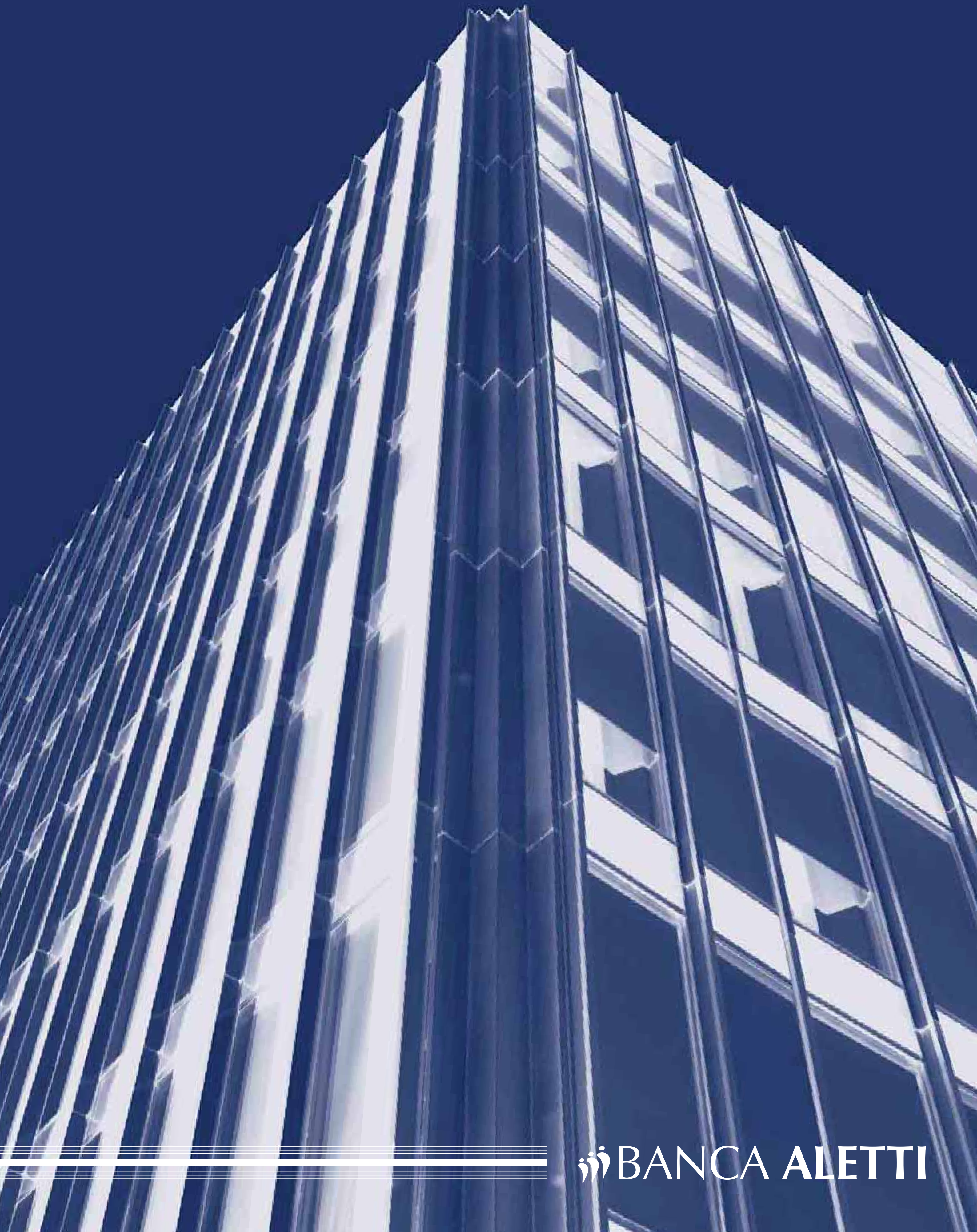
BANCA ALETTI. ANNUAL REPORT 2009.



ANNUAL REPORT 2009

Banca Aletti & C. S.p.A
(Banco Popolare Banking Group)
under the management and coordination of Banco Popolare

Registered Office: Via Santo Spirito 14 – 20121 Milan, Italy
Fully paid-up share capital € 121,163,538.96
Milan Register of Companies
Tax Code and Registration number 00479730459
VAT no. 10994160157
Registered Bank
Member of the Interbank Deposit Guarantee Fund

CORPORATE OFFICERS

	Board of Directors
Chairman:	Urbano Aletti
Deputy Chairman:	Andrea Sironi
Directors:	Alberto Bauli Bruno Bertoli Cristiano Carrus Marco Franceschini Bruno Pezzoni
	Board of Statutory Auditors
Chairman:	Maria Gabriella Cocco
Standing Auditors:	Alfonso Sonato Franco Valotto
Alternate Auditors:	Marco Bronzato Alberto Tron-Alvarez
	General Manager
	Maurizio Zancanaro
	Deputy General Manager
	Franco Dentella
	Manager responsible for the preparation of corporate accounting documents
	Roberto Gori
	Independent Auditors
	Reconta Ernst & Young S.p.A.

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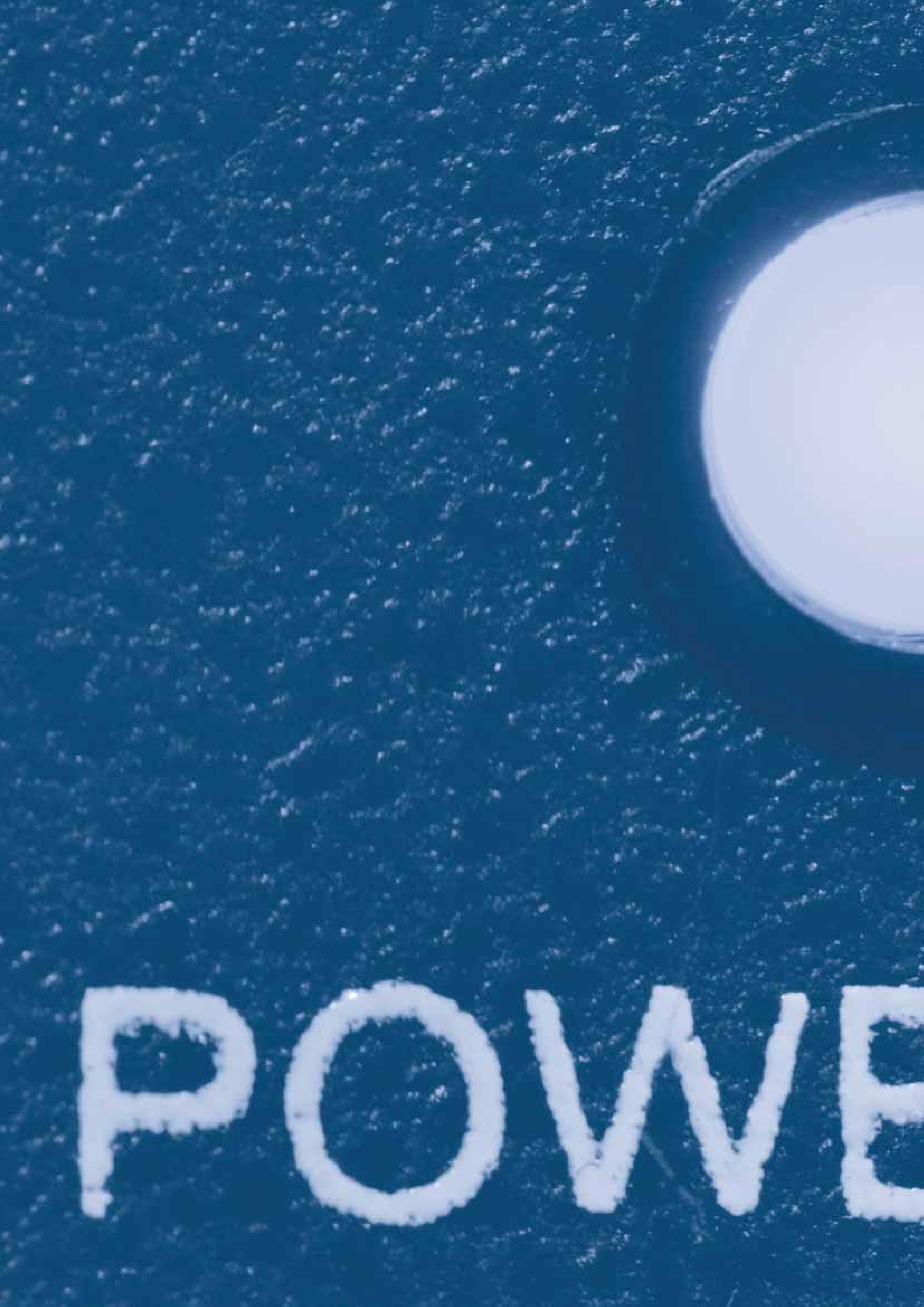
FINANCIAL HIGHLIGHTS

	31-12-2009	31-12-2008	Changes
Income statement (in millions of euro)			
Interest margin	53.1	103.2	-48.6%
Net commission income	64.1	80.0	-19.9%
Total income	337.7	301.6	11.9%
Operating costs	- 104.9	- 115.8	-9.4%
Profit from operations	232.7	185.8	25.2%
Income before tax from continuing operations	228.4	139.7	63.5%
Income after tax from continuing operations	162.6	91.4	77.8%
Net income for the year	162.6	91.4	77.8%
Balance sheet (in millions of euro)			
Total assets	10,691.9	25,394.6	-57.9%
Net loans to customers	1,177.3	2,030.5	-42.0%
Financial assets and hedging derivatives	6,189.1	4,527.6	36.7%
Shareholders' equity	596.3	432.1	38.0%
Customer financial assets (in millions of euro)			
Direct customer deposits	892.1	1,025.2	-13.0%
Indirect customer deposits	15,306.9	14,053.5	8.9%
- Asset management	12,178.7	11,482.9	6.1%
- Mutual funds and Sicavs	437.7	633.0	-30.9%
- Securities and fund management	11,695.7	10,849.9	7.8%
- Insurance policies	45.2	-	-
- Administered assets	3,128.3	2,570.5	21.7%
Organisation and operating performance			
Average number of employees (*)	467.0	492.0	-5.1%
Number of bank branches	36.0	39.0	-7.7%
Net loans to customers per employee (€/1000)	2,520.9	4,127.1	-38.9%
Total income per employee (€/1000) (**)	723.0	613.1	17.9%
Operating costs per employee (€/1000) (**)	224.7	235.4	-4.5%
Profit from operations per employee (€/1000) (**)	498.3	377.7	31.9%
Profitability ratios *(%)*			
ROE (**)	37.5%	22.6%	65.7%
Interest margin/Operating income	15.7%	34.2%	-54.1%
Net commissions/Operating income	19.0%	26.5%	-28.5%
Operating costs/Operating income	31.1%	38.4%	-19.0%

