

# »» Annual Report 2007





# Message from the Chairman

## 2007: The year of the carried out one

In the almost century-old history of our Bank, 2007 was a year of great change. In March, after a period of positive growth within the Intesa Group which saw us become the bank of reference for the Friuli Venezia Giulia area, FriulAdria became part of the new Italian Group led by Cariparma and controlled by Crédit Agricole, one of the most important banking, finance and insurance institutions world-wide.

Through the creation of the new Cariparma FriulAdria Group, which at 31st December 2007 counted a network of 684 branches, the area covered by FriulAdria was strengthened in the Venice province and extended, for the first time, also to the provinces of Belluno, Padua and Rovigo increasing the number of our branches from 152 to 181.

Our objective, as stated in the business plan presented in October, is to expand into the entire Veneto region by 2010 and to be regarded more and more as the bank of reference for families and companies throughout the entire north-east of Italy.

With this in mind, over the course of the year FriulAdria adapted its organisation to these new challenges, bringing it more in line with planned developments. In particular,

according to logic shared with the parent company Cariparma and with Crédit Agricole, the Bank had adopted a new distribution model organised by channels and aimed at ensuring an even more specialised and speedier service to the various types of clients.

For the future, belonging to the Crédit Agricole Group, with its wide-spread international network and the synergies within the Cariparma FriulAdria Group, can only increase our quality and security standards leading to a further improvement in our performance. The migration to the Cariparma computer network, foreseen for 2008, will lead to the harmonization of processes within our organisations, and enhance the already existing spirit of cooperation.

In such an ever-changing scenario, in 2007 also we managed to achieve the financial and operational results expected by shareholders, clients and the market from our Bank, from its tradition and history of success, in which our professionalism and a sense of responsibility continue to be valued.

The Chairman  
Angelo Sette



# Company Officers

## BOARD OF DIRECTORS

### CHAIRMAN

Angelo Sette \*

### DEPUTY CHAIRMAN

Ariberto Fassati \*

### DIRECTORS

Jean-Yves Barnavon  
Giuseppe Campeis  
Francis Canterini \*  
Guido Corradi \*  
Jean-Louis Delorme  
Jean-Pierre Gaillard  
Roberto Lunelli  
Luca Marzotto  
Michel Mathieu  
Antonio Paoletti  
Giovanni Sandrin \*  
Emilio Sgarlata  
Roberto Sgavetta

(\* Members of the Executive Committee)

## BOARD OF STATUTORY AUDITORS

### CHAIRMAN

Pietro Martini

### STATUTORY AUDITORS

Aldo Boschi  
Alberto Guiotto  
Giampaolo Scaramelli  
Antonio Scardaccio

### SUBSTITUTE AUDITORS

Paolo Cudini  
Antonio Rosso

## GENERAL MANAGEMENT

### GENERAL MANAGER

Virgilio Fenaroli

### DEPUTY GENERAL MANAGER

Giancarlo Magoni



# Main Figures and Financial Statement Indicators



# Main Figures\*

## BALANCE SHEET ITEMS

31 December 2007

### Economic figures (thousands of euro)

|                                 |          |
|---------------------------------|----------|
| Net interest                    | 184,353  |
| Net commissions                 | 100,738  |
| Profits from trading activities | 12,245   |
| Other operating income (costs)  | -588     |
| Net operating income            | 296,931  |
| Operating costs                 | -156,538 |
| Operating results               | 140,393  |
| Net value adjustments on loans  | -27,090  |
| Net profit                      | 65,739   |

### Balance sheet figures (thousands of euro)

|   |           |
|---|-----------|
| Loans to clients                                  | 5,274,550 |
| Net financial assets/liabilities held for trading | 232,882   |
| Financial assets available for sale               | 54,925    |
| Investments                                       | 142,148   |
| Total net assets                                  | 5,873,268 |
| Client deposits                                   | 4,540,649 |
| Indirect client deposits                          | 6,609,893 |
| including deposits managed                        | 1,753,647 |
| Net inter-bank deposits                           | 359,636   |
| Shareholders' equity                              | 652,170   |

### Operating structure

|                         |       |
|-------------------------|-------|
| Number of employees     | 1,643 |
| Number of bank branches | 181   |

(\*) Data referred to the reclassified schedules of the Profit and Loss Account and Balance Sheet as reported in the Management Report.

# Financial Statement Indicators

| INDICATORS   | 31 December 2007 |
|--|------------------|
| <b>Balance sheet ratios (%)</b>  |                  |
| Loans to clients / Total net assets  | 89.8             |
| Investments <sup>(a)</sup> / Total net assets  | 2.4              |
| Direct client deposits / Total net assets  | 77.3             |
| Deposits under management / Indirect deposits  | 26.5             |
| <b>Profitability ratios (%)</b>  |                  |
| Net interest / Net operating income  | 62.1             |
| Net commissions / Net operating income   | 33.9             |
| Operating costs / Net operating income   | 52.7             |
| Net profit / Total net assets (ROA)  | 1.3              |
| Net profit / Shareholders' equity (ROE) <sup>(b)</sup>   | 12.9             |
| Result before tax / Risk-weighted assets <sup>(c)</sup>  | 2.1              |
| <b>Risk ratios (%)</b>   |                  |
| Net non-performing loans / Loans to clients  | 0.5              |
| Value adjustments accumulated on non-performing loans / Gross non-performing loans to clients            | 69.8             |
| <b>Capital ratios (%)</b>  |                  |
| Regulatory capital <sup>(d)</sup> net of preference shares / Risk-weighted assets ( <i>Core Tier 1</i> ) | 9.7              |
| Regulatory Capital <sup>(d)</sup> / Risk-weighted assets   | 9.7              |
| Regulatory Capital <sup>(e)</sup> / Risk-weighted assets   | 10.0             |
| Risk-weighted assets (thousands of euro)   | 5,205            |
| <b>EPS basoc <sup>(f)</sup> - Euro</b>   | <b>2.8</b>       |

a) Investments include financial assets held to maturity, equity investments and tangible and intangible fixed assets

b) Net profit compared to the weighted average of share capital, issue premium, valuation reserves and reserves of non-distributed profit

c) Total risk-weighted assets based on the respective credit or market risk

d) Capital paid, issue premium and reserves deriving from non-distributed profits after deducting the amount of treasury shares, goodwill, intangible fixed assets, 50% of shareholdings exceeding the threshold envisaged by the Regulatory norm and with application of the so called "Prudential filters" envisaged by the norm

e) Share capital increased by revaluation reserves, with the application of the so called "prudential filters", net of property investments and 50% of shareholdings exceeding the threshold envisaged by the Regulatory norm

f) Net profit ascribable to shareholders of ordinary shares compared to the weighted average number of ordinary shares issued



# Management Report

## Management Report

**D**ear Shareholders,  
before looking in detail at the Bank's activities and results for 2007, we have prepared a summary analysis of the macro-economic background and the underlying credit system.

### Local economy

With regard to FriulAdria's reference market, Unioncamere's survey of 31 December 2007 on the demographics of Italian companies shows stagnation in the north-east of Italy, against the current trend compared to the national average. The number of companies in the Veneto region has risen by 0.24% compared to 2006, while in the Friuli Venezia Giulia region the end balance between companies registering and closing was -1.1%.

The quarterly survey conducted by Confindustria Friuli Venezia Giulia on an important sample of member companies shows signs of a slowdown though the overall picture remains positive, particularly when compared with national figures. The main trend indicators, though positive, are still lower compared to figures for the preceding quarter and highlight a slowdown in regional industrial growth in the final part of the year: production was slightly down from +4% in June and September to +3.5% in December; sales abroad also slowed but remained positive, while the internal market rose leading to the volume of total sales remaining around the levels of the previous survey (+4.6%). A positive, continuous trend in new orders was registered, but markedly lower compared to the preceding quarter's survey.

Looking at the most representative production sectors of the region, the trend in the mechanical sector remained positive while the wood sector showed some signs of a slowdown both in production and in sales.

Based on Confindustria Veneto's latest survey, production showed signs of slackening in the hides and leather sector, as

well as in the electro-mechanical and textile sectors. However, exports were still positive.

2007 was a good year for tourism. In 2006, the Veneto region saw a +3.7% increase in the number of visitors, with varied tourism offerings ranging from sea to mountain locations, cities of art and spas. Friuli Venezia Giulia's regional policy on promoting tourism, with the creation of a single organisational body and heavy investments in promotion of the area, has led to a rise of 1% in the number of visitors compared to 2006. Sea-side resorts recovered well while mountain locations remained a weak point, particularly during the winter season affected by the weather.

### The Italian credit system

Although the financial markets suffered the negative effects of the sub-prime loans crisis, the Italian banking system was only marginally affected in operational terms, both because of a lower exposure to the American sub-prime market and the lower level of securitization in the new brokerage volumes.

The slight rise in the banking rates following the ECB's interventions continued essentially until the end of the year, giving rise to a moderate widening of the gap between borrowing and lending rates. Moreover, despite an interbank deposits market with strong elements of criticality, the liquidity of Italian banks did not require a particularly aggressive policy on rates to support deposits.

