outstanding securities	24,704	22,797	+8.4%
Shareholders' equity **(5)**	1,357	1,703	-20.3%
CUSTOMERS' FINANCIAL ASSETS			
Total financial assets	46,635	40,365	+15.5%
Direct borrowing **(6)**	24,704	18,516	+33.4%
Indirect borrowing	21,931	21,849	+0.4%
- Administered savings	12,501	11,436	+9.3%
- Managed savings	9,430	10,413	-9.4%
- 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")	1,353	2,154	-37.2%
- Funds	4,915	5,364	-8.4%
- Insurance	3,061	2,810	+8.9%
- Supplementary pension funds	101	85	+18.8%
RISK RATIOS ON LOANS			
Net doubtful loans / Net customer loans	1.02%	0.98%	+0.04%
Other net impaired loans/ Net customer loans	2.62%	2.25%	+0.37%
Net impaired loans/ Net customer loans	3.65%	3.23%	+0.42%
OPERATING STRUCTURE			
Employees	7,881	6,468	+21.8%
Financial promoters	268	294	-8.8%
Bank branches	839	569	+47.5%
Financial spaces	43	49	-12.2%
Business and private centres	80	57	40.4%
Public Agencies / Authorities and Treasury centres	4	4	0.0%

(*) The 2008 figures include the consolidation of Casse del Centro S.p.A. with the exception of the income statement data and the related ratios as the company was acquired on 24 December 2008 and therefore the relative impact on the consolidated income statement was not considered significant.

(1) In order to allow a consistent comparison, the income data for 2007 have been restated to reflect the following transactions: excluding the positive effects created by provisions which were made in previous periods and have become redundant as a result of the new legislation regarding the Staff Termination Pay, in force from 1 January 2007 (by an amount equal to around 25 million euro); backdating to 1 January 2007 the consolidation of the companies owned by the former Gruppo Centro Leasing, whose effect began from 1 July 2007.

(2) Net profit/Average shareholders' equity for the last two financial years excluding Net profit.

(3) Profit (net of: integration-related costs, adjustments to finanacial assets as a result of the recent turbulence on the financial markets, result from trading, accounting of bonus system related costs according to the principles adopted by the Intesa Sanpaolo Group, tax redemption of goodwill arising from the merger by incorporation of Cassa di Risparmio di Mirandola SpA *(affrancamento fiscale)* and the goodwill impairment relating to Banca CR Firenze Romania S.A. / Average shareholders' equity for the last two financial years excluding Net profit.

(4) Operating costs / Net operating income.

(5) The reduction of Shareholders' equity by 346 million euro can be ascribed mainly to the acquisition of the controlling share in Casse del Centro S.p.A., to the increase in the negative AFS (Available For Sale) reserves and to the lower profit recorded as compared to the previous financial year.

(6) Equal to the sum of items 20 - Customer deposits (net of the amount pertaining to obligations deriving from put options granted by Banca CR Firenze on minority interests of subsidiary companies) and 30 - Oustanding securities.

Consolidation area at 31 December 2008

Notes		Banca CR Firenze SpA (1)	Casse del Centro SpA	CR Pistoia SpA	CR Civitavecchia SpA	CR Orvieto SpA	CR La Spezia SpA	Ge.Fi.L SpA	Infogroup SpA	Centro Leasing Banca SpA	Centro Leasing Rete SpA	Total
	Companies held at least 50%											
(1)	Banca C.R. Firenze Romania SA	56.23%										56.23%
(1)	Cassa di Risparmio di Civitavecchia SpA	51.00%										51.00%
(1)	Cassa di Risparmio di Orvieto SpA	73.57%										73.57%
(1)	Cassa di Risparmio di Pistoia e Pescia SpA	60.00%										60.00%
(1)	Cassa di Risparmio della Spezia SpA	79.99%										79.99%
(1)	Casse del Centro SpA	96.07%										96.07%
(1)	Cassa di Risparmio della Provincia di Viterbo SpA		82.02%									82.02%
(1)	Cassa di Risparmio di Ascoli Piceno SpA		66.00%									66.00%
(1)	Cassa di Risparmio di Città di Castello SpA		82.19%									82.19%
(1)	Cassa di Risparmio di Spoleto SpA		60.13%									60.13%
(1)	Cassa di Risparmio di Rieti SpA		85.00%									85.00%
(1)	Cassa di Risparmio di Foligno SpA		70.47%									70.47%
(1)	Cassa di Risparmio di Terni e Narni SpA		75.00%									75.00%
(1)	Centro Leasing Banca SpA	77.49%		7.09%	0.56%	0.93%	0.79%					86.86%
(1)	Centro Factoring SpA	41.77%		5.73%		0.03%	0.16%			14.95%		62.64%
(1)	Centro Leasing Rete SpA									100.00%		100.00%
(1)	Ge.Fi.L SpA (Gestione Fiscalità locale)						100.00%					100.00%
(1)	Citylife SpA	60.00%							40.00%			100.00%
(1)	Immobiliare Nuova Sede Srl	100.00%										100.00%
(1)	Infogroup SpA	94.00%		4.00%	1.00%	1.00%						100.00%
(1)	Tebe Tours SpA	100.00%										100.00%
	Centro Leasing Gmbh									100.00%		100.00%
	Centrovita Assicurazioni SpA	43.00%		8.00%								51.00%
	Other subsidiaries											
(2)	CR Firenze Mutui Srl	10.00%										10.00%
	Companies held at least 20%											
(3)	Findomestic Banca SpA	47.17%		2.83%								50.00%
(3)	Soprarno Sgr SpA	47.50%										47.50%
	Intesa Formazione ScpA		20.00%									20.00%
(4)	Immobiliare Novoli SpA	25.00%										25.00%
	Sviluppo Industriale SpA			29.19%								29.19%
	Spezia Risorse SpA							20.00%				20.00%
	Ce.Spe.Vi. Srl			20.00%								20.00%
	Safi Srl										20.00%	20.00%
	Other companies subject to significant influence:											
(5)	Cedacri SpA		3.01%									3.01%

(1) The companies shown above are part of the Intesa Sanpaolo Banking Group which Banca CR Firenze and its subsidiaries as at 28 January 2008 joined on 29 January 2008.
(2) For CR Firenze Mutui Srl, a special purpose vehicle for the securitisation of loans, the control situation is recognized in accordance with IAS/IFRS (SIC 12) principles as well as to the extent required by shareholders' agreements.
(3) Companies subject to joint control.
(4) Investment recorded in the accounts under financial assets available for sale (AFS) with regard to the characteristics of the investment.
(5) The significant influence is determined by the presence of a Director who is appointed by the subsidiary Casse del Centro, as well as by the fact that this subsidiary contributes 10% of the company's turnover.

Report on operations

Some remarks on the macroeconomic scenario and the banking system

The macroeconomic scenario

During 2008 the international financial crisis gradually turned into the most serious global recession since the Second World War, with a recrudescence of particularly intense phenomena starting from September. The misleading calm at the beginning of the year had in any case already been broken by the Bear Stearns investment bank crisis in March, but after it had been rescued with public money tension seemed to have relaxed. During the summer, however, the US Government had to intervene to support Fannie Mae and Freddie Mac until it was decided that they should be put into administration in September. The very grave crisis of Lehman Brothers and the decision not to save it set off a chain of dramatic events that had serious repercussions on the functioning of the world's financial markets.

The European continent was also affected by a wave of panic that made it necessary to take measures in support of various US and European financial institutions. On 12 October the EU Governments announced a coordinated plan to stabilise the financial system, which was afterwards implemented by the national governments. The central banks increased basic money supply to an unusual extent in order to meet the explosion of precautionary demands for cash.

The real economy already began to show signs of weakness in the summer under the pressure of high increases in raw energy materials and feebler US domestic demand. From September onwards the fall in manufacturing indicators and orders was exceptionally rapid and profound in all geographic areas, Asia included.

In the United States the recession officially began in December 2007. At the end of 2008, industrial production dropped by 7.8% on a year-over-year basis, while the figure for total job losses in the year came to 2.6 million. GDP, affected by the fall in consumer spending as well as by the housing slump, underwent a sharp contraction in the fourth quarter.

In the eurozone the fall in GDP began in the second quarter but, as in the United States, quickly accentuated during the last months of the year. The mean annual variation for 2008 is estimated at +0.8%. In November industrial production was 6.9% down on the same month in 2007, in a context of pronounced and generalised reductions in orders affecting both foreign and domestic demand. The European recession was also stoked up by local factors, such as the crises in Spain and Ireland after years of unsustainable domestic demand and, especially, of unsustainable investments in building and private consumption.

Italy was no exception. GDP began to drop from the second quarter onwards and the mean annual variation for 2008 is estimated as -0.6%. In November industrial production recorded a fall that was higher than the Eurozone average, -9.7% on an annual basis.

The bond and currency markets

Central banks responded to the crisis loosening the purse strings and increasing money supply. The Federal Reserve cut the official rate from 4.25% to 0.25%. The European Central Bank surprisingly raised its rate from 4.0% to 4.25% and the rate on the main refinancing transactions in July, but then launched into a headlong phase of rate cutting after the financial panic broke out. From October to December official rates were reduced by 175 basis points to 2.50%. The ECB also temporarily reduced the differential between the rate on main transactions and the rate on deposits and marginal refinancing from 100 bp to 50 bp. In order to help to normalise inter-bank interest rates, it introduced a series of changes to open market transactions that led to a substantial increase in the supply of cash.

Market interest rate trends proved to be strongly influenced by the crisis as well as by monetary policy measures. One-month Euribor, which was stable in early 2008, touched its maximum in October at 5.197%, no fewer than 91 basis points above the level at the end of 2008. The increase is entirely attributable to the increase in risk premiums on the inter-bank market after the closure of Lehman Brothers. After this the rapid reductions in the official bank rates and the decrease in the Euribor-OIS differential as a result of the stabilisation measures brought the one-month rate down to 2.634%. Compared with the beginning of the year, the IRS curve recorded a fall of 184 basis points for two-year maturity and 98 for ten years: the differential between long- and short-term rates tended to rise during the monetary policy loosening phase.

The increase in risk aversion and the deterioration of the macroeconomic scenario caused a massive drop in the yield from German government securities. The ten-year Bund rate dropped from 4.66% in 23 July to 2.94% in 30 December. From September onwards, however, issues in all eurozone countries, including those with a creditworthiness rating equivalent to the German rating, were shunned by investors. The Italian BTP long-term bond to Bund differential for ten-year maturity went up from the 28 basis points at the end of 2007 to 144 at the end of 2008. The fall in the yield on the

Italian BTPs is therefore very much slighter than the Bund. Even stronger tensions affected the debt of other eurozone countries such as Ireland and Greece.

The euro/dollar exchange rate trend was characterised by a period of appreciation from February to April, when there were slight fluctuations above 1.50 dollars, followed by a phase of rapid depreciation from July to October with a fall of no fewer than 36 points. The last months of 2008 were also marked by substantial fluctuations; at the end of the year the euro to dollar rate was 1.40, six points less than the level one year before. From November onwards the British pound, which had previously held against the euro, became very weak, the rate going from 0.80 to a peak of 0.98.

From the beginning of 2008 onwards the corporate bond market performed very badly overall, recording notable weakness in the cash sector, both investment grade and high yield. The general widening of the asset swap spread in the first three months of the year was followed by a narrowing of the spread in April and May, on the assumption that the credit crunch might have lessened its impact on the financial markets. After this, on the contrary, risk reassessment processes resumed with a marked degree of intensity, aggravating even more from September, after the Lehman Brothers collapse.

The systemic connotations that the crisis assumed generated very poor effects on the European financial sector, provoking strong tensions on the inter-bank markets and forcing central banks to intervene repeatedly in the attempt to alleviate the consequent cash problems and restore market confidence. Against this background, the investment grade sector spread widened considerably, particularly owing to the poor performance of financial and banking sector instruments.

In addition to this, in the past few months the news on the macroeconomic scene seems to confirm that the recession phase that is occurring could be much more pronounced both in the United States and in the eurozone, drawing the markets' attention back to the deterioration of the fundamentals and contributing to a widening of asset swap spreads also on non-financial corporate bonds.

Increased risk aversion is seen to an even more noticeable extent in the speculative bond market: the worst performances have been recorded on the issues with the lowest ratings (CCC and lower); after the recent storms, the prevailing mood is one of greater attention to data regarding the present and future trend of the economic cycle.

The equity markets

During 2008 the international stock markets went through a prolonged and accentuated phase of share price correction as a result of the combined effect of the financial crisis sparked off by the US subprime loan problem, the slowdown in the economic cycle in OECD countries and the consequences of the situation for corporate profits.

The first part of the year was marked by a sharp rise in the prices of raw materials, especially oil products, a significant return of inflationary pressures and interest rate tensions in a context of growing financial market volatility. The downward trend intensified further in the second half of the year, only recovering marginally towards the end of the period. The substantial fall in stock market prices in the third and fourth quarter of 2008 was a reflection of the profound US investment banking crisis and its propagation to leading US and European finance houses; market volatility attained exceptionally high levels.

The subsequent coordinated action taken by Western governments helped to stem the systemic effects of the crisis, but the stock markets continue to suffer the recessionary effects of the financial crisis on the economic situation in OECD countries and the fall-out on corporate profit forecasts for this year and the following years. European and US share price indices were badly affected by the unfavourable market situation: in 2008: the DAX dropped by 40.4%, CAC by 42.8% and FTSE lost 31.3%. The DJ Industrial Average index was just better at the end of the year with 29.8% while S&P500 recorded a 38.5% fall. The Far East markets also suffered steep declines in 2008: the Nikkei 225 was 42.1% down and the share price drops were particularly striking in China, with a 65.4% reduction in the SSE Composite index. In this extremely unfavourable scenario, the Italian stock market performed worse than the main European indices, also owing to the large share of the Italian index held by the financial sector. MIBTEL slumped by 48.7% in 2008. Specifically, the S&P MIB index, which includes the leading 40 stocks on the domestic market, recorded a fall of 49.5% during the year while the reduction in value of the medium-caps, as distinct from the blue chips, was greater: Midex recorded a fall of 52.4% while the All STARS index did not do so badly, recording 40.5%. At the end of December, trading of Italian stock was almost 35% down in terms of value with respect to the same period in 2007, with an average daily volume of Euro 4,067.7 million.

The emerging markets

During 2008, as the economic and financial crisis in the mature economies worsened, growth in international trade slowed down and the prices of raw materials came down from the peaks that they had climbed to by the middle of the year, the state of the economic cycle in the emerging economies deteriorated significantly, especially in the second quarter as compared with the first, when GDP growth rates were still steady and the monetary policy authorities in various countries expressed their concern about the risks attached to an overheating of the economy.

The market prices of the main financial assets went down substantially owing to the prospects of lower business profits, greater financial vulnerability on the part of countries more dependent than others on capital flows from abroad and increased risk aversion on the part of investors. Share prices fell significantly on all the main stock exchanges, default risk indicators rose, reaching particularly high levels in some areas, and a number of currencies entered a phase of noticeable depreciation.

In this scene, the leading rating agencies reviewed country risk measurements downwards. Lower ratings and variations in outlook above all involved countries with higher financial exposure abroad and balance of payments equilibriums that are particularly sensitive to raw material price trends. In Central and Eastern Europe, the countries affected, among others, were the Baltic States, Romania, Bulgaria, Hungary, Russia and Ukraine. In Latin America the rating reviews regarded countries with a lower risk level, such as Chile and Mexico, as well as Argentina and Venezuela.

To enter into the trend of the cycle and market evolution in greater detail, the forecast is that the final emerging economies' growth rate will be lower in 2008 than in the previous year. In its November Report, the IMF predicted a rise in GDP of 6.6%, a drop not only with respect to the 8% recorded in 2007 but also with respect to the estimates for the current year issued in the spring. Considering the significant deterioration in the state of the economic cycle that took place in the last part of the year, the final figure might be even lower than the latest forecast.

The emerging countries of Asia and the Middle Eastern group should have maintained, overall, a more sustained growth performance, thanks to the position of strength of the former in manufacturing and of the latter in energy, both driven by the pressure from global growth and international trade. For the European countries in a phase of transition and for Latin American countries, on the other hand, GDP figures are expected to be more modest. In Europe, countries in a more backward position in the process of economic convergence, like Albania, Bosnia, Serbia and Romania, should have performed best. The overall growth rate in EU countries is estimated to be lower.

The OITP/dollar index appreciated against the currencies of the United States' main emerging country trade partners on the financial markets, after five years of continuous depreciation, gaining almost 9%. This movement within a phase of generalised recovery of the dollar was accentuated by the drastic reduction in investor risk propensity with the closure of speculative accounts previously opened in a number of high-yield emerging currencies. Some currencies were especially badly hit: in Asia (the Korean won, the Indian rupee), in Latin America (the Brazilian real, the Mexican peso) and in Eastern Europe (the Ukrainian hryvnia and the Russian rouble), some currencies went down by 30% or more against the dollar.

The Central and Eastern European currencies generally lost value against the euro, especially the Romanian lei, the Serbian dinar, the Hungarian florin and the Polish zloty. The Slovak crown, which set its parity rate for entering the eurozone in January 2009, saw its rate appreciate by more than 10%.

At the same time, on the financial markets the JPM EMBI+ spread widened by 450 basis points during the year, returning to 2002 levels (700 points). The spread exceeded 3,000 points for Argentina, Ukraine and Venezuela, implicitly incorporating a high risk level. The MSCI emerging markets share index lost more than 50% of its value, two-thirds of this loss accruing in the second part of the year. The greatest losses were observed on markets that had previously recorded the best performances, in Asia (China -65%, India -52%), Eastern Europe (Russia -72%) and in Latin America (Brazil -41%). Most of the equity markets in the Central and Eastern European countries also recorded losses of more than 50% in 2008, with peaks higher than 70% in Romania and Bulgaria. The most moderate loss was in Slovakia (-10%.)

The IMF intervened at the end of the year to ensure that any liquidity requirements that arose were covered and to re-establish a feeling of confidence among market operators by means of standby arrangements in favour of Ukraine, Latvia and Hungary, providing funds and binding these countries to the pursuit of appropriate programmes to stabilise the macroeconomic and financial framework.

As the financial and banking crisis gathered pace in the mature economies, the main research institutes and the leading international observers repeatedly reviewed their estimates for emerging countries' growth in 2009 downwards.

The weakness of international trade, the fall in the prices of raw materials, the decrease in real and financial wealth associated with the lowering of the values of real and financial assets and the greater difficulty in access to international capital markets may lead to a further significant deceleration in GDP growth in all emerging areas during the year. According to the latest estimates from the leading international observers, GDP could move around zero in most of these areas - except Asia, which, as a whole, could retain a growth rate that is positive, even if limited - with particularly pronounced troughs in some emerging countries.

The Asian economies, sustained by a more solid foreign financial position, owing to the gain from the terms of trade that derives firstly from the fall in the prices of raw materials and secondly from stronger domestic demand, should hold out better. GDP growth in this area might exceed 5%. This group, however, is very exposed to the situation in the advanced countries owing to its exports, and might grow less if the economic and financial crisis that the latter are experiencing takes another turn for the worse. In this area, the most recent economic cycle indicators point to risks of sharp deceleration in China, India and the Asean-5 countries and of a recession in Hong Kong, Taiwan and Singapore.

In the Latin American and MENA countries, which depend on the raw materials cycle, the prospects appear, overall, to be substantial stagnation. In some cases, like Mexico, a recession is expected owing to the close commercial link with North America. Mexico, Chile and Brazil in Latin America, are in any event better equipped to deal with the consequences of the global financial crisis owing to the considerable currency reserves they accumulated during the high price oil cycle.

Conditions vary among the CIS and CEE/SEE group countries, but their situation is more critical on the whole. Russia's position seems to be particularly vulnerable if oil prices stay as they are or lower, because this could cause a deficit in the State budget and current account balance and bring growth down under zero. The combination of a political and an economic/financial crisis severely affects Ukraine's growth prospects as those of Hungary in the expectation of a recession during the year. Ukraine, the Baltic States, Hungary and the Balkan countries are particularly affected by the vulnerability of their current account to foreign loans.

Italian banking developments

Interest rates

In the first ten months of 2008, the level of bank interest rates gradually rose, incorporating the restrictive monetary base manoeuvre carried out by the ECB in July, but, above all, driven by the exacerbation of the international financial crisis, which pushed money market yields up to record levels.

From October onwards the cycle of refinancing rate cuts whose aim was to sustain economic growth, and the consequent lowering of market rates, turned into a significant fall in bank interest rates.

Overall interest rates on loans to households and non-financial companies, after peaking in October, closed 2008 at 6.04%, 14 basis points lower than at the end of 2007. The cost of loans for up to one year went down to 6.56%, while the cost for longer periods was 5.87%.

As for sector trends, the figures updated to the end of November 2008 (and therefore not including the substantial fall in December) indicate an average rate of 6.28% on corporate loans and 6.68% on loans to households. Mortgage interest rates were 5.90% at that time, after reaching their highest point in the year, 5.97%, in October.

At the end of the year the average borrowing rate was 3.00% (3 cents more than at the corresponding time in 2007) after reaching a maximum of 3.41% during the year, compared with 2.97% at the end of 2007. The costs to banks were particularly affected by the evolution of bond yields, which suffered from the crisis of confidence in the banking sector. At the end of 2008 interest on bonds was 4.50% compared with 4.28% at the beginning and after reaching a peak of 4.82%. The trend in interest rates on customer deposits (including repos) was much more modest, closing the year with a rate of 2.01%, five cents lower than at the end of 2007.

As a result of these trends, the average annual spread between lending and borrowing rates stood at 3.12% (4 cents lower than the average for 2007), but collapsed in December to 3.04%, representing a 17-cent drop in the year. As regards unit margins from intermediation, the short-term mark-up[1] rose from 2.03 to 3.57 points, reflecting the higher risk premium required by banks in a phase of economic recession. At the same time, the contribution margin of current accounts (mark-down[2]) dropped from 3.06 points at the beginning of the year to 1.38 points at year-end. Consequently short-term spread rose to 4.95 points, losing 14 basis points compared with the figure twelve months before.

Lending

The trend of Italian bank lending remained brisk during the first part of the year and then gradually slackened, suffering the combined effect of the deteriorating economic situation, which pegged back demand for loans, and the prudential approach to granting funds taken by the banks. As far as this is concerned, economic surveys conducted at the end of the year[3] point to a further tightening of the conditions for obtaining credit compared with the third quarter, especially emerging from firms that asked for new credit facilities or an increase in an existing facility.

The average increase in loans (including doubtful loans and repurchase agreements) on the Italian market was 7.7% during the period from January to November, as against 9.7% in the eurozone as a whole. The lower figure is also due to

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[1] The difference between the rate applied on household and corporate loans with maturity under one year and 1-month Euribor.

[2] The difference between 1-month Euribor and the rate on household and company current accounts.

[3] Bank of Italy and *Il Sole 24Ore*, survey on inflation and growth expectations in industry and services, December 2008, ISAE Italian Institute of Economic Studies and Analysis monthly survey for December.

the intense activity in securitising assets that Italian banks engaged in during the year, which is not included in the statistics: by far the greatest part of this involved retained RMBS (Residential Mortgage-Backed Security) transactions in order to obtain securities to be used as collateral for Eurosystem refinancing[4] .

In 2008, average volumes of performing customer loans of Italian banks grew by an estimated 7.7%, about 3% less than the figure the year before. The biggest contribution to lending activity again came from the medium- and long-term area, which grew at an average of 8.4%, although short-term lending also increased quite briskly at an average rate of 6.4%, as against 8.4% in 2007.

Even if it was slowing, the trend of lending benefited from strong demand from businesses, counter-balanced, especially in the second part of the year, by weak demand for funds from households, which suffered from the leap in the cost of money and the collapse of the climate of confidence owing to the weakening of their spending power and poor expectations regarding jobs. This depressed climate took on the form of lower consumption (-0.4% on an annual basis in the first three quarters) and greater propensity to save as a precautionary measure.

In fuller detail, the slowdown in the growth of household lending that had already appeared in 2007 gradually intensified and went down to -0.7% in November[5]. The main factors in this result were home loans, which were down by -2.2% in November, with better performance, although definitely slackening, by consumer credit and other forms of loans, which rose by 2.2% and 1.0% respectively.

The slow growth in lending stabilised the level of household debt, which stayed at 49% of disposable income in the third quarter too, a percentage that is about half the eurozone figure and about one-third of the figure for the United States and the United Kingdom. Debt servicing costs, however, continued to rise, reaching 8.3% of disposable income[6] in September, 0.7% more than the corresponding figure for 2007.

As regards supply, in the last Bank Lending Survey (BLS) conducted by Eurosistema in October 2008, Italian banks stated that they were more careful than in the past, especially in granting home loans, but did not report any particularly restrictive line towards lending to households in the third quarter. The precautionary measures adopted mainly involved increasing margins on loans to the riskier customers and, to a lesser extent, asking for greater security for similar loan amounts and reducing the loan-to-value ratio.

Lending to businesses remained stable on the average in 2008, only slowing down in the second part of the year. In spite of this slowdown, the level of corporate indebtedness went on rising: at the end of September 2008, according to the Bank of Italy, the ratio of corporate debt to GDP was 75.3%, up from the 69.7% of twelve months previously.

In detail, the development rate of the lending to non-financial companies was 11.1% on an annual basis (12.7% in 2007). In November in particular, there was a secular rise of 3.5% for loans of up to one year, 2.1% for those from 1 to 5 years and 10.7% for those of over 5 years.

In the production sectors, in October loans to the manufacturing industry were 4.9% up on an annual basis, to services firms 7.7% and to construction companies 8.0%. Lending slowed down significantly in all sectors compared with the first half-year.

As regards the use to which the loans requested by Italian businesses were put, during the past year there was an increasing tendency to reschedule past debts, while the demand for funds for investment, stocks, working capital and M&A transactions gradually slackened[7]. On this point, the most recent Nomisma/CRIF note on financing for small economic operators shows a clear decline in the propensity to invest; the proportion of small economic operators that made investments in 2008 went down to the lowest figure since 2002, the year in which this observatory began, 28.7%, and a further slight fall to 27.6% is expected in 2009.

As regards supply, during 2008 the Italian banks made the terms for granting finance more stringent, mainly owing to a more acute perception of risk connected with the effects of the economic recession.

This emerges from various surveys of the economic situation. Among the more recent, the ISAE study of the manufacturing sector in September showed that 43% of the companies in this area of business reported less favourable terms for getting bank loans; the study, however, points out that in most cases these views are only based on personal convictions, since only 46% of the enterprises stated that they had had recent contacts with banks. The quarterly Bank of Italy-*Il Sole 24 Ore* survey on expectations of inflation and growth in industry and services, conducted in the same month, reported increasing difficulties for companies in obtaining new finance.

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[4] The Bank of Italy estimates that if the November data are adjusted to take the effect of the securitisations into account, the rise in lending would be 8.7%, more or less in line with the increase in the rest of Europe.

[5] This figure is under-estimated by about 2% because it does not include the home loans securitised during the year.

[6] Bank of Italy Economic Bulletin no. 55 of January 2009

[7] Bank of Italy Bank Lending Survey 2008 editions

Greater caution in granting credit is confirmed by the banks themselves. In the BLS study we have mentioned, the net percentage of Italian banks that stated that they had tightened the conditions they imposed on businesses was 75% in the third quarter, compared with 37.5% in the previous quarter[8]. The prudential approach is essentially due to the deterioration of the economic scenario, while the high cost of raising funds or account constraints, the consequences of the financial crisis, seem, up to now, to have played a secondary role in tightening terms for loans.

The developments in lending we have described were accompanied by risk indicators that remained at very moderate levels, with a ratio between gross non-performing loans and gross loans that went down to 2.8% in October. It should, however, be stressed that this figure does not give a real indication of the state of credit risk, owing to the effect of the assignment of doubtful loan transactions. In its last economic bulletin, the Bank of Italy reported a deterioration in the quality of corporate loans, with flows of new doubtful loans on the increase in the third quarter. This worsening was more pronounced for construction companies and, geographically, in Southern Italy.

Direct and indirect borrowing

In 2008 bank funds from domestic sources, according to the harmonised definition[9], increased strongly, allowing Italian banks to mitigate the consequences of the difficulties in raising funds on the inter-bank and capital markets. The average growth rate of total deposits for the whole of 2008 is estimated as 11.5%[10], compared with 8.3% in 2007.

The generally constant increase in the instruments that make up total deposits contributed to this acceleration. It should be stressed however that a considerable part of bank financing was based on bond issues, whose volume rose to more than 40% of total borrowing in November 2008, compared with 37.9% 12 months before. There was also a strong acceleration in current account volumes in the last months of the year, which was due to an increase in savings for precautionary reasons, which was in its turn justified by the combined effect of the fall in household purchasing power and the negative performances of the financial and property markets.

In the most recent survey in November total borrowing rose by 14.7%[11]. Current accounts leapt by 9.3%, a variation to be compared with the average for the previous ten months, 4.4%. At the same time bonds set a new record with 21.6% on an annual basis. The very steady rise in term deposits and repos also continued owing to the attractive yields: deposits repayable on notice and fixed term deposits (many on-line accounts fall under this category) went up respectively by 6.9% and 32.0%, while repos increased by 15.2%, slightly slowing down.

Compared with the steady increase in funding, indirect borrowing (third party securities under management and management at nominal value net of bank bonds and deposit certificates) carried on with the pause for reflection that began towards the end of 2007, showing that savers were averse to long-term instruments. In the first ten months of the year, total indirect borrowing recorded during the period a secular average change of -2.8%, but in the second part of the year the decrease became more considerable (-5.0% in October). This decline was mainly due to the very bad performance of the managed sector (individual management and funds), whose market value was 33.3% lower on an annual basis in October.

The Tuscan economy

Towards the end of 2007 the brief cycle of expansion of the Tuscan economy that had started at the end of 2005 came to an end. There was a gradual deterioration in all the indicators (exports, industrial production, retail sales, crafts turnover) except for employment, which rose significantly in the first three quarters of 2008, at a higher rate than in other Italian regions.

Performance on the international markets was the most alarming factor, as the results obtained were noticeably worse than Italy as a whole: Tuscan sales of goods abroad went down by -3% in the first three quarters of 2008 compared with an increase for Italy overall of 5% in nominal terms. Apart from the result in itself the trends in the various sectors are causes of concern: exports fell in all branches, with the sole exceptions of the agrofood industry and some metal engineering sectors. The problems of the fashion industry were confirmed in particular, but in general the setback was

[8] Difference between the percentage of affirmative and negative answers to the question of the adoption of restrictive measures.

[9] Sum of current account deposits (demand current accounts and bank drafts), deposits repayable on notice (demand savings deposits), fixed term deposits (fixed term current and deposit accounts, deposit certificates), repos and bonds (including subordinate loans). All the technical forms, except for bonds, refer to customers resident in Italy, excluding the central government, in euro and other currencies. The amount for bonds is the total value of debt instruments, regardless of the holder's residence or the sector to which he belongs.

[10] The growth rate of total deposits is calculated estimating the effect of the incorporation in the historical series of deposits repayable on notice in postal savings books held at the Bank of Deposits and Loans from October 2007 that the Bank of Italy counted among the MFIs that were reported.

[11] Variation calculated on raw data.

experienced by all the most traditional sectors in the region, in which the substantial reduction in sales emphasises the loss of competitiveness of some of our main products.

The fall in exports is certainly the most worrying element, on one hand because it comes after two years of a recovery that had created the illusion of a reacquired vivacity on the part of Tuscan enterprises on international markets after years of difficulty and on the other hand because Tuscany, after Marche, is the region in Central Northern Italy that performed worse in the first nine months of the year, and this cannot be entirely attributed to the present global financial crisis.

Since falling consumption (-0.3%) and investment (-1.3%) characterise the Tuscan economy as that of the rest of the country, the negative trends in the international markets (-2.2%) caused the very bad results in 2008: according to estimates, regional GDP should shrink by about -0.8% in 2008, which is even decidedly worse than most other Italian regions.

As regards sectors, industry in the strict sense of the term was worst affected, with product added value that, it is estimated, will go down as far as -3.5%, joined by the difficulties of the construction industry (0.7%), which is now, in Tuscany too, feeling the effects of the bursting of the property bubble and the ensuing decrease in building. But the fall in consumption, in addition to that in industrial production, also affected services, whose product added value went down in the commercial, hotel, restaurant and transport sectors (-0.3%) and although to a lesser extent, in banking, real estate and professional services (-0.1%). Other services activities (above all including public services) rose, even if very weakly (+0.1%), while agriculture seemed to have done better (+1.7%), driven by a good performance by exports and because the food sector held out better.

As regards banking in particular, lending to businesses remained stable, even if the demand for investment in production and real estate was lower. Demand for loans on the part of the households also shrank: fewer home loans were given owing to the rise in interest rates in the first part of the year, and there was a greater proportion than in the past of replacement loans. Bank deposits went up because there continued to be great propensity for liquidity.

The economy of the other regions

During 2008 the Umbrian economy showed signs of weakening of both domestic and foreign demand. In manufacturing, the deterioration in the economic situation mostly affected medium-sized and mechanical sector firms, which had made most progress in previous years; growth only seemed to continue beyond expectation in the fabrics and clothing sectors. As regards banking, finance granted to residents decreased, above all for home loans. There was also a further accentuation of the tendency for Umbrian savers to prefer fixed yield and low risk investments.

The Lazio economy slowed down during the year. Orders for the region’s industries fell and the rate of plant utilisation went down. Against a background of extreme uncertainty regarding the Italian and international economic situation, the region’s businesses accumulated less fixed capital while in the first part of the year exports in the main specialisation sectors went up, particularly chemicals and pharmaceuticals. Employment in services rose. Bank loans were in slight expansion as regards businesses and public authorities, while they decreased for households owing to fewer new home loans. The rate of increase in bank deposits slowed down while the volume of securities held for households increased.

Economic activity in Marche was weaker too: the faint signs of recovery that appeared at the beginning of the year were followed by a phase of rapid fall in demand which continued into the third quarter. Industrial production stagnated; the difficulties already existing in the fashion sector also spread to mechanical firms, influenced by the brusque drop in household appliance sales. The lower demand for homes led to a reduction in building and property sales. The increase in bank loans slackened, as regards both businesses and households. The increase in bank deposits was stimulated by a lower propensity for property investments; outflows of cash withdrawn from asset management plans and mutual funds also contributed to the rise.

Report on operations

Operations

Consolidated Financial Statements

Income statement data/alternative performance measures (millions of euro)	*31/12/2008*	*31/12/2007 (*)*	*Changes absolute*	*Changes %*
Net interests	717	677	40	5.9%
Dividends and gains (losses) from equity investments valuated under the equity method	33	36	-3	-8.3%
Net commissions	287	277	10	3.6%
Result from trading	14	39	-25	-64.1%
Result from insurance activities	21	52	-31	-59.6%
Other operating income (expenses)	40	34	6	17.6%
NET OPERATING INCOME	***1,112***	***1,115***	***-3***	***-0.3%***
Staff costs	-388	-405	17	-4.2%
Other administrative expenses	-240	-228	-12	5.3%
Value adjustments to property, plant and equipment and intangible assets	-40	-43	3	-7.0%
OPERATING COSTS	***-668***	***-676***	***8***	***-1.2%***
OPERATING RESULT	***444***	***439***	***5***	***1.1%***
Impairment on goodwill	-9	0	-9	*n.s.*
Provision for risks and charges - net	-9	-13	4	-30.8%
Value adjustments/write-backs for worsening of loans	-184	-118	-66	55.9%
Value adjustments/write-backs for worsening of other assets	-15	0	-15	n.s.
Gains (Losses) from financial assets held to maturity and other investments	2	19	-17	-89.5%
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***229***	***327***	***-98***	***-30.0%***
Income taxes for the year on current operations	-89	-147	58	-39.5%
Gains (Losses) associated with groups of assets being disposed (net of tax)	19	26	-7	-26.9%
Integration-related costs (net of tax)	-62	0	-62	n.s.
Minority interest net profit/(loss)	-18	-39	21	-53.8%
NET PROFIT	***79***	***167***	***-88***	***-52.7%***
Shareholders' equity (**)	1,357	1,703	-346	-20.3%
Earnings ratios (%)				
Cost/income	60.1	60.6	-0.5	-0.8%
Roe	5.3	10.7	-5.4	-50.2%
Adjusted ROE (***)	9.8	8.5	1.3	15.3%

Operating data (millions of euro)	*31/12/2008*	*31/12/2007*	*Changes absolute*	*Changes %*
Customer loans (**)	28,104	20,385	7,719	37.9%
Direct borrowing (**)	24,704	18,516	6,188	33.4%
Indirect borrowing (**)	21,931	21,849	82	0.4%

(*) In order to allow a consistent comparison to be made, the income data for 2007 have been restated to reflect the following transactions: excluding the positive effects created by the "reversal" to the income statement of provisions which were made in previous periods and which have become redundant as a result of the new legislation regarding TFR (Staff Termination Pay) which came into force from 1 January 2007 (by an amount equal to around Euro 25 million); backdating to 1 January 2007 the consolidation of the companies owned by the former Gruppo Centro Leasing, which took place with effect from 1 July 2007.

(**) Includes the consolidation of Casse del Centro S.p.A.

(***) Calculated by excluding from the result in the period the following non-recurring items: integration-related costs, tax redemption of goodwill for the merged company CR Mirandola, capital losses and impairment on shares because of the recent turbulence on the financial markets, write-down of the equity investment in Banca CR Firenze Romania, accounting for the bonus system according to the principles adopted by the Intesa Sanpaolo Group and result from trading (which has suffered badly from the adverse performance of the financial markets).

The 2008 financial year closed with net profit of 79 million euro, a reduction of 88 million euro (-52.7%) compared to the previous financial year.
Compared to the same period of the previous financial year:

- **net operating income** decreased by 0.3%, falling from 1,115 to 1,112 million euro; in particular:
  - "net interests" increased by 5.9%, rising from 677 to 717 million euro, and represented 64% of the net operating income;
  - the item "dividends and gains (losses) from equity investments valuated under the equity method" recorded a reduced contribution to the net consolidated profit (-3 million euro, which can be ascribed substantially to the reduction in profit recorded by Findomestic, a company which is consolidated under the equity method);
  - the "net commissions" showed growth of 3.6%, mainly due to the effect of recognising the commission income received for the placement of bonds issued by the Intesa Sanpaolo Group in the period (24 million euro);
  - the "result from trading" recorded a decrease of 64.1%, as a result of the turbulence on the financial markets in the latter part of the year;
  - the "result from insurance activities" dropped by 59.6%, mainly because of the capital losses recorded on financial instruments (Held for Trading) owned by the subsidiary Centrovita Assicurazioni;
- **operating costs** showed a decrease of 1.2% (from 676 to 668 million euro) and they include, in particular, a reduction of 4.2% in "staff costs" and an increase of 5.3% in the other administrative expenses; the **cost-income** ratio fell from 60.6% to 60.1%, benefiting from the reduction in the above-mentioned operating costs;
- the **operating result** therefore increased from 439 million euro to 444 million euro, an increase of 1.1%;
- **provisions for risks and charges - net** fell from 13 million euro to 9 million euro (-30.8%), benefiting from the lower necessity compared to the previous financial year;
- **value adjustments/write-backs for worsening of loans** amounted to 184 million euro and increased by 66 million euro (+55.9%) as a result of the worsening economic situation which has entailed a greater expected and current risk in the loans category;
- **value adjustments/write-backs for worsening of other assets** referred almost entirely to the capital losses on AFS securities, recorded as a result of the recent turbulence on the financial markets;
- **gains from current operations, including taxes**, resulting from the above-mentioned performances, therefore recorded a reduction of 30%;
- **integration-related costs** (62 million euro) referred to the staff costs resulting from the incentive-driven exit plans, from the setting up of the redundancy fund and other integration-related costs;
- the greater reduction in **taxes** (-39.5%), arising from the lower tax rates applied in 2008 and the impact of the tax redemption of goodwill with regard to the acquired company CR Mirandola, means that the **net profit**, also because of the effect of lower minority interests, showed a more contained reduction compared to the gains from current operations, including taxes (-88 million against -98 million);
- the **ROE** decreased by 5.4 percentage points, due to the effect of the lower net profit recorded in the period.

However, if the impacts of the main non-recurring and extraordinary events which occurred in the period were excluded, as summarized in the following table, the net profit in the period under consideration would rise to 141 million euro and would show (compared to the 2007 net profit of 131 million euro, also normalised to exclude the impacts of non-recurring items) an increase of around 8%.

(millions of euro)

	31 December 2008	31 December 2007	Changes absolute	Changes %
NET PROFIT	79	167	-88	-53%
Non-recurring components (net of tax):				
+ Integration-related costs	62			
- CR Mirandola tax redemption of goodwill	-12			
+/- Impact of first consolidation relating to former Centro Leasing Group (PPA) companies	2	-9		
+ Impact of financial market crisis (*)	8	-27		
+ Bonus system accounting alignment in compliance with the "accruals concept"	2			
NORMALISED NET PROFIT	141	131	10	+8%

(*) Includes: the write-down of the investment in Banca CR Firenze Romania (+9 million euro), the impairment of the shares classified in the portfolio as "available for sale" (+8 million euro) and the result from trading (-9 million euro in 2008 and -27 million euro in 2007).

The ROE too, calculated by normalising the net profit from the 2008 and 2007 financial years to exclude the effects of the non-recurring entries detailed above, would show a significant increase (from 8.4% to 9.8%).

With regard to the main **operating data**, the following should be noted:

- **customer loans** increased by 37.9% as they also included the loans of the Casse del Centro, which were consolidated as of 31 December 2008 (5.9 billion euro); using the same consolidation area as in 2007, the item under consideration would however still show growth of 8.7%;
- **direct borrowing** increased by 33.4%, as the balances from the Casse del Centro were incorporated as of 31 December 2008 (6.5 billion euro); using the same consolidation area as in 2007, the item would decrease by 1.4%;
- **indirect borrowing** increased by 0.4% but, if the balances were excluded that refer to the Casse del Centro, consolidated as of 31 December 2008 (4.3 billion euro), it would show a reduction of 19.3%, reflecting the impact on stocks and decrease in value due to the tensions on the financial markets; however, it should be noted that during the current financial year a considerable deposit of securities of a primary insurance company (of around 3.5 billion euro) was transferred to another company in the Intesa Sanpaolo Group and that if this transaction had not taken place the reduction would only be 4%.

Banca CR Firenze S.p.A.

Income statement data/alternative performance measures (millions of euro)	*31/12/2008*	*31/12/2007 (*)*	*Changes*	
			absolute	*%*
Net interests	410	385	25	6.5%
Dividends and gains (losses) from equity investments valuated under the equity method	92	76	16	21.1%
Net commissions	204	203	1	0.5%
Result from trading	12	29	-17	-58.6%
Other operating income (expenses)	-4	2	-6	n.s.
NET OPERATING INCOME	***714***	***695***	***19***	***2.7%***
Staff costs	-240	-245	5	-2.0%
Other administrative expenses	-139	-143	4	-2.8%
Value adjustments to property, plant and equipment and intangible assets	-24	-26	2	-7.7%
OPERATING COSTS	***-403***	***-414***	***11***	***-2.7%***
OPERATING RESULT	***311***	***281***	***30***	***10.7%***
Provision for risks and charges - net	-1	-6	5	-83.3%
Value adjustments/write-backs for worsening of loans	-110	-65	-45	69.2%
Value adjustments/write-backs for worsening of other assets	-15	0	-15	n.s.
Gains (Losses) from financial assets held to maturity and other investments	-10	2	-12	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***175***	***212***	***-37***	***-17.5%***
Income taxes for the year on current operations	-38	-74	36	-48.6%
Gains (Losses) associated with groups of assets being disposed (net of tax)	3	0	3	n.s.
Integration-related costs (net of tax)	-46	0	-46	n.s.
NET PROFIT	***94***	***138***	***-44***	***-31.9%***
Earnings ratios (%)				
Cost/income	56.4	59.6	-3.2	-5.4%
Roe	7.3	9.8	-2.5	-25.7%
Adjusted ROE (**)	11.1			

Operating data (millions of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Customer loans	12,073	10,996	1,077	9.8%
Direct borrowing from customers	12,838	12,652	186	1.5%
Indirect borrowing	13,270	17,163	-3,893	-22.7%
Shareholders' equity	1,237	1,531	-294	-19.2%

(*) In order to allow a consistent comparison to be made, the income data for 2007 have been restated to exclude the positive effects created by the reversal to the income statement of provisions which were made in previous periods and which have become redundant as a result of the new legislation regarding TFR (Staff Termination Pay) which came into force from 1 January 2007 (by an amount equal to around 16 million euro);

(**) Calculated by excluding from the result in the period the following non-recurring items: integration-related costs, tax redemption of goodwill for the acquisition of CR Mirandola, impairment on Banca CR Firenze Romania S.A., capital losses and impairment on shares because of the recent turbulence on the financial markets, accounting for the bonus system according to the principles adopted by the Intesa Sanpaolo Group, result from trading (which has suffered badly from the adverse performance of the financial markets).

The income statement as at 31 December 2008 showed net profit of 94 million euro, a reduction of 31.9% compared to the same period in 2007, despite the rise in net operating income (+2.7%) and the reduction in operating costs (-2.7%). Value adjustments/write-backs for worsening of loans were however higher by 45 million and integration-related costs by 46 million.

More specifically, compared to the same period of the previous financial year:

- **net operating income**, as mentioned, increased by 2.7%, rising from 695 to 714 million euro; this included:
    - around 57% from **net interests**, which increased by 6.5% (+25 million euro against December 2007);

- around 29% from **net commissions**, which increased by 0.5% (+1 million euro against December 2007);
- around 13% from **dividends and gains (losses) from equity investments valuated under the equity method**, which increased by 21.1% (+16 million euro compared to December 2008) and which also included the extraordinary dividend of around 5 million euro paid out in December 2008 by CRF Gestion Internationale;

- **operating costs** reduced by 2.7% from 414 to 403 million euro and the **cost/income** ratio improved, falling from 59.6% to 56.4%; these costs included:
  - around 60% from **staff costs** which decreased by around 5 million euro (-2%);
  - around 34% from **other administrative expenses** which decreased by 2.8% (-4 million euro);
- **value adjustments/write-backs for worsening of loans** amounted to 110 million euro and they increased by 45 million euro (+69.2%) as a result of the worsening economic situation and therefore increased risk in the loans category;
- **integration-related costs** referred predominantly to staff costs as a consequence of the incentive-driven exit plan (19 million euro) and setting up the redundancy Fund (19 million euro), while the remainder referred to other administrative expenses (23 million euro) and value adjustments (2 million euro); these effects are reported in the aforementioned costs net of the respective tax impact;
- **taxes** in the period were impacted by the changes which came in with the new tax rules as well as by the positive effect on the tax burden created by the tax redemption of the CR Mirandola merger deficit after payment of a substitute tax.

As a consequence of the above-mentioned performances, net profit recorded a decrease of around 32%; *however, if the impacts of the main non-recurring and extraordinary items (see the “The results of Banca CR Firenze” section within the Report on operations of the individual financial statements for a description of these) were excluded from the 2008 and 2007 income statements, the net profit in the period would be 143 million euro, showing an increase of around 21% against the 2007 net profit (equal to 118 million euro).*

With regard to the main **operating data**, the following should be noted:

- **customer loans** increased by 9.8%, benefiting from the positive evolution in both the medium-/long-term and short-term categories;
- **direct borrowing** increased by 1.5%;
- **indirect borrowing** showed a fall of 22.7%. This incorporates the reduction in managed savings (in terms of both stock and decrease in value) caused by the negative performance of the markets, as well as the effects of transferring a considerable deposit of securities of a primary insurance company (to the value of around 3.5 billion euro) to another company in the Intesa Sanpaolo Group, excluding which the item under consideration would show growth of 17%;
- **shareholders’ equity** decreased as it included the recording, with the effect of reducing the item, of the higher amount paid for the acquisition of the controlling share of Casse del Centre by the Parent Company, as compared to the relative book value in the financial statements of the Parent Company, in compliance with the provisions of the accounting principles for business combinations *under common control* and the increase in the negative AFS reserves.

Cassa di Risparmio di Pistoia e Pescia S.p.A.

Income statement data/alternative performance measures (thousands of euro)	31/12/2008	31/12/2007 (*)	Changes absolute	Changes %
Net interests	92,391	86,508	5,883	6.8%
Dividends and gains (losses) from equity investments valuated under the equity method	3,403	3,108	295	9.5%
Net commissions	34,199	34,642	-443	-1.3%
Result from trading	-56	1,738	-1,794	n.s.
Other operating income (expenses)	-1,461	-710	-751	n.s.
NET OPERATING INCOME	***128,476***	***125,286***	***3,190***	***2.5%***
Staff costs	-40,951	-43,509	2,558	-5.9%
Other administrative expenses	-28,888	-27,039	-1,849	6.8%
Value adjustments to property, plant and equipment and intangible assets	-4,181	-4,340	159	-3.7%
OPERATING COSTS	***-74,020***	***-74,888***	***868***	***-1.2%***
OPERATING RESULT	***54,456***	***50,398***	***4,058***	***8.1%***
Provision for risks and charges - net	-992	-638	-354	55.5%
Value adjustments/write-backs for worsening of loans	-11,480	-5,648	-5,832	n.s.
Gains (Losses) from financial assets held to maturity and other investments	-9	-2	-7	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***41,975***	***44,110***	***-2,135***	***-4.8%***
Income taxes for the year on current operations	-15,345	-18,554	3,209	-17.3%
Integration-related costs (net of tax)	-7,244	0	-7,244	n.s.
NET PROFIT	***19,386***	***25,556***	***-6,170***	***-24.1%***
Cost/income	57.6	59.1	-1.5	-2.5%
Roe	7.8	10.6	-2.8	-26.3%
Adjusted ROE (**)	12.8			

Operating data (thousands of euro)	31/12/2008	31/12/2007	Changes absolute	Changes %
Customer loans	2,427,057	2,227,362	199,695	9.0%
Direct borrowing from customers	2,183,382	2,137,236	46,146	2.2%
Indirect borrowing	2,096,915	2,178,235	-81,320	-3.7%
Shareholders' equity	259,855	261,947	-2,092	-0.8%

(*) In order to allow a consistent comparison to be made, the income data for 2007 have been restated to exclude the positive effects created by the reversal to the income statement of provisions which were made in previous periods and which have become redundant as a result of the new legislation regarding TFR (Staff Termination Pay) which came into force from 1 January 2007.
(**) Calculated by excluding from the result in the period the integration-related costs.

The income statement as at 31 December 2008, which included the negative effect of costs related to the integration with the Intesa Sanpaolo Group and equalling 7 million euro after tax, showed net profit of 19 million euro, a reduction of 24.1% against the income earned in the previous financial year (equal to 26 million euro); excluding these costs from the 2008 net profit, there would be an increase of 4.2% against the previous financial year.
Compared to the same period of the previous financial year:

- **net operating income** increased by 2.5%, rising from 125 to 128 million euro; this included:
  - around 72% from **net interests**, which increased by 6.8% (+6 million euro against December 2007);
  - around 27% from **net commissions**, which remained essentially at the same levels as in December 2007 (-1.3%);
- **operating costs** were 74 million euro, showing a reduction of 1.2%, and, given also the growth in net operating income, the **cost/income** ratio improved, falling from 59.1% to 57.6%; these costs included:
  - around 55% from **staff costs**, which decreased by 5.9% (-2 million euro against December 2007);
  - around 39% from **other administrative expenses**, which increased by 6.8% (+2 million euro against 31 December 2007), essentially due to the increase in general expenses and expenses for IT services;

- **value adjustments/write-backs for worsening of loans** amounted to 11 million euro and increased by 6 million euro against 2007 as a result of the worsening of the economic situation and therefore increased risk in the loans category;
- **integration-related costs** referred predominantly to staff costs resulting from the incentive-driven exit plan and setting up the redundancy fund (a total of 8.5 million euro); the remainder referred to other administrative expenses (1.2 million euro)

Cassa di Risparmio della Spezia S.p.A.

Income statement data/alternative performance measures (thousands of euro)	*31/12/2008*	*31/12/2007 (*)*	*Changes*	
			absolute	*%*
Net interests	81,971	77,285	4,686	6.1%
Dividends and gains (losses) from equity investments valuated under the equity method	100	1,650	-1,550	-93.9%
Net commissions	31,816	31,938	-122	-0.4%
Result from trading	721	348	373	n.s.
Other operating income (expenses)	508	1,185	-677	-57.1%
NET OPERATING INCOME	***115,116***	***112,406***	***2,710***	***2.4%***
Staff costs	-36,253	-40,164	3,911	-9.7%
Other administrative expenses	-23,707	-23,106	-601	2.6%
Value adjustments to property, plant and equipment and intangible assets	-3,555	-3,139	-416	13.3%
OPERATING COSTS	***-63,515***	***-66,409***	***2,894***	***-4.4%***
OPERATING RESULT	***51,601***	***45,997***	***5,604***	***12.2%***
Provision for risks and charges - net	-631	-966	335	-34.7%
Value adjustments/write-backs for worsening of loans	-7,317	-6,838	-479	7.0%
Gains (Losses) from financial assets held to maturity and other investments	136	1	135	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***43,789***	***38,194***	***5,595***	***14.6%***
Income taxes for the year on current operations	-15,566	-17,218	1,652	-9.6%
Integration-related costs (net of tax)	-5,273	0	-5,273	n.s.
NET PROFIT	***22,950***	***20,976***	***1,974***	***9.4%***
Cost/income	55.2	59.1	-3.9	-6.6%
Roe	13.4	12.5	0.9	7.0%
Adjusted ROE (**)	16.5			

Operating data (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Customer loans	1,713,975	1,460,210	253,765	17.4%
Direct borrowing from customers	1,960,370	1,888,820	71,550	3.8%
Indirect borrowing	1,834,273	1,899,843	-65,570	-3.5%
Shareholders' equity	187,953	183,601	4,352	2.4%

(*) In order to allow a consistent comparison to be made, the income data for 2007 have been restated to exclude the positive effects created by the reversal to the income statement of provisions which were made in previous periods and which have become redundant as a result of the new legislation regarding TFR (Staff Termination Pay) which came into force from 1 January 2007.
(**) Calculated by excluding from the result in the period the integration-related costs.

The income statement as at 31 December 2008 showed net profit of 23 million euro, growth of 9.4% against the net profit earned in the corresponding period of the previous financial year (21 million euro); however, by excluding the costs related to the integration with the Intesa Sanpaolo Group (5 million euro after tax) from the 2008 net profit, there would be growth of 34.5% against the same period in the previous year.
Compared to the same period of the previous financial year:

- **net operating income** increased by 2.4%, rising from 112 to 115 million euro; this included:
  - around 71% from **net interests**, which rose by 6.1% (+5 million euro against December 2007);
  - around 28% from **net commissions**, which remained essentially at December 2007 levels;
- **operating costs** reduced by 4.4% and the **cost/income** ratio improved, falling from 59.1% to 55.2%; these costs included:
  - around 57% from **staff costs**, which decreased by 9.7% (-4 million euro against December 2007);
  - around 37% from **other administrative expenses**, which increased by 2.6% (+0.6 million euro against 31 December 2007);
- **integration-related costs** referred predominantly to staff costs resulting from the incentive-driven exit plan and setting up the redundancy fund (a total of 6 million euro); the remainder referred to other administrative expenses (1 million euro).

Cassa di Risparmio di Civitavecchia S.p.A.

Income statement data/alternative performance measures (thousands of euro)	31/12/2008	31/12/2007 (*)	Changes absolute	Changes %
Net interests	40,358	36,961	3,397	9.2%
Dividends and gains (losses) from equity investments valuated under the equity method	69	39	30	76.9%
Net commissions	12,009	11,277	732	6.5%
Result from trading	420	285	135	47.4%
Other operating income (expenses)	-233	-279	46	-16.5%
NET OPERATING INCOME	***52,623***	***48,283***	***4,340***	***9.0%***
Staff costs	-14,953	-14,781	-172	1.2%
Other administrative expenses	-10,801	-11,199	398	-3.6%
Value adjustments to property, plant and equipment and intangible assets	-1,938	-1,921	-17	0.9%
OPERATING COSTS	***-27,692***	***-27,901***	***209***	***-0.7%***
OPERATING RESULT	***24,931***	***20,382***	***4,549***	***22.3%***
Provision for risks and charges - net	-86	-562	476	-84.7%
Value adjustments/write-backs for worsening of loans	-3,279	-1,496	-1,783	119.1%
Gains (Losses) from financial assets held to maturity and other investments	0	1	-1	-100.0%
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***21,566***	***18,325***	***3,241***	***17.7%***
Income taxes for the year on current operations	-7,703	-7,591	-112	1.5%
Integration-related costs (net of tax)	-1,322	0	-1,322	n.s.
NET PROFIT	***12,541***	***10,734***	***1,807***	***16.8%***
Cost/income	52.6	57.7	-5.1	-8.8%
Roe	16.5	15.3	1.2	7.8%
Adjusted ROE (**)	18.2			

Operating data (thousands of euro)	31/12/2008	31/12/2007	Changes absolute	Changes %
Customer loans	860,961	733,048	127,913	17.4%
Direct borrowing from customers	799,574	774,821	24,753	3.2%
Indirect borrowing	435,462	400,249	35,213	8.8%
Shareholders' equity	85,974	81,950	4,024	4.9%

(*) In order to allow a consistent comparison to be made, the income data for 2007 have been restated to exclude the positive effects created by the reversal to the income statement of provisions which were made in previous periods and which have become redundant as a result of the new legislation regarding TFR (Staff Termination Pay) which came into force from 1 January 2007.
(**) Calculated by excluding from the result in the period the integration-related costs.