(*) Monthly arithmetic mean
(**) year-on-year data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REPORT ON OPERATIONS

OUTCOME OF POLICIES AND STRATEGIES

The economic context

Global scenario

In the first few months of 2009 the world economy suffered the full-blown negative effects of the financial crisis that begin in the second half of 2008. According to preliminary world GDP forecasts, for the first time ever we will see a negative growth and a near 0.6% decrease year-on-year. International foreign trade in 2009 faced a potential 12.5% drop, compared to the 2.5% growth in 2008.
The economic crisis was fought with tough monetary and tax policies, but although there were signs of improvement in the underlying climate in the second quarter no clear signals came through of a widespread turnaround in economic growth until the end of the summer. The turning point came in the third quarter when the upturn in GDP in both the United States and Europe technically marked the end of the recession. Trust in the major industrialised countries remained positive until the end of the year, bolstering the encouraging note that had already emerged, even if conflicting signs put a brake on the recovery, especially in the more industrialised economies.
In effect the recession produced a number of considerable kickbacks that hinder and weigh upon the fragile economic recovery seen so far. The job market in all major countries weakened constantly throughout the year, with a widespread return to high unemployment rates (10% in the USA, 9.8% in the EMU).
Preliminary proforma figures indicate that the USA has recorded a year-on-year decrease in GDP of 2.5%, helped by the y-o-y decrease of 0.6% in consumer spending, a 17.6% slump in non-residential private investments, and a 0.9% decrease in inventories. The weakening of the US dollar helped the recovery in foreign trading: net exports, aided by a 15% drop in imports, had a positive 1.1% impact on GDP.
Among the other mature economies, despite an unexpected recovery in growth in the second quarter of 2009 in the wake of forceful public investments, Japan was hard hit by the recession, closing the year with a near 5.5% decrease in GDP and a persistent deflationary note in consumer prices which recorded a downturn of 0.9%.
Confirming its bite, the recession also affected emerging countries which, though recording a positive growth rate, saw a considerable downsizing of its figures from the previous year. According to available summary data, in China and India GDP increased, respectively, by 8.7% year-on-year as a result of the strong acceleration seen in the second half after significant economic buffers were adopted in the first six months, and 6.7% year-on-year. Russia, however, suffered the backlash from the drop in crude oil prices, which translated into GDP down 7.9% on the year.
In the Eurozone, after breaking its fall in the first half of the year, GDP started to climb again in the third quarter and continued this tendential improvement until December. In a nutshell, these trends led to a 4% decrease y-o-y in 2009 due to the negative impact of a 1.1% drop in consumption, investments down 10.1% and, lastly, a marked 14.7% decrease in exports. Nevertheless, certain Eurozone countries – including Germany and France – had already recorded a rise in GDP from the second quarter of last year. The weak economic situation, even after some sign of acceleration towards the tail end of the year, failed to stop inflation from increasing: +0.3% in annual performance terms at the end of 2009.

Italy

In much the same way as in the other major Eurozone economies, official figures for the last two quarters confirmed signs of recovery for Italy, too. The Italian GDP, that almost managed to halt its tumble in the second quarter, recorded an upturn in the economy between July and September (+0.6% in economic terms, -4.6% in performance terms), after decreases for five quarters running. The overall balance of payments for 2009 in any event shows a drop in the aggregate figure of 4.8% year-on-year. Contributing to this negative result was a 1.8% decrease in consumer spending, a considerable plunge (-18.2%) in investments in machines, equipment and transport. Public spending on the other hand made a positive contribution – mirroring the budgeting policy in support of the weak cycle – with a 1.1% growth. In 2009 domestic demand fell by 3.6% overall. The international trade crisis led to a 20.2% decrease for the year in Italian exports, with a negative 1.2% effect on GDP.
The consequences of the crisis affected the job market throughout the year, deteriorating further towards the end of the year when the unemployment rate tipped the 8% mark. The weak economy implied a levelling out of inflation which towards the end of the year still sent out stronger signals, closing the year at 1.0% (according to the NIC index) or 1.1% in performance terms (according to the IPCA inflation index).
Relaxed budgetary policy adopted in support of domestic demand to combat the effects of the recession are, as already mentioned, reflected in the public accounts. State needs increased by 31.3 billion euro between January and November, compared to the average for 2008, with a 5.3% impact on GDP.

Money markets and financial markets

During the first half of 2009, governments and central banks of the major countries shored up demand and employment with extremely wide-ranging budgetary and monetary policies. Moreover, in line with the G20 intentions for a deep reform of the current financial system, G8 leaders also agreed on the need to jointly develop a set of common principles and standards on correctness, integrity and transparency in their international economic and financial affairs. In the second half of the year the monetary authorities of the major industrialised countries, with no further room for rate leverage, continued to support the

banking system through quantitative easing measures, at the same time beginning to discuss the most appropriate ways to launch exit strategies, the crisis recovery manoeuvres that led to the adoption of exceptional monetary measures.
Tough, rapid intervention from the monetary and tax authorities, that had already begun late in 2008, certainly helped limit the spread of the crisis in 2009. However, two extremely negative effects could not be avoided: on the one hand, the Central Banks' copious formation of a monetary base was a potential acceleration factor for prices. On the other, widespread public intervention in support of the real economy took a swift, obvious bite out of the public coffers.
In monetary policy terms, after bringing FED Fund rates to 0.25% and the discount rate to 0.50% (in December 2008), the Federal Reserve kept its level steady until the end of the year. The European Central Bank reduced its main refinancing rates by a quarter of a point on 13 May 2009 to its all-time low of 1%. It then also narrowed its rates corridor on transactions initiated by the counterparty, from 200 to 150 basis points. The central banks' support for credit was crucial, mirrored as already mentioned in a conspicuous increase in funds: in the Eurozone the M1 aggregate had increased 11.8% year on year by October.
Short-term rates in the main industrialised countries ran parallel to the strongly expansive monetary policies. In the USA the interbank rate lined up with the official rate (0.25%). In July in the Eurozone the 3-month Euribor rate fell to below the benchmark, closing 2009 at around 0.70%. Towards the end of the year the Eonia rate even hit a minimum of 0.32%. Regarding credit terms, central bank surveys on the third quarter showed a perceptible relaxation in the criteria for lending to households and enterprise in both the United States and in the Eurozone. The return of a less negative economic climate also triggered a normalisation phase in the government securities market. In the Eurozone, the spreads compared to the 10-year Bund narrowed significantly from the peaks at the start of 2009, though remaining strong.

Domestic banking industry

The depth of the crisis had a significant impact on Italian banking, though with a different emphasis than in other major European countries. Whilst 2009 saw the Eurozone in general in a recession characterised by a considerable slowdown in total loans to enterprise, the credit squeeze was much less restrictive in the Italian banking industry. In Italy the banks continued to play a dynamic role in financing the private sector as a whole, despite recording a significant deceleration in the growth rate, also as a result of less demand from companies for production investment backing. The market conditions and problems generated by the crisis also forced the banking system to adopt more selective criteria for granting loans.

More precisely, according to preliminary figures, total loans to private sector residents in Italy recorded a growth in performance terms of 1.5%, around 1% net of securitisation effects. Of these, loans to households and non-finance companies apparently increased 1.6% year-on-year. In terms of maturities, short-term loans (less than one year duration) were 6.04% down in December on the previous year's figures, whilst loans of more than twelve months increased by 4.9% over the year. At year end, home loans to individuals recorded a recovery, by November – the last figure available – up by 6.1% on the year. Separating households from enterprise, loans to non-finance companies in October had slipped back by 0.5% in performance terms by December. Loans to households, on the other hand, increased by 6.7% (0.5% being the average reported for the Eurozone).

A persistent risk aversion, facilitated by a near flat curve for money market maturities, helped bank deposits compared to other market instruments, especially its more liquid component. At year end domestic bank deposits, represented by resident customer deposits and bonds, recorded an 8.9% increase in performance terms. Regarding the individual components, resident customer deposits recorded a performance growth of 7.6%, whilst bank bonds increased by 10.8%. Lastly, current account deposits were up 11.4%. Vice versa, the value of repurchase agreements with customers fell. In November, the last figure available, they recorded a drop close on 30.6%. On the same date the trend in foreign deposits also fell (-12.8%).

The weighted average rate on total loans to households and non-finance companies dropped to lower than the end of 2008 levels, reaching an all-time low in December 2009 of 3.77%, 232 b.p. below the 2008 figure. The EUR deposits rate for households and non-finance companies in December was 0.69%, compared to 1.99% a year earlier. For current account deposits in euro the rate for the same period was 0.31%, against the 1.53% of the previous year. The average rate for bank deposits from customers (households and non-finance companies) at the end of 2009 was therefore 1.56%, compared to 3.00% in December 2008.

The spread between the average rate on loans and the average on household/non-finance company deposits as at December 2009 was 221 b.p., an approximate 88 b.p. drop from the December 2008 figure and 59 b.p. down on the January 2009 figure. In November the mark-up (the spread between the average rate on loans to households and non-finance companies and the average return on BOT) reached 316 b.p., down on the 388 b.p. of November 2008, whilst the mark-down (spread between average return on BOT and the average rate on EUR deposits from households and non-finance companies) settled at highly negative values, i.e. -0.95 b.p., so down even further than the -71.b.p. recorded for November 2008.

