

## **Credit risk**

### **Qualitative information**

#### **General aspects**

There is a particular focus in formulating the credit policies of the Group on maintaining an appropriate risk/yield profile and on assuming risks that are consistent with the propensity to risk defined by senior management and, more generally, with the mission of the Group.

Particular attention is also paid to defining guidelines for the treatment of new products with adequate reporting to senior management concerning observance of risk/yield objectives, the calculation of minimum interest rates for granting loans, the quality of borrowers, guarantees received and expected rates of recovery in cases of insolvency.

The orientation of credit policies continues to be one of supporting local economies and the needs of families, businessmen, professionals and small to medium size enterprises. The particular attention paid to maintaining relations established with customers and to developing them as time goes on is one of the strong points of the Group and it helps to eliminate information asymmetries and to strengthen continuity with customer relations in a perspective of long term support.

With regard to the corporate market specific credit policy guidelines have been drawn up to develop the lending portfolio in terms of geographical area, industrial sector and rating class. Credit policies are there to support the distribution network in assessing the attractiveness of business with a view to value creation for specific areas, sectors and counterparties and in evaluating the creditworthiness of counterparties.

Credit policies have been developed on the basis of:

- macroeconomic forecasts which allow risk and expected growth for 2008 to be assessed for different sectors and geographical areas;
- forecasts of growth in lending, from which expected growth rates can be defined for each sub-portfolio, geographical area, sector and rating class;
- a model to optimise the portfolio developed using an EVA approach with the objective of maximising the value created on the corporate market, while observing the constraints applied to maintain high asset quality and an acceptable risk profile for loans.

Action was also taken with regard to credit policies to define operational rules for very short term transactions and for medium and long term business by using pricing sensitivity indicators, given the increase in the cost of funding that has occurred.

Credit policies are implemented in the distribution network by means of:

- loan assessment procedures which are made simpler for counterparties belonging to attractive clusters and through targeted marketing campaigns;
- initiatives designed to contain risk profiles and limit the negative impact on value creation in the corporate portfolio (corrective pricing action/acquiring guarantees/revision of credit lines) for counterparties belonging to unattractive clusters.

#### **Policies for the management of credit risk**

##### **Organisational aspects**

The organisational model on which the units which manage credit activity is based is as follows:

- Parent Bank units for centralised monitoring and co-ordination;
- the General Managements of banks and subsidiary undertakings, to which the following report:
  - ✓ Credit Departments,
  - ✓ local loan approval centres;
  - ✓ branches;

- ✓ corporate banking units (CBUs),
- ✓ private banking units (PBUs).

The characteristics of that organisational model not only ensure strong standardisation between the units of the Parent Bank and the corresponding units in the network banks, with consequent linearity in the processes and the optimisation of information flows, but they also provide a clear separation between commercial and credit functions. Loan granting activity is also differentiated by customer segment (retail/private and corporate) and specialised by the status of the loan: “performing” (managed by retail and corporate lending units) and problem (managed by non performing loan units).

Furthermore, the introduction of decentralised Local Approval Centres (LACs) in the banking area to support retail branches and units for private banking customers guarantees effective co-ordination and liaison between different units operating on the various markets.

The Parent Bank oversees policy management, overall portfolio monitoring, the refinement of assessment systems, problem loan management and compliance with regulations through the Credit Area, the Strategy and Control Area, the Debt Collection Area and the Parent Bank and Group Audit functions.

For all those (individual companies or groups) entities with authorised credit from banks and companies in the Group (including risk activities involving issuer and related risks) which totals more than 50 million euro, the Parent Bank must set an operational limit which is the maximum credit that may be authorised for the counterparty at UBI Group level. The Management Board of the Parent Bank is responsible for granting, changing and renewing operational limits on the proposal of the UBI Credit Area after first consulting the UBI Credit Committee.

The banks and companies of the Group must also request a prior, consultative, non binding opinion from the Parent Bank to authorise credit above a predetermined amount. It is the Parent Bank’s duty to assess whether it is consistent with the strategic credit policies of the Group, according to the criteria and parameters laid down in the credit authorisation regulations of the Group. A prior opinion is not required for credit authorisations for single counterparties or groups of companies which fall within the operational limits that have been set. The following banks in the UBI Group are exempt from the obligation of requesting the prior opinion just mentioned from the Parent Bank: Banca Popolare di Bergamo, Banco di Brescia e Banca Regionale Europea. For these banks the management and monitoring of credit risk by the Parent Bank are guaranteed by the definition of operational limits only.

In consideration of the specific federal organisation of the UBI Group, the Parent Bank decided to adopt a “focused” model for the management of customers common to more than one network bank on the basis of which, briefly:

- decisions relating to credit risk management, pricing and the formulation of commercial policies for customers common to two or more banks are centred on a lead bank, termed the pivot bank, thereby avoiding the generation of a decrease in the overall profitability on the counterparty;
- pivot banks abstain from opening new accounts and/or from granting new credit facilities.

A pivot bank may therefore be defined as the bank which has the best chances, with its own business units, of arranging new business or intensifying existing business with the customer in common, in order to draw the greatest possible benefit for the whole banking group. It therefore directs the other banks involved with regard to the most appropriate conduct to follow to improve business with the customer as a whole.

The various organisational units by which banks and product companies operate perform credit and commercial activities and also hold responsibility for monitoring both the activity they perform directly and that performed by those units which report to them. More specifically, responsibility for managing and monitoring performing loans lies in the first instance with the account managers who handle daily relations with customers and who have an immediate perception of any deterioration in credit quality. Nevertheless all employees of Group member companies are required to promptly report all information that might allow difficulties to be identified at an early stage or which might recommend different ways of managing accounts, by participating *de facto* in the monitoring process.

In the second instance, the organisational units responsible for monitoring credit risk are the Credit Quality Management and Monitoring units, which perform monitoring, supervision and analysis of performing positions on both a case by case and a collective basis, where the intensity and degree of detail of the analysis is a function of the risk class attributed to the counterparties and the seriousness of the performance problems. This unit may decide, independently of loan approval procedures, even on its own initiative, when it is the case and within the limits of its responsibilities, to change the classification of loan items to a more serious status. A unit of this type also exists within the Credit Area of UBI Banca, with responsibilities for: co-ordination and the formulation of guidelines; monitoring the credit portfolio; overseeing the development of monitoring instruments; monitoring credit policies; reporting to senior management.

Finally the Risk Management and Risk Capital & Policies areas operate within the Strategy and Control Macro Area.

The Credit Risk Service operates within the Risk Management Area and performs the following:

- it defines, in co-operation with the Methods and Models Service, Group criteria and methods for the development of internal rating models – probability of default (PD), loss given default (LGD), and exposure at default (EAD) – in line with regulatory requirements and best practices.
- it works, in co-operation with the Rating Desk and the Large Corporate Rating units on the Area Credit staff, on the definition of methods for assigning counterparty ratings.
- it produces periodical analyses which illustrate the risk profile of the total lending portfolio and the commercial sub-portofoli at Group level and at the level of individual legal entities, in terms of distribution by rating class and concentration in the largest customers.
- it develops methods, in co-operation with the Tax and Administration Area, for calculating collective provisions to be recognised in the accounts on the basis of internal loan deterioration rates;
- it calculates loan deterioration rates for the Group and for individual legal entities comparable with rates for the sector as a whole published quarterly by the Bank of Italy;
- it works, in co-operation with the Risk Capital & Policies and the Commercial areas, to define the inputs for product pricing activities.

Furthermore the Credit Risk Service plays a key role within the Basel 2 project:

- it formulates guidelines on credit risk matters generally and also with regard to periodical reporting to the Supervisory Authority;
- it draws up roll-out plans for models implemented in the Parent Bank;
- it co-ordinates activities for the development and maintenance of rating processes and systems.

Within the Risk Capital and Policies Area, the Credit Portfolio Policies and Pricing Service defines policies for the assumption and management of credit risk and, in co-operation with the other areas concerned, strategies for the development of the lending portfolio. It co-ordinates activities for the operational implementation of policies, the assumption and management of risk at Group level and it periodically monitors the consistency of these with Group operations and proposes corrective action if necessary. It monitors the implementation of credit policies in co-operation with the Commercial Macro Area with a view to the creation of value within commercial processes. It defines in detail and undertakes active credit portfolio management action designed to optimise the creation of value on the loan portfolio and also takes initiatives to mitigate, monitor and transfer credit risk (e.g. securitisations), assessing the impact on economic capital and on supervisory capital requirements.

Finally, it defines, in co-operation with the Credit and Commercial Area, ways of assessing performances and counterparties in terms of value creation and also criteria concerning the appropriateness of pricing in relation to risk, in line with the general value creation model defined by the Capital Management Service. As concerns the production and distribution of products which involve the assumption of credit risk by Group member companies, it formulates appropriate methods for carrying out “intragroup pricing” and it participates, together with the Commercial Macro Area, in defining the relative convention agreements.

### ***Management, measurement and control systems***

When the UBI Group was formed, the two banking groups of which it was composed each had their own rating and credit monitoring instruments. A process of convergence took place during the year which resulted in two fundamental and strictly interrelated choices being made:

- the choice of the target IT platform, which was that in use at the former BLP Group, with appropriate additions of software applications from the former BPU where these constituted best practices;
- the choice of internal rating systems to be used on the target IT platform and to be then validated by the Bank of Italy for Basel 2.