The income statement as at 31 December 2008 showed net profit of 12.5 million euro, growth of 15.2% against the income earned in the corresponding period of the previous financial year (11 million euro); however, excluding the negative effect of the costs related to the integration with the Intesa Sanpaolo Group, which impacted on the profit in the period by around 1 million euro, there would be growth of 27.4%.
Compared to the same period of the previous financial year:

- **net operating income** increased by 9%, rising from 48 to 53 million euro; this included:
  - around 76% from **net interests**, which increased by 9.2% (+3 million euro against December 2007);
  - around 23% from **net commissions**, which increased by 6.5% (+0.7 million euro against December 2007);
- **operating costs** remained basically stable at 28 million euro (-0.7%) and therefore, benefiting from the growth in operating income, the **cost/income** ratio improved, falling from 57.7% to 52.6%; these costs included:
  - around 54% from **staff costs**, which increased by 1.2% against December 2007;
  - around 39% from **other administrative expenses**, which decreased by 3.6% against the previous year;
- **value adjustments/write-backs for worsening of loans** amounted to 3 million euro, an increase of 2 million euro against 2007, as a result of the worsening of the economic situation and therefore increased risk in the loans category;
- **integration-related costs** referred predominantly to staff costs (1.3 million euro) resulting from the incentive-driven exit plan and setting up the redundancy fund (a total of 1 million euro); the remainder referred to other administrative expenses (0.4 million euro).

Cassa di Risparmio di Orvieto S.p.A.

Income statement data/alternative performance measures (thousands of euro)	*31/12/2008*	*31/12/2007 (*)*	*Changes*	
			absolute	*%*
Net interests	31,872	30,125	1,747	5.8%
Dividends and gains (losses) from equity investments valuated under the equity method	0	67	-67	-100.0%
Net commissions	8,976	9,359	-383	-4.1%
Result from trading	54	87	-33	-37.9%
Other operating income (expenses)	-449	-674	225	-33.4%
NET OPERATING INCOME	***40,453***	***38,964***	***1,489***	***3.8%***
Staff costs	-13,734	-13,027	-707	5.4%
Other administrative expenses	-10,119	-9,531	-588	6.2%
Value adjustments to property, plant and equipment and intangible assets	-1,782	-1,579	-203	12.9%
OPERATING COSTS	***-25,635***	***-24,137***	***-1,498***	***6.2%***
OPERATING RESULT	***14,818***	***14,827***	***-9***	***-0.1%***
Provision for risks and charges - net	20	486	-466	-95.9%
Value adjustments/write-backs for worsening of loans	-5,747	-5,168	-579	11.2%
Gains (Losses) from financial assets held to maturity and other investments	349	70	279	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***9,440***	***10,215***	***-775***	***-7.6%***
Income taxes for the year on current operations	-3,583	-4,972	1,389	-27.9%
NET PROFIT	***5,857***	***5,243***	***614***	***11.7%***
Cost/income	63.4	62.0	1.4	2.3%
Roe	12.6	11.7	0.9	8.1%

Operating data (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Customer loans	662,607	609,320	53,287	8.7%
Direct borrowing from customers	663,940	592,741	71,199	12.0%
Indirect borrowing	217,487	271,030	-53,543	-19.8%
Shareholders' equity	50,899	49,212	1,687	3.4%

(*) In order to allow a consistent comparison to be made, the income data for 2007 have been restated to exclude the positive effects created by the reversal to the income statement of provisions which were made in previous periods and which have become redundant as a result of the new legislation regarding TFR (Staff Termination Pay) which came into force from 1 January 2007.

The income statement as at 31 December 2008 showed net profit of 6 million euro, growth of 11.7% against the net profit earned in the corresponding period of the previous financial year (5 million euro).
Compared to the previous financial year:

- **net operating income** increased by 3.8%, rising from 39 to 40 million euro; this included:
  - around 78% from **net interests**, which increased by 5.8% (+2 million euro against December 2007);
  - around 22% from **net commissions**, which decreased by 4.1%;
- **operating costs** increased by 6.2% from 24 to 25.6 million euro, leading, despite the increase in operating income, to an increase in the **cost/income** ratio, which rose from 62% to 63.4%; these costs included:
  - around 54% from **staff costs**, which increased by 5.4% (+0.7 million euro against December 2007);
  - around 38% from **other administrative expenses**, which increased by 6.2% (+0.6 million euro against 31 December 2007).

Casse del Centro S.p.A.

Income statement data/alternative performance measures (thousands of euro)	31/12/2008	31/12/2007	Changes	
			absolute	%
Net interests	3,409	1,082	2,327	n.s.
Dividends and gains (losses) from equity investments valuated under the equity method	48,766	47,365	1,401	3.0%
Net commissions	-5	-5	0	0.0%
Result from trading	-904	313	-1,217	n.s.
Other operating income (expenses)	17,459	10,877	6,582	60.5%
NET OPERATING INCOME	***68,725***	***59,632***	***9,093***	***15.2%***
Staff costs	-15,900	-15,540	-360	2.3%
Other administrative expenses	-9,859	-9,502	-357	3.8%
Value adjustments to property, plant and equipment and intangible assets	-298	-151	-147	97.4%
OPERATING COSTS	***-26,057***	***-25,193***	***-864***	***3.4%***
OPERATING RESULT	***42,668***	***34,439***	***8,229***	***23.9%***
Provision for risks and charges - net	-47	-150	103	-68.7%
Value adjustments/write-backs for worsening of loans	0	-3	3	-100.0%
Gains (Losses) from financial assets held to maturity and other investments	1,432	-64	1,496	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***44,053***	***34,222***	***9,831***	***28.7%***
Income taxes for the year on current operations	-291	3,658	-3,949	n.s.
NET PROFIT	***43,762***	***37,880***	***5,882***	***15.5%***
Cost/income	37.9	42.2	-4.3	-10.2%

The income statement as at 31 December 2008 showed net profit of 43.8 million euro, growth of 15.5% against the net profit earned in the corresponding period of the previous financial year (37.9 million euro).
Compared to the same period of the previous financial year:

- **net operating income** increased by 15.2%, rising from 60 to 69 million euro; this included:
  - around 71% from dividends and gains (losses) from equity investments valuated under the equity method, which increased by 3.0% (+1.4 million euro against December 2007);
  - around 26% from other operating income (expenses), which increased by 61% (+6.6 million euro compared to December 2007); this income mainly related to Casse del Centro recovering sums from the subsidiary Casse companies pertaining to services that it provided to them;
- **operating costs** showed an increase of 3.4% to 26 million euro, whereas the **cost/income** ratio, benefiting from the increase in operating income, improved, falling from 42.2% to 37.9%; these costs included:
  - around 61% from **staff costs**, which were basically stable against December 2007;
  - around 38% from **other administrative expenses**, which increased by 3.8% compared to the previous year.

Cassa di Risparmio di Ascoli Piceno S.p.A.

Income statement data/alternative performance measures (thousands of euro)	31/12/2008	31/12/2007	Changes	
			absolute	%
Net interests	61,019	56,233	4,786	8.5%
Dividends and gains (losses) from equity investments valuated under the equity method	129	139	-10	-7.2%
Net commissions	19,234	19,035	199	1.0%
Result from trading	-1,155	154	-1,309	n.s.
Other operating income (expenses)	506	2,031	-1,525	-75.1%
NET OPERATING INCOME	***79,733***	***77,592***	***2,141***	***2.8%***
Staff costs	-24,042	-24,912	870	-3.5%
Other administrative expenses	-15,535	-13,964	-1,571	11.3%
Value adjustments to property, plant and equipment and intangible assets	-1,051	-1,024	-27	2.6%
OPERATING COSTS	***-40,628***	***-39,900***	***-728***	***1.8%***
OPERATING RESULT	***39,105***	***37,692***	***1,413***	***3.7%***
Provision for risks and charges - net	-636	-811	175	-21.6%
Value adjustments/write-backs for worsening of loans	-9,378	-9,459	81	-0.9%
Gains (Losses) from financial assets held to maturity and other investments	3	281	-278	-98.9%
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***29,094***	***27,703***	***1,391***	***5.0%***
Income taxes for the year on current operations	-11,220	-12,000	780	-6.5%
Integration-related costs (net of tax)	-249	-2,993	2,744	-91.7%
NET PROFIT	***17,625***	***12,710***	***4,915***	***38.7%***
Cost/income	51.0	51.4	-0.4	-0.8%
Roe	10.9	10.0	1.0	9.8%

Operating data (thousands of euro)	31/12/2008	31/12/2007	Changes	
			absolute	%
Customer loans	1,277,335	1,180,553	96,782	8.2%
Direct borrowing from customers	1,136,375	1,004,664	131,711	13.1%
Indirect borrowing	748,121	971,718	-223,597	-23.0%
Shareholders' equity	179,300	174,083	5,217	3.0%

The income statement as at 31 December 2008 showed net profit of 17.6 million euro, growth of 38.8% against the net profit earned in the corresponding period of the previous financial year (12.7 million euro); however, excluding the negative effect of the costs related to the integration with the Intesa Sanpaolo Group, which had a greater impact in 2007, there would be growth of 14.5%.

Compared to the same period of the previous financial year:

- **net operating income** increased by 2.8%, rising from 78 to 80 million euro; this included:
  - around 76% from **net interests**, which increased by 8.5% (+5 million euro against December 2007);
  - around 24% from **net commissions**, which fell by 1% (+0.2 million euro against December 2007;
- **operating costs** showed an increase of 1.8% to 40.6 million, whereas the **cost/income** ratio, benefiting from the growth in operating income, improved, dropping from 51.4% to 51%; these costs included:
  - around 59% from **staff costs**, which were essentially stable compared to 2007;
  - around 38% from **other administrative expenses**, which increased by 11.3% against the previous year;
- **taxes** showed a reduction of 6.5%, affected by the reduction in the tax rates which took place in 2008.

Cassa di Risparmio di Città di Castello S.p.A.

Income statement data/alternative performance measures (thousands of euro)	31/12/2008	31/12/2007	Changes	
			absolute	%
Net interests	20,505	18,686	1,819	9.7%
Dividends and gains (losses) from equity investments valuated under the equity method	45	43	2	4.7%
Net commissions	6,936	7,516	-580	-7.7%
Result from trading	38	306	-268	-87.6%
Other operating income (expenses)	342	-31	373	n.s.
NET OPERATING INCOME	***27,866***	***26,520***	***1,346***	***5.1%***
Staff costs	-8,269	-8,147	-122	1.5%
Other administrative expenses	-4,655	-4,011	-644	16.1%
Value adjustments to property, plant and equipment and intangible assets	-543	-520	-23	4.4%
OPERATING COSTS	***-13,467***	***-12,678***	***-789***	***6.2%***
OPERATING RESULT	***14,399***	***13,842***	***557***	***4.0%***
Provision for risks and charges - net	-401	-336	-65	19.3%
Value adjustments/write-backs for worsening of loans	-2,919	-2,875	-44	1.5%
Gains (Losses) from financial assets held to maturity and other investments	-6	11	-17	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***11,073***	***10,642***	***431***	***4.0%***
Income taxes for the year on current operations	-4,555	-4,599	44	-1.0%
Integration-related costs (net of tax)	155	-1,820	1,975	n.s.
NET PROFIT	***6,673***	***4,223***	***2,450***	***58.0%***
Cost/income	48.3	47.8	0.5	1.0%
Roe	11.6	7.4	4.2	56.9%

Operating data (thousands of euro)	31/12/2008	31/12/2007	Changes	
			absolute	%
Customer loans	458,538	459,730	-1,192	-0.3%
Direct borrowing from customers	458,268	425,647	32,621	7.7%
Indirect borrowing	391,493	428,353	-36,860	-8.6%
Shareholders' equity	65,456	60,487	4,969	8.2%

The income statement as at 31 December 2008 showed net profit of 6.7 million euro, an increase of 58.0% against the net profit earned in the corresponding period of the previous financial year (4.2 million euro); however, excluding the negative effect of the costs related to the integration with the Intesa Sanpaolo Group, which impacted negatively on 2007, there would be growth of 7.9%.

Compared to the same period of the previous financial year:

- **net operating income** increased by 5.1%, rising from 26.5 to 27.9 million euro; this included:
  - around 73% from **net interests**, which increased by 9.7% (+1.8 million euro against December 2007);
  - around 25% from **net commissions**, which decreased by 7.7% (-0.6 million euro against December 2007;
- **operating costs** showed an increase of 6.2% to 13.5 million and the **cost/income** ratio, despite benefiting from the growth in operating income, worsened, rising from 47.8% to 48.3%; these costs included:
  - around 62% from **staff costs**, which increased by 1.5% against 2007;
  - around 35% from **other administrative expenses**, which increased by 16.1% against the previous year;
- **integration-related costs** showed a positive balance as they incorporated the provisions for redundancies which turned out to be in excess of the actual figure;
- **taxes** showed a reduction of 1.0%, affected by the reduction in the tax rates which took place in 2008.

Cassa di Risparmio di Foligno S.p.A.

Income statement data/alternative performance measures (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Net interests	41,784	38,186	3,598	9.4%
Dividends and gains (losses) from equity investments valuated under the equity method	61	56	5	8.9%
Net commissions	13,161	14,046	-885	-6.3%
Result from trading	-429	314	-743	n.s.
Other operating income (expenses)	-68	-47	-21	44.7%
NET OPERATING INCOME	***54,509***	***52,555***	***1,954***	***3.7%***
Staff costs	-15,120	-15,430	310	-2.0%
Other administrative expenses	-10,572	-8,555	-2,017	23.6%
Value adjustments to property, plant and equipment and intangible assets	-696	-592	-104	17.6%
OPERATING COSTS	***-26,388***	***-24,577***	***-1,811***	***7.4%***
OPERATING RESULT	***28,121***	***27,978***	***143***	***0.5%***
Provision for risks and charges - net	-3,366	-1,594	-1,772	n.s.
Value adjustments/write-backs for worsening of loans	-7,625	-5,697	-1,928	33.8%
Value adjustments/write-backs for worsening of other assets	-4	0	-4	n.s.
Gains (Losses) from financial assets held to maturity and other investments	821	0	821	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***17,947***	***20,687***	***-2,740***	***-13.2%***
Income taxes for the year on current operations	-7,435	-8,633	1,198	-13.9%
Integration-related costs (net of tax)	-91	-3,008	2,917	-97.0%
NET PROFIT	***10,421***	***9,046***	***1,375***	***15.2%***
Cost/income	48.4	46.8	1.6	3.4%
Roe	13.8	12.6	1.2	9.3%

Operating data (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Customer loans	880,686	810,169	70,517	8.7%
Direct borrowing from customers	775,724	734,436	41,288	5.6%
Indirect borrowing	608,051	677,931	-69,880	-10.3%
Shareholders' equity	87,393	83,401	3,992	4.8%

The income statement as at 31 December 2008 showed net profit of 10.4 million euro, growth of 15.2% against the net profit earned in the corresponding period of the previous financial year (9 million euro); however, excluding the negative effect of the costs related to the integration with the Intesa Sanpaolo Group, which had a greater impact on 2007, there would be a decrease of 12.7%, mainly due to the higher provisions for risks and charges and higher adjustments for worsening of loans compared to the previous financial year.

Compared to the same period of the previous financial year:

- **net operating income** increased by 3.7%, rising from 53 to 55 million euro; this included:
  - around 76% from **net interests**, which increased by 9.4% (+4 million euro against December 2007);
  - around 24% from **net commissions**, which decreased by 6.3% (-0.5 million euro against December 2007;
- **operating costs** showed an increase of 7.4% to 26 million and as a result the **cost/income** ratio, despite the increase in operating income, worsened, rising from 46.8% to 48.4%; these costs included:
  - around 57% from **staff costs**, which fell by 2% against 2007;
  - around 40% from **other administrative expenses**, which increased by 23.6% against the previous year;
- **value adjustments/write-backs for worsening of loans** amounted to 7.6 million euro, an increase of 33.8% against 2007, as a result of the worsening of the macroeconomic situation which has led to increased risk in the loans category.

Cassa di Risparmio di Rieti S.p.A.

Income statement data/alternative performance measures (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Net interests	59,702	53,210	6,492	12.2%
Dividends and gains (losses) from equity investments valuated under the equity method	11	3	8	n.s.
Net commissions	18,115	18,979	-864	-4.6%
Result from trading	-397	810	-1,207	n.s.
Result from insurance activities	0	0	0	0.0%
Other operating income (expenses)	648	277	371	n.s.
NET OPERATING INCOME	***78,079***	***73,279***	***4,800***	***6.6%***
Staff costs	-21,288	-21,251	-37	0.2%
Other administrative expenses	-12,250	-11,052	-1,198	10.8%
Value adjustments to property, plant and equipment and intangible assets	-1,121	-1,067	-54	5.1%
OPERATING COSTS	***-34,659***	***-33,370***	***-1,289***	***3.9%***
OPERATING RESULT	***43,420***	***39,909***	***3,511***	***8.8%***
Provision for risks and charges - net	-2,031	-1,613	-418	25.9%
Value adjustments/write-backs for worsening of loans	-3,646	-3,176	-470	14.8%
Gains (Losses) from financial assets held to maturity and other investments	0	542	0	-100.0%
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***37,743***	***35,662***	***2,081***	***5.8%***
Income taxes for the year on current operations	-14,086	-14,985	899	-6.0%
Integration-related costs (net of tax)	668	-3,067	3,735	n.s.
NET PROFIT	***24,325***	***17,610***	***6,715***	***38.1%***
Cost/income	44.4	45.5	-1.1	-2.4%
Roe	15.9	11.8	4.1	34.8%

Operating data (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Customer loans	931,872	886,391	45,481	5.1%
Direct borrowing from customers	1,291,406	1,183,038	108,368	9.2%
Indirect borrowing	794,762	894,726	-99,964	-11.2%
Shareholders' equity	178,942	168,922	10,020	5.9%

The income statement as at 31 December 2008 showed net profit of 24.3 million euro, growth of 38.1% against the net profit earned in the corresponding period of the previous financial year (17.6 million euro); however, excluding the negative effect of the costs related to the integration with the Intesa Sanpaolo Group, which had a negative impact on 2007, there would be an increase of 14.4%.

Compared to the same period of the previous financial year:

- **net operating income** increased by 6.6%, rising from 73 to 78 million euro; this included:
  - around 76% from **net interests**, which increased by 12.2% (+6 million euro against December 2007);
  - around 23% from **net commissions**, which decreased by 4.6% (-0.8 million euro against December 2007);
- **operating costs** showed an increase of 3.9% to 34.7 million, whereas the **cost/income** ratio, benefiting from the increase in operating income, improved, dropping from 45.5% to 44.4%; these costs included:
  - around 61% from **staff costs**, which remained substantially the same as in 2007;
  - around 35% from **other administrative expenses**, which increased by 10.8% against the previous year;
- **value adjustments/write-backs for worsening of loans** amounted to 3.6 million euro, an increase of 14.8% against 2007, as a result of the worsening of the economic situation and therefore increased risk in the loans category;
- **integration-related costs** showed a positive balance as they incorporated the provisions for redundancies which turned out to be in excess of the actual figure;
- **taxes** showed a reduction of 6%, affected by the reduction in the tax rates which took place in 2008.

Cassa di Risparmio di Spoleto S.p.A.

Income statement data/alternative performance measures (thousands of euro)	31/12/2008	31/12/2007	Changes absolute	Changes %
Net interests	36,519	33,636	2,883	8.6%
Dividends and gains (losses) from equity investments valuated under the equity method	19	18	1	5.6%
Net commissions	10,063	10,216	-153	-1.5%
Result from trading	-256	403	-659	n.s.
Other operating income (expenses)	924	501	423	84.4%
NET OPERATING INCOME	***47,269***	***44,774***	***2,495***	***5.6%***
Staff costs	-11,118	-10,726	-392	3.7%
Other administrative expenses	-9,500	-8,271	-1,229	14.9%
Value adjustments to property, plant and equipment and intangible assets	-757	-673	-84	12.5%
OPERATING COSTS	***-21,375***	***-19,670***	***-1,705***	***8.7%***
OPERATING RESULT	***25,894***	***25,104***	***790***	***3.1%***
Provision for risks and charges - net	-1,952	-369	-1,583	n.s.
Value adjustments/write-backs for worsening of loans	-7,513	-6,044	-1,469	24.3%
Value adjustments/write-backs for worsening of other assets	-1	0	0	n.s.
Gains (Losses) from financial assets held to maturity and other investments	586	2	584	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***17,014***	***18,693***	***-1,679***	***-9.0%***
Income taxes for the year on current operations	-7,855	-7,812	-43	0.6%
Integration-related costs (net of tax)	-220	-2,007	1,787	-89.0%
Gains (Losses) associated with groups of assets being disposed (net of tax)	4,568	1,727	2,841	n.s.
NET PROFIT	***13,507***	***10,601***	***2,906***	***27.4%***
Cost/income	45.2	43.9	1.3	3.0%
Roe	17.1	16.0	1.1	6.9%

Operating data (thousands of euro)	31/12/2008	31/12/2007	Changes absolute	Changes %
Customer loans	717,001	754,887	-37,886	-5.0%
Direct borrowing from customers	906,944	819,203	87,741	10.7%
Indirect borrowing	277,485	326,289	-48,804	-15.0%
Shareholders' equity	93,515	88,506	5,009	5.7%

The income statement as at 31 December 2008 showed net profit of 13.5 million euro, growth of 27.4% against the net profit earned in the corresponding period of the previous financial year (10.6 million euro); however, excluding the negative effect of the costs related to the integration with the Intesa Sanpaolo Group, which had a greater impact on 2007, there would be an increase of 8.9%.
Compared to the same period of the previous financial year:

- **net operating income** increased by 5.6%, rising from 45 to 47 million euro; this included:
  - around 77% from **net interests**, which increased by 8.6% (+3 million euro against December 2007);
  - around 21% from **net commissions**, which decreased by 1.5% (-0.1 million euro against December 2007;
- **operating costs** showed an increase of 8.7% to 21 million and as a result the **cost/income** ratio, despite the increase in operating income, worsened, rising from 43.9% to 45.2%; these costs included:
  - around 59% from **staff costs**, which increased by 3.7% compared to 2007;
  - around 38% from **other administrative expenses**, which increased by 14.9% against the previous year;
- **value adjustments/write-backs for worsening of loans** amounted to 7.5 million euro, an increase of 24.3% against 2007, as a result of the worsening of the economic situation which has led to increased risk in the loans category.

Cassa di Risparmio di Terni e Narni S.p.A.

Income statement data/alternative performance measures (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Net interests	40,230	37,980	2,250	5.9%
Dividends and gains (losses) from equity investments valuated under the equity method	89	170	-81	-47.6%
Net commissions	11,307	12,083	-776	-6.4%
Result from trading	-830	2,373	-3,203	n.s.
Other operating income (expenses)	1,852	119	1,733	n.s.
NET OPERATING INCOME	***52,648***	***52,725***	***-77***	***-0.1%***
Staff costs	-12,591	-12,550	-41	0.3%
Other administrative expenses	-8,267	-7,031	-1,236	17.6%
Value adjustments to property, plant and equipment and intangible assets	-682	-632	-50	7.9%
OPERATING COSTS	***-21,540***	***-20,213***	***-1,327***	***6.6%***
OPERATING RESULT	***31,108***	***32,512***	***-1,404***	***-4.3%***
Provision for risks and charges - net	-1,941	-785	-1,156	n.s.
Value adjustments/write-backs for worsening of loans	-3,068	-3,374	306	-9.1%
Value adjustments/write-backs for worsening of other assets	-8	0	-8	n.s.
Gains (Losses) from financial assets held to maturity and other investments	0	20	-20	-100.0%
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***26,091***	***28,373***	***-2,282***	***-8.0%***
Income taxes for the year on current operations	-9,714	-8,243	-1,471	17.8%
Integration-related costs (net of tax)	-468	-3,195	2,727	-85.4%
Gains (Losses) associated with groups of assets being disposed (net of tax)	3,216	306	2,910	n.s.
NET PROFIT	***19,125***	***17,241***	***1,884***	***10.9%***
Cost/income	40.9	38.3	2.6	6.8%
Roe	20.5	19.7	0.8	3.8%

Operating data (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Customer loans	705,986	750,980	-44,994	-6.0%
Direct borrowing from customers	812,784	779,693	33,091	4.2%
Indirect borrowing	786,709	820,419	-33,710	-4.1%
Shareholders' equity	115,746	107,653	8,093	7.5%

The income statement as at 31 December 2008 showed net profit of 19.1 million euro, growth of 10.9% against the net profit earned in the corresponding period of the previous financial year (17.2 million euro); however, excluding the negative effect of the costs related to the integration with the Intesa Sanpaolo Group, which had a greater impact on 2007, there would be a reduction of 4.2%.

Compared to the same period of the previous financial year:

- **net operating income** remained about the same (52.7 million euro); this included:
  - around 77% from **net interests**, which increased by 5.9% (+2.3 million euro against December 2007);
  - around 21% from **net commissions**, which decreased by 6.4% (-0.8 million euro against December 2007;
- **operating costs** showed an increase of 6.6% to 21.5 million and the **cost/income** ratio, because of the increase in operating costs, increased from 38.3% to 40.9%; these costs included:
  - around 59% from **staff costs**, which remained substantially the same as in 2007;
  - around 38% from **other administrative expenses**, which increased by 17.6% against the previous year.

Cassa di Risparmio della Provincia di Viterbo S.p.A.

Income statement data/alternative performance measures (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Net interests	54,036	48,348	5,688	11.8%
Dividends and gains (losses) from equity investments valuated under the equity method	49	46	3	6.5%
Net commissions	16,459	16,677	-218	-1.3%
Result from trading	75	325	-250	-76.9%
Other operating income (expenses)	277	-8	285	n.s.
NET OPERATING INCOME	***70,896***	***65,388***	***5,508***	***8.4%***
Staff costs	-19,051	-18,957	-94	0.5%
Other administrative expenses	-11,085	-9,658	-1,427	14.8%
Value adjustments to property, plant and equipment and intangible assets	-765	-738	-27	3.7%
OPERATING COSTS	***-30,901***	***-29,353***	***-1,548***	***5.3%***
OPERATING RESULT	***39,995***	***36,035***	***3,960***	***11.0%***
Provision for risks and charges - net	-1,118	-437	-681	n.s.
Value adjustments/write-backs for worsening of loans	-4,946	-2,733	-2,213	81.0%
Value adjustments/write-backs for worsening of other assets	0	-25	0	-100.0%
Gains (Losses) from financial assets held to maturity and other investments	213	166	47	28.3%
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***34,144***	***33,006***	***1,138***	***3.4%***
Income taxes for the year on current operations	-12,380	-15,293	2,913	-19.0%
Integration-related costs (net of tax)	-945	-1,577	632	-40.1%
NET PROFIT	***20,819***	***16,136***	***4,683***	***29.0%***
Cost/income	43.6	44.9	-1.3	-2.9%
Roe	18.2	15.7	2.6	16.3%

Operating data (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Customer loans	955,740	875,365	80,375	9.2%
Direct borrowing from customers	1,082,553	1,042,019	40,534	3.9%
Indirect borrowing	687,070	763,143	-76,073	-10.0%
Shareholders' equity	137,452	128,318	9,134	7.1%

The income statement as at 31 December 2008 showed net profit of 20.8 million euro, growth of 29.0% against the net profit earned in the corresponding period of the previous financial year (16.1 million euro); however, excluding the negative effect of the costs related to the integration with the Intesa Sanpaolo Group, which had a greater impact on 2007, there would be an increase of 22.9%.

Compared to the same period of the previous financial year:

- **net operating income** increased by 8.4%, rising from 65 to 71 million euro; this included:
  - around 76% from **net interests**, which increased by 11.8% (+5.7 million euro against December 2007);
  - around 23% from **net commissions**, which decreased by 1.3% (-0.2 million euro against December 2007);
- **operating costs** showed an increase of 5.3% to 31 million; in spite of this, the **cost/income** ratio, due to the increase in operating income, improved, falling from 44.9% to 43.6%; these costs included:
  - around 62% from **staff costs**, which were unchanged from 2007;
  - around 36% from **other administrative expenses**, which increased by 14.8% against the previous year;
- **value adjustments/write-backs for worsening of loans** amounted to 4.9 million euro, an increase of 81.0% against 2007, as a result of the worsening of the economic situation which has led to increased risk in the loans category;
- **taxes** showed a reduction of 19%, affected by the reduction in the tax rates which took place in 2008.

Banca CR Firenze Romania S.A.

Income statement data/alternative performance measures (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Net interests	4,653	4,260	393	9.2%
Net commissions	1,908	1,113	795	71.4%
Result from trading	1,456	1,326	130	9.8%
Other operating income (expenses)	15	0	15	n.s.
NET OPERATING INCOME	***8,032***	***6,699***	***1,333***	***19.9%***
Staff costs	-3,916	-3,850	-66	1.7%
Other administrative expenses	-4,257	-4,549	292	-6.4%
Value adjustments to property, plant and equipment and intangible assets	-782	-800	18	-2.3%
OPERATING COSTS	***-8,955***	***-9,199***	***244***	***-2.7%***
OPERATING RESULT	***-923***	***-2,500***	***1,577***	***-63.1%***
Value adjustments/write-backs for worsening of loans	-1,400	-312	-1,088	n.s.
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***-2,323***	***-2,812***	***489***	***-17.4%***
Income taxes for the year on current operations	0	-72	72	-100.0%
NET PROFIT	***-2,323***	***-2,884***	***561***	***-19.5%***
Cost/income	111.5	137.3	-25.8	-18.8%
Roe	n.s.	n.s.		

Operating data (thousands of euro)	*31/12/2008*	*31/12/2007*	*Changes*	
			absolute	*%*
Customer loans	77,684	66,926	10,758	16.1%
Direct borrowing from customers	60,609	52,252	8,357	16.0%
Shareholders' equity	7,759	11,910	-4,151	-34.9%

The income statement as at 31 December 2008 showed a net loss of 2.3 million euro, more contained compared to the net loss obtained in the previous financial year (-2.9 million euro), compared to which:

- **net operating income** increased by 19.9%, rising from 6.7 to 8.0 million euro; this included:
  - around 58% from **net interests**, which increased by 9.2% (+0.4 million euro against December 2007);
  - around 24% from **net commissions**, which increased by 71.4%;
  - the remaining 18% from profits on trading which increased by 9.8%;
- **operating costs** decreased by 2.7%; this change, together with the increase recorded in operating income, caused a reduction in the **cost/income** ratio. These costs included:
  - around 44% from **staff costs**, which increased by 1.7%;
  - around 48% from **other administrative expenses**, which decreased by 6.4% (+0.3 million euro against 31 December 2007);
- **value adjustments/write-backs for worsening of loans** amounted to 1.4 million euro, an increase of 1 million euro, as a result of the worsening of the economic situation and therefore increased risk in the loans category.

Centro Leasing Banca S.p.A.

Analysis of the consolidated results

Overall earnings

	2008	2007	Change	
Amounts stated in thousands of euro	**31-Dec**	**31-Dec**	**Absolute**	**%**
Interest margin	74,960	69,148	5,812	8.41%
Net commissions	12,903	9,259	3,644	39.36%
Overall business margin	87,161	84,459	2,702	3.20%
Net result from financial activities	51,869	58,109	(6,240)	(10.74%)
Operating costs	(33,060)	(39,430)	6,370	16.16%
Gains from current operations, including taxes	19,815	19,317	498	2.58%
Net profit	8,907	8,534	373	4.37%

The net consolidated profit for 2008 was equal to 8.9 million euro against the 8.5 of the previous financial year (+4.37%). This result was higher than that of financial statements according to the Civic Code by around 0.4 million euro due to the contribution of the results of Centro Leasing Rete, which closed the financial year with a net profit of 0.58 million euro, the results of the subsidiary Centro Leasing Gmbh (profit of 0.17 million euro) and the results of the associated company Centro Factoring, in which Centro Leasing Banca owns a 14.95% share (profit 6 million euro). The consolidated result was obviously then affected by differences which were due to the recognition of the net commissions received by Centro Leasing Rete, substantially due to the time effect of the accounting treatment.
In order to also make a complete evaluation of the consolidated financial statements it should be remembered, as disclosed in the financial statements according to the Civic Code, that the 2007 and 2008 financial years cannot be compared unless certain extraordinary and non-recurring circumstances that affected the results are taken into account. Therefore, in order to facilitate a correct reading and provide a complete representation of the results from ordinary operations, a normalised profit, before taxes, is presented below, adjusted to take into account the events and circumstances mentioned.

Normalised profit, before taxes

	2008	2007	Change	
Amounts stated in thousands of euro	**31-Dec**	**31-Dec**	**Absolute**	**%**
Gains from current operations, before taxes	19,815	19,317	498	2.58%
Gains (losses) from sale/repurchase of securitized loans	(2,087)	(4,472)	2,385	-53.33%
Staff costs – Incentive-driven exit plan	4,990	3,239	1,751	54.06%
Staff costs – Effects of IAS on Staff Termination Pay (TFR)	0	(1,652)	1,652	100.00%
Advance termination of property contract	(1,800)	0	(1,800)	
Normalised profit, before taxes	20,918	16,432	4,486	27.30%

This adjustment makes it clear that gains from ordinary activities, including taxes, has considerably increased, by more than 27%, compared to 2007.

Analysis of the individual results

Overall earnings

Amounts stated in thousands of euro	2008 31-Dec	2007 31-Dec	Change Absolute	 %
Interest margin	69,489	65,938	3,551	5.39%
Net commissions	11,862	7,280	4,582	62.94%
Overall business margin	80,799	79,484	1,315	1.65%
Net result from financial activities	47,698	53,965	(6,267)	(11.61%)
Operating costs	(30,148)	(29,820)	(328)	1.10%
Gains from current operations, including taxes	18,520	23,320	(4,800)	(20.58%)
Net profit	8,324	11,360	(3,036)	(26.73%)

The net profit as at 31 December 2008 was equal to 8.3 million euro compared to 11.4 million in the previous financial year (-26.73%). However, expressed in these terms, the 2008 net profit cannot be correctly compared to that of the previous year because of a number of extraordinary and non-recurrent circumstances. Of these, it should be immediately highlighted that the staff costs were not consistent between the two financial years. Indeed, around 50 members of staff were seconded in 2007 and were therefore included in the costs of the subsidiary Centro Leasing Rete at an amount of around 4.3 million euro. In 2008, these staff and the relative costs were, on the other hand, included within the operating costs of the Bank as a result of the new organisational structure which came into existence at the beginning of the year.
In order to facilitate the comparison between the two financial years, it is therefore necessary to show the normalised profit, before taxes, which has been adjusted to take into account the effects of the extraordinary and non-recurring circumstances.

Normalised profit, before taxes

Amounts stated in thousands of euro	2008 31-Dec	2007 31-Dec	Change Absolute	 %
Gains from current operations, before taxes	18,520	23,320	(4,800)	(20.58%)
Gains (losses) from sale/repurchase of securitized loans	(2,087)	(4,472)	2,385	53.33%
Staff costs – Incentive-driven exit plan	4,990	3,239	1,751	54.06%
Staff costs – secondments to CL Rete	(778)	(5,020)	4,242	84.50%
Staff costs – Effects of IAS on Staff Termination Pay (TFR)	0	(1,652)	1,652	100.00%
Advance termination of property contract	(1,800)	0	(1,800)	
Normalised profit, before taxes	18,845	15,415	3,430	22.25%

This makes it clear that gains from ordinary activities, including taxes, in 2008 has considerably increased, by more than 22.2%, compared to that of 2007.

Centro Factoring S.p.A.

Income statement data/alternative performance measures (thousands of euro)	31/12/2008	31/12/2007 (*)	Changes absolute	Changes %
Net interests	18,053	14,281	3,772	26.4%
Dividends and gains (losses) from equity investments valuated under the equity method	0	18	-18	-100.0%
Net commissions	11,030	11,268	-238	-2.1%
Result from trading	166	3,820	-3,654	-95.7%
Other operating income (expenses)	5,149	2,294	2,855	n.s.
NET OPERATING INCOME	***34,398***	***31,681***	***2,717***	***8.6%***
Staff costs	-7,893	-7,446	-447	6.0%
Other administrative expenses	-5,292	-5,302	10	-0.2%
Value adjustments to property, plant and equipment and intangible assets	-332	-376	44	-11.7%
OPERATING COSTS	***-13,517***	***-13,124***	***-393***	***3.0%***
OPERATING RESULT	***20,881***	***18,557***	***2,324***	***12.5%***
Provision for risks and charges - net	-1,224	724	-1,948	n.s.
Value adjustments/write-backs for worsening of loans	-9,405	-10,228	823	-8.0%
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	***10,252***	***9,053***	***1,199***	***13.2%***
Income taxes for the year on current operations	-4,262	-3,916	-346	8.8%
NET PROFIT	***5,990***	***5,137***	***853***	***16.6%***
Cost/income	39.3	41.4	-2.1	-5.1%
Roe	10.6	10.6	-0.0	-0.1%

Operating data (thousands of euro)	31/12/2008	31/12/2007	Changes absolute	Changes %
Customer loans	1,151,314	1,009,018	142,296	14.1%
Direct borrowing from customers	70,551	92,769	-22,218	-23.9%
Shareholders' equity	60,868	57,046	3,822	6.7%

(*) In order to allow a consistent comparison to be made, the income data for 2007 have been restated to exclude the positive effects created by the reversal to the income statement of provisions which were made in previous periods and which have become redundant as a result of the new legislation regarding TFR (Staff Termination Pay) which came into force from 1 January 2007.

The income statement as at 31 December 2008 showed net profit of 6 million, an increase of 16.6% against the net profit earned in the corresponding period of the previous financial year (5.1 million).
Compared to the previous financial year:

- **net operating income** increased by 8.6%, rising from 31.7 to 34.4 million euro; this included:
    - around 53% from **net interests**, which increased by 26.4% (+3.8 million euro against December 2007);
    - around 32% from **net commissions**, which decreased by 2.1%;
    - the remaining 15% from **other operating income (expenses)**, which showed an increase of around 2.9 million euro;
- **operating costs** increased by 3%, from 13.1 to 13.5 million euro, causing, together with increase recorded in operating income, a reduction in the **cost/income** ratio, which fell from 41.4% to 39.3%; these costs included:
    - around 61% from **staff costs** which decreased by 7.8% (-1.3 million euro against December 2007);
    - around 32% from **other administrative expenses** which decreased by 112% (-1 million euro against 31 December 2007.

Centrovita Assicurazioni S.p.A.

ITEMS (amounts in millions of euro calculated according to ISVAP regulations)	31 December 2008	31 December 2007	Absolute change	Change %
DAMAGE INSURANCE				
Premiums attributable to the period	28	25	3	+12.4%
Charges related to accidents	-1	-2	1	-56.5%
Reverses, profit-sharing and other items	-2	-1	-1	+42.9%
Operating expenses	-19	-15	-4	+26.7%
Result from damage insurance	**6**	**6**	0	**-3.2%**
LIFE INSURANCE				
Premiums attributable to the period	445	713	-268	-37.6%
Proceeds from investments	-1	36	-37	-102.8%
Other net proceeds	-161	50	-211	-424.6%
Charges related to accidents	-686	-565	-121	+21.5%
Change in actuarial reserves	421	-160	581	-363.1%
Operating expenses	-49	-57	8	-13.6%
Other items	6	-3	9	-281.8%
Result from life insurance	**-25**	**15**	-40	**-271.2%**
Result from damage insurance + life insurance	**-19**	**21**	-40	**-191.3%**
Sundry other costs and revenues	-2	-1	-1	+233.3%
Income taxes	6	-8	14	-175.9%
Net profit	**-15**	**12**	-27	**-222.0%**
ROE	**n.s.**	**21.4%**	**n.s.**	
Shareholders' equity	62.8	65.7	-2.9	-4.4%

The income statement as at 31 December 2008 showed a net loss of 15 million euro, against the net profit of 12 million euro realized in the corresponding period of the previous financial year (-27 million euro); this was essentially due to the negative result recorded by the life insurance branch (-25 million euro), which was due to lower premiums and net proceeds and higher charges related to surrendered policies and accidents; these trends, also a reflection of the adverse performance of the financial markets, were only partly offset by the actuarial reserves moving into positive figures.
The above-mentioned loss, recalculated on the basis of International Financial Reporting Standards (IAS/IFRS), decreases to 9.6 million euro mainly because of the different methods of measuring the financial instruments.

Infogroup S.p.A.

Income statement data/alternative performance measures (amounts in millions of euro calculated according to the national accounting standards)	31 December 2008	31 December 2007	Absolute change	% Change
Net sales	92.4	85.1	7.3	8.6%
Operating costs	87.5	80.1	7.4	9.2%
Net operating margin	**4.9**	**5.0**	**-0.1**	**-2.0%**
Financial income and charges	0.4	0.0	0.4	n.s.
Other costs and revenues balance	0.0	0.4	-0.4	n.s.
Current result	**5.3**	**5.4**	**-0.1**	**-1.9%**
Taxes	-1.7	-2.5	0.8	-32.0%
Net result	**3.6**	**2.9**	**0.7**	**24.1%**
ROE	**33.6%**	**31.1%**	**2.5%**	
Shareholders' equity	14	11	3	27.3%
Total shareholders' equity and pertaining to minority interests	14	11	3	27.3%
Financial payables / Shareholders' equity in %	0.0%	0.1%	-0.1%	
Available funds and negotiable securities	10.0	0.7	9.3	n.s.

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 cards; it develops virtual bank products and provides banking services in a multi-channel context; it develops products and provides services for e-commerce; it provides stored value and electronic data transmission services for financial institutions and for large- and small-scale distribution groups and it develops products and provides distance training services for banks also using innovative technologies.
In 2008, sales exceeded 92 million euro, giving a net profit of 3.6 million euro, with the latter increasing by 24.1% compared to 2007.

Immobiliare Nuova Sede S.r.l.

Immobiliare Nuova Sede Srl, a company whose mission is to build and develop the complex in the Novoli district of Florence, to which Banca CR Firenze S.p.A.'s head office is soon to be transferred, closed the 2008 financial statements with a loss of 459,000 euro, due to the operational costs of the company under consideration.

Findomestic Group

Analysis of the main items on the consolidated financial statements

2008 was characterized by a major economic and financial crisis, which affected growth and consumption and caused a considerable slowdown also in the consumer credit market, which was already characterized by an increasingly competitive environment over recent years.
In this environment, the output of the Findomestic Group was equal to 5,963 million euro, 27.0 million euro of which was consumer loans paid out in Serbia, showing a fall of 7% compared to 2007.
Gross loans as at 31 December 2008 reached an amount equal to 11,741 million euro, an increase of 6.3% against the previous year.

Reclassified income statement:

(thousands of euro)

	31/12/2008	31/12/2007	Change (%)
Overall business margin	**672,782**	**620,106**	**8.5%**
Value (adjustmens)/write-backs for worsening of loans and other financial assets	(249,310)	(144,405)	72.6%
Net result from financial activities	**423,472**	**475,701**	**-11.0%**
Operating costs	**(302,921)**	**(304,273)**	**-0.4%**
Losses on disposal of investment / Impairment on goodwill	(71)	(356)	-80.1%
Operating result	**120,480**	**171,072**	**-29.6%**
Income taxes for the year on current operations	(58,054)	(101,942)	-43.1%
Losses attributable to minority interests	(417)	(378)	10.3%
Net profit	**62,009**	**68,752**	**-9.8%**

By analysing the elements of the income statement, it can be seen that the overall business margin amounted to 672.8 million euro (8.5% more than the previous year), sustained by the growth in medium-term managed loans (+10.1% compared to 2007).
The overall business margin was 5.95% of medium-term managed loans, 9 basis points less than the previous year.
In such a highly competitive environment, the impacts of the increase in the cost of refinancing were largely offset by the increases in client rates, more particularly on the permanent account, and by the growth in income from insurance products.
As regards the credit risk in 2008, net adjustments to loans, net of write-backs, were equal to 249.3 million euro, 72.6% more than the previous year.
In these conditions, the ratio of the overall cost of risk over medium-term managed loans ratio was 2.2% for 2008, worse than the level reached in the previous year (1.41%).
This performance of the cost of risk, despite the continuous introduction of procedural innovations in the management and valuation of transactions, was due to a rise in recovery increases and at the same time due to a worsening in the recovery performance, which is linked, amongst other things, to the broader financing profiles and conditions implemented in past years as well as to the fact that the Italian family is experiencing greater difficulty in meeting the monthly commitments that it has undertaken because of a particularly difficult financial situation.
On this matter steps are being taken to put into action the necessary corrective measures, as well as to test various operational models for the credit collection process in order to make it suitable in the new crisis environment.
Moreover, this negative tendency was reinforced by the effect of a loan structure which over time has seen an increase in the burden of higher risk output (personal loans) but offset by a higher financial margin.
This worsening of risk was also confirmed by the increase in the burden of impaired assets (doubtful, non-performing and expired loans), which represented 3.33% of gross loans to customers as at December 2008 compared to 2.19% as at 31 December 2007.
If the performance of risk income is analysed, defined as the ratio of value adjustments/write-backs for worsening of loans over the overall business margin, it can be seen that this ratio was 37.1%, worse than in 2007 when it was 23.3%.
Operating costs in 2008 amounted to 302.9 million euro, 0.4% lower than last year, due to IT costs being contained, assistance expenses in the outlets being transformed into commission and due to the lower investment in advertising by Credila, which in 2008 started a repositioning process, abandoning television recruitment.
However, Findomestic showed an improvement in the ratio of operating costs over medium-term managed loans, which fell from 2.96% in 2007 to 2.68% in 2008.
This containment of general expenses led to a reduction in the cost/income ratio (operating costs / overall business margin), which was 45.0% at the end of 2008, compared to 49.1% in 2007.
In these conditions, the operating result came to 120.5 million euro, 29.6% less than in 2007. Compared to medium-term managed loans, the operating margin represented 1.07%, 60 basis points less than in 2007.
Following the reduction in the gross result, taxes on income amounted to 58.1 million euro, a reduction of 43.1% compared to 2007. These were particularly influenced by the amendments made by 2008 Finance Act to the IRES and IRAP rates, which created a reductive effect to the value of 18.4 million euro, due to the recalculation of the deferred tax burden.
Overall performance, as analysed above, was a net profit of 62 million euro, a fall of 9.8% compared to that of 2007 (68.8 million euro).
Profit, in relation to shareholders' equity, showed a Roe which fell from 10.2% in 2007 to 8.8% in 2008.

Soprarno SGR S.p.A.

This company, which however is being disposed, closed the 2008 financial year with a net loss of about 0.6 million euro, less than the net loss recorded in the previous financial year, which was equal to 0.9 million euro; this result was characterized by an increase in the overall business margin of 1.4 million euro, which although it more than offset the growth in administrative expenses (+0.4 million euro), was not enough to take the overall result back into profit.

Report on operations

The structure

Organisational activities

Regulatory action

During the period the following regulatory action was taken:

- The Azienda dei Presti Regulations and Office organization were reviewed and the new **Internal Regulations for Collateral Loans** was conformed to the law, to the standards of the other corporate regulations in force in Banca CR Firenze, the roles existing at present and the current operating processes conducted by the Azienda dei Presti;
- Some amendments were made to the corporate functions chart to align that of the Risks Committee with the provisions of the **Group Operational Risks Management System Regulations** and the **Group Regulations.** The purpose of these amendments was to lay down specific responsibilities for the Risks Committee in the framework of the process of operational risk management and to relieve the Committee of responsibility for approving finance and lending area regulations submitted for the consideration of the competent bodies;
- **Guidelines for Running the Prudential Control Process** were issued in the context of the alignment of the organisational process with that of Intesa Sanpaolo. These establish the internal process for the measurement of the Group's capital adequacy (ICAAP). At the same time the ICAAP Manager for Banca CR Firenze and the other associates was appointed, with the duty of drawing up the relative internal rules and supporting Parent Company departments in implementing the ICAAP process while paying due attention to any special market and/or business considerations;
- **Administrative and Financial Governance Guidelines** containing **Rules for the protection of investors and the governance of the financial markets** were adopted in the framework of conformity to **Law 262/05** and of the process of the organisational alignment of Banca CR Firenze with the Intesa Sanpaolo Group. This document is prepared by Parent Company Intesa Sanpaolo and lays down the governance model required by the Intesa Sanpaolo Financial Reporting Manager in order for him constantly to verify that administrative and accounting procedures are adequate and are effectively applied at Group level. Some changes were also made to the **Guidelines for the Governance and Control of Administrative and Accounting Disclosures** of Banca CR Firenze and its associate banks and companies as a result of the modifications made to the organisational structure of Banca CR Firenze and its associates as well as to include the additional declarations required of the Banca CR Firenze Financial Reporting Manager under **Legislative Decree 195/2007;**
- The **Audit and Non-Audit Policy** was adopted in the framework of conforming to Intesa Sanpaolo's organisational process, the purpose of this being to set up an internal supervision system at Group level for monitoring auditing services appointments and appointments for the delivery of other services awarded by Parent Company and other Group company departments to auditing firms, their networks and other entities connected with them, in order to create the conditions for safeguarding the independence of the auditors and ensure that legislation governing the matter is applied;
- **Guidelines for the Implementation of the Standardised Approach (TSA) and Mapping the Intermediation Margin** were also adopted in the framework of conforming to Intesa Sanpaolo's organisational process. Banca CR Firenze will keep to the Traditional Standardised Approach (TSA) for the 2009 financial statements: according to this standard, distinct regulatory coefficients for each business line into which corporate activities are divided are applied to the intermediation margin;
- The associate banks also resolved to adopt **Investment Services Policies and Regulations** that abide by the MiFID Directive with regard to the reception of orders, the classification of customers, the marketing of financial products/instruments and the delivery of advisory services;
- After the entry into force of **Legislative Decree 81 of 9 April 2008**, ***"Testo Unico sulla Sicurezza" (TUS)*** (the Consolidated Health and Safety Law**)**, the regulations previously in force governing health and safety in the workplace were expanded and rationalised. The law, however, which was handed down in order to implement **Delegated Law 123/07**, required Article 25 (vii) to be inserted into **Legislative Decree 231/01**, introducing two new types of criminal offence (manslaughter and serious or very serious bodily harm committed in breach of health and safety at work laws) among the category of offences involving possible corporate liability. Under Article 30 of the said Legislative Decree 81, a compliance model prepared in accordance with Legislative Decree 231/01 (the "231 Model") is only effective in exonerating the company concerned from liability if it is "adopted and implemented efficaciously, ensuring that the company has a system that ensures the fulfilment of the specific safety obligations". The Model was thus amended accordingly, including an additional section (Section VII), divided into two parts: one for the creation of a "system that allocates responsibility for health and safety procedures and for organising these

procedures" and the other for the definition of and the allocation of responsibility for the "health and safety procedures system";

- The review of Banca CR Firenze's Lending Regulations was completed in accordance with the process of integration in the Intesa Sanpaolo Group; in accordance with a Board of Directors' resolution of 21 April 2008 setting up Geographic Areas, the deliberating bodies of BCRF and their autonomous powers were reviewed. A Credit Committee was formed similarly to the body in the Parent Company and the *Comitato Fidi*, a previous credit lines committee, was suppressed;
- an overall review of the **Operational Risks Regulations** was conducted with the main aim of aligning the document to that of the Parent Company by removing the classifications of the types of events and of standard business lines and risk factors, removing the division of the activities into business lines, the annexed Statement of reconciliation, the integration of the operational risks management guidelines and the sections dealing with the main elements of the operational risk management process;
- **Regulations for the Management of Transactions with Related Parties** were adopted**.**

<u>Operational and control processes</u>

After our Bank signed the **Italian Banking Association and Ministry of the Economy and Finance Agreement** regarding the renegotiation of variable rate mortgages in accordance with the Tremonti Decree, customers entitled to do so were sent renegotiation offers and the new ECB variable rate loan list was enclosed in accordance with Decree Law 185 of 29 November 2008. The process of measuring the fair value of the loan portfolio was put in hand on the basis of IAS principles.
The new credit risk control process (Early Warning) was introduced in accordance with **Basel II** rules: the new process was activated together with the relative tools for acquiring and managing personal and real guarantees, the MIRA quality rating for companies and small firms was modified and the new system of automatic review of continuing credit lines was introduced. The process for granting business loans to customers was integrated in that of the Intesa Sanpaolo Group banks and a start was made on conforming the process for granting business loans to that of the Intesa Sanpaolo model by introducing the obligation to enter tax data using the NSAB application.
In accordance with **transparency** rules, a statement of the collateral provided and the relative credit facilities assured was prepared and send to customers.
In the field of **compliance** and money laundering in particular, a questionnaire was published regarding the policies followed by Banca CR Firenze to prevent the financial system from being used for money laundering and financing terrorism (AML, Anti-Money Laundering questionnaire); finally the new process of collecting information regarding the shareholdings of Banca CR Firenze and its subsidiaries and reporting this information to the Parent Company was put in hand.
Corporate policies were drawn up and approved which implemented the **MIFID Directive** on providing investment services, regulating the strategy for transmitting and carrying out orders, classifying customers, marketing financial products/instruments, marketing OTC derivatives and providing advisory services.
In accordance with **Law 262**, regulations were laid down for the issue of declarations of the truthfulness of the financial statement data for the attention of the Financial Reporting Manager and new tools for the control and supervision of the analytic measurements were included.
The process of managing **Bank Account Investigations** for the judicial and tax authorities was regulated and published and a new on-screen procedure for the exchange of data flows with the finance authorities was introduced.
The process of the measurement of the fair value of the loans portfolio was put in hand according to **IAS/IFRS principles**.
As regards the *Progetto Patti Chiari,* the protocol for the low-risk and low-yield bond was suspended.

<u>Program & Cost Management</u>

The budget for the functioning costs was prepared, the limits on current innovation expenses were set for both Banca CR Firenze and its associate banks and the final detailed monthly statements of expenditure for the various budget responsibility centres and the dashboards were drawn up for the head offices of the various associates.
Project development capability for 2008 was managed coordinating the opening, monitoring and closing of projects for Banca CR Firenze and its associates and the relative orders of Infogroup S.p.A. and the head office was informed monthly of the state of progress of SAP project development and of departures from schedule; a master plan was prepared to monitor the productive capacity of the resources critical to the completion of the projects.
Project development is now aligned with that of Intesa Sanpaolo and the required documentation is sent to the Parent Company's Capital Budget Office; the budgets for projects that have not been realised or that have been broken off after the plan for integration with Intesa Sanpaolo have been either reviewed or their amounts recovered.
The "project development portal" is a first means for conforming to the categorisation of the Parent Company's project development activities and the software for the management of project closure was completed.

Operating services

The new GE.VA (*gestione valori*, values management) securities management system was launched with important accounting changes for the banks and the office involved, as also the Target 2 accounting controls procedure in compliance with the new methods for settlements among corresponding banks prescribed by the European Central Bank. The centralisation of Cassa Centrale di Cassa di Risparmio di Pistoia e Pescia S.p.A. was concluded.
Control tests were carried out on the processes relevant for the purposes of Law 262 and the activities necessary for the management of the renegotiated contracts were analysed in order to establish the respective responsibilities of operating offices and branches.
As regards requests for activating and operating POS terminals, the new IPOS procedure was launched in Banca CR Firenze and its associates, as also the new system of management of bills presented after encashment in accordance with the methods employed by the Parent Company.
Orders for bank transfers are carried out on the basis of the beneficiaries' IBAN code.
As regards storage management, the records of Cassa di Risparmio di Civitavecchia S.p.A-, Cassa di Risparmio di Orvieto S.p.A., Cassa di Risparmio della Spezia S.p.A. and Cassa di Risparmio di Pistoia e Pescia S.p.A. have been transferred to the new storage site at Scanzano di Foligno.
On 4 November the Bank passed the inspection for the extension of the ISO 9001 Certificate for internal activities.

Technological architectures and information system

As regards logical security, in February the system for filtering navigation on internet based on Websense technology came into action in order to allow employees access to the web consistently with their working activity, corporate policies and adequate protection for the Bank against possible legal liability. During April the computer fraud monitoring service was boosted to counter phishing. In May a system was started that enables line managers to manage the unblocking of their assistants' digital credentials. During the period from April to November the new Extranet infrastructure was completed to allow secure access from outside networks and from internet to the former Banca CR Firenze Group's information system. This system was used to provide mobile access (broadband on radio waves, UMTS/HSDPA) to the Bank's system. During December all the employees involved in the integration were given credentials for access to the Intesa Sanpaolo system.
The project for the integration of the former Banca CRF Group's data network with Intesa Sanpaolo's network was concluded: the components and configurations were conformed to Intesa Sanpaolo standards in all the former Banca CRF Group's branches, head offices and data processing centres. Data cabling was replaced in about 160 Banca CR Firenze branches, the new cabling being suitable for the diffusion of the new VOIP technologies. *Testo Unico dei Controlli* (TUC ICT), the Consolidated Software Test Document regarding the Group's IT and telecommunications was issued; this document observes the requirements of Law 262, is structured on the basis of COBIT framework, includes risk measurement and consists of a single software tool.

Operational continuity

A review of the first volume of Banca CR Firenze and its associates' Operational Continuity Plan was completed during the period. The prescribed tests on Banca CR Firenze and its associates' central systems Diasaster Recovery Plan were carried out and the results were distributed. The support activities were completed for the insertion of Centro Leasing Banca S.p.A. and Centro Factoring S.p.A.'s Operational Continuity Plan into that of Banca CR Firenze and the other associates and for the definition of Banca C.R. Firenze Romania S.A.'s Plan. As far as critical suppliers are concerned, the activities were completed that ensure the operational continuity of the services contracted out to pension funds.
The Business Impact Analysis (BIA) document was reviewed in order to update the departmental Disaster Recovery Plan and the relative testing schedule.
In agreement with Intesa Sanpaolo's Operational Continuity Unit, the transitional rules were laid down that are to be observed until the information systems have been completely integrated.