Lastly, preliminary figures indicate that in November, mirroring the deteriorating economic situation, gross non-performing exposures for the Italian banking system totalled 58.0 billion euro, 18.4 billion more than in November 2008 and a 46.5% change year-on-year. Compared to total loans the above-mentioned non-performing exposures amounted to 3.25%, up on the 2.27% of December 2009. In November 2009, non-performing exposures net of write-downs totalled 34.7 billion euro, recording an increase of 13.7 billion since the end of the previous year. The net non-performing/total loans ratio was 1.97% (1.24% at the end of 2008).

SIGNIFICANT EVENTS

Transfer of liquidity, interest rate and exchange rate risk management and of Banco Popolare proprietary portfolio management

As instructed by the parent company in application of the framework resolution adopted by the parent company Management Board last November, which ordered the concentration of Finance business (ALM, banking book, repo desk, proprietary portfolio management), previously assigned partly to the parent company and partly to Banca Aletti, the Banca Aletti departments responsible for Banco Popolare proprietary portfolio management, treasury management and forex business were transferred to the parent company with effect from 1 April 2009. On that date all powers previously assigned to Banca Aletti by the parent company to perform such activities lapsed. Details are provided below of the business transferred.

Forex & Money Market

On transfer of treasury management and forex business to the parent company, the operating powers of other Group companies for business linked to liquidity, interest rate risk and exchange risk management were no longer valid. These activities related mainly to:

- release, by the individual system cut-offs, of payments in euro from the Bank to the BI-REL gross settlement system;
- management of cash flows in foreign currency;
- interest rate risk management deriving from Bank-Customer cash flows through transactions on the reference markets (domestic or foreign) in:
  - interbank deposits;
  - repurchase agreements;
  - forex swaps;
  - short-term interest rate derivatives;
- exchange rate risk management deriving from Bank-Customer cash flows through transactions on the international markets in:
  - spot trading;
  - forward trading;
  - purchase and sale of foreign bank notes;
  - exchange rate list definition.
- operating support for the Bank-Customer sales network to the extent of its duties.

By a supplement to the existing framework agreement, at the same time Banca Aletti formalised the transfer of powers to the parent company for treasury and forex business.

Proprietary portfolio management

As a result of the agreement on cancellation of powers signed by Banco Popolare with Banca Aletti in relation to management of the proprietary securities portfolio, the Banca Aletti departments responsible for such activities were closed and transferred to the parent company.

The Icelandic banks

As at 31 December 2008 Banca Aletti exposure to Kaupthing Banki hf Group totalled 23.8 million euro, mainly represented by interbank deposits. In preparing the financial statements as at 31 December 2008 it was decided to conservatively write down exposure to the aforementioned banks by 75%.
Specifically, Banca Aletti recorded an amount due from Kaupthing Bank Luxembourg S.A. of 13.65 million euro for capital and accrued interest, which in the 2008 financial statements were written down by 3.4 million euro based on an estimated 25% recovery rate. On 26 May 2009 the directors of Kaupthing Bank Luxembourg S.A. presented a restructuring plan envisaging the spin-off of the original company to a New Bank and to an SPV, the SPV then issuing Notes guaranteeing debt repayment through cash flows generated from asset management.
The plan was considered positive by the advisors (Deloitte S.A.) chosen by the Interbank Creditors Committee. The parent company Credit and Credit Policy Department expressed opinion in favour of the proposed plan. The plan received a vote in favour by almost all members of the Interbank Creditors Committee.

After the vote, all the steps envisaged in the plan were put into action and were successfully completed on 10 July 2009 with the spin-off of the original company into two newcos, Bank Havilland S.a. and Pillar Securitisation S.a.r.l. On that same date Pillar Securitisation issued the Notes to be allocated to each creditor for an amount equal to the nominal value of the respective amount due, plus legal interest matured as at 10 July.

As at 31 December 2009 Banca Aletti held a par value of 9.4 million euro of these Notes, net of capital repayments collected in August and November 2009 for 4.5 million euro. The Notes, freely transferable and perpetual, envisage quarterly interest payments at the 3-month Euribor rate plus 125 bp per year and capital repayment linked to asset disinvestment, without prejudice to the fact that a repayment of 33% of the interbank debt was repaid on the first coupon.

UNICASIM

Since November 2006 Banca Aletti has held a 10% investment (493,947 shares) in the share capital of Sivori & Partners Sim S.p.A. This investment, recognised as AFS securities, was recorded at its historic cost of 333,333 euro.

The company Shareholders' Meeting of 29 May 2009 approved a share capital increase for a total of 4,444,444 new shares with a par value of 0.45 euro per share, for a countervalue of 2,000,000 euro, which raised the share capital from 2,222,761.95 euro to 4,222,761.95 euro.
On that same date the Shareholders' Meeting resolved to change the company name with effect from 1 July 2009 to "UNICASIM società di intermediazione mobiliare S.p.A.", or "UNICASIM".

On 3 July 2009 Banca Aletti subscribed to its own portion of the share capital increase, 444,444 shares, for a total of 199,999.80 euro.

VALUATION OF THE EQUITY INVESTMENT IN NAZIONALE FIDUCIARIA

As at 31 December 2009 the equity investment in Nazionale Fiduciaria was written down for impairment by 3.6 million, owing to the fact that as a result of the financial market crisis, the book value of the equity investment was greater than its recovery value. This value was estimated to be equal to the current value of cash flows to be generated by the investment, based on the most recent financial plans approved by management, and calculated by applying a market rate representing the current value of money and the specific investment-related risks.

The valuation took into account the ongoing business combination with Aletti Fiduciaria, discussed later in this report under "Streamlining of the trusts".

RECLASSIFIED BALANCE SHEET AND INCOME STATEMENT

Balance sheet

A summary overview of the performance of the main balance sheet data is provided in the reclassified balance sheet below:

Reclassified assets ***(in thousands of euro)***	**31/12/2009**	**31/12/2008**	**Changes**	
Cash and cash equivalents	49	25	24	97%
Financial assets and hedging derivatives	6,189,070	4,527,583	1,661,487	37%
Due from banks	3,174,354	18,424,363	-15,250,009	-83%
Due from customers	1,177,267	2,030,534	-853,267	-42%
Equity investments	21,047	13,128	7,918	60%
Property, plant and equipment	1,686	2,029	-343	-17%
Intangible assets	19,981	19,977	4	-
of which: goodwill	19,973	19,973	-	-
Other asset items	108,432	377,002	-268,571	-71%
Total	**10,691,885**	**25,394,641**	**- 14,702,756**	**-58%**

Reclassified liabilities ***(in thousands of euro)***	**31/12/2009**	**31/12/2008**	**Changes**	
Due to banks	3,130,497	17,519,964	-14,389,467	-82%
Due to customers and debt securities in issue	1,730,067	2,918,408	-1,188,341	-41%
Financial liabilities	5,115,886	4,171,493	944,392	23%
Provisions	18,711	18,367	344	2%
Other liabilities	100,425	334,290	-233,865	-70%
Shareholders' equity	596,299	432,119	164,181	38%
- Share capital and reserves	433,740	340,670	93,070	27%
- Profit for the year	162,559	91,449	71,110	78%
Total	**10,691,885**	**25,394,641**	**- 14,702,756**	**-58%**

Income statement

Banca Aletti closed 2009 with an increase in net profit of 77.76%, from 91.45 million euro as at 31 December 2008 to 162.56 million euro as at 31 December 2009.
However, recurring items increased from 124.80 million euro as at 31 December 2008 to 165.28 million euro as at 31 December 2009, up 40.48 million euro (32.44%).

The reclassified Income Statement based on operating criteria and compliant with international accounting standards is provided below.

Reclassified income statement - Progressive (*in thousands of euro*)	*31/12/09*			*31/12/08*			*Recurring*	
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Abs. change	% change
Interest margin	**53,073**	**-**	**53,073**	**103,207**	**-**	**103,207**	**-50,134**	**-48.6%**
Net commission income	64,070	-	64,070	80,009	-	80,009	-15,939	-19.9%
Net other operating income	2,277	-	2,277	4,881	-	4,881	-2,604	-53.4%
Net profit/(loss)	218,114	118	218,231	113,531	-	113,531	104,583	92.1%
Other operating income	**284,461**	**118**	**284,578**	**198,421**	**-**	**198,421**	**86,040**	**43.4%**
Operating income	**337,534**	**118**	**337,652**	**301,628**	**-**	**301,628**	**35,906**	**11.9%**
Staff costs	-54,767	-	-54,767	-56,541	-789	-57,330	1,774	-3.1%
Other administrative costs net of recoveries	-49,082	-	-49,082	-57,003	-301	-57,304	7,921	-13.9%
Net write-downs on property, plant, equipment and intangible assets	- 1,093	-	- 1,093	- 1,166	-	- 1,166	73	-6.3%
Operating costs	**-104,942**	**-**	**-104,942**	**-114,711**	**-1,090**	**-115,801**	**9,769**	**-8.5%**
Operating profit/(loss)	**232,592**	**118**	**232,710**	**186,918**	**-1,090**	**185,828**	**45,675**	**24.4%**
Net write-downs for impairment of loans	242	-	242	-6	-27,036	-27,042	248	-4201.7%
Write-downs on other assets	-	-	-	-	-10,158	-10,158	-	-
Net provisions for risks and charges	- 938	-	- 938	-	- 2,840	- 2,840	- 938	-
Gains (Losses) on investments	-1	- 3,585	- 3,585	-	- 6,100	- 6,100	- 1	-
Profit (Loss) on current operations before tax	**231,896**	**- 3,468**	**228,428**	**186,912**	**- 47,225**	**139,687**	**44,984**	**24.1%**
Income tax	-66,613	743	-65,870	-62,109	13,871	-48,238	-4,504	7.3%
Net profit (Loss) on current operations	**165,284**	**-2,725**	**162,559**	**124,803**	**- 33,354**	**91,449**	**40,481**	**32.4%**
Net profit for the period	**165,284**	**-2,725**	**162,559**	**124,803**	**- 33,354**	**91,449**	**40,481**	**32.4%**

The recurring result indicates an 11.90% growth in recurring operating income, reaching 337.53 million euro (301.63 million euro as at 31 December 2008).

The recurring interest margin figure, 53.07 million euro as at 31 December 2009, was lower than the 2008 figure of 103.21 million euro, mainly due to the impact of transfer of liquidity, interest rate and exchange rate risk management from Banca Aletti to Banco Popolare.