The instrument chosen for monitoring credit was that in use at the former BLP Group, which is integrated within the internal rating model. Developments to it are planned including the replication of functions present in former BPU instruments in order to reinforce second line risk monitoring and management.

As concerns rating models the following were chosen for adoption in all the Group's network banks following the IT system migrations:

- the former BLP models for retail (private individuals and businesses) and corporate counterparties, already implemented in the IT system, which will be refined with evolved maintenance in 2008;
- the model in use in the former BPU for large counterparties (major borrowers).

Particularly intense activity was also performed in 2007 to revise, update and adopt policies and regulations for credit risk management.

More specifically, an institutional counterparty and country risk policy was adopted which sets out rules and principles for managing credit to resident and non resident institutional customers and also to ordinary customers in countries at risk. This set of regulations is designed to guarantee adequate management of the entire process of assessment, approval, disbursement, management, monitoring and collection of loans. More specifically the policy contains strategic guidelines for Group operations in that segment: the UBI Group has become sufficiently large in terms of the total institutional counterparty loan portfolio in terms of the number and amount of the individual transactions that it was considered advisable to select and direct lending to major financial counterparties in order to minimise the risks assumed (credit and operational). The international component of the distribution network and the need to maintain an adequate rating to satisfy Group funding requirements on global markets under favourable conditions mean that it is necessary to operate following a logic and practices and with contracts appropriate to the standing and size that the Group has reached. Compliance with Basel 2 requirements on risk concentration make it necessary to set proper regulations in place for country risk and to set total limits in order to maintain an adequate risk yield profile on the portfolio of loans to institutional counterparties and those subject to country risk and also to prevent undesirable concentration effects. Finally, the essentially commercial vocation of the Group requires some corrections to be made with respect to what has been said with specific reference to business with institutional counterparties and countries induced by and performed to support ordinary corporate clients with import and export activities on global markets.

The particular attention paid to the subprime mortgage segment caused by recent events on the American market in particular and the perception of greater risks for business in the mortgage sector has recommended a specific focus on Group controls and the formulation of a policy to regulate procedures for the use of external distribution networks for the acquisition of mortgage business from non captive customers. It is in fact considered that this method of distributing mortgage loan products increases the probability of potential credit risk, operational risks and reputation risks arising for the Group.

As concerns credit risk, the UBI Group currently presents no particular problems because the internal rating system and credit processes lead to the in-depth analysis of all possible signals of credit problems received from counterparties, which produce "negative outcome" or "high risk" results whenever particularly irregular past histories are encountered both internally and at banking sector level (e.g. evidence of protested bills, adverse court rulings, unpaid instalments, impaired or non performing status of loans, etc.).

In order to contain other types of risk (operational and reputation), part of risk policy includes guidelines and rules for agreements with mortgage distribution networks, which govern the approval of the networks employed, the characteristics of the products and loan disbursement processes with the details built into each individual agreement.

Finally a risk concentration policy was defined for exposures at Group level in order to limit the risk of instability due to loans of significant amounts to major borrowers. In detail, different levels of limits are employed, formulated according to the size of the total credit authorised, to the supervisory capital and to internal ratings, with the possibility of the limits being increased for specific operations (guarantees) and for specific types of counterparty.

### ***Techniques for mitigating credit risk***

The Group employs risk mitigation techniques typically used in the banking sector by acquiring security such as properties and financial instruments as well as personal guarantees from counterparties for some types of loan.

Determination of the total amount of credit that can be granted to a given customer and/or group of companies to which the customer belongs takes account of special criteria for assigning weightings to the different categories of risk and to guarantees. Prudential "haircuts" are applied to the estimated value of collateral depending on the type of security (mortgages on properties and pledges on money or other financial instruments).

The credit risk group working as part of the Basel 2 project completed the first phase of the credit risk mitigation project for the former BPU companies and banks with the identification of gaps and guidelines and work was started to eliminate gaps with the assistance of external specialists firms. The recovery of prior year information on mortgage guarantees is of particular importance for compliance when the first report to the supervisory authority is performed. More generally action was set in motion to verify compliance for all forms of guarantee managed by the UBI Group, in both former BPU and former BLP banks and companies.

### ***Impaired financial assets***

The classification of the problem loan portfolio complies with supervisory regulations and can be summarised as follows:

- in arrears continuously for more than 180 days;
- restructured positions;
- impaired loans;
- non performing loans.

In addition to those classes, there remains a type of problem loan in respect of "country risk" for unsecured exposures to institutional and ordinary customers belonging to countries considered as "at risk" as defined by the supervisory authority.

With regard to "impaired" loans, in order to optimise management and solely for operational purposes, these are divided into positions for which it is considered that the temporary situation of objective difficulty can be overcome in a very short period of time (normally 9 months, extendable, under exceptional circumstances for another three) defined as "operationally impaired loans" and the remaining positions for which it is felt best to disengage from the account with debt collection out of court over a longer period of time. Additionally, loans "continuously in arrears for more than 180 days" are subject to controls to decide whether to reclassify them as either "performing" or in another non performing loan class within a maximum operational time limit of 60 days.

The management of problem loans is performed on the basis of the level of risk: it is performed by the organisational units for the management of problem loans of individual banks for "loans continuously in arrears for more than 180 days", for "operationally impaired loans" and "restructured loans", while they are managed by the Debt Collection Area of the Parent Bank for "impaired" and "non performing" positions, where in fact the completion of the process of centralising the management of these problem loans is scheduled for the first quarter 2008.

Assessment of the appropriateness of impairment recognised is performed on a case by case basis for individual positions to ensure adequate levels of cover for expected losses.

The analysis of impaired exposures is performed continuously by the single operational units which manage risks and by the Parent Bank.

The resolution of difficulties by counterparties is a determining factor for the return of positions to “performing” status. This event occurs principally and above all for accounts which are “continuously in arrears for more than 180 days” and for “operationally impaired” loans.

## Quantitative information

### A. Credit quality

#### A.1 Impaired and performing exposures: amounts, impairment losses, dynamics, economic and geographical distribution

##### A.1.1 Distribution of financial assets by portfolio and according to credit quality (carrying values)

Portfolios/Quality	Banking group						Other companies		Total
	Non performing loans	Impaired loans	Restructured exposures	Past due exposures	Country risk	Other assets	Impaired	Other	
1. Financial assets held for trading	5	243	4	303	331.766	2.915.204	-	564.055	3.811.580
2. Available-for-sale financial assets	-	-	94	-	-	3.251.706	-	2.477.203	5.729.003
3. Held-to-maturity financial assets	-	-	-	-	-	1.254.520	-	-	1.254.520
4. Loans to banks	61	-	-	-	15.409	3.846.090	-	46.002	3.907.562
5. Loans to customers	690.029	745.019	81.575	132.306	9.817	90.253.813	22.800	793.680	92.729.039
6. Financial assets at fair value	-	-	-	-	125.799	1.207.787	-	-	1.333.586
7. Financial assets held for disposal	-	-	-	-	-	13.205	-	-	13.205
8. Hedging derivatives	-	-	-	-	-	261.479	-	-	261.479
<b>31/12/2007</b>	<b>690.095</b>	<b>745.262</b>	<b>81.673</b>	<b>132.609</b>	<b>482.791</b>	<b>103.003.804</b>	<b>22.800</b>	<b>3.880.940</b>	<b>109.039.974</b>
<b>31/12/2006</b>	<b>342.731</b>	<b>449.707</b>	<b>34.421</b>	<b>125.329</b>	<b>13.423</b>	<b>63.889.663</b>	<b>14.487</b>	<b>3.630.939</b>	<b>68.500.700</b>

##### A.1.2 Distribution of financial assets by portfolio and according to credit quality (gross and net values)

Portfolios/Quality	Impaired assets				Other assets			Total (Net exposure)
	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Portfolio impairment	Net exposure	
<b>A. Banking group</b>								
1. Financial assets held for trading	1.900	-	-	1.900	X	X	-	1.900
2. Available-for-sale financial assets	94	-	-	94	3.252.462	(756)	3.251.706	3.251.800
3. Held-to-maturity financial assets	-	-	-	-	1.254.520	-	1.254.520	1.254.520
4. Loans to banks	1.301	(10)	-	1.291	3.860.587	(318)	3.860.269	3.861.560
5. Loans to customers	2.661.030	(983.168)	(17.422)	1.660.440	90.574.303	(322.183)	90.252.120	91.912.560
6. Financial assets at fair value	-	-	-	-	X	X	-	-
7. Financial assets held for disposal	-	-	-	-	13.205	-	13.205	13.205
8. Hedging derivatives	-	-	-	-	X	X	-	-
<b>Total A</b>	<b>2.664.325</b>	<b>(983.178)</b>	<b>(17.422)</b>	<b>1.663.725</b>	<b>98.955.077</b>	<b>(323.257)</b>	<b>98.631.820</b>	<b>100.295.545</b>
<b>B. Other consolidated undertakings</b>								
1. Financial assets held for trading	-	-	-	-	X	X	-	-
2. Available-for-sale financial assets	-	-	-	-	2.477.203	-	2.477.203	2.477.203
3. Held-to-maturity financial assets	-	-	-	-	-	-	-	-
4. Loans to banks	-	-	-	-	46.002	-	46.002	46.002
5. Loans to customers	26.425	(3.366)	(119)	22.940	794.149	(609)	793.540	816.480
6. Financial assets at fair value	-	-	-	-	X	X	-	-
7. Financial assets held for disposal	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	X	X	-	-
<b>Total B</b>	<b>26.425</b>	<b>(3.366)</b>	<b>(119)</b>	<b>22.940</b>	<b>3.317.354</b>	<b>(609)</b>	<b>3.316.745</b>	<b>3.339.685</b>
<b>31/12/2007</b>	<b>2.690.750</b>	<b>(986.544)</b>	<b>(17.541)</b>	<b>1.686.665</b>	<b>102.272.431</b>	<b>(323.866)</b>	<b>101.948.565</b>	<b>103.635.230</b>
<b>31/12/2006</b>	<b>1.574.290</b>	<b>(606.050)</b>	<b>(1.565)</b>	<b>966.675</b>	<b>59.101.412</b>	<b>(124.864)</b>	<b>67.534.025</b>	<b>68.500.700</b>