Commercial activities

Retail banking activity in 2008 focused on developing the customer base by promoting initiatives for young people ("Giovani scheme") and the offer of a new range of current accounts to the retail market, strengthening acquired customer retention capacity and the search for commercial synergies between Business and Retail customer markets.
There was an increase of 15,000 in the number of customers, which reached a total of 1,050,000.
Special attention was also paid to the development of commercial synergies with Parent Company Intesa Sanpaolo.

Retail market

The Giotto range of current accounts was enriched with ***Giotto Family Promozionale***, restricted to new account holders, which was launched in April. This promotion envisaged no monthly charge for 12 months from the date on which an account was opened.
By 31 December 2008 more than 22,000 accounts had been opened; as the scheme was popular, the offer will be extended into the first six months of 2009.
In the framework of the *Zapping* range of savings deposits, the ***Giovani*** scheme was launched on 26 May, its objectives being to increase the rate at which very young customers (0-17 years of age) are acquired and at the same time to consolidate existing customer relations. The promotion included:

- a scratchcard game linked to the opening of a new savings book. Under this scheme, called "The Bank Sows Prize Seeds", a scratchcard is handed over for every 50 euro deposit; there are various kinds of prizes of different values, all suitable for young people (computers, pen drives, radios, watches, etc.).
- a particularly attractive return on deposit balances, no charge for statements of account and the Bank pays the annual stamp duty (these conditions are applied to all savings books, including existing ones);
- a gift (books according to age group) when a new savings book is opened.

This scheme is still popular: by 31 December more than 21,500 savings book accounts had been opened, doubling the number of young people's savings accounts in only 7 months.

The ***Benefit CRF*** current account was launched in April. The feature of this account is a monthly bank charge that decreases according to whether the holder possesses certain products. About 2,500 of these accounts had been opened by 31 December.
Another system that started after a successful test phase was the "new current account holders' nursery". Under this system, new personal account holders are contacted about a month after the account has been opened in the form of a welcome letter and a customer satisfaction questionnaire. Customers that do not respond to the letter are subsequently contacted on the phone. The result of this activity was a marked fall in the new customer drop-out rate.
In the **Personal Loans** sector, the amount Banca Cr Firenze and its subsidiaries granted in home loans reached 800 million euro. 82 million euro in *Prestissimo* loans (a product handled by Findomestic Banca S.p.A.) were also paid out during the year.

In 2008 *Prestiti Garantiti* secured loans began to be marketed: among the best known of these is the loan against the assignment of one-fifth of salary scheme, which is a product handled by BF5, an Findomestic Group company. More than 400 of these loans were granted, amounting to about 8 million euro, the trend rising during the course of the year.

The first commercial synergies to the benefit of customers after joining the Intesa Sanpaolo Group were carried out: the charges to customers for withdrawals from the two Groups' respective cash machines were abolished. By the end of 2008 about 450,000 cashcards were held by customers, 6% more than at 31 December 2007.

In the field of **investment products**, 83 bond issues were carried out by Banca CR Firenze and its subsidiaries during 2008, amounting to 1,480 million euro in all (40% more than during 2007). Banca IMI, Intesa Sanpaolo and Mediobanca bonds with a value of 980 million euro were also placed in the framework of commercial synergies with the Parent Company.

In the insurance sector, the sale continued of the new unit-linked ***LV Prospettiva*** policy in collaboration with Centrovita Assicurazioni S.p.A., exploiting the synergies resulting from the Bank's recent entry into the Intesa Sanpaolo Group. Total sales amounted to about 83 million euro.
The gross receipts in premiums of Banca CR Firenze and its subsidiaries banks were 408 million euro (of which Index 84 million euro, Tmg 123 million euro and Unit 201 million euro).
At the end of 2008, the total assets managed by Banca CR Firenze, in the form of individual portfolio management, counting its own customers and those of its subsidiaries, amounted to 1 billion euro, while the assets in the mutual funds managed by CR Firenze Gestion Internationale S.A. amounted to 4.5 million euro.

In the supplementary pension sector, the marketing continued of the ***CRF Previdenza*** pension fund, which had been joined by more than 34,000 new individual and about 5,000 new collective subscribers by 31 December 2008, 12% more than in 2007. At 31 December, the resources managed by this fund amounted to 105 million euro. 33.5 million euro in contributions were received during 2008, an increase of about 39%.

Marketing in the **Small Business** sector mainly concentrated on the objectives of acquiring new funding, developing lending and expanding the customer base.
Two new current accounts were launched in February, Business Silver and Business Gold, in support of the project to increase the funding for this segment.
In April the operation conducted in collaboration with Artigiancredito Toscano ended: the syndicated medium- to long term loan facility of 40 million euro made available was all committed - this operation was backed by a Fidi Toscana counter-guarantee should the need arise.
During May other operations of the same type in collaboration with Eurofidi and Centro Fidi Terziario, were carried out, amounting to 30 million euro each.
As regards the development of lending business, two large-scale operations in conjunction with the main lenders concerned (Toscana Comfidi and Artigiancredito Toscano) were launched during the summer.
These are operations defined under the Basel rules as "tranched cover" that involve short-term credit to support the manufacturing cycle, the first on the Italian market. The co-lenders provide a 100% on-demand guarantee by creating a monetary risks provision. The interest rate applied to the customers, which is more advantageous than that on a normal loan, varies according to the customer's rating.
The maximum amounts available for these two projects, which will run until 31 May 2009, are 50 million euro for Artigiancredito Toscano and 70 million euro for Toscana Comfidi. 59 million euro in finance altogether had been granted by 31 December.
The promotion of two new accounts restricted to freshly acquired Small Business customers also started on 1st October: *Business Light CRF*, a simple account that meets the requirements of customers with a low, slow-moving turnover and *Business Illimitato CRF*, an all-inclusive account for customers with high turnover who carry out a considerable number of banking transactions. By 31 December 1,300 new business accounts had been opened.
To support the launching of these new accounts, the *Provaci Gratis* "Give us a Free Trial" campaign was conducted: more than 30,000 economic operators who were not customers of the Bank were contacted and invited to make an appointment to visit a branch to enquire about opening an account.

The Business Customer Market

During the year the action envisaged in the 2008 marketing plan was carried out with regard to the business customer market: acquiring new customers, increasing lending consistently with credit policies and boosting income from services.
Among the main activities, those that stand out are the review of the agreements with some syndicates and the creation of FIVE in collaboration with Fidi Toscana: this is an innovative syndicated loan scheme intended for small and medium enterprises (SMEs).
The main novelties are:

- an on-demand guarantee by Fidi Toscana;
- a quick decision by the syndicate (5 business days from receipt of application);
- extremely simple documentation in support of the application.

Finance is granted on particularly favourable terms, depending on the borrower's risk level.
In view of the commercial potential of this product, a maximum sum of 100 million euro has been allocated, to be drawn on before 30 June 2009. Up to 31 December, applications for about 36 million euro had been submitted.
Another important project supported by Banca CR Firenze, Cassa di Risparmio di Pistoia e Pescia, Cassa di Risparmio della Spezia, Intesa Sanpaolo with the other main companies in the banking system was the signing, in December, of a memorandum of understanding with the Tuscany Region whose purpose is to sustain the Tuscan economic and social fabric: using Fidi Toscana's assets, the Region issues a guarantee in favour of transactions to be carried out by small and medium companies, thus facilitating their access to credit in a particularly critical economic and financial scenario. With this guarantee, the banking system undertakes to give finance for investment and short-term debt consolidation on particularly easy terms: about half a billion euro is available under this arrangement.
An important step towards integration with the Intesa Sanpaolo Group, intended to improve terms for customers, is the standardisation of the conditions for payments through Group banks: payment and direct debit orders on Intesa Sanpaolo Group banks will be treated on the same economic terms as those on banks in the former Banca CR Firenze Group and vice versa, benefiting from the economic advantages arising from direct debiting among branches in the same network.
As regards **Corporate Finance,** apart from managing the way-outs for direct and indirect shareholdings by means of related funds, assistance was given to support processes of corporate growth and reorganisation in the form of innovative instruments for access to the capital market, advisory services and help for planning, carrying out extraordinary transactions and project financing.

The Private Banking Market

Throughout 2008 the Private Banking Channel continued to focus closely on customer relations, both in terms of the management of the financial assets invested and in terms of information and advice in compliance with the provisions of the MiFID Directive, with the relative work of profiling and contract regularisation.
One of the initiatives in connection with this was the cycle of talks on finance for the more knowledgeable clients; three seminars were arranged in collaboration with the Financial Market Study and Analysis Unit, which were particularly appreciated by both private banking and business customers (more than 100 attended); the themes were the US elections and their possible implications for the economy and financial markets.
As provided for in the marketing plan, public relations work continued, involving more than 550 private banking customers in social and cultural events of significance for the local areas concerned.
On the subject of training and re-certification for the role of private banker, in April and May all the candidates took the exams for certification of skills set by the AIPB (Associazione Italiana del Private Banking – Italian Private Banking Association).
11 *Scelta Esclusiva* (Exclusive Choice) policy contracts were signed for a total value of 53 million euro.
In order to provide customers with more investment products, 3 certificates were issued, linked respectively to the agricultural sector, the banking sector and large cap European equity securities, subscribed to the total amount of 9.5 million euro.
Variable rate CRF bonds were also issued, by means of which 77 million euro from repos were converted and about 25 million euro of fresh funding was obtained, totalling 102 million euro.

Innovative channels

The ***Liberamente*** service for private customers had 118,000 users at 31 December 2008, an increase of over 8% compared with 31 December 2007. 95,000 of the users are active (+10 % compared with 31 December 2007).
In 2008 new services were added to the multi-channel business for private customers:
- on-line display of balance available, transactions carried out and credit limits for *Bancomat, PagoBancomat and VisaElectron*;
- more detailed, complete and up-to-date information about current account terms and conditions;
- the extension to the TLX market of trading government securities, warrants and foreign shares.

Attention was also paid to the question of on-line security: the following action was taken to prevent possible fraud as a result of phishing:
- the introduction of a one-time code for topping up telephone and prepaid cards;
- the extension to all *Liberamente* customers of the free text message service for bank transfers carried out on line.

There were 20,000 POSs at 31 December 2008, 6% more than 31 December 2007.
By the end of 2008 about 41,000 business customers had subscribed to Remote Banking services, 11% more than in December 2007.

Human Resources and the local area network

At 31 December 2008, the Banca CR Firenze Group's permanent staff totalled 7,881 resources, of which 7,761 permanent staff (decreasing by 532 units compared with 31 December 2007) and 120 on limited term contracts (decreasing by 16 units compared with the end of 2007) calculated on "the same consolidation area".

Staff of Banca CR Firenze and its subsidiaries	31 December 2008			31 December 2007		
	Permanent staff	Staff on limited term contracts	Total employed staff	Permanent staff	Staff on limited term contracts	Total employed staff
Banca C.R. Firenze S.p.A.	3,257	56	3,313	3,593	75	3,668
Cassa di Risparmio della Spezia S.p.A.	566	23	589	599	13	612
Cassa di Risparmio di Pistoia e Pescia S.p.A.	629	6	635	673	10	683
Cassa di Risparmio di Civitavecchia S.p.A.	216	3	219	235	8	243
Cassa di Risparmio di Orvieto S.p.A.	217	8	225	210	0	210
Banca C.R. Firenze Romania S.A.	192	2	194	179	4	183
Cassa di Risparmio della Provincia di Viterbo S.p.A.	310	0	310	314	0	314
Cassa di Risparmio di Ascoli Piceno S.p.A.	379	2	381	397	0	397
Cassa di Risparmio di Città di Castello S.p.A.	124	0	124	136	0	136
Cassa di Risparmio di Spoleto S.p.A.	194	2	196	216	0	216
Cassa di Risparmio di Rieti S.p.A.	363	0	363	379	0	379
Cassa di Risparmio di Foligno S.p.A.	234	0	234	251	0	251
Cassa di Risparmio di Terni e Narni S.p.A.	233	0	233	246	0	246
Casse del Centro S.p.A.	20	0	20	25	0	25
Centro Leasing Banca S.p.A.	274	2	276	292	1	293
Centro Leasing Rete S.p.A.	2	0	2	0	0	0
Centro Leasing G.M.B.H.	2	0	2	1	0	1
Centrovita Assicurazioni S.p.A.	45	13	58	41	16	57
Centro Factoring S.p.A.	113	0	113	112	0	112
Immobiliare Nuova Sede S.r.l.	0	0	0	0	0	0
Infogroup S.p.A.	389	3	392	390	9	399
CityLife S.p.A.	2	0	2	4	0	4
Total	**7,761**	**120**	**7,881**	**8,293**	**136**	**8,429**

Banca CR Firenze and held retail banks in the former Banca CR Firenze Group

The total staff of the Group's Retail Banks in Italy and abroad, which decreased by 424 units (more specifically, -413 permanent staff and –11 staff on limited term contracts), have 80.3% of the human resources working in the various Channels (5.5% more than 31 December 2007).

Staff of former CRF Group Retail Banks	31 December 2008				31 December 2007			
	Permanent staff	Staff on limited term contracts	Total employed staff	*Channels %*	Permanent staff	Staff on limited term contracts	Total employed staff	*Channels %*
Banca C.R. Firenze S.p.A.	3,257	56	3,313	*79.6%*	3,593	75	3,668	*72.4%*
Cassa di Risparmio della Spezia S.p.A.	566	23	589	*83.4%*	600	12	612	*81.0%*
Cassa di Risparmio di Pistoia e Pescia S.p.A.	629	6	635	*81.1%*	673	10	683	*78.8%*
Cassa di Risparmio di Civitavecchia S.p.A	216	3	219	*89.0%*	235	8	243	*88.1%*
Cassa di Risparmio di Orvieto S.p.A.	217	8	225	*84.0%*	210	0	210	*83.3%*
Total Retail Banks in Italy	**4,885**	**96**	**4,981**	***80.9%***	**5,311**	**105**	**5,416**	***75.3%***
Banca C.R.Firenze Romania S.A.	192	2	194	*67.0%*	179	4	183	*61.2%*
Total Retail Banks	**5,077**	**98**	**5,175**	***80.3%***	**5,490**	**109**	**5,599**	***74.8%***

5,175 resources include 2,778 women and 2,397 men (the female staff is equal to 53.7% of the total staff, compared to 50.6% in 2007). At 31 December 2008 there were 389 part-time resources in all, 7.5% of the total staff compared with 6.9% at 31 December 2007. The average age was 41.5 years, while average seniority at the end of December was at 13.9 years. The table below shows the breakdown by Retail Bank:

Staff of former CRF Group - Retail Banks	AVERAGE AGE (years)		AVERAGE LENGHT OF SERVICE (years)	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Banca C.R. Firenze S.p.A.	40.8	41.9	13.1	14.3
Cassa di Risparmio della Spezia S.p.A.	42.4	43.6	15.7	16.7
Cassa di Risparmio di Pistoia e Pescia S.p.A.	45.2	45.7	19.9	20.3
Cassa di Risparmio di Civitavecchia S.p.A	41.6	42.4	13.6	14.3
Cassa di Risparmio di Orvieto S.p.A.	41.9	42.3	13.5	14.5
Banca C.R.Firenze Romania S.A.	36.9	36.0	2.8	2.2
Total	**41.5**	**42.4**	**13.9**	**14.9**

Staff terminations affected the composition of the staff by grade. There was a decrease by 0.4% in Managers and by 1.3% in Senior Employees, whereas the Professional Areas increased by 1.7%.

Staff of former CRF Group - Retail Banks	As at 31 December 2008		AVERAGE LENGHT OF SERVICE	
	Total	%	Total	%
Managers	63	*1.2%*	92	*1.6%*
Senior employees	1,419	*27.4%*	1,605	*28.7%*
Professional areas	3,693	*71.4%*	3,902	*69.7%*
Total	**5,175**	***100.0%***	**5,599**	***100.0%***

A total of 127 resources were posted at Banca CR Firenze on 31 December 2008, compared with 107 at the end of the previous year. With effect from 1st March 2008 the postings of the Cassa di Risparmio della Spezia S.p.A. staff working in the Central Cashier's and Accounting Office were extended until the end of the year. Three other staff were posted to the La Spezia Collections and Payments Centre, in order to complete the centralisation of anti-money laundering work. 8 resources from Banca CR Firenze had to be posted to the Parent Company Head Office as result of the integration with Intesa Sanpaolo.

Selection

Following the introduction of the new organisational model and the integration with Intesa Sanpaolo, recruitment was suspended in the second half of 2008.
During the financial period, procedures for the selection of specialists involved 26 experienced candidates. 18 candidates were assessed to satisfy obligatory protected category recruitment regulations. Banca CR Firenze received 19 persons on work experience schemes in the framework of master agreements with the promoting organisations. The usual induction talks were given to 224 newly recruited staff.

Development and management of Human Resources

In 2008 the incentive scheme for Banca CR Firenze’s distribution network was defined and was reported to the Board of Directors on 31 January 2008; Banca CR Firenze and its associates’ incentive schemes were approved during this year, too: these have all been framed in the same way since 2008 and are based on personal targets by role, rewards for the best performances in the network and continuing sales drive on the part of individual resources. Work on the preparation of rankings was completed and the bonuses were included in the pay packet for August.
The MBO systems for the Financial Promoter network (Area Manager, Branch Manager and Promoters) were presented to Banca CR Firenze’s Board of Directors in January. These systems envisage setting annual targets with an interim assessment after six months and a final assessment at the end of the year.
In order to take full advantage of the better sales figures achieved by the network and concentrate on the strategic targets that are considered to be priorities in order to provide sustainable growth over time, the *Insieme 2008 Banche BCRF* contest was organised in consultation with the Commercial and Planning Department.
This campaign, which will run from 1st July to 31 December 2008, was conceived by Parent Company Intesa Sanpaolo on the same lines as *Insieme 2008*, and is complementary to the incentive scheme. It is directed at the financial advisor network and has the aim of rewarding the best sales results and best practice in the sale of key products.
Since the time of the assessment of performance in 2007 that was conducted in the first quarter, all the banks in the former Cassa di Risparmio di Firenze Group have been aligned in terms of processes, methods and tools, consistently with their various organisational and growth models. For the first time, distribution network performance in Banca CR Firenze was assessed differentiating the reports on the basis of the work levels of the persons concerned by creating homogeneous complexity levels. The process of assessing performance in 2008 started in the fourth quarter.
The selection process was concluded for the second edition of the *Perseo* managerial development project in associate banks. This scheme was launched in December 2007 with the announcement of a competition open to 762 persons, to which there were 401 entries (a 53% response). The 30 persons accepted were divided into two sessions: the first began on 9 April with the Master phase, while the second is expected to begin in early 2009. In June the first edition of this project was officially closed with the issue of licences to the eight persons that completed the scheme in the first edition of the Group *Perseo*.
The project devoted to the Banca CR Firenze resources that obtained the *Perseo* licence in 2006 (the *ME!* Project) also carried on; meetings were held with the person responsible within the Bank in order to establish the participants’ strong points and areas in which there is room for improvement.

Training

An important point is that Banca CR Firenze and its associates' training system was audited for the maintenance of its certification by DNV Italia, the certifying body. The result was 100%.
By the end of December 34,576 man-days of training had been given during office hours, both internally and externally, involving 26,988 attendances. The details are as follows:

	Participants	Man/days
Banca C.R. Firenze S.p.A.	19,047	25,087
Cassa di Risparmio di Pistoia e Pescia S.p.A.	2,725	3,278
Cassa di Risparmio della Spezia S.p.A.	2,426	2,830
Cassa di Risparmio di Orvieto S.p.A.	1,135	1,403
Cassa di Risparmio di Civitavecchia S.p.A.	831	1,134
Financial promoters	698	724
Total	**26,988**	**34,576**

Training sessions were arranged in the following subjects:

Obligatory training

- *Insurance brokerage* – 2+2 day training courses were given to retain qualifications in accordance with ISVAP requirements. Some editions of the basic course were also repeated for resources that have not yet obtained the statutory qualification.
- *Money laundering as per Legislative Decree 231/07* – refresher courses are being held in the money laundering and receiving issues introduced by the Legislative Decree of 16 November 2007, especially for managers, Business Centre Managers and Private Banking Centre Coordinators. The courses are expected to be extended to Banca CR Firenze and associate banks before the end of November.
- *Legislative Decree 231/07* - 4 new self-instruction courses on the FAD platform were created, one for each bank and each describing the specific implementation models and aligning all the companies to this law.
- *Test of knowledge of Legislative Decree 231/01* - the contents of the test of knowledge of Legislative Decree 231/01 was reviewed, in collaboration with Internal Auditing, as a result of the broadening of the scope of Legislative Decree 231/01. As suggested by the Supervisory Board, the test is to be given to 50% of the resources that complete the training courses in the Organisational Units selected for the purpose.
- *Special training for persons in positions affected by Legislative Decree 231/01* - on 19 June, eighteen persons selected from the departments mostly concerned attended the talk on Legislative Decree 231/01 and relations with the authorities. Legislative Decree 231/01 was presented in detail to a Board of Directors meeting on 22 July.
- *Market Abuse* – courses on market abuse continued to be given, this year specially addressed to staff in the network.
- *Test of knowledge of Legislative Decree 81/2008* - in accordance with Legislative Decree 81/2008, a test of knowledge of this law was prepared at the suggestion of the Supervisory Board, in conjunction with Safety and Security and with The European House-Ambrosetti consulting firm, to be administered to 50% of the managers of the network organisational units (Branch Managers and Business Centre Managers).
- *Assessment of the adequacy of the training system* - in collaboration with The European House-Ambrosetti, the Bank began to assess the training given with regard to receiving, money laundering and the utilisation of cash, goods or benefits of illicit origin. The survey will use the same protocol as that employed to assess training in health and safety at work.
- *Data protection - Guarantor's Resolution 53 of 23 November 2006* - a five-hour course was completed for staff in Banca CR Firenze and its associates' human resources offices dealing with the processing of employees' personal data for purposes arising from their work contracts. 71 persons attended.
- *Training for Employees' Health Safety Representatives* - four training modules were arranged for Employees' Health and Safety Representatives with content personalised and adapted to the Bank's circumstances.
- *Inter-departmental courses* - in collaboration with Safety and Security, managers of organisational units in the network were urged to attend obligatory courses (emergency management assistants, first aid seminar, first aid techniques, robbery risk). The material for all the health and safety at work courses was reviewed and updated in compliance with the new provisions of Legislative Decree 81/2008.

Training for the distribution network

- *Private banking market training* – the course run in collaboration with the Italian Private Banking Association was completed: this was for Private Banking Managers and Assistants, preparing them for the Association's examination for the certification of specialist financial expertise, which was obtained by 60 resources.
- *Business Customer market training* - a course run in collaboration with the SDA Bocconi School of Management to help managers to attain sales targets, divided into two modules, discussing corporate taxation and the competitive levers to expand lending and sales to business customers and attended by 112 resources.
- *Business Centres training* – meetings for Corporate and Credit Managers were started, at which knowledge was refreshed and exchanged. This work is divided into two phases: in the first there are local meetings to discuss taxation and corporate accounts matters, which will end in January 2009; the second will take place in January/February 2009 and will concern the impact of ICT on SMEs and European corporate financing.
- *Training on ISP rating* - in view of the forthcoming release of the new Group rating systems for the assessment of business customers' creditworthiness, arrangements were made for a series of training sessions prepared in conjunction with the Parent Company and the Basel II Project Committee.
- *Risk analysis and protection in the credit facility and internal control system sector* - training took the form of modules from the annual plan with working sessions at the Bank's central lending offices and Banca CR Firenze's Internal Audit Department. 40 persons attended during the year.
- *MiFID training* - the obligatory training course for an explanation of these regulations was completed in the last quarter of 2007 and another course to train staff in operating on the basis of MiFID in the first quarter of 2008. Training in this matter continued in the framework of the course on financial investment rules, recently reviewed in the light of the innovations introduced by this European directive.
- *Operations Management and Customer Relationship Management (CRM) report analysis* – this activity was suspended during the summer owing to the changes in the branch procedures and organisational model to be introduced into the Bank in 2009.
- *Role mobility* – to support central office resources performing in-house mobility roles in the network, personalised training sessions in credit and auditing were arranged at branches and head office units. Sessions of basic training in retail banking roles were also added in order to help in the acquisition of the fundamentals, such as "financial investment rules", "anti-money laundering work" and "insurance brokerage".
- *Migration* - owing to the forthcoming migration of the former CR Firenze Group banks' information system to Intesa San Paolo's Target system, from November 33 network resources were engaged in planning training sessions at Banca CR Firenze's Training Department.

Training of Banca CR Firenze central office staff:

- *Training of training staff* - training in advanced and individual coaching began and the basic module continued. The *Agorà* portal is updated and republished every 15 days.
- *Human Resources Department staff training* - a training course designed and administered in collaboration with SDA Bocconi was completed: 50 members of staff were involved in the various modules.
- *Operational Services training* - in 2008, work continued on the project for resources working in Operational Services to support them in the adoption of the behavioural and operational standards that comply with the improvements required of these offices. Individual coaching sessions for Managers; Operators took part in feedback talks regarding areas in which there is room for improvement, while Assistants concluded their additional training in assertiveness in inter-personal relations.
- *Group auditing and controls training* - a training course was designed and administered whose aim was to support resources that had recently entered the Bank as Internal Auditors. The course, which lasted 3 days, was prepared in collaboration with the Italian Internal Auditors' Association and mainly dealt with internal auditing tools and techniques in the banking sector.
- *ABC platform* – in view of the forthcoming adoption of the ABC platform as the operational tool for CRM, two meetings were arranged, one on ABC as an information support and the other on the consulting aspect, mainly directed at Commercial Support resources.
- *Operational Services* - with the introduction of the new organisational structure, some Operational Services staff will also be responsible for back office services to the Public Bodies Treasury. Specialised training in the management of this work thus started in November.

Training for qualifications:

- *Banking and Financial Diploma* - during this period, the 10th edition of the Banking and Financial Diploma came to an end. The first classroom lecture of the fourth module of the 11th edition took place and the kick-off session of the 12th edition was held.
- *Perseo* – the Master's and workshop courses of the 3rd edition were administered. Feedback is to be delivered in January and participants will be informed of admission to the training phase.

Training for associate banks:

- *Cassa di Risparmio di Pistoia e Pescia* – the staff attended courses at the Banca CR Firenze Training Centre.
- *Cassa di Risparmio della Spezia* - local sessions were held on different themes such as insurance brokerage, anti-money laundering work, the Italian interbank alert centre, the risk of robbery, the management of family/retail private customers and front-line relations with customers. A special training course was started for Cassa di Risparmio della Spezia operators, named "commercial planning for operators", designed in the light of the fact that the SMART application is not available in this Bank.
- *Cassa di Risparmio di Orvieto* and *Cassa di Risparmio di Civitavecchia* - local courses were administered on insurance brokerage, back-office work, the management of family/retail private customers and money laundering.

Training for financial promoters

Financial promoters were given training in order for them to maintain their ISVAP qualification. A training course for Area and Branch Managers was also designed: the aim of this course is to draw up a managerial skills development plan.

Internal communication

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 each Bank and by the various company Divisions are planned during 2008.
The first integration projects were launched for the extension of the TV Web to Banca CR Firenze and its associates and the surveying of motivation and climate in the workplace. In November, the equipment for the reception of the Web TV satellite signal was set up in 100 branches and personal computers were distributed to all the staff: the project is expected to end in spring 2009. The analysis of motivation and climate in 2008 was conformed to the system followed by the Parent Company and was carried out through intranet in November.
During the year, special communication plans were put in hand with regard to the migration of the Parent Company's information systems, the transfer of Banca CR Firenze's head office to Novoli, the *Patti Chiari* project and the main sales and product campaigns.

The local area network

Province	BANCA CR FIRENZE	CR CIVITAVECCHIA	CR DELLA SPEZIA	CR ORVIETO (*)	CR PISTOIA E PESCIA	CR PROVINCIA DI VITERBO	CR ASCOLI	CR CITTA' DI CASTELLO	CR SPOLETO	CR RIETI	CR FOLIGNO	CR TERNI E NARNI	TOTAL
Florence	132				4								136
Ancona											1		1
Aquila	1												1
Arezzo	35							2					37
Ascoli Piceno							48						48
Bologna	6				11								17
Ferrara	1												1
Genoa			2										2
Grosseto	16												16
L'Aquila										1			1
La Spezia			54										54
Livorno	10												10
Lucca	14				9								23
Macerata							3		2		6		11
Mantova	7												7
Massa Carrara			16										16
Modena	20												20
Parma			2										2
Perugia	16			2				17	24		30	2	91
Pisa	13												13
Pistoia	2				52								54
Prato	11				4								15
Ravenna	1												1
Reggio Emilia	2		2										4
Rieti							1			26			27
Rimini	1												1
Rome	12	31		10		4				17			74
Siena	19												19
Teramo							8						8
Terni				22					8			25	55
Verona	1												1
Viterbo		4		9		39						1	53
TOTAL	**320**	**35**	**76**	**43**	**80**	**43**	**60**	**19**	**34**	**44**	**37**	**28**	**819**
Banca CR Firenze Romania													20
TOTAL	**320**	**35**	**76**	**43**	**80**	**43**	**60**	**19**	**34**	**44**	**37**	**28**	**839**

(*) discontinued company at 31 December 2008

At 31 December 2008 the number of branches of the Italian banks in the Group amounted to 819 units, spread out over 32 Provinces (9 Regions); to these must be added the 20 Branches of Banca C.R. Firenze Romania.

Region			No. of branches
TUSCANY			339
ABRUZZO			36
EMILIA ROMAGNA			46
LAZIO			127
LIGURIA			56
LOMBARDY			7
MARCHE			61
UMBRIA			146
VENETO			1
Total			**819**

49 Business Customer Centres, 31 Private Customer Centres, 4 Public Authorities and Treasury Centres and 43 Financial Spaces also operate in this context. Three (one for each type) of these Centres are related to Cassa di Risparmio di Orvieto.

Communication activities

Communication initiatives during 2008 regarded some specific projects in addition to the routine work of relations with media and institutional bodies.

Among the cultural projects that are rewarding from the points of view of corporate image and business, Banca CR Firenze sponsored an exhibition on *Fattori and Naturalism in Tuscany*, with exclusive concessions for customers. Guided tours, meetings and social evenings for customers were arranged in association with this event. Banca CR Firenze also sponsored *Summer in Florence* and an exhibition on *Impressionism: Painting Light*, in addition to the Spoleto *Festival of Two Worlds*. This year the 10th edition of the Pico della Mirandola Prize was also held. Banca CR Firenze also supported the opening of an exhibition devoted to Raffaello's restored *Madonna del Cardellino* at Palazzo Medici Riccardi.

The *Sala delle Colonne* in Via Bufalini, in Florence, also accommodated some exhibitions such as *The After-Life. Tomb Structures and Funeral Rites from the Etruscan Necropolis of Lake Accesa* and *Fish Bait and Tuscany, 1700-1900. Three Centuries of Life by the River*. Banca CR Firenze and Cassa di Risparmio di Pistoia e Pescia's headquarters were also opened to the public for the usual appointment, *Invitation to the Palace*. Finally, in November Banca CR Firenze joined in the project for the opening to the public of the historic head offices of Tuscan enterprises during the Tuscany Festival.

Banca CR Firenze sponsored a large number of other local events: *Taste* (a taste exhibition at Leopolda Station in Florence), *Chianti Classico Collection, 15x15* (a young contemporary artists' exibition at Forte Belvedere), the *San Giovanni Horse Race Trophy* and the *Carabinieri Carousel,* which came back to Florence after a long time and was presented for the first time in the new covered Centro Ippico Toscano complex. Banca CR Firenze also again sponsored the Scandicci Fair, the Job Fair and the *Dire e Fare* event in addition to attending the Italian Notaries' Congress with Parent Company Intesa Sanpaolo. The long-standing partnership with the *Maggio Musicale Fiorentino* enabled the Bank to invite a considerable number of business and private banking customers to the première and to some especially crowd-pulling events such as a concert given by the famous Woody Allen. In sponsoring the Florence Dance Company, the Bank invited business and private banking customers to the evening at Villa Bardini, *Summer Stars, Music and Dance*, while the support of the Florentine Chamber Orchestra allowed the bank to ask numbers of customers to concerts at Pietrasanta, Vaiano, the Bargello Museum in Florence and the Christmas Concert at Assisi, in addition to the by now customary end-of-year concert, which has, for years, been one of the most popular performances on New

Year's Eve (this year in Piazza Signoria in Florence). These sponsorships were beneficial to the Bank's visibility and fostered relations with specialist customers and public.
There were also some important events at Palazzo Incontri, such as the presentation of the Intesa Sanpaolo Corporate and Investment Banking Division to the former Banca CR Firenze Group and the international *Open Business Model* arranged in collaboration with the Scuola Superiore Sant'Anna di Pisa. In 2008 the second edition of the Tuscan Economy Forum was held under the patronage of the Tuscany Region. Prominent representatives of the region's business, cooperative and academic world took part in the forum. Help was also given to the promotion of the cycle of conferences organised by the financial advisors of the Province of Modena and with arranging meetings of the Studies Department with customers of various branches and private banking centres of Florence, Prato and Arezzo. These meetings were supported by press releases and promotional articles fed to the media.

This year too, Banca CR Firenze was one of the promoters of the City of Florence Prize, now in its seventh edition, which gives awards to eminent medical and scientific experts. In May the first of the events planned in connection with *Progetto Città*, with Alberto Bombassei (Deputy Chairman of Confindustria) as host, took place and was followed in the autumn by meetings with Oscar Farinetti (Eataly-Slow Food) and Brunello Cucinelli (Brunello Cucinelli S.p.A.), attended by a large number of business customers.

Sports sponsorship was also considerable, from the Bank's historic support of Fiorentina Football Club to golf matches and shoots, which all made a noteworthy contribution to carrying on relations with large numbers of Bank customers.

As regards institutional communication, the contents of the website www.bancacrfirenze.it were reviewed, conforming the information to Banca CR Firenze's recent entry into the Intesa Sanpaolo Group. Particular care was taken in coordinating and issuing press releases in agreement with Intesa Sanpaolo and the other Group companies and in making arrangements for the other numerous occasions for relations with the media for the *Banca dei Territori* domestic commercial banking division.

All the important commercial and institutional initiatives were accompanied by press releases, especially at key times in the Bank's corporate life (approval of the financial statements, entry into the Intesa Sanpaolo Group, acquisition of Casse del Centro) and on other special occasions such as the agreement with the Council of Accountants of Florence, the launching of the *Zapping* savings deposit book, the opening of the new branch at Forte dei Marmi, the agreement between Banca CR Firenze and some cooperatives such as Artigiancredito, Fidi Terziario and Toscana Confidi (combined with promotional mailshots to customers) and when it was necessary to support the sponsored events that have been mentioned.

Commercial communication included the launching of the information campaign regarding the impact of money laundering legislation, with posters in branches, newsletters and messages on Group websites. After the promotion period was extended, the publicity campaign for the *Put two gifts in your account* scheme, in conjunction with the Commercial Department, was re-launched. Publicity material was created for the assignment of one-fifth of salary product. Again in support of sales, a direct mailshot to customers was carried out to promote the *Single Instalment Prestissimo* scheme and supporting material was also provided for the *Giotto* accounts..
Finally a new communication campaign for 0-18 savings books was launched, with posters, flysheets, leaflets, floor stand signs and gift packs.
All customers continued to be sent the *Newsletter,* which is sent free of charge to current account holders, containing information about new developments for private and business customers.
Four editions of the *Toscana Qui* magazine were published with the help of the contribution from Banca CR Firenze.

Report on operations

Economic results

The main events impacting on the 2008 and 2007 results commented on in this document are:

- the acquisition of control over Centro Leasing Banca S.p.A., Centro Leasing Rete S.p.A., Centro Leasing Gmbh and Centro Factoring S.p.A. during the second half-year of 2007, which entailed a change in the consolidation area and consequently the changes in the economic components with regard to 2007, have been analysed also taking a "homogeneous consolidation area" into account, calculated by inserting the data for these companies from 1st January 2007;
- the assignment to the Parent Company of Banca CR Firenze S.p.A.'s shareholdings in Cassa dei Risparmi di Forlì e della Romagna S.p.A.(8.087%) and CRF Gestion Internationale (80.0%) in June and December 2008 respectively: these transactions are mere operations of concentration/rationalisation of the Intesa Sanpaolo Group's equity investment portfolio by the transfer of interests that already constitute majority shareholdings, since the Intesa Sanpaolo Group already controlled Cariromagna and CR Firenze Gestion Internationale at the time of the transaction. These transactions are also fully described in paragraph 10 below on "Other information - intra-group transactions and transactions with related parties";
- the sum of 62 million euro was recognised in 2008 for "integration-related costs (net of tax)", mainly consisting of the cost of paying employees resignation incentives and the creation of a redundancy fund;
- the deduction from tax of the goodwill of incorporated company CR Mirandola in 2008, which enabled prepaid tax assets to be recognised, lightening the tax burden by a net amount of about 12 million euro;
- the entry into force of staff termination pay legislation whose application in the first half of 2007 entailed the reversal of appropriations amounting to 25 million euro through profit and loss, which had been made in previous financial periods and had become surplus to requirements; nevertheless, in order to present comparable economic data, the impact from this reversal of staff termination pay was excluded for the purposes of the preparation of the reclassified 2007 income statement.

Furthermore, during the 2008 period, in conformity to the policies that the Parent Company adopts for the classification of "Equity investments" in the financial statements, some shareholdings in the AFS portfolio, mainly regarding the Bank of Italy and SI Holding, were classified in their own names in this item.
Finally, the impact of the acquisition of Casse del Centro S.p.A. on 24 December 2008 was not taken into account in preparing the consolidated income statement, as the amount involved is not significant.

Income statement reclassification criteria

In order to provide a more efficacious representation of income results and the amounts in the balance sheet, some items have been re-posted and combined in the reclassified statements, with respect to the income statement as shown in the accounting schedules. The reclassifications that were carried out are described below: their amounts, together with the effects of the changes in the consolidation area, are shown analytically in the conversion schedule given in the section "Other information" of this report, as required in Consob Communication 6064293 of 28 July 2006.

As regards the income statement, the reclassifications involved:

- the dividends on shares classified as financial assets available for sale and held for trading, which were re-allocated in the framework of the "Result from trading"; in the same way, the figurative cost of the finance to buy share instruments for trading was re-allocated from the interest sector to the said "Result from trading";

- the portions of "Net interests", "Dividends and similar income", "Net commissions", "Result from trading", "Other operating (expenses)/income", "Gains (losses) from sale or repurchase of financial assets available for sale" and "Net result from financial assets and liabilities valued at fair value" regarding insurance activities, which were transferred to the insurance business item;

- the margins on interest earned and paid and collected on currency interest rate swap agreements envisaging the exchange of two variable rates, classified in the trading portfolio and entered into in order to hedge the raising of funds in foreign currency at variable rates, which were transferred to "Net interests" in view of the close relationship existing between them;

- "Net result from hedging", which was re-allocated to "Result from trading";

- “Gains (losses) from sale or repurchase of financial assets available for sale or of financial liabilities”, which were re-allocated to “Result from trading”;

- “Gains (losses) from sale or repurchase of loans”, which were posted among “Value adjustments/write-backs for worsening of loans”;

- “Value adjustments/write-backs for worsening of other financial transactions” regarding guarantees, undertakings and credit derivatives, which were transferred to “Value adjustments/write-backs for worsening of loans”;

- the reversal in time value on loans, which was recorded in Net interests instead of being recognised among “Value adjustments/write-backs for worsening of loans”, since the phenomenon derives directly from the application of the amortised cost criterion, in the absence of changes in expected future cash flows; a consistent approach was adopted for the time value of staff termination pay and “Provisions for risks and charges - net”;

- Write-backs of property, plant and equipment and intangible assets, which were excluded from “Value adjustments to property, plant and equipment and intangible assets” - which thus only express amortisation or depreciation - and were included into “Value adjustments/write-backs for worsening of other assets”, to which are added “Value (adjustments)/write-backs for worsening of financial assets available for sale, held to maturity and other financial transactions”;

- the component of “Gains (losses) from equity investments”, which, together with “Profits (losses) on disposal of investments” and “Net result of valuation of property, plant and equipment and intangible assets at fair value”, contributes to the formation of “Gains (Losses) from financial assets held to maturity and other investments”, net of the results of the equity investments for the period measured on the basis of net shareholders’ equity, recognised in a specific item under “Operating income”;

- integration-related costs with Intesa Sanpaolo borne by Banca CR Firenze and its subsidiaries, which were reclassified, after tax, in their own right under “Staff costs”, “Administrative expenses” and “Value adjustments/write-backs to property, plant and equipment and intangible assets”;

- the costs of agency employees, which were classified under “Other administrative expenses”.

Furthermore, in order to assist in providing a homogeneous comparison with the data for the 2008 financial period, the income statement for 2007 was restated, making the following changes: the positive effects were excluded of the reversal through profit and loss of appropriations made in previous financial periods, which became surplus to requirements as a result of the entry into force of the new staff termination pay legislation on 1 January 2007; some costs related to “Administrative expenses”, “Other operating revenues (costs)” and “Provisions for risks and charges - net” on the basis of specific instructions from the Parent Company; the effects of the change from fair value to cost adjusted by depreciation in the valuation of real estate held for investment were backdated; the income components of Cassa di Risparmio di Orvieto were reclassified in “Gains (Losses) associated with groups of assets being disposed (net of tax)”, considering the disposal negotiations in course; CRF Gestion Internationale was excluded from the consolidation area since the interest in this company had been sold.

The reclassification amounts mentioned above are more fully analysed in the compatibility schedule annexed to this document in compliance with the Consob requirement laid down in Communication no. 6064293 of 28 July 2006.

Reclassified consolidated Income Statement

(in millions of euro)

	31 December 2008	31 December 2007	Change absolute	Change %
Net interests	717	677	40	+5.9%
Dividends and gains (losses) from equity investments valuated under the equity method	33	36	-3	-8.3%
Net commissions	287	277	10	3.6%
Result from trading	14	39	-25	-64.1%
Result from insurance activities	21	52	-31	-59.6%
Other operating (expenses)/income	40	34	6	+17.6%
NET OPERATING INCOME	**1,112**	**1,115**	**-3**	**-0.3%**
Staff costs	-388	-405	17	-4.2%
Other administrative expenses	-240	-228	-12	+5.3%
Value adjustments/write-backs on property, plant and equipment and intangible assets	-40	-43	3	-7.0%
OPERATING COSTS	**-668**	**-676**	**8**	**-1.2%**
OPERATING RESULT	**444**	**439**	**5**	**+1.1%**
Impairment on goodwill	-9	0	-9	n.s.
Provisions for risks and charges - net	-9	-13	4	-30.8%
Value adjustments/write-backs for worsening of loans	-184	-118	-66	+55.9%
Value adjustments/write-backs for worsening of other assets	-15	0	-15	n.s.
Gains (Losses) on financial assets held to maturity and on other investments	2	19	-17	-89.5%
GAINS/(LOSSES) FROM CURRENT OPERATIONS, INCLUDING TAXES	**229**	**327**	**-98**	**-30.0%**
Income taxes for the year on current operations	-89	-147	58	-39.5%
Integration-related costs (net of tax)	-62	0	-62	n.s.
Gains (Losses) associated with groups of assets being disposed (net of taxes)	19	26	-7	-26.9%
Minority interest	-18	-39	21	-53.8%
Net profit	**79**	**167**	**-88**	**-52.7%**

The **net profit** for 2008 is **79 million euro**, 52.7% lower than 2007 (the result, as already mentioned, was restated to exclude the consequences of the reversal of staff termination pay); even if the operating result substantially held firm (+1.1%), there was 66 million euro more in higher value adjustments/write-backs for worsening of loans and 63 million euro in integration-related costs net of tax.

Net operating income

Net interests

(in millions of euro)

	31 December 2008	31 December 2007	Change absolute	Change %
Relations with customers	1,136	944	192	20.3%
Relations with banks	-187	-113	-74	65.5%
Outstanding securities	-275	-228	-47	20.6%
Margins on hedging derivatives	-27	-12	-15	125.0%
Financial assets held for trading	0	5	-5	n.s.
Financial assets available for sale	78	83	-5	-6.0%
Impaired assets	2	2	0	0.0%
Other net interests	-10	-4	-6	n.s.
Net interests	**717**	**677**	**40**	**5.9%**

The increase resulting from this sector is entirely attributable to business dealings with customers, whose expansion, mainly due to greater volumes, more than offset the higher amount of interest paid on interbank transactions (owing to the worsening of the net interbank position reported below) and securities issued, the volumes of which grew during the period in question.

Dividends and gains (losses) from equity investments valuated under the equity method

The decrease in this item is mainly due to the lower contribution from the Findomestic Group, consolidated on the basis of the equity method.

Net commissions

(in millions of euro)

	31 December 2008	31 December 2007	Change absolute	Change %
Guarantees given (Lending and Abroad)	8	7	1	17.7%
Collection and payment services	35	33	2	4.6%
Current accounts	80	86	-6	-7.2%
Credit and debit cards	23	25	-2	-7.5%
Commercial banking activities	**146**	**151**	**-5**	**-3.5%**
Dealing and placement of securities	63	50	13	26.6%
Currency dealing	3	2	1	32.5%
Portfolio management	10	12	-2	-15.3%
Distribution of insurance products	9	9	0	0.0%
Other	13	13	0	0.0%
Management, dealing and consultancy activities	**98**	**86**	**12**	**14.5%**
Other commissions	**43**	**40**	**3**	**7.9%**
Net commissions	**287**	**277**	**10**	**3.6%**

The increase in this amount is entirely due to “Dealing and placement of securities”: about 24 million euro was received from the placement of Intesa San Paolo Group bonds.

Result from trading

(in millions of euro)

	31 December 2008	31 December 2007	Change absolute	Change %
Trading result	5	5	0	0.0%
Foreign exchange income	6	10	-4	-40.0%
Income from derivatives	1	4	-3	-75.0%
Profits (Losses) on financial assets / liabilities held for trading	**12**	**19**	**-7**	**-36.8%**
Net result from hedging	**-3**	**0**	**-14**	**n.s.**
Gains (Losses) from disposal of financial assets available for sale and repurchase of financial liabilities	**4**	**16**	**-12**	**-75.0%**
Dividend and similar income on shares available for sale	**1**	**4**	**-3**	**-75.0%**
Result from trading	**14**	**39**	**-25**	**-64.1%**

This result was affected by the unfavourable performance of the financial markets, the trading component, the hedging component and also the sale of AFS instruments. In “Dividends”, compared with 2007, no dividend was collected from Cassa di Risparmi di Forlì e della Romagna S.p.A. (owing to the transfer of Banca CR Firenze’s shareholding to the Parent Company) and the dividend from the Bank of Italy was included in “Dividends from equity investments” after this interest was reclassified from “Financial assets available for sale” to “equity investment” item.

Result from insurance activities

(in millions of euro)

	31 December 2008	31 December 2007 restated	Change absolute	Change %
Result from insurance activities	**21**	**52**	**-31**	**-59.6%**

The result from insurance activities, which also includes the results of the financial operations by subsidiary Centrovita Assicurazioni, was 31 million euro lower than in the previous financial period (-59.6%), mainly attributable to the capital losses on the company's own portfolio, taking the form of a big fall in the productivity of the Life branch, as already commented on in the examination of this subsidiary's income performance.

Other operating (expenses) income

This item is about 6 million higher than in 2007, particularly owing to a higher contribution from Centro Leasing Banca (which recognised a contingent asset in the form of the exercise of a pre-emption right on the purchase of securitised credit and a sum received as a "redemption fee" on a high-value real estate agreement) and Infogroup (whose production income is classified here).

Operating costs

(in millions of euro)

	31 December 2008	31 December 2007	Change absolute	Change %
Wages and salaries	258	265	-7	-2.8%
Social security charges	75	70	5	7.1%
Other	55	70	-15	-21.4%
Staff costs	**388**	**405**	**-17**	**-4.2%**
Information technology expenses	55	53	2	3.8%
Management of real estate assets	34	33	1	3.0%
General structure costs	80	74	6	8.1%
Professional and legal expenses	17	24	-7	-29.2%
Advertising and promotional expenses	14	12	2	16.7%
Indirect staff costs	10	9	1	11.1%
Costs for other services rendered by third parties	4	4	0	0.0%
Other costs	19	14	5	35.7%
Indirect taxes and duties	53	54	-1	-1.2%
Recovery of expenses and charges	-46	-49	3	-6.1%
Other administrative expenses	**240**	**228**	**12**	**5.3%**
Property, plant and equipment	25	25	0	0.0%
Intangible assets	15	18	-3	-16.7%
Value adjustments/write-backs on property, plant and equipment and intangible assets	**40**	**43**	**-3**	**-7.0%**
Operating costs	**668**	**676**	**-8**	**-1.2%**

Operating costs are 1.2% down owing to lower staff costs, in spite of an increase in other administrative expenses.
The 4.2% fall in staff costs is mainly due to staff reductions as a result of the resignation incentive scheme, which was utilised considerably more during the period in question; to this was added a drop in the appropriations for this scheme compared with 2007.
"Other administrative expenses" rose by 5.3%, owing to the increase in "General structure costs" (especially for postage, utilities and outsourced archive work) and "Information technology expenses", while "Legal and professional expenses" fell sharply (-29.2%); in 2007 these costs included about 4 million euro more in higher fees paid by Banca CR Firenze for corporate consulting.

Operating result

The substantial stability of “Operating income” (-0.3%), together with the decrease in the costs involved, caused an increase of 1.1% in this margin compared with the previous financial period.

Goodwill impairment

The amount of this item at 31 December 2008 (9 million euro) is entirely attributable to the write-off recognised on that date on the Banca CR Firenze Romania S.A. consolidation difference after the impairment test on this shareholding, which was measured on the basis of comparable transactions in accordance with a method agreed on with the Parent Company.

Provisions for risks and charges - net

Net provisions for risks and charges dropped from 13 million euro in 2007 to 9 million euro for the period in question, mainly owing to lower appropriations for lawsuits and because there was a surplus in the funds set aside in previous years, which proved to be in excess of actual requirements.

Value adjustments/write-backs for worsening of loans

(in millions of euro)

	31 December 2008	31 December 2007	Change	
			absolute	%
Doubtful loans	83	78	5	6.4%
Other non-performing loans	68	30	38	126.7%
Performing loans	34	6	28	n.s.
Net value adjustments to loans	**185**	**114**	**71**	**62.3%**
Net write-backs to guarantees and commitments	**-1**	**4**	**-5**	**n.s.**
Value adjustments/ write-backs for worsening of loans	**184**	**118**	**66**	**55.9%**

38 million euro of the increase in net value (adjustments)/write-backs for worsening of loans (+55.9%) are attributable to “Other non-performing loans” owing to the rise in this credit category and 28 million euro to “Performing loans” as a result of the structural worsening of the economic situation, which meant that greater risk was attached to lending and indicated that there should be greater protection against credit risk.

Value adjustments/write-backs for worsening of other assets

This total almost entirely consists of unrealized profits on debt instruments incurred as a consequence of the recent turmoil on the financial markets.

Gains (Losses) from financial assets held to maturity and other investments

The decrease in this item compared with 2007 (2 million euro compared with 19 million euro) is due to the fact that in the last period it included the recognition of the greater value deriving from the application of IFRS 3 (*Purchase Price Allocation*) in the consolidation of the former Centro Leasing Group, amounting to 17 million euro before tax.

Gains/(Losses) from current operations

This margin is 30% lower; when, however, within the consolidation of the companies of the former Centro Leasing Group, negative impact of the 15 million euro losses and unrealized profits on financial instruments is excluded from the 2008 period, and the greater value recognised as a result of the application of IFRS 3 (*Purchase Price Allocation*), amounting to 17 million euro, is excluded from the 2007 period, this result would be 60 million euro lower, corresponding to 21.3%.

Income taxes for the year on current operations

This item fell from 147 million euro to 89 million euro at 31 December 2008; among the variations influencing this result were the changes in IRES state and IRAP regional business tax rules, the net positive effects of the deduction from tax of the amounts in the "EC (Extra Contabili, Non-accounting) box" and the merger deficit emerging from the incorporation of CR Mirandola into Banca CR Firenze; the tax rate therefore went down from 44.9% for the 2007 period to 38.9% for 2008.

Integration-related costs (net of tax)

These are related to the integration in progress with the Intesa Sanpaolo Group, consisting of 59 million euro staff costs, about 24 million euro running expenses and 3 million euro adjustments to intangible assets, before tax.

Net profit

The net profit/(loss) for 2008 is therefore 79 million euro, particularly affected by the greater adjustments to loans than in 2008 and the integration-related costs in the Intesa Sanpaolo Group. As already mentioned in the section on "Operations" in this Report, if the net profits for 2008 and 2007 were normalised by taking the main non-recurring items into account, this net profit would be about 8% higher than in the previous financial period.

Return on Equity and other ratios

Return on Equity, calculated as the net profit for 2008 over weighted average equity for the period 31 December 2007 to 31 December 2008, excluding accruing net profit, is 5.3% (10.7% at 31 December 2007) excluding the impact of the non-recurring items previously mentioned from the net income for 2008 and the impact of the first consolidation of the former Centro Leasing Group from the net income for 2007, ROE would be 9.8%, compared with 8.5% in the previous period.

As to some economic ratios, compared to 31 December 2007, take note of the following significant improvements:

- cost/income, calculated by comparing operating costs to operating income, fell from 60.6% to 60.1%;
- in the staff costs and total administrative expenses impact on total assets, (on the basis of a homogeneous consolidation area) fell respectively from 1.39% to 1.20% and from 0.75% to 0.74%.

Balance Sheet aggregates

Presentation of restated figures

The main events that affected the 2007 and 2008 results commented on this document are:

- Banca CR Firenze' acquisition of control over Casse del Centro S.p.A. on 24 December 2008, which entailed the consolidation of the items posted in the balance sheets of this company's subsidiaries;
- the sale of the equity investments in CR Firenze Gestion Internationale S.A. on 9 December 2008, with the consequent variation in the consolidation area; the relevant items posted in the balance sheet at 31 December 2007 were reclassified under "Non-current assets and groups of assets being disposed" and "Liabilities associated with groups of assets being disposed";
- the contribution to the consolidated balance sheet of the Cassa di Risparmio di Orvieto was reclassified under "Non-current assets and groups of assets being disposed" and "Liabilities associated with groups of assets being disposed" as a result of the sale talks in progress.

Balance Sheet Reclassification criteria

A summary chart of assets and liabilities, suitably grouped together, has been prepared in order to give a clearer picture of the balance sheet and financial position, involving:

- the inclusion of the "Cash and cash on hand" item in the residual item "Other assets";
- the inclusion of the amount of "Hedging derivatives" and "Fair value change of financial assets and liabilities in hedged portfolios" among "Other assets" and "Other liabilities";
- the grouping of property, plant and equipment and intangible assets into one item;
- the grouping under a single item of "Customer deposits" and "Outstanding securities";
- the grouping under a single item of funds intended for specific purposes ("Staff Termination pay" and "Provision for risks and charges");
- reserves other than "Valuation reserves" are shown as a total net of any treasury shares.

A statement of reconciliation between the balance sheet format envisaged by the Bank of Italy and the reclassified balance sheet is provided in the section on "Other information" in this Report, as required in Consob Circular 6064293 of 28 July 2006.

Reclassified Consolidated Balance Sheet

Assets *Amounts in millions of euro*	31 December 2008	31 December 2007 restated	Change absolute	Change %
Financial assets held for trading	290	200	90	45.0%
Financial assets measured at fair value	1,244	1,703	-459	-27.0%
Financial assets available for sale	2,529	3,357	-828	-24.7%
Financial assets held to maturity	45	0	45	n.s.
Amounts owing by banks	4,518	1,252	3,266	n.s.
Customer loans	28,104	20,385	7,719	37.9%
Equity investments	497	397	100	25.2%
Property, plant and equipment and intangible assets	830	962	-132	-13.7%
Tax assets	353	188	165	87.8%
Non-current assets and groups of assets being disposed	751	0	751	n.s.
Other assets	821	706	115	16.3%
Total assets	**39,982**	**29,150**	**10,832**	**37.2%**

Liabilities and shareholders' equity *Amounts in millions of euro*	31 December 2008	31 December 2007 restated	Change absolute	Change %
Amounts owing to banks	8,604	4,281	4,323	101.0%
Customer deposits and outstanding securities	24,704	18,516	6,188	33.4%
Financial liabilities held for trading	86	56	30	53.6%
Financial liabilities measured at fair value	490	889	-399	-44.9%
Tax liabilities	67	68	-1	-1.5%
Liabilities associated with groups of assets being disposed	694	0	694	0.0%
Other liabilities	1,104	1,097	7	0.6%
Actuarial reserves	1,918	1,901	17	0.9%
Provision for specific purpose	516	439	77	17.5%
Share capital	829	829	0	0.0%
Reserves	543	719	-176	-24.5%
Valuation reserves	-94	-29	-65	n.s.
Minority interests	442	200	242	121.0%
Net profit	79	184	-105	-57.1%
Total Liabilities and Shareholders' Equity	**39,982**	**29,150**	**10,832**	**37.2%**

Customer loans

(in millions of euro)

	31 December 2008	% breakdown	31 December 2007	% breakdown	Change absolute	Change %
Current accounts and loans	8,460	30.1%	7,162	35.1%	1,298	18.1%
Mortgages and medium-long term loans	18,301	65.1%	12,371	60.7%	5,930	47.9%
Doubtful loans - gross exposure	586	2.1%	437	2.1%	149	34.1%
Other loans	1,347	4.8%	782	3.8%	565	72.3%
Provision for impaired loans	-591	-2.1%	-367	-1.8%	-224	61.0%
Customer loans	**28,104**	**100.0%**	**20,385**	**100.0%**	**7,719**	**37.9%**

Customer loans amounted to 7,719 million euro more than at 31 December 2007, thanks to "mortgages and medium-long term loans" (+47.9%) and "current accounts and loans" (+18.1%): purging the 31 December 2008 data, however, of the impact of the consolidation of Casse del Centro S.p.A. and its subsidiaries, the total would be 1,779 million euro higher (+8.7%).