Other recurring operating income recorded an overall increase of 43.36% as a result of a consistent rise in net profit from 113.53 million euro as at 31 December 2008 to 218.11 million euro as at 31 December 2009. Net commissions, however, fell by 19.9%, from 80.01 million euro as at 31 December 2008 to 64.07 million as at 31 December 2009, and other operating income dropped 53.4% from 4.88 million euro as at 31 December 2008 to 2.28 million euro as at 31 December 2009.

Recurring operating charges decreased by 8.52% from 114.71 million euro as at 31 December 2008 to 104.94 million euro as at 31 December 2009 due to both the transfer of business from Banca Aletti to Banco Popolare and to the achievement of economies of scale following the BPI-BPVN merger.

Illustrated below are the reclassifications with respect to balances shown in the income statement as required by the Bank of Italy:

- the calculated cost to fund financial asset purchases to create structured financial products held for trading was reclassified from interest expense (item 20) to net financial income;
- dividends on shares classified among assets available for sale and assets held for trading (item 70) were reclassified to net financial income;
- net trading and hedging gains (items 80 and 90), and net profit/loss from fair value financial assets and liabilities (item 110) were recognised to net financial income;
- gains and losses from disposal or repurchase of available-for-sale financial assets and financial liabilities (item 100) were reclassified to net financial income;
- tax and other expense recoveries (included in item 230) were directly deducted from administrative costs rather than recognised to other operating income;

Note, that in general the following criteria were adopted to identify non-recurring items:

- gains from the disposal of all fixed assets (equity investments, property, plant & equipment, AFS financial assets, financial assets held to maturity and NPL portfolios) are considered non-recurring;
- income components linked to business combinations, restructuring, etc. (e.g. charges for recourse to redundancy funds) are considered non-recurring;
- material income components not due to be recorded frequently (e.g. sanctions, impairment of fixed assets, effects of regulatory changes, exceptional results, etc.) are considered non-recurring.

Illustrated below are the main 2009 income components considered non-recurring.

Net financial income includes 0.12 million euro in non-recurring components due to gains from disposal of the SIA-SSB shareholding.

Losses on equity investments considered non-recurring for a total of 3.6 million euro refer to write-down of the investment in Nazionale Fiduciaria.

Income tax includes 0.74 million euro in non-recurring components deriving from the IRES reimbursement claim regarding the introduction of part-deductibility of IRAP from the taxable amount for IRES calculation purposes in the year 2004 to 2007.

Analysis of financial highlights

Customer deposits

Customer financial assets *(in millions of euro)*	**31-12-2009**	**31-12-2008**	**% change since 31-12-2008**
	16,199.0	**15,078.7**	**7.4%**
Direct customer deposits	892.1	1,025.2	-13.0%
Indirect deposits	15,306.9	14,053.5	8.9%
- Asset management	12,178.7	11,482.9	6.1%
- Mutual funds and Sicavs	437.7	633.0	-30.9%
- Securities and fund management	11,695.7	10,849.9	7.8%
- Insurance policies	45.2	-	-
- Administered assets	3,128.3	2,570.5	21.7%

The performance of customer deposits shows that the downward trend in the asset management segment inverted in the second half of 2009, recording a 6.1% increase on the 31 December 2008 figure.
In the second half of 2009, with a view to enhancing customers' interest in asset management products, new marketing emphasis was placed on both capital protection products and flexible products through the launch of the Mosaico System – designed specifically for retail customers – which offers portfolio composition from Core-Satellite products.

Interbank market operations

Interbank market operations (in thousands of euro)	**31-12-2009**	**31-12-2008**	**% change since 31-12-2008**
Due from banks	3,174,353.7	18,424,362.6	-82.8%
Due to banks	3,130,497.1	17,519,963.8	-82.1%

The Banca Aletti departments responsible for treasury and forex management were transferred to the parent company with effect from 1 April 2009. From that date all powers granted to Banca Aletti by the parent company to perform such activities lapsed.
As a result of the transfer all domestic and international market trading was transferred to the parent company. The removal of such activities led to a drastic reduction in Banca Aletti's interbank position, decreasing by over 82% compared to the end of 2008 figures.
This also had an impact on the total assets of Banca Aletti which fell by 58% compared to 31 December 2008.

Productivity and profitability ratios

Productivity ratios	31-12-2009	31-12-2008	Change since 31-12-2008
Net loans to customers per employee (€/1000)	2,520.9	4,127.1	-38.9%
Operating income per employee (€/1000)	723.0	613.1	17.9%
Operating costs per employee (€/1000)	224.7	235.4	-4.5%
Operating profit per employee (€/1000)	498.3	377.7	31.9%
Profitability ratios *(%)*			
ROE	37.5%	22.6%	65.7%
Interest margin/Operating income	15.7%	34.2%	-54.1%
Net commissions/Operating income	19.0%	26.5%	-28.5%
Operating costs/Operating income	31.1%	38.4%	-19.0%

** Year-on-year data*

Though the market situation is still unstable, Banca Aletti has confirmed recovery of its productivity and profitability generating capacity demonstrated prior to the crisis.
The productivity ratios per employee are in fact higher than in 2008 in relation to operating income and operating profit, confirming that the profit-making capacity has fully recovered, also seen in the overall stability of operating costs per employee.

From a profitability point of view both RoE and Cost/Income have reached levels of excellence. RoE increased to 37.5%, up on the 31 December 2008 figure, whilst the cost/income ratio dropped to 31.1% from 38.4% as at 31 December 2008.

ECONOMIC, FINANCIAL AND RISK MANAGEMENT POLICIES

Main risks and uncertainties for the company

Banca Aletti business activities result in exposure to the following main risk categories: credit risk, market risk, liquidity risk, operational risk and business risk.

Credit risk is the risk that a Group borrower (which includes also counterparties in OTC derivative transactions - in this case, more specifically counterparty risk) may fail to meet on an obligation, or that the borrower's credit rating deteriorates. Closely connected with credit risk, if not an actual constituent, is concentration risk, emerging from exposures to a group of counterparties that are interrelated or from the same economic sector, perform the same business activities or are from the same geographical area. The assessment of potential losses that could be incurred with regard to a single credit exposure or to the total loans portfolio is an inherently uncertain activity and depends upon many factors, among which general business performance, or the performance of individual manufacturing sectors, a change in the rating of individual counterparties, borrowers' structural and technology changes, deterioration of the competitive position of counterparties, the potential mismanagement of companies or the borrowing counterparties, increasing household borrowings and other external factors such as legal and regulatory requirements.
Specific attention is paid to the credit ratings of banks and institutional counterparties (investment banks and finance companies), particularly in reference to financial transactions (trading of derivatives and money market instruments, lending, investments in bonds).
The key principles to managing risk originating from these counterparties are:

- parent company centralisation of the lending process;
- internal rating and review system (supplementing the rating assigned by international rating agencies);
- daily measurement and monitoring systems for credit exposure and compliance with ceilings;
- minimising risk generated from OTC derivative trading by making wide use of Credit Support Annex agreements with all the main counterparties.

Market risk is represented by the possibility that the bank may generate less revenues than expected, or suffer balance sheet or capital losses from open financial positions, due to sharp and adverse movements in market rates or prices, in particular interest rates, share prices, exchange rates and related volatility (macro risk), or due to events that may impair the issuer's financial position (micro risk). These losses depend on the presence of asset and liability mismatching in terms of item maturity, duration and degree of risk hedging. Market risk can materialise both with regard to the trading book, which includes trading and own financial instruments and related derivatives, and with regard to the banking book, which includes all other financial assets and liabilities.
The main market risks for Banca Aletti, largely deriving from commercial activities performed by the Group's retail banks, stem from interest rate exposures and share price risks arising from money market, listed derivative and OTC derivative trading. The exposure to exchange rate risk is instead minimal, despite Banca Aletti's active presence on this market.
Market risk is measured by specific estimate and control models, within specific risk limits assigned to the risk management departments involved, and adequate monitoring procedures. In line with the market's financial innovation, in particular in derivatives, the Group pursues a constant development of financial instrument valuation and risk assessment methodologies and systems, especially for the more complex instruments and their related market benchmarks.
For further details, reference should be made to the report on operations and Part E of the notes to the financial statements.

Liquidity risk is represented by potential instability from negative mismatching between short-term inflows and outflow not covered by liquidity reserves represented by disposable ECB-eligible securities. This risk, which could materialise mostly in the presence of exceptional events such as market liquidity squeezes, resulting in the bank's difficulty in meeting payment obligations, is monitored closely. It is managed and minimised by diversifying the funding sources and by increasing the reserves of eligible securities for countering unexpected outflows. Moreover, the Group has introduced a precise set of limits, both for operational or treasury liquidity and for the structural liquidity generated by the entire banking book. A specific Liquidity Contingency Plan was prepared and submitted for approval by the corporate bodies, to guarantee prompt and efficient management of any liquidity crisis or stress. The Plan includes specific early warnings – monitored and controlled on a daily basis – that can forewarn of liquidity stress conditions associated with market crises or group-specific crises.

Operational risk is the risk of incurring losses as a result of procedural inadequacy or malfunction, human error or IT system failure or external events. In short, operational risk is a combination of all anomalies that could lead to economic loss, higher operating costs or lower revenues. Legal risk is included, while strategic and reputation risks are not. The main sources of operational risk are: operating processes unable to adapt quickly to business growth and developments or to market swings, IT system security, the outsourcing of business activities without the implementation of related supervision/monitoring, strategic developments, fraud and errors. Banca Aletti cannot identify a prevailing source of constant operational risk, since this risk is inherent to all business processes and activities. This leads to the implementation of widespread risk mitigation and management, in particular by transferring the risk by means of insurance instruments and/or outsourcing, by constantly improving process efficiency (control enhancement and re-engineering) and by ensuring their compliance with regulations.

Business risk is the risk of incurring losses, in terms of a decrease in services margins, due to changes in the macro- or micro-economic environments which lead to volume reduction and/or margin squeezes affecting the bank's profitability. Particularly important is the risk of fluctuations in commission income from investment services. This risk is managed and minimised through commercial policies and action aimed at building customer loyalty, so as to stabilise and ensure profits from service provision, maintaining a high value added and innovative product mix, in line with customers' present and foreseeable needs.