### A.1.3 On- and off-balance sheet exposures to banks: gross and net amounts

Type of exposure/values	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
<b>A. ON BALANCE SHEET</b>				
<b>A.1. Banking group</b>				
a) Non performing loans	72	(10)	-	62
b) Impaired loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	26.567	X	(134)	26.433
f) Other assets	5.825.416	X	(182)	5.825.234
<b>Total A.1</b>	<b>5.852.055</b>	<b>(10)</b>	<b>(316)</b>	<b>5.851.729</b>
<b>A.2 Other companies</b>				
a) Impaired	-	-	-	-
b) Other	603.375	X	-	603.375
<b>Total A.2</b>	<b>603.375</b>	<b>-</b>	<b>-</b>	<b>603.375</b>
<b>TOTAL A</b>	<b>6.455.430</b>	<b>(10)</b>	<b>(316)</b>	<b>6.455.104</b>
<b>B. OFF-BALANCE SHEET</b>				
<b>B.1 Banking group</b>				
a) Impaired	-	-	-	-
b) Other	5.979.490	X	(70)	5.979.420
<b>Total B.1</b>	<b>5.979.490</b>	<b>-</b>	<b>(70)</b>	<b>5.979.420</b>
<b>B.2 Other companies</b>				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
<b>Total B.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL B</b>	<b>5.979.490</b>	<b>-</b>	<b>(70)</b>	<b>5.979.420</b>

### A.1.4 Exposures for loans to banks: changes in gross impaired exposures and those subject to "country risk"

Description/categories	Non performing loans	Impaired loans	Restructured exposures	Past due exposures	Country risk
<b>A. Initial gross exposure</b>	<b>53</b>	<b>2</b>	-	-	<b>3.830</b>
- of which: exposures transferred not derecognised	-	-	-	-	-
<b>B. Increases</b>	<b>22</b>	-	-	-	<b>25.206</b>
B.1 transfers from performing exposures	-	-	-	-	6.935
B.2 transfers from other categories of impaired exposures	-	-	-	-	-
B.3 other increases	22	-	-	-	18.271
- changes for business combination transactions	22	-	-	-	90
- other changes	-	-	-	-	18.181
<b>C. Decreases</b>	<b>(3)</b>	<b>(2)</b>	-	-	<b>(2.469)</b>
C.1 transfers to performing exposures	-	-	-	-	-
C.2 write-offs	(3)	-	-	-	-
C.3 payments received	-	(2)	-	-	(2.132)
C.4 from disposals	-	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	-	-	-	-
C.6 other decreases	-	-	-	-	(337)
- changes for business combination transactions	-	-	-	-	-
- other changes	-	-	-	-	(337)
<b>D. Final gross exposure</b>	<b>72</b>	-	-	-	<b>26.567</b>
- of which: exposures transferred not derecognised	-	-	-	-	-

### A.1.5 On-balance sheet exposures to banks: changes in total net impairment losses

Description/categories	Non performing loans	Impaired loans	Restructured exposures	Past due exposures	Country risk
<b>A. Total initial net impairment</b>	<b>(14)</b>	<b>(2)</b>	-	-	<b>(5)</b>
- of which: exposures transferred not derecognised	-	-	-	-	-
<b>B. Increases</b>	<b>(2)</b>	-	-	-	<b>(133)</b>
B.1 impairment losses	-	-	-	-	(132)
B.2 transfers from other categories of impaired exposures	-	-	-	-	-
B.3 other increases	(2)	-	-	-	(1)
- changes for business combination transactions	(2)	-	-	-	(1)
- other changes	-	-	-	-	-
<b>C. Decreases</b>	<b>6</b>	<b>2</b>	-	-	<b>4</b>
C.1 write-backs as a result of valuation	3	-	-	-	3
C.2 write-backs for payments received	-	2	-	-	1
C.3 write-offs	3	-	-	-	-
C.4 transfers to other categories of impaired exposures	-	-	-	-	-
C.5 other decreases	-	-	-	-	-
- changes for business combination transactions	-	-	-	-	-
- other changes	-	-	-	-	-
<b>D. Total final net impairment</b>	<b>(10)</b>	-	-	-	<b>(134)</b>
- of which: exposures transferred not derecognised	-	-	-	-	-

### A.1.6 On- and off-balance sheet exposures to customers: gross and net amounts

Type of exposure/values	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
<b>A. ON BALANCE SHEET</b>				
<b>A.1 Banking group</b>				
a) Non performing loans	1.508.524	(818.411)	(79)	690.034
b) Impaired loans	895.118	(138.996)	(11.094)	745.028
c) Restructured exposures	97.695	(16.017)	(6)	81.672
d) Past due exposures	145.651	(7.041)	(6.244)	132.366
e) Country risk	456.626	X	(269)	456.357
f) Other assets	96.583.597	X	(334.970)	96.248.627
<b>Total A.1</b>	<b>99.687.211</b>	<b>(980.465)</b>	<b>(352.662)</b>	<b>98.354.084</b>
<b>A.2 Other companies</b>				
a) Impaired	25.861	(2.942)	(119)	22.800
b) Other	3.277.206	X	(604)	3.276.602
<b>Total A.2</b>	<b>3.303.067</b>	<b>(2.942)</b>	<b>(723)</b>	<b>3.299.402</b>
<b>TOTAL A</b>	<b>100.450.202</b>	<b>(983.407)</b>	<b>(353.385)</b>	<b>101.653.486</b>
<b>B. OFF-BALANCE SHEET</b>				
<b>B.1 Banking group</b>				
a) Impaired	38.433	(4.613)	(3)	33.817
b) Other	15.277.863	X	(22.280)	15.255.583
<b>Total B.1</b>	<b>15.316.296</b>	<b>(4.613)</b>	<b>(22.283)</b>	<b>15.289.400</b>
<b>B.1 Other companies</b>				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
<b>Total B.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL B</b>	<b>15.316.296</b>	<b>(4.613)</b>	<b>(22.283)</b>	<b>15.289.400</b>



### A.1.7 On-balance sheet exposures to customers: changes in gross impaired exposures and those subject to “country risk”

Description/categories	Non performing loans	Impaired loans	Restructured exposures	Past due exposures	Country risk
<b>A. Initial gross exposure</b>	<b>826.240</b>	<b>560.168</b>	<b>49.760</b>	<b>136.946</b>	<b>9.742</b>
- of which: exposures transferred not derecognised	-	-	-	-	-
<b>B. Increases</b>	<b>1.195.453</b>	<b>1.070.139</b>	<b>167.658</b>	<b>257.915</b>	<b>453.554</b>
B.1 transfers from performing exposures	326.557	540.253	7.450	215.249	-
B.2 transfers from other categories of impaired exposures	311.145	99.458	22.640	2.643	-
B.3 other increases	557.751	430.428	137.568	40.023	453.554
- changes for business combination transactions	430.492	240.866	41.995	22.839	298
- other changes	127.259	189.562	95.573	17.184	453.256
<b>C. Decreases</b>	<b>(501.915)</b>	<b>(724.606)</b>	<b>(119.723)</b>	<b>(245.186)</b>	<b>(6.670)</b>
C.1 transfers to performing exposures	(11.895)	(141.871)	(6.138)	(79.984)	-
C.2 write-offs	(208.679)	(2.972)	(9)	(37)	-
C.3 payments received	(212.219)	(166.707)	(107.326)	(33.451)	(6.141)
C.4 from disposals	(44.500)	(11.912)	-	-	-
C.5 transfers to other categories of impaired exposures	(829)	(311.522)	(4.920)	(118.615)	-
C.6 other decreases	(23.793)	(89.622)	(1.330)	(13.099)	(529)
- changes for business combination transactions	-	-	-	-	-
- other changes	(23.793)	(89.622)	(1.330)	(13.099)	(529)
<b>D. Final gross exposure</b>	<b>1.519.778</b>	<b>905.701</b>	<b>97.695</b>	<b>149.675</b>	<b>456.626</b>
- of which: exposures transferred not derecognised	4.492	22.875	-	-	-