Customer loans: loan portfolio quality

(in millions of euro)

	31 December 2008	31 December 2007	Change absolute	Change %
Doubtful loans - gross exposure	603	437	166	37.9%
Total adjustments	-319	-235	-84	35.5%
Doubtful loans - net exposure	**284**	**202**	**82**	**40.7%**
Doubtful loans - coverage ratio	**52.84%**	**53.80%**	**-0.96%**	
Non-performing and restructured loans - gross exposure	513	266	247	93.0%
Total adjustments	-115	-61	-54	88.0%
Non-performing and restructured loans - net exposure	**399**	**205**	**194**	**94.5%**
Non-performing and restructured loans - coverage ratio	**22.34%**	**22.93%**	**-0.60%**	
Expired/overdue by more than 180 days - gross exposure	344	260	84	32.2%
Total adjustments	-13	-7	-6	78.8%
Expired/overdue by more than 180 days - net exposure	**331**	**253**	**78**	**30.9%**
Expired/overdue by more than 180 days - coverage ratio	**3.64%**	**2.70%**	**0.94%**	
Impaired loans - gross exposure	1,460	963	497	51.6%
Total adjustments	-446	-303	-143	47.1%
Impaired loans - net exposure	**1,014**	**660**	**354**	**53.7%**
Impaired loans - coverage ratio	**30.53%**	**31.50%**	**-0.97%**	
Performing loans	27,257	19,807	7,450	37.6%
Total adjustments	-167	-82	-85	103.8%
Performing loans	**27,090**	**19,725**	**7,365**	**37.3%**
Performing loans - coverage ratio	**0.61%**	**0.41%**	**0.20%**	
Customer loans	28,717	20,770	7,947	38.3%
Total adjustments	-613	-385	-228	59.2%
Customer loans - net exposure	**28,104**	**20,385**	**7,719**	**37.9%**
Customer loans - coverage ratio	**2.13%**	**1.85%**	**0.28%**	

At 31 December 2008, expired/overdue loans included subsidiary Centro Factoring S.p.A.'s loans amounting to about 190 million euro, only moderately written down (by about one million euro) according to their purchase price (in line with their salvage value) or the solvency of the main debtor (Public Entities).
If the data at 31 December 2008 are purged of the impact of the consolidation of Casse del Centro S.p.A. and its subsidiaries, the coverage ratio would be up from 1.85% in 2007 to 2.04% in 2008.

Customer financial assets

(in millions of euro)

	31 December 2008	% breakdown	31 December 2007	% breakdown	Change absolute	Change %
Direct borrowing	24,704	53.0%	18,516	45.9%	6,188	33.4%
Indirect borrowing	21,931	47.0%	21,849	54.1%	82	0.4%
Customer financial assets	**46,635**	**100.0%**	**40,365**	**100.0%**	**6,270**	**15.5%**

Customer financial assets are 15.5% up over 2007, amounting to 46,635 million euro (40,365 million euro in 2007), about 53% of the amount being direct borrowing, the remaining 47% indirect borrowing.
If the impact of the consolidation of Casse del Centro S.p.A. and its subsidiaries is excluded, the total would be 4.5 million euro lower (-11.1%).

Direct borrowing

(in millions of euro)

	31 December 2008	% breakdown	31 December 2007	% breakdown	Change absolute	Change %
Current accounts and deposits	14,271	57.8%	10,435	56.4%	3,836	36.8%
Repurchase agreements and securities lending	1,090	4.4%	1,285	6.9%	-195	-15.2%
Bonds	7,229	29.3%	5,121	27.7%	2,108	41.2%
Certificates of deposit	381	1.5%	201	1.1%	180	89.6%
Subordinated liabilities	1,004	4.1%	1,214	6.6%	-210	-17.3%
Other borrowing	729	3.0%	260	1.4%	469	180.4%
Direct customer borrowing	**24,704**	**100.0%**	**18,516**	**100.0%**	**6,188**	**33.4%**

Direct borrowing amount to 24,704 million euro, 33.4% more than the previous year. If the impact of the consolidation of Casse del Centro S.p.A. and its subsidiaries is excluded, the total would be 259 million euro lower (-1.4%).
Also to be considered is that Intesa Sanpaolo Group bonds were placed during 2008, partly replacing the bond loans issued by the individual companies, to a total amount of about 980 million euro.

Indirect borrowing

(in millions of euro)

	31 December 2008	% breakdown	31 December 2007	% breakdown	Change absolute	Change %
Mutual funds	4,915	22.4%	5,364	24.6%	-449	-8.4%
Open-ended pension funds	101	0.5%	85	0.4%	16	18.8%
Portfolio management	1,353	6.2%	2,154	9.9%	-801	-37.2%
Actuarial reserves and financial liabilities	3,061	14.0%	2,810	12.9%	251	8.9%
Assets under management	**9,430**	**43.0%**	**10,413**	**47.7%**	**-983**	**-9.4%**
Assets under administration and in custody	**12,501**	**57.0%**	**11,436**	**52.3%**	**1,065**	**9.3%**
Indirect borrowing	**21,931**	**100.0%**	**21,849**	**100.0%**	**82**	**0.4%**

There was a slight rise in indirect borrowing, thanks to the contribution of “assets under administration and in custody”, which makes up for the decrease in the “assets under management”, which was mainly due to bad market performance.
Excluding the impact of the consolidation of Casse del Centro S.p.A. and its subsidiaries, there would be a fall in both the administrated (-1,583 million euro) and managed (-2,630 million euro) sectors. In the “assets under administration and in custody” caption, a substantial securities deposit account held by a leading insurance company (to a value of about 3.5 billion euro) was transferred to another Intesa Sanpaolo Group company during the period.

Transactions on financial markets

(in millions of euro)

	31 December 2008	31 December 2007	Change absolute	Change %
Interbank				
- assets	4,518	1,252	3,266	n.s.
- liabilities	-8,604	-4,281	-4,323	+101.0%
Total net transactions among banks	**-4,086**	**-3,029**	**-1,057**	**+34.9%**
Negotiable financial assets in portfolio				
- financial assets held for trading	290	200	90	+45.0%
- financial assets measured at fair value	1,244	1,703	-459	-27.0%
- financial assets available for sale	2,529	3,357	-828	-24.7%
- financial assets held to maturity	45	0	45	n.s.
Total negotiable financial assets in portfolio	**4,108**	**5,260**	**-1,152**	**-21.9%**

The net interbank balance is negative owing to the consolidation of the former Centro Leasing Group and of Centro Factoring S.p.A and the funding needed by Findomestic Banca S.p.A.; the financial assets in the portfolio are also down (-21.9%), mainly owing both to the decrease in financial assets measured at fair value and the decrease in financial assets available for sale, which are also affected by the unfavourable market trend.
If the data at 31 December 2008 are purged of the impact from the consolidation of Casse del Centro S.p.A. and its subsidiaries, the net interbank position would still be negative, but would amount to 5,519 million euro, while the total tradable financial assets in the portfolio would be worth 1,353 million less (-25.7%).
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 the assets classified as AFS (Available for Sale).
Management of the AFS bond portfolios was characterised by a rotation of government securities that took the form of the replacement of BOT treasury bills and CTZ zero-coupon treasury certificates by CCT treasury credit certificates, mainly intended to meet the requirements of the renewal of customer's repos. The amount held in corporate securities was lower.
As a whole bond portfolios fell by about 250 million euro. The rating of the issues held is still medium to high (normally not lower than A).
The amount of the portfolio invested in funds, above all hedge, balanced and equity, was about 60 million euro lower in order to limit exposure to price volatility.
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.
Positions in shares were gradually lightened and at the end of the year there were none at all.
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 of management and protection against interest rate risk.
The operations in derivatives included also the execution of swaps to hedge debenture loans issued.
There was also considerable activity related to treasury operations (optimisation of euro imbalances and management of positions in currency), although in this case the operational strategy took a more prudent approach.
In the second part of the period, in the framework of the process of the integration of treasury work with that of the Parent Company, and with a view to keeping risks down after the exacerbation of the turmoil on the financial markets, interbank transactions in euro and other currencies were conveyed directly to the Intesa Sanpaolo Group banks.
Cash imbalances in euro and other currencies and currency exchange positions are managed on an "integrated Treasury" basis and are thus settled only with the Parent Company.

In the framework of the process of the integration of treasury work, compliance with obligatory reserve commitments was centralised "upstream" in the Parent Company and at the end of the period notice of termination was given for access to the e-Mid and MTS on-line interbank markets.
There were no treasury shares in the portfolio at 31 December, nor were there any transactions with such shares during 2008; 200,000 euro of shares in the Parent Company were sole during the year in the framework of the management of the FIP's assets, and at 31 December 2008 there were none.

Equity investments

(in millions of euro)

	31 December 2008	31 December 2007	Change	
			absolute	%
Equity investments	**497**	**397**	**100**	**25.2%**

At 31 December 2008 there was an increase of 35.2% in this amount, which passed from 397 million euro at the end of 2007 to the present 497 million euro, due to the capital increase of subsidiary Findomestic Banca (30 million euro) and the reclassification of the interest in the Bank of Italy (77 million euro), previously reported under AFS.
Finally, the result of the impairment test on the shareholdings was that their value held. "Accounting policies" in Part A of the Notes to the financial statements should be referred to for further details on the method of conduct of the impairment test.

Shareholders' equity

(in millions of euro)

	31 December 2008	31 December 2007	Change	
			absolute	%
Share capital	829	829	0	0.0%
Valuation reserves (adjustment to fair value)	-94	-29	-65	n.s.
Other reserves	543	719	-176	-24.5%
Net profit	79	184	-105	-57.1%
Shareholders' equity	**1,357**	**1,703**	**-346**	**-20.3%**

The main reason for the decrease in shareholders' equity is that the amount measured for goodwill was reduced when the Parent Company acquired the majority shareholding in Casse del Centro S.p.A., in conformity to the provisions of accounting principles for business combinations under common control (239 million euro), to which was added the increase in negative reserves owing to securities reported in the available for sale portfolio (as a result of the unfavourable market trends) and the lower profit reported for the 2008 period.

Statement of reconciliation between Banca CR Firenze's shareholders' equity and net profit for the year and the corresponding values in the consolidated accounts

(in millions of euro)

millions of euro

Description	31 December 2008 Shareholders' equity	31 December 2008 Net profit for the year	31 December 2007 Shareholders' equity	31 December 2007 Net profit for the year
Share capital	829		829	
Share premiums	102		102	
Reserves	281		479	
Valuation reserves	-69		-28	
Goodwill	-89		-89	
Net profit for the year		94		149
Total for Banca CR Firenze SpA	**1,054**	**94**	**1,293**	**149**
Revaluation reserves pertaining to Banca CR Firenze and its subsidiaries	2		0	
Other reserves pertaining to Banca CR Firenze and its subsidiaries	5		16	
Other valuation reserves pertaining to Banca CR Firenze and its subsidiaries	-27			
Consolidation reserve	11		-31	
Measurement of net equity pertaining to minority interests	441		196	
Goodwill arising from consolidation	-183		-220	
Net results for companies consolidated on a line-by-line basis		81		116
Assignment of net profits attributable to minority interests		-18		-36
Elimination of inter-group dividends		-66		-48
Interest payable on consolidated put option liabilities		-5		-4
Effect of commissions due as up-front		-1		-2
PPA effect		-2		10
Elimination of adjustments to participating interests in companies consolidated on a line-by-line basis		13		0
Goodwill impairment		-9		
Capitalisation effect of interest paid on properties		-5		
Infra-group margins reversal		-2		
Effect of the change in the assessment criteria for investment properties			-1	
Total for companies consolidated on a line-by-line basis	**249**	**-14**	**-40**	**36**
Consolidation reserve	144		153	
Measurement of net equity pertaining to minority interests	1		4	
Positive shareholders' equity differences	-12		-14	
Net results for the companies valuated under the equity method		31		33
Elimination of dividends from companies consolidated on an equity basis		-31		-31
Assignment of net profits pertaining to minority interests				-1
Effect of commissions due as up-front		-1		-2
Total for companies consolidated under the equity method	**133**	**-1**	**143**	**-1**
Banca CR Firenze SpA consolidated Shareholders' equity and profits (including minority interests and goodwill)	**1,436**	**79**	**1396**	**184**

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

Description	Shareholders' equity	Net profit for the year	31 December 2007 Shareholders' equity	31 December 2007 Net profit for the year
Share capital	829		829	
Share premiums	102		102	
Reserves	441		617	
Valuation reserves	-94		-29	
Net profit pertaining to Banca CR Firenze and its subsidiaries		79		184
Shareholders' equity and net profit pertaining to Banca CR Firenze and its subsidiaries	**1,278**	**79**	**1,519**	**184**
Shareholders' equity and net profit pertaining to minority interests	**442**	**18**	**200**	**37**
Consolidated shareholders' equity and net profit	**1,720**	**79**	**1,719**	**184**
Goodwill pertaining to the Parent Company	-89		-89	
Goodwill arising from consolidation	-183		-220	
Positive shareholders' equity differences (goodwill)	-12		-14	
Banca CR Firenze consolidated Shareholders' equity and profits (including minority interests and goodwill)	**1,436**	**79**	**1,396**	**184**

Cash flows

The following is a summary of the changes in cash flow between 31 December 2008 and 31 December 2007:

(in millions of euro)

	31 December 2008	31 December 2007
Management	951	1,050
- profit for the period	*79*	*184*
- other changes	*872*	*866*
Net liquidity generated from/(absorbed by) financial assets and liabilities	218	-705
Net liquidity generated from/(absorbed by) operating activities	**1,169**	**345**
Net liquidity generated from /(absorbed by) investing activities	**-1,006**	**-195**
Net liquidity generated from/(absorbed by) funding activities	**-109**	**-109**
CASH FLOW FOR THE PERIOD	**54**	**41**

The above movements reflect the trends of the income and capital variables that have been commented on in previous paragraphs of this report. The "Cash flow statement" to the consolidated financial statements presented in the following pages should be referred to for fuller details.

Risk Management

General aspects

Banca CR Firenze attaches a 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 Italian associated 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.

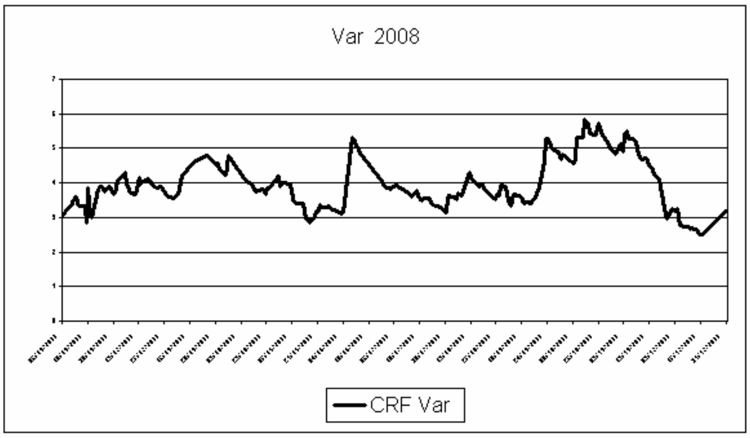
The methodology and regulations supporting the process of measurement and control are standardised for all the Italian commercial banks. Specific activities are in hand to standardise measurement methodologies in the other Group companies, where appropriate.

Financial risks

Banca CR Firenze'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 Banca CR Firenze 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 2008 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 51.9 million 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 4 million euro, reaching a maximum figure of 5.9 million euro and always remaining below the figure prescribed in corporate regulations.



AVERAGE VAR 2008	3.96
MAXIMUM VAR 2008	5.85
MINIMUM VAR 2008	2.50

Amounts in millions of euros

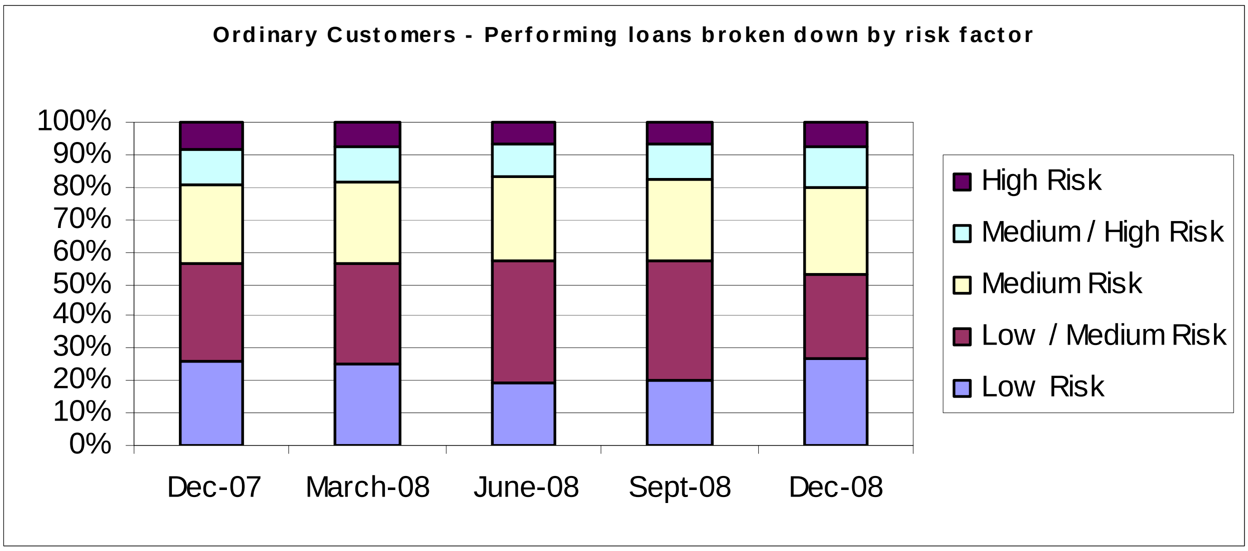
Credit risks

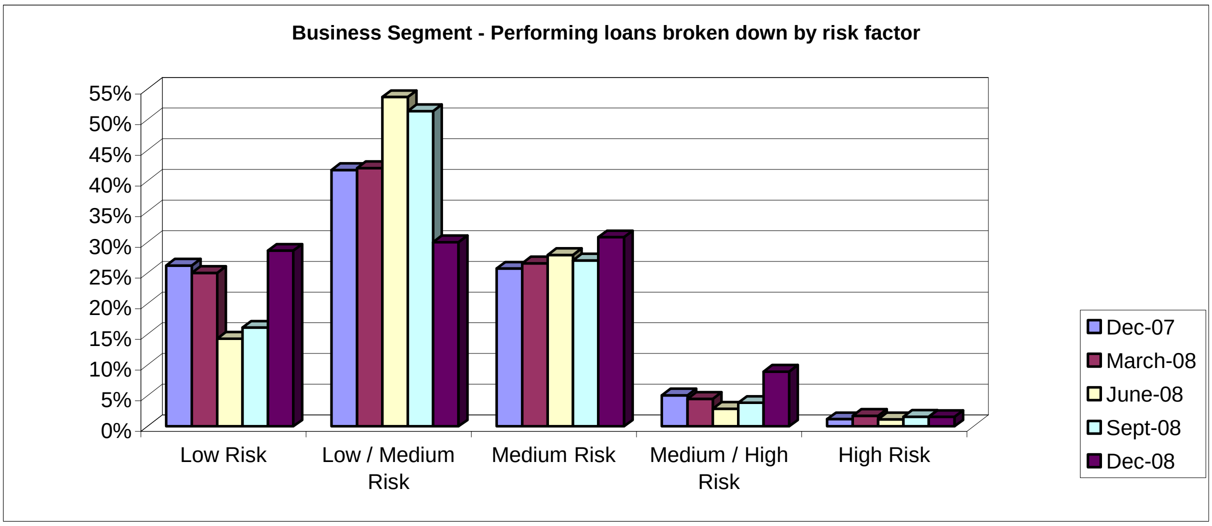
Counterparty credit risk is calculated using a number of rating models.
In the framework of a gradual integration of the rating models with those adopted in the Intesa Sanpaolo Group, during June 2008 the rating was extended to all customers shared with the Intesa Sanpaolo Group banks belonging to the segments defined in the regulations as Corporate and SME (Small medium Enterprise). The extension of the rating models to all Corporate, SME and SME Retail customers was completed in December 2008.
The Corporate and SME Corporate models apply to enterprises and groups with:

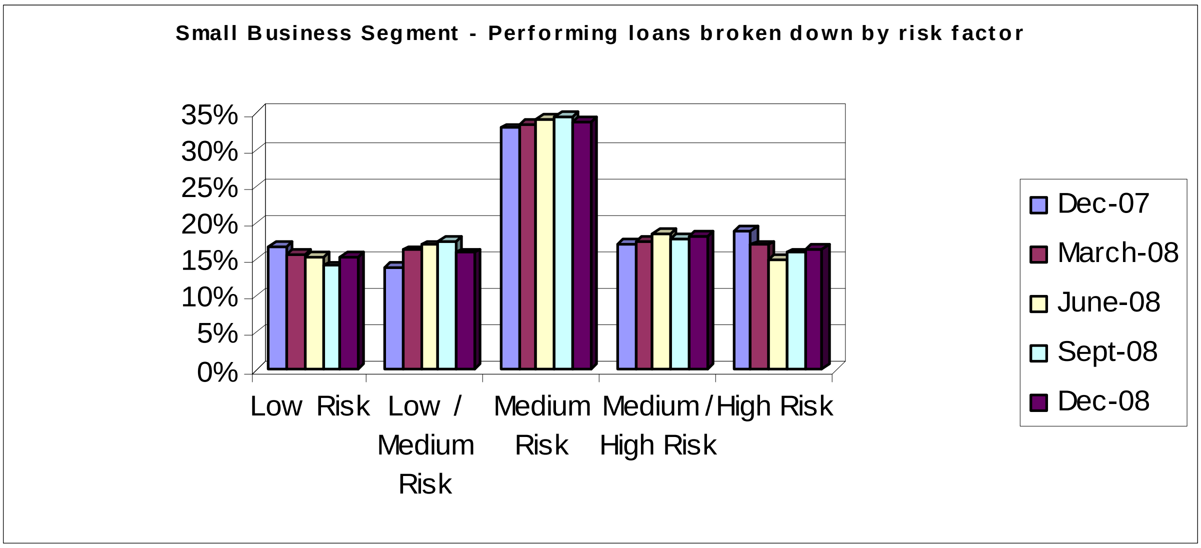
- a turnover of more than 2.5 million euro; or
- an exposure to Intesa Sanpaolo Group banks of more than 1 million euro.

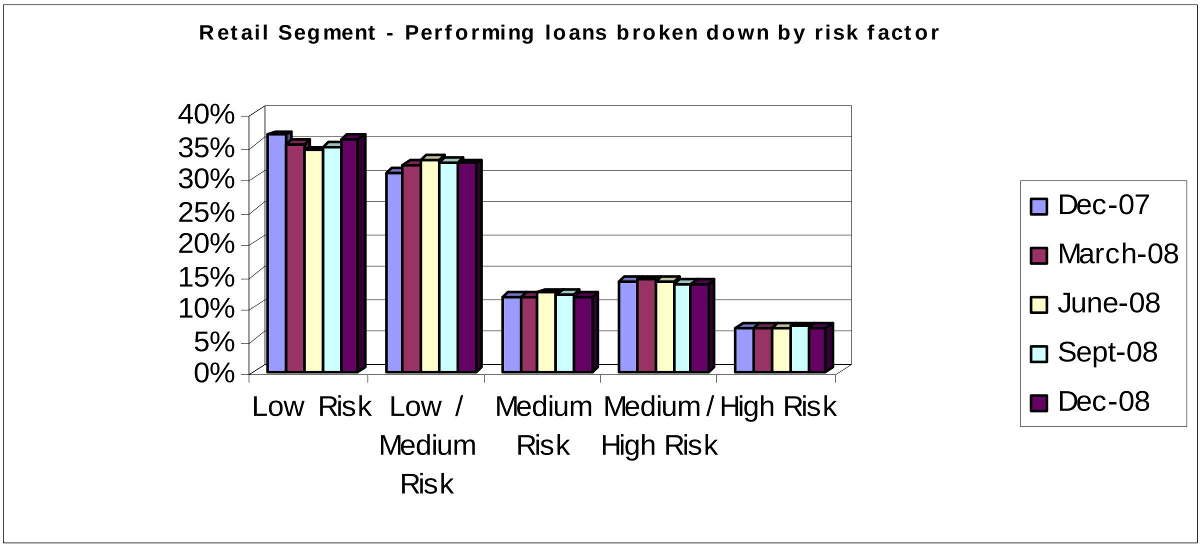
The SME Retail model applies to enterprises that fall below both the above size limits.
During 2009 the introduction of the Intesa Sanpaolo rating system will be completed by the extension to customers belonging to the Private Retail segment of the models that have been prepared.

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 2007 to December 2008, low or low-medium risk components steadily accounted for more than 50% of total exposure.




Business Segment - Performing loans broken down by risk factor
55%
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Low Risk
Low / Medium Risk
Medium Risk
Medium / High Risk
High Risk
Dec-07
March-08
June-08
Sept-08
Dec-08


Small Business Segment - Performing loans broken down by risk factor
35%
30%
25%
20%
15%
10%
5%
0%
Low Risk
Low / Medium Risk
Medium Risk
Medium / High Risk
High Risk
Dec-07
March-08
June-08
Sept-08
Dec-08


Retail Segment - Performing loans broken down by risk factor
40%
35%
30%
25%
20%
15%
10%
5%
0%
Low Risk
Low / Medium Risk
Medium Risk
Medium / High Risk
High Risk
Dec-07
March-08
June-08
Sept-08
Dec-08

As regards non-performing loans, the “gross doubtful loans/loans” ratio is substantially stable (including amounts written off), while the other default categories (non-performing loans and loans overdue for more than 180 days) recorded a slightly upward trend on an annual basis (source: Operations Monitoring Department).

As regards the way credit risk will evolve during the first six months of 2009, Banca CR Firenze is carefully monitoring the consequences of the changed macroeconomic scenario on systemic credit risk. The implications that are the subject of the greatest attention are those attached to (a) the presence of structural reductions in the amount of cash available to the banking system; and (b) abrupt deteriorations in the risk profile of certain economic activity sectors. In this connection, as things stand at present one cannot rule out the possibility of a structural worsening in the macroeconomic situation consequently leading to a deterioration in credit quality. This eventuality, which is not yet entirely quantifiable, is nevertheless kept under tight control by the internal risk monitoring systems, to which fresh Intesa Sanpaolo monitoring tools will be added, contributing further to enhance credit risk safeguards.

Operating risks

In 2008, on the basis of the Italian bank operating losses database (“DIPO”), the operating losses of Banca CR Firenze and its Italian banking associates, made smaller inroads into “net interest and other banking income” than the average for the banking System. During the period no internal events entailed maximum losses at System level.

During 2008 risk self-assessment analysis continued, extended to all Banca CR Firenze’s Italian associates. The comparison between losses accrued and losses expected first of all showed that the former are in line with the latter and, secondly, enabled the processes most at risk to be identified.

In 2009, in the framework of Banca CR Firenze’s integration into Intesa Sanpaolo, there is to be a reorganisation of the operational risks management system in conformity to the Parent Company’s guidelines regarding the matter.

The results by segment of activity

Identification of the segments of activity

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

- *Retail*, including the following sub-areas:
  - retail;
  - financial promoters;
  - other bank networks (networks of subsidiary banks);
- *Business and Private*;
- *Finance* (structure responsible for managing of the owned portfolio and Treasury);
- *Wealth Management* (companies that develop products for savings management);
- *Leasing and Factoring*;
- *Corporate Center*, or the structure in which the governance, control and management divisions relating to equity investments (including companies consolidated using the equity method and, specifically, Findomestic Banca S.p.A.) are concentrated; moreover, with the acquisition of the controlling share of Casse del Centro S.p.A by Banca CR Firenze with effect from 24 December 2008, the balance sheet data and the structural data relating to the banks that are subsidiaries of Casse del Centro S.p.A have been included in this sector; the item "Gains/(Losses) associated with groups of assets being disposed, net of tax" has also been attributed to this division and it includes the income items relating to Cassa di Risparmio di Orvieto S.p.A. and CRF Gestion Internazionale S.A. in respect of sales in progress or completed.

Profitability calculation Criteria by segment of activity

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

- net interests 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 recharged to the latter, on the basis of their effective use;
- services rendered by individual business units in favour of other business units have been "billed" to the latter;
- a "real property center" has been set up as part of the Corporate Center. This bears the actual costs related to fixed assets and bills the individual organizational units for notional rents, as calculated on the basis of actual expenses (for the leased property) or the presumed savage value of the real property (for owned real property);
- risk cost is debited to single business units on the basis of measurement parameters consistent with Basel II: this represents an "insurance" against credit risk that is recognised in favour of the Corporate Center, which, on the other hand, recognises the actual losses and write-downs of doubtful loans.

Summary

	RETAIL	BUSINESS AND PRIVATE	FINANCE (1)	WEALTH MANAGEMENT	LEASING & FACTORING	CORPORATE CENTER (1)	TOTAL
NET OPERATING INCOME (€/mil)							
December 2008	739	158	44	2	130	39	1,112
December 2007	724	151	42	41	132	25	1,115
2008/ 2007 (%) change	2.1%	4.6%	4.8%	-95.1%	-1.5%	56.0%	-0.3%
PROFIT FROM CURRENT OPERATIONS (€/mil)							
December 2008	225	50	35	-13	31	-99	229
December 2007	209	57	32	27	38	-36	327
2008/ 2007(%) change	7.7%	-12.3%	9.4%	n.s.	-18.4%	175.0%	-30.0%
NET PROFIT (minority interests included) (€/mil)							
December 2008	133	32	24	-8	13	-97	97
December 2007	119	37	20	17	18	-5	206
2008/ 2007(%) change	11.9%	-12.3%	19.4%	n.s.	-29.5%	n.s.	-53.1%
TOTAL INTEREST-BEARING ASSETS (€/mil)							
December 2008	10,148	5,451	6,854	2,661	5,027	7,086	37,227
December 2007	9,841	5,184	5,119	2,895	4,622	-367	27,294
2008/ 2007(%) change	3.1%	5.2%	33.9%	-8.1%	8.8%	n.s.	36.4%
TOTAL COST-BEARING LIABILITIES (€/mil)							
December 2008	13,289	3,657	5,195	36	4,942	6,275	33,394
December 2007	12,552	2,998	3,327	18	4,419	-461	22,853
2008/ 2007(%) change	5.9%	22.0%	56.1%	100.0%	11.8%	n.s.	46.1%
STAFF (including fixed-term contracts)							
December 2008	4,134	448	17	58	393	2,831	7,881
December 2007	4,345	479	25	60	406	1,153	6,468
2008/ 2007(%) change	-4.9%	-6.5%	-32.0%	-3.3%	-3.2%	145.5%	21.8%

(1) The item includes the netting of "internal customers" transactions between segments, for the share pertaining to the sector

Net profit in 2008, including minority interests, recorded a reduction of 53.1%; the results of the individual business segments are highlighted in the following tables.

Retail

	December 2008	December 2007	Absolute change	% change
INCOME STATEMENT ITEMS				
Net interests	**494**	**469**	**25**	**5.3%**
Dividends and gains (losses) from equity investments valuated under the equity method	0	1	-1	-100.0%
Net commissions	233	241	-8	-3.3%
Result from trading	0	4	-4	-100.0%
Result from insurance activities	0	0	0	n.s.
Other operating (expenses)/income	12	9	3	33.3%
Net operating income	**739**	**724**	**15**	**2.1%**
Operating costs	**-464**	**-476**	**12**	**-2.5%**
Operating result	**275**	**248**	**27**	**10.9%**
Impairment on goodwill	0	0	0	n.s.
Provisions for risks and charges -net	0	-3	3	-100.0%
Value adjustments/write-backs for worsening of loans	-50	-36	-14	38.9%
Value adjustments/write-backs for worsening of other assets	0	0	0	n.s.
Gains (Losses) on financial assets held to maturity and on other investments	0	0	0	n.s.
Gains/(Losses) from current operations, including taxes	**225**	**209**	**16**	**7.7%**
Income taxes for the year on current operations	-92	-90	-2	2.1%
Gains (Losses) associated with groups of assets being disposed (net of taxes)	0	0	0	n.s.
Integration-related costs (net of tax)	0	0	0	n.s.
Net profit (including minority interests)	**133**	**119**	**14**	**11.9%**
SEGMENT REVENUES	739	724	15	2.1%
SEGMENT RESULT	133	119	14	11.9%
INDICATORS (%)				
Cost/ Income ratio	62.8%	65.7%	-3.0%	
BALANCE SHEET ITEMS				
Total customers' assets				
Financial assets	23,947	26,602	-2,655	-10.0%
- direct borrowing	12,282	13,352	-1,070	-8.0%
- indirect borrowing	11,665	13,250	-1,585	-12.0%
- administered savings	4,830	4,208	622	14.8%
- managed savings	6,835	9,042	-2,207	-24.4%
- asset management: Gpm, Gps, Gpf	695	1,473	-778	-52.8%
- funds	4,045	5,060	-1,015	-20.1%
- insurance (actuarial reserves)	2,095	2,506	-411	-16.4%
Financial assets in portfolio	13	15	-2	-13.3%
Customer Loans	10,251	10,087	164	1.6%
Total interest-bearing assets	10,148	9,841	307	3.1%
Total cost-bearing liabilities	13,289	12,552	737	5.9%
STRUCTURE				
Staff	4,134	4,345	-211	-4.9%
Branches	554	550	4	0.7%
Foreign branches	20	19	1	5.3%

Retail (which represents around 66.5% of the net operating income) grew by 15 million euro (+2.1%) in the operating income component, caused substantially by the increase in the net interests (5.3%).
Against the higher revenues, a reduction in the operating costs (-2.5%) was also seen at the same time, improving the cost/income ratio by around 3 percentage points.
The increase in the value adjustments/write-backs for worsening of loans (+38.9%) was due to the higher expected and current risk in the loans division because of the worsening of the economic situation.
There was a decrease of 10% in the financial assets, linked mainly to the managed savings division (-24.4%), while loans showed an increase of 1.6%.

Business and Private

	December 2008	December 2007	Absolute change	% change
INCOME STATEMENT ITEMS				
Net interests	**99**	**92**	**7**	**7.6%**
Dividends and gains (losses) from equity investments valuated under the equity method	0	0	0	n.s.
Net commissions	56	53	3	5.7%
Result from trading	2	7	-5	-71.4%
Result from insurance activities	0	0	0	n.s.
Other operating (expenses)/income	1	-1	2	n.s.
Net operating income	**158**	**151**	**7**	**4.6%**
Operating costs	**-71**	**-67**	**-4**	**6.0%**
Operating result	**87**	**84**	**3**	**3.6%**
Impairment on goodwill	0	0	0	n.s.
Provisions for risks and charges -net	0	0	0	n.s.
Value adjustments/write-backs for worsening of loans	-35	-27	-8	29.6%
Value adjustments/write-backs for worsening of other assets	-2	0	-2	n.s.
Gains (Losses) on financial assets held to maturity and on other investments	0	0	0	n.s.
Gains/(Losses) from current operations, including taxes	**50**	**57**	**-7**	**-12.3%**
Income taxes for the year on current operations	-18	-20	2	-12.3%
Gains (Losses) associated with groups of assets being disposed (net of taxes)	0	0	0	n.s.
Integration-related costs (net of tax)	0	0	0	n.s.
Net profit (including minority interests)	**32**	**37**	**-5**	**-12.3%**
SEGMENT REVENUES	158	151	7	4.6%
SEGMENT RESULT	32	37	-5	-12.3%
INDICATORS (%)				
Cost/ Income ratio	44.9%	44.4%	0.6%	
BALANCE SHEET ITEMS				
Total customers' assets				
Financial assets	10,556	11,596	-1,040	-9.0%
- direct borrowing	4,584	2,997	1,587	53.0%
- indirect borrowing	5,972	8,599	-2,627	-30.6%
- administered savings	5,023	7,228	-2,205	-30.5%
- managed savings	949	1,371	-422	-30.8%
- asset management: Gpm, Gps, Gpf	402	681	-279	-41.0%
- funds	274	386	-112	-29.0%
- insurance (actuarial reserves)	273	304	-31	-10.2%
Financial assets in portfolio	0	0	0	n.s.
Customer Loans	5,312	5,179	133	2.6%
Total interest-bearing assets	5,451	5,184	267	5.2%
Total cost-bearing liabilities	3,657	2,998	659	22.0%
STRUCTURE				
Staff	448	479	-31	-6.5%
Business and private centres	61	57	4	7.0%

The Business and Private segment (which represents around 14.2% of the net operating income), saw an increase of 4.6% in the operating income component, caused by the growth of the net interests of 7.6%.
Operating costs increased by around 4 million euro (+6.0%) and the value adjustments/write-backs for worsening of loans increased by 30%.
Financial assets decreased by 9%, mainly linked to managed savings (-31%), while customer loans increased by 2.6%.

Finance

	December 2008	December 2007	Absolute change	% change
INCOME STATEMENT ITEMS				
Net interests	**32**	**24**	**8**	**33.3%**
Dividends and gains (losses) from equity investments valuated under the equity method	0	0	0	n.s.
Net commissions	5	5	0	0.0%
Result from trading	7	14	-7	-50.0%
Result from insurance activities	0	0	0	n.s.
Other operating (expenses)/income	0	-1	1	-100.0%
Net operating income	**44**	**42**	**2**	**4.8%**
Operating costs	**-9**	**-10**	**1**	**-10.0%**
Operating result	**35**	**32**	**3**	**9.4%**
Impairment on goodwill	0	0	0	n.s.
Provisions for risks and charges -net	0	0	0	n.s.
Value adjustments/write-backs for worsening of loans	0	0	0	n.s.
Value adjustments/write-backs for worsening of other assets	0	0	0	n.s.
Gains (Losses) on financial assets held to maturity and on other investments	0	0	0	n.s.
Gains/(Losses) from current operations, including taxes	**35**	**32**	**3**	**9.4%**
Income taxes for the year on current operations	-11	-12	1	-7.3%
Gains (Losses) associated with groups of assets being disposed (net of taxes)	0	0	0	n.s.
Integration-related costs (net of tax)	0	0	0	n.s.
Net profit (including minority interests)	**24**	**20**	**4**	**19.4%**
SEGMENT REVENUES	44	42	2	4.8%
SEGMENT RESULT	24	20	4	19.4%
INDICATORS (%)				
Cost/ Income ratio	20.5%	23.8%	-3.4%	
BALANCE SHEET ITEMS				
Total customers' assets				
Financial assets	489	1,111	-622	-56.0%
- direct borrowing	489	1,111	-622	-56.0%
- indirect borrowing	0	0	0	n.s.
- administered savings	0	0	0	n.s.
- managed savings	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	1,359	2,241	-882	-39.4%
Customer Loans	1,315	701	614	87.6%
Total interest-bearing assets	6,854	5,119	1,735	33.9%
Total cost-bearing liabilities	5,195	3,327	1,868	56.1%
STRUCTURE				
Staff	17	25	-8	-32.0%

The Finance segment (which represents around 4% of the total net operating income), recorded an increase in net profit equal to 19.4%, which mainly benefited from the higher net interests (+33.3%) as a result of the increase in interest-bearing assets in the period (+33.9%), which, together with the lower operating costs led to a significant improvement in the cost/income ratio (-3.4 percentage points).

Wealth Management

	December 2008	December 2007	Absolute change	% change
INCOME STATEMENT ITEMS				
Net interests	**0**	**0**	**0**	**n.s.**
Dividends and gains (losses) from equity investments valuated under the equity method	0	0	0	n.s.
Net commissions	0	0	0	n.s.
Result from trading	0	0	0	n.s.
Result from insurance activities	2	41	-39	-95.1%
Other operating (expenses)/income	0	0	0	n.s.
Net operating income	**2**	**41**	**-39**	**-95.1%**
Operating costs	**-15**	**-14**	**-1**	**7.1%**
Operating result	**-13**	**27**	**-40**	**n.s.**
Impairment on goodwill	0	0	0	n.s.
Provisions for risks and charges -net	0	0	0	n.s.
Value adjustments/write-backs for worsening of loans	0	0	0	n.s.
Value adjustments/write-backs for worsening of other assets	0	0	0	n.s.
Gains (Losses) on financial assets held to maturity and on other investments	0	0	0	n.s.
Gains/(Losses) from current operations, including taxes	**-13**	**27**	**-40**	**n.s.**
Income taxes for the year on current operations	5	-10	15	n.s.
Gains (Losses) associated with groups of assets being disposed (net of taxes)	0	0	0	n.s.
Integration-related costs (net of tax)	0	0	0	n.s.
Net profit (including minority interests)	**-8**	**17**	**-25**	**n.s.**
SEGMENT REVENUES	2	41	-39	-95.1%
SEGMENT RESULT	-8	17	-25	n.s.
INDICATORS (%)				
Cost/ Income ratio	n.s.	34.1%	n.s.	
BALANCE SHEET ITEMS				
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 savings	0	0	0	n.s.
- managed savings	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	1,864	2,808	-944	-33.6%
Customer Loans	0	0	0	n.s.
Total interest-bearing assets	2,661	2,895	-234	-8.1%
Total cost-bearing liabilities	36	18	18	100.0%
STRUCTURE				
Staff	58	60	-2	-3.3%

Following the sale to the Parent Company (which took place in December 2008) of the equity investments in CR Gestion Internazionale S.A., this division (which represents around 0.2% of the total net operating income) comprises exclusively Centrovita Assicurazioni S.p.A.
During 2008, a loss was recorded, linked to the negative result in the life insurance branch which was due to lower premiums and net income as well as higher charges for claims and surrendering of policies and the impact of the adverse performance of the financial markets.

Leasing and Factoring

	December 2008	December 2007	Absolute change	% change
INCOME STATEMENT ITEMS				
Net interests	**95**	**91**	**4**	**4.4%**
Dividends and gains (losses) from equity investments valuated under the equity method	2	5	-3	-60.0%
Net commissions	22	6	16	n.s.
Result from trading	-1	9	-10	n.s.
Result from insurance activities	0	0	0	n.s.
Other operating (expenses)/income	12	21	-9	-42.9%
Net operating income	**130**	**132**	**-2**	**-1.5%**
Operating costs	**-43**	**-52**	**9**	**-17.3%**
Operating result	**87**	**80**	**7**	**8.7%**
Impairment on goodwill	0	0	0	n.s.
Provisions for risks and charges -net	-6	-4	-2	50.0%
Value adjustments/write-backs for worsening of loans	-50	-38	-12	31.6%
Value adjustments/write-backs for worsening of other assets	0	0	0	n.s.
Gains (Losses) on financial assets held to maturity and on other investments	0	0	0	n.s.
Gains/(Losses) from current operations, including taxes	**31**	**38**	**-7**	**-18.4%**
Income taxes for the year on current operations	-14	-20	6	-28.4%
Gains (Losses) associated with groups of assets being disposed (net of taxes)	0	0	0	n.s.
Integration-related costs (net of tax)	-4	0	-4	n.s.
Net profit (including minority interests)	**13**	**18**	**-5**	**-29.5%**
SEGMENT REVENUES	130	132	-2	-1.5%
SEGMENT RESULT	13	18	-5	-29.5%
INDICATORS (%)				
Cost/Income ratio	33.1%	39.4%	-6.3%	
BALANCE SHEET ITEMS				
Total customers' assets				
Financial assets	627	661	-34	-5.1%
- direct borrowing	627	661	-34	-5.1%
- indirect borrowing	0	0	0	n.s.
- administered savings	0	0	0	n.s.
- managed savings	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	9	13	-4	-30.8%
Customer Loans	5,401	4,592	809	17.6%
Total interest-bearing assets	5,027	4,622	405	8.8%
Total cost-bearing liabilities	4,942	4,419	523	11.8%
STRUCTURE				
Staff	393	406	-13	-3.2%

Against net operating income which remained substantially stable (which did however include a considerable increase in customer loans that was equal to 17.6%), the division under consideration (which represents around 11.7% of the total net operating income) managed to contain costs by 17.3%, thus improving the cost/income ratio by around 6 percentage points.
However, overall profitability decreased in 2008 because of the higher value (adjustments)/write-backs for worsening of loans (31.6%) due to the current economic situation as well as because of the impact of the economic effects of the cost allocation for the acquisition of the controlling shares of Centro Leasing Banca S.p.A., Centro Leasing Rete S.p.a. and Centro Factoring S.p.A which was different to 2007.

Corporate Center

	December 2008	December 2007	Absolute change	% change
INCOME STATEMENT ITEMS				
Net interests	**-3**	**1**	**-4**	**n.s.**
Dividends and gains (losses) from equity investments valuated under the equity method	31	30	1	3.3%
Net commissions	-29	-28	-1	3.6%
Result from trading	6	5	1	20.0%
Result from insurance activities	19	11	8	72.7%
Other operating (expenses)/income	15	6	9	150.0%
Net operating income	**39**	**25**	**14**	**56.0%**
Operating costs	**-66**	**-57**	**-9**	**15.8%**
Operating result	**-27**	**-32**	**5**	**-15.6%**
Impairment on goodwill	-9	0	-9	n.s.
Provisions for risks and charges -net	-3	-6	3	-50.0%
Value adjustments/write-backs for worsening of loans	-49	-17	-32	188.2%
Value adjustments/write-backs for worsening of other assets	-13	0	-13	n.s.
Gains (Losses) on financial assets held to maturity and on other investments	2	19	-17	-89.5%
Gains/(Losses) from current operations, including taxes	**-99**	**-36**	**-63**	**175.0%**
Income taxes for the year on current operations	41	5	36	n.s.
Gains (Losses) associated with groups of assets being disposed (net of taxes)	19	26	-7	0
Integration-related costs (net of tax)	-58	0	-58	n.s.
Net profit (including minority interests)	**-97**	**-5**	**-92**	**n.s.**
SEGMENT REVENUES	39	25	14	56.0%
SEGMENT RESULT	-97	-5	-92	n.s.
INDICATORS (%)				
Cost/ Income ratio	169.2%	228.0%	-58.8%	
BALANCE SHEET ITEMS				
Total customers' assets				
Financial assets	11,016	471	10,545	n.s.
- direct borrowing	6,722	471	6,251	n.s.
- indirect borrowing	4,294	0	4,294	n.s.
- *administered savings*	2,648	0	2,648	n.s.
- *managed savings*	1,646	0	1,646	n.s.
- asset management: Gpm, Gps, Gpf	256	0	256	n.s.
- funds	697	0	697	n.s.
- insurance (actuarial reserves)	693	0	693	n.s.
Financial assets in portfolio	1,360	585	775	132.5%
Customer Loans	5,825	-174	5,999	n.s.
Total interest-bearing assets	7,085	-367	7,452	n.s.
Total cost-bearing liabilities	6,275	-461	6,736	n.s.
STRUCTURE				
Staff	2,831	1,153	1,678	145.5%
Branches	284		284	n.s.

The central functions (which represent around 3.5% of the total net operating income) include holding activities and the management of the group's equity investments; as already specified, the balance sheet items and the structural data for the 2008 final balance included the Casse del Centro values.
The main component is represented by the organisational units that perform governance, support and control activities with regard to the other business segments and whose costs are recharged to these latter according to the mechanisms described in the introduction of this section. This sector also recognises the profits from the Findomestic Banca, a jointly controlled company that is consolidated on an equity basis.
The costs related to the integration into the Intesa Sanpaolo Group were also recorded in this division and the item "Gains/(Losses) associated with groups of assets being disposed, net of tax" included the income items of CR Orvieto and CRF Gestion Internationale S.A. in respect of the sales in progress or completed.
Finally, it is pointed out that the variation from the result in the period is affected by the non-recurring items that have previously been mentioned.

Other information

Intra-group and related party transactions

The main transactions of the above type being carried out by Banca CR Firenze S.p.A. at the end of the period were receivables to and payables from the Parent Company, the other Group companies and financing of the consumer credit managed by the Findomestic Group; the following are the balances of these accounts at 31 December 2008:

(in millions of euro)	Assets	Liabilities	Guarantees given
Parent Company	**552**	**4,173**	**113**
Intesa Sanpaolo S.p.A.	552	4	113
Consolidated companies	**2,928**	**843**	**173**
Cassa di Risparmio di Pistoia e Pescia S.p.A	378	174	70
Cassa di Risparmio di Civitavecchia S.p.A.	81	33	11
Cassa di Risparmio di Orvieto S.p.A.	75	27	15
Cassa di Risparmio della Spezia S.p.A.	381	423	71
Banca CR Firenze Romania S.A.	63	-	-
Centro Leasing Banca S.p.A.	821	55	1
Centro Factoring S.p.A.	202	43	-
CR Firenze Gestion SA			
CR Firenze Mutui S.r.l.	8	-	-
Centrovita Assicurazioni S.p.A.	41	79	-
Infogroup S.p.A.	2	8	1
Immobiliare Nuova Sede S.r.l.	105	1	4
Casse del Centro S.p.A.	771	-	-
Companies subject to joint control (joint ventures)	**2,065**	**98**	**1**
Findomestic Banca S.p.A.	2,064	91	1
Soprarno Sgr S.p.A.	1	7	37
Other related parties	**39**	**500**	**176**
Entities exercising a significant influence on the Company	-	56	-
Managers with strategic responsibilities	2	3	
Other related parties	37	441	176
Total	**5,584**	**5,614**	**463**

It should be borne in mind that during 2008 the extraordinary transactions with related parties were carried out that are described in the paragraph below, “Shareholding structures”, in the appropriate parts of the notes to the companies‘ financial statements and in Part H of the notes to the consolidated financial statements.

Management and coordination

Parent Company Intesa Sanpaolo S.p.A., under Articles 2497 ff. of the Civil Code, exercises powers of management and coordination over Banca CR Firenze S.p.A. and its subsidiaries.
The relations with the Parent Company in performing this activity and the influence the Parent Company has exerted over operations and the profit and loss and balance sheet results commented on in these financial statements are fully described in the notes to the financial statements, Part H, “Transactions with related parties”.

Significant events occurring during the period

In performance of the agreement executed on 26 July 2007 among the Bank's main shareholders, on 29 January 2008 a transaction was completed involving the part exchange of Banca CR Firenze S.p.A. shares for Intesa Sanpaolo S.p.A. shares, which enabled the latter to gain control over Banca CR Firenze S.p.A..
Banca CR Firenze S.p.A. and its subsidiaries, therefore, entered the Intesa Sanpaolo Group on 29 January 2008.
The subsequent Public Offer (OPA) to buy 30.8% of Banca CR Firenze's share capital promoted by Intesa Sanpaolo under Article 106 of the Italian Consolidated Financial Services Law, and Intesa Sanpaolo's exercise of its option under Article 111 of the Consolidated Financial Services Law, led to the present composition of Banca CR Firenze S.p.A.' s present shareholding structure, in which Intesa Sanpaolo has an 89.7% interest and Ente CR Firenze 10.3%.
Borsa Italiana S.p.A. arranged for Banca CR Firenze's shares to be delisted from the on-line stock market with effect from 15 April 2008.
As a result of the change in control structure, there were also various changes in the composition of the governing and control Bodies.
As regards the Board of Directors, first of all on 1 August 2007 the Director designated by the Fondazione Cassa di Risparmio della Spezia, Mr. Matteo Melley, resigned from his position; Fondazione was one of the signatories to the agreement that has been mentioned, as assignor of its interest to Intesa Sanpaolo S.p.A..
After Intesa Sanpaolo S.p.A. took over on 29 January 2008 Director Mr. Pio Bussolotto also resigned because his position had become incompatible with that of a member of the Supervisory Board of the new Parent Company.
Directors Mr. Alessio Colomeiciuc and Mr. Riccardo Varaldo resigned on 3 March 2008.
At the meeting held on the same day, by a resolution approved by the Board of Auditors, the Board made its number up to 14 appointing Mr. Pietro Modiano, Mr. Francesco Micheli and Mr. Paolo Maria Grandi, of the top management of the new Parent Company, and Mr. Lino Moscatelli, who left his position as General Manager.
The Board gave this position to Mr. Luciano Nebbia, who had previously been in charge of the Province of Milan area from within Intesa Sanpaolo S.p.A..
Finally, Mr. Lino Moscatelli, who was appointed Managing Director and a member of the Executive Committee, was vested by the Board with all the powers necessary to supervise the integration of Banca CR Firenze S.p.A. in the Intesa Sanpaolo Group.
After BNP Paribas S.A., which accepted Intesa Sanpaolo' public offer to buy, left the shareholding structure, the representatives of the French bank, Messrs Jean Clamon and Giuseppe Spadafora, resigned from their positions on 8 April 2008 and 7 April 2008 respectively. At the meeting on 21 April 2008 the Board again made its number up to 14 appointing Mr. Francesco Favotto and Mr. Alberto Pacifici, Chairman of Casse del Centro S.p.A.
The Shareholders' Meeting on 26 April 2008 confirmed all the appointments resolved by the Board of Directors.
On 28 April 2008 Director Mr. Antonio Patuelli, Chairman of Cassa di Risparmio di Ravenna S.p.A., resigned from his position.
On 16 December 2008 Director Mr. Pietro Modiano, at the same time as he resigned as General Manager of the Parent Company, also left his position as a member of the Bank's Board of Directors.
As regards the Board of Auditors, after Intesa Sanpaolo gained control over the Bank as has been stated, the Chairman of the Board of Auditors, Mr. Domenico Muratori, and Alternate Auditor Mr. Angelo Falbo resigned from their positions because they had become incompatible. Consequently Mr. Vieri Fiori, as senior member of the Board and in accordance with Article 2401, paragraph 2, of the Civil Code, succeeded him as Chairman, while Alternate Auditor Mr. Francesco Maria Mancini became a member of the Board with effect until the following Shareholders' Meeting.
At the Ordinary Shareholders' Meeting of 26 April called to bring the Board of Auditors up to full strength again, Statutory Auditor Mr. Marco Sacconi resigned from his position.
The Meeting then appointed Ms. Rosalba Casiraghi as the new Chairman, Mr. Carlo Giuseppe Angelini as the new Statutory Auditor and Mr. Marco Sacconi as the new Alternate Auditor. In accordance with the law, Mr. Vieri Fiori and Mr. Francesco Maria Mancini resumed the positions as Statutory Auditor and Alternate Auditor assigned to them by the Shareholders' Meeting of 26 April 2007 that appointed the Board.
Finally, the Ordinary Shareholders' Meeting of 26 April 2008 approved the draft financial statements presented by the Board of Directors and distributed a dividend of 0.13 euro per share.
In implementation of arrangements entered into between the two shareholders, the Extraordinary Shareholders' Meeting of 22 September 2008 resolved to adopt new Articles of Association that state that the Bank belongs to the Intesa Sanpaolo Banking Group and provide for safeguards for the position of the minority shareholder, Ente Cassa di Risparmio di Firenze, by means of representation on the governing and control bodies, qualified majorities for the adoption of resolutions regarding particular matters and rules related to the circulation of shares.

The new Articles of Association came into effect on 10 November 2008, the date on which they were entered in the Register of Companies.
As a result of the adoption of the new Articles of Association, the ordinary shares belonging to Ente Cassa di Risparmio di Firenze were converted into Class A shares with rights additional to those attached to ordinary shares.

At 31 December 2008 share capital was 828,836,017.00 euro, consisted of 828,826,017 shares with a nominal value of 1,00 euro each. The breakdown is the following.

Shareholder	no. of shares	percentage share
Intesa Sanpaolo S.p.A.	743,559,069	89.711%
Ente Cassa di Risparmio di Firenze	85,276,948	10.289%
Total	**828,836,017**	**100.000%**

Shareholding structures

Some transactions involving the shareholding structure were carried out in order to enhance and focalise the role as a leading bank in the Central Italian area that Banca CR Firenze is called upon to play on the basis of the Groups area banks model.
In the framework of a special master agreement confirming unity of intent, regulations were laid down for transactions related to the sale to the Parent Company of the shares held by Banca CR Firenze in Cassa dei Risparmi di Forlì e della Romagna S.p.A. ("Cariromagna") and in CR Firenze Gestion Internationale S.A., a Luxembourg-registered financial company whose business purpose is the creation, administration and management of the Luxembourg mutual fund Giotto Lux Fund.
On 30 June 2008 the entire shareholding in Cariromagna S.p.A., amounting to 8.09%, was sold to Parent Company Intesa Sanpaolo in order to incorporate the minority interests that were no longer relevant to the geographic mission entrusted to Banca CR Firenze in the Parent Company, which already controlled Cariromagna. This transaction was authorised by Banca CR Firenze's Board of Directors on 23 June 2008.
On 9 December 2008 the 80% interest in CR Firenze Gestion Internationale S.A. was sold to Parent Company Intesa Sanpaolo, a transaction that had been authorised by Banca CR Firenze's Board of Directors on 6 November 2008. On 28 November 2008 CR Firenze Gestion Internationale S.A. had already distributed an interim dividend amounting to 6 million euro, Banca CR Firenze S.p.A.'s share of which was 4.8 million euro. Intesa Sanpaolo S.p.A., already the owner of the remaining 20% of the share capital of CR Firenze Gestion Internationale S.A., became the sole shareholder of the company, which will continue to carry out its asset management work for Banca CR Firenze and its subsidiary savings banks.
The price of both shareholdings was calculated with the help of an authoritative outside expert chosen in mutual agreement by the parties. The considerations paid for the shareholdings in Cariromagna and in CR Firenze Gestion Internationale S.A. were respectively 48.1 and 46.8 million euro.
As explained above, these two sales to the Parent Company meet a single Group organisational need and have no economic substance in that they make no significant change to the cash flows of the businesses that have been transferred. The accounting treatment of these transactions as business combinations under common control, regulated in document OPI 1, retains the carrying values of the shareholdings in the seller's separate financial statements; as a consequence, the positive difference between the total price paid and the carrying value of these participations was reported as a contra-entry in equity, without involving profit and loss.
Also in the implementation of the agreements executed on 26 July 2007 for Intesa Sanpaolo's assumption of control over Banca CR Firenze S.p.A., on 24 December 2008 Banca CR Firenze purchased 96.07% of Casse di Centro S.p.A., a holding participated in by the Intesa Sanpaolo Group. This transaction was resolved by the Board of Directors of Banca CR Firenze on 1 December 2008.
The price was agreed by the parties, Banca CR Firenze and Intesa Sanpaolo, with the help of a joint valuation by Leonardo Co. S.p.A. and Studio Poli e Associati in the amount of 1,010 million euro. This sale too is defined as a business combination under common control and was therefore treated as described above in the accounts. The purpose of the transaction was to bring the majority shareholdings in the banks operating in Central Italian Regions into a single point of reference in order to make the Group's presence even more effective in an area with striking peculiarities in the composition of its manufacturing and economic fabric.
Casse del Centro has majority shareholdings in Cassa di Risparmio di Ascoli Piceno S.p.A., Cassa di Risparmio di Città di Castello S.p.A. Cassa di Risparmio di Foligno S.p.A., Cassa di Risparmio di Rieti S.p.A., Cassa di Risparmio di Spoleto S.p.A., Cassa di Risparmio di Terni e Narni S.p.A. e Cassa di Risparmio della Provincia di Viterbo S.p.A., in whose share capital the respective bank foundations are also represented with interests varying between 11.08% and 34%.