The growth in loans during 2007 was sustained, with a +10.6% increase over the previous 12 months (basically in line with +10.9% in 2006). This trend demonstrates how, on the one hand there were no particular restrictions on loan offers and on the other, how the slowdown in demand for loans, linked to the

housing market, was rather modest. The rise in the volume of loans resulted from an increase in demand for loans from the economy, with a growth rate in financing to companies of +12.1% in 2007, due also to a recovery in investments.

The quality of loans for Italian banks, even after several years of sustained growth, is still high.

During 2007, foreign deposits grew strongly (+22.2% on 2006), mainly through short-term instruments, and at year end represented around 28% of bank deposits (25% at end 2006). The internal deposits trend, after a slowdown during the second and third quarter, picked up at the end of 2007, supported by both short-term and long-term deposits. The trend for managed savings products reflected a continuing prudent approach by investors. In fact, there was a decrease in demand for these products during 2007. In particular, in managed investments, as expected, there was a considerable downsizing in investment funds, with a variation rate in funds promoted by Italian brokers at end December 2007 dropping further compared to 2006 (-9.1% compared to -4.2%).

## The lines of business development

Dear Shareholders,

before explaining the Bank's activities during 2007, we remind you that at the end of February FriulAdria left the Intesa Sanpaolo Group and joined the new Italian banking group "Cariparma FriulAdria", controlled by Crédit Agricole.

Subsequently, from the 1<sup>st</sup> April, 29 branches in the Veneto region were transferred from Intesa Sanpaolo and became part of the FriulAdria network thereby extending the Bank, for the first time, into the provinces of Belluno, Padua and Rovigo and strengthened its position in the Venice province.

Within the new group, FriulAdria has been entrusted with an ambitious project for growth which includes the consolidation of its position within the ancient Friuli Venezia Giulia territory and a substantial strengthening of its presence in the Veneto region with the planned opening of around twenty new branches to cover all the provinces by 2010.

## Services and commercial activities

Also, during 2007, FriulAdria supplied a professional and timely service to meet the needs of the local market, in line with its character of Bank for the area. Several innovative products were designed and offered to clients: *FriulAdria Energia Pura*, (*FriulAdria Pure Energy*), a financing package for the development of alternative energy and renewable sources; a new *Polizza incendio immobili civili* (*a fire insurance policy for residential buildings*), in agreement with Europ Assistance (formerly Toro Assicurazioni through the broker Assiparos); and *Polizza Valore Mutuo* (*mortgage value policy*), life and multi-risk insurance for disbursed loans offered in collaboration with Finaref (a Crédit Agricole Group company).

Promotional initiatives for the launch of new credit card products have been organised. Among the first was the advertising campaign for the *Tempora* revolving credit card, with zero interest until 31st January 2008.

And, the marketing of two new products has started: *CartaSi Rugby*, the sports person's credit card bearing a picture of the Italian national Rugby team and linked to a sponsorship initiative set up by the Bank, together with the Cassa di Risparmio di Parma e Piacenza and Crédit Agricole, for the 2007 rugby world championships; and *CartaSi Più Skipass*, the skier's credit card which, thanks to its integrated "chip", allows the client to use the card as a pass to go through the turnstiles at various ski-lift facilities.

In managed investments, the main innovations are linked to the new Group with the collaboration of the company POVita for life assurance and Crédit Agricole Asset Management SGR for investment funds and GPFs (personalised asset management funds).

Crédit Agricole's *SecondaPensione* (second pension) Fund has been offered to both business and private clients, and is classified at the top of the market for Italian pension funds, because of its containment of costs and its performance.

Relations with trade associations and loan guarantee consortia have been strengthened.

Also, relations with official bodies (23 treasury services have been renewed, among which 9 municipalities) has been strengthened and our presence in the area has increased considerably (22 new official bodies among our clients, among whom 5 municipalities and one provincial housing agency). In this regard, FriulAdria pays particular attention to the management of Religious Bodies, Associations and non-profit making organisations for their important and positive involvement in the territory.

FriulAdria's desire to choose a specialised service model stems from the conviction that the ever-growing complexity of the market and the subsequent varying requirements for support expressed by companies are better satisfied by the Bank through professionals focussed on the client's business and corporate profile.

The tools used by the Bank to develop relations with companies can be summarised as follows: internationalisation, innovation, and information through inter-action.

In the sphere of internationalisation, we remind you of the cooperation agreement with SACE for the granting of financing guarantees.

Among FriulAdria's activities with companies the role of "Impresa&Finanza" (Business&Finance) stands out. It promotes minority investment in the share capital of SMEs, intermediation in the acquisition and sale of companies or divisions, offering business people the required consultancy on investments and financing, and assisting in the problems linked to generational changes.

On social and cultural aspects, which will be illustrated more

in detail in the Company's Financial Statement currently being drafted, FriulAdria confirms its traditional sensitivity towards the territory respecting its charitable, social and cultural needs by contributing to local bodies, associations and institutions. This sensitivity is today further enhanced by being part of the Crédit Agricole Group, which represents the highest expression of cooperation in the international banking world.

## Organisation and Human Resources

Changes in the company structure led to intense activities in adapting the organisational structure of the Bank to meet new objectives and the requirements of a wider reference market.

A new distribution model based on a different client segmentation responding to the logic shared with the parent company and with Crédit Agricole has been adopted.

In particular, four dedicated, commercial channels have been set up (Retail, Private, Business, and Corporate) while the sales network has been reorganised into three areas based on provinces: Friulveneta (provinces of Pordenone, Treviso and Belluno); Friulgiulia (including the provinces of Udine, Trieste and Gorizia); and Veneta (provinces of Venice, Padua, Rovigo, Verona and Vicenza); for a total of 181 branches, 6 Business Centres, 1 Corporate Centre, and 6 Private Centres.

The Private Channel covers the territory through the Private Centres in Pordenone, Udine, Trieste, Oderzo, Padua and Mestre. Furthermore, it is planned to open a further two Centres in Vicenza and Verona in 2008.

The Business Channel counts on the Business Centres in Pordenone, Trieste, Udine, Oderzo, Venice and Padua. Further Business Centres are planned to be opened in 2008 in Belluno, Rovigo and Vicenza. During 2007, the Corporate Centre in Pordenone was also opened.

Central Division was also significantly changed and restructured to include a Commercial Division and a Resources Division. Moreover, a Risk, Permanent Control and Reporting Service as well as a Compliance Office, was set up.

In the field of information technology, procedures were adapted to comply with the principles of Basel II and the new MIFID (Markets in Financial Instruments Directive) regulations on financial brokerage activities with clients.

Moreover, the Bank's premises and image in the territory were improved by the renovation of several branches and the transfer of other branches to new locations. Signage was replaced so as to optimize the Bank's new trade name.

Moving to personnel issues, with the take-over of 29 branches in Veneto province in 2007, 223 employees joined the Bank's staff (reaching 232 at the end of the year).

Moreover, following procedures set-up through the Trade Union Agreement of 11th January 2007 allowing staff who were interested in applying for voluntary early retirement, or in

applying for subscription to the solidarity fund finalised on 31st December 2007, 86 left the employment of the Bank, 38 of whom fulfilled pension requirements and 48 of whom were assisted by the solidarity fund.

As of 31st December 2007, 1,643 staff were employed by the Bank (compared to 1,318 as of 31.12.2006).

The adoption of the new distribution model had positive repercussions also on human resources as 100 members of staff progressed in their careers, moving to more complex roles.

Over 1,300 employees were involved in intense training, totalling around 9,000 days/person (compared to 4,650 in 2006).

And, over 500 candidates were considered through a selection process resulting in 161 people joining the Bank.

2007 saw the finalisation of several important agreements with trade unions, among which an agreement of 1<sup>st</sup> April 2007 which regulated the move to FriulAdria of staff from the former Intesa Sanpaolo branches; an Agreement which allows all Bank employees to join the newly-constituted Cariparma FriulAdria Group Pension Fund; as well as an Agreement which foresees an increase in the company's contribution to the Sickness Fund giving employees of the former Intesa Sanpaolo branches the possibility of joining the same fund.

Finally, a staff convention was held in April at the Lido di Venezia in which staff from the new Veneto province branches also participated.

## Control Functions

Aware that the opportunities offered to new markets and sectors of the population, as well as the use of computerized operational systems and innovative financial instruments, carry growing and problematic risks, the Bank is committed to promoting a business culture based on correctness and compliance with legislation and has instigated specific organisational procedures aimed at controlling these risks.

The Bank's control system is based on three principles:

- governing bodies (for the purpose of strategic supervision, management and control);
- operational procedures (risk management, compliance and audit);
- control procedures/mechanisms (to measure operational, market, and loan risks, etc.).

With specific reference to organisational structures, the Risk, Permanent Control and Reporting Service has constituted principles, independent of the operational functions, aimed at informing the Bank's and the Group's governing and management bodies of actual and potential risks, as well as establishing measures for curbing the development of losses.

The Service, working in close contact with Cariparma and Crédit Agricole Risks Divisions, monitors credit, operational and market risk activities and manages the so-called "permanent

controls". This control system begins with the analysis of company processes and inherent risks and permeates continuously through the entire company structure.

The Bank has collaborated with the Group's Risk Divisions in the finalization of action plans and in the activities linked with the various working areas of the Basilea 2 project. This particularly complex, inter-functional project will be developed over several years and have significant impact also on clients in terms of the way in which loans are granted, and one of its main aims is to establish, and be able to substantiate, a progressive improvement in the level of analysis, management and control of risks.