### A.1.8 On-balance sheet exposures to customers: changes in total net impairment losses

Description/categories	Non performing loans	Impaired loans	Restructured exposures	Past due exposures	Country risk
<b>A. Total initial net impairment</b>	<b>(478.237)</b>	<b>(107.285)</b>	<b>(15.339)</b>	<b>(5.617)</b>	<b>(144)</b>
- of which: exposures transferred not derecognised	-	-	-	-	-
<b>B. Increases</b>	<b>(663.179)</b>	<b>(147.424)</b>	<b>(7.263)</b>	<b>(13.824)</b>	<b>(221)</b>
B.1 impairment losses	(301.856)	(81.080)	(2.060)	(8.221)	(205)
B.2 transfers from other categories of impaired exposures	(57.620)	(2.255)	(1.078)	(570)	-
B.3 other increases	(303.703)	(64.089)	(4.125)	(5.033)	(16)
- changes for business combination transactions	(219.683)	(53.271)	(4.125)	(4.261)	(11)
- other changes	(84.020)	(10.818)	-	(772)	(5)
<b>C. Decreases</b>	<b>320.796</b>	<b>103.809</b>	<b>6.580</b>	<b>6.035</b>	<b>96</b>
C.1 write-backs as a result of valuation	33.837	5.207	3.875	587	30
C.2 write-backs for payments received	46.637	23.930	1.037	1.301	66
C.3 write-offs	208.711	2.952	27	7	-
C.4 transfers to other categories of impaired exposures	64	57.934	1.323	2.202	-
C.5 other decreases	31.547	13.786	318	1.938	-
- changes for business combination transactions	-	-	-	-	-
- other changes	31.547	13.786	318	1.938	-
<b>D. Total final net impairment</b>	<b>(820.620)</b>	<b>(150.900)</b>	<b>(16.022)</b>	<b>(13.406)</b>	<b>(269)</b>
- of which: exposures transferred not derecognised	(2.244)	(777)	-	-	-

## A.2 Classification of exposures on the basis of external and internal rating

### A.2.1. Distribution of on- and off-balance sheet exposures by class of external rating (carrying values)

Exposures	External rating classes						With no rating	Total
	AAA/AA-	A+/A-	BBB+/BB-	BB+/BB-	B+/B-	Lower than B-		
<b>A. On balance sheet exposures</b>	<b>5.245.585</b>	<b>2.449.881</b>	<b>960.903</b>	<b>73.071</b>	<b>3</b>	<b>-</b>	<b>99.379.146</b>	<b>108.108.589</b>
<b>B. Derivatives</b>	<b>108.890</b>	<b>190.188</b>	<b>29.869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>587.289</b>	<b>916.236</b>
B.1 Financial derivatives	108.890	190.188	29.869	-	-	-	587.289	916.236
B.2 Credit derivatives	-	-	-	-	-	-	-	-
<b>C. Guarantees granted</b>	<b>57.610</b>	<b>742.097</b>	<b>59.232</b>	<b>3.333</b>	<b>1.211</b>	<b>-</b>	<b>7.345.566</b>	<b>8.209.049</b>
<b>D. Commitments to grant funds</b>	<b>215.147</b>	<b>10.068</b>	<b>161.087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.970.848</b>	<b>7.357.150</b>
<b>Total</b>	<b>5.627.232</b>	<b>3.392.234</b>	<b>1.211.091</b>	<b>76.404</b>	<b>1.214</b>	<b>-</b>	<b>114.282.849</b>	<b>124.591.024</b>

**A.2.2. Distribution of on- and off-balance sheet exposures by class of internal rating (carrying values)**

CONSOLIDATED	INTERNAL RATINGS - MASTER SCALE																
	SM1	SM2	SM3	SM4	SM5	SM6	SM7	SM8	SM9	SM10	SM11	SM12	SM13	SM14	SM15	UNRATED	TOTAL
<b>A. On balance sheet exposures</b>	212.541	1.314.978	3.625.198	9.341.646	6.625.108	6.366.901	7.184.539	5.450.389	5.284.663	5.555.508	4.741.206	2.931.981	773.553	844.063	351.631	47.504.684	<b>108.108.589</b>
<b>B. Derivatives</b>	-	-	-	-	13	1.098	-	-	68	263	-	10	-	-	-	914.784	<b>916.236</b>
B.1 Financial derivatives	-	-	-	-	13	1.098	-	-	68	263	-	10	-	-	-	914.784	<b>916.236</b>
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>C. Guarantees granted</b>	-	63.372	167.034	623.418	205.189	463.152	232.892	147.384	283.068	66.115	104.188	70.871	8.501	10.383	1.900	5.761.582	<b>8.209.049</b>
<b>D. Commitments to grant funds</b>	-	-	125.856	201.683	57.160	122.090	239.165	60.811	143.459	122.145	127.350	71.718	22.552	17.735	1.488	6.043.938	<b>7.357.150</b>
<b>Total</b>	<b>212.541</b>	<b>1.378.350</b>	<b>3.918.088</b>	<b>10.166.747</b>	<b>6.887.470</b>	<b>6.953.241</b>	<b>7.656.596</b>	<b>5.658.584</b>	<b>5.711.258</b>	<b>5.744.031</b>	<b>4.972.744</b>	<b>3.074.580</b>	<b>804.606</b>	<b>872.181</b>	<b>355.019</b>	<b>60.224.988</b>	<b>124.591.024</b>

The rating classes are presented in decreasing order of creditworthiness: the best creditworthiness is class SM1; the worst creditworthiness is class SM15.

The distribution gives exposures to the ordinary customers of the network banks and of Centrobanca assigned internal ratings for which rating cover is approximately 93%. The organic extension of rating systems to the Group product companies is programmed as part of the Basel 2 roll-out plan to be performed over a longer time horizon than the higher priority assigned for the adoption of advanced methods on the “core perimeter” of the network banks. Exposures without ratings include those towards banks, insurance companies and public administrations, for whom the development of an internal rating system is not considered a high priority given the low level of risk attaching to them.

The method employed for the presentation consisted of aggregating the distributions obtained with the different rating systems available into a single structure of probability of default bands, termed the “master scale”. This presentation is particularly useful because it allows a comparison between and the aggregation of rating class distributions resulting from rating systems developed for different portfolios, provided a measurement for probability of default is available. It is for this reason that exposures covered by the specialised lending model are not considered for which, in compliance with the recommendations of the New Accord on Capital, no output in terms of probability of default is furnished.

### A.3 Distribution of guaranteed exposures by type of guarantee

#### A.3.1 On-balance sheet guaranteed/secured exposures to banks and to customers

	Amount of exposure	Secured (1)			Personal guarantees (2)								Total (1)+(2)	
		Properties	Securities	Other assets	Credit derivatives				Guaranteed loans					
					Governments	Other public authorities	Banks	Other	Governments	Other public authorities	Banks	Other		
<i>1. Guaranteed/secured exposures towards banks:</i>														
1.1. fully guaranteed/secured	26.890	-	27.603	-	-	-	-	-	-	686	36	-	170	28.495
1.2. partially guaranteed/secured	3.834.501	856.526	2.956.868	-	-	-	-	-	-	-	-	-	-	3.813.394
<i>2. Guaranteed/secured exposures towards customers:</i>														
1.1. fully guaranteed/secured	28.140.840	46.748.316	1.553.855	1.789.650	-	-	-	-	-	-	78.215	1.379.829	38.676.815	90.226.680
1.2. partially guaranteed/secured	650.384	491.037	1.026.802	308.874	-	-	-	-	-	-	7.442	95.806	968.852	2.898.813

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

	Amount of exposure	Secured (1)			Personal guarantees (2)								Total (1)+(2)	
		Properties	Securities	Other assets	Credit derivatives				Guaranteed loans					
					Governments	Other public authorities	Banks	Other	Governments	Other public authorities	Banks	Other		
<i>1. Guaranteed/secured exposures towards banks</i>														
1.1. fully guaranteed/secured	65.990	-	-	65.990	-	-	-	-	-	-	-	-	-	65.990
1.2. partially guaranteed/secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>2. Guaranteed/secured exposures towards customers</i>														
1.1. fully guaranteed/secured	3.920.988	2.862.688	212.642	128.272	-	-	-	-	-	-	6.332	314.761	3.711.270	7.235.965
1.2. partially guaranteed/secured	1.415.176	42.453	99.518	21.931	-	-	-	-	-	-	-	91.162	80.677	335.741

### A.3.3 On-balance sheet impaired guaranteed/secured exposures to banks and to customers

	Amount of exposure	Amount guaranteed/secured	Guaranteed/secured (fair value)																	Total	Surplus over fair value of guarantee/security	
			Secured			Personal guarantees																
			Properties	Securities	Other assets	Credit derivatives							Guaranteed loans									
						Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non financial companies	Other	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non financial companies	Other			
<i>1. Guaranteed/secured exposures towards banks:</i>																						
1.1 more than 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.2 from 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.3 from 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.4 up to 50%	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>2. Guaranteed/secured exposures towards customers:</i>																						
2.1 more than 150%	580.357	2.473.100	1.338.067	20.028	13.271	-	-	-	-	-	-	-	-	-	43	9.125	66.746	7.328	159.659	1.747.646	3.361.913	624.311
2.2 from 100% to 150%	26.501	255.420	105.195	9.740	58.236	-	-	50	-	-	-	-	43.899	-	-	374	6.007	157	13	145.885	369.556	6.415
2.3 from 50% to 100%	105.059	247.617	1.387	8.237	349	-	-	-	-	-	-	-	-	-	133	3.463	7.133	31	4.270	226.418	251.421	19.345
2.4 up to 50%	148.067	9.803	1.151	1.462	527	-	-	-	-	-	-	-	-	-	-	15	897	-	285	4.729	9.066	62