The banks of the Casse del Centro operate through a network of 265 branches employing about 1,900 people.
Measures were also taken to support the capitalisation of Findomestic Banca S.p.A. and Centrovita Assicurazioni S.p.A..
During 2008 Banca CR Firenze S.p.A. and Cassa di Risparmio di Pistoia e Pescia S.p.A. participated in the capital increase of Findomestic Banca S.p.A., resolved on 5 September 2008, paying 30 million euro, in proportion to their total 50% share: about 28.3 million was paid by Banca CR Firenze and 1.7 million by Cassa di Risparmio di Pistoia e Pescia S.p.A.; the report on operations in the company's financial statements should be referred to for the aspects involved in Findomestic Banca S.p.A.'s shareholding structure.
On 30 December 2008 a payment was made to Centrovita Assicurazioni S.p.A. on account of future capital increases entailing a cost of 6,020,000 euro to Banca CR Firenze and 1,120,000 euro to Cassa di Risparmio di Pistoia e Pescia.
More important transactions involving the shareholding structure are expected in 2009.
After the prescribed clearances have been obtained, the sale of 47.5% of Soprarno Sgr S.p.A. to the other shareholder, Banca Ifigest S.p.A., may be proceeded with.
On 23 December 2008, in the Intesa Sanpaolo Group, the sale of Centrale dei Bilanci S.r.l's shares was completed; Banca CR Firenze had a 0.25% interest in this company.
Agreements were also signed regulating the sale of 73.57% of Cassa di Risparmio di Orvieto S.p.A. and of 5.26% of SI Holding S.p.A. after the necessary formalities have been completed, particularly after the future buyers have obtained the prescribed authorization.

Legislative Decree 231/2001 – Activity performed in 2008

For the purposes of Legislative Decree 231/2001, in a resolution of 20 December 2004 the Board of Directors adopted the "Code of Ethics" and also introduced the "Organisational, Management and Control Model" pursuant to Legislative Decree 231/2001, both with the aim of integrating the system of controls specifically required by the said Decree.
Articles 6 and 7of Legislative Decree 231/2001, which introduces corporate administrative liability into Italian law, lay down a series of conditions that have to be fully and simultaneously met in order for the entity concerned to be exonerated from liability. What is particularly referred to is the adoption of a compliance model and the creation of an independent and autonomous internal body equipped with powers of supervision over the conformity and adequacy of this model. In this connection a specific Supervisory Board has been appointed to ensure a constant independent activity of supervision over the proper conduct of operations and the conformity of the Bank's processes to the requirements of Legislative Decree 231/2001 and in order to prevent or detect behaviour or situations that are anomalous or involve risks to the Bank.
This Board is at present composed of three external members, representatives of the business and professional world – Messrs Sergio Ceccuzzi, Francesco Corsi and Valerio Valignani, as well as the Chairman of the Board of Auditors and the Internal Auditing Manager.
The Board met six times during 2008.
The Supervisory Board received an adequate volume of flows of information from the company departments concerned. Information was gathered and transmitted at various times, also on the basis of new rules requiring the Organizational, Management and Control Model drawn up on the basis of Legislative Decree 231 to be added to and updated.
In this way the Supervisory Board is in a position to take the action for which it is responsible, if necessary, in performing its supervisory role.
In accordance with the amendments to the Compliance Model made after new categories of criminal offences were introduced into Legislative Decree 231/2001 by the legislator in 2007 and 2008, particularly as regards money laundering and receiving (Legislative Decree 231/2007) and health and safety in the workplace (Legislative Decree 81/2008), appropriate changes were also made to the Supervisory Board Control Compendium, the document that summarises the main control points for safeguarding against the risk of Legislative Decree 231 offences.
The most recent updated version of the Compliance Model was approved by the Board of Directors on 6 November 2008.

Significant events occurring after the end of the period

On 9 January 2009 the minority shareholders of the Banca CR Firenze Romania exercised their put option to sell Banca CR Firenze S.p.A. a number of shares such as to allow Banca CR Firenze S.p.A. to reach 83% of the share capital of this romanian bank as envisaged in the option agreement executed on 9 March 2006.

On 13 February 2009 a private agreement was executed among Banca CR Firenze S.p.A., BNP Paribas Assurance and Cardif Assicurazioni S.p.A. in which arrangements were made for joint participation in Centrovita Assicurazioni S.p.A..
In detail, an extension until 30 June 2009 was agreed for the expiry of the consolidation agreement signed by Banca CR Firenze, BNP Paribas, Cetelem, UFB Locabail, Arval Service Lease S.A., Cardif S.A and Cardif S.p.A. on 15 November 1999 regarding the management of the joint shareholdings and the BNP Paribas Group exercised the put option granted by Banca CR Firenze for the 49% share, which, however, is subject to any authorisations that may become necessary.

After the end of the period a start was made on the Intesa Sanpaolo Group project to create a centre of excellence for financing agricultural firms and the agro-industrial chain. In this framework, on 27 February 2009 Intesa Sanpaolo S.p.A. bought 80% of the shares of Citylife S.p.A., a seed capital company, taking 40% from Banca CR Firenze S.p.A. and another 40% from Infogroup S.p.A. at amounts corresponding to their fractions of net assets; the remaining 20% stays in the hands of Banca CR Firenze S.p.A.. On 9 March 2009 Citylife S.p.A. changed its name to Agriventure S.p.A., amending its Articles of Association to conform them to its new business mission. The new Board of Directors of the company also took office on 9 March: on the Board apart from the Chairman, Mr. Vecchioni, who is also the Chairman of *Confagricoltura* (the Italian Agricultural Confederation), are representatives of the Intesa Sanpaolo Group, businessmen with proven experience in the sector and an authoritative jurist who is an expert in the issues most relevant to the world of agriculture.

The agreement for the sale of the Centrale dei Bilanci S.r.l. shareholding, signed on 23 December 2008 together with other company shareholders representing a total of 24.3% of the share capital, was subject to the condition subsequent that clearance from the Italian Competition Authority (“Antitrust”) would not be obtained.
As the Authority procedure was not started, this condition was met and on 28 January 2009 the buyer, Gemma 4 S.r.l., paid Banca CR Firenze S.p.A. the price for its 0.25%, provisionally agreed as 1,291,063 euro, which is to be reviewed as envisaged in the sale agreement.

The agreement governing the sale, together with other shareholders, of the interest in SI Holding S.p.A., which is 5.26% as far as Banca CR Firenze is concerned, to Istituto Centrale delle Banche Popolari Italiane has not yet been completed pending the necessary clearances; in the meantime, as a shareholder exercised his right to buy 0.664% of the share capital, the shareholding that can be sold to the said Istituto Centrale delle Banche Popolari Italiane has fallen to 79.325%, of which 5.23% is owned by Banca CR Firenze.

The process of integration in the Intesa Sanpaolo Group is continuing that is to lead to Banca CR Firenze’s promoter network joining the Banca Fideuram Group. This operation will take the form of the contribution of a business segment to Sanpaolo Invest, a stockbroking company that is a subsidiary of Banca Fideuram, with the assignment to Banca Fideuram of the accounts that cannot be taken over directly by the stockbroking company. The value of the financial promoter business segment was measured by a specially appointed firm in accordance with Article 2343 of the Civil Code.

Finally, the chapter on “Banca CR Firenze results for the period”, in the “Report on individual operations” contained in Part II of this document, should be referred to for information regarding the progress of the arbitration proceedings pending with regard to Banca CR Firenze’s interest in Findomestic Banca S.p.A..

Reconciliation between balance sheet and income statement reclassified figures and financial statements

in millions of euro

Reconciliation Income Statement Items Bank of Italy consolidated	31 December 2008
Item 30 - Interest margin	744
Item 30 (partial) - Contribution from insurance activities	-37
Item 130 a) (partial) - Value (adjustments)/write-backs for worsening of loans (Time value provision for loans)	21
Item 180 a) (partial) - Staff costs (Time value provision for staff termination pay)	-8
Item 190 (partial)- Provision for risks and charges, net (Time value provision for risks and charges)	-3
Net interests	**717**
Item 70 - Dividends and similar income	3
Item 70 (partial) - Contribution from insurance activities	-1
Item 70 (partial) - Dividends and similar income (on dividends available for sale / held for trading)	-1
Item 240 (partial) - Gains/(Losses) from equity investments (valuated at equity)	32
Dividends and gains (losses) from equity investments valuated under the equity method	**33**
Item 60 - Net commissions	293
Item 60 (partial) - Contribution from insurance activities	-2
Item 60 (partial) - Other (expenses)/income - leasing sector	-4
Net commissions	**287**
Item 80 - Net result from trading	-21
Item 80 (partial) - Contribution from insurance activities	33
Item 90 - Net result from hedging	-3
Item 100 b) - Gains/(Losses) from sale or repurchase of financial assets available for sale	0
Item 100 b) (partial) - Contribution from insurance activities	0
Item 100 d) - Gains/(Losses) from sale or repurchase of financial liabilities	4
Item 70 (partial) - Dividends and similar income (dividends from available for sale/held for trading)	1
Result from trading	**14**
Item 110 - Gains/(Losses) on financial assets and liabilities measured at fair value	-25
Item 150 - Net insurance premiums	388
Item 160 - Other (expense)/income from insurance activities	-348
Item 30 (partial) - Contribution from insurance activities	37
Item 70 (partial) - Contribution from insurance activities	1
Item 60 (partial) - Contribution from insurance activities	2
Item 80 (partial) - Contribution from insurance activities	-33
Item 100 b) (partial) - Contribution from insurance activities	0
Item 220 (partial) - Contribution from insurance activities	-1
Result from insurance activities	**21**
Item 220 - Other operating (expense)/income	34
Item 220 (partial) - Contribution from insurance activities	1
Item 60 (partial) - Other operating (expense)/income - leasing sector	4
Item 180b) - (partial) - Other operating (expense)/income - leasing sector	2
Item 180a) - (partial) - Other operating (expense)/income - factoring sector	0
Item 180b) - (partial) - Other operating (expense)/income - factoring sector	0
Item 220 (partial) - Other operating (expense)/income - (recovery of legal expenses)	-1
Other operating (expenses)/income	**40**
Net operating income	**1112**
Item 180a) - Staff costs	-455
Item 180a) - (partial) - Other operating (expense)/income- factoring sector	0
Item 180a) - (partial) - Other administrative expenses	0
Item 180 a) (partial) - Staff costs (integration-related costs)	59
Item 180 a) (partial) - Staff costs (Time value provision for staff termination pay)	8
Staff costs	**-388**
Item 180 b) - Other administrative expenses	-262
Item 180 b) - (partial) - Other operating (expense)/income - leasing sector	-2
Item 180 b) - (partial) - Other operating (expense)/income- - factoring sector	0
Item 180 a) - Other administrative expenses	0
Item 180 b) (partial) - Other administrative expenses (integration-related costs)	24
Other administrative expenses	**-240**
Item 200 - Value (adjustments)/write-backs to property, plant and equipment	-26
Item 210 - Value (adjustments)/write-backs to intangible assets	-17
Item 210 - Value (adjustments)/write-backs to intangible assets (integration-related costs)	3
Item 210 (partial) - Value (adjustments)/write-backs to intangible assets (impairment)	0
Value adjustments/write-backs on property, plant and equipment and intangible assets	**-40**
Operating costs	**-668**
Operating result	**444**
Item 260 - Impairment on goodwill	-9
Impairment on goodwill	**-9**
Item 190 - Provision for risks and charges, net	-12
Item 190 (partial) - Provisions for risks and charges, net (Time value provision for risks and charges)	3
Provisions for risks and charges - net	**-9**
Item 100 a) - Gains/(Losses) from sale or repurchase of loans	0
Item 220 (partial) - Other operating (expense)/income - (recovery of legal expenses)	1
Item 130 a) - Value (adjustments)/write-backs for worsening of loans	-165
Item 130 a) (partial) - Value (adjustments)/write-backs for worsening of loans (Time value provision for loans)	-21
Item 130 d) - Value (adjustments)/write-backs for worsening of other financial transactions	1
Value adjustments/write-backs for worsening of loans	**-184**
Item 130 b) - Value (adjustments)/write-backs for worsening of of financial assets available for sale	-15
Item 130 c) -Value (adjustments)/write-backs for worsening of financial assets held to maturity	0
Item 210 (partial) - Value (adjustments)/write-backs to intangible assets (impairment)	0
Value adjustments/write-backs for worsening of other assets	**-15**
Item 100 c) - Gains/(Losses) from sale or repurchase of financial assets held to maturity	0
Item 240 - Gains/(Losses) from equity investments	32
Item 240 (partial) - Gains/(Losses) from equity investments (valuated at equity)	-32
Item 250 - Gains/(Losses) from financial assets and liabilities measured at fair value	0
Item 270 - Gains/(Losses) from sale of investments	2
Gains (Losses) on financial assets held to maturity and on other investments	**2**
Gains/(Losses) from current operations, including taxes	**229**
Item 290 - Income taxes for the year on current operations	-65
Item 290 - Income taxes for the year on current operations (integration-related costs)	-24
Income taxes for the year on current operations	**-89**
Item 310 - Gains/(Losses) associated with groups of assets being disposed, net of taxes	19
Gains (Losses) associated with groups of assets being disposed (net of taxes)	**19**
Item 330 - Net profit/(loss) attributable to minorities	-18
Minority interest	**-18**
Integration-related costs (net of tax)	-62
Net profit	**79**

Reconciliation Income Statement Items Bank of Italy consolidated	31 December 2007
Item 30 - Interest margin	705
Item 30 (partial) - Contribution from insurance activities	-40
Item 30 - Consolidation contribution from non current assets and groups of assets being disposed	-31
Item 30 - Leasing & Factoring consolidation contribution	36
Item 130 a) (partial) - Value (adjustments)/write-backs for worsening of loans loans (Time value provision for loans)	13
Item 180 a) (partial) - Staff costs (Time value provision for staff termination pay)	-5
Item 190 (partial)- Provision for risks and charges, net (Time value provision for risks and charges)	-1
Net interests	**677**
Item 70 - Dividends and similar income	6
Item 70 - Leasing & Factoring consolidation contribution	1
Item 70 (partial) - Contribution from insurance activities	0
Item 70 (partial) - Dividends and similar income (on dividends from available for sale/ held for trading)	-4
Item 240 (partial) - Gains/(Losses) from equity investments (valued at equity)	33
Dividends and gains (losses) from equity investments valuated under the equity method	**36**
Item 60 - Net commissions	301
Item 60 - Consolidation contribution from non current assets and groups of assets being disposed	-28
Item 60 - Leasing & Factoring consolidation contribution	12
Item 60 (partial) - Contribution from insurance activities	-6
Item 60 (partial) - Other operating (expense)/income - leasing sector	-2
Net Commissions	**277**
Item 80 - Net result from trading	22
Item 80 - Consolidation contribution from non current assets and groups of assets being disposed	0
Item 80 - Leasing & Factoring consolidation contribution	5
Item 80 (partial) - Contribution from insurance activities	-5
Item 90 - Net result from hedging	1
Item 90 - Consolidation contribution from non current assets and groups of assets being disposed	0
Item 100 b) - Gains/(Losses) from sale or repurchase of financial assets available for sale	3
Item 100 b) - Consolidation contribution from non current assets and groups of assets being disposed	0
Item 100 b) (partial) - Contribution from insurance activities	2
Item 100 d) - Gains/(Losses) from sale or repurchase of financial liabilities	7
Item 100 d) - Consolidation contribution from non current assets and groups of assets being disposed	0
Item 100 d) - Leasing & Factoring consolidation contribution	0
Item 70 (partial) - Dividends and similar income (on dividends from available for sale/held for trading)	4
Result from trading	**39**
Item 110 - Gains/(Losses) on financial assets and liabilities measured at fair value	30
Item 150 - Net insurance premiums	579
Item 160 - Other (expense)/income from insurance activities	-606
Item 30 (partial) - Contribution from insurance activities	40
Item 70 (partial) - Contribution from insurance activities	0
Item 60 (partial) - Contribution from insurance activities	6
Item 80 (partial) - Contribution from insurance activities	5
Item 100 b) (partial) - Contribution from insurance activities	-2
Item 220 (partial) - Contribution from insurance activities	0
Result from insurance activities	**52**
Item 220 - Other operating (expense)/income	-5
Item 220 -Consolidation contribution from non current assets and groups of assets being disposed	0
Item 220 - Leasing & Factoring consolidation contribution	-1
Item 220 (partial) - Contribution from insurance activities	0
Item 60 (partial) - Other operating (expense)/income - leasing sector	2
Item 220 - (partial) - Other administrative expenses	36
Item 180b) - (partial) - Other operating (expense)/income - leasing sector	1
Item 180b) - (partial) - Other operating (expense)/income - leasing sector	1
Item 180a) - (partial) - Other operating (expense)/income - factoring sector	0
Item 180b) - (partial) - Other operating (expense)/income - factoring sector	0
Item 220 (partial) - Other operating (expense)/income - (recovery of legal expenses)	0
Item 220 (partial) - Other operating income (expenses) - (recovery of sundry costs)	0
Other operating (expenses)/income	**34**
Net operating income	**1,115**
Item 180a) - Staff costs	-384
Item 180a) - Consolidation contribution from non current assets and groups of assets being disposed	13
Item 180a) - Leasing & Factoring consolidation contribution	-14
Item 180 a) (partial) - Staff costs (recovery of staff termination pay)	-25
Item 180 a) - (partial) - Other operating (expense)/income - factoring sector	0
Item 180 a) - (partial) - Other operating (expense)/income - leasing sector	-1
Item 180a) - (partial) - Other administrative expenses	1
Item 180 a) - Staff costs (integration-related costs)	0
Item 180 a) (partial) - Staff costs (Time value allowances for staff termination pay)	5
Staff costs	**-405**
Item 180 b) - Other administrative expenses	-187
Item 180b) - Consolidation contribution from non current assets and groups of assets being disposed	6
Item 180b) - Leasing & Factoring consolidation contribution	-9
Item 180 b) - (partial) - Other operating (expense)/income - leasing sector	-1
Item 180 b) - (partial) - Other operating (expense)/income - factoring sector	0
Item 180a) - (partial) - Other administrative expenses	-1
Item 180 b) - Other administrative expenses (integration-related costs)	0
Item 220 (partial) - Other administrative expenses	-36
Item 220 (partial) - Other operating income (expenses) - (recovery of sundry costs)	0
Other administrative expenses	**-228**
Item 200 - Value (adjustments)/write-backs to property, plant and equipment	-26
Item 200 - Consolidation contribution from non current assets and groups of assets being disposed	2
Item 200 - Leasing & Factoring consolidation contribution	-1
Item 210 - Value (adjustments)/write-backs to intangible assets	-17
Item 210 - Consolidation contribution from non current assets and groups of assets being disposed	0
Item 210 - Leasing & Factoring consolidation contribution	-1
Item 210 - Value (adjustments)/write-backs to intangible assets (integration-related costs)	0
Item 210 (partial) - Value (adjustments)/write-backs to intangible assets (impairment)	0
Value adjustments/write-backs on property, plant and equipment and intangible assets	**-43**
Operating costs	**-676**
Operating result	**439**
Item 260 - Impairment on goodwill	0
Item 190 - Provision for risks and charges, net	-14
Item 190 - Consolidation contribution from non current assets and groups of assets being disposed	0
Item 190 - Leasing & Factoring consolidation contribution	0
Item 190 (partial) - Provision for risks and charges, net (Time value provision for risks and charges)	1
Provisions for risks and charges - net	**-13**
Item 100 a) - Gains/(Losses) from sale or repurchase of loans	0
Item 220 (partial) - Other operating income (expenses) - (recovery of legal expenses)	0
Item 130 a) - Value (adjustments)/write-backs for worsening of loans	-90
Item 130 a) (partial) - Value (adjustments)/write-backs for worsening of loans (Time value provision for loans)	-13
Item 130 a) - Consolidation contribution from non current assets and groups of assets being disposed	5
Item 130 a) - Leasing & Factoring consolidation contribution	-16
Item 130 d) -Value (adjustments)/write-backs for worsening of other financial transactions	-4
Item 130 d) - Consolidation contribution from non current assets and groups of assets being disposed	0
Value adjustments/write-backs for worsening of loans	**-118**
Item 130 b) - Value (adjustments)/write-backs for worsening of of financial assets available for sale	0
Item 130 c) - Net losses / recoveries on impairment on financial assets held to maturity	0
Item 210 (partial) - Value (adjustments)/write-backs to intangible assets (impairment)	0
Value adjustments/write-backs for worsening of other assets	**0**
Item 100 c) - Gains/(Losses) from sale or repurchase of financial assets held to maturity	0
Item 240 - Gains/(Losses) from equity investments	55
Item 240 (partial) - Gains/(Losses) from equity investments (valuated at equity)	-33
Item 240 - Leasing & Factoring consolidation contribution	-5
Item 250 - Gains/(Losses) on property plant and equipment and intangible assets measured at fair value	0
Item 250 - Consolidation contribution from non current assets and groups of assets being disposed	0
Item 270 - Gains/(Losses) from sale of investments	2
Item 270 - Consolidation contribution from non current assets and groups of assets being disposed	0
Item 270 - Leasing & Factoring consolidation contribution	0
Gains (Losses) on financial assets held to maturity and on other investments	**19**
Gains/(Losses) from current operations, including taxes	**327**
Item 290 - Income taxes for the year on current operations	-157
Item 290 - Consolidation contribution from non current assets and groups of assets being disposed	7
Item 290 - Leasing & Factoring consolidation contribution	-5
Item 290 - Income taxes for the year on current operations (on recovery of staff termination pay)	8
Item 290 - Income taxes for the year on current operations (integration-related costs)	0
Income taxes for the year on current operations	**-147**
Item 310 - Gains/(Losses) associated with groups of assets being disposed, net of taxes	26
Gains (Losses) associated with groups of assets being disposed (net of taxes)	**26**
Item 330 - Net profit/(loss) attributable to minorities	-37
Item 330 - Leasing & Factoring consolidation contribution	-2
Minority interest	**-39**
Net profit	**167**

in millions of euro

Reconciliation Balance sheet Items BANK OF ITALY CONSOLIDATED		31 December 2008
Items of the reclassified consolidated balance sheet	**Assets Items of the restated consolidated balance sheet - Assets**	
Financial assets held for trading		**290**
	Item 20 - Financial assets held for trading	290
Financial assets measured at fair value		**1,244**
	Item 30 - Financial assets measured at fair value	1,244
Financial assets available for sale		**2,529**
	Item 40 - Financial assets available for sale	2,529
Financial assets held to maturity		**45**
	Item 50 - Financial assets held to maturity	45
Amounts owing by banks		**4,518**
	Item 60 - Amounts owing by banks	4,518
Customer loans		**28,104**
	Item 70 - Customer loans	28,104
Equity investments		**497**
	Item 100 - Equity investments	497
Property, plant equipment and intangible assets		**830**
	Item 120 - Property, plant and equipment	543
	Item 130 - Intangible assets	287
Tax assets		**353**
	Item 140 - Tax assets	353
Non-current assets and groups of assets being disposed		**751**
	Item 150 - Non-current assets and groups of assets being disposed	751
Other assets		**821**
	Item 10 - Cash and cash on hand	325
	Item 160 - Other assets	451
	Item 80 - Hedging derivatives	44
	Item 90 - Actuarial insurance reserves reassured with third parties	1
Total Assets	**Total Assets**	**39,982**
Items of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	**Items of the restated consolidated balance sheet - Liabilities and Shareholders' Equity**	
Amounts owing to banks		**8,604**
	Item 10 - Amounts owing to banks	8,604
Customer deposits and outstanding securities		**24,704**
	Item 20 - Customer Deposits	16,089
	Item 30 - Outstanding securities	8,615
Financial liabilities held for trading		**86**
	Item 40 - Financial liabilities held for trading	86
Financial liabilities measured at fair value		**490**
	Item 50 - Financial liabilities measured at fair value	490
Tax liabilities		**67**
	Item 80 - Tax liabilities	67
Liabilities associated with groups of assets being disposed		**694**
	Item 90 - Liabilities associated with groups of assets being disposed	694
Other liabilities		**1,104**
	Item 100 - Other liabilities	1,066
	Item 60 - Hedging derivatives	38
Actuarial reserves		**1,918**
	Item 130 - Actuarial reserves	1,918
Provision for specific purpose		**516**
	Item 110 - Staff Termination Pay	183
	Item 120 - Provision for risks and charges	333
Share capital		**829**
	Item 190 - Share capital	829
Reserves		**543**
	Item 170 - Reserves	441
	Item 180 - Share premium reserve	102
Valuation reserves		**- 94**
	Item 140 - Valuation reserves	- 94
Minority interests		**442**
	Item 210 - Minority interests (+/-)	442
Net profit		**79**
	Item 220 - Parent Company net profit/(loss) (+/-)	79
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**39,982**

in millions of euro

Reconciliation Balance sheet Items BANK OF ITALY CONSOLIDATED		31 December 2007
Items of the reclassified consolidated balance sheet	**Assets Items of the restated consolidated balance sheet - Assets**	
Financial assets held for trading		**200**
	Item 20 - Financial assets held for trading	200
Financial assets measured at fair value		**1,703**
	Item 30 - Financial assets measured at fair value	1,703
Financial assets available for sale		**3,357**
	Item 40 - Financial assets available for sale	3,357
Amounts owing by banks		**1,252**
	Item 60 - Amounts owing by banks	1,252
Customer loans		**20,385**
	Item 70 - Customer loans	20,385
Equity investments		**397**
	Item 100 - Equity investments	397
Property, plant equipment and intangible assets		**962**
	Item 120 - Property, plant and equipment	636
	Item 120 - Intangible assets	326
Tax assets		**188**
	Item 130 - Tax assets	188
Other assets		**706**
	Item 10 - Cash and cash on hand	272
	Item 160 - Other assets	423
	Item 80 - Hedging derivatives	11
Total Assets	**Total Assets**	**29,150**

Items of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Items of the restated consolidated balance sheet - Liabilities and Shareholders' Equity	
Amounts owing to banks		**4,281**
	Item 10 - Amounts owing to banks	4,281
Customer deposits and outstanding securities		**18,516**
	Item 20 - Customer Deposits	11,980
	Item 30 - Outstanding securities	6,536
Financial liabilities held for trading		**56**
	Item 40 - Financial liabilities held for trading	56
Financial liabilities measured at fair value		**889**
	Item 50 - Financial liabilities measured at fair value	889
Tax liabilities		**68**
	Item 80 - Tax liabilities	68
Other liabilities		**1,097**
	Item 100 - Other liabilities	1,061
	Item 60 - Hedging derivatives	36
Actuarial reserves		**1,901**
	Item 130 - Actuarial reserves	1,901
Provision for specific purpose		**439**
	Item 110 - Staff Termination Pay	156
	Item 120 - Provision for risks and charges	283
Share capital		**829**
	Item 190 - Share capital	829
Reserves		**719**
	Item 170 - Reserves	617
	Item 180 - Share premium reserve	102
Valuation reserves		**- 29**
	Item 140 - Valuation reserves	- 29
Minority interests		**200**
	Item 210 - Minority interests (+/-)	200
Net profit		**184**
	Item 220 - Parent Company net profit/(loss) (+/-)	184
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**29,150**

2009 Outlook

The reduction in credit growth rates should persist for several months, reflecting the prospects of a long recession in the economy and for the main export outlets, together with falling consumption and investment. The credit market should be marked by a strong fall in interest rates (the continuation of the monetary policy expansion trend should lead to bank rates dropping to 2005 levels), but also by heightened perception of risk, with a consequent stiffening of loan conditions. Accordingly, the loan repricing process will continue, with possible reductions in the amounts granted to enterprises with lower ratings.

Support to business's demand for credit should come from the lower interest rates and their diminished self-financing capacity (at present at the lowest level in the last 15 years), as well as from the extension of payment expiry dates and the need to reschedule previous debt. Favourable effects may also come from possible government measures to stimulate consumption and prevent a credit squeeze for SMEs.

Demand for finance from households should continue to be very weak for the whole year, but should heave itself up from the minimum levels in the second half of the year owing to the expected improvement in the level of confidence. Among lending products for households, the greatest increase is expected in the non-home loans sector, also as a result of selling policies whose purpose is to offer customers a range of differentiated products, even by means of an extreme personalisation of repayment options.

Meanwhile the year in progress should again be a successful one for direct deposits, which reflects banks' tendency to support their liquidity position and the persistence of a high level of aversion to risk among households. Nevertheless, the increase in direct borrowing should gradually slacken in the wake of the reduction in the speed of lending. In this framework, banks will continue to follow funding policies whose aim is to provide better equilibrium between asset and liability maturity dates.

An *annus horribilis* for managed assets ended with the close of 2008, in which to the structural issues of the Italian market (fee levels, relations between asset management companies and retail banks, etc.) were added the effects of the financial and economic crisis. One does not expect to come out of the tunnel in the short term, certainly not during this year, in which household confidence will probably sink to a nadir.

It is highly probable that market developments will consist in a sharp drop in the profitability of banking operations, for which 2008 was already a very unfavourable year. Interest margins will fall back considerably, suffering from the high cost of funding and the depressed performance of lending. Revenues from services will continue on their downward path, affected by weak inflows from fees for asset management and various services (payments, services associated with loans, etc.) and the decrease in revenues from trading and equity dividends. The only positive note should be coming from the costs front, where the effects of the current processes to increase efficiency should continue to materialise. Banks' approach to value adjustments and prudential provisions should turn out to be decidedly cautious, reflecting the market and credit risks attached to the evolution of the real economy and of the financial markets.

Florence, 9 March 2009

Certification of the consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Aureliano Benedetti, representing 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 financial statements with regard to the nature of the bank and
   – the effective application of administrative and accounting procedures in preparing the consolidated financial statements during 2008.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures to draw up the consolidated financial statements as at 31 December 2008 was based on methods defined by Banca CR Firenze S.p.A. consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[1].

3. The undersigned also certify that:

   3.1 The consolidated financial statements as at 31 December 2008:
   - have been prepared in compliance with applicable International Financial Reporting Standards recognised by the European Community pursuant to European Parliament and Council Regulation n. 1606/2002 of 19 July 2002;
   - correspond to the entries in the books and accounting records;
   - have been prepared in compliance with Legislative Decree 38/2005 and, to the extent applicable, with Legislative Decree 87/1992, as well as with the implementing rules on the preparation of accounts issued by the Bank of Italy and with the rules issued by CONSOB for listed issuers with Italy as home member state;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

3.2 The Director's report on consolidated operations includes a fair review of the development and operating result, as well as of the position of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties that they face.

SIGNATURES

Aureliano Benedetti
President of the Board of Directors

Egidio Mancini
Manager in charge of the preparation of the company accounting documents

[1] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 AND ARTICLE 165 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) as at 31 December 2008, which comprise the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and related notes. The Directors of Banca CR Firenze SpA are responsible for the preparation of these consolidated financial statements in compliance with 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. 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. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our audit 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 issuing our report dated 26 March 2008. The methods to redetermine the prior year corresponding figures and the disclosures in the notes 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 2008.

3. In our opinion, the consolidated financial statements of Banca CR Firenze SpA as at 31 December 2008 comply with 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, results of operations, changes in shareholders' equity and cash flows of the Banca CR Firenze Group for the period then ended.

PRICEWATERHOUSECOOPERS

4. We draw attention to the following relevant aspects illustrated in the Report on operations and in the notes to the consolidated financial statements:

   - in December 2008, the company acquired from the parent company Intesa Sanpaolo SpA the majority shareholding in the holding Casse del Centro SpA. The accounting effects of this transaction, which is part of the territorial reorganisation process of the Intesa Sanpaolo Group, are described in the notes to the consolidated financial statements;

   - the net result for the year includes integration-related costs amounting to Euro 62 million, net of taxes, deriving from the entry of the company and its subsidiaries into the Intesa Sanpaolo Group;

   - as permitted by article 15, paragraph 10 of Legislative Decree 185/2008, the company opted for the tax redemption of goodwill arising from the merger by incorporation of Cassa di Risparmio di Mirandola SpA. The accounting treatment of this transaction, which led to a net positive effect on the income statement of around Euro 12 million, is described in the notes to the consolidated financial statements.

5. The Directors of Banca CR Firenze SpA are responsible for the preparation of the Report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on operations with the consolidated financial statements, as required by art. 156, paragraph 4-bis, letter d), of Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on operations is consistent with the consolidated financial statements of Banca CR Firenze SpA as at 31 December 2008.

Florence, 24 March 2009

PricewaterhouseCoopers SpA

Signed by

Alessandro Parrini
(Partner)

"This report has been translated into the English language from the original, which was issued in accordance with Italian legislation, solely for the convenience of international readers. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation".

Structure and Exhibits to the Consolidated financial statements

Introduction

In accordance with the current regulations, Banca CR Firenze S.p.A. is required 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 2008 are accompanied by the Directors' report on consolidated operations, and are made up of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements, which have been drawn up in the form required by the Circular Letter indicated above; to this regard it should be noted that the definition of "Banking Group" refers to the aforementioned companies.

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 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 consolidated financial statements of Banca CR Firenze S.p.A. and its subsidiaries as at 31 December 2008 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

BANCA CR FIRENZE

CONSOLIDATED BALANCE SHEET

(thousands of Euro)

	Assets	31 December 2008	31 December 2007 restated (1)
10.	Cash and cash on hand	325,579	271,503
20.	Financial assets held for trading	290,082	200,343
30.	Financial assets measured at fair value	1,243,719	1,703,230
40.	Financial assets available for sale	2,529,376	3,356,819
50.	Financial assets held to maturity	44,836	0
60.	Amounts owing by banks	4,517,885	1,251,995
70.	Customer loans	28,104,027	20,385,481
80.	Hedging derivatives	44,650	10,545
100.	Equity investments	496,765	396,726
110.	Actuarial reserves of reinsurers	788	171
120.	Property plant and equipment	542,805	636,278
130.	Intangible assets	286,822	325,830
	of which:		
	- goodwill	*271,723*	*307,419*
140.	Tax assets	353,144	188,465
	a) current	*115,751*	*86,982*
	b) deffered	*237,393*	*101,483*
150.	Non current assets and groups of assets being disposed	750,674	0
160.	Other assets	451,251	422,619
	Total assets	**39,982,403**	**29,150,005**

	Liabilities and Equity	31 December 2008	31 December 2007 restated (1)
10.	Amounts owing to banks	8,603,517	4,281,110
20.	Customer deposits	16,089,673	11,980,148
30.	Outstanding securities	8,614,676	6,536,031
40.	Financial liabilities held for trading	85,961	55,671
50.	Financial liabilities measured at fair value	490,486	889,220
60.	Hedging derivatives	37,935	35,839
80.	Tax liabilities	67,401	68,695
	a) current	*29,044*	*24,147*
	b) deferred	*38,357*	*44,548*
90	Liabilities asssociated with groups of assets being disposed	693,862	0
100.	Other liabilities	1,065,620	1,060,838
110.	Provision for staff termination pay	182,775	156,061
120.	Provision for risks and charges	333,391	282,926
	a) provisions for pensions and similar obligations	*159,082*	*197,185*
	b) other provisions	*174,309*	*85,741*
130.	Actuarial reserves	1,918,327	1,901,272
140.	Valuation reserves	(93,594)	(29,272)
170.	Reserves	440,849	616,700
180.	Share premiums	102,261	102,209
190.	Share capital	828,836	828,753
210.	Minority interest (+/-)	441,769	199,974
220.	Parent Company net profit/(loss) (+/-)	78,658	183,830
	Total liabilities and equity	**39,982,403**	**29,150,005**

(1) The amounts reported at 31 December 2007 were restated, with respect to those published in the previous period, after the change in the principle governing the valuation of investment properties and to the reclassification of goodwill recognised for the Findomestic Group, which is subject to joint control. Details are given in the "Other aspects" section in "Part A - Accounting policies".

Consolidated income statement

(thousands of Euro)

	Items	31 December 2008	31 December 2007 restated (1)
10.	Interest earned and similar income	1,529,044	1,265,196
20.	Interest expense and similar charges	(785,451)	(560,682)
30.	**Interest margin**	**743,593**	**704,514**
40.	Commissions earned	344,453	367,347
50.	Commissions expense	(51,259)	(66,700)
60.	**Net commissions**	**293,194**	**300,647**
70.	Dividends and similar income	3,625	5,716
80.	Net result from trading	(21,419)	21,983
90.	Net result from hedging	(3,035)	1,462
100.	Gains/(Losses) from sale or repurchase of :	4,065	10,558
	a) loans	*(15)*	*(28)*
	b) financial assets available for sale	*454*	*3,239*
	d) financial liabilities	*3,626*	*7,347*
120.	**Net banking revenues**	**1,020,023**	**1,044,880**
130.	Value (adjustments)/write-backs for worsening of:	(178,899)	(94,204)
	a) loans	*(165,146)*	*(89,509)*
	b) financial assets available for sale	*(14,521)*	*(533)*
	d) other financial transactions	*768*	*(4,162)*
140.	**Net result from financial activities**	**841,124**	**950,676**
110.+ 150.+160.	Net result from insurance activities	15,043	2,852
170.	**Net result from financial and insurance activities**	**856,167**	**953,528**
180.	Administrative expenses:	(716,764)	(571,286)
	a) staff costs	(455,119)	(383,960)
	b) other administrative expenses	(261,645)	(187,326)
190.	Provision for risks and charges, net	(12,188)	(13,721)
200.	Value (adjustments)/write-backs to property plant and equipment	(25,923)	(26,473)
210.	Value (adjustments)/write-backs to intangible assets	(16,960)	(16,699)
220.	Other operating (expense)/income	34,293	(5,141)
230.	**Operating costs**	**(737,542)**	**(633,320)**
240.	Gains/(Losses) from equity investments	31,968	54,528
250.	Net result of measurement of property and equipment and intangible assets at fair value	0	30
260.	Impairment on goodwill	(8,820)	0
270.	Gains/(Losses) from sale of investments	1,878	2,288
280.	**Gains/(Losses) from current operations, including taxes**	**143,651**	**377,054**
290.	Income taxes for the year on current operations	(65,515)	(156,817)
300.	**Gains/(Losses) from current operations, net of taxes**	**78,136**	**220,237**
310.	**Gains/(Losses) associated with groups of assets being disposed, net of taxes**	18,745	
320.	**Net profit/(loss)**	**96,881**	**220,237**
330.	**Net profit/(loss) attributable to minorities**	(18,223)	(36,407)
340.	**Parent Company net profit /(loss)**	**78,658**	**183,830**

(1) The amounts reported at 31 December 2007 were restated, with respect to those published in the previous period, after the change in the principle governing the valuation of investment properties. Details are given in the "Other aspects" section in "Part A - Accounting policies". Then, some reclassifications were carried out, with no impact on profit, in order to make this recording consistent with that of the parent company Intesa Sanpaolo S.p.A.

NOTES:

- Items 110 "Net result from financial assets valued at fair value", 150 "Net Premiums" and 160 "Other income from/(expense to) insurance activities" were combined in the line "Net result from insurance activities"; it thus gives a summarised view of the typical result of the insurance sector in order to make the result clearer; it was thought appropriate to separate this sector from the core operations in Banca Cr Firenze S.p.A.'s Consolidated Financial Statements. Part C, Sections 9 and 10 of the Notes to the Consolidated Financial Statements should be referred to for a detailed analysis of the composition of these items;

Statement of changes in consolidated shareholders' equity

(thousands of Euro)

	Shareholders' Equity attributable to the Group as of 31.12.2007	Shareholders' Equity attributable to minority interest as of 31.12.2007 (*)	Allocation of result from previous period			Changes over the period					Shareholders' Equity attributable to the Group as of 31.12.2008	Shareholders' Equity attributable to minority interest as of 31.12.2008 (*)
								Transactions on equity				
			Reserves attributable to the Group	Reserves attributable to minority interest (*)	Dividends and other allocations	Changes in reserves attributable to the Group	Changes in reserves attributable to minority interest (*)	Stock options	Net Profit (Loss) for the year as of 31.12.2008 - The Group	Net Profit (Loss) for the year as of 31.12.2008 - Minority interest (*)		
Share capital:	**828,753**							**83**			**828,836**	
a) ordinary shares	828,753							83			828,836	
b) other shares												
Share premiums	**102,209**							**52**			**102,261**	
Reserves	**616,700**	**159,511**	**74,616**	**36,407**		**(250,467)**	**223,479**				**440,849**	**419,397**
a) retained earnings	536,335	158,929	74,616	36,407		(325,617)	135,022				285,334	330,358
b) others	80,365	582				75,150	88,457				155,515	89,039
Valuation reserves:	**(29,272)**	**4,056**				**(64,322)**	**93**				**(93,594)**	**4,149**
a) available for sale	(36,992)	2,349				(34,776)	(4,502)				(71,768)	(2,153)
b) cash flow hedge	3,111	515				(27,314)	(3,202)				(24,203)	(2,687)
c) others:	4,609	1,192				(2,232)	7,797				2,377	8,989
- foreign exchange differences	*0*	*0*				*(18)*	*(4)*				(18)	(4)
- legally-required revaluations	*4,609*	*1,192*				*(2,214)*	*7,801*				2,395	8,993
Net profit /(loss)	**183,830**	**36,407**	**(74,616)**	**(36,407)**	**(109,214)**				**78,658**	**18,223**	**78,658**	**18,223**
Shareholders' Equity	**1,702,220**	**199,974**			**(109,214)**	**(314,789)**	**223,572**	**135**	**78,658**	**18,223**	**1,357,010**	**441,769**

(**) the columns specified were inserted in accordance with instructions from the Bank of Italy, and include the movements of Shareholders' Equity attributable to minority interest. Details are given in Part B, Section 16 of Liabilities in the Notes to the Consolidated Financial Statements.

The change in the Reserves pertaing to the Group - 617.7 in 2007, 440.8 as at 31.12.2008 - can be mainly explained as the difference between the price of the purchase of the shareholding in Casse del Centro S.p.A. (amounting to about 1,010 million euro) by Intesa Sanpaolo S.p.A. and its lower carrying amount, by privileging the "continuity of the values" as that in the seller's balance sheet (about 771 million euro), which, on the basis of the interpretation of the requirements laid down in IAS/IFRS (OPI 1) principles, was recognised by directly subtracting it from shareholders' equity, that inclusion of the subsidiaries of Casse del Centro S.p.A. in the scope of consolidation contribueted to the abovementionated change, too.

	Shareholders' Equity attributable to the Group as of 31.12.2006	Shareholders' Equity attributable to minority interest as of 31.12.2006 (*)	Changes in Shareholders' Equity attributable to the Group as of 1/1/2007	Changes in Shareholders' Equity attributable to minority interest as of 1/1/2007 (*)	Shareholders' Equity attributable to the Group as of 1/1/2007	Shareholders' Equity attributable to minority interest as of 1/1/2007	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**				**827,307**							**1,446**			**828,753**	
a) ordinary shares	827,307				827,307							1,446			828,753	
b) other shares																
Share premiums	**101,310**				**101,310**							**899**			**102,209**	
Reserves	**433,416**	**110,964**	**(4,913)**	**(380)**	**428,503**	**110,584**	**185,001**	**31,423**		**3,195**	**17,504**				**616,700**	**159,511**
a) retained earnings	395,295	110,382	(4,913)	(380)	390,382	110,002	185,001	31,423		(39,049)	17,504				536,335	158,929
b) others	38,121	582			38,121	582				42,244					80,365	582
Valuation reserves:	**(12,074)**	**1,524**	**(277)**		**(12,351)**	**1,524**				**(16,921)**	**2,532**				**(29,272)**	**4,056**
a) available for sale	(12,074)	1,524			(12,074)	1,524				(24,918)	825				(36,992)	2,349
b) cash flow hedge					0	0				3,111	515				3,111	515
c) revaluation of real property and property and equipment			(277)		(277)	0				4,886	1,192				4,609	1,192
Net profit /(loss)	**271,067**	**31,497**	**(1,809)**	**(74)**	**269,258**	**31,423**	**(185,001)**	**(31,423)**	**(84,257)**				**183,830**	**36,407**	**183,830**	**36,407**
Shareholders' Equity	**1,621,026**	**143,985**			**1,614,028**	**143,531**			**(84,257)**	**(13,726)**	**20,036**	**2,345**	**183,830**	**36,407**	**1,702,220**	**199,974**

(**) the columns specified were inserted in accordance with instructions from the Bank of Italy, and include the movements of Shareholders' Equity attributable to minority interest. Details are given in Part B, Section 16 of Liabilities in the Notes to the Consolidated Financial Statements.

"Change to opening balances at 1 January 2007": this is the result of the change in the criterion for the valuation of investment properties from "fair value" to "cost less accumulated depreciation" in previous periods, thus impacting on shareholders' equity postings. Section 3, "Other aspects" of Part A, "Accounting policies" should be referred to for detailed information on this change. The column "Allocation of result from previous period" contains the consequences in the exercise of the option to change the accounting principle mentioned above.

Consolidated cash flow statement

Indirect Method (thousands of Euro)

A. OPERATING ACTIVITIES	31 December 2008	31 December 2007 (1)
1. Operations	**951,348**	**1,049,723**
- Net profit /(loss)	78,658	183,830
- capital gains/losses on financial assets held for trading and on assets and liabilities measured at fair value (-/+)	(35,872)	(48,090)
- capital gains/losses on hedging activities (-/+)	3,035	(1,462)
- value (adjustments)/write-backs for worsening (+/-)	215,870	128,556
- value (adjustments)/write-backs to property plant and equipment and intangible assets (+/-)	42,883	43,142
- net provisions for risks and charges and other costs/revenues (+/-)	12,270	22,259
- other uncollected insurance income/charges (-/+)	10,739	423,717
- unpaid taxes and duties (+)	65,515	157,659
- other adjustments (+/-)	558,250	140,112
2. Net cash flow from/for financial assets	**(10,024,620)**	**(5,424,839)**
- financial assets held for trading	(132,034)	342,038
- financial assets measured at fair value	537,678	(204,092)
- financial assets available for sale	827,443	(53,864)
- amounts owing by banks	(3,265,890)	420,183
- customer loans	(7,934,416)	(5,881,387)
- other assets	(57,401)	(47,717)
3. Net cash flow from/for financial liabilities	**10,242,289**	**4,719,986**
- amounts owing to banks	4,322,407	3,465,098
- customer deposits	4,109,525	590,661
- outstanding securities	2,013,776	973,072
- financial liabilities held for trading	30,290	5,014
- financial liabilities measured at fair value	(320,567)	(221,704)
- other liabilities	86,858	(92,155)
Net cash flow from/for operating activities	**1,169,017**	**344,870**
B. INVESTING ACTIVITIES		
1. Net cash flow from	**52,749**	**1,284**
- disposals of equity investments	48,052	56
- disposals of property and equipment	4,697	1,228
2. Net cash flow for	**(1,058,476)**	**(196,131)**
- purchases of equity investments	(1,044,539)	(160,273)
- purchases of property plant and equipment	(13,761)	(16,900)
- purchases of intangible assets	(176)	(14,650)
- purchases of branches of business		(4,308)
Net cash flow from/for investing activities	**(1,005,727)**	**(194,847)**
C. BORROWING ACTIVITIES		
- issues/purchases of own shares	0	0
- distribution of dividends and other purposes	(109,214)	(108,841)
Net cash flow from/for borrowing activities	**(109,214)**	**(108,841)**
NET CASH FLOW FROM/FOR THE YEAR	**54,076**	**41,182**

LEGEND
(+) from
(-) for

RECONCILIATION

Financial statements' items (*thousands of Euros*)	31 December 2008	31 December 2007
Cash and cash on hand at beginning of year	**271,503**	**230,321**
Net cash flow from/for the year	**54,076**	**41,182**
Cash and cash on hand at end of year	**325,579**	**271,503**

(1) The amounts at 31 December 2007 were restated with respect to those published in the previous period. The notes at the foot of the Balance Sheet and Income Statement should be referred to for details.

Part A – ACCOUNTIG POLICIES

A.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 2008 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 the 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 consolidation area 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.	Bucarest (ROM)	1	A.1.1	56,229
7. Ge.FI.L. S.p.A.	La Spezia	1	A.1.5	100,000
8. 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
9. Centro Leasing Banca S.p.A.	Florence	1	A.1.1	77,491
			A.1.2	7,084
			A.1.4	0,561
			A.1.3	0,932
			A.1.5	0,790
10. Centro Leasing Rete S.p.A.	Florence	1	A.1.10	100,000
11. Centro Factoring S.p.A.	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
12. Immobiliare Nuova Sede S.r.l.	Florence	1	A.1.1	100,000
13. Centrovita Assicurazioni S.p.A.	Florence	1	A.1.1	43,000
			A.1.2	8,000
14. Casse del Centro S.p.A.	Spoleto (PG)	1	A.1.1	96,070
15. Cassa di Risparmio Provincia di Viterbo S.p.A.	Viterbo	1	A.1.14	82,020
16. Cassa di Risparmio di Ascoli Piceno S.p.A.	Ascoli Piceno	1	A.1.14	66,000
17. Cassa di Risparmio di Città di Castello S.p.A.	Città di Castello (PG)	1	A.1.14	82,190
18. Cassa di Risparmio di Spoleto S.p.A.	Spoleto (PG)	1	A.1.14	60,130
19. Cassa di Risparmio di Rieti S.p.A.	Rieti	1	A.1.14	85,000
20. Cassa di Risparmio di Foligno S.p.A.	Foligno (PG)	1	A.1.14	70,470
21. Cassa di Risparmio di Narni e Terni S.p.A.	Terni	1	A.1.14	75,000
A.2 Consolidated with equity method				
22. CR Firenze Mutui Srl	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.

Section 5 – Other aspects

The following points are drawn attention to as regards this Section:

- in order to conform to the accounting policies applied by the Parent Company Intesa Sanpaolo S.p.A., a change was made to the criterion for the valuation of the investment properties (IAS 40) adopted by the Bank till now. The policy changed from fair value to cost less accumulated depreciation; in accordance with the instructions in IAS 8 regarding changes in accounting policies, the impacts of the said change in criterion on these consolidated financial statements were:

    - a reduction in initial shareholders' equity at 1 January 2007 and 1 January 2008 of about 7and 9 million euro respectively, due both to the reversal of the net revaluations carried out in previous periods for the adjustment to fair value and to the non-recognition of the depreciation in this period after tax;
    - a reduction of about 1.8 million euro in net profit for 2007 as a result of the reversal of the net revaluations posted in this period for the adjustment to fair value of about 1.4 million euro and the posting of accrued depreciation amounting to about 1.2 million euro, both before tax;
    - a reduction of about 4.6 million euro in net profit for 2008 as a result of the posting of accrued depreciation and the non-recognition of the net revaluations linked to the adjustment to fair value amounting to about 6.8 milioni di euro in total, before tax;
- Banca CR Firenze S.p.A. and its subsidiaries, did not avail itself of the option envisaged in the recent amendment to IAS 39 regarding the recognition, measurement and classification of financial instruments, described in these accounting principles;;
- after the sale of the shareholding in CR Firenze Gestion Internationale, this company's income and costs were recognised in the Consolidated Financial Statements for the first 11 months of the 2008 financial year and classified under item 310, "Gains/(Losses) associated with group of assets being disposed, net of taxes" in the income statement;
- the consequences of the acquisition of Casse del Centro S.p.A. on 24 December 2008 were not taken into account in the preparation of the Consolidated Income Statement, since the amount involved was not significant.

A.2 – MAIN ITEMS OF THE FINANCIAL STATEMENTS

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.
After the introduction of Regulation (EC) 1004/2008, approved on 15 October 2008, which adopted the amendments to IAS 39 and IFRS 7 issued by the IASB in order to counteract the emergence of problems related to the financial market crisis that arose during 2008, there was a change in the rules that did not allow financial instruments classified in the trading portfolio at the time of purchase to be transferred to another category; specifically, non-derivative financial instruments no longer held for trading may be reclassified under other categories contemplated in IAS 39, namely financial assets held to maturity, financial assets available for sale, loans and receivables. This can be done when there are unusual events ("limited circumstances"), which, in fact is how the phase of financial turmoil that was a feature of the markets from the summer of 2008 is defined. The financial assets transferred are recognised at fair value at the time of their reclassification, except for the temporary derogation that provided for reclassifications carried out before 1 November 2008 to have a retroactive effect at 1 July 2008 coinciding with the amortised cost; if, after reclassification, the assets recognised at amortised cost are reviewed in terms of an increase in expected cash flow, this increase must be recognised as a re-calculation of the effective interest rate instead of a change in the book value of the instrument, with a contra-entry in the income statement. The rule that does not allow instruments from other portfolios to be transferred to the trading portfolio remains unchanged; 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 active markets, fair value is equal to the closing market prices.

For financial instruments not listed on active 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

nterest 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 and the innovations introduced by the said Regulation (EC) 104/2008. The amendments concern the possibility of reclassifying financial instruments for which there is the intention and the capacity to hold for the foreseeable future or to maturity as "loans and receivables"; in this case, the considerations hold good that are set out in the part on financial assets for trading as regards the value of the instrument at the time of reclassification and possible revised estimated future cash flows.

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) Criteri di rilevazione delle componenti reddituali

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".

If the reasons for impairment no longer apply as a result of an event that occurs after the reduction in value has been recognised, write-backs are charged to profit and loss account for debt securities and charged to equity for equity securities.

If financial instruments are reclassified as loans and receivables, the "crystallised" positive or negative reserves are amortised along the life of the investment according to the amortised cost criterion if they refer to assets with preset maturity dates, otherwise they remain in suspense in the reserve until they are sold, subject to impairment or derecognised.

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.

(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, that are not listed on an active market.

(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: a) loans" and transfer profits or losses are entered under "gains/losses from sale or repurchase of: a) loans" ; If the reasons that have caused an adjustment to be made no longer apply, the original value of the receivables is restored in subsequent periods; the reversal of value, which is recognised in the above item, "Value (adjustments)/write-backs for worsening of: (a) loans" may in no event exceed the amortised cost of the receivable if there had been no previous write-downs.

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 plant and equipment

(a) Criteria for recognition

Property, plant 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, plant 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.
The item also includes the assets under construction and the assets subject to a finance lease in line with the provisions of Circular no 262/2005 issued by the Bank of Italy.

(c) Measurement criteria

Subsequent measurements of property, plant and equipment for own use and held for investment of definite life are made on the basis of the cost principle set out according to the requirements of IAS 16 and written down for depreciation; the value of underlying land, not to be depreciated since classified as a permanent asset, is separated from the book value of real property to be depreciated by adopting appropriate estimates for real property purchased before the effective date of IASs/IFRSs. 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; in agreement with the provisions under IASs/IFRSs, the duration of such useful life is checked at the end of each calendar year.
The assets under construction and the assets subject to a finance lease are not amortized.
Property, plant and equipment for own use are also subject to impairment test, should circumstances arise hinting the existence of permanent losses of value.

(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, plant and equipment for own use are entered under “value (adjustments)/write-backs to property, plant and equipment”; 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 Bank'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

This sub-item consists of defined benefit and defined contribution supplementary pension funds, provided that there is a legal or substantive Bank guarantee regarding the return of the capital and/or a yield for the beneficiaries; 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 economics 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 for staff charges 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. 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.

17. 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”.

18. 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; 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.

Liabilities related to assets being disposed
The same criteria are applied as for non-current assets and groups of assets being disposed.

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: d) other financial transactions", witch are entered in "Other liabilities" in the balance sheet.

Put options
Commitments arising from put options granted by Banca CR Firenze S.p.A. 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 Bank's Board of Directors are accounted for according to the procedures under IFRS 2. 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.