In addition to the above risks, covered by quantitative analysis processes, supervisory regulations cover other risk classes in relation to the capital adequacy valuation process that are at present mainly subject to qualitative analysis.

In particular these refer to strategic risk, reputation risk and compliance risk.
Strategic risk is the current or prospective risk of suffering a decrease in profits or capital as a result of changes in the competitive scenario or of wrong strategic business decisions, inappropriate implementation of strategic decisions, or poor reaction or a failure to react to changes in the competitive scenario. For example, the risk may derive from the assumed developments of key indicators (e.g. projected levels of GDP or inflation, household savings, planned investments in the various business sectors or geographical areas, etc.) that do not match market expectations, generating a positive impact on Group results which is then not fully achieved. Constant monitoring of operating performance, of the company's key financials and of all other important variables, internal or external to Banca Aletti or to the Group, allows the strategic decision-making bodies to minimise this risk, making it possible to promptly correct and/or adjust action should competitive or market contexts change.

Reputation risk is the current or prospective risk of suffering a decrease in profits or capital as a result of a negative perception of the bank in the eyes of customers, counterparties, bank shareholders, investors or supervisory authorities as a result of specific critical events affecting e.g. certain operating, products or processes, etc.
Both strategic and reputation risk are risk classes controlled mainly at group level. Testing and development of valuation models – including quantitative models – are currently in progress for these two risk classes.

Compliance risk is the risk of incurring administrative and legal sanctions as a result of non-compliance between internal and external regulatory sources (and company procedures) and between self-regulatory codes and internal codes of conduct. It also includes situations of non-compliance that result in significant economic loss and damage to reputation risk. For further details of compliance risk management and monitoring, reference should be made to the specific paragraph of this report.

Risk assumption, management and hedging objectives and policies

The Banco Popolare Group and its companies align their activities to the criteria of prudence and low risk exposure, with regard to:

- the need for stability with respect to its banking activities;
- its investors' profile;
- its own profile as a cooperative and lending bank.

The Group formulates its risk appetite by identifying one of its capital components that is not eligible for risk assumption, held for medium/long-term going concern purposes, gradual strengthening of equity, maintaining operating flexibility and hedging capital against the impact of stress conditions.
In keeping with its risk appetite, the Banco Popolare Group and its subsidiaries pursue the following goals:

- steady, sustainable long-term growth, i.e. characterised by a limited fluctuations in results and corporate value;
- generation of value added for shareholders against financial investments with a comparable risk-return profile;
- strong credit risk spreading, in line with the objective of mainly financing SMEs and households;
- exposure to structural interest rate risk in line with industry best practices, also to be pursued through continued hedging of risks associated with items payable on demand;
- market risk-taking in strict relation to commercial needs;
- exclusion of risks that are unrelated to core business and accurate assessment of initiatives that introduce new types of risks;
- development of increasingly accurate and comprehensive risk monitoring methodologies, also in view of the validation of internal models for supervisory purposes;
- active corporate risk management, based on state-of-the-art hedging and mitigation techniques;
- increasing market transparency in relation to risk exposure.

The Banco Popolare Group can count on an organisational structure, corporate processes, human resources and skills that are well suited to guaranteeing the identification, monitoring, control and management of the various risks to which its business is exposed, where the main objective is to protect the Group's financial soundness and reputation against adverse events.

The entire risk management and control process is coordinated by Banco Popolare in its twin capacity as parent company and entity into which the entire Group's joint and common interest departments are merged.
The risk management process is developed on different organisational levels.
The key role in risk management and monitoring is played by the parent company Supervisory Board, which establishes strategic guidance, approves risk management policies and assesses the level of efficiency and adequacy of internal controls, particularly with regard to risk monitoring.
For internal risk management and control the Supervisory Board has set up its own Control Committee.
The parent company Management Board and the subsidiaries' boards of directors define the management and operating guidance and limits for the assumption of risk and approve their own Regulations on risk limits containing monitoring guidelines consistent with those established by the Supervisory Board.
Risk Management policy is developed by the Group Risk Committee and Finance Committee, both operative at parent company level. An important role is played by the Risk Management Division and by the Group Audit Department that are part of the parent company's governance structure.
Support to the parent company Management Board and individual boards of directors is provided by the Group Risk Committee, formed by the Managing Director and members of all the key parent company departments, which helps boards to formulate risk policies and takes remedial action on any situation not consistent with those policies.
The Finance Committee meets periodically and supervises market and liquidity risk management, defining the Group’s funding policies.
For further details of the risk management and monitoring system, reference should be made to Part E of the notes to the financial statements.

Projects in progress

Market risk

In 2009 the Group continued its efforts to streamline the market risk measurement method from both technology and methodological points of view. With regard to the latter, this ensured that the risk measurement method became more sensitive to increasing market volatility.
Backtesting procedures were also developed to confirm model accuracy and reliability after real risks have materialised.
During the year a project requesting validation of the internal market risk model was launched with the aim of allowing its application in the calculation of capital requirements in place of the standard approach.
Arrangements were also made in 2009 to back up daily VaR-based risk measurement and reporting with strict limits for each risk factor, offering closer monitoring and management of the various elements of market risk.
Lastly, the internal regulations on risk limits were reviewed, standardising measurements for all Banco Popolare Group banks.
Risk analysis will be developed in 2010 to allow economic impact analysis of extreme changes in market risk factors.

Liquidity risk

The Banco Popolare Group has completed the streamlining of its liquidity risk management and system, developed along the following guidelines:

- approval of the Group Liquidity Policy and the Liquidity Contingency Plan with the aim of ensuring prompt, efficient governance of liquidity stress or crisis;
- streamlining of quantitative cash flow estimation models associated with infinite or recurring balance sheet items and subsequent review of the current risk limits;
- enhancement of stress testing methodologies;
- consolidation of a capital absorption methodology for liquidity risk (Basel II Pillar 2).

Basel 2

In 2009, as part of the “Expanded” Basel 2 Plan the Banco Popolare Group continued to implement activities for Supervisory Authority approval for use of the "Internal Rating Based" models (IRB) to calculate capital requirements. As at 31 December 2009, the progress status of the various sub-projects was as follows:

Credit risk

In 2009 the Banco Popolare Group continued to implement all the pre-validation activities with the Supervisory Authority, to obtain authorisation to use internal rating systems for capital requirement calculations.

Credit risk assessment models

The pre-validation tasks involved:

- Group-wide recalibration of the internal “Probability of Default" (PD) models for corporate customers;
- development and production start-up of the PD model for adoption of the advanced IRB rating system for private customers;
- re-estimation of the “Loss Given Default” (LGD) model.

Risk measurement

Illustrated below are the results achieved in this area:

- production launch of the processes to calculate capital requirements on credit risks under the Basel 2 "Standard" approach;
- full implementation of the "Parallel Calculation" of the Group's consolidated capital requirements.

During the year, the definition of guidelines and dissemination of project results saw the constant involvement of Top Management and the corporate bodies.

Operational risks

The Banco Popolare Group has implemented a capital requirement calculation model in compliance with the standardised approach regulated by the new Supervisory Instructions, and is developing a capital absorption calculation model based on value-at-risk logics, for both operational and regulatory purposes, in view of the planned adoption of the advanced approaches in the medium term.
The infrastructures necessary to manage operational risk were implemented, in particular:

- definition of the Group's new risk policy;
- integration and implementation of risk identification and assessment procedures, together with the new integrated capital requirement calculation model;
- definition of new risk exposure reporting and assessment models;
- implementation of a self-assessment cycle for the risk management system.

The internal operational risk regulation was approved by the Group corporate bodies in February 2008, and was followed by the actual implementation of the organisational model. Methodology analysis for the development of models and tools to calculate capital requirements based on the Advanced Measurement Approach (AMA) has continued. The scope of the internal model refers to Group companies adopting the standard approach also on an individual basis.

Capital adequacy assessment

In application of the new regulatory provisions (Basel 2), action to implement the Second Pillar continued, envisaging independent assessment of capital adequacy in facing all risks considered material, therefore covering a wider range of risks than those envisaged in First Pillar regulations. This is the Internal Capital Adequacy Assessment Process, or ICAAP.
This process led to approval in April 2009 by the parent company Management Board and Supervisory Board of the second “ICAAP Report” for the Bank of Italy (the previous issue was at the end of October 2008), in compliance with the annual ICAAP assessment.
More precisely, the process first of all involves the mapping of risks quantifiable according to independently-defined operating metrics, also based on the materiality of the risk assessed. To achieve the maximum degree possible, the Group uses internal statistical-quantitative methodologies (VaR or Value at Risk) in accordance with market practices.
In this context the ICAAP report showed a satisfactory level of Group capital adequacy both in reference to 31 December 2008 (the “current” assessment) and 31 December 2009 (the “prospective” assessment), capable of adequately covering the set of risks identified.
The ICAAP process also involves qualitative analysis of the organisational control, for each risk verifying the business units responsible, the IT support systems, internal regulations, controls, reporting, etc. for managing and mitigating those risks.
Also in terms of risk mitigation and management systems, a positive picture emerged from this analysis.
The Group focuses not only on risk management but also on its own level of capitalisation, also for the purpose of maintaining and strengthening its support for households and SMEs in its operating areas, even during economic crises.
In response to this logic there was the 1.45 billion euro issue of financial instruments envisaged by Italian Law Decree 185/08 (“Tremonti Bonds”) and the decision to propose that the next Shareholders' Meeting empowers the Management Board with the option of issuing convertible bonds for up to a maximum 1 billion euro.

Risk ceilings system

With a view to governing the assumption or corporate risks, in 2009 the Group adopted a consistent and complex risk limits system, representing the maximum level of risks that may be assumed, in line with available capital and the Group's risk appetite (which amongst other things involves maintaining a capital reserve not for use in hedging current risks but held for capital strengthening purposes and to hedge against serious stress situations).
The responsibility for compliance with each limit is assigned to specific company divisions/departments, which through governance of operating leverage can determine changes in the risks.
For liquidity risk, the ceilings are defined in such a way as to ensure the sustainability of cash flows generated from payments due on current intermediation transactions.