During 2007, the Audit Service developed, together with similar Cariparma and Crédit Agricole units, a relevant project aimed at harmonizing operational methods, as well as control and reporting methods, with standards used by the French parent company.

Within the scope of the separation of various control functions provided for in the new legislation (Periodic Controls, Permanent Controls and Compliance) part of the responsibilities formerly covered by the Audit Service have been transferred to the newly-established "Compliance" and "Permanent Controls" units.

Moreover, the Bank has instituted within its own company structure a Compliance Office, formerly following the guidelines established by the new French parent company Crédit Agricole S.A. and subsequently following the new guidelines on internal controls issued by the Bank of Italy in July 2007 and of the joint Regulation Consob-Bank of Italy of October 2007, which introduced the specific role of Compliance into the banking regulations, dedicated to overseeing and controlling risk of non-compliance to regulations.

During the year, the FIDES programme was adopted (together with the Compliance procedure adopted within the Crédit Agricole Group). With regard to the latter, all FriulAdria staff (from Top Management through to the entire network) were involved in an intense information drive through a series of 63 training sessions.

In compliance with the provisions in force governing privacy issues, the annual revision of the company's Programmatic Document on Security was carried out on 31<sup>st</sup> March. Furthermore, the content of the updated Document relating to 2008 is being developed and defined according to legal provisions in force.

## The relationships with the societies of the Group and correlated Parts

As already mentioned, during 2007 the Cassa di Risparmio di Parma and Piacenza acquired the majority share holding in Banca Popolare FriulAdria.

During the year, Cariparma furnished services to FriulAdria, also using companies within and outside the Group, in adherence with international accounting and tax regulations, ensuring the protection of minority shareholders, combining the efficacy and efficiency in the synergic management of inter-group relations. These relations were assessed also under the aspect of possible conflict of interest, and the value of operations were determined according to market standards and in consideration of the range of products offered.

FriulAdria also established fruitful links with Crédit Agricole Group product developers to take advantage of opportune synergies in the areas of insurance, specialised financial service, asset management and other financing and investment services. In this context, the company Crédit Agricole Assurances Spa, with headquarters in Pordenone, was set up during September 2007, to cover the damages insurance sector.

A schedule is attached to the Financial Statement detailing financial relations existing as of 31.12.2007 with Cariparma FriulAdria Group's companies as well as the total income components.

As of 31.12.2007, the Bank did not hold either treasury shares or holding company shares in its portfolio.

# Economic Results

## General points

The following schedules and related comments analyse the 2007 Profit and Loss Account data and compare it to the 2006 financial year data, restated to take into account the modifications in the accounting principles used for the assessment of the Employees' Severance Indemnity Fund as explained in the relative section of Accounting Policies in the Explanatory Note. As known, the 2007 financial year is defined by the acquisition of 29 former Intesa Sanpaolo branches through the increase in capital decided by the Extraordinary Shareholders' meeting of 17<sup>th</sup> March 2007. The data relating to the transferred business significantly influence the comparability of values for the 2007 financial year with the preceding year's values.

A summary schedule is attached to the Explanatory Note which highlights separately the contribution of the transferred business to the 2007 financial year.

## Reclassification Criteria for the Profit and Loss Account

In order to give a more effective representation of income results, a summarized Profit and Loss account has been prepared, using opportune reclassification and reporting criteria which better represent the content of items according to principles of uniformity of management.

The reclassification concerned:

- dividends on shares classified among assets available for sale and those retained for trading, that were re-allocated to the trading results;
- net results from hedging activities that were included in net interests because of their existing strong correlation;
- profits and losses deriving from the sale or repurchase of financial assets available for sale and of financial liabilities, that were reallocated to results of hedging activities;
- recovery of charges and taxes, that were directly written down of administrative charges rather than reported among the other operating income;
- net adjustments on impairment of other financial operations, relating to guarantees, commitments and credit derivatives, that were reallocated under the net adjustments on impairment of loans;
- repayment of time value on credits, that was reported among the interest margin rather than allocated between the net adjustment to loans, as the phenomenon derives directly from the application of the amortised cost criteria in absence of the variations in the forecast of the future expected cash flows. A coherent formulation is used for the time value of the Employees' Severance Indemnity and the Risks and Charges Funds;
- the component profits (losses) from disposal of equity which, together with the item "profits (losses) on disposal of investments", form the profits and losses on financial activities held to term and on other investments;
- the cost of voluntary termination of employment incentives under the provisions of Ministerial Decree 158 of 2000 and 226 of 2006 has been reclassified from item "staff costs" to item "net provisions to risks and charges funds".

## Reclassified Profit and Loss Account

|   | 31.12.2007      | 31.12.2006      | changes       |             |
|---|-----------------|-----------------|---------------|-------------|
|   |                 |                 | absolute      | %           |
| Net interest  | 184,353         | 146,196         | 38,157        | 26.1        |
| Dividends   | 183             | 104             | 79            | 76.0        |
| Net commissions   | 100,738         | 86,720          | 14,018        | 16.2        |
| Profits from trading activities   | 12,245          | 18,388          | -6,143        | -33.4       |
| Other operating income (costs)  | -588            | 2,535           | -3,123        |             |
| <b>Net operating income</b>   | <b>296,931</b>  | <b>253,943</b>  | <b>42,988</b> | <b>16.9</b> |
| Personnel expenses  | -89,915         | -78,141         | 11,774        | 15.1        |
| Administrative expenses   | -61,924         | -42,062         | 19,862        | 47.2        |
| Depreciation of tangible and intangible fixed assets                              | -4,699          | -3,587          | 1,112         | 31.0        |
| <b>Operating costs</b>  | <b>-156,538</b> | <b>-123,790</b> | <b>32,748</b> | <b>26.5</b> |
| <b>Operating results</b>  | <b>140,393</b>  | <b>130,153</b>  | <b>10,240</b> | <b>7.9</b>  |
| Net provisions for funds for risks and charges                                    | -6,019          | -10,645         | -4,626        | -43.5       |
| Net value adjustments on loans  | -27,090         | -16,818         | 10,272        | 61.1        |
| Net value adjustments on other assets   |                 | -42             | -42           |             |
| Profits (losses) on financial assets held until maturity and on other investments | 568             | 834             | -266          | -31.9       |
| <b>Result before tax</b>  | <b>107,852</b>  | <b>103,482</b>  | <b>4,370</b>  | <b>4.2</b>  |
| Income taxes from continuing operations   | -42,114         | -42,415         | -301          | -0.7        |
| <b>Net profit</b>   | <b>65,739</b>   | <b>61,067</b>   | <b>4,671</b>  | <b>7.6</b>  |

2007 shows an increase in income performance, both in terms of the operational results and net profits, when compared to the values reached at end 2006.

Comparing the operational results for 2007 (Euro 140.4 million) with the same period of the preceding year, an appreciable growth is apparent of 7.9% supported by an increase in income (+16.9% variation in net operating income of Euro 296.9 million). On the other hand, when comparing the figures for the two years, an increase in costs of 26.5% emerges due to the Bank's increased size and the costs of integration into the new Group.

In the light of the variations illustrated above, the ratio between costs and income rises from 48.7% in the preceding year to 52.7%.

The relevant net profit for 2007 is Euro 65.7 million, that is, 7.6% more than recorded for the same period in 2006.

The dynamics of the main items of the operational results are analysed below.

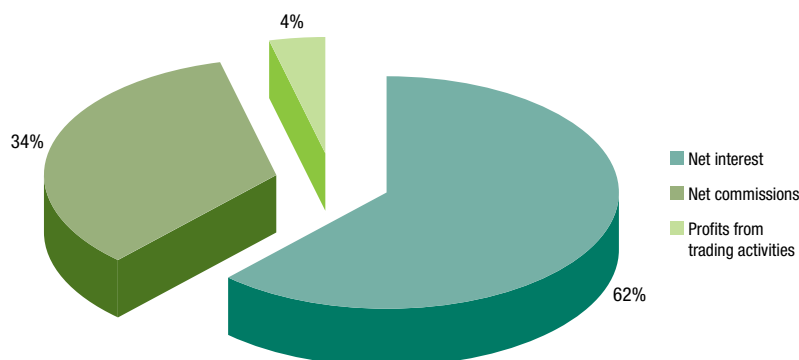
### Net Operating Profits

Net operating profits representing the global value of income received by the Bank as of 31 December 2007 reached Euro 296.9 million (+16.9%).

Operating income was due mainly to a higher contribution from net interest (+26.1%) and commissions income (+16.2%), despite a contraction of 33.4% in profits from financial operations.

The incidence of net interests on operating profits was 62.1%, an increase of 4.5 percentage points compared to 2006, while the weight of the net commissions component was basically in line with preceding financial year.