Method of measurement of the fair value of financial instruments
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable parties in an arm's length transaction; consequently, it is fundamentally important for the parties to the transaction not to be in a position whereby they must liquidate, reduce their business significantly or undertake transactions on unfavourable terms. The fair value of a financial instrument is calculated by using quoted financial market prices for instruments listed on active markets, or using internal measurement techniques in other cases. A market is considered active if the list prices, reflecting actual regular market transactions during an appropriate period of time, are readily and regularly available through the stock market or through other authorised intermediaries; in this case the financial assets and liabilities are respectively valued on the basis of the offer price ("bid price") and the price requested ("ask price"), taking the quotations from the most advantageous market to which there is access at the end of the reference period.
As already stated in the paragraphs regarding financial assets held for trading and financial assets available for sale, in the context of the financial turmoil that occurred during 2008, international accounting standards bodies intervened to regulate "dislocated" market situations, namely markets characterised by a lack of liquidity or distorted prices caused by conditions that were out of the ordinary, such as those described above. In the light of the historical trend of the above phenomena, when an issuer is considered, the market price criterion ("effective market quotes" or level 1) must be abandoned if there are substantial reductions in volumes traded, discontinuous transactions, a considerable bid price-ask price spread, marked price volatility and above all a CDS (credit default swap) curve with an inverted trend (an indicator that implies greater risk of default in the short term than in the long term); models have to be applied whose objective is to establish the price of a hypothetical transaction in an arm's length exchange motivated by normal commercial conditions. These models include:

a) reference to market values that can be indirectly related to the instrument to be measured, taken from products that are similar in risk characteristics ("comparable approach", or level 2); the calculation methodologies used enable the prices of listed instruments on active markets to be reproduced (calibration of the model) without including discretionary factors to such an extent as to have a significant effect on the final valuation;

b) valuations carried out also making use of sources not arising from parameters that can be observed on the market, which therefore need some power of discretion in selecting estimates and assumptions (“mark to model approach”, or level 3); these internal models are based on the discounting of expected cash flows applying appropriate correctives and thus carefully weighting the rate in order to take into account both the credit risk attached to the counterparty and the component related to the liquidity of the financial instruments.

It must be borne in mind, however, that the measurement techniques described above must be applied in hierarchical order, so that if official prices set by an active market are available, one of the other approaches may not be adopted. Level 1, therefore, applies to the calculation of the fair value of debt instruments, mutual funds, options and shares listed in a market which may be described as active because it has the features specified above.

The fair value of unlisted bonds is measured on the basis of the current market values of similar financial instruments, while the fair value of unlisted capital instruments is estimated on the basis of the most pertinent methodologies according to the sector of business in which the company whose instrument is being measured operates: in general these are methods based on the discounting of cash flows or methods entailing the application of suitable market multiples; shares with a significant range of fair value estimates but whose probable fair value cannot be reliably measured retain their cost price.

The fair value of over-the-counter trading derivatives is calculated using the most common measurement techniques, namely discounted cash flow for interest rate swaps, Black & Scholes for options and Monte Carlo for embedded derivatives separated from the structured derivatives; the external factors referred to in these measurement techniques (interest rate curves, volatility matrices, etc.) are given by leading international providers.

The fair value, for the purposes of the financial statements or as shown in the Notes to the Financial Statements, of loans still on the Bank’s books and reported in the financial statements at cost or at amortised cost is calculated as follows:

a) medium- and long-term assets are mainly measured by means of a model that estimates the theoretical value of an instrument by discounting future cash flows, which is carried out by using a market interest rate plus a credit spread according to the PD, LGD and mean term classes to which the asset being measured belongs;
b) for assets at sight with short-term or undetermined maturity, the carrying value net of the analytic/collective write-down is a good approximation of fair value.

Business Combinations

The transfer of control of a business or a business segment constitutes a business combination transaction. According to IFRS 3, the acquirer is the entity that acquires more than half of the voting rights of another business, either directly or indirectly by virtue of arrangements with other investors or clauses in the articles of association. The acquisition, and therefore the first consolidation of the entity that has been acquired, must be recorded on the date on which the acquirer actually gains control over the business that has been bought. The cost of a business combination transaction is the sum of the fair values of the assets sold, the liabilities incurred or assumed and any capital instruments issued by the acquirer to gain control on the date of the transaction, in addition to any accessory charges directly attributable to the combination. For accounting purposes, the acquisition is recognised according to the acquisition cost method, envisaging the recognition of the assets, liabilities and contingent liabilities of the acquiree at their respective fair values on the acquisition date, third parties’ shares in the acquiree in proportion to their interest in the fair values of the above elements, and the relevant goodwill, which is calculated as the difference between the cost of the business combination and the same proportion of the net fair value of assets, liabilities and identifiable contingent liabilities as the proportion of shares held.

Financial transactions are not considered to be business combinations if their purpose is to control one or more businesses that do not constitute a company activity, to gain temporary control or, finally, if the business combination is acquired in order to reorganise it, namely if it involves two or more businesses or company activities already belonging to the same Group and if no changes in the control structure are entailed, regardless of the percentage of third parties’ rights before and after the transaction (known as “combinations of businesses under common control”). These transactions are not considered to have any economic substance and consequently, failing any specific instructions in IAS/IFRS principles and in compliance with the presumptions of IAS 8, which requires a business to use its own judgment in applying an accounting principle that provides relevant, reliable, prudent information reflecting the economic substance of the transaction, they must be accounted for safeguarding the continuity of the amounts reported in the acquirer’s financial statements. This is also in line with the instructions in Document OPI 1 issued by the Italian Association of Auditors, Assirevi, regarding businesses transferred within their own group, particularly with reference to transactions that do not have a significant impact on the future cash flows of the net assets transferred. This document also states that, for reasons of symmetry, any difference between the price of the transaction and the pre-existing carrying value of the assets transferred should be reported in shareholders’ equity in the seller’s financial statements, aligning the transaction to one carried out in the capacity of a shareholder, as laid down in paragraph 7 of IAS 18 and paragraph 98 of IAS 1.

The impairment test and testing for any impairment losses

As required by international accounting principles, goodwill that is reported in the financial statements and allocated to the different cash generating units (CGUs) must be attributed to these CGUs for the purposes of impairment tests; under IAS 36, in order to test for impairment, the goodwill acquired in a business combination must be allocated, with effect from the acquisition date, to each CGU that is expected to benefit from the synergies of the business combination, regardless of how the acquiree's other assets or liabilities are assigned to the unit. Each unit to which goodwill is allocated in this way must represent the lowest level within the entity at which goodwill is monitored for the purpose of internal management control, and it must not be greater than a segment based on the entity's system of primary and secondary segments in accordance with the provisions of IAS 14, Segment Reporting (replaced by IFRS 8 from 2009).

IAS 36 defines a CGU as "*the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets*".

The business combination transaction with Intesa Sanpaolo entailed the re-definition, as part of the process involved in the Bank's entry into the same Banking Group, of the different operational divisions conducting business. At Parent Company level, six business units were identified: the Territorial Banking Division, the Corporate and Investment Banking Division, the Public Finance Division, the International Subsidiary Banks Division, Eurizon Capital and Banca Fideuram, and these divisions were considered to represent CGUs in that each of them is the smallest group of assets that generates independent cash flows and also represents the minimum level at which the processes of internal planning and reporting are managed within the Group, which therefore identified as CGUs the operating divisions represented in segment reporting, considering this as the minimum level to which goodwill can be allocated on the basis of non-arbitrary criteria and the level at which goodwill can be monitored over time.

At the time of Banca CR Firenze and its subsidiaries' entry into the Intesa Sanpaolo Group, with the processes of integration, standardisation of internal procedures and the migration of information systems that will be completed during 2009, it was decided to amend the approach to the definition of a CGU, setting out the valuation methodologies on the lines of an approach agreed with the Parent Company; as allowed by IAS 36, pursuing a policy of internal standardisation, there was a change from the level of groupings of businesses as homogeneous bank branches to a higher level, corresponding to the company's retail segment in which the goodwill to be tested for impairment is reported and in accordance with the provisions governing business segment reporting, which, moreover, represents the highest level of cash generating unit contemplated in this principle (IAS 36, paragraph 80). Therefore the goodwill of Banca CR Firenze's retail branches was tested for impairment with reference to their value in use, calculated by estimating the present value of the future cash inflows that the CGU is expected to generate. The estimates for the calculation of these future cash inflows were made on the basis of an analytical approach for the first three-year period, 2009-2011, and using extrapolation criteria both for the subsequent periods and in order to calculate the flows to project in perpetuity for the purposes of terminal value.

Impairment tests on equity investments were conducted on the basis of measurements agreed with the Parent Company following the same policy of the standardisation of principles; it was therefore agreed to use different measurement methodologies according to the type of company being reviewed (banking, insurance, industrial sector, etc.). Each equity investment was considered as an autonomous CGU, as they are separate legal entities from the Parent Company Banca CR Firenze.

For the impairment tests on goodwill relating to the Italian banking sector subsidiaries, both the comparable transaction multiple method and the dividend discount model (DDM) were employed, and these methods led to the conclusion that both fair market value (FMV) and value in use support the amounts reported in the Financial Statements.

As a result of the serious crisis that recently struck the Eastern European economies and considering the objective difficulty of drawing up a business plan that is able to express value in use correctly based on discounted cash flow, the equity investment in Banca CR Firenze Romania was tested for impairment, in accordance with a measurement methodology agreed with the Parent Company, on the basis of comparable transactions and then prudentially reduced by about 20%. This equity investment was impaired as described in the Notes to the Financial Statements.

The discount cash flow (DCF) method was used for the goodwill of the service company Infogroup on the basis of the plans approved by the Board of Directors; the embedded value method was used for Centrovita Assicurazioni; the adjusted shareholder's equity method was used for Centro Factoring, Gefil and Immobiliare Nuova Sede; and the implicit multiples of recent direct transactions method was used for the goodwill of Centro Leasing Banca. Where an income-based measurement method was adopted, the cost of capital (KE) used to discount the expected profits or dividends and excess capital (in the event, respectively, of the adoption of DCF or the DDM method) was re-calculated on the basis of the capital asset pricing model with a risk-free rate equal to the Euro IRS 10Y rate for December 2008, corresponding to 3.75%, risk premium 5.75% and Beta determined with the Blume formula on the basis of listed comparables operating in the same sector as that of the company being valued.

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 2008	31 december 2007	changes %
a) Cash	309	**309**	**245**	26,1%
b) Sight deposits with Central Banks	17	**17**	**27**	-37,0%
Total	**326**	**326**	**272**	**19,9%**

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 dicembre 2008**	**31 dicembre 2007**	**changes %**
	Listed	Unlisted	Listed	Unlisted			
A.Cash assets							
1. Debt securities	26	42			**68**	**50**	36,0%
1.1 Structured securities							
1.2 Other debt securities	26	42			68	50	36,0%
2. Equity securities						**6**	-100,0%
3. UCITS units		1	73		**74**	**95**	-22,1%
4. Loans							
4.1 Resale agreements							
4.2 Others							
5. Impaired assets							
6. Transferred assets not written off	18	50			**68**		
Total A	**44**	**93**	**73**		**210**	**151**	**39,1%**
B. Derivative instruments							
1. Financial derivatives		80			**80**	**49**	63,3%
1.1 held for trading		77			77	27	185,2%
1.2 linked to the fair value option							
1.3 others		3			3	22	-86,4%
2. Credit derivatives							
2.1 held for trading							
2.2 linked to the fair value option							
2.3 others							
Total B		**80**			**80**	**49**	**63,3%**
Total (A+B)	**44**	**173**	**73**		**290**	**200**	**45,0%**

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.

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

Items/Values	Banking group	Insurance companies	**31 dicembre 2008**	**31 dicembre 2007**	**changes %**
A. Cash assets					
1. Debt securities	**69**		**69**	**50**	**38,0%**
a) Governments and Central Banks	52		52	50	4,0%
b) Other public agencies					
c) Banks	17		17		n.s.
d) Other entities					
2. Equity securities				**6**	**-100,0%**
a) Banks				**2**	100,0%
b) Other issuers:				**4**	-100,0%
- insurance companies				2	-100,0%
- financial companies					
- non-financial companies				2	-100,0%
- others					
3. UCITS units		**73**	**73**	**95**	**-23,2%**
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	**68**		**68**		**n.s.**
a) Governments and Central Banks	68		68		n.s.
b) Other public agencies					
c) Banks					
d) Other issuers					
Total A	**137**	**73**	**210**	**151**	**39,1%**
B. Derivative instruments	**80**		**80**	**49**	**63,3%**
a) Banks	5		5	38	-86,8%
b) Customers	75		75	11	581,8%
Total B	**80**		**80**	**49**	**63,3%**
Total (A+B)	**217**	**73**	**290**	**200**	**45,0%**

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 dicembre 2008**	**31 dicembre 2007**	**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:	**74**	**6**				**80**	**49**	**63,3%**
• with exchange of capital		6				6	1	500,0%
- options acquired		*1*				1		n.s.
- other derivatives		*5*				*5*	*1*	*400,0%*
• without exchange of capital	74					74	48	54,2%
- options acquired	*5*					*5*	*22*	*-77,3%*
- other derivatives	*69*					*69*	*26*	*165,4%*
2) Credit derivatives:								
• with exchange of capital								
• without exchange of capital								
Total B	**74**	**6**				**80**	**49**	**63,3%**
Total (A+B)	**74**	**6**				**80**	**49**	**63,3%**

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	**50**	**6**	**6**		**62**
B. Increases	**8.081**	**661**	**712**		**9.454**
B1. Purchases	8.010	660	711		9.381
B2. Positive changes in fair value					
B3. Other changes	71	1	1		73
C. Decreases	**8.063**	**667**	**717**		**9.447**
C1. Sales	8.044	659	714		9.417
C2. Redemptions	18				18
C3. Negative changes in fair value					
C4. Other changes	1	8	3		12
D. Closing balance	**68**		**1**		**69**

2.4.2 Insurance companies portion

Changes/Underlying assets	Debt securities	Equity securities	UCITS units	Loans	**Total**
A. Opening balance			**89**		**89**
B. Increases			**17**		**17**
B1. Purchases			17		17
B2. Positive changes in fair value					
B3. Other changes					
C. Decreases			**33**		**33**
C1. Sales					
C2. Redemptions					
C3. Negative changes in fair value			30		
C4. Other changes			3		
D. Closing balance			**73**		**73**

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 dicembre 2008**	**31 dicembre 2007**	**changes %**
	Listed	Unlisted			
1. Debt securities	**1.244**		**1.244**	**778**	**59,9%**
1.1 Structured securities	582		582		n.s.
1.2 Other debt securities	662		662	778	100,0%
2. Equity securities				**13**	-100,0%
3. UCITS units				**912**	**-100,0%**
4. Loans					
4.1 Structured					
4.2 Others					
5. Impaired assets					
6. Transferred assets not written off					
Total	**1.244**		**1.244**	**1.703**	**-27,0%**
Cost	**1.244**		**1.244**	**1.703**	**-27,0%**

3.2: breakdown by debtors/issuers

Items/Values	Insurance companies	**31 December 2008**	**31 December 2007**	**changes %**
1. Debt securities	**1.244**	**1.244**	**778**	**59,9%**
a) Governments and Central Banks				
b) Other public agencies				
c) Banks				
d) Other issuers	1.244	1.244	778	59,9%
2. Equity securities			**13**	**-100,0%**
a) Banks				
b) Other issuers:			13	-100,0%
- insurance companies				
- financial companies				
- non-financial companies				
- others			13	-100,0%
3. UCITS units			**912**	**-100,0%**
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	**1.244**	**1.244**	**1.703**	**-27,0%**

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	**778**	**13**	**912**		**1.703**
B. Increases	**58**				**58**
B1. Purchases					
B2. Positive changes in FV	28				28
B3. Other changes	30				30
C. Decreases	**517**				**517**
C1. Sales					
C2. Redemptions	428				
C3. Negative changes in FV	89				89
C4. Other changes					
D. Closing balance	**319**	**13**	**912**		**1.244**

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 dicembre 2008		31 dicembre 2007		changes %	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	**1.069**	**26**	**866**		**1.935**	**26**	**1.563**	**4**	**23,8%**	**550,0%**
1.1 Structured securities							8		-100,0%	
1.2 Other debt securities	1.069	26	866		1.935	26	1.555	4	24,4%	550,0%
2. Equity securities	**3**	**38**			**3**	**38**	**6**	**191**	**n.s.**	**-80,1%**
2.1 Measured at fair value	3	32			3	32	6	91	n.s.	-64,8%
2.2 Measured at cost		6				6		100		-94,0%
3. UCITS units	**53**	**29**	**1**		**54**	**29**	**113**	**33**	**-52,2%**	**-12,1%**
4. Loans										
5. Impaired assets	**4**				**4**			2		**100,0%**
6. Transferred assets not written off	**435**	**5**			**435**	**5**	**1.441**	**4**	**-69,8%**	**25,0%**
Total	**1.564**	**98**	**867**		**2.431**	**98**	**3.123**	**234**	**-22,2%**	**-58,1%**

The fair value of listed debt and equity securities is equal to the closing market prices.
The marked decrease in equities is due to the following factors:
- after the entry into the Intesa Sanpaolo Group, the classification under “Equity investments” of the shareholdings in the Bank of Italy;
- the classification of the shareholding in SI Holding S.p.A., amounting to about 6 million euro, among assets being disposed of;
- a lower fair value valuation of the minority shareholding in Immobiliare Novoli S.p.A., amounting to about 11 million euro.

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

Items/Values	Banking group	Insurance companies	31 dicembre 2008	31 dicembre 2007	changes %
1. Debt securities	**1.094**	**866**	**1.960**	**1.567**	**25,1%**
a) Governments and Central Banks	874	510	1.384	483	186,5%
b) Other public agencies	8		8	5	60,0%
c) Banks	177	154	331	154	114,9%
d) Other issuers	35	202	237	925	-74,4%
2. Equity securities	**41**		**41**	**197**	**-79,2%**
a) Banks				136	-100,0%
b) Other issuers:	41		41	61	-32,8%
- insurance companies					
- financial companies	14		14	21	-33,3%
- non-financial companies	27		27	38	-28,9%
- others				2	-100,0%
3. UCITS units	**82**	**1**	**83**	**146**	**-43,2%**
4. Loans					
a) Governments and Central Banks					
b) Other public agencies					
c) Banks					
d) Other entities					
5. Impaired assets	**4**		**4**	**2**	**100,0%**
a) Governments and Central Banks				2	-100,0%
b) Other public agencies					
c) Banks					
d) Other issuers	4		4		n.s.
6. Transferred assets not written off	**441**		**441**	**1.445**	**-69,5%**
a) Governments and Central Banks	321		321	1.098	-70,8%
b) Other public agencies					
c) Banks	116		116	260	-55,4%
d) Other issuers	4		4	87	-95,4%
Total	**1.662**	**867**	**2.529**	**3.357**	**-24,7%**

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	**685**	**197**	**144**		**1.026**
B. Increases	**1.647**	**5**	**37**		**1.689**
B1. Purchases	826		35		861
B2. Positive changes in FV			2		2
B3. Write-backs					
- charged to profit and loss account					
- charged to equity					
B4. Transfers from other portfolios					
B5. Other changes	821	5			826
C. Decreases	**1.237**	**161**	**99**		**1.497**
C1. Sales	710	1	87		798
C2. Redemptions	423				423
C3. Negative changes in FV	80	14			94
C4. Write-downs from impairment	12	1	8		21
- charged to profit and loss account	*12*	*1*	*8*		*21*
- charged to equity					
C5. Transfers to other portfolios	8	145			153
C6. Other changes	4		4		8
D. Closing balance	**1.095**	**41**	**82**		**1.218**

Item B.5, “Other changes”, includes assets transferred and not written off , being repo transactions that matured during the period and were not renewed with securities in the portfolio.
Item C.5, “Transfers to other portfolios”, mainly includes the classification of the shareholdings already mentioned at the foot of Table 4.1 above.

4.5.2 Insurance companies portion

	Debt securities	Equity securities	UCITS units	Loans	**Total**
A. Opening balance	**882**		**2**		**884**
B. Increases	**8**				**8**
B1. Purchases					
B2. Positive changes in FV					
B3. Write-backs					
- charged to profit and loss account					
- charged to equity					
B4. Transfers from other portfolios					
B5. Other changes	8				8
C. Decreases	**24**		**1**		**24**
C1. Sales			1		1
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	24				24
D. Closing balance	**866**		**1**		**867**

Section 5 - Financial assets held to maturity - Line 50

5.1 Financial assets held to maturity: breakdown by product

Type of asset/Group component	Banking group		Insurance companies		**31 dicembre 2008**		**31 dicembre 2007**		**changes %**	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Debt securities	**32**	**32**			**32**	**32**			**n.s.**	**n.s.**
1.1 Structured securities										
1.2 Other debt securities	32	32			32	32			n.s.	n.s.
2.Loans										
3. Impaired assets										
4. Transferred assets not written off	**13**	**13**			**13**	**13**			**n.s.**	**n.s.**
Total	**45**	**45**			**45**	**45**			**n.s.**	**n.s.**

The positive change in this item is mainly due to the consolidation of Casse del Centro S.p.A. and its subsidiaries

5.2 Financial assets held to maturity: breakdown by debtors/issuers

Items/Values	Banking group	Insurance companies	**31 dicembre 2008**	**31 dicembre 2007**	**changes %**
1. Debt securities	**32**		**32**		**n.s.**
a) Governments and Central Banks	26		26		n.s.
b) Other public agencies					
c) Banks	3		3		n.s.
d) Other issuers	3		3		n.s.
2. Loans					
a) Governments and Central Banks					
b) Other public agencies					
c) Banks					
d) Other entities					
3. Impaired assets					
a) Governments and Central Banks					
b) Other public agencies					
c) Banks					
d) Other entities					
4. Transferred assets not written off	**13**		**13**		**n.s.**
a) Governments and Central Banks	13		13		n.s.
b) Other public agencies					
c) Banks					
d) Other issuers					
Total	**45**		**45**		**n.s.**

5.4 Financial assets held to maturity (other than those transferred and not written off and those impaired): annual changes

	Debt securities	Loans	**Total**
A. Opening balance			
B. Increases	**36**		**36**
B1. Purchases	21		**21**
B2. Write-backs			
B3. Transfers from other portfolios			
B4. Other changes	15		**15**
C. Decreases	**4**		**4**
C1. Sales	4		**4**
C2. Redemptions			
C3. Write-downs from impairment			
C4. Transfers from other portfolios			
C5. Other changes			
D. Closing balance	**32**		**32**

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 dicembre 2008	31 dicembre 2007	changes %
A. Amounts owing by Central Banks	**88**	**117**	**-24,8%**
1. Fixed deposits			
2. Obligatory reserve	88	117	-24,8%
3. Resale agreements			
4. Others			
B. Amounts owing by banks	**4.417**	**1.120**	**294,4%**
1. Current accounts and free deposits	275	118	133,1%
2. Fixed deposits	1.957	899	117,7%
3. Other loans	493	103	378,6%
3.1 Resale agreements	303	51	494,1%
3.2 Financial lease	8	13	-38,5%
3.3 Others	182	39	366,7%
4. Debt securities	986		100,0%
4.1 Structured securities			
4.2 Other debt securities	986		n.s.
5. Impaired assets			
6. Transferred assets not written off	706		n.s.
Total (book value)	**4.505**	**1.237**	**264,2%**
Total (fair value)	**4.505**	**1.263**	**256,7%**

6.1.2 Insurance companies portion

Type of transactions / Values	31 dicembre 2008	31 dicembre 2007	changes %
A. Amounts owing by Central Banks			
1. Fixed deposits			
2. Obligatory reserve			
3. Resale agreements			
4. Others			
B. Amounts owing by banks	**13**	**15**	**-13,3%**
1. Current accounts and free deposits	13	15	-13,3%
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)	**13**	**15**	**-13,3%**
Total (fair value)	**13**	**15**	**-13,3%**

Section 7 - Customer loans - Line 70

7.1 Customer loans: breakdown by product

7.1.1 Banking group portion

Type of transactions/Values	31 dicembre 2008	31 dicembre 2007	changes %
1. Current accounts	3.469	2.450	41,6%
2. Resale agreements			
3. Mortgages	12.783	8.679	47,3%
4. Credit cards, personal loans and assignment of one's salary	361	197	83,2%
5. Financial lease	3.831	3.298	16,2%
6. Factoring	949	806	17,7%
7. Other transactions	5.644	4.294	31,4%
8. Debt securities	49		
8.1 Structured securities			
8.2 Other debt securities	49		
9. Impaired assets	1.018	661	54,0%
10. Transferred assets not written off			
Total (book value)	**28.104**	**20.385**	**37,9%**
Total (fair value)	**28.126**	**20.894**	**34,6%**

7.2 Customer loans: breakdown by debtors/issuers

7.2.1 Banking group portion

Type of transactions/Values	31 dicembre 2008	31 dicembre 2007	changes %
1. Debt securities	**49**		**n.s.**
a) Governments and Central Banks			
b) Other public agencies	2		n.s.
c) Other issuers	47		n.s.
- non-financial companies	1		n.s.
- financial companies	7		n.s.
- insurance companies	39		n.s.
- others			
2. Loans to:	**27.037**	**19.724**	**37,1%**
a) Governments	83	44	88,6%
b) Other public agencies	460	343	34,1%
c) Other entities	26.494	19.337	37,0%
- non-financial companies	18.970	14.448	31,3%
- financial companies	615	497	23,7%
- insurance companies			
- others	6.909	4.392	57,3%
3. Impaired loans:	**1.018**	**661**	**54,0%**
a) Governments	11		100,0%
b) Other public agencies	120	123	-2,4%
c) Other entities	887	538	64,9%
- non-financial companies	681	445	53,0%
- financial companies	2	4	-50,0%
- insurance companies			
- others	204	89	129,2%
4. Transferred assets not written off:			
a) Governments			
b) Other public agencies			
c) Other entities			
- non-financial companies			
- financial companies			
- insurance companies			
- others			
Total	**28.104**	**20.385**	**37,9%**

7.4 Financial leases

Time bands	31 December 2008						
			Minimum lease payments			Gross investment	
			Principal				
	Explicit loans	Loans for assets to be leased		of which guaranteed residual value	Interest		of which unguaranteed residual value
Up to 3 months	77		194		51	0	4
Between 3 and 12 months	1		556		137	1	19
Beyond 1 year up to 5 years	3		1.825		402	2	119
Beyond 5 years	0		1.101		308	1	296
Indefinite life	96	189	45			0	
Gross Total	**177**	**189**	**3.721**		**898**	**5**	**438**
Adjustments							
- individual	36		22			0	
- collective	2		18			0	
Net total	**139**	**189**	**3.681**		**898**	**5**	**438**

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	Equity securities	Loans	Other	**31 dicembre 2008**	**31 dicembre 2007**	**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 :	***45***					***45***	***11***	***309,1%***
• with exchange of capital								
- options acquired								
- other derivatives								
• without exchange of capital	45					**45**	**11**	**309,1%**
- options acquired	13					13		
- other derivatives	32					32	11	190,9%
2) Credit derivatives:								
• with exchange of capital								
• without exchange of capital								
Total B	**45**					**45**	**11**	**309,1%**
Total A + B	**45**					**45**	**11**	**309,1%**

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	
5. Foreign investments	X	X	X	X	X	X		X
Total assets								
1. Financial liabilities	42			X		X		X
2. Portfolio	X	X	X	X	X		X	3
Total liabilities	**42**						-	**3**
1. Expected transactions	X	X	X	X	X	X		

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. (2)	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. CE.SPE.VI S.r.l.	Pistoia	**8)**	Cassa di Risparmio di Pistoia e Pescia S.p.A.	20,00	20,00
4. 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.

2) As at 31 December 2008 the equity investment in Soprarno SGR S.p.A has been classified under "Non current assets and groups of assets being disposed".

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 under the equity method	**11.441**	**1.185**	**69**	**750**	**497**	
A.1 Subject to joint control						
1. Findomestic Group	11.426	1.181	69	745	404	X
2. Soprarno SGR S.p.A. (5)	2			2		X
Companies valued under the equity method: total					**404**	
A.2 Subject to significant influence						
1. Spezia Risorse S.p.A.	7	3		1		
2. Sviluppo Industriale S.p.A.	5	1		1		
5. CE.SPE.VI. S.r.l.	1			1		
6. S.A.F.I. S.r.l.						
Subject to significant influence: total						
Other equity investements						
Banca d'Italia					92	
Other interests					1	
Other equity investements: total					**93**	

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 2007 approved by the respective Board of Directors.
(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.
(5) As at 31 December 2008 the equity investment in Soprarno SGR S.p.A has been classified under "Non current assets and groups of assets being disposed".

10.3 Equity investments: annual changes

	Banking group	**31 December 2008**	**31 December 2007**
A. Opening balance	**397**	**397**	**476**
B. Increases	**166**	**166**	**22**
B.1 Purchases			
B.2 Write-backs			
B.3 Revaluations			
B.4 Other changes	166	166	22
C. Decreases	**66**	**66**	**101**
C.1 Sales	59	59	1
C.2 Value adjustments			
C.3 Other changes	7	7	100
D. Closing balance	**497**	**497**	**397**
E. Total revaluations			
F. Total adjustments			

Item B.4 consists of equity securities previously classified as financial assets available for sale, among which the 90 million euro equity investment in Bank of Italy including the interst pertaining to the subsidiary of Casse del Centro S.p.A., and the equity investment in Cassa di Risparmio di Forlì e della Romagna S.p.A., amounting to approximately 59 million euro.
Item C.1 includes the sale of the equity investment in Cassa dei Risparmi di Forlì e della Romagna S.p.A..
The item C.3 mainly refers to the equity investment in SI Holding S.p.A. which is classified under.

10.4 Commitments relating to investments in jointly-controlled companies

10.5 Commitments relating to investments in companies subject to significant influence

Report on Operations should be referred to for information regarding items 10.4, 10.5 and 10.6.

Section 11 - Actuarial reserves of reinsurers - Line 110

11.1 Actuarial reserves of reinsurers: breakdown

	Insurance companies	31 dicembre 2008	31 December 2007	changes
A. Damage insurance				
A1. Premiums reserves	1	1		n.s.
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	**1**	**1**		**n.s.**

The actuarial reserves balance at 31 December 2007 was lower than one million euro, and no amount is therefore shown for it in this table

Section 12 - Property plant and equipment - Line 120

12.1 Property plant and equipment: breakdown of assets valued at cost

Assets/Values	Banking group	Insurance companies	**31 December 2008**	**31 December 2007**	**changes %**
A. Assets held for own use					
1.1 owned assets	**481**		**481**	**573**	**-16,1%**
a) land	123		123	111	10,8%
b) buildings	308		308	260	18,5%
c) furniture	19		19	20	-5,0%
d) electronic systems	15		15	16	-6,3%
e) others	16		16	166	-90,4%
1.2 acquired under finance lease	**6**		**6**	**8**	**-25,0%**
a) land	2		2	3	-33,3%
b) buildings	4		4	5	-20,0%
c) furniture					
d) electronic systems					
e) others					
Total A	**487**		**487**	**581**	**-16,2%**
B. Assets held for investment					
2.1 owned assets	**56**		**56**	**49**	**14,3%**
a) land	17		17	16	6,3%
b) buildings	39		39	33	18,2%
2.2 acquired under finance lease					
a) land					
b) buildings					
Total B	**56**		**56**	**49**	**14,3%**
Total (A+B)	**543**		**543**	**630**	**-13,8%**

The decrease reported in “Assets held for own use - Others” is mainly due to the presence of assets waiting to be acquired under finance leases as envisaged in a Bank of Italy Circular. The value of these assets in 2007 was about 153 million euro.

12.3 Property plant and equipment held for own use: annual changes

12.3.1 Banking group portion

	Land	Buildings	Furniture	Electronic systems	Others	31 December 2008
A. Opening gross balance	**115**	**492**	**43**	**41**	**203**	**894**
A.1 Total net impairment losses	(1)	(227)	(23)	(25)	(37)	(313)
A.2 Opening net balance	**114**	**265**	**20**	**16**	**166**	**581**
B. Increases	**13**	**70**	**5**	**19**	**10**	**117**
B.1 Purchases	13	41	5	19	5	83
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						
B.7 Other changes		29			5	34
C. Decreases	**(2)**	**(23)**	**(6)**	**(20)**	**(160)**	**(211)**
C.1 Sales		(3)	(2)			(5)
C.2 Depreciation		(13)	(3)	(8)	(5)	(29)
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	(1)	(1)				(2)
b) assets under disposal	(1)	(4)	(1)	(1)	(2)	(9)
C.7 Other changes		(2)		(11)	(153)	(166)
D. Closing net balance	**125**	**312**	**19**	**15**	**16**	**487**
D.1 Total net impairment losses		225	45	67	67	404
D.2 Closing gross balance	**125**	**537**	**64**	**82**	**83**	**891**
E. Measurement at cost						

The decrease reported in "Decreseas - Other changes" is mainly due to assets waiting to be acquired under finance leases as envisaged in a Bank of Italy Circular. The value of these assets in 2007 was about 153 million euro.

12.4 Property plant and equipment held for investment: annual changes

	Banking group		**31 December 2008**		**31 December 2007**	
	Land	Buildings	Land	Buildings	Land	Buildings
A. Opening balance	**17**	**36**	**17**	**36**	**17**	**37**
B. Increases						
B.1 Purchases		5		5		
B.2 Capitalized costs for leasehold improvements						
B.3 Positive changes in fair value						
B.4 Write-backs						
B.5 Positive exchange differences						
B.6 Transfers from property held for own use	1	1	1	1		
B.7 Other changes						2
C. Decreases						
C.1 Sales	(1)	(2)				(1)
C.2 Depreciation		(1)				(1)
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)
b) non-current assets under disposal						
C.7 Other changes						
D. Final balance	**17**	**39**	**18**	**42**	**17**	**36**
E. Measurement at fair value	17	39	18	42	17	36

Section 13 - Intangible assets - Line 130

13.1 Intangible assets: breakdown by type of asset

Assets/Values	Banking group		Insurance companies		**31 December 2008**		**31 December 2007**		**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	272	X		X	**272**	X	**308**		**-11,7%**
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	14		1		**15**		**18**		**-16,7%**	
A.2.2 Assets measured at fair value:										
a) Internally-generated intangible assets										
b) Other assets										
Total	**14**	**272**	**1**		**15**	**272**	**18**	**308**	**-16,7%**	**-11,7%**

The negative change in goodwill with respect to 31 December 2007 is explained mainly by the reclassification of the goodwill recognised for Cassa di Risparmio di Orvieto S.p.A., amounting to about 27 million euro, under assets being disposed of and a 9 million euro write-down in the goodwill for Banca CRF Romania.

13.2 Intangible assets: annual changes

13.2.1 Banking group portion

	Goodwill	Other intangible assets: internally-generated		Other intangible assets: others		**31 December 2008**	**31 December 2007**
		Definite life	Indefinite life	Definite life	Indefinite life		
A. Opening balance	**308**			**110**		**418**	**399**
A.1 Total net impairment losses				(92)		(92)	(65)
A.2 Opening net balance	**308**			**18**		**326**	**334**
B. Increases							
B.1 Purchases							**15**
B.2 Capitalization of internal constructions costs	X						
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							**5**
C. Decreases							
C.1 Sales							
C.2 Value adjustments							
- Amortization	X						**(16)**
- 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	(27)						
C.5 Negative exchange differences							
C.6 Other changes	(9)			(3)			**(12)**
D. Closing net balance	**272**			**15**		**287**	**326**
D.1 Total net value adjustments							92
E. Closing gross balance	**272**			**15**		**287**	**418**
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

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.

14.1 Deferred tax assets: breakdown

	31 dicembre 2008	31 dicembre 2007	changes %
Loans	75	34	120,6%
Securities	43	11	290,9%
Provisions for risks and charges	49	27	81,5%
Pensions and similar obligations	10	12	-16,7%
Goodwill	25	1	n.s.
Other	35	16	118,8%
Total	**237**	**101**	**134,7%**

Deferred tax assets on AFS securities rose significantly owing to the substantial reductions in their fair value as a result of the poor financial market performance

14.2 Deferred tax liabilities: breakdown

	31 dicembre 2008	31 December 2007	changes %
Loans		4	-100,0%
Securities	12	13	-7,7%
Provision for Staff Termination Pay	2	2	0,0%
Pensions and similar obligations		1	-100,0%
Goodwill	1	1	0,0%
Equity investments		6	-100,0%
Real property	2	5	-60,0%
Other	21	13	61,5%
Total	**38**	**45**	**-15,6%**

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

	Banking group	Insurance companies	31 dicembre 2008	31 dicembre 2007
Initial amount	**86**	**9**	**95**	**113**
Increases	**126**	**1**	**127**	**36**
2.1 Deferred tax assets recognised over the period				
a) relating to previous periods			-	2
b) due to changed accounting criteria				
c) write-backs				
d) others	74	1	75	5
2.2 New taxes or increases in tax rates	6		6	22
2.3 Other increases	46		46	7
Decreases	**(34)**	**(3)**	**(37)**	**(53)**
3.1 Deferred tax assets written off over the period				
a) reversals	(30)		(30)	(38)
b) write-downs for irrecoverability				
c) change in accounting criteria				
3.2 Reductions in tax rates			-	(15)
3.3 Other decreases	(4)	(3)	(7)	
Final amount	**178**	**7**	**185**	**96**

Item 2.1 d), “Others”, is mainly due to credit value adjustments exceeding the maximum tax deductibility amounts allowed under the current regulations and to the exercise, under Article 15, paragraph 10, of Legislative Decree 185/2008, of the option to discharge the tax liability that emerged as a result of the merger by incorporation of Cassa di Risparmio di Mirandola S.p.A. by paying substitute tax.

Item 2.3, “Other increases”, mainly includes the consolidation of Casse del Centro S.p.A. and its subsidiaries.

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

	Banking group	Insurance companies	**31 December 2008**	**31 December 2007**
1. Initial amount	**30**	**9**	**39**	**29**
2. Increases	**14**	**5**	**19**	**27**
2.1 Deferred tax liabilities recognised over the period				
a) relating to previous periods				7
b) due to changed accounting criteria				
c) others	2	4	6	2
2.2 New taxes or increases in tax rates				6
2.3 Other increases	12	1	13	12
3. Decreases	**(24)**	**(9)**	**(32)**	**(18)**
3.1 Deferred tax liabilities written off over the period				
a) reversals	(7)		(7)	(10)
b) due to changed accounting criteria				
c) others	(1)			
3.2 Reductions in tax rates				(5)
3.3 Other decreases	(16)	(9)	(25)	(3)
4. Final amount	**20**	**5**	**26**	**38**

Item 3.3, “Other decreases” is mainly due to the exercise, under Article 1, paragraph 48, of Law 244/2007 (the 2008 Budget Law), of the option to discharge the tax liability related to the EC box in the 2008 UNICO tax return form by paying substitute tax.
Item 2.3, “Other increases”, mainly includes the consolidation of Casse del Centro S.p.A. and its subsidiaries.

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

	Banking group	Insurance companies	**31 dicembre 2008**	**31 dicembre 2007**
1. Initial amount	**5**		**5**	
2. Increases	**39**	**10**	**49**	**6**
2.1 Deferred tax liabilities recognised over the period				
a) relating to previous periods				
b) due to changed accounting criteria				
c) others	30	1	31	2
2.2 New taxes or increases in tax rates				4
2.3 Other increases	9	9	18	
3. Decreases	**(2)**		**(2)**	**(1)**
3.1 Deferred tax assets written off over the period				
a) reversals	(2)		(2)	(1)
b) write-downs for irrecoverability				
c) due to changed accounting criteria				
3.2 Reductions in tax rates				
3.3 Other decreases				
4. Final amount	**42**	**10**	**52**	**5**

Item 2.1.c) "Others"is solely due to the increase in value adjustments to debt securities in the AFS portfolio.
Item 2.3, “Other increases”, mainly includes the consolidation of Casse del Centro S.p.A. and its subsidiaries.

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

	Banking group	Insurance companies	**31 dicembre 2008**	**31 dicembre 2007**
1. Initial amount	**7**		**7**	**8**
2. Increases		**10**	**10**	**4**
2.1 Deferred tax liabilities recognised over the period				
a) relating to previous periods		2	2	1
b) due to changed accounting criteria				
c) others				1
2.2 New taxes or increases in tax rates				2
2.3 Other increases		8	8	
3. Decreases	**(5)**		**(5)**	**(5)**
3.1 Deferred tax liabilities written off over the period				
a) reversals	(3)		(3)	(4)
b) due to changed accounting criteria				
c) others				
3.2 Reductions in tax rates				(1)
3.3 Other decreases	(2)		(2)	
4. Final amount	**2**	**10**	**12**	**7**

14.7 Other information

Information on current taxes and on the Consolidato Fiscale Nazionale

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

	31 December 2008	31 December 2007	changes %
On-account payments for direct taxes	27	2	n.s.
On-account payments for IRES taxes related to the National Fiscal Consolidation	3	4	-25,0%
On-account payments for indirect taxes	34	24	41,7%
Tax credit - interest	5	7	-28,6%
Tax credit - principal	8	13	-38,5%
Tax credit to be offset and for deductions paid	34		
Credit for taxes advanced on staff termination indemnities	2	1	100,0%
Tax credit for withholding tax on savings deposits and current accounts	1		
Other tax credits	2	36	-94,4%
Total B	**116**	**87**	**33,3%**

Section 15 - Non current assets and groups of assets being disposed and liabilities asssociated with groups of assets being disposed - Assets line 140 and liabilities line 90

15.1 Non current assets and groups of assets being disposed and liabilities asssociated with groups of assets being disposed: Breakdown by product

	Banking group	**31 dicembre 2008**	**31 dicembre 2007**
A. Individual assets			
A.1 Equity investments	81	81	
A.2 Property and equipement			
A.3 Intangible assets			
A.4 Other non current assets			
Total A	**81**	**81**	
B. Groups of assets (discontinued operations)			
B.1. Financial assets held for trading			
B.2. Financial assets measured at fair value			
B.3. Financial assets available for sale			
B.4. Financial assets held to maturity			
B.5. Amounts owing by banks	6	6	
B.6 Customer loans	663	663	
B.7 Equity investments	(72)	(72)	
B.8 Property and equipement	11	11	
B.9 Intangible assets	27	27	
B.10 Other assets	35	35	
Total B	**670**	**670**	
C. Liabilities associated with individual assets being disposed			
C.1 Debit			
C.2 Securities			
C.3 Other liabilities			
Total C			
D. Liabilities associated with groups of assets being disposed			
D.1 Amounts owing to banks	429	429	
D.2 Customer deposits	234	234	
D.3 Outstanding securities			
D.4 Financial liabilities held for trading			
D.5 Financial liabilities measured at fair value			
D.6 Provisions	4	4	
D.7 Other liabilities	27	27	
Total D	**694**	**694**	

Section 16 - Other assets - Line 160

16.1 Other assets: breakdown

	31 December 2008	31 December 2007	changes %
Amounts due from tax authorities:	21	28	-25%
- on-account payments for taxes in the period	*14*	*28*	-50%
- other credits	*7*		n.s.
Transit items settled in the subsequent financial year - others	74	47	57%
Transit items between branches and subsidiaries	76	140	-46%
Credit balance of tax-collection management	11	5	120%
Positions related to foreign branches	1	8	-88%
Debt positions for settlement currency	2		n.s.
Cheques drawn on the bank settled	59	70	-16%
Leasehold improvements	5	5	0%
Other items	141	52	171%
Accrued income and prepaid expenses	14	14	0%
Commissions and fees to be earned	47	54	-13%
Total	**451**	**423**	**7%**

The increase reported in this item at 31 December 2008 is mainly explained by the contribution from Casse del Centro S.p.A. and its subsidiaries.

LIABILITIES AND EQUITY

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 dicembre 2008**	**31 December 2007**	**changes %**
1. Amounts owing to central banks				**100**	**-100,0%**
2. Amounts owing to banks	**8.587**	**16**	**8.603**	**4.181**	**105,8%**
2.1 Current accounts and free deposits	1.680		1.680	660	154,5%
2.2 Fixed deposits	3.532		3.532	847	317,0%
2.3 Loans	3.312	16	3.328	2.560	30,0%
2.3.1 financial lease					
2.3.2 others	3.312	16	3.328	2.560	30,0%
2.4 Liabilities for commitments to repurchase own equity					
2.5 Liabilities resulting from assets sold that were not derecognised	30		30	106	-71,7%
2.5.1 repurchase agreements	30		30	106	-71,7%
2.5.2 others					
2.6 Other accounts payable	33		33	8	312,5%
Total	**8.587**	**16**	**8.603**	**4.281**	**101,0%**
Fair value	**8.587**	**16**	**8.603**	**4.281**	**101,0%**

Section 2 - Customer deposits - Line 20

2.1 Customer deposits: breakdown by product

Type of transactions/Group components	Banking group	**31 dicembre 2008**	**31 December 2007**	**changes %**
1. Current accounts and free deposits	14.232	14.232	10.397	36,9%
2. Fixed deposits	39	39	38	2,6%
3. Third-party funds under administration				
4. Loans	477	477	2	n.s.
4.1 financial lease	1	1	2	-50,0%
4.2 others	476	476		n.s.
5. Liabilities for commitments to repurchase own equity instruments	123	123		
6. Liabilities resulting from assets sold that were not derecognised from the balance sheet	1.090	1.090	1.285	-15,2%
6.1 repurchase agreements	1.090	1.090	1.285	-15,2%
6.2 others				
7. Other accounts payable	129	129	258	-50,0%
Total	**16.090**	**16.090**	**11.980**	**34,3%**
Fair value	**16.093**	**16.093**	**11.980**	**34,3%**

Section 3 - Outstanding securities - Line 30

3.1 Oustanding securities: breakdown by product

Type of securities/Group components	Banking group		**31 dicembre 2008**		**31 Descember 2007**		**changes %**	
	BV	FV	BV	FV	BV	FV	BV	FV
A. Listed securities	**5.386**	**5.289**	**5.386**	**5.289**				
1. Bonds								
1.1 structured	58	58	58	58				
1.2 others	5.328	5.231	5.328	5.231				
2. Other securities								
2.1 structured								
2.2 others								
B. Unlisted securities	**3.229**	**3.158**	**3.229**	**3.158**	**6.536**	**6.536**	**-50,6%**	**-51,7%**
1. Bonds								
1.1 structured	*152*	*152*	*152*	*152*	*93*	*93*	*63,4%*	*63,4%*
1.2 others	*2.696*	*2.627*	*2.696*	*2.627*	*6.242*	*6.242*	*-56,8%*	*-57,9%*
2. Other securities								
2.1 structured								
2.2 others	*381*	*379*	*381*	*379*	*201*	*201*	*89,6%*	*88,6%*
Total	**8.615**	**8.447**	**8.615**	**8.447**	**6.536**	**6.536**	**31,8%**	**29,2%**

Legend
BV = Book Value
FV = fair value

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
Hybrid capitalisation instrument upper tier 2	199	199	Banca CR Firenze S.p.A.	giu-02	giu-12	6 month Euribor + 1,40%
Second-level subordinated bond loan	50	10	Banca CR Firenze S.p.A.	lug-02	lug-09	6 month Euribor
Second-level subordinated bond loan	30	12	Banca CR Firenze S.p.A.	feb-03	feb-10	6 month Euribor
Hybrid capitalisation instrument upper tier 2	199	199	Banca CR Firenze S.p.A.	dic-03	dic-13	6 month Euribor + 0,95%
Second-level subordinated bond loan	23	13	Banca CR Firenze S.p.A.	feb-04	feb-11	3 month Euribor
Second-level subordinated bond loan	40	23	Banca CR Firenze S.p.A.	lug-04	lug-11	6 month Euribor
Second-level subordinated bond loan	150	150	Banca CR Firenze S.p.A.	dic-04	dic-14	6 month Euribor + 40 b.p.
Second-level subordinated bond loan	16	16	Banca CR Firenze S.p.A.	mag-05	mag-15	3 month + 0,45%
Second-level subordinated bond loan	85	82	Banca CR Firenze S.p.A.	mag-06	mag-13	6 month Euribor + 0,15%
Third-level subordinated bond loan	60	19	Banca CR Firenze S.p.A.	dic-06	dic-09	3 month + 0,25%
Second-level subordinated bond loan	30	30	Cassa di Risparmio della Spezia S.p.A.	dic-07	dic-17	3 month + 0,10%
Hybrid capitalisation instrument lower tier 2	90	90	Centro Leasing Banca S.p.A.	set-06	set-16	3 month + 0,65%
Hybrid capitalisation instrument upper tier 2	30	30	Centro Leasing Banca S.p.A.	lug-07	lug-17	3 month + 0,85%
Total subordinated debt	**1.002**	**873**				

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 dicembre 2008**	**31 December 2007**	**changes %**
1. Securities subject to a specific far value hedge:			
a) interest rate risk	2.324	2.194	5,9%
b) exchange risk			
c) other risks			
2. Securities subject to a specific cash flow hedge:			
a) interest rate risk	522	120	335,0%
b) exchange risk			
c) other risks			
Totale	**2.846**	**2.314**	**23,0%**

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 dicembre 2008**				**31 December 2007**				**changes %**			
	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *	NV	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 Other 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		83	X	X		83	X	X		32	X	X		159,4%	X
1.2 Linked to fair value option	X			X	X			X	X			X	X			X
1.3 Others	X		3	X	X		3	X	X		24	X	X		-87,5%	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		**86**	X	X		**86**	X	X		**56**	X	X		**53,6%**	X
Total (A+B)	X		**86**	X	X		**86**	X	X		**56**	X	X		**53,6%**	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

NV = 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 dicembre 2008**	**31 December 2007**	**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:	*77*	*9*				*86*	*56*	*53,6%*
• with exchange of capital		9				9	1	800,0%
- options issued		1				1	1	0,0%
- other derivatives		8				8		n.s.
• without exchange of capital	77					77	55	40,0%
- options issued	4					4	23	-82,6%
- other derivatives	73					73	32	128,1%
2) Credit derivatives:								
• with exchange of principal								
• without exchange of capital								
Total B	**77**	**9**				**86**	**56**	**53,6%**
Total (A+B)	**77**	**9**				**86**	**56**	**53,6%**

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 dicembre 2008**				**31 December 2007**				**changes %**			
	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
1. Amounts owing to banks																
1.1 Structured				X				X				X				
1.2 Others				X				X				X				
2. Customer deposits																
2.1 Structured				X				X				X				
2.2 Others	490		490	X	490		490	X	889		889	X	-44,9%			
3. Debt securities																
3.1 Structured																
3.2 Others																
Total	**490**		**490**		**490**		**490**		**889**		**889**		**-44,9%**			

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
NV = nominal value

5.3 Financial liabilities measured at fair value: annual changes

	Amounts owing to banks	Customer deposits	Outstanding securities	**Total**
A. Opening balance		**889**		**889**
B. Increases		**3**		**3**
B1. Issues		3		3
B2. Sales				
B3. Increases in fair value				
B4. Other changes				
C. Decreases		**402**		**402**
C1. Purchases				
C2. Redemptions		264		264
C3. Decreases in fair value		138		138
C4. Other changes				
D. Closing balance		**490**		**490**

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 2008						**31 December 2007**	**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:	***38***					***38***	***36***	***5,6%***
• with exchange of principal								
- options issued								
- other derivatives								
• without exchange of capital	38					38	36	5,6%
- options issued								
- other derivatives	38					38	36	5,6%
2) Credit derivatives:								
• with exchange of principal								
• without exchange of capital								
Total B	**38**					**38**	**36**	**5,6%**
Total (A+B)	**38**					**38**	**36**	**5,6%**

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	price risks	other risks			
1. Financial assets available for sale						X		X
2. Loans	2			X		X		X
3. Financial assets held to maturity	X			X		X		X
4. Portfolio	X	X	X	X	X		X	
5. Foreign investments	X	X	X	X	X	X		X
Total assets	**2**							
1. Financial liabilities	36			X		X		X
2. Portfolio	X	X	X	X	X		X	
Total liabilities	**36**						-	
1. Expected transactions	X	X	X	X	X	X		

Section 8 - Tax liabilities - Line 80

Reference is made to Section 14 of assets.

Section 9 - Non current assets and groups of assets being disposed and liabilities asssociated with groups of assets being disposed: breakdown by type of assets - Item 90

Reference is made to Section 15 of assets.

Section 10 - Other liabilities - Line 100

10.1 Other liabilities: breakdown

Items	31 dicembre 2008	31 dicembre 2007	changes %
Liabilities being traded - Others	145	204	-29%
Items deriving from securities transactions	1		
Amounts due to third parties	77	54	43%
Transit items with foreign branches	5	8	-38%
Transit items with Italian branches	97	57	70%
Adjustments for portfolio items to be settled	117	91	29%
Due to social security entities	83	59	41%
Due to tax authorities	62	37	68%
Credit items for settlement currencies	149	162	-8%
Due to INPS for Treasury allowance and other social security contributions to be paid - formerly debit balance of tax-collection management	4		
Due to suppliers	125	81	54%
Due due to impairment losses on endorsement loans	3		
Other liabilities	188	291	-35%
Accrued expenses and deferred income	10	17	-41%
Total	**1.066**	**1.061**	**0%**

Section 11 - Provision for staff termination pay - Line 110

11.1 Provision for staff termination pay: annual changes

	Banking group	31 dicembre 2008	31 December 2007	changes %
A. Opening balance	**156**	**156**	**180**	**-13,3%**
B. Increases	**60**	**60**	**18**	**233,3%**
B.1 Allocation for the period	10	10	4	150,0%
B.2 Other increases	50	50	14	257,1%
C. Decreases	**33**	**33**	**42**	**-21,4%**
C.1 Payments made	32	32	18	77,8%
C.2 Other decreases	1	1	24	-95,8%
D. Closing balance	**183**	**183**	**156**	**17,3%**

Section 12 - Provisions for risks and charges - Line 120

12.1 Provisions for risks and charges: breakdown

Items/Components	Banking group	**31 December 2008**	**31 December 2007**	**changes %**
1. Provisions for pensions and similar obligations	159	159	197	-19,3%
2. Other provisions for risks and charges	174	174	86	102,3%
2.1 legal disputes	*85*	*85*	*38*	*123,7%*
2.2 staff charges	*76*	*76*	*27*	*181,5%*
2.3 others	*13*	*13*	*21*	*-38,1%*
Total	**333**	**333**	**283**	**17,7%**

The substantial increase in item 2.2, "Staff charges", is mainly due to the appropriation of about 35 million euro to the Solidarity Allowance (in accordance with the agreement of 31 July 2008).

12.2 Provisions for risks and charges: annual changes

Items/Components	Banking group		**Total**	
	Pension provisions	Other provisions	Pension provisions	Other provisions
A. Opening balance	**197**	**86**	**197**	**86**
B. Increases	**47**	**113**	**47**	**113**
B.1 Allocation for the period	5	52	5	52
B.2 Changes due to the passing of time	1	4	1	4
B.3 Variations due to changed discount rate		1		1
B.4 Other changes	41	56	41	56
C. Decreases	**85**	**25**	**85**	**25**
C.1 Use over the period	16	19	16	19
C.2 Variations due to changed discount rate				
C.3 Other changes	69	6	69	6
D. Closing balance	**159**	**174**	**159**	**174**

Item B.4, "Other changes" includes about 36 million euro in contributions from Casse del Centro S.p.A.'s subsidiaries.

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". Regarding Banca CR Firenze, take note that, based on the current labour agreements, such standard is currently applicable exclusively to the portion of the funds pertaining to the ex Cassa di Risparmio di Mirandola S.p.A.,that was incorporeted during the financial year 2006, given that for the allocations to the Bank's defined-benefit funds - 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. The report of the fund pertaining to the ex Cassa di Risparmio di Mirandola S.p.A. is not included in the annexes attached to these financial statements as the related changes, whose amount is less than € 1 million, are exclusively connected with the payment of pensions and adjustment of the actuarial reserve, as described in Section 12.3.2 below, while the abovementioned annexes include the report of the Bank's Supplementary Pension Fund (FIP).

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. Tale metodo, che rientra nell'ambito più generale delle tecniche relative ai cosiddetti "benefici maturati", considera ogni periodo di servizio prestato dai lavoratori presso l'azienda come una unità di diritto addizionale; la passività attuariale deve pertanto essere quantificata sulla base delle sole anzianità maturate alla data di valutazione e la passività totale viene di norma riproporzionata in base al rapporto tra gli anni di servizio maturati alla data di riferimento delle valutazioni e l'anzianità complessivamente raggiunta all'epoca prevista per la liquidazione del beneficio. Inoltre, il predetto metodo prevede di considerare i futuri incrementi retributivi, a qualsiasi causa dovuti (inflazione, carriera, rinnovi contrattuali, etc), fino all'epoca di cessazione del rapporto di lavoro; si fa tuttavia presente che per le obbligazioni nei confronti del personale in quiescenza, essendo il diritto completamente maturato, non vengono applicati correttivi.
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.
Banca CR Firenze and its subsidiaries' in-house supplementary pension funds entirely consist of assets for use as per Article 2117 of the Civil Code. Their detailed characteristics are as follows:
- as far as Banca CR Firenze S.p.A is concerned, IAS 19, Employee Benefits, only applies to the portion of the supplementary pension fund related to the former Cassa di Risparmio di Mirandola S.p.A.. The Notes to the Company's Financial Statements should be referred to for further information;
- the funds of Banca CR Firenze S.p.A.'s subsidiaries are almost entirely intended to supplement INPS Italian Social Security Agency benefits for retired staff; in some banks there are provisions to cover the risk of death, permanent invalidity or disability.

12.3.2 Changes in recognised pensions provisions

Opening balance	**47**
Increases for adjustment to the actuarial reserve	3
Reduction for pensions paid	(5)
Closing balance	**45**

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), and the fund of Cassa di Risparmio di Spoleto S.p.A., whose assets consist of an unlisted debt security issued by MedioCredito Lombardo.