### A.3.4 Off-balance sheet guaranteed/secured impaired exposures to banks and to customers

	Amount of exposure	Amount guaranteed/secured	Guaranteed/secured (fair value)																	Total	Surplus over fair value of guarantee/ security			
			Secured			Personal guarantees																		
			Properties	Securities	Other assets	Credit derivatives							Guaranteed loans											
						Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non financial companies	Other	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non financial companies	Other					
<b>1. Guaranteed/secured exposures towards banks:</b>																								
1.1 more than 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 from 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 from 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 up to 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Guaranteed/secured exposures towards customers:</b>																								
2.1 more than 150%	8.054	23.775	9.719	2.495	130	-	-	-	-	-	-	-	-	-	-	324	1.254	-	-	535	27.801	42.258	12.294	-
2.2 from 100% to 150%	2.678	3.546	121	271	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.076	2.177	3.648	66	-
2.3 from 50% to 100%	1.722	1.427	-	232	4	-	-	-	-	-	-	-	-	-	-	390	-	-	-	-	964	1.590	163	-
2.4 up to 50%	8.896	603	-	4	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	587	602	-	-

## B. Distribution and concentration of credit

### B.1 Distribution by business sector of on- and off-balance sheet exposures to customers

Exposure/Counterparties	Governments and Central Banks				Other public authorities				Financial companies				Insurance companies				Non financial companies				Other			
	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
<b>A. On balance sheet exposures</b>																								
A.1 Non performing loans	33	-	-	33	1	-	-	1	17.680	(13.163)	-	4.517	129	(40)	-	89	907.113	(458.552)	-	448.561	583.568	(346.656)	(79)	236.833
A.2 Impaired loans	-	-	-	-	1.988	(117)	-	1.871	23.404	(8.590)	-	14.814	-	-	-	533.459	(83.971)	(301)	449.187	336.267	(46.318)	(10.793)	279.156	
A.3 Restructured exposures	-	-	-	-	-	-	-	-	6.150	(1.124)	-	5.026	-	-	-	84.179	(11.283)	(6)	72.890	7.366	(3.610)	-	3.756	
A.4 Past due exposures	-	-	-	-	34	(1)	-	33	560	(29)	-	531	-	-	-	72.631	(2.743)	(496)	69.392	72.426	(4.268)	(5.748)	62.410	
A.5 Other exposures	3.389.022	X	(75)	3.388.947	843.453	X	(199)	843.254	9.417.880	X	(19.829)	9.398.051	1.257.938	X	-	1.257.938	52.511.800	X	(211.873)	52.299.927	29.620.130	X	(103.263)	29.516.867
<b>TOTAL</b>	<b>3.389.055</b>	<b>-</b>	<b>(75)</b>	<b>3.388.980</b>	<b>845.476</b>	<b>(118)</b>	<b>(199)</b>	<b>845.159</b>	<b>9.465.674</b>	<b>(22.906)</b>	<b>(19.829)</b>	<b>9.422.939</b>	<b>1.258.067</b>	<b>(40)</b>	<b>-</b>	<b>1.258.027</b>	<b>54.109.182</b>	<b>(556.549)</b>	<b>(212.676)</b>	<b>53.339.957</b>	<b>30.619.757</b>	<b>(400.852)</b>	<b>(119.883)</b>	<b>30.099.022</b>
<b>B. Off-balance sheet exposures</b>																								
B.1 Non performing loans	-	-	-	-	-	-	-	-	23	-	-	23	-	-	-	11.945	(3.467)	(3)	8.475	497	(97)	-	400	
B.2 Impaired loans	-	-	-	-	-	-	-	-	366	-	-	366	-	-	-	13.521	(469)	-	13.052	2.078	(61)	-	2.017	
B.3 Other impaired assets	-	-	-	-	-	-	-	-	121	-	-	121	-	-	-	9.093	(505)	-	8.588	789	(14)	-	775	
B.4 Other exposures	324.728	X	-	324.728	519.189	X	(620)	518.569	1.785.342	X	(77)	1.785.265	56.169	X	-	56.169	11.799.888	X	(19.896)	11.779.992	792.547	X	(1.687)	790.860
<b>TOTAL</b>	<b>324.728</b>	<b>-</b>	<b>-</b>	<b>324.728</b>	<b>519.189</b>	<b>-</b>	<b>(620)</b>	<b>518.569</b>	<b>1.785.852</b>	<b>-</b>	<b>(77)</b>	<b>1.785.275</b>	<b>56.169</b>	<b>-</b>	<b>-</b>	<b>56.169</b>	<b>11.834.447</b>	<b>(4.441)</b>	<b>(19.899)</b>	<b>11.810.107</b>	<b>795.911</b>	<b>(172)</b>	<b>(1.687)</b>	<b>794.052</b>
31/12/2007	3.713.783	-	(75)	3.713.708	1.364.665	(118)	(819)	1.363.728	11.251.826	(22.906)	(19.906)	11.208.714	1.314.236	(40)	-	1.314.196	65.943.629	(560.990)	(232.575)	65.150.064	31.415.668	(401.024)	(121.570)	30.893.074
31/12/2006	2.247.175	(1)	(11)	2.247.163	524.223	(69)	(38)	524.116	10.954.763	(11.348)	(5.512)	10.937.903	5.504.810	(82)	(1)	5.504.727	34.628.316	(380.085)	(96.728)	34.151.503	18.996.714	(215.091)	(32.177)	18.749.446

## B.2 Distribution of loans to non financial companies

Economic sector	31/12/2007
- Other services destined for sale	13.582.243
- Commerce, recovery and repair services	8.776.761
- Construction and public works	7.331.833
- Energy products	2.463.514
- Metal products, excluding machines and means of transport	2.360.386
- Other	17.595.129

## B.3 Geographical distribution of on- and off-balance sheet exposures to customers (carrying amounts)

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
<b>A. On balance sheet exposures</b>										
A.1 Non performing loans	1.497.310	680.896	10.395	8.896	1	-	117	109	701	133
A.2 Impaired loans	882.050	740.930	11.360	3.068	94	89	-	-	1.614	941
A.3 Restructured exposures	96.475	80.648	750	750	-	-	-	-	470	274
A.4 Past due exposures	145.586	132.307	58	54	4	3	-	-	3	2
A.5 Other exposures	92.941.354	92.617.710	2.776.706	2.769.128	1.068.345	1.067.791	4.370	4.297	249.448	246.058
<b>TOTAL</b>	<b>95.562.775</b>	<b>94.252.491</b>	<b>2.799.269</b>	<b>2.781.896</b>	<b>1.068.444</b>	<b>1.067.883</b>	<b>4.487</b>	<b>4.406</b>	<b>252.236</b>	<b>247.408</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Non performing loans	12.464	8.897	-	-	-	-	-	-	-	-
B.2 Impaired loans	15.929	15.388	-	-	-	-	-	-	-	-
B.3 Other impaired assets	10.040	9.532	-	-	-	-	-	-	-	-
B.4 other exposures	14.267.053	14.245.255	801.802	801.331	205.267	205.266	2.319	2.319	1.422	1.412
<b>TOTAL</b>	<b>14.305.486</b>	<b>14.279.072</b>	<b>801.802</b>	<b>801.331</b>	<b>205.267</b>	<b>205.266</b>	<b>2.319</b>	<b>2.319</b>	<b>1.422</b>	<b>1.412</b>
<b>31/12/2007</b>	<b>109.868.261</b>	<b>108.531.563</b>	<b>3.601.071</b>	<b>3.583.227</b>	<b>1.273.711</b>	<b>1.273.149</b>	<b>6.806</b>	<b>6.725</b>	<b>253.658</b>	<b>248.820</b>
<b>31/12/2006</b>	<b>69.583.713</b>	<b>68.858.768</b>	<b>2.298.334</b>	<b>2.284.542</b>	<b>696.346</b>	<b>695.785</b>	<b>2.161</b>	<b>1.673</b>	<b>275.447</b>	<b>274.090</b>

## B.4 Geographical distribution of on- and off-balance sheet exposures to banks

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
<b>A. On balance sheet exposures</b>										
A.1 Non performing loans	22	20	50	42	-	-	-	-	-	-
A.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	4.311.194	35.659.502	1.355.391	1.389.965	85.726	85.707	27.195	27.191	72.113	72.113
<b>TOTAL</b>	<b>4.311.216</b>	<b>35.659.522</b>	<b>1.355.441</b>	<b>1.390.007</b>	<b>85.726</b>	<b>85.707</b>	<b>27.195</b>	<b>27.191</b>	<b>72.113</b>	<b>72.113</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Non performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 other exposures	5.416.287	5.416.261	405.169	405.158	3.424	3.421	33.434	33.408	6.300	6.297
<b>TOTAL</b>	<b>5.416.287</b>	<b>5.416.261</b>	<b>405.169</b>	<b>405.158</b>	<b>3.424</b>	<b>3.421</b>	<b>33.434</b>	<b>33.408</b>	<b>6.300</b>	<b>6.297</b>
<b>31/12/2007</b>	<b>9.727.503</b>	<b>41.075.783</b>	<b>1.760.610</b>	<b>1.795.165</b>	<b>89.150</b>	<b>89.128</b>	<b>60.629</b>	<b>60.599</b>	<b>78.413</b>	<b>78.410</b>
<b>31/12/2006</b>	<b>4.996.398</b>	<b>4.996.251</b>	<b>970.541</b>	<b>970.464</b>	<b>51.059</b>	<b>51.047</b>	<b>23.824</b>	<b>23.812</b>	<b>178.337</b>	<b>178.329</b>

## B.5 Large exposures (according to supervisory regulations)

	31/12/2007	31/12/2006
Amount	-	1.334.812
Number	-	2

## C. Securitisation and asset disposal transactions

### C.1 Securitisation transactions

#### Qualitative information

##### *Underlying objectives, strategies and processes of securitisations*

The securitisation of loans allows direct access to capital markets with the diversification of the sources of finance and the reduction of risk activities for the purposes of solvency coefficients without excluding the originator from managing the relationship with the customer.