Market disclosures

In April 2009, pursuant to the "Third Pillar" of Basel 2, a special public disclosure was published on the parent company web site containing qualitative and quantitative information on the Group's capital adequacy, exposure to risks and the general characteristics of the systems adopted to identify, measure and manage risk.

"CSA Contract Control" project

The trading of Credit Support Annex (CSA) contracts has offered prompt management of OTC contracts in portfolio with market counterparties, improving the efficiency of counterparty risk control as debit positions are covered by a periodic exchange of guarantees. Given the increase in counterparties involved and the need to perform daily controls, two forms of action were taken.
First of all, membership of interbank circuits (Trioptima's triResolve) which provide standardised control systems for positions open between members. This tool (control reports, contact records and records of each transaction, threshold and level control, etc.) is used by the SGS Back Office as part of its daily checks, and is at present operative for a restricted number of counterparties with a view to full implementation by the end of the first quarter of 2010.
A new application was then developed ("MATCH/CSA") to also ensure control of positions with counterparties who are not members of the above-mentioned interbank circuits, in this way guaranteeing full SGS Back Office monitoring of operations through automatic alignment verification of positions with the counterparty.

Outlook on risks/Group objectives

The Group implements selection, acceptance, management and mitigation of risks deriving from banking and finance activities so as to pursue stable, long-term sustainable growth targets, consistent with Supervisory Board resolutions carried on Management Board proposals, and governed amongst other things by the "Group regulation on risk limits".
Of particular note among these guidelines are: strong credit risk spreading consistent with the aim of financing mainly households and SMEs, market risk-taking in strict relation to commercial needs, careful monitoring of liquidity in order to be ready to take rapid action to meet expected and unexpected financial needs and to exclude risks extraneous to core business.
Implementation of these guidelines offers the Group an element of guarantee in being able to best overcome potential adverse developments, including unexpected swings, in the economic and financial scenario.
The high uncertainty at present regarding the intensity and development of the economic recovery, both in Italy and internationally, is not consistent with a hoped-for considerable reduction in corporate risks, particularly credit-related.
As much as it is not expected by leading analysts, any deterioration in the economic scenario, or even a continued stagnation, could at system level lead to a tightening up of companies' solvency positions, with potential negative repercussions on banking system budgets.
The credit policy objectives pursued by the Group aim, amongst other things, for diversification of the loans portfolio, restricting exposure concentration and supporting development of local activities, exploiting its more direct awareness of its customers. These objectives therefore attempt to minimise risks linked to a possible adverse economic situation. Also important is the Group's commitment, as part of impact analysis programmes defined by the supervisory authorities, to performing stress testing on credit risk as a tool for verifying long-term resistance to phenomena involving a strong deterioration in the economic framework.
In terms of liquidity risk, on the one hand the Group has sought to constantly improve its monitoring methods, also adopting valuation models to simulate the effects of extreme scenarios on liquidity. On the other hand it has implemented a management that involves constant improvement of the liquidity profile in terms of financial in-out balances, stronger cash reserves and the implementation of new instruments (e.g. covered bonds and soft mandatory) that also provide a buffer against sudden, significant drops in system liquidity.
From this point of view the focal points for the financial system are the implementation method and timing of the prudential supervisory regulations reform proposed by the Basel Committee, which in the next two years could lead to phenomena of over-issue of medium and long term bank liabilities by a part of the national and international banking system, with potential repercussions on the liquidity position of individual banks and the profitability of the banking system as a whole.
With regard to interest rate risk, any increase in rates as a result of restrictive measures by the supervisory authorities will find the Group well positioned in terms of their positive impact on the interest margin. A scenario such as that described above could on the other hand, even with positive effects on income, lead to an increase in interest rate volatility and therefore in the related risks (in terms of a potential drop in market value) to both the regulatory trading book and the banking book. Constant management and control of these risks ensure that, also helped by a ceilings system, capital levels are sustainable in such a scenario.
With reference to the integration process of the former Banca Italease Group, the commitment in terms of managing the loans portfolio in default is to reduce risks, with a particular focus on "large risks".

Rating

Rating agency	Short-term borrowings	Long-term borrowings	Other Ratings / outlook
Standard & Poor's	A-2	A-	Negative

On 17 December 2009 Standard & Poor's began a credit watch on the long-term rating of the Banco Popolare Group and its subsidiaries Credito Bergamasco and Banca Aletti, which in any event kept the rating the same as that published on 26 March 2009.
It also changed the outlook from "Watch Negative" to "Negative".

Report on corporate governance and ownership structure

Banca Aletti has not issued shares admitted to trading on regulated markets or multilateral trading systems.
In its corporate governance and ownership structure report, therefore, pursuant to art. 123-*bis*, subsection 5 of Italian Legislative Decree no. 58 of 24 February 1998, Banca Aletti is only required to provide information on the main risk management and internal control systems implemented for financial reporting purposes.
For transparency, note that this information can be found in the following section, "Appointment of the Manager responsible for the preparation of corporate accounting documents".

Appointment of the Manager responsible for the preparation of corporate accounting documents

Following approval of the Board of Statutory Auditors and in compliance with the provisions of art. 154-*bis*, Italian Law 262/2005, the Board of Directors appointed Roberto Gori to the executive post of Manager responsible for the preparation of corporate accounting documents.

In accordance with the Articles of Association, in addition to meeting the integrity requirements under current regulations for officers performing administrative and management duties, this executive is expected to meet professional requirements characterised by specific administrative and accounting skills in lending, finance, securities and insurance-related matters. These skills must be acquired through experience in positions of a suitable level of responsibility for a reasonable period of time in companies comparable in size to the Bank.

The corporate accounting manager is responsible for specific duties to guarantee truthful and accurate disclosure of the equity, economic and financial position of the Group. Specifically, the corporate accounting manager is assigned the following tasks:

- to confirm that documents and communications disclosed to the market and relating to the bank's interim and annual accounting data correspond with accounting documents, books and records;
- with support from the company departments concerned, to prepare adequate administrative and accounting procedures for preparation of the separate and consolidated financial statements, and all other disclosures of a financial nature;
- to confirm, with the Chairman of the Board of Directors and by means of the special report attached to the separate financial statements and simplified half-yearly statements:
    - the adequacy and effective application of administrative and accounting procedures during the period to which the statements refer;
    - that the statements were drafted in compliance with international accounting standards endorsed by the European Union pursuant to European Parliament and Council Regulation 1606/2002/EC of 19 July 2002;
    - correspondence of the statements with accounting records;
    - the suitability of the statements to present a truthful and accurate view of the equity, economic and financial position of the issuer;
    - for the separate financial statements, that the report on operations includes a reliable analysis of the operating performance and results, the position of the issuer and a description of the main risks and uncertainties to which the issuer is exposed;
    - for the simplified half-yearly statements, that the interim report on operations contains a reliable analysis of references to major events occurring in the first six months of the year and their impact on the simplified half-yearly statements, together with a description of the main risks and uncertainties to which the issuer is exposed.

For the purpose of full implementation of the aforementioned regulations, Banca Aletti has defined its own "Group Regulation for the Manager responsible for the preparation of corporate accounting documents". (see § 11).

The Group Regulation for the Manager responsible for the preparation of corporate accounting documents also assigns specific powers and tools as indicated below.

The corporate accounting manager is guaranteed:

- free access to the accounting data necessary to produce Banca Aletti financial reports, without the need for authorisation;
- free access to operating data linked to events that could have a significant impact on Banca Aletti performance;
- freedom to perform controls, through the relevant company departments, on corporate procedures with a direct or indirect impact on financial disclosures;
- the right to communicate directly with the Board of Directors and Internal Control bodies;
- in agreement with the Chairman of the Board of Directors, the power to submit proposals to the corporate accounting manager of the parent company, Banco Popolare, on the implementation of plans to improve the administrative accounting organisation.

With regard to operating tools, the corporate accounting manager:

- makes use of an adequate, specifically dedicated group business unit;
- may call for external advice on problems of an accounting, tax or legal-administrative nature, and obtain professional services necessary to perform his duty in compliance with current regulations and the assigned budget;
- makes use of the full cooperation and support of other parent company departments in order to perform his duties in compliance with regulatory provisions;
- receives suitable dataflows from the corporate control bodies;
- receives suitable dataflows from various company departments involved in controls (Internal Audit, Compliance, Risk Management, etc.);
- receives suitable dataflows from other company departments reporting any procedural anomalies or malfunction discovered as part of their duties and which could have a significant impact on Banca Aletti's economic and equity position;
- on invitation, attends Board of Directors and Internal Control meetings if the agenda includes matters relating to his own responsibilities, and attends meetings of Committees of which he is a member.

If the corporate accounting manager discovers that his assigned powers and operating tools are not sufficient or fully effective to perform his duties as envisaged by law, he must inform the Chairman of the Board of Directors immediately.
If as part of its supervisory duties or if informed by the Chairman, the Board of Directors discovers that the powers and operating tools assigned to the corporate accounting manager are not sufficient/effective based on the provisions of current regulations, remedial action must be taken.

Main characteristics of the current risk management and internal control system in relation to the financial reporting procedure

With reference to the CoSO and COBIT Framework, Banca Aletti has adopted its own internal control system to confirm the adequacy and effective application of administrative and accounting procedures (the "Model" for a more generic presentation of the corporate risk management system can be found in the Report on Operations and in Part E of the Notes to the financial statements), including the following analyses:

- ***internal control analysis at entity level***, to reduce the risk of errors and improper conduct for accounting and financial reporting purposes;
- ***accounting and financial disclosure monitoring analysis*** and subsequent ongoing verification of related adequacy and effective application of process controls

Correct functioning of the Model in terms of development and subsequent monitoring of the adequacy and effective application of controls involves the following activities:

Identification of the scope of controls in terms of the financial statements items affected and the administrative and accounting processes considered most significant

Each year the definition of the scope of controls is based on data taken from the latest approved Financial Statements and assumes parameters of a quantitative nature (contribution to the balances of balance sheet items representing Banca Aletti operations) and a qualitative nature (presence of specific risks). This activity is performed by the Manager responsible for the preparation of corporate accounting documents (the corporate accounting manager).

Assessment of entity level control

Assessment of the internal control system at entity level calls for annual assessment of the five environments envisaged in the reference internal control model (*CoSo Report*), i.e. Internal Control, Risk Assessment, Control-related activities, Reporting and disclosures, Monitoring). This task is performed by the corporate accounting manager.