Net operating income breakdown



## Net interest

|   | 31.12.2007     | 31.12.2006     | changes       |             |
|---|----------------|----------------|---------------|-------------|
|   |                |                | absolute      | %           |
| Relations with clients                    | 224,618        | 168,161        | 56,457        | 33.6        |
| Relations with banks                      | -19,008        | -4,014         | 14,994        |             |
| Securities issued                         | -36,517        | -22,261        | 14,256        | 64.0        |
| Differentials on hedging derivatives      | -683           | -1,183         | -500          | -42.3       |
| Financial assets held for trading         | 12,016         | 2,541          | 9,475         |             |
| Financial assets available for sale       | 604            |                | 604           |             |
| Impaired assets                           | 2,207          | 1,864          | 343           | 18.4        |
| Funds for risks and charges               | -992           | -1,041         | -49           | -4.7        |
| <b>Net result from interest</b>           | <b>182,245</b> | <b>144,067</b> | <b>38,178</b> | <b>26.5</b> |
| <b>Net result from hedging activities</b> | <b>2,108</b>   | <b>2,129</b>   | <b>-21</b>    | <b>-1.0</b> |
| <b>Net interest</b>                       | <b>184,353</b> | <b>146,196</b> | <b>38,157</b> | <b>26.1</b> |

In 2007, net interest was Euro 184.4 million registering a growth of 26.1%. This increase stems from a rise in trading volumes (+27.7% financing to clients, +35.8% deposits) and an improvement in the average annual spread of rates which moved from 2.96 in 2006 to 3.16 in the current year.

## Dividends

Dividends received by FriulAdria relating to equity investment in Centurion d.o.o. (equity investments regarded as no longer strategic for the new Group and sold during the year) and Finance Lab S.r.l. Income of Euro 183,000 with an increase of 76%.

It is reminded that dividends received from shares held for trading or for sale do not contribute to this item and are entered in trading results.

## Net commissions

|  | 31.12.2007     | 31.12.2006    | changes       |             |
|--|----------------|---------------|---------------|-------------|
|  |                |               | absolute      | %           |
| - guarantees issued                                  | 2,774          | 2,561         | 213           | 8.3         |
| - receipt and payment services                       | 8,350          | 7,830         | 520           | 6.6         |
| - current accounts                                   | 30,908         | 29,188        | 1,720         | 5.9         |
| - ATM and credit card services                       | 6,382          | 5,566         | 816           | 14.7        |
| <b>Retail banking activities</b>                     | <b>48,414</b>  | <b>45,145</b> | <b>3,269</b>  | <b>7.2</b>  |
| - trading and placement of securities                | 25,439         | 24,553        | 886           | 3.6         |
| - foreign currency trading                           | 855            | 759           | 96            | 12.6        |
| - asset management                                   | 3,952          | 4,855         | -903          | -18.6       |
| - insurance product distribution                     | 19,964         | 9,643         | 10,321        |             |
| - other trading/management commissions               | 562            | 771           | -209          | -27.1       |
| <b>Management, trading and consultancy services:</b> | <b>50,772</b>  | <b>40,581</b> | <b>10,191</b> | <b>25.1</b> |
| <b>Other net commissions</b>                         | <b>1,552</b>   | <b>994</b>    | <b>558</b>    | <b>56.1</b> |
| <b>Total net commissions</b>                         | <b>100,738</b> | <b>86,720</b> | <b>14,018</b> | <b>16.2</b> |

Net commissions reached Euro 100.7 million during 2007, resulting in an increase of 16.2% compared to last year.

This increase stems mainly from the contribution of the new agencies taken over from Intesa Sanpaolo. In particular, there was strong growth in the placement of insurance products (Euro + 10.3 million) and an increase in trading commissions and securities placements (+0.9 million). Moreover, traditional commercial banking activities grew by Euro 3.3 million compared to 2006; all this greatly compensated for the decrease in income from savings management (-1.1 million).

## Result of trading activities

This item includes the net result of financial trading activities (Euro 8.2 million), income from repurchase of financial liabilities (Euro 3.2 million) and dividends on equity included in the portfolio available for sale (Euro 0.8 million).

Overall, therefore, net trading results reached Euro 12.2 million at the end of 2007, down by 33.4% compared to the last financial year. The decrease affected both financial trading activities (securities) as well as financial derivatives. The uncertainty of the markets, such as the recent events which hit the international financial community several times, as well as bond defaults, the sub-prime financial crisis, the instability of stock exchanges, and also recent legislative changes (MIFID), all contributed to the slowdown in trading in securities and derivatives on behalf of clients.

## Operating costs

|  | 31.12.2007     | 31.12.2006     | changes       |             |
|--|----------------|----------------|---------------|-------------|
|  |                |                | absolute      | %           |
| - salaries and wages                   | 67,324         | 56,897         | 10,427        | 18.3        |
| - social security                      | 19,196         | 14,967         | 4,229         | 28.3        |
| - other personnel costs                | 3,395          | 6,277          | -2,882        | -45.9       |
| <b>Personnel expenses</b>              | <b>89,915</b>  | <b>78,141</b>  | <b>11,774</b> | <b>15.1</b> |
| - general operation expenses           | 15,000         | 10,234         | 4,766         | 46.6        |
| - expenses for third party services    | 25,110         | 16,195         | 8,915         | 55.0        |
| - direct and in direct taxes           | 13,074         | 11,193         | 1,881         | 16.8        |
| - expenses for managing properties     | 6,461          | 3,318          | 3,143         | 94.7        |
| - legal and professional expenses      | 4,774          | 4,044          | 730           | 18.1        |
| - advertising and promotional expenses | 5,277          | 2,926          | 2,351         | 80.3        |
| - indirect personnel costs             | 1,594          | 1,374          | 220           | 16.0        |
| - other expenses                       | 2,898          | 3,379          | -481          | -14.2       |
| - recovery of expenses and charges     | -12,264        | -10,601        | 1,663         | 15.7        |
| <b>Administrative expenses</b>         | <b>61,924</b>  | <b>42,062</b>  | <b>19,862</b> | <b>47.2</b> |
| - intangible assets                    | 727            | 85             | 642           |             |
| - tangible assets                      | 3,972          | 3,502          | 470           | 13.4        |
| <b>Depreciations</b>                   | <b>4,699</b>   | <b>3,587</b>   | <b>1,112</b>  | <b>31.0</b> |
| <b>Operating costs</b>                 | <b>156,538</b> | <b>123,790</b> | <b>32,748</b> | <b>26.5</b> |

Operating costs amount to Euro 156.7 million, recording an increase of 26.5%.

Within the aggregate, **personnel costs** stabilized at Euro 89.9 million, a rise of 15.1% over the last financial year. High costs are attributable to the increase in the number of staff following the acquisition of 29 former Intesa Sanpaolo branches and the strengthening of the management and network structures following the application of the new distribution model and the move to the new Group. However, the item was positively affected by the so-called “curtailment” of Euro 3.5 million resulting from the change of actuarial criteria following the coming into force of the Financial Law 2007, which brought forward to 1st January 2007 the reform of the additional social security provisions foreseen by Legislative Decree No 252 of 5 December 2005. 252.

Other **administrative costs** as of 31<sup>st</sup> December 2007 of Euro 61.9 million represent a 20.9% incidence on net operating income (16.6% at 31 December 2006).

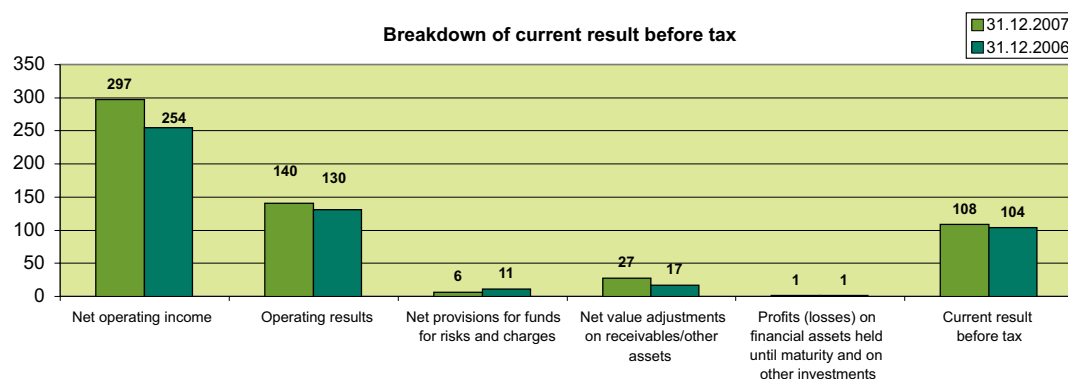
This item increased substantially (47.2%) when compared to the preceding year (Euro 42 million). This increase is explained by the important growth in operational (46.6%) and management (+94.7%) costs of properties following the increase in the number of branches and integration costs into the new Cariparma FriulAdria Group, which were mainly costs of third party services (+55%). Moreover, a rise in advertising costs (+80.3%) was recorded, due to promotional activities on entry into the new Group.

Indirect charges and taxes refer mainly to operations with clients: this leads in turn to recoveries which, along with other types of discounts, directly adjust total administrative expenses in the reclassified Financial Statement.

**Depreciations of Tangible and Intangible Assets**, totalling Euro 4.7 million, show an annual increase of 31% attributable to the depreciation of Intangible Assets recorded by the Bank following the process of allocation under the provisions of IFRS 3 (as explained in the Explanatory Note).

## Current result before tax

The current result achieved before tax as of 31 December 2007 amounts to Euro 107.9 million. This result is reached after allocating Euro 6 million to the Risks and Charges Fund, accounting for net adjustments in the value of loans and other activities of Euro 27.1 million, and income from equity sales of 0.6 million. The following paragraphs briefly explain the composition of this item.