Law No. 130/99 “Measures on the securitisation of loans” introduced the possibility into the national legislation of performing securitisation operations using specially formed Italian registered companies (termed special purpose vehicles). Four companies in the Group took advantage of this law for the following securitisations: Lombarda Mortgage Finance 1, Lombarda Lease Finance 1, Lombarda Lease Finance 2, Lombarda Lease Finance 3, Lombarda Lease Finance 4, Albenza Srl – Orio Finance nr 1 plc, Albenza 2 Società per la Cartolarizzazione Srl – Orio Finance nr 2 plc Albenza 3 Società per la Cartolarizzazione Srl – Orio Finance nr 3 plc, Sintonia Finance.

The securitisation Lombarda Mortgage 1 was performed in 2001 on performing loans resulting from mortgages granted to private individuals resident in Italy, secured by a prime grade mortgage on residential properties in Italy all fully built. The transfer contract was structured as follows:

- the transfer without recourse of the loans to the special purpose vehicle Lombarda Mortgage Finance 1 s.r.l., in which Banca Lombarda holds a 10% interest;
- funding of the operation by the issue of bonds divided into four classes:
  - class A securities (senior securities): variable rate bonds equal to the Euribor three month + 0,28% for an amount of 468,6 million euro, assigned ratings AAA (Fitch) and Aaa (Moody’s);
  - class B securities (mezzanine securities): variable rate bonds equal to the Euribor three month + 0,50% for an amount of 15 million euro, assigned a rating Aaa (Moody’s);
  - class C securities (mezzanine securities): variable rate bonds equal to the Euribor three month +1,52% for an amount of 15 million euro, assigned a rating A3 (Moody’s);
  - class D securities (junior securities): variable rate bonds equal to the Euribor three month + 2,50% and an “additional return”, for an amount of 8,35 million euro.
- the different types were assigned a different degree of subordination in the definition of payment priorities for both the interest and principal components. The class D Bonds were purchased entirely by the originator and were eliminated in the consolidated financial statements against the liability recognised in the balance sheet of the SPV.

The Lombarda Lease Finance 1 securitisation was performed by means of a number of interconnected contracts, with the following structure:

- on 8/10/01 a contract was signed for the transfer without recourse by the originator (SBS leasing S.p.A.) of the principal of implicit performing loans recognised in the accounts as at 8/10/01 relating to leasing contracts, against payment of the nominal value of the loans transferred by the SPV (Lombarda Lease Finance 1 S.r.l.);
- the amount of the loans transferred was 495.400.846 euro.
- collection of repayments was managed by the “originator” as the “servicer” of the operation on specific mandate of the transferee;
- on 29/10/01 Lombarda Lease Finance 1 S.r.l. issued notes with different redemption characteristics to fund the operation;
- class A1-A2-B “senior and Mezzanine” notes purchased by institutional investors;
- class C “Junior” securities purchased by the originator.



The Lombarda Lease Finance 2 securitisation was performed by means of a number of interconnected contracts, with the following structure:

- on 1/10/02 a contract was signed for the transfer without recourse by the originator (SBS leasing S.p.A.) of the principal of implicit performing loans recognised in the accounts as at 1/10/02 relating to leasing contracts, against payment of the nominal value of the loans transferred by the SPV (Lombarda Lease Finance 2 S.r.l.);
- the amount of the loans transferred was 610.007.863. euro.
- collection of repayments was managed by the “originator” as the “servicer” of the operation on specific mandate of the transferee;
- on 23/10/02 Lombarda Lease Finance 2 S.r.l. issued notes with different redemption characteristics to fund the operation;
- class A-B-C “senior and Mezzanine” notes purchased by institutional investors;
- class D “Junior” securities purchased by the originator.

The Lombarda Lease Finance 3 securitisation was performed by means of a number of interconnected contracts, with the following structure:

- on 11/06/03 a contract was signed for the transfer without recourse by the originator (SBS leasing S.p.A.) of the principal of implicit performing loans recognised in the accounts as at 11/06/03 relating to leasing contracts, against payment of the nominal value of the loans transferred by the SPV (Lombarda Lease Finance 3 S.r.l.);
- the amount of the loans transferred was 650.529.119. euro.
- collection of repayments was managed by the “originator” as the “servicer” of the operation on specific mandate of the transferee;
- on 30/06/04 Lombarda Lease Finance 3 S.r.l. issued notes with different redemption characteristics to fund the operation;
- class A1-A2-A3-B-C “senior and Mezzanine” notes purchased by institutional investors;
- class D “Junior” securities purchased by the originator.

The Lombarda Lease Finance 4 securitisation was performed by means of a number of interconnected contracts, with the following structure:

- on 11/05/05 a contract was signed for the periodical transfer without recourse by the SBS leasing to Lombarda Lease Finance 4 S.r.l. (“Lombarda Lease Finance”) of loans relating to leasing contracts, against payment of the nominal value of the loans transferred by the SPV (Lombarda Lease Finance 4 S.r.l.). On 19/10/05, SBS leasing transferred to LLF4, under the transfer contract signed, loans relating to leasing contracts for an amount equal to the loans transferred which had expired.
- the amount of the loans transferred in the first transfer was 1.100.007.686 euro and the amount for the first transfer scheduled under the “revolving” programme was 63.637.298 euro.
- collection of repayments was managed by the “originator” as the “servicer” of the operation on specific mandate of the transferee;
- on 15/06/05 Lombarda Lease Finance 4 S.r.l. issued notes with different redemption characteristics to fund the operation;
- class A-B-C “senior and Mezzanine” notes purchased by institutional investors;
- class D “Junior” securities purchased by the originator.

The securitisation Albenza s.r.l. was performed in 1999 on performing loans resulting from mortgages granted to private individuals resident in Italy. The transfer contract was structured as follows:

- the transfer without recourse of loans to the special purpose vehicle Albenza s.r.l. in which the UBI Banca Group holds no interest;
- funding of the operation by the issue of a single Albenza bond not rated.

The bond was purchased by BPB International Finance Plc (liquidated in 2004) and securitised again with the assistance of the Irish registered SPV Orio Finance nr. 1 plc.

The Orio Finance nr 1 plc securitisation was performed in 2000 on the securities present in the BPB International Finance plc portfolio, the *Albenza notes* already mentioned, together with other bonds with a high rating (Pfandbriefe).

The transfer contract was structured as follows:

- transfer of securities to the special purpose vehicle Orio Finance nr 1 plc, in which the UBI Banca Group holds no interest;
- funding of the operation by the issue of bonds divided into three classes:
  - class A securities (senior securities): variable rate bonds equal to the Euribor three month + 0,30% for an amount of 370 million euro, assigned ratings AAA (S&P) and Aaa (Moody's);
  - class B securities (mezzanine securities): variable rate bonds equal to the Euribor three month + 0,80% for an amount of 20 million euro, assigned ratings A (S&P) and A2 (Moody's);
  - class C securities (junior securities): variable rate bonds equal to the Euribor three month + 1,00% , for an amount of 28 million euro (unrated).
- the different types were assigned a different degree of subordination in the definition of payment priorities for both the interest and principal components. The class C bonds were recognised in the trading portfolio of UBI Banca and were eliminated in the consolidation against the junior securities recognised within liabilities in the balance sheet of Orio Finance nr 1 plc.

The securitisation Albenza 2 Società per la Cartolarizzazione S.r.l. (of the revolving type) was performed in 2000 on performing loans resulting from mortgages granted to private individuals resident in Italy.

The transfer contract was structured as follows:

- the transfer without recourse of loans to the special purpose vehicle Albenza 2 Società per la Cartolarizzazione S.r.l., in which the UBI Banca Group holds no interest.
- funding of the operation by the issue of a single Albenza 2 Società per la Cartolarizzazione S.r.l. bond not rated.
- The bond was purchased by BPB International Finance Plc (liquidated in 2004) and securitised again with the assistance of the Irish registered SPV Orio Finance nr. 2 plc.

The Orio Finance nr 2 plc securitisation was performed in 2001 on the securities present in the BPB International Finance plc portfolio, the Albenza 2 notes already mentioned, together with other MBS securities (Holmes Funding nr 1 plc; Holmes Funding nr 2 plc).