Formalisation of processes, related risks and mitigation controls

The formalisation of processes considered significant for financial reporting purposes, identified as definition of the scope of application, is performed according to "CoSO Framework" guidelines. This task is assigned to a Group department and performed on behalf of the corporate accounting manager.
This step involves the formalisation of significant processes, consisting in a description of the main activities, identification of the risks intrinsic to the processes, identification of the controls to monitor the identified risks and the assignment of specific roles and responsibilities to all players involved in the processes.

Risk assessment and adequacy of the adopted map of controls

The risk assessment and controls stage aims to identify and assess the adequacy of controls adopted for the financial report production process as part of the administrative and control procedures underlying preparation of the financial statements and all other financial disclosures. These tasks are performed by the corporate accounting manager.

Testing of effective, constant application of controls by operations departments and the definition and monitoring of any remedial action

The stage involving testing control efficiency aims to assess the effective application in the reporting period of administrative and accounting procedures for the purpose of preparing financial statements and all other financial disclosures, and the IT governance procedures. In this stage the effective operation of key controls are tested. For this purpose the corporate accounting manager prepares a test schedule to be implemented by Internal Audit.

Dataflows

The Model also defines a suitable system of dataflows between the corporate accounting manager and other company departments/bodies to ensure his prompt and full receipt of information relevant to financial disclosures (i.e. copies of board decisions and audit reports relating to administrative and accounting processes and/or affecting the equity, economic or financial position of Banca Aletti).
The corporate accounting manager reports to the Board of Directors on the performance of management and control of the preparation process for accounting documents and financial disclosures addressed to the market, on any critical points discovered, on remedial action taken to overcome criticalities and on the adequacy and effective application of financial statements-related procedures. This reporting obligation is met by means of a half-yearly report submitted via the Chairman to the Board of Directors prior to approval of the half-yearly and annual financial statements.
In addition, the corporate accounting manager informs the Chairman of the Board of Directors immediately of any significant and urgent events.

The sub-certification process

The Model defines a system for the assumption of responsibility involving managers of the operating units, departments and services ("Strategic Managers"). More precisely:

- the managers of operating units certify that their assigned controls have been performed;
- strategic managers confirm that the data produced by the operating units correspond with data under their own control, with records and that the controls carried out by those units in the reporting period were complete and accurate.

Internal control system analysis regarding the preparation of corporate accounting disclosures

The overall assessment of the internal control system for financial reporting purposes is the preliminary phase to preparation of the corporate accounting manager's report to the Board of Directors and release of the regulatory certification. This task is performed every six months by the corporate accounting manager by obtaining, analysing and consolidating assessments on the real effectiveness of his internal control system at entity level, analysing the administrative and financial processes performed at both identified risk assessment and adopted control levels and verifying their effective, constant application, and by assessing the controls performed in relation to IT system governance.

Identification and implementation of a remediation plan

Assessment of the internal control system can give rise to anomalies in terms of:

- inadequacy or partial inadequacy of the key controls schedule;
- absence of one or more key controls with respect to the Financial Assertion to be monitored;
- ineffective performance of controls discovered during testing.

In agreement with the Chairman of the Board of Directors, the corporate accounting manager of the parent company implements or promotes remedial action submits proposals to the corporate accounting manager of the parent company, Banco Popolare, on the implementation of plans to improve the administrative accounting organisation.
Once remediation has been defined, the action is coordinated by the relevant Group departments and IT Systems Division, each to the extent of their duties. The corporate accounting manager is responsible for monitoring implementation of the required action.

PLANNING, AUDITING AND SUPPORT SERVICES

Human resources

Departments and organisation

Illustrated below are the most significant organisational changes introduced during the year:

- abandonment of the role of Chief Executive Officer following the parent company's adoption of the new organisational model, assigning monitoring of the operating departments to the General Manager, reporting directly to the Board of Directors;
- reorganisation of the Investment Banking Division services, split into two divisions in accordance with market-based criteria to increase the level of monitoring;
- parent company centralisation of treasury and management of the Banco Popolare's own portfolio, with subsequent transfer of the Forex and Money Market Department (and its two offices) and the Facility Management Office to Finance Division, together with the 29 human resources involved;
- setup of the Commercial Division with subsequent reorganisation of the departments concerned;
- streamlining of the Private Banking Area Offices, closing the Adriatic Area Office and centralising the private banking sections of the two business units in Milan and the two in Florence into one department per city;
- closure of the former Bipitalia Individual Customer Relations Administration Office and Individual Securities Relations Administration Office, transferring related resources and activities to the Operating Support and Control Department;
- closure of the Documentation Department following the centralisation of related activities and resources to the parent company.

Illustrated below is an overview of workforce changes in the last three years:

	Workforce	Increases	Employees	Increases	Seconded In	Increases	Seconded Out	Increases
31/12/2007	**476**	28.30%	**403**	21.80%	**105**	-123.40%	**32**	357.10%
31/12/2008	**499**	4.80%	**425**	5.50%	**96**	-8.60%	**22**	-31.30%
31/12/2009	**454**	-9.00%	**413**	-2.80%	**72**	-25.00%	**31**	40.90%

and certain statistics of a general nature:

	2007	%	2008	%	2009	%
Grades						
Area 2	8	1.7	3	0.6	3	0.7
Area 3 – grades 1 and 2	84	17.6	78	15.6	58	12.8
Area 3 – grades 3 and 4	52	10.9	53	10.6	53	11.7
Managers – levels 1 and 2	123	25.8	126	25.3	117	25.8
Managers – levels 3 and 4	186	39.1	216	43.3	200	44.1
Executives	23	4.8	23	4.6	23	5.1
	476		**499**		**454**	
Gender						
M	319	67	331	66.3	300	66.1
F	157	33	168	33.7	154	33.9
	476		**499**		**454**	
Education						
University degree	248	52.1	258	51.7	234	51.5
High school diploma	211	44.3	222	44.5	211	46.5
Other	17	3.6	19	3.8	9	2.0
	476		**499**		**454**	
Average age	**39Y 4M**		**40Y 8M**		**40Y 8M**	
Average seniority	**3Y 3M**		**3Y 11M**		**4Y 9M**	

Selection, Recruitment and HR Management

Approximately 400 CVs were received during the year.
15 recruitments were arranged, 12 of which involving personnel from Group companies. 24 employees left the Bank, of which 15 under intra-group mobility.
Also during the year, 11 employees were seconded in from the Group, 27 secondments were terminated, whilst 27 were seconded out to Group companies and 15 were terminated.
Again during the year 25 transfers were arranged within the Bank and new responsibilities assigned to 10 colleagues.
Recourse was made to temporary work contracts in 2009 to cover staff absences, office support needs or needs arising from reorganisations.
20 new temp contracts were arranged, whilst at year end the total number of temporary employees was 32.
Also during the year a total of 14 new work experience and orientation schemes were implemented, 4 of which leading to a different form of collaboration with the company.

Training

In 2009, the training plan envisaged for Private Network staff continued and is due to end in the first half of 2010 with full involvement of personnel assigned to the Private Banking departments of the former BPI Group and new recruits to Private business, i.e. a total of 37 resources.
Again in reference to the Private Network, in agreement with the Group Human Resources Division and professors from the Bocconi Business School, 2009 saw the launch of an important management training course dedicated to managerial roles. This initiative, which involved a total of 62 resources for a total of 372 training days, will end in the first half of 2010.
A special focus was devoted as normal to professional updating on specific technical matters - through courses held by external organisations (more than 19 hours and 9 participants), whilst courses included in the internal "training catalogue" were reconfirmed, particularly the foreign language courses (more than 600 hours and 30 participants).
Furthermore, during the year – jointly organised with the Group Human Resources Division – future training was scheduled for all personnel, particularly those in central offices, for implementation from 2010 which will follow the “on call” approach for career training, rather than the “on request” approach based on the training catalogue.
In this context, special development workshops continued between department/central office managers (4 days involving over 40 resources) and executives (23 resources for a total of 54 days).
Ad hoc projects were then organised according to specific needs deriving from regulatory amendments or changes in the product mix and related reporting obligations. These included “Scudo Fiscale Ter” (a 1-day course involving over 180 resources), new MiFID-related aspects and “compulsory” ISVAP training, whilst for certain topics distance learning tools were used (web-based courses on Administrative Liability of Banks, Anti-Money Laundering, MiFID, etc.).

Relations with Trade Unions

In 2009, negotiations with trade union representatives mainly concerned topics of common interest within the Group, in certain cases in relation to regulatory aspects of employment contracts affecting all employees and in others in relation to reorganisation/restructuring operations involving Banca Aletti departments, which saw the participation of corporate officers and trade union members of the respective delegations organised at Group level.
The more important agreements reached during the year regarding employment contracts covered the handling of secondments arranged as part of the Group Business Plan and decisions regarding the Corporate Award for 2008-2009-2010, in addition to an increase in the level of contributions to the Supplementary Pension Fund.
In the second context negotiations instead concerned the complex reorganisation of company departments, to be fully implemented in the first few months of 2010, and reorganisation of the Group Trusts controlled by Banca Aletti.

Internal Audit

Internal Auditing in Banca Aletti is delegated to the Group Audit Department of the parent company Banco Popolare. Monitoring of the Banca Aletti internal audit system is performed by a dedicated unit located in Milan. The primary aim of this department is to confirm that operations comply with internal and external regulations and guarantee the integrity of corporate assets. Additional Internal Audit tasks, as defined by the Supervisory Instructions for Banks, assess:

- the adequacy and functions of first and second level auditing systems, proposing enhancements as appropriate to optimise their management;
- the effectiveness of existing operating processes;
- compliance with current regulations and the degree of risk management inherent to processes, to avoid possible organisational malfunction.

The Group Audit Department performs on-site audits in all the central and peripheral offices of Banca Aletti, remote auditing of peripheral structures, ICT (Information & Communication Technology) Auditing and claim management (for both banking and investment services), and monitors audit-related issues pursuant to Italian Legislative Decree 231/2001, as support for the Surveillance Body set up for this purpose. The Group Audit Department is also responsible the tasks pursuant to art. 57 of the Consob Regulation adopted by resolution no. 11522/98, and as of 1 November 2007 pursuant to art. 14 of the joint Consob-Bank of Italy Regulation governing the provision of investment services and related financial instruments.