## Net allocation to risks and charges fund

Net allocations for risks and charges recorded in 2007 were of Euro 6 million and represent a reduction of 43.5% compared to 31st December last year. The decrease is mainly due to lower provisions in 2007 following the agreement signed between the Bank and trade union representatives which regulates the voluntary termination of employment with the company for staff who have gained the necessary pension rights or staff who will reach pension requirements by 31st December 2012, allocated largely at end 2006. Moreover, excess funds were re-conferred to the Profit and Loss account as the some of the original reasons for the provisions in the earlier financial year were no longer valid.

## Net value adjustments on loans

Adjustment value on loans, net of relative value gain, amount to Euro 27.1 million in 2007, compared to Euro 16.8 million of 2006, with an increase of 61.1%. This amount results from registering adjustments of Euro 37.8 million against value gains of Euro 10.7 million. This rising trend is due to increased volumes and also to the Bank's more prudent policy in assessing and controlling risks, in certain aspects ahead of the Basilea 2 regulations, and in line with the Group's policies.

## Profits and losses on financial assets held until maturity and other investments

For 2007, this item is composed almost entirely of income gained by the Bank on the sale of equity which was no longer deemed strategic for the Group,

## Net Result

The 2007 financial year closes with a net result of Euro 65.7 million, an increase of 7.6% compared to Euro 61.1 million in 2006. This result is reached after the setting aside direct taxes for the last financial year of Euro 42.1 million, at a *tax rate* (ratio between income tax and income gross of tax) of 39%. In quantifying these taxes, the Bank has taken into consideration the regional concession for the reduction of the IRAP rate by 1% in favour of "virtuous" companies (Regional Law of 18th January 2006, Article 2, paragraph 2, paragraph 2, and subsequent amendments).

# Aggregate balance sheet items

## General points

Below are the balance sheet items as at 31st December 2007 analysed in comparison with the year end balances of 2006.

## Reclassification criteria for the balance sheet

In order to give a clearer and easier reading of the Balance Sheet, a summary schedule has been prepared of the assets and liabilities, through specific groupings, which relate to:

- the inclusion of cash and cash equivalents within the residual item “Other assets”;
- inclusion of the value of hedging derivatives and the value adjustments of financial assets and liabilities among “Other Assets/Liabilities”;
- the aggregation under a single item of Tangible and Intangible Assets;
- the aggregation under a single item called “Client deposits” of the value of “Payables to clients” and of “Securities issued”;
- the grouping under a single item of liabilities with specific destinations (Staff Severance Indemnity and Risks and Charges Fund);
- recording of Reserves under an aggregate item, net of any treasury shares.

Moreover, in order to present the composition of the aggregates in a more effective manner, in the following tables of detail and related comments, the indication of the Trading Assets/Liabilities has been provided on a net basis, represented by derivative contracts and amounts payable to/receivable from banks, and the fair value of the hedging derivatives has been related to the respective hedged assets and liabilities.

## Reclassified balance sheet

| ASSETS  | 31.12.2007       | 31.12.2006       | changes          |             |
|---|------------------|------------------|------------------|-------------|
|   |                  |                  | absolute         | %           |
| Net financial assets/liabilities held for trading | 232,882          | 225,647          | 7,235            | 3.2         |
| Financial assets available for sale               | 54,925           | 38,469           | 16,456           | 42.8        |
| Loans to clients                                  | 5,274,550        | 4,130,464        | 1,144,086        | 27.7        |
| Equity investments                                | 62               | 2,287            | -2,225           | -97.3       |
| Tangible and intangible assets                    | 142,086          | 64,138           | 77,948           |             |
| Tax assets  | 59,382           | 57,373           | 2,009            | 3.5         |
| Other assets                                      | 109,381          | 116,320          | -6,939           | -6.0        |
| <b>Total net assets</b>                           | <b>5,873,268</b> | <b>4,634,698</b> | <b>1,238,570</b> | <b>26.7</b> |

| LIABILITIES   | 31.12.2007       | 31.12.2006       | changes          |             |
|---|------------------|------------------|------------------|-------------|
|   |                  |                  | absolute         | %           |
| Net inter-bank deposits                               | 359,636          | 513,775          | -154,139         | -30.0       |
| Client deposits                                       | 4,540,649        | 3,343,251        | 1,197,398        | 35.8        |
| Tax liabilities                                       | 65,636           | 59,430           | 6,206            | 10.4        |
| Other liabilities                                     | 207,084          | 175,404          | 31,680           | 18.1        |
| Funds for specific use                                | 48,094           | 45,332           | 2,762            | 6.1         |
| Share capital   | 114,583          | 101,975          | 12,608           | 12.4        |
| Reserves  | 456,969          | 321,013          | 135,956          | 42.4        |
| Valuation reserves                                    | 14,879           | 13,451           | 1,428            | 10.6        |
| Profit (loss) for the year                            | 65,739           | 61,067           | 4,672            | 7.6         |
| <b>Total shareholders' equity and net liabilities</b> | <b>5,873,268</b> | <b>4,634,698</b> | <b>1,238,570</b> | <b>26.7</b> |

## Gross banking product

|                   | 31.12.2007        | 31.12.2006        | changes          |             |
|-------------------|-------------------|-------------------|------------------|-------------|
|                   |                   |                   | absolute         | %           |
| Loans to clients  | 5,274,550         | 4,130,464         | 1,144,086        | 27.7        |
| Direct deposits   | 4,540,649         | 3,343,251         | 1,197,398        | 35.8        |
| Indirect deposits | 6,609,893         | 5,370,948         | 1,238,945        | 23.1        |
|                   | <b>16,425,092</b> | <b>12,844,663</b> | <b>3,580,429</b> | <b>27.9</b> |

FriulAdria closed the 2007 financial year with an important improvement in gross banking product amounting to Euro 16.4 million, signalling an annual increase in the order of 27.9%. This is a significant result influenced by the volumes conferred by the take-over of 29 branches from Intesa Sanpaolo.

Average employee productivity has risen from 9.7 to 10.8 million recording an increase of 10.9%.

## Loans to clients

|   | 31.12.2007       | 31.12.2006       | changes          |             |
|---|------------------|------------------|------------------|-------------|
|   |                  |                  | absolute         | %           |
| Current accounts  | 643,434          | 581,303          | 62,131           | 10.7        |
| Loans   | 2,705,387        | 1,998,009        | 707,378          | 35.4        |
| Advances and financing  | 1,601,215        | 1,320,512        | 280,703          | 21.3        |
| Impaired loans  | 169,360          | 84,748           | 84,612           | 99.8        |
| Credits under the form of securities                            | 154,310          | 147,394          | 6,916            | 4.7         |
| <b>Loans to clients</b>   | <b>5,273,706</b> | <b>4,131,966</b> | <b>1,141,740</b> | <b>27.6</b> |
| Net value of related hedging derivative contracts of fair value | 844              | -1,502           | 2,346            |             |
| <b>Total</b>  | <b>5,274,550</b> | <b>4,130,464</b> | <b>1,144,086</b> | <b>27.7</b> |

The 2007 financial year witnessed a sustained growth trend for loans to clients. The amount of the value of loans to clients as of 31 December 2007, was Euro 5,275 million, 27.7% higher than the amount reported as of 31 December 2006 (Euro 4,130 million).

Almost all credit typologies contributed to the increase; in particular, growth performance was most significant for mortgages (+35.4%); in 2007, total medium-term financing represented 51.3% of loans to clients.

Credit represented by bonds (Euro 154.3 million at year end 2006) is made up entirely of insurance capitalization certificates.

## Credit quality of loans to clients

|                             | 31.12.2007       |                           |                  | 31.12.2006       |                           |                  |
|-----------------------------|------------------|---------------------------|------------------|------------------|---------------------------|------------------|
|                             | Gross exposure   | Overall value adjustments | Net exposure     | Gross exposure   | Overall value adjustments | Net exposure     |
| Non-performing loans        | 95,124           | 66,355                    | 28,769           | 77,526           | 54,616                    | 22,910           |
| Doubtful loans              | 124,828          | 30,303                    | 94,525           | 60,688           | 13,242                    | 47,446           |
| Restructured exposures      | 204              | 56                        | 148              |                  |                           |                  |
| Expired loans               | 49,014           | 3,095                     | 45,919           | 15,476           | 1,083                     | 14,393           |
| <b>Total impaired loans</b> | <b>269,170</b>   | <b>99,809</b>             | <b>169,361</b>   | <b>153,690</b>   | <b>68,941</b>             | <b>84,749</b>    |
| Performing loans            | 5,137,123        | 32,778                    | 5,104,345        | 4,071,656        | 24,439                    | 4,047,217        |
| <b>Loans to clients</b>     | <b>5,406,293</b> | <b>132,587</b>            | <b>5,273,706</b> | <b>4,225,346</b> | <b>93,380</b>             | <b>4,131,966</b> |

Total impaired loans, net of adjustment for loss, amount to Euro 169.4 million at year end.

Non-performing loans amount to Euro 28.8 million, compared to Euro 22.9 million at end 2006: this data is consistent with the growth in loans; in fact, the total percentage on the loans portfolio is basically unchanged, moving from 0.55% in 2006 to 0.54% in 2007.

Doubtful loans show a significant growth and signal an increase incidence on total loans to clients which rose from 1.15% in 2006 to 1.79% in 2007.