The transfer contract was structured as follows:

- transfer of securities to the special purpose vehicle Orio Finance nr 2 plc, in which the UBI Banca Group holds no interest;
- funding of the operation by the issue of bonds divided into three classes:
  - class A securities (senior securities): variable rate bonds equal to the Euribor three month + 0,280% for an amount of 307 million euro, assigned ratings AAA (S&P) and Aaa (Moody's);
  - class B securities (mezzanine securities): variable rate bonds equal to the Euribor three month + 0,75% for an amount of 24 million euro, assigned ratings A (S&P) and A2 (Moody's);
  - class C securities (junior securities): variable rate bonds equal to the Euribor three month + 1,00% , for an amount of 22 million euro (unrated).
- the different types were assigned a different degree of subordination in the definition of payment priorities for both the interest and principal components. The class C bonds were recognised in the trading portfolio of UBI Banca and were eliminated in the consolidation against the junior securities recognised within liabilities in the balance sheet of Orio Finance nr 2 plc.

The securitisation Albenza 3 Società per la Cartolarizzazione S.r.l. was performed in 2001 on performing loans resulting from mortgages granted to private individuals resident in Italy. The transfer contract was structured as follows:

- the transfer without recourse of the loans to the special purpose vehicle Albenza 3 Società per la Cartolarizzazione S.r.l., in which the UBI Banca Group holds no interest.

- funding of the operation by the issue of a single Albenza 3 Società per la Cartolarizzazione S.r.l. bond not rated.
- the bond was purchased by BPB International Finance Plc (liquidated in 2004) and securitised again with the assistance of the Irish registered SPV, Orio Finance nr. 3 plc.

The Orio Finance nr 3 plc securitisation was performed in 2002 on the securities present in the BPB International Finance plc portfolio, the Albenza 3 notes already mentioned, together with other MBS securities (Holmes Funding nr 1 plc; Holmes Funding nr 2 plc).

The transfer contract was structured as follows:

- transfer of securities to the special purpose vehicle Orio Finance nr 3 plc, in which the UBI Banca Group holds no interest;
- funding of the operation by the issue of bonds divided into three classes:
  - class A securities (senior securities): variable rate bonds equal to the Euribor three month + 0,260% for an amount of 427,2 million euro, assigned ratings AAA (S&P) and Aaa (Moody's);
  - class B securities (mezzanine securities): variable rate bonds equal to the Euribor three month + 0,70% for an amount of 17,8 million euro, assigned ratings A (S&P) and A2 (Moody's);
  - class C securities (junior securities): variable rate bonds equal to the Euribor three month + 1,00% , for an amount of 21,6 million euro (unrated).
- the different types were assigned a different degree of subordination in the definition of payment priorities for both the interest and principal components. The class C bonds were recognised in the trading portfolio of UBI Banca S.c.p.a. and were eliminated in the consolidation against the junior securities recognised within liabilities in the balance sheet of Orio Finance nr 3 plc.

The Sintonia Finance s.r.l. securitisation is of the multi-originator type performed on 23<sup>rd</sup> December 2002 on performing loans, 67% of which were residential mortgages granted to private individuals and the remainder were commercial mortgage loans granted to firms resident in Italy.

The transfer contract was structured as follows:

- the transfer without recourse of the loans to the special purpose vehicle Sintonia Finance s.r.l., in which the UBI Group holds no interest;
- funding of the operation by the issue of bonds by Sintonia Finance s.r.l. divided into three classes:
  - class A securities (senior securities): variable rate bonds equal to the Euribor three month + 0,45% for an amount of 302.790 thousand euro, assigned ratings AAA (S&P) and AAA (Fitch);
  - class B securities (mezzanine securities): variable rate bonds equal to the Euribor three month + 0,60% for an amount of 21.040 thousand euro, assigned ratings AA (S&P) and AA (Fitch);
  - class C securities (junior securities): fixed rate 2,00% bonds, for an amount of 17.383 thousand euro.
- the different types were assigned a different degree of subordination in the definition of payment priorities for both the interest and principal components. The class C Bonds were all purchased by the two originators, of which 7.984 by Centrobanca, and were eliminated in the consolidated financial statements against the liability recognised in the balance sheet of the SPV.

The operations described above form part of a strategy to expand Group lending, freeing up at the same time the part of the supervisory capital relating to the loans transferred.

The entities of the UBI Banca Group involved in the securitisation operations and the respective roles played are listed below:

**Lombarda Mortgage Finance 1**

Originator  
Issuer  
Servicer  
Collection Account Bank  
Investment Account Bank  
Cash Manager  
Class D Notes Depository  
Quotaholder

UBI Banco di Brescia S.p.A.  
Lombarda Mortgage Finance 1 S.r.l.  
UBI Banco di Brescia S.p.A.  
UBI Banco di Brescia S.p.A.  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia  
UBI Banca S.c.p.a.

**Lombarda Lease Finance 1**

Originator  
Issuer  
Servicer  
Collection Account Bank  
Investment Account Bank  
Cash Manager  
Class C Notes Depository  
Quotaholder

SBS Leasing S.p.A.  
Lombarda Lease Finance 1 S.r.l.  
SBS Leasing S.p.A.  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia  
UBI Banca S.c.p.a.

**Lombarda Lease Finance 2**

Originator  
Issuer  
Servicer  
Collection Account Bank  
Investment Account Bank  
Cash Manager  
Class D Notes Depository  
Quotaholder

SBS Leasing S.p.A.  
Lombarda Lease Finance 2 S.r.l.  
SBS Leasing S.p.A.  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia  
UBI Banca S.c.p.a.

**Lombarda Lease Finance 3**

Originator  
Issuer  
Servicer  
Collection Account Bank  
Investment Account Bank  
Cash Manager  
Class D Notes Depository  
Quotaholder

SBS Leasing S.p.A.  
Lombarda Lease Finance 3 S.r.l.  
SBS Leasing S.p.A.  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia  
UBI Banca S.c.p.a.

**Lombarda Lease Finance 4**

Originator  
Issuer  
Servicer  
Collection Account Bank  
Investment Account Bank  
Cash Manager  
Quotaholder

SBS Leasing S.p.A.  
Lombarda Lease Finance 4 S.r.l.  
SBS Leasing S.p.A.  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banco di Brescia, Luxembourg Branch  
UBI Banca S.c.p.a.

**Albenza S.r.l.**

Originator  
Issuer  
Servicer  
Collection Account Bank  
Calculation Agent

UBI Banca Popolare di Bergamo S.p.A.  
Albenza s.r.l  
UBI Banca S.c.p.a.  
UBI Banca Popolare di Bergamo S.p.A.  
Meliorbanca S.p.A.

**Albenza 2 Società per la Cartolarizzazione S.r.l.**

Originator  
Issuer

UBI Banca Popolare di Bergamo S.p.A.  
Albenza 2 Società per la Cartolarizzazione S.r.l.

Servicer	UBI Banca S.c.p.a.
Collection Account Bank	UBI Banca Popolare di Bergamo S.p.A.
Calculation Agent	Meliiorbanca S.p.A.

**Albenza 3 Società per la Cartolarizzazione S.r.l.**

Originator	UBI Banca Popolare di Bergamo S.p.A.
Issuer	Albenza 3 Società per la Cartolarizzazione S.r.l.
Servicer	UBI Banca S.c.p.a.
Collection Account Bank	UBI Banca Popolare di Bergamo S.p.A.
Calculation Agent	Centrobanca S.p.A.

**Orio Finance nr 1 plc**

Originator	UBI Banca (former BPB Finance Co. – Dublin)
Issuer	Orio Finance nr 1 plc
Servicer	Citibank N.A.
Collection Account Bank	Citibank N.A.
Cash Manager	Citibank N.A.

**Orio Finance nr 2 plc**

Originator	UBI Banca (former BPB Finance Co. – Dublin)
Issuer	Orio Finance nr 2 plc
Servicer	Citibank N.A.
Collection Account Bank	Citibank N.A.
Cash Manager	Citibank N.A.

**Orio Finance nr 3 plc**

Originator	UBI Banca ((former BPB Finance Co. – Dublin)
Issuer	Orio Finance nr 3 plc
Servicer	Citibank N.A.
Collection Account Bank	Citibank N.A.
Cash Manager	Citibank N.A.

**Sintonia Finance**

Originator	Multioriginator – originators belonging to Group UBI è Centrobanca S.p.A.
Issuer	Sintonia Finance s.r.l.
Servicer	Centrobanca S.p.A.
Collection Account Bank	Centrobanca S.p.A.
Investment Account Bank	Citibank N.A. London Branch
Cash Manager	Citibank N.A. London Branch

*Internal risk measurement and monitoring systems connected with securitisation operations including measurement, for those transactions originated by the Group, where risks were transferred to third parties. Illustration of the organisational structure for managing securitisation operations including systems for reporting to senior management or to a similar body.*

It was decided to outsource corporate servicing to KPMG Fides for these securitisations described above: Lombarda Mortgage Finance 1, Lombarda Lease Finance 1, Lombarda Lease Finance 2, Lombarda Lease Finance 3 and Lombarda Lease Finance 4. A professional firm of consultants was appointed for the remaining securitisations.