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	46
Fund's accounting balance	(42)
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	CR Ascoli Piceno	CR Città di Castello	CR Foligno	CR Rieti	CR Spoleto	Cassa di Risparmio di Terni e Narni	Cassa di Risparmio della Provincia di Viterbo	Casse del Centro
Inflation rate	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%
Discount rate	3,43%	4,50%	4,50%	4,50%	3,43%	4,90%	4,90%	4,90%	4,90%	4,90%	4,90%	4,90%	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 dicembre 2008**	**31 dicembre 2007**	**changes %**
Provisions for guarantees and commitments for securitised loans	2	3	-33,3%
Miscellaneous provisions for risks and charges	96	56	71,4%
Provisions for staff risks and charges	76	27	181,5%
Totale	**174**	**86**	**102,3%**

The substantial increase in item 2.2, "Staff costs", is mainly due to the appropriation of a sum of about 35 million euro to the Solidarity Allowance (the agreement of 31 July 2008 refers).

Section 13 - Actuarial reserves - Line 130

13.1 Actuarial reserves: breakdown

	Subordinate employment	Non-subordinate	**31 dicembre 2008**	**31 December 2007**	**changes %**
A. Indemnity insurance	**17**		**17**	**15**	**13,3%**
A1. premium reserves	7		7	7	0,0%
A2. accident reserves	5		5	5	0,0%
A3. other reserves	5		5	3	66,7%
B. Life insurance	**990**		**990**	**952**	**4,0%**
B1. actuarial reserves	919		919	923	-0,4%
B2. reserves for sums to be paid	61		61	19	221,1%
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	911		911	934	-2,5%
C2. reserves from management of pension funds					
D. Total actuarial reserves	**1.918**		**1.918**	**1.901**	**0,9%**

13.2 Actuarial reserves: annual changes

A. Indemnity insurance	
Opening balance	**15**
Positive changes	**2**
A1. premium reserves	
A2. accident reserves	
A3. other reserves	2
Negative changes	
A1. premium reserves	
A2. accident reserves	
A3. other reserves	
Closing balance	**17**
B. Life insurance	
Opening balance	**1.886**
Positive changes	**42**
B1. actuarial reserves	
B2. reserves for sums to be paid	42
B3. other reserves	
Negative changes	**(27)**
B1. actuarial reserves	(4)
B2. reserves for sums to be paid	
B3. other reserves	(23)
Closing balance	**1.901**
Total closing balance	**1.918**

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

15.1 Group asset: breakdown

Items/Values	31 dicembre 2008	31 December 2007	changes %
1. Share capital	829	829	0,0%
2. Share premiums	102	102	0,0%
3. Reserves	441	616	-28,4%
4. (Treasury shares)			
a) Parent Company			
b) subsidiaries			
5. Valuation reserves	(94)	(29)	224,1%
6. Equity instruments			
7. Parent Company net profit/(loss)	79	184	-57,1%
Total	**1.357**	**1.702**	**-20,3%**

The change in “Reserves” mainly arises from a reserves reduction of about 312 million euro as a result of Banca CR Firenze S.p.A.’s acquisition of the shareholding in Casse del Centro S.p.A., from a positive variation of about 84 million euro in the other consolidated companies’ consolidation reserve and from the allocation of about 41 million euro from Banca CR Firenze S.p.A.’s profit for the 2007 financial year to reserves.
The transaction involving the acquisition of the majority shareholding in Casse del Centro S.p.A., previously held by the Parent Company, is a business combination under common control without any economic substance, as a significant impact on the future cash flows of the assets that were sold is not expected.

According to OPI 1, the transaction was accounted for by privileging the continuity of the values and therefore the negative difference between the price of the purchase and its previous carrying amount in the Parent Company's financial statements was carried at equity, through a decrease in reserves.

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

As at 31 December 2008, the share capital of the Bank was equal to Euro 828.836.017, divided in no. 828.036.017 ordinary shares with a par value of Euro 1.00 each; furthermore, as at such date no treasury shares are recorded.
Below are the interest of the main Shareholders as at 31 December 2008.

	No. of shares	Ratio %
Intesa Sanpaolo S.p.A.	743.559.069	89,711%
Ente Cassa di Risparmio di Firenze	85.276.948	10,289%
	828.836.017	**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	**828.752.733**	
- fully paid-up	828.752.733	
- not fully paid-up		
A.1 Treasury shares (-)		
A.2 Outstanding shares: opening balance	**828.752.733**	
B. Increases	**83.284**	
B.1 New issues		
- against payment:	83.284	
- business combination transactions		
- bond conversion		
- warrant exercise		
- *others*	*83.284*	
- without payment:		
- in favour of employees		
- in favour of directors		
- *others*		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Transfers of businesses		
C.4 Other changes		
D. Outstanding shares: closing balance	**828.836.017**	
D.1 Treasury shares (+)		
D.2 Outstanding shares at the end of the period	828.836.017	
- fully paid-up	828.836.017	
- 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 Banca CR Firenze, reference is made to Part B, Section 14, of the Parent Company's annual accounts.

15.6 Valuation reserves: breakdown

Items/Components	31 dicembre 2008	31 December 2007	changes %
1. Financial assets available for sale	(72)	(37)	94,6%
2. Property plant and equipment		5	-100,0%
3. Intangible assets			
4. Foreign investments hedge			
5. Cash flow hedge	(24)	3	n.s.
6. Exchange differences			
7. Non-current assets under disposal			
8. Special laws on revaluation	2		
Total	**(94)**	**(29)**	**224,1%**

15.7 Valuation reserves: annual changes

15.7.1 Banking group portion

	Financial assets available for sale	Property plant and equipment	Cash flow hedge	**Total**
A. Opening balance	**(31)**	**5**	**3**	**(23)**
B. Increases	**72**			**72**
B1. Increases in fair value	3			3
B2. Other changes	69			69
C. Decreases	**(111)**	**(3)**	**(27)**	**(141)**
C1. Decreases in fair value	(100)	(3)	(18)	(121)
C2. Other changes	(11)		(9)	(20)
D. Closing balance	**(70)**	**2**	**(24)**	**(92)**

15.7.2 Insurance companies portion

	Financial assets available for sale	Property plant and equipment	Cash flow hedge	**Total**
A. Opening balance	**(6)**			**(6)**
B. Increases	**36**			**36**
B1. Increases in fair value				
B2. Other changes	36			36
C. Decreases	**(32)**			**(32)**
C1. Decreases in fair value				
C2. Other changes	(32)			(32)
D. Closing balance	**(2)**			**(2)**

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

Assets/values	Banking group		Insurance companies		**31 dicembre 2008**		**31 December 2007**		**changes %**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1	(63)	29	(31)	30	(94)	13	(25)	130,8%	276,0%
2. Equity securities	1	(1)			1	(1)	13	(36)	-92,3%	-97,2%
3. UCITS units	1	(8)	1	(1)	2	(8)	3	(5)	-33,3%	60,0%
4. Loans		(1)								
Total	**3**	**(73)**	**30**	**(32)**	**33**	**(103)**	**29**	**(66)**	**13,8%**	**56,1%**

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	**(6)**	**(23)**	**(2)**		**(31)**
2. Increases	**31**	**35**	**6**		**72**
2.1 Increases in fair value	1		2		3
2.2 Reversal to profit and loss account of negative reserves					
- from impairment					
- from sale	2		1		3
2.3 Other changes	28	35	3		66
3. Decreases	**(87)**	**(12)**	**(11)**	**(1)**	**(111)**
3.1 Decreases in fair value	(81)	(12)	(7)		(100)
3.2 Adjustments from impairment					
3.3 Reversal to profit and loss account of positive reserves: from sale	(6)		(4)		(10)
3.4 Other changes				(1)	(1)
4. Closing balance	**(62)**		**(7)**	**(1)**	**(70)**

15.9.2 Insurance companies portion

	Debt securities	Equity securities	UCITS units	Loans	**Total**
1. Opening balance	**(6)**				**(6)**
2. Increases	**36**				**36**
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	36		1		37
3. Decreases	**(32)**				**(32)**
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	(32)		(1)		(33)
4. Closing balance	**(2)**				**(2)**

Section 16 - Minority interest - Line 210

16.1 Minority interests: breakdown

Items/Values	Banking group	Insurance companies	**31 dicembre 2008**	**31 December 2007**	**changes %**
1. Share capital	203	19	222	165	34,5%
2. Share premiums	58		58	25	132,0%
3. Reserves	124	15	139	(30)	n.s.
4. (Treasury shares)					
5. Valuation reserves	6	(1)	5	4	25,0%
6. Equity instruments					
7. Minority interest net profit (loss)	23	(5)	18	36	-50,0%
Total	**414**	**28**	**442**	**200**	**121,0%**

The change in minority interest net profit (loss) is mainly due to the consolidation of Casse del Centro S.p.A. and its subsidiaries.

16.2 Valuation reserves attributable to minority interests: breakdown

Items/Values	Banking group	Insurance companies	**31 dicembre 2008**	**31 December 2007**	**changes %**
1. Financial assets available for sale		(2)	(2)	2	n.s.
2. Property and equipment				1	-100,0%
3. Intangible assets					
4. Foreign investments hedge					
5. Cash flow hedge	(3)		(3)	1	n.s.
6. Exchange differences					
7. Non-current assets under disposal					
8. Special laws on revaluation	9		9		
Total	**6**	**(2)**	**4**	**4**	**0,0%**

16.3 Equity instruments: breakdown and annual changes

As at 31 December 2008, 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	1	(62)	29	(31)	30	(31)
2. Equity securities	1	(1)				
3. UCITS units		(8)	1	(1)		
4. Loans		(1)				
Total	**2**	**(72)**	**30**	**(32)**	**32**	**(104)**

16.5 Valuation reserves: annual changes

16.5.1 Banking group portion

	Financial assets available for sale	Property plant and equipment	Cash flow hedge	**Total**
A. Opening balance	**5**	**1**	**1**	**7**
B. Increases		**8**		**8**
B1. Increases in fair value				
B2. Other changes		8		8
C. Decreases	**(5)**		**(4)**	**(9)**
C1. Decreases in fair value			(4)	(4)
C2. Other changes	(5)			(5)
D. Closing balance		**9**	**(3)**	**6**

16.5.1 Insurance companies portion

	Financial assets available for sale	Property plant and equipment	Cash flow hedge	**Total**
A. Opening balance	**(3)**			**(3)**
B. Increases	**30**			**30**
B1. Increases in fair value				
B2. Other changes	30			30
C. Decreases	**(29)**			**(29)**
C1. Decreases in fair value				
C2. Other changes	(29)			(29)
D. Closing balance	**(2)**			**(2)**

Other information

1. Guarantees given and commitments

Transactions	Banking group	31 dicembre 2008	31 December 2007	changes %
1) Financial guarantees given				
a) Banks	35	35	43	-18,6%
b) Customers	877	877	726	20,8%
2) Commercial guarantees given				
a) Banks	66	66	47	40,4%
b) Customers	371	371	301	23,3%
3) Irrevocable commitments to disburse funds				
a) Banks				
i) for which usage is certain	318	318	201	58,2%
ii) for which usage is uncertain	39	39	27	44,4%
b) Customers				
i) for which usage is certain	794	794	401	98,0%
ii) for which usage is uncertain	2.227	2.227	328	579,0%
4) Commitments underlying credit derivatives: sales for hedging purposes	3	3	4	-25,0%
5) Assets pledged as security for thir-party obligations				
6) Other commitments			136	-100,0%
Total	**4.730**	**4.730**	**2.214**	**113,6%**

2. Assets pledged as security for own liabilities and commitments

Portfolios	31 dicembre 2008	31 December 2007	changes %
1. Financial assets held for trading	68		n.s.
2. Financial assets measured at fair value			
3. Financial assets available for sale	612	1.456	-58,0%
4. Financial assets held to maturity	13		n.s.
5. Amounts owing by banks	706		n.s.
6. Customer loans			
7. Property plant and equipment			
Total	1.399	1.456	-3,9%

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 dicembre 2008	31 December 2007	changes %
Financial assets entered in the accounts	1.236	1.824	-32,2%
Liabilities entered in the accounts			
Total net assets	**1.236**	**1.824**	**-32,2%**
Financial liabilities entered in the accounts	499	1.824	-72,6%
Actuarial reserves entered in the accounts	911		
Total liabilities	**1.410**	**1.824**	**-22,7%**

5. Asset management, custody and intermediation: Banking group

Type of services	**31 dicembre 2008**	**31 dicembre 2007**	**Changes %**
1. Trading of financial instruments on behalf of third parties	**8.767**	**4.904**	**79%**
a) purchases			
1. settled	6.295	3.089	**104%**
2. not settled	32	150	**-79%**
b) sales			
1. settled	2.425	1.651	**47%**
2. not settled	15	14	**7%**
2. Assets under management			
a) individual	1.180	2.196	**-46%**
b) collective			
3. Securities under custody and administration			
a) securities 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	20	15	**33%**
2. other securities	88	81	**9%**
b) other securties of third party on deposits (excluding assets under management): others			
1. securities issued by the companies included in the consolidation area	6.913	4.663	**48%**
2. other securities	21.529	14.833	**45%**
c) securities of third parties on deposit with third parties	27.547	17.607	**56%**
d) owned securities on deposit with third parties	4.746	2.845	**67%**
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 dicembre 2008	31 December 2007	changes %
		Debt securities	Loans					
1	Financial assets held for trading		1			**1**	**6**	-83,3%
2	Financial assets measured at fair value							
3	Financial assets available for sale	25				**25**	**19**	31,6%
4	Financial assets held to maturity		1			**1**		n.s.
5	Amounts owing by banks		69		13	**82**	**59**	39,0%
6	Customer loans		1.250	26		**1.276**	**1.074**	18,8%
7	Hedging derivatives							
8	Assets sold that were not derecognised from the balance sheet	53	52			**105**	**63**	66,7%
9	Other assets				1	**1**	**1**	0,0%
	Total	**78**	**1.373**	**26**	**14**	**1.491**	**1.222**	**22,0%**

1.1.2 Insurance companies portion

	Items/Actuarial forms	Regular financial assets		Impaired financial assets	Other assets	31 dicembre 2008	31 December 2007	changes %
		Debt securities	Loans					
1	Financial assets held for trading	1				**1**	**4**	-75,0%
2	Financial assets measured at fair value							
3	Financial assets available for sale	37				**37**	**39**	-5,1%
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	**38**				**38**	**43**	**-11,6%**

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

Items/sectors	Banking group	31 dicembre 2008	31 December 2007	changes %
A. Positive differential on the following transactions:				
A.1 Specific fair value hedge of assets				
A.2 Specific fair value hedge of liabilities				
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)				
B. Negative differential on the following transactions:				
B.1 Specific fair value hedge of assets				
B.2 Specific fair value hedge of liabilities				
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)				
C. Balance (A-B)				

As at 31 December 2008, 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 dicembre 2008, interst income amounted to 5.7 million Euro.

1.3.2 Interest earned on finance leasing transactions
As at 31 December 2008, the value of interest income on finance leasing transactions, referring only to Centro Leasing Banca S.p.A., amounted to 235 million Euro.

1.3.3 Interest earned on loans connected with third-party funds under administration
As at 31 December 2008, 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 dicembre 2008**	**31 December 2007**	**changes %**
1.	Amounts owing to banks	(214)			**(214)**	**(107)**	100,0%
2.	Customer deposits	(199)			**(199)**	**(143)**	39,2%
3.	Outstanding securities		(274)		**(274)**	**(223)**	22,9%
4.	Financial liabilities held for trading	(7)			**(7)**		n.s.
5.	Financial liabilities measured at fair value						
6.	Liabilities resulting from assets sold that were not derecognised from the balance sheet	(60)			**(60)**	**(69)**	-13,0%
7.	Other liabilities			(2)	**(2)**	**(6)**	-66,7%
8.	Hedging derivatives			(28)	**(28)**	**(11)**	154,5%
	Total	**(480)**	**(274)**	**(30)**	**(784)**	**(559)**	**40,3%**

1.4.2. Insurance companies portion

	Items/Actuarial forms	Debts	Securities	Other liabilities	**31 dicembre 2008**	**31 December 2007**	**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)	-100%
8.	Hedging derivatives						
	Total				**(1)**	**(2)**	**-50,0%**

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

Items/sectors	Banking group	31 dicembre 2008	31 December 2007	changes %
A. Positive differential on the following transactions:				
A.1 Specific fair value hedge of assets				
A.2 Specific fair value hedge of liabilities	26	26	**27**	-3,7%
A.3 General hedge of interest rate risk				
A.4 Specific cash flow hedge of assets				
A.5 Specific cash flow hedge of liabilities	5	5	**1**	400,0%
A.6 General cash flow hedge				
Total positive differential (A)	**31**	**31**	**28**	**10,7%**
B. Negative differential on the following transactions:				
B.1 Specific fair value hedge of assets				
B.2 Specific fair value hedge of liabilities	(58)	(58)	**(39)**	48,7%
B.3 General hedge of interest rate risk				
B.4 Specific cash flow hedge of assets				
B.5 Specific cash flow hedge of liabilities	(1)	(1)		n.s.
B.6 General cash flow hedge				
Total negative differential (B)	**(59)**	**(59)**	**(39)**	**51,3%**
C. Balance (A-B)	**(28)**	**(28)**	**(11)**	**154,5%**

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 2008.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on financial liabilities in foreign currency
As at 31 December 2008, interest expense amounted to 8 million Euro.

1.6.2 Interest expense on finance leasing transactions
As at 31December 2008, 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 2008, 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 dicembre 2008**	**31 December 2007**	**changes %**
a) guarantees issued	8	8	0,0%
b) derivatives on credits			
c) management, trading and advisory services:	96	132	-27,3%
1. securities trading		2	-100,0%
2. foreign exchange trading	3	3	0,0%
3. asset management	19	87	-78,2%
3.1. individual	13	*17*	-23,5%
3.2. collective	6	*70*	-91,4%
4. securities custody and administration	3	3	0,0%
5. depositary bank			
6. securities placement	56	16	250,0%
7. order taking	9	6	50,0%
8. advisory services			
9. distribution of third-party services	6	15	-60,0%
9.1. asset management	1	1	0,0%
9.1.1. individual		1	-100,0%
9.1.2. collettive	1		n.s.
9.2.insurance	3	14	-78,6%
9.3. other	2		n.s.
d) collection and payment services	39	70	-44,3%
e) securitisation servicing	4	5	-20,0%
f) services for factoring transactions	14	7	100,0%
g) tax collection services	3	2	50,0%
h) other services	173	135	28,1%
Total	**337**	**359**	**-6,1%**

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 dicembre 2008	31 December 2007	changes %
a) guarantees issued			
b) derivatives on credits			
c) management, trading and advisory services:	7	8	-12,5%
1. securities trading	7		n.s.
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		8	
9.1. asset management			
9.1.1. individual			
9.1.2. collective			
9.2. insurance		8	-100,0%
9.3. other			
d) collection and payment services			
e) securitisation servicing			
f) services for factoring transactions			
g) tax collection services			
h) other services			
Total	**7**	**8**	**-12,5%**

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

Channels/Sectors	31 dicembre 2008	31 dicembre 2007	changes %
a) through own offices:	**74**	**108**	**-31,5%**
1. asset management	39	85	-54,1%
2. securities placement	29	8	262,5%
3. third-party services and products	6	15	-60,0%
b) through financial promoters:	**8**	**10**	**-20,0%**
1. asset management	7	2	250,0%
2. securities placement	1	8	-87,5%
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 dicembre 2008**	**31 December 2007**	**changes %**
a) guarantees received	(1)	(1)	0,0%
b) derivatives on loans			
c) management and trading services:	(11)	(32)	-65,6%
1. securities trading	(1)	(2)	-50,0%
2. foreign exchange trading			
3. asset management:		(10)	-100,0%
3.1 own portfolio		(10)	-100,0%
3.2 third-party portfolio			
4. securities custody and administration	(2)	(2)	0,0%
5. securities placement		(5)	-100,0%
6. offers of securities, products and services through financial promoters	(8)	(13)	-38,5%
d) collection and payment services	(8)	(12)	-33,3%
e) other services	(31)	(20)	55,0%
Total	**(51)**	**(65)**	**-21,5%**

2.3.2 Insurance companies portion

Services/Sectors	**31 dicembre 2008**	**31 December 2007**	**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)	-100,0%
6. offers of securities, products and services through financial promoters			
d) collection and payment services			
e) other services			
Total		**(2)**	**-100,0%**

Section 3 - Dividends and similar income - Line 70

3.1 Dividends and similar income: breakdown

	Items/Income	Banking group		Insurance companies		Other companies		**31 dicembre 2008**		**31 dicembre 2007**		**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				1				1				
B.	Financial assets available for sale	1						1		6		-83,3%	
C.	Financial assets measured at fair value												
D.	D. Equity investments	2	X		X		X	2	X		X		X
	Total	**3**			**1**			**3**	**1**	**6**		**-50,0%**	

The decrease in dividends on financial assets available for sale were received, the main reason being the sale of the shareholding in Cassa dei Risparmi di Forlì e della Romagna S.p.A.

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 2008 [(A+B)-(C+D)]**	**Net result 31 December 2007**	**Net result changes %**
1. Financial assets held for trading		**18**	**(16)**	**(20)**	**(18)**	**15**	**-220,0%**
1.1 Debt securities		6			6	6	0,0%
1.2 Equity securities				(2)	(2)	6	n.s.
1.3 UCITS units							
1.4 Loans							
1.5 Others		12	(16)	(18)	(22)	9	n.s.
2. Financial liabilities held for trading		**17**			**17**		**n.s.**
2.1 Debt securities							
2.2 Debts							
2.3 Others		17			17		n.s.
3. Other financial assets and liabilities: exchange differences	X	X	X	X	12	1	**n.s.**
4. Derivative instruments							
4.1 Financial derivatives:	44	28	(40)	(29)	2	1	**100,0%**
- On debt securities and interest rates	25	28	(21)	(29)	3	2	50,0%
- On equity securities and share indices	19		(19)				
- On currencies and gold	X	X	X	X	(1)	(2)	-50,0%
- Others							
4.2 Derivati su crediti							
Totale	**44**	**63**	**(56)**	**(49)**	**13**	**17**	**-23,5%**

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

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 2008 [(A+B)-(C+D)]**	**Net result 31 December 2007**	**Net result changes %**
1. Financial assets held for trading			**(30)**	**(4)**	**(34)**	**5**	**n.s.**
1.1 Debt securities							
1.2 Equity securities							
1.3 UCITS units			(30)	(4)	(34)	5	n.s.
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			**(30)**	**(4)**	**(34)**	**5**	**n.s.**

Section 5 - Net result from hedging - Line 90

5.1 Net result from hedging: breakdown

Income components/Values	Banking group	**31 dicembre 2008**	**31 December 2007**	**changes %**
A. Gains relating to:				
A.1 Fair value hedge derivatives	66	**66**	**13**	407,7%
A.2 Hedged financial assets (*fair value*)				
A.3 Hedged financial liabilities (*fair value*)	107	**107**	**6**	1683,3%
A.4 Cash flow hedge derivatives				
A.5 Assets and liabilities in foreign currency				
Total gains on hedging (A)	**173**	**173**	**19**	**810,5%**
B. Charges relating to:				
B.1 Fair value hedge derivatives	(5)	**(5)**	**(8)**	-37,5%
B.2 Hedged financial assets (fair value)				
B.3 Hedged financial liabilities (fair value)	(171)	**(171)**	**(10)**	1610,0%
B.4 Cash flow hedge derivatives				
B.5 Assets and liabilities in foreign currency				
Total charges on hedging (B)	**(176)**	**(176)**	**(18)**	**877,8%**
C. Net result from hedging (A - B)	**(3)**	**(3)**	**1**	**n.s.**

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 dicembre 2008**			**31 December 2007**			**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	12	(12)						12	(12)					
3.1 Debt securities	7	(7)						7	(7)		4	(4)		
3.2 Equity securities											1		1	-100,0%
3.3 UCITS units	5	(5)						5	(5)		4	(1)	3	-100,0%
3.4 Loans														
4. Financial assets held to maturity														
Total assets	**12**	**(12)**						**12**	**(12)**		**9**	**(5)**	**4**	**-100,0%**
Financial liabilities														
1. Amounts owing to banks														
2. Customer deposits											4		4	-100,0%
3. Outstanding securities	4		4					4		4	3		3	33,3%
Total liabilities	**4**		**4**					**4**		**4**	**7**		**7**	**-42,9%**

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

	31 December 2008					31 december 2007	Net result changes %
Transactions/Income components	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	**28**	**30**	**(88)**	**(134)**	**(164)**	**42**	**n.s.**
1.1 Debt securities	28	30	(88)	(134)	(164)		
1.2 Equity securities							
1.3 UCITS units						42	-100,0%
1.4 Loans							
2. Financial liabilities	**138**				**138**	**(12)**	**n.s.**
2.1 Debt securities						(12)	-100,0%
2.2 Amounts owing to banks							
2.3 Customer deposits	138				138		n.s.
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							
3.2 Credit derivatives							
Total derivative instruments							
Total	**166**	**30**	**(88)**	**(134)**	**(26)**	**30**	**n.s.**

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 2008 (3)=(1)-(2)	31 December 2007	changes %
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Others		A	B	A	B			
A. Amounts owing by banks										
B. Customer loans	(47)	(155)	(60)	21	54		22	(165)	(89)	85,4%
C. Total	(47)	(155)	(60)	21	54		22	**(165)**	**(89)**	**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 2008 (3)=(1)-(2)	31 December 2007	changes %
	Specific		Specific				
	Write-offs	Others	A	B			
A. Debt securities		(12)			(12)		n.s.
B. Equity securities		(3)			(3)	(1)	200,0%
C. UCITS units							
D. Amounts owing by banks							
E. Customer loans							
F. Total		**(15)**			**(15)**	**(1)**	**n.s.**

Legend
A= from interest
B= other write-backs

The above amounts consist of the write-downs on the debt securities issued by Lehman Brothers and the value adjustments to the minority shareholding in Engineering S.p.A.

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)				31 December 2008 (3)=(1)-(2)	31 December 2007	Changes %
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Others		A	B	A	B			
A. Guarantees issued			(1)		1		1	1	(2)	n.s.
B. Credit derivatives										
C. Commitments to disburse funds										
D. Other transactions									(2)	100,0%
D. Total			**(1)**		**1**		**1**	**1**	**(4)**	**n.s.**

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 dicembre 2008**	**31 dicembre 2007**	**variazioni %**
A.	**Life insurance**					
	A.1 Gross premiums accounted for (+)	361		361	553	-34,7%
	A.2 Premiums transferred under reinsurance policies (-)					
	A.3 Total	361		361	553	-34,7%
B.	**Indemnity insurance**					
	B.1 Gross premiums accounted for (+)	29		29	26	11,5%
	B.2 Premiums transferred under reinsurance policies (-)	(1)		(1)		n.s.
	B.3 Change in the gross amount of the premium reserve (+/-)	(1)		(1)		n.s.
	B.4 Change in the premium reserve of reinsurers (-/+)	1		1		n.s.
	B.5 Total	28		28	26	7,7%
C.	**Total net premiums**	**389**		**389**	**579**	**-32,8%**

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 dicembre 2008	**31 December 2007**	**changes %**
110. Net result of financial assets and liabilities measured at fair value	**-26**	**30**	-186,7%
150. Net premiums	**389**	**579**	-32,8%
160. Other income from/(expense to) insurance activities	**-348**	**-606**	-42,6%
TOTAL	**15**	**3**	**400,0%**

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

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

Items	31 dicembre 2008	31 December 2007	changes %
1. Net change in actuarial reserves	37	(369)	n.s.
2. Accidents pertaining to, and paid, over the period	(338)	(198)	70,7%
3. Other income from/(expense to) insurance activities	(47)	(39)	20,5%
Total	**(348)**	**(606)**	**-42,6%**

The substantial variation in actuarial reserves with respect to the previous period is due to the change in the reserves of Branch C (in which investment risk is borne by the insured) and is in line with the decrease in the amounts managed.

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

Net change in actuarial reserves	31 dicembre 2008	31 December 2007	changes %
1. Life insurance			
A. Actuarial reserves	2	(5)	n.s.
A.1 Gross annual amount	2	(5)	n.s.
A.2 (-) Shares to be charged to reinsurers			
B. Other actuarial reserves	1		n.s.
B.1 Gross annual amount	1		n.s.
B.2 (-) Shares to be charged to reinsurers			
C. Actuarial reserves when the investment risk is borne by the insured parties	34	(364)	n.s.
C.1 Gross annual amount	34	(364)	n.s.
C.2 (-) Shares to be charged to reinsurers			
Total "life insurance reserves"	**37**	**(369)**	**n.s.**
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 "

Oneri per sinistri	31 dicembre 2008	31 December 2007	Changes %
Life insurance: charges relating to accidents, net of assignments under reinsurance policies			
A. Amounts paid	(295)	(572)	-48,4%
A.1 Gross annual amount	(295)	(572)	-48,4%
A.2 (-) Amount to be charged to reinsurers			
B. Change in the reserve for sums to be paid	(42)	376	n.s.
B.1 Gross annual amount	(42)	376	n.s.
B.2 (-) Amount to be charged to reinsurers			
Total accidents under life insurance policies	**(337)**	**(196)**	**71,9%**
Insurance indemnity: charges relating to accidents, net of recoveries and assignments under reinsurance policies			
C. Amounts paid	(1)	(2)	-50,0%
C.1 Gross annual amount	(1)	(2)	-50,0%
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	**(1)**	**(2)**	**-50,0%**

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

	31 dicembre 2008	31 December 2007	changes %
Life insurance	(29)	(38)	-23,7%
Indemnity insurance	(18)	(1)	n.s.
Total "Other income/(expense to) insurance activities"	**(47)**	**(39)**	20,5%

Section 11 - Administrative expenses - Line 180

11.1 Staff costs: breakdown

Type of expense/Sectors	Banking group	Insurance companies	**31 dicembre 2008**	**31 December 2007**	**changes %**
1) Staff	**(390)**				
a) wages and salaries	(279)	(2)	(281)	(274)	2,6%
b) social security contributions	(74)	(1)	(75)	(78)	-3,8%
c) staff termination pay	(2)		(2)	(2)	0,0%
d) social security costs	(1)		(1)		n.s
e) provision for staff termination pay	(7)		(7)	6	n.s
f) provision for pension and similar obligations:	(15)		(15)	(7)	114,3%
- defined contribution	*(11)*		*(11)*	*(4)*	*175,0%*
- defined benefit	*(4)*		*(4)*	*(3)*	*33,3%*
g) payments to external supplementary pension funds:	(8)		(8)	(1)	*700,0%*
- defined contribution	*(8)*		*(8)*	*(1)*	*700,0%*
- defined benefit					
h) costs from payment arrangements based on own equity instruments					
i) other employee benefits	(4)		(4)	(10)	-60,0%
2) Other employees	(3)		(3)	(12)	-75,0%
3) Directors	(4)	(1)	(5)	(6)	-16,7%
4) Expenses for exit incentives	(54)		(54)	(5)	n.s
Total	**(451)**	**(4)**	**(455)**	**(384)**	**18,5%**

"Expenses for exit incentives" at 31 December 2008 consist of the expenditure incurred as a result of the integration with the Intesa Sanpaolo Group, related both to the payment of exit incentives to employees and the contribution envisaged for access to the Solidarity Allowance. At 31 December 2007 "Provision for staff termination pay " had a positive balance since it included the effect of the change in the Italian staff termination pay law, on the basis of which the amount was re-calculated according to the so-called "all-earned" method after the entry into force of Legislative Decree no. 252/2005 and Law no. 296/2006. The amount involved at 1 January 2007, according to an estimate prepared by an external actuary, is about 23 million euro.

At 31 December 2007 "Provision for staff termination pay " had a positive balance since it included the effect of the change in the Italian staff termination pay law, on the basis of which

11.2 Average number of employees by category

	Banking group	Insurance companies	**31 dicembre 2008**	**31 December 2007**	**changes %**
Employees:					
a) managers	105	2	106	119	-10,8%
b) Senior employees	1.680	9	1.689	1.655	2,1%
- of which 3rd and 4th levels	*674*	*93*	*768*	*712*	*7,8%*
c) other subordinate staff	4.070	41	4.111	4.232	-2,9%
Other staff	386	17	403	413	-2,5%
Total	**6.241**	**68**	**6.309**	**6.419**	**-1,7%**

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

For the abovementioned costs, 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

	Banking Group	Insurance companies	**31 December 2008**	**31 December 2007**	**changes %**
IT expenses	(32)		**(32)**	**(11)**	190,9%
Other expenses for property	(43)	(1)	**(44)**	**(46)**	-4,3%
General structure costs	(35)	(1)	**(36)**	**(37)**	-2,7%
Postal charges	(13)		(13)	(12)	8,3%
Printing, stationery and consumables expenses	(5)	(1)	(6)	(5)	20,0%
Transport expenses and counting of valuables	(2)		(2)	(2)	0,0%
Transport	(7)		(7)	(7)	0,0%
Information expenses	(8)		(8)	(11)	-27,3%
- Fees for access to data banks	(8)		(8)	(11)	-27,3%
- Commercial information expenses					
Other expenses	(21)		**(21)**	**(23)**	-8,7%
Insurance and professional expenses	(52)	(8)	**(60)**	**(40)**	50,0%
Advertising and marketing costs	(14)		**(14)**	**(12)**	16,7%
Marketing and agency	(14)		(14)	(12)	16,7%
Services rendered by third parties	(38)		**(38)**	**(2)**	n.s.
Charges for services provided by Group companies - Third parties	(38)		(38)	(2)	n.s.
Charges for services provided by Group companies -					
Indirect personnel costs	(9)		**(9)**	**(10)**	-10,0%
Indirect personnel expenses	(9)		(9)	(10)	-10,0%
Total recoveries	6		**6**	**7**	-14,3%
Recovery of legal and judiciary expenses	3		3	4	-25,0%
Recovery of insurance charges	3		3	3	0,0%
Recovery of IT expenses					
Recovery of management of real estate assets					
Recovery of general costs					
Recovery of professional expenses					
Recovery of advertising and promotional expensese - marketing					
Recovery of indirect personnel costs					
Recovery of services rendered by third parties					
Other compensable recoveries					
Total administrative expenses	**(238)**	**(10)**	**(248)**	**(174)**	**42,5%**
Indirect taxes and duties	**(53)**		**(53)**	**(55)**	**-3,6%**
Stamp duties	(33)		(33)	(35)	-5,7%
Substitute tax PRD 601/73	(8)		(8)	(8)	0,0%
Municipal Tax on Property	(2)		(2)	(2)	0,0%
Taxes on stock exchange contracts					
Non-deductible VAT on purchases	(9)		(9)		n.s.
Other indirect taxes and duties	(1)		(1)	(10)	-90,0%
Recoveries	**39**		**39**	**42**	-7,1%
- Recovery of stamp duties	31		31	34	-8,8%
- Recovery of substitute tax	8		8	8	0,0%
- Recovery of other expenses					
Indirect taxes and duties net of recoveries	**(14)**		**(14)**	**(13)**	7,7%
Total other administrative expenses	**(252)**	**(10)**	**(262)**	**(187)**	**40,1%**

The increase in administrative expenses is mainly due to the integration related-costs, as at 31 December 2008, which in their turn mainly consist of the increase in IT expenditure in relation to migration to the Parent Company Intesa Sanpaolo S.p.A.'s Target system and of an increase in expenditure on professional consultancy and insurance.

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

12.1 Provision for risks and charges, net: breakdown

	31 dicembre 2008	31 dicembre 2007	changes %
Miscellaneous risks and charges (legal disputes and other risks)	(12)	(14)	-14,3%
Total	**(12)**	**(14)**	**-14,3%**

In the application of the criteria adopted by the Intesa Sanpaolo Group, from the 2008 period personnel charges are not recognised under "Net provision for risks and charges" but under "Staff costs".

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

13.1. Net value adjustments to property plant 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 2008 (a + b - c)**	**Net result 31 December 2007**	**Net result changes %**
A. Property plant and equipment						
A.1 Owned assets	(25)			**(25)**	**(26)**	**-3,8%**
- For own use	(24)			*(24)*	*(26)*	*-7,7%*
- For investment	*(1)*			*(1)*		*n.s.*
A.2 Acquired under finance lease	(1)			*(1)*		*n.s.*
- For own use	(1)			*(1)*		*n.s.*
- For investment						
Total	**(26)**			**(26)**	**(26)**	**0,0%**

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 2008 (a + b - c)**	**Net result 31 December 2007**	**Net result changes %**
A. Intagible assets						
A.1 Owned assets	**(17)**			**(17)**	**(17)**	**0,0%**
- Internally generated					*(1)*	*-100,0%*
- Others	*(17)*			*(17)*	*(16)*	*6,3%*
A.2 Acquired under finance lease						
Total	**(17)**			**(17)**	**(17)**	**0,0%**

In view of the prospect of the migration to Parent Company Intesa Sanpaolo's system, expected to take place in 2009, at 31 December 2008 the residual useful life of the software was reduced, entailing an increase in the adjustments shown above.

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

Other operating expenses	31 dicembre 2008	31 December 2007	changes %
Other expenses for consumer credit and leasing transactions	(12)	(4)	n.s.
Settlements for legal disputes	(1)	(1)	0,0%
Other broking charges	(6)	(5)	20,0%
Other sundry expenses	(1)		
Other miscellaneous expenses	(13)	(38)	-65,8%
Total other operating expenses	**(33)**	**(48)**	**-31,3%**

15.2 Other operating income: breakdown

Other operating income	31 dicembre 2008	31 December 2007	changes %
Recovery of expenses	2		n.s.
Income related to consumer credit and leasing	15	4	n.s.
Property rents and other property income	2	2	0,0%
Other non-recurring income	36	27	33,3%
Other broking income	5	6	-16,7%
Other miscellaneous income	7	4	75,0%
Total other operating income	**67**	**43**	**55,8%**

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 dicembre 2008**	**31 December 2007**	**changes %**
1) Companies subject to joint control						
A. Income	**32**	**0**	**0**	**32**	**35**	-8,6%
1. Revaluations	32			32	35	-8,6%
2. Gains from sale						
3. Write-backs						
4. Other increases						
B. Charges	**(1)**			**(1)**		-100%
1. Write-downs	(1)			(1)		-100%
2. Value adjustments from worsening						
3. Losses from sale						
4. Other decreases						
Net result	**31**			**31**	**35**	**-11,4%**
2) Companies subject to a significant influence						
A. Income	**1**			**1**		n.s.
1. Revaluations	1				4	-100%
2. Gains from sale						
3. Write-backs						
4. Other increases					17	-100%
B. Charges						
1.Write-downs						
2. Value adjustments from worsening						
3. Losses from sale						
4. Other decreases					(1)	-100,0%
Net result	**1**			**1**	**20**	**-95,0%**
Total	**32**			**32**	**55**	**-41,8%**

Section 18 - Impairment on goodwill - Line 260

18.1 Impairment on goodwill: breakdown

	31 December 2008	31 December 2007	changes %
Impairment on goodwill	(9)		n.s.
Total	**(9)**	**0**	**n.s.**

The above item refers to the impairment on goodwill recorded on the subsidiary company Banca CR Firenze Romania. This impaiment was carried out following the write-down of the corresponding equity investment in the individual financial statements of Banca CR Firenze S.p.A. For further details please refer to section 14, part C of the individual financial statements of Banca CR Firenze S.p.A.

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 dicembre 2008**	**31 December 2007**	**changes %**
A. Real property				n.s.
- Gains from sale	1	1		
- Losses from sale				
B. Other assets				
- Gains from sale	1	1	2	-50,0%
- Losses from sale				
Net result	**2**	**2**	**2**	**0,0%**

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 2008**	**31 December 2007**	**changes%**
1. Current taxes (-)	(133)		(133)	(149)	-10,7%
2. Changes in current taxes from previous years (+/-)				(1)	-100,0%
3. Reduction in the current taxes for the year (+)				1	-100,0%
4. Change in deferred tax assets (+/-)	50	7	57	(18)	n.s.
5. Change in deferred tax liabilities (+/-)	14	(4)	10	10	0,0%
6. Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	**(69)**	**3**	**(66)**	**(157)**	**-58,0%**

The substantial positive change in deferred tax assets is due to the high value adjustments to loans, exceeding the tax deductibility limit laid down in current regulations and to the exercise, under Article 15, paragraph 10, of Legislative Decree 185/2008, the option of goodwill tax redemption arising from the merger by incorporation of Cassa di Risparmio di Mirandola S.p.A. by paying substitute tax. As allowed by OIC (Organismo Italiano di Contabilità, Italian Accounting Standards Board) Document Application No. 1 - Accounting treatment of substitute tax on goodwill tax redemption for entities that prepare their financial statements in accordance with IAS/IFRS, issued in February 2009, Banca CR Firenze recognised through income statement 24 million euro as the expected tax benefit of the future tax deductibility of goodwill (reporting the same amount of deferred tax assets) and the cost of the said substitute tax, amounting to 12 million euro,. The net positive impact of the two postings on income statement was therefore 12 million euro.

20.2 Reconciliation between theoretical and effective tax charge in the accounts

	31 December 2008	**% on pre-tax profit**	**31 December 2007**	**% on pre-tax profit**
IRES tax	59	40,97%	134	35,26%
IRAP tax	8	5,56%	17	4,47%
Income taxes based on the nominal tax rate	**67**	**46,53%**	**151**	**39,74%**
Increases in the IRAP tax	24	16,67%	151	39,74%
Higher taxable income and effective tax rate	*27*	*18,75%*	*18*	*4,74%*
Effect of goodwill tax redemption	*(3)*	*-2,08%*		
Total IRAP tax	**32**	**22,22%**	**35**	**9,21%**
Increases in the IRES tax rate	20	13,89%	21	5,53%
Non-deductible costs (capital losses on equity investments, ICI tax, staff costs, etc.)	*3*	2,08%	*10*	2,63%
Effect for write-down/impairment of equity investments	*5*	3,47%		*0,00%*
Non-deductible interests paid - Tremonti Decree-Law -	*6*	4,17%		
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%*
Other taxes	*6*	*4,17%*		*0,00%*
Decreases in the IRES tax	(45)	-31,25%	(33)	*-8,68%*
Tax-exempt portion of dividends	*(26)*	*-18,06%*	*(29)*	*-7,63%*
Effect of the regulations on "Participation Exemption"			*(2)*	*-0,53%*
Effect of tax redemption - EC box	*(5)*	*-3,47%*		
Effect of goodwill tax redemption	*(9)*	*-6,25%*		
Other taxes	*(5)*	*-3,47%*	*(2)*	*-0,53%*
Total IRES tax	**34**	**23,61%**	**122**	**32,11%**
Total income taxes for the year (line 290)	**66**	**45,83%**	**157**	**41,32%**

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

	31 December 2008	**31 December 2007**	**changes %**
IRES tax	97	96	1,0%
IRAP tax	37	34	8,8%
Total current taxes in the income statement	**134**	**130**	**3,1%**

Section 21 - Gains/(Losses) associated with groups of assets being disposed, net of taxes - Line 310

21.1 Gains/(Losses) associated with groups of assets/liabilities being disposed, net of taxes: breakdown

Income components/Sectors	Banking Group	Insurance companies	**31 December 2008**	**31 December 2007**
Groups of asstes/liabilities:				
1. Income	74		74	
2. Expenses	(53)		(53)	
3. Gains and losses from valuations of the group of assets and associated liabilities				
4. Realised gains/(losses)				
5. Tax expenses	(2)		(2)	
Gains/(losses)	**19**		**19**	

This item includes the results for the period of Cassa di Risparmio di Orvieto S.p.A. and CR Firenze Gestion Internationale for about, respectively, 6 million euro and 13 million euro.

21.2 Income taxes associated with groups of assets/liabilities being disposed: breakdown

Income components/Sectors	**31 December 2008**	**31 December 2007**
1. Current taxes	(2)	
2. Change in deferred tax assets (+/-)		
3. Change in deferred tax liabilities (+/-)		
4. Income taxes (-1 +/-2 +/-3)	(2)	

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

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

Income components	31 December 2008	31 December 2007	changes %
Companies consolidated on a line-by-line basis	24	37	-35,1%
Companies consolidated on an equity basis		1	-100,0%
Total	**24**	**38**	**-36,8%**

22.2 "Net profit/(loss) attributable to minorities" Line 330: breakdown

Income components	31 December 2008	31 December 2007	changes %
Companies consolidated on a line-by-line basis	-6	-1	500,0%
Companies consolidated on an equity basis			
Total	**-6**	**-1**	**500,0%**

Section 23 - Other information

For further information on the Bank's earnings in 2008, also relating to its different business areas, reference is made to section D of these Notes to 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 2008, the share capital of the Company was Euro 828,836,017 divided in no. 828,836,017 ordinary shares, with a par value of 1.00 Euro each.

Calculation of EPS - basic	31 December 2008	31 December 2007	changes %
Net consolidated profit	79	185	-57,3%
no. of outstanding shares	828.836.017	828.836.017	0,0%
Earnings per share - basic (in Euro)	0,0953	0,2232	-57,3%
Contribution from potential odinary shares under the stock option plans			
no. of outstanding shares	828.836.017	828.836.017	0,0%
Earnings per share - diluted (in Euro)	0,0953	0,2232	-57,3%

24.2 Other information

The Parent Company's net profit is equal to about 94 million Euro

PART D – *SEGMENT REPORTING*

A. Primary Format

	RETAIL	BUSINESS AND PRIVATE	FINANCE (1)	WEALTH MANAGEMENT	LEASING & FACTORING	CORPORATE CENTER (1)	TOTAL
GROSS BANKING REVENUES (€/mil)							
FY 2008	739	158	44	2	130	39	1,112
FY 2007	724	151	42	41	132	25	1,115
2008/ 2007 (%) change	2.1%	4.6%	4.8%	-95.1%	-1.5%	56.0%	-0.3%
PROFIT FROM CURRENT OPERATIONS (€/mil)							
FY 2008	225	50	35	-13	31	-99	229
FY 2007	209	57	32	27	38	-36	327
2008/ 2007 (%) change	7.7%	-12.3%	9.4%	n.s.	-18.4%	175.0%	-30.0%
NET PROFIT (including III) (€/mil)							
FY 2008	133	32	24	-8	13	-97	97
FY 2007	119	37	20	17	18	-5	206
2008/ 2007 (%) change	11.9%	-12.3%	19.4%	n.s.	-29.5%	n.s.	-53.1%
TOTAL INTEREST BEARING ASSETS (€/mil)							
FY 2008	10,148	5,451	6,854	2,661	5,027	7,086	37,227
FY 2007	9,841	5,184	5,119	2,895	4,622	-367	27,294
2008/ 2007 (%) change	3.1%	5.2%	33.9%	-8.1%	8.8%	n.s.	36.4%
TOTAL INTEREST BEARING ASSETS (€/mil)							
FY 2008	13,289	3,657	5,195	36	4,942	6,275	33,394
FY 2007	12,552	2,998	3,327	18	4,419	-461	22,853
2008/ 2007 (%) change	5.9%	22.0%	56.1%	100.0%	11.8%	n.s.	46.1%
STAFF (including for fixed time periods)							
FY 2008	4,134	448	17	58	393	2,831	7,881
FY 2007	4,345	479	25	60	406	1,153	6,468
2008/ 2007 (%) change	-4.9%	-6.5%	-32.0%	-3.3%	-3.2%	145.5%	21.8%

(1) The item includes the netting of "internal customers" transactions between segments, for the share pertaining to each segment.

B. Secondary Format

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

For further details and analyses relating to segment information, reference should be made to the specific section in the consolidated Report on operations.

PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

INTRODUCTION

Risk-taking policies have been defined by Banca CR Firenze's bodies provided for under the by-laws (Board of Directors, Executive Committee) which are assisted by the Risk Committee, a central function made up of the General Managers of the subsidiary 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. 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; Banca CR Firenze's organisational structure was changed in that the "Firenze e Casse" Area and the Tuscany and Umbria Area were created in the framework of the process of integration with the Intesa Sanpaolo Group. Area Credit Offices were set up within these Areas, together with other special organisational offices. These offices were made responsible for monitoring regular and defaulting positions and for examining and assessing lending proposals from branches and business centres before these proposals were submitted to the competent decision-making bodies (Retail Market Manager/Corporate Banking Manager and/or Area Manager). According to the new organisational structure, Branch Managers, Business Centre Managers and Credit Managers - if applicable - still have the responsibility for their respective credit management procedures from the processing applications phase to the granting of the facility and also for careful and continuous monitoring.

Screening of line risk, or first-level risk, is the responsibility of the Report Manager: this process in the screening takes the form of a computerised early warning procedure that classifies customers in various risk bands according to exposure, creditworthiness and risk points (four risk management levels are envisaged: molto critico, critico, attivo and ordinario corresponding to high risk, speculative, investment quality and average) in order to define the priorities for analysis and for the scrutiny of the positions under consideration. The procedure also provides for the circulation of reports of anomalies to all the functions involved in credit risk management and monitoring.
The Credit Control and Secretariat Department provides control over credit management and sees that a risk level that is consistent with the policies laid down by the Bank is maintained as regards the large items.

Management, measurement and control systems

Banca CR Firenze, in collaboration with the Parent Company, 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. The available 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 15 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.

From December 2008 the rating was extended from the regulation Corporate and SME Corporate segments to the whole SME Retail regulation segment and therefore, as of today, the rating may also be determined, thanks to models developed for this purpose, for enterprises not large enough to belong to the SME Corporate or Corporate segments, namely those with a turnover of lower than 2.5 million euro and an exposure of less than 1 million euro to the banking group, provided that they have official accounting data (financial statements or tax return).

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 was extended to all the Business segment: up to now the rating, through models developed *ad hoc*, may also be calculated on enterprises not large enough to belong to the SME Corporate or Corporate segments, namely those with a turnover of lower than 2.5 million euro and an exposure of less than 1 million euro to the Banking Group, provided that they have official accounting data (financial statements or tax return). A rating is awarded in the Business macro-segment with the help of a web application available throughout the branch network and to central offices. Besides assessing the enterprise's creditworthiness, this application assists in giving advice to the customer by displaying the situation of the main operating areas of the enterprise under consideration in the form of a histogram.

The following are the main valuation criteria adopted in the new rating models:

a) Statistical model

The statistical model takes a modular approach, utilising both accounting information (financial statements or tax return) and information from external risks centres (Bank of Italy, CRIF, etc.). As an interim result, it produces a statistical rating;

b) Performance-based model

The performance-based model considers a risk indicator determined by the banking Group on the basis of statistical logic related to the existence of internal and external anomalies and other performance-related data (current account movements, return of unpaid direct debits, requests for preliminary information, etc.). As an interim result, it produces a statistical and performance-based rating;

c) Quality model

The quality model consists of a quality questionnaire with a number of detailed multiple-choice questions broken down into analysis macro-areas. As an interim result it produces an integrated rating;

d) Manager's judgement

This model allows the counterparty manager, with his supply of information, to contribute to the calculation of the rating by formulating an additional risk assessment that is compared with the integrated rating. As an interim result, it produces either the confirmation of the integrated rating or its possible upgrading/downgrading;

e) Rating confirmation/override

If the integrated rating is considered to represent the enterprise's risk level, the manager confirms it without any further action being taken. If the rating category calculated by the model, on the other hand, is not considered to represent risk level, the manager may act on the rating obtained from the model (by overriding it).

If the rating is downgraded, the manager acts fully autonomously; on the contrary, if the rating is upgraded, he formulates an upgrading override proposal to a specialist central office that assesses the risk profile that is most suitable for the counterparty.

The final result of the confirmation or the override of the integrated rating is the final rating, whose on-line default probability is utilised in all the Bank's procedures.

As regards the Retail Private regulation segment, the approach developed is based on the application of statistical analysis techniques (scoring models) which make use of socio-demographic data from public and private Credit Bureaux sources and information relating to behaviour. The final assessment differs according to the various phases in the lending process and the specific form of the investment (mortgages, personal loans, etc.). For all the Retail Private counterparties to the scoring models available online to staff responsible for disbursement, differing according to the technical form of the loan, there is also a specific performance scoring model, calculated “batch” on a monthly basis, from which the value of the PD to be used in all of the bank’s processes is determined.
For the bank counterparties a system has been defined for the classification of the banks 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.
As regards the measurement of LGD and EAD, the present models are mainly used in the disbursement phase. The application of rating systems is monitored through a continuous monitoring 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”.
Since January 2008, as described above, 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”.
The calculation methods for the PD and LGD are increasingly more important, given that they contribute to the determination of the cost of the risk, taken into account both in the budgetary process (as one of the targets underlying the incentive plan for the sales network) as well as in the management control process (as a negative element in the profit and loss account in term of expected loss).

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. Banca CR Firenze and its subsidiaries do 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 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 Area Credit Office or by the Central Credit Department of Banca CR Firenze - depending on the segment to which they belong - and by the Chief Lending Officer of the Parent Company, if the total exposure at the banking group level is more than 1.5 million Euro. The specialist units work in conjunction with the retail network in taking all the action necessary to achieve the risk targets assigned.
The criteria utilised to determine the other categories of deteriorated credit are objective and subjective.
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 to an automatic change in status 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, or as the result of a subjective assessment after a decision taken by the Local Area Credit Department, the Area Manager, the Central

Credit Department Manager or the Chief Lending Officer of the Parent Company according to the positions that these various parties manage.