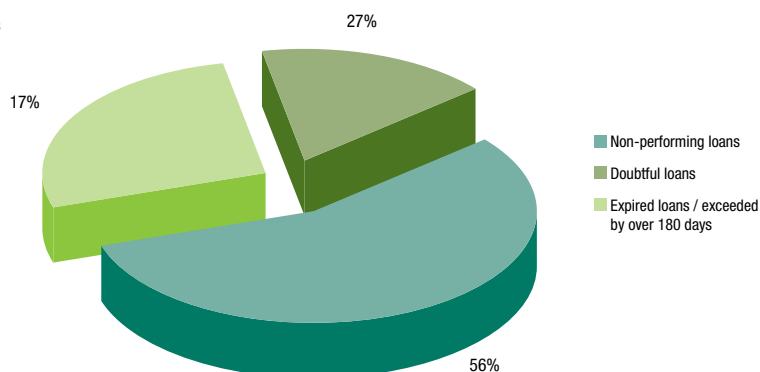
The net amount of doubtful loans rose due to the dynamics recorded in the volume of assets with clients and also due to the classification in this “status” of certain substantial positions in the business and corporate markets. However, the hedging percentage for losses forecast reported in gross amounts improves from 21.82% in 2006 to 24.28% in 2007. It is noted that this category of impaired loans includes also doubtful loan positions acquired with the transfer of the 29 branches from Intesa Sanpaolo (22.8 million net as of December 2007).

The category of expired and exceeded loans over 180 days as of 31 December 2007 shows unusual growth with an increase of Euro 31.5 million following the inclusion, for contingency reasons which arose in the last days of the year, for several positions of important amounts.

Total accumulated adjustments amount to Euro 32.8 million, 34.1% higher than amount at end 2006. This is attributable to the growth in the volume of loans and, in part, to the change in composition of performing loans. These adjustments represent 0.6% of gross exposure in positions of performing loans to clients, as in December 2006.

For a progressive alignment of accounting policies with those used by Crédit Agricole, provisions for expired and excess loans over 90 days have been included under total adjustments.

Breakdown of bad loans to clients



## Savings deposits

Total savings deposits reached Euro 11,151 million with an increase of 28%, corresponding in absolute terms to a variation higher than Euro 2.4 billion. The increase is consistent with the changes in the Bank's size.

## Direct Deposits

|   | 31.12.2007       | 31.12.2006       | changes          |             |
|---|------------------|------------------|------------------|-------------|
|   |                  |                  | absolute         | %           |
| Deposits  | 3,798            | 7,316            | -3,518           | -48.1       |
| Current accounts and other accounts                             | 2,863,031        | 2,334,294        | 528,737          | 22.7        |
| Other entries   | 52,765           | 39,016           | 13,749           | 35.2        |
| Repurchase agreements   | 263,668          | 204,855          | 58,813           | 28.7        |
| <b>Payables due to clients</b>                                  | <b>3,183,262</b> | <b>2,585,481</b> | <b>597,781</b>   | <b>23.1</b> |
| <b>Securities issued</b>  | <b>1,348,542</b> | <b>750,926</b>   | <b>597,616</b>   | <b>79.6</b> |
| <b>Total</b>  | <b>4,531,804</b> | <b>3,336,407</b> | <b>1,195,397</b> | <b>35.8</b> |
| Net value of related hedging derivative contracts of fair value | 8,845            | 6,844            | 2,001            | 29.2        |
| <b>Total</b>  | <b>4,540,649</b> | <b>3,343,251</b> | <b>1,197,398</b> | <b>35.8</b> |

Direct deposits, at year end, topped Euro 4,500 million, registering an improvement, on an annual basis, of 35.8%. Deposits at end December 2007 show clients' preference for investments in medium- to long-term securities (+79.6% compared to last year).

With reference to the composition of the aggregate at year end 2006, the main element was made up of banking and other accounts, which reached Euro 2,863 million, with incidence equal to 63.2% of the total direct deposits. Bonds and certificates of deposit reached Euro 1,349 million and represent 29.8% provisions for clients, which confirm the attention paid by the Bank to improving the transformation of maturities.

Concerning the remaining elements, there was a significant increase in swap agreements (+28.7% annually).

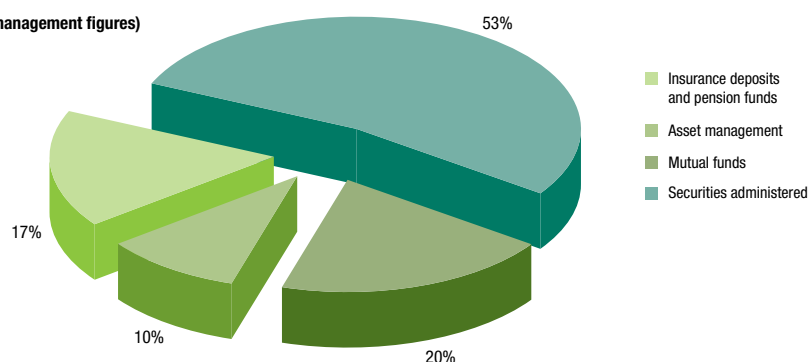
## Indirect Deposits

|                              | 31.12.2007       | 31.12.2006       | changes          |             |
|------------------------------|------------------|------------------|------------------|-------------|
|                              |                  |                  | absolute         | %           |
| - Assets managed             | 2,033,323        | 1,983,088        | 50,235           | 2.5         |
| - insurance products         | 1,059,003        | 763,513          | 295,490          | 38.7        |
| <b>Total savings managed</b> | <b>3,092,326</b> | <b>2,746,601</b> | <b>345,725</b>   | <b>12.6</b> |
| Deposits administered        | 3,517,567        | 2,624,347        | 893,220          | 34.0        |
| <b>Indirect deposits</b>     | <b>6,609,893</b> | <b>5,370,948</b> | <b>1,238,945</b> | <b>23.1</b> |

Indirect deposits – managed and administered savings – as of 31st December 2007 reached Euro 6,610 million, with an annual increase of 23.1%.

An analysis of the components of indirect deposits shows a strengthening of the administered savings which amount, as of 31st December 2007, to Euro 3,518 million, a growth of 34% compared to end December 2006 (Euro 2,624 million). The managed component, representing around 46.8%, of indirect deposits recorded an increase of 12.6%.

Breakdown of indirect deposits (management figures)



## Net financial assets and liabilities held for trading

This item, which as of 31<sup>st</sup> December 2007 amounted to Euro 232.9 million compared to Euro 225.6 million in the previous year, is made up of the portfolio of securities and derivatives held for trading activity with clients.

## Net Inter-bank position

At the end of December 2007, the net inter-Bank position recorded a decrease in the debt balance, from Euro 513.8 million at end of 2006 to Euro 359.6 million (-30%).

## Funds for specific use

This item includes provisions made by the Bank for liabilities consequent to the trade union agreement on termination of employment incentive for bank staff under the provisions of Ministerial Decree No.158 of 2000 and No. 226 of 2006 (Euro 10 million in total). Moreover, provisions have been made to cover charges relating to legal controversies, as well as provisions for specific operational risks.

In the funds for specific use is also included the Employees Severance Indemnity Fund amounting to Euro 21.1 million.

## Shareholders' Equity and Regulatory Capital

As of 31<sup>st</sup> December 2007, the Bank's Shareholders' equity, including the profit for the year, amounts to Euro 652.2 million with an increase of over Euro 154.7 million compared to the same amount last year. As already mentioned, the Bank carried out an increase in capital in 2007 of a total of Euro 136 million due to the acquisition of 29 branches from Intesa Sanpaolo.

As of 31<sup>st</sup> December 2007 the Regulatory Capital amounts to Euro 519.7 million, an increase over the previous year of Euro 64.9 million. The risk-weighted activities showed an increasing trend, passing from Euro 4,270 million to Euro 5,205 million in 2007 with an increase of 21.9%, in great part due to the dynamics of credit risk.

All the asset ratios remain largely above the regulatory limits. The solvency ratio (10%) that characterizes the degree of the

Bank's asset adequacy through the division between the regulatory capital and the total weighted risk assets, remains above the minimum requirement established by the Bank of Italy (7% for the financial institutions belonging to banking groups).

| REGULATORY CAPITAL                 | 31.12.2007     | 31.12.2006     | changes       |             |
|------------------------------------|----------------|----------------|---------------|-------------|
|                                    |                |                | absolute      | %           |
| Tier 1 share capital               | 504,371        | 435,753        | 68,618        | 15.7        |
| Tier 2 supplementary share capital | 15,058         | 20,580         | -5,522        | -26.8       |
| Items to be deducted               |                | 1,519          | -1,519        |             |
| <b>Regulatory Capital</b>          | <b>519,429</b> | <b>454,814</b> | <b>64,615</b> | <b>14.2</b> |
| Risk-weighted assets               | 5,205,457      | 4,270,465      | 934,992       | 21.9        |

| SOLVENCY COEFFICIENTS                     | 31.12.2007 | 31.12.2006 | changes  |      |
|---|------------|------------|----------|------|
|   |            |            | absolute | %    |
| Tier 1 capital / Risk-weighted assets     | 9.7        | 10.2       | -0.5     | -5.0 |
| Regulatory capital / Risk-weighted assets | 10.0       | 10.7       | -0.7     | -6.3 |

## Management outlook

It is confirmed that from the end of the 2007 financial year and up to the date of this report, there have been no relevant events which change, in a significant manner, the Bank's management structure.