It was decided not to outsource IT and accounting operations related to servicer activities. Continuous cash collection activities were performed by the originators making use, amongst other things, of the main Group accounting system. This was also useful for reconstructing movements in the accounts of the securitisation companies and therefore for providing them with the information needed by the corporate servicers for preparing financial statements.

In order to ensure continuity and effectiveness in the performance of their servicer functions appropriate technical and organisational units were created to monitor the various phases of the securitisation process. Accounting and reporting systems were designed, which took account of the need to be able to reconstruct all transactions at any moment.

The major part of the management of securitisations is performed by the Finance Function, the Management Control Function, the Risks Area and the Mortgage Back Office Function. The roles and tasks relating to the performance of the various operational phases of servicing and to monitoring performance figures were defined in those units.

A set of reports monitoring each individual securitisation operation are prepared quarterly for senior management, with half year reports for the Board of Directors and the Statutory Board of Auditors.

In compliance with regulatory guidelines, the Internal Auditing Function performs its activities to monitor securitisation operations, with particular reference to servicer activities, for compliance with Law No. 130/99, with the company prospectuses and the contracts entered into and it reports the results of periodical monitoring half yearly to the Management Board and to the Statutory Board of Auditors.

*Description of the hedging policies adopted to mitigate risks connected with securitisations including the strategies and processes adopted to continuously monitor the effectiveness of these policies.*

All securitisations are hedged by swap contracts where the main objective is to stabilise the flow of interest generated by the securitised portfolio and to protect the special purpose vehicle from interest rate risk.

Swap contracts were concluded for each securitisation between the respective SPVs and the respective swap counterparties who, in order to be able to “close” the risk with the originators, signed contracts identical in form but opposite in their effects with UBI Banca which in turn renegotiated further mirror swaps with the respective originators. The only particular case was the Sintonia Finance securitisation which Centrobanca S.p.A. closed directly, without going through the Parent Bank, hedging the risk by means of a swap contract.

## Quantitative information

### C.1.1 Exposures resulting from securitisation transactions by quality of underlying assets

Quality of underlying assets/Exposures	Exposures on loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. With own underlying assets:</b>																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. With underlying assets of others:</b>																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	127.100	127.100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

### C.1.2 Exposures resulting from “own” securitisation operations by type of securitised assets and by type of exposure

There are no exposures resulting from “own” securitisation transactions.

**C.1.3 Exposures resulting from the principal “third party” securitisation transactions by type of securitised assets and by type of exposure**

Type of underlying assets/Exposures	Exposures on loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying value	Impairment losses/write-backs	Carrying value	Impairment losses/write-backs	Carrying value	Impairment losses/write-backs	Carrying value	Impairment losses/write-backs	Carrying value	Impairment losses/write-backs	Carrying value	Impairment losses/write-backs	Carrying value	Impairment losses/write-backs	Carrying value	Impairment losses/write-backs	Carrying value	Impairment losses/write-backs
A.1 CBO INVESTMENT JERSEY LTD Securities	67.430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Cartolarizzazione INPS - Società SCCI Securities ABS	59.670	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 ABSOL FD 01/10 TV ALFA 1-A Various types of lending and other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 SPV IEFTE TRE 11,30 02/25 SUB C Non performing mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



### C.1.4 Exposures to securitisations by financial asset portfolio and by type

Exposure/portfolio	Trading	At fair value	Available-for-sale	Held-to-maturity	Loans	31/12/2007	31/12/2006
1. On balance sheet exposures	67.430	-	-	-	-	67.430	84.894
- Senior	67.430	-	-	-	-	67.430	84.894
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposures	-	-	-	-	-	-	-
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

### C.1.5 Total amount of the securitised assets underlying the junior securities or other forms of lending support

Assets/values	Traditional securitisations	Synthetic securitisations
<b>A. Own underlying assets:</b>		
A.1 Subject to full write-off		
1. Non performing loans	-	X
2. Impaired loans	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.2 Subject to partial write-off		
1. Non performing loans	-	X
2. Impaired loans	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.3 Not derecognised		
1. Non performing loans	-	-
2. Impaired loans	-	-
3. Restructured exposures	-	-
4. Past due exposures	-	-
5. Other assets	-	-
<b>B. Underlying assets of others:</b>		
B.1 Non performing loans	-	-
B.2 Impaired loans	-	-
B.3 Restructured exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	-	-

### C.1.6 Interests in special purpose vehicles

Name	Registered Head Office	% Interest
Lombarda Lease Finance 1	Via XX Settembre, 8 - Brescia	10%
Lombarda Lease Finance 2	Via XX Settembre, 8 - Brescia	10%
Lombarda Lease Finance 3	Via XX Settembre, 8 - Brescia	10%
Lombarda Lease Finance 4	Via XX Settembre, 8 - Brescia	10%
Lombarda Mortgage Finance 1	Via XX Settembre, 8 - Brescia	10%

**C.1.7 Servicer activity – payments received on securitised loans and redemptions of securities issued by the special purpose vehicle**

Servicer	Special purpose vehicle	Securitised assets (end of period figure)		Payments received on loans during year		Percentage of securities redeemed (the end of period figure)					
		Carrying value	Impair- ment losses/ write-backs	Carrying value	Impair- ment losses/ write-backs	Senior		Mezzanine		Junior	
						Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
UBI Banca Scpa	Albenza Srl	2.367	58.966	259	18.928	-	81,34%	-	-	-	-
UBI Banca Scpa	Albenza 2 Società per la cartolarizzazione Srl	2.563	81.285	671	22.039	-	70,62%	-	-	-	-
UBI Banca Scpa	Albenza 3 Società per la cartolarizzazione Srl	1.498	104.114	598	36.259	-	72,94%	-	-	-	-
UBI Banco di Brescia Spa	Lombarda Mortgage Finance Srl	3.436	172.340	1.462	55.326	-	-	-	-	-	-
Centrobanca Spa	Sintonia Finance Srl	3.340	51.938	425	16.122	-	-	-	-	-	-
SBS Leasing Spa	Lombarda Lease Finance 1 Srl	-	-	1	14.126	-	100,00%	-	100,00%	-	100,00%
SBS Leasing Spa	Lombarda Lease Finance 2 Srl	3.165	100.161	100	56.124	-	-	-	-	-	-
SBS Leasing Spa	Lombarda Lease Finance 3 Srl	3.104	143.829	321	84.045	-	-	-	-	-	-
SBS Leasing Spa	Lombarda Lease Finance 4 Srl	24.346	736.542	3.506	327.479	-	-	-	-	-	-

**C.1.8 Special purpose vehicles belonging to the banking group**

There are no special purpose vehicles belonging to the banking group.

## C.2 Disposal transactions

### C.2.1 Financial assets transferred not derecognised

	Financial assets held for trading			Financial assets at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Lending to banks			Lending to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2007	31/12/2006
<b>A. On-balance sheet assets</b>																				
1. Debt securities	1.148.482	-	-	-	-	-	246.646	105.670	307.262	204.712	853.288	1.039.863	-	-	-	-	-	-	2.558.798	1.166.619
2. Equity instruments	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. O.I.C.R. (collective investment instruments)	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	735.433	-	-	735.433	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Derivative instruments</b>	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
<b>31/12/2007</b>	<b>1.148.482</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246.646</b>	<b>105.670</b>	<b>307.262</b>	<b>204.712</b>	<b>853.288</b>	<b>1.039.863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>735.433</b>	<b>-</b>	<b>-</b>	<b>3.294.231</b>	<b>1.166.619</b>
<b>31/12/2006</b>	<b>-</b>	<b>99.526</b>	<b>99.565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183.093</b>	<b>195.346</b>	<b>204.160</b>	<b>679.840</b>	<b>1.033.215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.166.619</b>

#### Legend:

A = Financial assets transferred and fully recognised (carrying value)

B = Financial assets transferred and partially recognised (carrying value)

C = Financial assets transferred and partially recognised (entire value)

### ***C.2.2 Financial liabilities resulting from financial assets transferred not derecognised***

There are no financial liabilities for the UBI Group resulting from financial assets transferred not derecognised which are not reciprocally eliminated in the consolidation.

## **D. Models for the measurement of credit risk**

A portfolio credit risk model is currently being developed with regard to the measurement of credit risk. It uses an Algorithmics PCRE (portfolio credit risk engine) which considers the total risk of a credit portfolio by modelling and capturing the component that results from the correlation of counterparty defaults, calculating credit losses and capital at credit risk at portfolio level. This involves the use of a complex method for measuring the total risk of the entire portfolio designed to capture mutually dependent phenomena in changes in counterparty creditworthiness and to determine the distribution of total losses for the whole portfolio as the basis for calculating risk.

Calculation of the correlation between defaults therefore makes it possible to establish the concentration of risk within a portfolio which can be used as a basis both for managing and mitigating total risk by employing an appropriate diversification strategy and also for implementing efficient pricing policies.

The model proposed uses an approach similar to that of the Merton model (1974). Counterparty creditworthiness is given by an intermediate variable, the Credit Worthiness Index (affected by two components: a system and a specific component). The future level of this variable determines creditworthiness on the basis of specially calculated thresholds and therefore also any corresponding losses. The analysis of changes in counterparty creditworthiness can be performed over a time period of longer than one year with intermediate steps.