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.
Planning and Risk management Services are 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. Since January 2008 Banca CR Firenze Romania has been subject to Basel 2 Agreement rules and does not therefore fall under Romanian domestic law.
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 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						218		72	**290**
2. Financial assets available for sale	4					1,658		867	**2,529**
3. Financial assets held to maturity						45			**45**
4. Amounts owing by banks						4,505		13	**4,518**
5. Customer loans	286	387	13	333		27,086			**28,105**
6. Financial assets measured at fair value								1,244	**1,244**
7. Financial assets being disposed of	8	16		4		640			**668**
8. Hedging derivatives						45			**45**
Total 31 December 2008	**298**	**403**	**13**	**337**	**0**	**34,197**		**2,196**	**37,444**
Total 31 December 2007	**204**	**193**	**13**	**253**	**1**	**23,553**		**2,692**	**26,909**

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	218	**218**
2. Financial assets available for sale	4			4	1,658		1,658	**1,662**
3. Financial assets held to maturity					45		45	**45**
4. Amounts owing by banks					4,505		4,505	**4,505**
5. Customer loans	1,464	446	0	1,018	27,254	167	27,087	**28,105**
6. Financial assets measured at fair value					X	X		
7. Financial assets being disposed of	39	11		28	644	4	640	**668**
8. Hedging derivates					X	X	45	**45**
Total A	**1,507**	**457**		**1,050**	**33,417**	**171**	**34,198**	**35,248**
B. Other companies included in the consolidation								
1. Financial assets held for trading					X	X	72	**72**
2. Financial assets available for sale					867		867	**867**
3. Financial assets held to maturity								
4. Amounts owing by banks					13		13	**13**
5. Customer loans								
6. Financial assets measured at fair value					X	X	1,244	**1,244**
7. Financial assets being disposed of								
8. Hedging derivates					X	X		
Total B					**880**		**2,196**	**2,196**
Total 31 December 2008	**1,507**	**457**		**1,050**	**34,297**	**171**	**36,394**	**37,444**
Total 31 December 2007	**965**	**302**		**663**	**24,414**	**82**	**26,246**	**26,909**

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	4,827	X		4,827
TOTAL A.1	**4,827**			**4,827**
A.2 Other companies				
a) Impaired				
b) Others	167	X		167
TOTAL A.2	**167**			**167**
TOTAL A	**4,994**			**4,994**
B ."OFF-BALANCE SHEET" EXPOSURES				
B.1 Banking Group				
a) Impaired				
b) Others	507	X		507
TOTAL B.1	**507**			**507**
B.2 Other companies				
a) Impaired				
b) Others		X		
TOTAL B.2	**0**			**0**
TOTAL B	**507**			**507**

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	624	327		297
b) Non-performing loans	509	106		403
c) Restructured loans	23	11		12
d) Overdue loans	351	13	0	338
e) Unsecured loans to risk countries		X		0
f) Regular loans	29,415	X	171	29,244
TOTAL A.1	**30,922**	**457**	**171**	**30,294**
A.2 Other companies				
a) Impaired				
b) Others	2,029	X		2,029
TOTAL A.2	**2,029**			**2,029**
TOTAL A	**32,951**	**457**	**171**	**32,323**
B ."OFF-BALANCE SHEET" EXPOSURES				
B.1 Banking Group				
a) Impaired	22	4		18
b) Others	4,333	X	5	4,328
TOTAL B.1	**4,355**	**4**	**5**	**4,346**
B.2 Other companies				
a) Impaired				
b) Others		X		
TOTAL B.2				
TOTAL B	**4,355**	**4**	**5**	**4,346**

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	**439**	**249**	**17**	**260**	**1**
- of which: assigned exposures not written off					
B. Increases	**324**	**676**	**12**	**356**	**2**
B.1 receipts from regular exposures	44	422	3	206	
B.2 transfers from other categories of impaired exposures	173	65	1		
B.3 other increases	107	189	8	150	2
C. Decreases	**139**	**416**	**6**	**265**	**3**
C.1 payments to regular exposures	2	93	1	121	1
C.2 write-offs	82	8			
C.3 receipts	53	133	4	71	1
C.4 profit from assignements	1	14			
C.5 transfers to other categories of impaired exposures	1	168	1	73	
C.6 other decreases					1
D. Final gross exposure	**624**	**509**	**23**	**351**	
- 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. Initial gross exposures	**235**	**56**	**4**	**7**	
- of which: assigned exposures not written off					
B. Increases	**234**	**138**	**8**	**15**	
B.1 receipts from regular exposures	162	97	7	13	
B.2 transfers from other categories of impaired exposures	34	3			
B.3 other increases	38	38	1	2	1
C. Decreases	**142**	**88**	**1**	**9**	**1**
C.1 payments to regular exposures	31	32		3	
C. 2 write-offs	11	13	1	1	1
C.3 receipts	83	8			
C.4 profit from assignements		34		3	
C.5 transfers to other categories of impaired exposures	17	1		2	
D. other decreases	**327**	**106**	**11**	**13**	
- 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-	Inferiore a B-		
A. Cash exposures	**3,200**	**3,266**	**59**			**1,399**	**29,396**	**37,320**
B. Derivatives	**25**						**98**	**123**
B.1 Financial derivatives	25						98	**123**
B.2 Credit derivatives								
C. Guarantees given	**2**	**34**				**18**	**1,295**	**1,349**
D. Other commitments to disburse funds		**1**				**2**	**3,376**	**3,379**
Total	**3,227**	**3,301**	**59**			**1,419**	**34,165**	**42,171**

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	External rating classes							No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Inferiore a B-	Esposizioni deteriorate		
A. Cash exposures	**10,154**	**2,855**	**4,303**	**4,651**	**2,374**	**1,884**	**1,051**	**10,047**	**37,319**
B.Derivatives	**9**	**54**	**25**	**11**	**1**			**23**	**123**
B.1 Financial derivatives	9	54	24	11	1			23	
B.2 Credit derivatives									**-**
C. Guarantees given	**646**	**219**	**131**	**104**	**60**	**38**	**16**	**135**	**1,349**
D. Other commitments to disburse funds							**2**	**3,378**	**3,380**
Total	**10,809**	**3,128**	**4,459**	**4,766**	**2,435**	**1,922**	**1,069**	**13,583**	**42,171**

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

As at 31 December 2008, 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 2008
					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:	*4*	*3*											
1.1 fully secured	4	3											
1.2 partially secured													
2. Secured exposures to customers	*18,745*	*12,207*	*423*	*253*						*146*	*65*	*8,467*	*21,561*
2.1 fully secured	17,805	12,186	371	232						142	45	8,021	20,997
2.2 partially secured	940	21	52	21						4	20	446	564

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

	Exposure value	Collaterals (1)			Personal securities (2)								Total 31 December 2008
					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:	*47*	*2*											
1.1 fully secured	47	2											
1.2 partially secured													
2. Secured exposures to customers	*660*	*125*	*30*	*24*								*261*	*440*
2.1 fully secured	404	110	22	17					9			248	406
2.2 partially secured	256	15	8	7								13	43

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

	Exposure value	Guaranteed amount	Personal securities																	Total 31 December 2007	Excess fair value security
			Collaterals			Personal securities															
						Derivatives on loans							Endorsement credits								
			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		
1. Secured exposures to banks:																					
1.1. over150%																					
1.2. between il 100% and il 150%																					
1.3. beteween il 50% and il 100%																					
1.4. within 50%																					
2. Secured exposures to customers:	*724*	*708*	*267*	*39*	*14*										*8*	*46*	*1*	*9*	*1,473*	*1,847*	
2.1. over 150%	431	431	235	7	1										2	31	1	7	1,292	1,568	
2.2. between il 100% and il 150%	67	67	17	4	1											4		1	46	72	
2.3. between il 50% and il 100%	209	203	15	27	12										5	10		1	131	200	
2.4. within 50%	17	7		1											1	1			4	7	

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

	Exposure value	Guaranteed amount	Personal securities																	Totale al 31 December 2008	Excess fair value security
			Collaterals			Personal securities															
						Derivatives on loans							Endorsement credits								
			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		
1. Secured exposures to banks:																					
1.1. over150%																					
1.2. between il 100% and il 150%																					
1.3. beteween il 50% and il 100%																					
1.4. within 50%																					
2. Secured exposures to customers:	*12*	*13*		*3*														*3*	*7*	***13***	***47***
2.1. over 150%	7	8																3	5	**8**	47
2.2. between il 100% and il 150%	1	2																	1	**1**	
2.3. between il 50% and il 100%	3	2		2															1	**3**	
2.4. within 50%	1	1		1																**1**	

CREDIT DISTRIBUTION AND CONCENTRATION

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

Exposures	Governments and Central Banks				Other public agencies				Finance companies			
	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	3	1		2				-	9	4		5
A.2 Non-performing loans									1			1
A.3 Restructued loans												
A.4 Overdue loans	11			11	120			120				
A.5 Other loans	1,945	X		1,945	478	X	2	476	912	X	3	909
Total A	**1,959**			**1,958**	**598**			**596**	**922**	**4**	**3**	**915**
B. "Off balance sheet" exposures												
B.1 Doubtful loans												
B.2 Non-performing loans												
B.3 Other impaired loans												
B.4 Other loans	23	X		23	160	X		160	26	X		26
Total B	**23**			**23**	**160**			**160**	**26**			**26**
Total 31 December 2008	**1,982**			**1,981**	**758**			**756**	**948**	**4**	**3**	**941**
Total 31 December 2007	**2,376**			**2,376**	**510**			**510**	**735**	**5**	**1**	**729**

Exposures	Insurance companies				Non-Governments and Central Banks				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
A. Cash exposures												
A.1 Doubtful loans					518	284		234	94	38		56
A.2 Non-performing loans					392	88		304	116	18		98
A.3 Restructued loans					23	11		12				
A.4 Overdue loans					185	12	-	173	35	1		34
A.5 Other loans	16	X		16	16,935	X	121	16,814	11,158	X	45	11,113
Total A	**16**			**16**	**18,053**	**395**	**121**	**17,537**	**11,403**	**57**	**45**	**11,301**
B. "Off balance sheet" exposures												
B.1 Doubtful loans					15	3		12				
B.2 Non-performing loans					3	1		2	1			1
B.3 Other impaired loans					3			3				
B.4 Other loans		X		-	3,342	X	4	3,338	782	X	1	781
Total B	**0**			**0**	**3,363**	**4**	**4**	**3,355**	**783**			**782**
Total 31 December 2008	**16**			**16**	**21,416**	**399**	**125**	**20,892**	**12,186**	**57**	**45**	**12,083**
Total 31 December 2007	**4**			**4**	**16,698**	**260**	**78**	**16,360**	**7,144**	**40**	**6**	**7,098**

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	620	293			4	4				
A.2 Non-performing loans	509	403								
A.3 Restructued loans	23	12								
A.4 Overdue loans	351	338								
A.5 Other loans	31,291	31,121	107	106	28	28	18	18		
Total	**32,794**	**32,167**	**107**	**106**	**32**	**32**	**18**	**18**	**0**	**0**
B."Off balance sheet" exposures										
B.1 Doubtful loans	14	11								
B.2 Non-performing loans	4	3								
B.3 Other impaired loans	4	4								
B.4 Other loans	4,310	4,305	22	22	1	1				
Total	**4,332**	**4,323**	**22**	**22**	**1**	**1**				
Total 31 December 2008	**37,126**	**36,490**	**129**	**128**	**33**	**33**	**18**	**18**		
Total 31 December 2007	**27,230**	**26,840**	**161**	**161**	**61**	**61**				

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	4,847	4,847	70	70	50	50	1	1	26	26
Total	**4,847**	**4,847**	**70**	**70**	**50**	**50**	**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	480	480	25	25	2	2				
Total	**480**	**480**	**25**	**25**	**2**	**2**				
Total 31 December 2008	**5,327**	**5,327**	**95**	**95**	**52**	**52**	**1**	**1**		
Total 31 December 2007	**1,672**	**1,677**	**194**	**195**	**68**	**68**	**1**	**1**	**26**	**26**

B.5 Large exposures (according to supervisory regulations)

The appropriate Section of the Bank Financial Statements should be referred to for information regarding Banca CR Firenze S.p.A.'s large credit risks.

C. SECURISATIONS TRANSACTIONS AND TRANSFER OF ASSETS

C.1 SECURISATIONS TRANSACTIONS

Qualitative information

Own securisations

At the year-end date, the Bank had the following securitisation transaction in operation relating to regular loans, as described below, 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)	Principales	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 Bank 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 issues	Return	Subscribe 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	82.83	-

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, amounting to about Euro 153.7 million. On 26 January 2009, a further tranche of about Euro 13.0 million of Class “A2” securities was reimbursed, bringing the remaining balance to about Euro 104.7 million for the outstanding Class “A2” securities. The bank has been appointed to service the ceded loans, respecting an established Collection Policy. For this service, the Bank 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 the income statement of an amount equal to 1.4 million euro, 0.3 million euro of which arose from the valuation reserve being carried to the income statement. 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 Bank, in such a way as to adjust them to the expected realizable value.

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 188.2 million.

Finally, included with item "Other assets", at the year-end closing date is an amount of about Euro 3.9 million for amounts claimed by the Bank 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.

Third party securitisations

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						Guarantees given					
	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	7												
a) impaired																		
b) others					8	7												
B. With underlying assets of third parties :	6	3																
a) impaired																		
b) others	6	3																

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					7	1												
A.1 CR Firenze Mutui S.r.l.																		
- regular loans					7	1												
A.3 name of securitisation																		
- type of asset																		
B. Subject to partial write-off from the accounts																		
B.1 name of securitisation 1																		
- type of asset																		
B.2 name of securitisation 2																		
- type of asset																		
B.3 name of securitisation																		
- type of asset																		
C. Not written off from the accounts																		
C.1 name of securitisation 1																		
- type of asset																		
C.2 name of securitisation 2																		
- type of asset																		
C.3 name of securitisation																		
- type of asset																		

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	3																	

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

Exposure/portfolio	Held for Trading	Designated at fair value	Available for sale	Held to maturity	Loans	**31 December 2008**	**31 December 2007**	**changes**
1. Cash exposure			3		7	10	13	-23.1%
-"Senior"			3			3	5	-40.0%
- "Mezzanine"								
- "Junior"					7	7	8	-12.5%
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	**188**	
A.1 Subject to total write-off	188	
1. Doubtful loans	2	X
2. Non-performing loans	2	X
3. Restructured exposures		X
4. Expired exposures		X
5. Other assets	184	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		
B.1 Doubtful loans		
B.2 Non-performing loans		
B.3 Restructured exposures		
B.4 Expired exposures		
B.5 Other assets		

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	Impaired assets	Regular assets
Banca CR Firenze S.p.A.	CR Firenze Mutui S.r.l.	4	184		65		67.77%				

C.1.8 Vehicle companies belonging to the banking group

As at 31 December 2008 there were no vehicle companies belonging the banking Group.

C.2 SALES TRANSACTIONS

C.2.1 Transferred financial assets not written off

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

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	**68**						**440**			**13**			707						**1,228**
1. Debt securities	68						440			13			707						**1,228**
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 2008	**68**						**440**												1,228

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)

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	**70**		**297**	**12**	**671**	**44**	**1,094**
a) against assets fully recognised	70		297	12	671	44	1,094
b) against assets partly recognised							
2. Amounts owing to banks			**30**				**30**
a) against assets fully recognised			30				30
b) against assets partly recognised							
Total 31 December 2008	70		**327**	**12**	**671**	**44**	**1,124**
Total 31 December 2007			**1,677**				**1,677**

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) set forth 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.
In accordance with the rules issued by the Supervisory Authority regarding the centralisation of risk monitoring in the Bank, and in order to optimise the banks' specific cost/income ratios, Banca CR Firenze S.p.A. holds and manages discretionary financial positions within the limits of its delegated powers; the return related to each risk level is also maximised in this way.
In 2008 Banca CR Firenze carried out day-to-day operations on the inter-bank market and conducted the integrated management of its own liquidity and that of its direct subsidiaries - as well as mobilising the obligatory reserve - with the objective of limiting risk and reducing adjustment costs.
The Bank acted as primary dealer on the Market for Government Securities (MTS) for government and repo securities and as dealer on the MID inter-bank deposits market. In the framework of trading services, customers' orders of government securities and bonds were mainly executed on the TLX and MTF Euro TLX regulated market.
After the entry into the Intesa Sanpaolo Group, orders for unlisted bonds were sent to Banca IMI for execution by means of the Offrex system; for stock market transactions, the Bank always worked through Banca IMI using special on-line connections.
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.

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 and, as mentioned above, the management of this was governed by the Regulations for the management of financial risks and counterparty risk.
The internal calculation model in its current state 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.
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.

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		**84**	**27**	**64**	**6**			
3.1 With underlying security		10	3	6	6			
- Options		10	3	6	6			
+ long positions		5	1	3	3			
+ short positions		5	2	3	3			
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		74	24	58				
- Options								
+ long positions								
+ short positions								
- Other derivatives		74	24	58				
+ long positions		33	12	23				
+ short positions		41	12	35				

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		**11**		**1**				
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		11		1				
- Options								
+ long positions								
+ short positions								
- Other derivatives		11		1				
+ long positions		10						
+ short positions		1		1				

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		**12**		**1**				
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		12		1				
- Options								
+ long positions								
+ short positions								
- Other derivatives		12		1				
+ long positions		1						
+ short positions		11		1				

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		**24**	**2**					
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		24	2					
- Options								
+ long positions								
+ short positions								
- Other derivatives		24	2					
+ long positions		5	2					
+ short positions		19						

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	**12**	**73**	**35**	**2**	**12**	**2**	**1**	
1.1 Debt securities	12	73	35	2	12	2	1	
- with an early redemption option								
- others	12	73	35	2	12	2	1	
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives	**4,754**	**377**	**176**	**344**	**2,176**	**1,151**	**125**	
3.1 With underlying security		40	32	7	4			
- Options		10	2	7	4			
+ long positions		5	1	4	2			
+ short positions		5	1	3	2			
- Other derivatives		30	30					
+ long positions		14	16					
+ short positions		16	14					
3.2 Without underlying security	4,754	337	144	337	2,172	1,151	125	
- Options	431		2	6	184	212	28	
+ long positions	215		1	3	92	106	14	
+ short positions	216		1	3	92	106	14	
- Other derivatives	4,323	337	142	331	1,988	939	97	
+ long positions	2,067	140	80	210	1,083	469	48	
+ short positions	2,256	197	62	121	905	470	49	

Denomination currency: other currencies

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**	**4**					
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		9	4					
- Options								
+ long positions								
+ short positions								
- Other derivatives		9	4					
+ long positions		5	2					
+ short positions		4	2					

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. The bank 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	**24**	**115**	**3**	**19**	**1**	**9**		
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	10	15						
1.3 Customer loans	14	100	3	19	1	9		
- current accounts	1			18				
- other loans	13	100	3	1	1	9		
- with an early redemption option		4		1				
- others	13	96	3		1	9		
2. Cash liabilities	**134**	**16**	**1**					
2.1 Customer deposits	75							
- current accounts	75							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks	59	16	1					
- current accounts	5							
- other amounts owing	54	16	1					
2.3 Outstanding securities								
- with an early redemption option								
- others								
2.4 Other liabilities								
- with an early redemption option								
- others								
3. Financial derivatives		**1**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		1						
- Options								
+ long positions								
+ short positions								
- Other derivatives		1						
+ long positions		1						
+ 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	**2**							
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	2							
1.3 Customer loans								
- current accounts								
- other loans								
- with an early redemption option								
- others								
2. Cash liabilities	**4**	**6**						
2.1 Customer deposits	4							
- current accounts	4							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks		6						
- current accounts								
- other amounts owing		6						
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	**3**	**8**	**1**					
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	1							
1.3 Customer loans	2	8	1					
- current accounts								
- other loans	2	8	1					
- with an early redemption option	1	1						
- others	1	7	1					
2. Cash liabilities	**1**	**3**						
2.1 Customer deposits	1							
- current accounts	1							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks		3						
- current accounts								
- other amounts owing		3						
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	**4**	**13**		**1**				
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	1							
1.3 Customer loans	3	13		1				
- current accounts								
- other loans	3	13		1				
- with an early redemption option	1	1		1				
- others	2	12						
2. Cash liabilities	**3**	**4**	**1**					
2.1 Customer deposits	1							
- current accounts	1							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks	2	4	1					
- current accounts								
- other amounts owing	2	4	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**						
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		2						
+ short positions		1						

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	**17,766**	**6,169**	**1,912**	**1,123**	**2,625**	**2,528**	**1,405**	**1,001**
1.1 Debt securities	257	1,586	1,201	1	182	59	33	4
- with an early redemption option		2			101		33	
- others	257	1,584	1,201	1	81	59		4
1.2 Amounts owing by banks	286	1,981	165	1	1			313
1.3 Customer loans	17,223	2,602	546	1,121	2,442	2,469	1,372	684
- current accounts	4,202	219		56				274
- other loans	13,021	2,383	546	1,065	2,442	2,469	1,372	410
- with an early redemption option	10,779	2,062	261	375	1,393	909	1,366	
- others	2,242	321	285	690	1,049	1,560	6	154
2. Cash liabilities	**10,699**	**10,215**	**2,688**	**2,296**	**1,810**	**140**	**122**	**75**
2.1 Customer deposits	10,380	1,400	101	1				75
- current accounts	9,816							70
- other amounts owing	564	1,400	101	1				5
- with an early redemption option								
- others	564	1,400	101	1				
2.2 Amounts owing to banks	307	5,001	742	304	733	30	2	
- current accounts	36							
- other amounts owing	271	5,001	742	304	733	30	2	
2.3 Outstanding securities	12	3,808	1,845	1,991	1,077	110	120	
- with an early redemption option		34	29	22				
- others	12	3,774	1,816	1,969	1,077	110	120	
2.4 Other liabilities		6						
- with an early redemption option								
- others		6						
3. Financial derivatives	**2,494**	**395**	**361**	**369**	**1,630**	**9**	**22**	
3.1 With underlying security		174	174					
- Options								
+ long positions								
+ short positions								
- Other derivatives		174	174					
+ long positions		13	161					
+ short positions		161	13					
3.2 Without underlying security	2,494	221	187	369	1,630	9	22	
- Options	4				1		3	
+ long positions					1		3	
+ short positions	4							
- Other derivatives	2,490	221	187	369	1,629	9	19	
+ long positions	138	201	132	368	1,623			
+ short positions	2,352	20	55	1	6	9	19	

Denomination currency: Euro - Insurance companies

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					**2,114**			**8**
1.1 Debt securities					2,101			8
- with an early redemption option								
- others					2,101			8
1.2 Amounts owing by banks					13			
1.3 Customer loans								
- current accounts								
- other loans								
- with an early redemption option								
- others								
2. Cash liabilities								**507**
2.1 Customer deposits								491
- current accounts								491
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks								16
- current accounts								16
- 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: other currencies

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**				**7**		
1.1 Debt securities								
- with an early redemption option								
- others								
1.2 Amounts owing by banks	2					7		
1.3 Customer loans		1						
- current accounts								
- other loans		1						
- with an early redemption option								
- others		1						
2. Cash liabilities	**1**	**3**						
2.1 Customer deposits	1							
- current accounts	1							
- other amounts owing								
- with an early redemption option								
- others								
2.2 Amounts owing to banks		3						
- current accounts								
- other amounts owing		3						
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								

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 RISCHIO 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 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 socalled 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 (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.

QUANTITATIVE INFORMATION

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

1.1 Banking Group

The amounts in this table are insignificant, being lower than one million euro.

1.2 Insurance companies

Type of exposures/Values	Book value	
	Listed	Unlisted
A. Equity securities		
A.1 Shares		
A.2 Innovative equity instruments		
A.3 Other equity securities		
B. UCITS	**73**	
B.1 Incorporated under Italian law		
- harmonised open-end	73	
- non-harmonised open-end		
- closed-end		
- reserved		
- speculatives		
B.2 Incorporated in other EU States		
- harmonised		
- non-harmonised open-end		
- non-harmonised closed-end		
B.2 Incorporated in non-EU States		
- open-end		
- closed-end		
Total	**73**	

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

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

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
Banking Group

Items	Book value	
	Listed	Unlisted
A. Equity securities	**3**	**38**
A.1 Shares	3	37
A.2 Innovative equity instruments		
A.3 Other equity securities		1
B. UCITS	**53**	**29**
B.1 Incorporated under Italian law	38	29
- harmonised open-end	38	
- non-harmonised open-end		
- closed-end		14
- reserved		10
- speculatives		5
B.2 Incorporated in other EU States	15	
- harmonised	15	
- non-harmonised open-end		
- non-harmonised closed-end		
B.3 Incorporated in non-EU States		
- open-end		
- closed-end		
Total	**56**	**67**

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

Insurance companies

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

3. 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 Finance Department, 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	Albanian Lek	New Leu	Other currencies
A. Financial assets	**172**	**2**	**18**	**1**	**14**	**4**	**77**	**9**
A.1 Debt securities						4		
A.2 Equity securities								
A.3 Amounts owing by banks	25	2	1		2			9
A.4 Customers loans	147		17	1	12		77	
A.5 Other financial assets								
B. Other assets	**5**	**1**	**1**		**1**			**1**
C. Financial liabilities	**150**	**11**	**6**	**1**	**4**	**71**		**3**
C.1 Amounts owing to banks	75	7	5	1	3	10		2
C.2 Customer deposits	75	4	1		1	61		1
C.3 Debt securities								
D. Other liabilities	**3**							
E. Financial derivatives	**181**	**12**	**25**	**4**	**12**			**9**
- Options	25							
+ long positions	12							
+ short positions	13							
- Other derivatives	156	12	25	4	12			9
+ long positions	68	10	6	2	1			5
+ short positions	88	2	19	2	11			4
Total assets	**257**	**13**	**25**	**3**	**16**	**4**	**77**	**15**
Total liabilities	**254**	**13**	**25**	**3**	**15**	**71**		**7**
Imbalance (+/-)	**3**				**1**	**(67)**	**77**	**8**

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

Type of transactions/Underlying assets	Debt securities and interest rates		Equity securities and share indexes		Exchange rates and gold		Other values		31 December 2008		31 December 2007		changes %	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement														
2. Interest rate swap		3,741								3,741		3,599		3.9%
3. Domestic currency swap														
4. Currency i.r.s.														
5. Basis swap		306								306		360		-15.0%
6. Exchanges of share indexes														
7. Exchanges of real indexes														
8. Futures														
9. Opzioni cap		2,037								2,037		1,838		10.8%
- purchased		1,008								1,008		948		6.3%
- issued		1,029								1,029		890		15.6%
10. Opzioni floor		108								108		154		-29.9%
- purchased		59								59		91		-35.2%
- issued		49								49		63		-22.2%
11. Other options		1,848				76				1,924		2,670		-27.9%
- purchased		916				47				963		1,335		-27.9%
- plain vanilla						44				44		484		-90.9%
- exotic		916				3				919		851		8.0%
- issued		932				29				961		1,335		-28.0%
- plain vanilla		17				29				46		484		-90.5%
- exotic		915								915		851		7.5%
12. Forward contracts	14	219	4			224		7	18	450	118	462	-84.7%	-2.6%
- purchases		161	1			80		7	1	248	53	325	-98.1%	-23.7%
- sales	14	58	3			127			17	185	65	108	-73.8%	71.3%
- foreign currencies against foreign currencies						17				17		29		-41.4%
13. Other derivatives contracts														
Total	**14**	**8,259**	**4**			**300**		**7**	**18**	**8,566**	**118**	**9,083**	**-84.7%**	**-5.7%**
Average values	**64**	**8,529**	**4**			**293**			**68**	**8,822**	**420**	**8,629**	**-83.8%**	**2.2%**

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 2008		31 December 2007		changes %	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Quotati	Non quotati	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement														
2. Interest rate swap		2,081								2,081		2,432		-14.4%
3. Domestic currency swap														
4. Currency i.r.s.														
5. Basis swap		90												
6. Exchanges of share indexes														
7. Exchanges of real indexes														
8. Futures														
9. Opzioni cap		12												
- purchased														
- issued		12												
10. Opzioni floor		79												
- purchased		79												
- issued														
11. Other options		218		19						237		246		-3.7%
- purchased		215		19						234		246		-4.9%
- plain vanilla		215		19						234		246		-4.9%
- exotic														
- issued		3												
- plain vanilla		3												
- exotic														
12. Forward contracts														
- purchases														
- sales														
- foreign currencies against foreign currencies														
13. Other derivatives contracts														
Total		**2,480**		**19**						**2,318**		**2,678**		**-13.4%**
Average values		**2,579**		**10**						**2,498**		**2,350**		**6.3%**

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 implicit in them.

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 2008		31 December 2007		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. Opzioni cap														
- purchased														
- issued														
10. Opzioni floor														
- purchased														
- issued														
11. Other options		215								215		246		-12.6%
- purchased														
- plain vanilla														
- exotic														
- issued		215								215		246		-12.6%
- plain vanilla		215								215		246		-12.6%
- exotic														
12. Forward contracts														
- purchases														
- sales														
- foreign currencies against foreign currencies														
13. Other derivatives contracts														
Total		**215**								**215**		**246**		**-12.6%**
Average values		**231**								**231**		**263**		**-12.2%**

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 2008		31 December 2007		changes %	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	**14**	**7,953**	**4**			**300**		**7**	**18**	**8,260**	**722**	**8,175**	**-97.5%**	**1.0%**
1. Transactions with exchange of capital	14	161	4			254		7	18	422	722	297	-97.5%	42.1%
- purchases		161	1			100		7	1	268	407	99	-99.8%	170.7%
- sales	14		3			137			17	137	315	147	-94.6%	-6.8%
- foreign currencies against foreign currencies						17				17		51		-66.7%
2. Transactions without exchange of capital		7,792				46				7,838		7,878		-0.5%
- purchases		4,149				34				4,183		4,079		2.5%
- sales		3,643				12				3,655		3,799		-3.8%
- foreign currencies against foreign currencies														
B. Bank portfolio:		**2,631**		**19**						**2,650**		**2,301**		**15.2%**
B.1 Hedging		**2,416**		**19**						2,435		2,021		20.5%
1. Transactions with exchange of capital														
- purchases														
- sales														
- foreign currencies against foreign currencies														
2.Transactions without exchange of capital		2,416		19						2,435		2,021		20.5%
- purchases		2,310		19						2,329		2,021		15.2%
- sales		106												
- foreign currencies against foreign currencies														
B.2 Other derivatives		**215**								215		280		-23.2%
1. Transactions with exchange of capital														
- purchases														
- sales														
- foreign currencies against foreign currencies														
2.Transactions without exchange of capital		215								215		280		-23.2%
- purchases														
- sales		215								215		280		-23.2%
- 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	1													
A.3 Banks	8		4				1		1					
A.4 Financial companies	1						1							
A.5 Insurance companies														
A.6 Non-financial companies	64		27				4		1	2				
A.7 Other entities														
Total 31 December 2008	**74**		**31**				**6**		**2**	**2**				
Total 31 December 2007	**24**		**14**				**1**			**2**				
B. Bank portfolio														
B.1 Governments and Central Banks														
B.2 Public agencies														
B.3 Banks	45		19			2								
B.4 Financial companies														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total 31 December 2008	**45**		**19**			**2**								
Total 31 December 2007	**11**		**3**	**21**		**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	1													
A.3 Banks	71		13				3		1					
A.4 Financial companies	1						2							
A.5 Insurance companies														
A.6 Non-financial companies	2		1				3		1					
A.7 Other entities														
Total 31 December 2008	**75**		**14**				**8**		**2**					
Total 31 December 2007	**30**		**4**	**1**			**1**			**2**				
B. Bank portfolio														
B.1 Governments and Central Banks														
B.2 Public agencies														
B.3 Banks	41		30			1								
B.4 Financial companies														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total 31 December 2008	**41**		**30**			**1**								
Total 31 December 2007	**36**		**4**	**21**		**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:	**1,283**	**4,128**	**2,249**	**7,660**
A.1 Financial derivative contracts on debt securities and interest rates	1,032	4,116	2,249	7,397
A.2 Financial derivative contracts on equity securities and stock indexes				
A.3 Financial derivative contracts on exchange rates and gold	244	12		256
A.4 Financial derivative contracts on other values	7			
B. Bank Portfolio	**993**	**1,772**	**39**	**2,776**
B.1 Financial derivative contracts on debt securities and interest rates	975	1,762	39	2,776
B.2 Financial derivative contracts on equity securities and stock indexes	18	10		
B.3 Financial derivative contracts on exchange rates and gold				
B.4 Financial derivative contracts on other values				
Total 31 December 2008	**2,276**	**5,900**	**2,288**	**10,436**

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

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

Liquidity risk is defined as the risk of the Bank not being able to meet its payment commitments when they fall due (funding liquidity risk). The Bank is normally able to meet its cash outflow requirements from inflows, assets readily convertible into cash and its capacity to obtain credit. There may be tension on the markets that makes it difficult (or even impossible) in particular to sell assets readily convertible into cash, or use them as collateral in exchange for funds, and a bank's liquidity risk is therefore closely related, from this point of view, to market liquidity conditions (market liquidity risk).

During 2008 liquidity risk was managed in the framework of treasury services, meeting the incoming and outgoing commitments on the inter-bank market and with respect to the Central Bank and at the same time taking the action necessary to continue with payments by harmonising treasury flows in order to avoid mismatches in amounts or income, taking care to adapt immediately to market conditions. The availability of special tools for the monitoring of the market and of the gross settlement system, together with targeted review analyses, thus provided a complete picture for reference in working out strategies, while mismatches, calculated by classes of mean maturities of asset and

liability entries, were harmonised on the basis of interest rate and currency forecasts.

After the Bank's entry and its subsidiaries nto the Intesa Sanpaolo Group, liquidity risk governance guidelines will be adopted during 2009, outlining the combination of principles, methodologies, rules and processes necessary to prevent liquidity crisis situations from arising and describing the prudential approaches to their management, with the aim of keeping the risk profile at an extremely low level.

The main principles behind the Group's liquidity policy are:

- the existence of an operating structure acting within assigned limits and of a monitoring structure independent of the former;
- a prudential approach to the estimation of cash inflow and outflow projections and all balance sheet and off-balance sheet items, especially those without a contractual expiry date (or with an insignificant expiry date);
- the assessment of the impact of various scenarios, including stress scenarios, on temporal inflows and outflows;
- the maintenance of an appropriate level of assets readily convertible into cash so that routine operations continue and so that the Bank can overcome the first phase of a possible shock to the its own liquidity or to the liquidity of the whole system;
- the availability of tools for the centralised monitoring of the liquidity profile of each company, carried out by the responsible company offices;
- the definition of the method for the governance of a possible liquidity crisis, which is defined as a situation in which it is difficult or impossible for the Bank to meet its outstanding cash commitments without activating procedures and/or using instruments that fall outside the sphere of day-to-day administration in terms of their intensity or their methods

These guidelines are divided into three macro-areas - short-term, structural and contingency plan (Contingency Liquidity Plan) - and contemplate the application of analyses conducted by adopting stress scenarios (market-related and firm-specific).

In the short term, Banca CR Firenze and its subsidiaries have entered into an agreement with the Parent Company for a special credit line to obtain facilities that are commensurate with its requirements.

From the structural point of view, pending the adoption of the Parent Company's guidelines, Banca CR Firenze and its subsidiaries, in any event have, since 2008, already been monitoring internal limits to the transformation of the maturing commitments in order to prevent medium- to long-term operations giving rise to excessive imbalances that need short-term financing; this monitoring system already puts the principles laid down in the Intesa Sanpaolo guidelines into practice.

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	indefinite life
Cash assets	**23**	**5**	**20**	**19**	**69**	**3**	**19**	**1**	**11**	
A.1 Government bonds										
A.2 Listed debt securities										
A.3 Other debt securities										
A.4 UCITS units										
A.5 Loans	23	5	20	19	69	3	19	1	11	
- banks	10			2	13					
- customers	13	5	20	17	56	3	19	1	11	
Cash liabilities	**134**		**1**	**14**	**1**	**1**				
B.1 Deposits	100			21	3					
- banks	25		1	8	1	1				
- customers	75									
B.2 Outstanding securities										
B.3 Other liabilities	34			6						
"Off balance sheet" transactions		**6**	**7**	**23**	**50**	**28**	**65**	**6**		
C.1 Financial derivatives with exchange of capital		5	7	23	50	28	65	6		
- long positions		2	3	16	18	14	27	3		
- short positions		3	4	7	32	14	38	3		
C.2 Deposits and loans receivable / to be made										
- long positions										
- short positions										
C.3 Irrevocable commitments to disburse funds		1								
- long positions		1								
- 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	indefinite life
Cash assets	**2**									
A.1 Government bonds										
A.2 Listed debt securities										
A.3 Other debt securities										
A.4 UCITS units										
A.5 Loans	2									
- banks	2									
- customers										
Cash liabilities	**4**				**6**					
B.1 Deposits	4				6					
- banks					6					
- customers	4									
B.2 Outstanding securities										
B.3 Other liabilities										
"Off balance sheet" transactions					**10**		**1**			
C.1 Financial derivatives with exchange of capital					10		1			
- long positions					10					
- short positions							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: 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	indefinite life
Cash assets	**3**	**1**	**1**	**3**	**5**	**1**		**1**		
A.1 Government bonds										
A.2 Listed debt securities										
A.3 Other debt securities										
A.4 UCITS units										
A.5 Loans	3	1	1	3	5	1		1		
- banks	1									
- customers	2	1	1	3	5	1		1		
Cash liabilities	**1**		**1**							
B.1 Deposits	1		1							
- banks			1							
- customers	1									
B.2 Outstanding securities										
B.3 Other liabilities										
"Off balance sheet" transactions				**11**			**1**			
C.1 Financial derivatives with exchange of capital				11			1			
- long positions				1						
- short positions				10			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: 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	indefinite life
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					**4**					
C.1 Financial derivatives with exchange of capital					**4**					
- long positions					2					
- 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: 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	indefinite life
Cash assets	**4**	**1**	**1**	**2**	**10**					
A.1 Government bonds										
A.2 Listed debt securities										
A.3 Other debt securities										
A.4 UCITS units										
A.5 Loans	4	1	1	2	10					
- banks	1									
- customers	3	1	1	2	10					
Cash liabilities	**3**			**1**	**1**					
B.1 Deposits	3			1	1					
- banks	2			1	1					
- customers	1									
B.2 Outstanding securities										
B.3 Other liabilities										
"Off balance sheet" transactions		**6**		**7**	**14**	**2**				
C.1 Financial derivatives with exchange of capital		3		7	14	**2**				
- long positions					5	2				
- short positions		3		7	9					
C.2 Deposits and loans receivable / to be made		3								
- long positions		2								
- short positions		1								
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

Banking Group

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	indefinite life
Cash assets	**7,280**	**574**	**231**	**931**	**2,833**	**1,199**	**2,024**	**8,955**	**10,342**	**495**
A.1 Government bonds				3	17	55	3	830	418	
A.2 Listed debt securities					11	15	34	160	124	
A.3 Other debt securities	6				3	27	6	1,727	20	
A.4 UCITS units	82									
A.5 Loans	7,192	574	231	928	2,802	1,102	1,981	6,238	9,780	495
- banks	532	95	108	500	1,111	154	189	2	88	
- customers	6,660	479	123	428	1,691	948	1,792	6,236	9,692	495
Cash liabilities	**16,389**	**1,611**	**1,400**	**2,461**	**2,097**	**1,445**	**1,580**	**6,143**	**579**	**75**
B.1 Deposits	16,338	1,515	1,196	1,851	854	800	108	545		75
- banks	1,603	1,515	1,196	1,851	821	798	105	545		
- customers	14,735				33	3	3			75
B.2 Outstanding securities	26	18	28	130	555	509	1,468	5,568	547	
B.3 Other liabilities	25	78	176	480	688	136	4	30	32	
"Off balance sheet" transactions		**1,479**	**12**	**14**	**210**	**1,099**	**310**	**116**	**20**	**1,307**
C.1 Financial derivatives with exchange of capital		441	12	14	91	411	87	5	20	
- long positions		80	6	10	54	349	59	3	11	
- short positions		361	6	4	37	62	28	2	9	
C.2 Deposits and loans receivable / to be made										
- long positions										
- short positions										
C.3 Irrevocable commitments to disburse funds		1,038			119	688	223	111		1,307
- long positions		1,038			80	624	223	108		1,307
- short positions					39	64		3		

1.2 Insurance companies

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	indefinite life
Cash assets										**2,196**
A.1 Government bonds										
A.2 Listed debt securities										2,101
A.3 Other debt securities										8
A.4 UCITS units										74
A.5 Loans										13
- banks										13
- customers										
Cash liabilities										**507**
B.1 Deposits										507
- banks										16
- customers										491
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										

2. Breakdown of financial assets and liabilities by residual contractual maturity – Denomination currency: Other currencies

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**							**7**	
A.1 Government bonds									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Loans	2							7	
- banks	2							7	
- customers									
Cash liabilities				**2**					
B.1 Deposits				2					
- banks				2					
- customers									
B.2 Outstanding securities									
B.3 Other liabilities									
"Off balance sheet" transactions				**2**	**3**	**4**			
C.1 Financial derivatives with exchange of capital				**2**	**3**	**4**			
- long positions				2	1	2			
- short positions					2	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									

3. Breakdown of financial liabilities by sector

Exposures/Counterparties	Government and Central Banks	Other public agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Amounts owing to banks	28	366		751	107	3,800	11,038
2. Outstanding securities			1,436	757	139	287	5,995
3. Financial liabilities held for trading			76	3	1	4	2
4. Financial liabilities measured at fair value							491
Total 31 December 2008	**28**	**366**	**1,512**	**1,511**	**247**	**4,091**	**17,526**
Total 31 December 2007	**14**	**287**		**1,385**	**6**	**3,413**	**12,775**

3. Breakdown of financial liabilities by territory

Exposures/Counterparties	Italy	Other European Countries	America	Asia	Rest of the world
1. Customer deposits	16,019	44	21	2	4
2. Amounts owing to banks	8,491	113			
3. Outstanding securities	8,144	469	2		
4. Financial liabilities held for trading	52	34			
5. Financial liabilities measured at fair value	491				
Total 31 December 2008	**33,197**	**660**	**23**	**2**	**4**
Total 31 December 2007	**22,594**	**1,050**	**15**	**2**	**81**

1. 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. Finally, this risk type also includes legal risk, but strategy risk and reputational risk are excluded.
Operating risk management is based on specific regulations that outline corporate governance mechanisms, the internal monitoring tools and the combination of processes making up the operational risk management system, in line with Parent Company directions.
The detailed rules govern these processes, particularly as regards the preservation and collection of data, the division of the company's activities into regulated business lines, risk self-assessment and the adaptation of the IT risk management application to the organisational classification of corporate operating processes.
From the quantitative point of view, the procedures for operational risk management envisage reporting loss data to the management and comparing them with those of the general banking system and reporting the results of risk self-assessment, in order to detect the most risky processes and allow targeted management approaches to be adopted (the transfer, mitigation or retention of the risk).
In 2008, after the integration in the Intesa Sanpaolo Group, a special project was launched to apply the Parent Company's guiding principles for the classification of operating events to all its Italian banking subsidiaries, thus including the Bank; during 2009 the introduction of the methodology that Intesa Sanpaolo uses to manage operational risks will be completed with the process of evaluation of operational contexts and scenario analysis. This information, which will also include details regarding the operating events that have occurred, will be inserted in a Parent Company intranet application.
Since March 2008, the Bank has been calculating capital requirements to meet operational risk, as per Bank of Italy Circular 263 of 27 December 2006, using the standardised method (TSA - Traditional Standardised Approach). On the basis of this approach, capital absorption is calculated applying distinct regulatory coefficients to the business margin for each line of business into which the company's activities are divided.

SECTION 2 – THE INSURANCE COMPANIES' RISKS

2.1 INSURANCE RISKS
2.2 FINANCIAL RISKS
2.3 OTHER 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.

<u>Damage Insurance</u>

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 2008, 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	59		64
Constituent elements of the solvency margin available -Total elements A -Total elements B	64	10	74
Total constituent elements of the solvency margin available	64	10	74
Redundancy /lack of constituent elements of the solvency margin available with respect to the constituent elements of the solvency margin required	5	5	10

PART G – COMBINATIONS CONCERNING BUSINESSES OR BRANCHES OF BUSINESS

Section 1 – TRANSACTIONS IMPLEMENTED BEFORE THE PERIOD- END

1.1 Business combinations

During 2008 no transaction was implemented in reference to the provisions of the principles stated in IFRS 3.

1.2 Other information on business combination transactions.

Following the acquisition by Banca CR Firenze S.p.A of 13,618,175 shares of Centro Leasing Banca S.p.A., equal to 43.54% of the company's capital, in 2007 Banca CR Firenze S.p.A. conducted the activity of PPA in compliance with the provisions of IAS/IFRS principles. Such activity reduced the interest margin by 3.1 million euro and net profit by 2 million euro on the income statement as at 31.12.08.

Part H - TRANSACTION WITH RELATED PARTIES

1. *Information on remuneration paid to directors and managers*

Below is the table showing the amounts relating to the remuneration paid to Directors, Statutory Auditors, the General Manager, the Managing Director, the Deputy General Manager and the Managers in areas of strategic importance to Banca CR Firenze S.p.A. as required by paragraphs 16 and 18 of IAS 24.

(thousand of euros)	Directors and Statutory Auditors	General Manger, Deputy General Manager and other Managers
a)Fees social security contributions	4,612	10,798
b)Bonuses, premiums and miscellaneous incentives (1)	-	2,026
c)Other social security and insurance charges (2)	107	780
d)Non-monetaty benefits	-	33
e)Other indemnities for employment termination (3)	-	847
Total	4,719	14,485

2. *Information on transactions with related parties*

Below is the additional information on transactions and relations with related parties of Banca CR Firenze S.p.A., as defined under IAS 24, required in order to understand their potential effects on the accounts.

In accordance with the provisions of point 18 of IAS 24, the information is reported separately by category of related parties.

The related parties changed significantly during 2008 as a result of Intesa Sanpaolo's acquisition of control, as already mentioned many times, over the Bank and the latter's entry into the Group of which Intesa Sanpaolo is the Parent Company.

a) Parent Company

Control over Banca CR Firenze S.p.A. is held by Intesa Sanpaolo S.p.A., which manages and coordinates Banca CR Firenze S.p.A. and its subsidiaries.
The first year in the new group was marked by changes in the members of the corporate bodies, the Articles of Association and the shareholding structure, in the implementation of, and in compliance with, the shareholders' agreements entered into between Intesa Sanpaolo and Ente Cassa di Risparmio di Firenze; the actual operational integration of Banca CR Firenze and its subsidiaries into the Intesa Sanpaolo Group, on the other hand, is still in progress and will speed up when the information systems migrate, which they are expected to do between June and July 2009.
Transactions were completed with Intesa Sanpaolo S.p.A., therefore, in the area of equity investments, which were also regulated in the framework of a master agreement, whose aim was to accentuate and concentrate the role as leading bank in Central Italy that Banca CR Firenze is called upon to play in the Banca dei Territori (local banking) model of its new group.

Specifically, these were the sale of its share in Cariromagna, the sale of its equity investment in Firenze Gestion Internationale S.A. and the acquisition of a majority shareholding in Casse del Centro S.p.A., transactions whose contents, justifications and impact on the Financial Statements are mentioned in the paragraph on shareholding structures in the Directors' Report on Operations, which should be referred to for a fuller description.

In the second half of the period, in the framework of the process of integration of treasury activities with the Parent Company and with a view to risk limitation after the intensification of the financial market turmoil, inter-bank operations in euro and in foreign currencies were all conveyed to banks belonging to the Intesa Sanpaolo Group.
Cash imbalances in euro and other currencies and currency exchange positions were managed on the basis of an "integrated treasury system" and therefore settled exclusively by the Parent Company.
In the context of the treasury services integration process, the settlement of the obligations in the Obligatory Reserve was centralised upwards with the Parent Company, and at the end of the period notice was given to terminate access to the e-Mid and MTS on-line inter-bank platforms.

The Parent Company gives financial support to Banca CR Firenze and other subsidiaries by means of special credit lines.

The commercial collaboration with the Parent Company also continued that had started at the time when Sanpaolo IMI S.p.A. was a party to the shareholders' agreement with Ente Cassa di Risparmio di Firenze and BNP Paribas S.A., through which these three shareholders exercised control over the Bank.

Entities who exercise a significant influence on the Company
Ente Cassa di Risparmio di Firenze is considered a related party, being a Bank shareholder with an interest of over 10% in accordance with the shareholders' agreements entered into with Intesa Sanpaolo and the current Articles of Association, which, among other things, assure its representation in the Board of Directors.
In 2008 this shareholder bought art works and antiques owned by Banca CR Firenze S.p.A. for a sale price of 1,317,000 euro, determined on the basis of valuations by authoritative experts in the sector chosen in mutual agreement by the parties. The historical cost of the assets sold was 993,005 euro and their carrying value was 452,870 euro. The parties agreed that this transaction was of reciprocal interest, since these assets, owing to their characteristics, are seen to advantage in the historic building in Via Bufalini in Florence, which accommodated both the head office of the Bank and of Ente Cassa di Risparmio di Firenze at the time of the transaction, but would not be appreciated in the newly constructed building in the Novoli centre, where the Bank's head office is to move.

b) Subsidiaries
Transactions with subsidiary companies are the expression of an organisational strategy realised by Banca CR Firenze in its previous role as Parent Company of the banking group of the same name.
In very simplified terms, the strategic structure saw the Italian Banks as being focused on controlling relations with customers in their respective geographical areas together with the connected credit risk; the specialized companies Centro Factoring S.p.A., Centro Leasing Banca S.p.A., Centrovita Assicurazioni S.p.A. and CR Firenze Gestion Internationale S.A. (control of which was handed to the Parent Company in December) as specialising in the sale of factoring, leasing, bank-insurance products and investment funds; the service company Infogroup S.p.A. providing IT services and the Parent Company Banca CR Firenze S.p.A. with the role of a banking network

and responsible for the Group's direction and co-ordination, together with the role of provider of a variety of different centralised services for the Group banks.
Immobiliare Nuova Sede S.r.l. takes care of the realisation of the building which will host the head office of Banca CR Firenze S.p.A., which financially supports the operation.
Also given considerable financial support by Banca CR Firenze S.p.A. are Centro Leasing Banca S.p.A., Centro Factoring S.p.A. and Banca CR Firenze Romania S.p.A.

Inter-group transactions are conducted on the basis of specific agreements and in circumstances considered in line with market conditions where external points of reference exist capable of confirming this assessment or which in any case are profitable for both sides.

At the end of the period Casse del Centro S.p.A. had also become a subsidiary as had, indirectly, its subsidiaries.
Relations with Casse del Centro S.p.A. and its subsidiaries have been classified for the 2008 financial statements as Other Related Parties.

c) Associated companies
This category includes Sviluppo Industriale S.p.A. and CE.SPE.VI. S.r.l., in which subsidiary Cassa di Risparmio di Pistoia e Pescia S.p.A. has a stake of 20% or more; the same applies to S.A.F.I. S.r.l. and Spezia Risorse S.p.A., respectively associated to Centro Leasing Rete S.p.A. and Ge.Fi.l S.p.A. No significant transactions were carried out with any entities in this sector.

d) 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.
For the 2008 financial year, this category also comprises the asset management company Soprarno S.p.A., incorporated in 2006 together with Banca Ifigest of Florence, and the asset management products of which are used by Banca CR Firenze S.p.A. in its assets management activities and for the Bank's own portfolio.
Withdrawal from this initiative is expected to take place in 2009 through the sale of the shares to Banca Ifigest.

e) Manager 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.
This body is comprised, besides the General Manager and the Vice General Managers, of 6 Central Directors of the Bank.
Also falling under this category are the members of Parent Company Intesa Sanpaolo's corporate and management bodies, considered for various reasons as key managers.
The information regarding the remuneration given to these persons for various reasons is given in point 1.

f) **Other related parties**
This residual category includes Intesa Sanpaolo S.p.A.'s other subsidiaries and associates, the Cassa di Risparmio di Firenze Staff Provident Fund, which has an independent legal status, and, in general, all the pension funds created for related parties, as well as the close relatives of key executives as specified in point (f) above and the economic activities in which executives or members of their families are involved.
Transactions with related parties of Banca CR Firenze S.p.A., in terms of quantity, are reported in the following paragraph, in a table summarising the impact that such transactions have had compared to the balance sheet and income statement balances in the financial statements.

amounts in millions of Euro	Customer Loans	*% of the total*	Amount owing by banks	*% of the total*	Customer deposits	*% of the total*	Amount owing to banks	*% of the total*	Garantees given	*% of the total*	Contribution margin (1)	*% of the total*
a) Parent companies			1,221	*27.03%*	-		4,471	*51.96%*	227	*4.80%*	-20	*-1.96%*
b) Entities who exercise a significant influence on the Company	2	*0.01%*			75	*0.47%*					2	*0.20%*
c) Subsidiaries	8	*0.03%*			3	*0.02%*			1	*0.02%*		
d) Associated companies	25	*0.09%*			11	*0.07%*					3	*0.29%*
e) Joint ventures			1,816	*40.19%*	14	*0.09%*	1	*0.01%*	39	*0.82%*	57	*5.59%*
f) Manager with strategic responsibilities	4	*0.01%*			6	*0.04%*						
g) Other related parties	42	*0.15%*	54	*1.20%*	234	*1.45%*	60	*0.70%*	176	*3.72%*	2	*0.20%*
Total	**81**	***0.29%***	**3,091**	***68.42%***	**343**	***2.13%***	**4,532**	***52.67%***	**443**	***9.37%***	**44**	***4.31%***

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 of the general managers and other managers of banks in the Italian network that are directly controlled by Banca CR Firenze; these delegated powers have been used in their entirety by the Board of Directors which, pursuant to the same 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.
As at 31 December 2008 there were no other arrangements based on the Group's own equity instruments.

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 banks in the Italian network that are directly controlled by Banca CR Firenze.

- ***Second tranche (exercitable from 1st August 2006):***

Items/Number of options and exercise price	31 December 2008 Number of options	31 December 2008 Average prices (in Euro)	31 December 2008 Average maturity (1)	31 December 2007 Number of options	31 December 2007 Average prices (in Euro)	31 December 2007 Average maturity (1)
A. Opening balance (2)				**2,548,428**	**0.97300**	**944**
B. Increases						
B.1 New issues						
B.2 Other changes					1.62200	
C. Decreases				**2,548,428**	**1.62200**	
C.1 Cancelled						
C.2 Exercised				1,529,057	1.62200	
C.3 Expired						
C.4 Other changes				1,019,371	1.62200	
D. Closing balance						
E. Options exercisable at year-end						

(1) Since there is a single due date, for the tranche existing at the beginning of the period, the precise number of days has been indicated.

(2) Net of those rights no longer exercisable following of a number of employment relationships.

Item C.4 represents the effect of the reverse stock split carried out on 5 March 2007.

EXHIBITS TO THE CONSOLIDATED FINANCIAL STATEMENTS

RECONCILIATION STATEMENT BETWEEN THE CONSOLIDATED BALANCE SHEET AS PUBLISHED AT 31 DECEMBER 2007 AND THE SAME ITEMS RESTATED IN THESE FINANCIAL STATEMENTS, FOR THE PURPOSES OF COMPARISON

(thousands of Euros)

	Assets	31 December 2007 published	Changes	31 December 2007 restated (1)	Notes
10.	Cash and cash on hand	271.503		271.503	
20.	Financial assets held for trading	200.343		200.343	
30.	Financial assets measured at fair value	1.703.230		1.703.230	
40.	Financial assets available for sale	3.356.819		3.356.819	
60.	Amounts owing by banks	1.251.995		1.251.995	
70.	Customer loans	20.385.481		20.385.481	
80.	Hedging derivatives	10.545		10.545	
100.	Equity investments	382.247	14.479	396.726	**(1)**
110.	Actuarial reserves of reinsurers	171		171	
120.	Property plant and equipment	649.111	(12.833)	636.278	**(2)**
130.	Intangible assets	340.309	(14.479)	325.830	**(1)**
	of which: *- goodwill*	*321.898*	*(14.479)*	*307.419*	***(1)***
140.	Tax assets	186.024	2.441	188.465	**(2)**
	a) current	*86.982*		*86.982*	
	b) deferred	*99.042*	*2.441*	*101.483*	**(2)**
160.	Other assets	422.619		422.619	
	Total assets	**29.160.397**	**(10.392)**	**29.150.005**	

	Liabilities and Equity	31 December 2007	Changes	31 December 2007 restated (1)	Notes
10.	Amounts owing to banks	4.281.110		4.281.110	
20.	Customer deposits	11.980.148		11.980.148	
30.	Outstanding securities	6.536.031		6.536.031	
40.	Financial liabilities held for trading	55.671		55.671	
50.	Financial liabilities measured at fair value	889.220		889.220	
60.	Hedging derivatives	35.839		35.839	
80.	Tax liabilities	69.747	(1.052)	68.695	**(2)**
	a) current	*24.147*		*24.147*	
	b) deferred	*45.600*	*(1.052)*	*44.548*	***(2)***
100.	Other liabilities	1.060.838		1.060.838	
110.	Provision for staff termination pay	156.061		156.061	
120.	Provision for risks and charges	282.926		282.926	
	a) provisions for pensions and similar obligations	*197.185*		*197.185*	
	b) other provisions	*85.741*		*85.741*	
130.	Actuarial reserves	1.901.272		1.901.272	
140.	Valuation reserves	(28.995)	(277)	(29.272)	**(2)**
170.	Reserves	623.510	(6.810)	616.700	**(2)**
180.	Share premiums	102.209		102.209	
190.	Share capital	828.753		828.753	
210.	Minority interest (+/-)	200.650	(676)	199.974	**(2)**
220.	Parent Company net profit/(loss) (+/-)	185.407	(1.577)	183.830	**(2)**
	Total liabilities and equity	**29.160.397**	**(10.392)**	**29.150.005**	

(1) These changes arise because the goodwill recognised for the Findomestic Group, subject to joint control, was reclassified under “Equity investments” in order to align it with Parent Company Intesa Sanpaolo S.p.A.’s classification

(2) These changes are due to the change in the measurement criterion, from fair value to "cost less accumulated depreciation" of investment property (IAS 40); further detailed information regarding this is to be found in Section 5, “Other aspects” of Part A, “Accounting policies” in the Notes to the Financial Statements.

RECONCILIATION STATEMENT BETWEEN THE CONSOLIDATED INCOME STATEMENT AS PUBLISHED AT 31 DECEMBER 2007 AND THE SAME ITEMS RESTATED IN THESE FINANCIAL STATEMENTS, FOR THE PURPOSES OF COMPARISON

(thousands of Euros)

	Items	31 December 2007 published	Changes	31 December 2007 restated (1)	Notes
10.	Interest earned and similar income	1.271.221	(6.027)	1.265.195	**(1)**
20.	Interest expense and similar charges	(560.681)		(560.681)	
30.	**Interest margin**	**710.540**	**(6.026)**	**704.514**	
40.	Commissions earned	299.193	68.154	367.347	**(1),(2)**
50.	Commissions expense	(66.700)		(66.700)	
60.	**Net commissions**	**232.493**	**68.154**	**300.647**	
70.	Dividends and similar income	5.716		5.716	
80.	Net result from trading	21.983		21.983	
90.	Net result from hedging	1.462		1.462	
100.	Gains/(Losses) from sale or repurchase of :	10.558		10.558	
	a) loans	*(28)*		*(28)*	
	b) financial assets available for sale	*3.239*		*3.239*	
	d) financial liabilities	*7.347*		*7.347*	
120.	**Net banking revenues**	**982.752**	**62.128**	**1.044.880**	
130.	Value (adjustments)/write-backs for worsening of:	(94.204)		(94.204)	
	a) loans	*(89.509)*		*(89.509)*	
	b) financial assets available for sale	*(533)*		*(533)*	
	d) other financial transactions	*(4.162)*		*(4.162)*	
140.	**Net result from financial activities**	**888.548**	**62.128**	**950.676**	
110.+ 150.+1	Net result from insurance activities	2.852		2.852	
170.	**Net result from financial and insurance activities**	**891.400**	**62.128**	**953.528**	
180.	Administrative expenses:	(607.056)	35.770	(571.286)	
	a) staff costs	(384.634)	674	(383.960)	**(3),(4),(5)**
	b) other administrative expenses	(222.422)	35.096	(187.326)	**(4),(5),(6)**
190.	Provision for risks and charges, net	(22.259)	8.538	(13.721)	**(3)**
200.	Value (adjustments)/write-backs to property plant and equipment	(25.254)	(1.219)	(26.473)	**(7)**
210.	Value (adjustments)/write-backs to intangible assets	(16.699)		(16.699)	
220.	Other operating (expense)/income	101.296	(106.437)	(5.141)	**(2),(6)**
230.	**Operating costs**	**(569.972)**	**(63.348)**	**(633.320)**	
240.	Gains/(Losses) from equity investments	54.528		54.528	
250.	Net result of measurement of property and equipment and intangible assets at fair value	1.451	(1.421)	30	**(7)**
270.	Gains/(Losses) from current operations - net of taxes	2.288		2.288	
280.	**Gains/(Losses) from current operations, including taxes**	**379.695**	**(2.641)**	**377.054**	
290.	Income taxes for the year on current operations	(157.659)	842	(156.817)	**(7)**
300.	**Gains/(Losses) from current operations, net of taxes**	**222.036**	**(1.799)**	**220.237**	
320.	**Net profit/(loss)**	**222.036**	**(1.799)**	**220.237**	
330.	Minority interest net profit/(loss)	(36.629)	222	(36.407)	
340.	**Parent Company net profit /(loss)**	**185.407**	**(1.577)**	**183.830**	

Notes:

(1) reclassification of the intra-group netting related to the former Centro Leasing Group consolidation entries

(2) reclassification of the recovery of current account charges from item 220 to item 40;

(3) reclassification of net appropriations to the staff costs provision from item 190 to item 180 (a);

(4) reclassification of the costs of daily allowances, refunds of expenses and staff training from item 180 (a) to 180 (b);

(5) reclassification of Auditors' remuneration and refunds of expenses from 180 (b) to 180 (a);

(6) reclassification of the recovery of operating costs and contributions for treasury services from item 220 to item 180 (b);

(7) adjustments for changes in the accounting policies for the valuation of investment properties (IAS 40).