The macroeconomic scenario for 2008 indicates a slowdown in real economic growth linked to a rise in inflation.

The trend for bank loans should continue to be sustained despite the gradual slowdown in both of the maturity components. Family loans are expected to be influenced by housing market factors and to the higher cost of loans.

Consumer lending should recover at a higher growth rate, decidedly more than 10%.

The dynamics of lending to non-financial companies should remain high while reflecting a slowdown in line with the general developments.

Short-term loans will continue to grow but should also experience the requirements of circulation capital linked to normal economic growth, as well as the effects of the TFR reform on the liquidity of companies with more than 50 employees.

It is forecast that medium- to long-term loans will be sustained by investments in operating assets, due to a slowdown in growth of investments in construction.

The scenario described is based on the hypothesis of a return of the movement in rates during the first part of the year leading to a possible relaxing of monetary policy in the second part of the year.

The dynamics of deposits should continue at contained levels in 2008, and improve compared to the minimums of 2007. The trend for share issues should be higher than that of deposits but slower compared to the speed of growth of the last few years.

A recovery in positive growth in managed deposits is forecast, due to a slowdown in the outflow from funds.

Insurance deposits should regain more sustained growth due again to the linked segment facing the persisting weakness of the traditional segment.

In the area of personnel costs, these are expected to continue to grow after the stagnation phase in 2007 connected to the TFR acquisition criteria, due to the increase in numbers and the renewal of the Collective National Employment Contract. An increase is also expected in 2008 in various costs connected to the greater investments which the banking sector will be expected to meet.

In summary, the results of the 2008 banking sector should confirm a positive growth trend sustained by the consolidation of income, the aimed management of costs and the containment of the credit costs.

The Bank's objective is to improve work volumes by an expansion in the market share and the development of trading volumes at a rate higher than the local market.

For deposits, the drive towards investments in bonds will continue aimed at a readjustment of terms for assets and liabilities. The growth in loans will concentrate on supporting small and medium-sized enterprises and economic dealers.

These objectives will be pursued by activating commercial actions aimed at acquiring new clients through an ambitious plan for expansion in the territory.

Moreover, we proposed to develop further services, counting also on the synergies within the Group able to furnish the widest range of products to satisfy clients' specific requirements.

2008 will be a demanding year for the Bank, also with regard to the project for the migration of FriulAdria's computer system, currently supplied by Intesa Sanpaolo, to Cariparma's system, before the first week of July.

Fulfilling the objective of migrating the computer systems within the deadlines foreseen requires the intense involvement of staff in the project: it has been estimated that the Bank will required around 11,600 man/days for this project.

The work is currently progressing within the planned deadlines.

## Proposed allocation of net income

Dear Shareholders,

we hereby submit, for your approval, the Financial Statement for the financial year 1<sup>st</sup> January – 31<sup>st</sup> December including earlier provisions, composed of the Balance Sheet, the Profit and Loss Account, the schedule for variation of Shareholders' Equity, the Financial Statement and Explanatory Note, as well as the relative annexes and the Management Report.

We therefore propose the approval of the distribution of a unit dividend of Euro 2.40 to each share and to allocate the net profits of Euro 65,738,745.00 wholly available pursuant to Articles 5 and 6 of Legislative Degree of 28<sup>th</sup> February 2005 No. 38, in the following manner:

|   | Euro              |
|---|-------------------|
| To the Legal Reserve 5%   | 3,286,937         |
| with regard to the remainder:   |                   |
| A dividend to the Shareholders of Euro 2.40 on 22,916,577 shares, payable on 1st January 2007 | 54,999,785        |
| To the Extraordinary Reserve  | 5,702,023         |
| To the Charitable Fund  | 1,750,000         |
| <b>Total net income for the year</b>  | <b>65,738,745</b> |

If the financial accounts and the proposal of allocation of the yearly profits meet with your approval, the Bank's Shareholders' Equity – comprehensive of the profit elements reported in the year to valuation reserves pursuant to the IAS/IFRS accounting principles – will be as illustrated in the following table, in thousand Euros.

|                       | Euro               |
|-----------------------|--------------------|
| Capital               | 114,582,885        |
| Share premium account | 409,901,589        |
| Reserves              | 70,935,088         |
| <b>Total</b>          | <b>595,419,562</b> |

We propose, as dividend registration date, the 24th April 2008 with payment of the same as of 30<sup>th</sup> April 2008.

In concluding this report, firstly we would like to express our sincere thanks to all those who have contributed to the positive company results and who are now working towards the success of the complex operation of aggregation with Cassa di Risparmio di Parma e Piacenza and the Crédit Agricole Group.

We would also like to thank Shareholders and Clients for the continuing confidence and preference shown and confirm our commitment to fulfilling their expectations to the best of our abilities.

We also warmly thank our employees who have faced and resolved the various challenges which arose during the year and for the dedication they have shown in pursuing and achieving important goals.

Our thanks also go to Authorities and Institutions, in particular the local branch of the Bank of Italy, for their courteous attention.

Pordenone, 28th February 2008

for The Board of Directors  
The Chairman  
Angelo Sette



# Accounting summaries

# Accounting summaries

## Balance Sheet

| <b>ASSETS</b>       |                                     | <b>31.12.2007</b>    | <b>31.12.2006*</b>   |
|---------------------|-------------------------------------|----------------------|----------------------|
| 10.                 | Cash and cash equivalents           | 38,409,136           | 30,919,396           |
| 20.                 | Financial assets held for trading   | 289,112,520          | 263,528,744          |
| 40.                 | Financial assets available for sale | 54,712,856           | 38,469,045           |
| 60.                 | Receivables due from banks          | 693,001,767          | 582,487,950          |
| 70.                 | Receivables due from clients        | 5,273,705,537        | 4,131,965,553        |
| 80.                 | Hedging derivatives                 | 5,403,999            | 1,835,659            |
| 100.                | Equity investments                  | 61,662               | 2,287,326            |
| 110.                | Tangible assets                     | 65,917,077           | 63,908,139           |
| 120.                | Intangible assets                   | 76,169,558           | 229,657              |
|                     | of which:                           |                      |                      |
|                     | goodwill                            | 63,833,632           |                      |
| 130.                | Tax assets                          | 59,382,119           | 57,372,873           |
|                     | a) current                          | 38,782,520           | 39,237,467           |
|                     | b) deferred                         | 20,599,599           | 18,135,406           |
| 150.                | Other assets                        | 69,214,407           | 85,400,695           |
| <b>Total assets</b> |                                     | <b>6,625,090,638</b> | <b>5,258,405,037</b> |

| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |  | <b>31.12.2007</b>    | <b>31.12.2006*</b>   |
|---|--|----------------------|----------------------|
| 10.   | Payables due to banks                        | 1,052,636,549        | 1,096,263,419        |
| 20.   | Payables due to clients                      | 3,183,261,639        | 2,585,480,764        |
| 30.   | Securities issued                            | 1,348,541,634        | 750,925,829          |
| 40.   | Financial liabilities held for trading       | 56,230,886           | 37,881,592           |
| 60.   | Hedging derivatives                          | 11,436,784           | 10,371,822           |
| 80.   | Tax liabilities                              | 65,635,722           | 59,429,721           |
|   | a) current                                   | 50,027,800           | 45,378,963           |
|   | b) deferred                                  | 15,607,922           | 14,050,758           |
| 100.  | Other liabilities                            | 207,083,262          | 175,213,388          |
| 110.  | Severance indemnity                          | 21,105,487           | 23,994,459           |
| 120.  | Funds for risks and charges:                 | 26,989,325           | 21,337,890           |
|   | b) other funds                               | 26,989,325           | 21,337,890           |
| 130.  | Valuation reserves                           | 14,878,555           | 13,450,487           |
|   | a) financial assets available for sale (+/-) | 13,716,131           | 13,619,582           |
|   | c) hedging of financial flows (+/-)          | 1,162,424            | -169,095             |
| 160.  | Reserves                                     | 47,067,576           | 34,099,077           |
| 170.  | Issue premium                                | 409,901,589          | 286,914,348          |
| 180.  | Capital                                      | 114,582,885          | 101,975,060          |
| 200.  | Profit (loss) for the financial year         | 65,738,745           | 61,067,181           |
| <b>Total Liabilities</b>                    |  | <b>6,625,090,638</b> | <b>5,258,405,037</b> |

\* Data has been re-entered following the changes to the accounting principles for the assessment of the Severance Indemnity Fund (IAS 19), as explained in the tables contained in the Explanatory Notes – Reconciliation of Shareholders' Equity and Profit And Loss Account following change in IAS 19.

## Profit and Loss Account

|  | 31.12.2007          | 31.12.2006*         |
|--|---------------------|---------------------|
| 10. Interest and similar income                                | 309,153,538         | 224,439,635         |
| 20. Interest and similar costs                                 | -127,542,181        | -80,618,616         |
| <b>30. Interest margin</b>                                     | <b>181,611,357</b>  | <b>143,821,019</b>  |
| 40. Commission income  | 105,215,200         | 91,060,697          |
| 50. Commission expenses  | -4,477,041          | -4,340,244          |
| <b>60. Net commissions</b>                                     | <b>100,738,159</b>  | <b>86,720,453</b>   |
| 70. Dividends and similar income                               | 999,665             | 1,114,730           |
| 80. Net result from trading activities                         | 8,169,273           | 15,504,571          |
| 90. Net result from hedging activities                         | 2,108,290           | 2,129,635           |
| 100. Profit /loss from disposal of:                            | 3,259,076           | 1,872,689           |
| b) financial assets available for sale                         | 33,607              | 996,643             |
| d) tax liabilities   | 3,225,469           | 876,046             |
| <b>120. Intermediation margin</b>                              | <b>296,885,820</b>  | <b>251,163,097</b>  |
| 130. Net value adjustments on impairment to:                   | -25,464,511         | -15,574,064         |
| a) receivables   | -25,128,015         | -15,515,354         |
| b) financial assets available for sale                         |                     | -42,279             |
| d) other financial assets                                      | -336,496            | -16,431             |
| <b>140. Net result from financial management</b>               | <b>271,421,309</b>  | <b>235,589,033</b>  |
| 150. Administrative expenses:                                  | -168,232,401        | -131,722,246        |
| a) personnel expenses  | -94,044,219         | -79,058,873         |
| b) other administrative expenses                               | -74,188,182         | -52,663,373         |
| 160. Net provisions for funds for risks and charges            | -2,882,034          | -10,768,540         |
| 170. Net value adjustments on tangible assets                  | -3,971,754          | -3,501,472          |
| 180. Net value adjustments on intangible assets                | -726,968            | -85,018             |
| 190. Other operating expenses / income                         | 11,676,131          | 13,136,738          |
| <b>200. Operating costs</b>                                    | <b>-164,137,026</b> | <b>-132,940,538</b> |
| 210. Profits (losses) on equity investments                    | 565,083             | 9,017               |
| 240. Profits (losses) on disposal of investments               | 2,800               | 824,961             |
| <b>250. Profit (loss) before tax from current operations</b>   | <b>107,852,166</b>  | <b>103,482,473</b>  |
| 260. Income taxes for the financial year on current operations | -42,113,421         | -42,415,292         |
| <b>290. Profit (loss) for the financial year</b>               | <b>65,738,745</b>   | <b>61,067,181</b>   |

\* Data has been re-entered following the changes to the accounting principles for the assessment of the Severance Indemnity Fund (IAS 19), as explained in the tables contained in the Explanatory Notes – Reconciliation of Shareholders' Equity and Profit And Loss Account following change in IAS 19.

## Table of changes in shareholders' equity

|   | Capital<br>ordinary<br>shares | Issue<br>premium | Reserves         |                   | Valuation<br>reserves | Profit (loss)<br>carried<br>over | Profit (loss)<br>for the year | Shareholders'<br>equity |
|---|-------------------------------|------------------|------------------|-------------------|-----------------------|----------------------------------|-------------------------------|-------------------------|
|   |                               |                  | Legal<br>reserve | Other<br>reserves |                       |                                  |                               |                         |
| Value as of 1st January 2007  | 101,975                       | 286,914          | 13,472           | 21,842            | 13,450                |                                  | 60,188                        | 497,841                 |
| Change to opening balance   |                               |                  |                  | -1,214            |                       |                                  | 879                           | -335                    |
| <b>Value as of 1st January 2007 (adjusted)</b>  | <b>101,975</b>                | <b>286,914</b>   | <b>13,472</b>    | <b>20,628</b>     | <b>13,450</b>         |                                  | <b>61,067</b>                 | <b>497,506</b>          |
| <b>Allocation of previous year's result:</b>  |                               |                  |                  |                   |                       |                                  |                               |                         |
| = dividends   |                               |                  |                  |                   |                       |                                  | -46,909                       | -46,909                 |
| = allocation to charity fund  |                               |                  |                  |                   |                       |                                  | -1,500                        | -1,500                  |
| = allocation to legal reserve   |                               |                  | 3,009            |                   |                       |                                  | -3,009                        |                         |
| = allocation to extraordinary reserve   |                               |                  |                  | 9,649             |                       |                                  | -9,649                        |                         |
| <b>Changes in the year</b>  |                               |                  |                  |                   |                       |                                  |                               |                         |
| <b>Changes in reserves:</b>   |                               |                  |                  |                   |                       |                                  |                               |                         |
| = changes to CFH reserve  |                               |                  |                  |                   | 1,429                 |                                  |                               | 1,429                   |
| = changes to AFS security valuation reserve   |                               |                  |                  |                   | 1,332                 |                                  |                               |                         |
|   |                               |                  |                  |                   | 97                    |                                  |                               |                         |
| <b>Operations on Shareholders' equity:</b>  | <b>12,608</b>                 | <b>122,987</b>   |                  | <b>310</b>        |                       |                                  |                               | <b>135,905</b>          |
| = issue of new shares   | 12,608                        | 122,987          |                  |                   |                       |                                  |                               |                         |
| = allocation of shares and rights of Crédit<br>Agricole S,A, to employees and directors |                               |                  |                  | 310               |                       |                                  |                               |                         |
| <b>Profit as of 31st December 2007</b>  |                               |                  |                  |                   |                       |                                  | <b>65,739</b>                 | <b>65,739</b>           |
| <b>Value as of 31st December 2007</b>   | <b>114,583</b>                | <b>409,901</b>   | <b>16,481</b>    | <b>30,587</b>     | <b>14,879</b>         |                                  | <b>65,739</b>                 | <b>652,170</b>          |

## Financial Report

| FINANCIAL STATEMENT (INDIRECT METHOD)  | 31.12.2007      | 31.12.2006*     |
|--|-----------------|-----------------|
| <b>A. OPERATING ACTIVITIES</b>   |                 |                 |
| <b>1. Management</b>   | <b>141,670</b>  | <b>129,559</b>  |
| Financial year's result (+/-)  | 65,739          | 61,067          |
| Capital gains / losses on financial assets held for trading and on assets / liabilities designated at fair value (-/+) | -84             | -492            |
| Capital gains / losses on hedging activities (-/+)   | -2,108          | -2,130          |
| Adjustments/net recoveries on impairment (+/-)   | 28,653          | 12,228          |
| Adjustments to/net recoveries on tangible and intangible fixed assets (+/-)  | 4,699           | 3,586           |
| Net provisions for funds for risks and charges and other costs/revenues (+/-)  | 2,882           | 13,234          |
| Taxes and duties to be settled (+)   | 42,115          | 42,415          |
| Other adjustments (+/-)  | -226            | -349            |
| <b>2. Cash flow from / used in financial assets</b>  | <b>-541,363</b> | <b>-722,812</b> |
| Financial assets held for trading  | -23,940         | -130,815        |
| Financial assets available for sale  | -14,201         | -10,464         |
| Receivables due from banks: on demand  | -43,119         |                 |
| Receivables due from banks: other receivables  | -19,911         | -156,289        |
| Receivables from clients   | -453,484        | -393,242        |
| Other assets   | 13,292          | -32,002         |
| <b>3. Cash flow from / used in liabilities</b>   | <b>451,904</b>  | <b>644,929</b>  |
| Payables due to banks: on demand   | -59,565         |                 |
| Payables due to banks: other payables  | -105,635        | 357,887         |
| Payables due to clients  | 51,993          | 155,590         |
| Securities issued  | 596,035         | 112,286         |
| Financial liabilities held for trading   | 17,007          | 7,048           |
| Other liabilities  | -47,931         | 12,118          |
| <b>Net cash flow from / used in operating activities</b>   | <b>52,211</b>   | <b>51,676</b>   |
| <b>B. INVESTMENT ACTIVITIES</b>  |                 |                 |
| <b>1. Cash flow from</b>   | <b>8,872</b>    | <b>1,467</b>    |
| Sales of equity investments  | 2,822           | 41              |
| Dividends collected on equity investments  | 183             | 104             |
| Sales of tangible assets   | 3               | 1,322           |
| Purchases of subsidiaries and company branches   | 5,864           |                 |
| <b>2. Cash flow used in</b>  | <b>-5,185</b>   | <b>-5,570</b>   |
| Purchases of equity investments  | -32             | -1,259          |
| Purchases of tangible assets   | -5,152          | -4,217          |
| Purchases of intangible assets   | -1              | -94             |
| <b>Net cash flow from / used in investment activities</b>  | <b>3,687</b>    | <b>-4,103</b>   |
| <b>C. FUNDING ACTIVITIES</b>   |                 |                 |
| Distribution of dividends and other purposes   | -48,408         | -43,962         |
| <b>Net cash flow from / used in funding activities</b>   | <b>-48,408</b>  | <b>-43,962</b>  |
| <b>NET CASH FLOW FROM / USED IN THE FINANCIAL YEAR</b>   | <b>7,490</b>    | <b>3,611</b>    |







Banca Popolare FriulAdria Spa

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Capitale Sociale € 114.582.885,00 i.v.

Numero di iscrizione al Registro delle Imprese di Pordenone, Codice Fiscale e Partita Iva 01369030935

Iscritta all'Albo delle banche al n. 5391

Società soggetta all'attività di direzione e coordinamento

di Cassa di Risparmio di Parma e Piacenza SpA

e appartenente al Gruppo Bancario Cariparma FriulAdria iscritto all'Albo dei Gruppi Bancari al n. 6230.7.