Compliance

The Banco Popolare Group allocates specific importance to the monitoring of compliance risk, assuming that compliance with regulations and business accuracy are core elements of the bank's activities, given its nature based on trust.

The initial step in overcoming compliance risk is to identify a compliance manager from among the Group strategic managers and the setup of a Compliance Department. In 2009 the Department was expanded to include new resources. A new organisational model was also adopted by the Legal and Compliance Division, to which the Compliance Department reports. Specifically, the new organisational model saw the creation of a support department, under the Compliance Manager's command, called upon firstly to verify compliance of the issues on which the Management Board is expected to make decisions, and development of the organisational setup of the Compliance Department, gradually expected to expand its supervision to the various corporate processes and business activities, also through backtesting, especially (but not only) in relation to investment services.
At the same time, this reorganisation saw the work of the Financial Complaints Department to the parent company Quality Department, though the overall supervision of such matters and periodic reporting obligations to the corporate bodies remains with the Compliance Department.
The Audit Departments of the local banks retain responsibility for handling banking service complaints.

Activities conducted during the year focused on areas considered most significant for compliance risk purposes, in particular:

- Intermediation – Provision of investment services – Distribution of insurance products
- Transparency in customer relations – Credit intermediation
- Insider List and Market Abuse Prevention
- Management of conflict of interest
- Usury prevention
- Anti-money laundering and the fight against terrorism
- Equal treatment in the bonus system
- Personal data protection

On these issues, the contribution of the Compliance Department was particularly important in the following activities:

- Participation in the “Level III MiFID Project” (on Illiquid Products) to define and implement procedures in application of Consob regulations on correctness and transparency in the distribution of illiquid financial products;
- Participation in the “Conflict of Interest Project”, also verifying infragroup decision-making methods;
- Participation in the project to define the new Wealth Management advisory model for direct and accredited private customers;
- Participation in the project to update the execution policy linked to the introduction of a "dynamic" best execution system;
- Participation in the “TRASPARENZA Project” for implementation of the new Bank of Italy instructions on transparency, further studying the decision-making processes on changes in rates;
- To the extent of their duties, input in relations with Audit Departments to pinpoint compliance risks;
- Provision of training to Group operating units on induction topics (e.g. market abuse prevention, management of conflict of interest);
- Validation of the operating manual of the Manager responsible for the preparation of corporate accounting documents pursuant to Italian Law 262/05.

Lastly, in accordance with Bank of Italy Supervisory Instructions of 10 July 2007 on Compliance, 2009 saw the mapping – promoted by the Compliance Department as part of the “Extended Basel 2 Project” – of the main compliance risks to which the various components of the Group is exposed. This activity, important in providing an overall picture of the topic, also allowed the Group to confirm and renew its commitment to pursuing regulatory/procedural update plans in order to best implement the different laws and regulations governing business activities.

Marketing

Banca Aletti's Marketing Department is responsible for promoting and enhancing the corporate image, in close cooperation with similar departments at Group level.
Its main activities cover External Relations, Corporate Identity, Operations Marketing, Internal Communications and Media Relations.

1) External Relations

In 2009 External Relations organised and managed approximately 90 different events. Of particular note are the inaugurations of new local branches. Special jazz and classical music concerts, exclusive gala evenings with international guests, specialist conferences, golf and sailing events were high on the calendar.

2) Corporate Identity

In addition to the routine maintenance and updating of the various communication tools used, Corporate Identity also developed institutional and product communication tools (asset management brochures; the newsletter “Aletti Certificate”, etc.).
Publication of the periodical newsletter “Aletti Inside” continued.
Restyling on the bank's web site also began.

3) Internal Communications

An internal communications upgrading project was launched with a view to improving information dissemination efficiency.
A new tool was developed, Aletti News, e-mailed to all colleagues as a fast, regular information update.
Management of the events calendar for internal, marketing and management departments also continued.
In addition, organisational logistics support was provided for external training courses.

4) Operations Marketing

In April the Marketing Department took over CRM activities (data entry, quality control, data extraction, etc.) and Market Share analysis for the Private and Institutional customer base.

5) Media Relations

Media Relations, managed by the Group Press Office, allowed Banca Aletti to be covered by various communications media, particularly the Finance specialists.
Articles, largely journalistic/editorial and often presented as an interview, contributed to establishing and strengthening the Aletti brand, and to circulating news on the bank’s activities.

Technology services

Development of Front Office/Position Keeping systems

Application for the “front-to-back” management of listed and OTC derivatives

In 2009 the main task was to expand the area of business covered by the Risque application (front office application used for the management of OTC interest rate, equity, forex and commodities derivatives) and on improving monitoring and control.

There was a particular focus on the new version of the application (5.3) which offered benefits from developments proposed by the provider, also through the new database and event synchronisation versions (tibco).

Regarding the monitoring and control of OTC derivative transactions, work progressed on middle and back office automation through the “Controls Project”, particularly on processes, e.g.: Audit Trail, simple structure fixing, fixing models, confirmation processes, gradual reduction of "Flag0" transactions, streamlining of Risque permissions.

Of specific importance were the:
- definition of ISDA confirmation process handling, with particular regard to the Calculation Agent role;
- definition of corporate action process handling.

Hi-MTF

There was growing interest in the Group’s Multilateral Trading Facility throughout 2009. Its four “founder members” (Banca Aletti, Centrosim, Istituto Centrale Banche Popolari and ICCREA) were joined in 2008 by a new partner, Banca Sella, which also became a Hi-MTF investor. Another two new members were IW Bank and Akros. The number of securities issued increased considerably and Government Securities of the major EU countries were also included.

New Asset Management Model

This project, still in progress, has reached its first milestone: the new “MiFID compliant” catalogue was formulated and put into operation with a revised marketing mix. SGS-BP (Società Gestione Servizi, the outsourcer for IT systems development for Banca Aletti and all Banco Popolare Group companies), with cooperation from the various Group and Bank departments involved, completed all analyses for development of the new application selected – Antana, produced by Kline. The streamlining of the platform envisages the disposal of that deriving from Banca Aletti’s takeover of the Bipitalia Gestioni SGR business unit with effect from issue of the report on operations as at 31 December 2009 and that in use in the first quarter of 2010.

Single securities custodian

The project launched in 2008 was completed on inclusion in the consolidation area of Banca Aletti as the single securities custodian. Valuations performed during the year did not indicate any benefit from continuing the parent company's centralisation of settlement through the depositories (MonteTitoli, Clearstream, etc.).

Smart Order Routing

A Smart Order Routing system has been developed for third party customer orders. It was initially implemented on the bond markets of which Banca Aletti is a direct member (MOT and HI-MTF). The project also envisages periodic review of the Execution Policy and the definition of Best Execution practices for orders concluded with Aletti.

Review of order routing systems

Alongside the “Smart Order Routing" project, but no less important, was the project to streamline the third party interface platforms. The Teletrading system used by Group Banks was gradually replaced with a higher-performance system: Caronte, produced by Elidata, a CAD associate. The project is due for completion in the first half of 2010.

"Off-premises Offer of Products and Services through Banca Aletti Financial Advisors" project

This project saw its scope extended to: Cadmo web, current accounts, securities custody, hedge funds of funds and SICAVs, individual asset management, secured individual asset management, order receipt, Certificates and bond loans. All activities will be completed during 2010.

Wealth Management for Private Customers

This project, launched in November 2008, aims to develop a fully MiFID-compliant advisory service model for Banca Aletti's Private Network. 2009 saw completion of the analysis stage (particularly complex, also in the light of Level 3 Consob Regulations on illiquid financial products) of the new platform’s functional requirements. The platform is expected to take over the central customer relations role and act as a tool crucial to the process leading to position analysis until implementation stage. Project completion is forecast for the end of 2010.

Automation of Repo basket management

The central Repo management platform for Banca Aletti and the local banks has been fully implemented. This product, created with cooperation from an external company, makes it possible to:

- effectively manage service opening by automatically activating the baskets (campaigns included) of all the Group's banks based on rates prepared by the parent company Money Market Department;
- produce reports for the Banks’ Central Offices;
- provide all Group banks with reports on the daily rates through the finance portal of individual corporate intranets;
- effectively manage end of the day closure of the baskets;
- automatically download the day’s transactions to position keeping systems;
- offer easy Repo Desk production of statistics for Group bank management.

Single Forex Treasury and centralisation of settlements through Banco Popolare – Pr.E.M.I.A. Correspondent

The Single Forex Treasury has been set up with the parent company and foreign currency settlement centralised with the Foreign Correspondent Banks. The new operating model envisages:

- Banco Popolare centralisation of accounts in euro and other currencies with the Foreign Correspondents with simultaneous closure of existing accounts with the local banks;
- short-circuiting of Swift messages for forex transactions within the Group to Banco Popolare, the method similar to that now used for euro transactions;
- Banco Popolare centralisation of repo agreement orders in foreign currency.

Centralised administrative services

In 2009 the Administrative Services provided by SGS BP for the entire Banco Popolare Group focused particularly on the centralisation of Middle Office and Back Office activities within the company, development of IT support systems and business-wide management of transactions and services.
The action implemented has produced significant cost synergies and laid the foundations for allowing Group banks to offer distinctive, quality products and services.
The more significant activities involving the Administrative Services Department were:

- implementation of the Single Treasury and centralisation of settlements with Banco Popolare;
- reorganisation of the operating processes and operational risk monitoring for OTC derivatives;
- the startup of daily spread reports for Credit Support Annex contracts;

- activation of the Single Securities Depositary with centralisation of all assets with Banca Aletti and Banco Popolare;
- administrative management of “Scudo Ter” capital repatriation and/or re-settlement transactions;
- preparation and implementation of the new Group pricing policy for Banco Popolare Group proprietary securities and bond issues;
- speeding up of monthly account closures.

Research and Development

During the year, the Bank conducted no research and development activities.

Privacy Protection

Pursuant to Law Decree no. 196 of 30 June 2003, Banca Aletti updated its policy document on personal data processing security.

Main events with regard to equity investments

Streamlining of the trusts

Following the transfer of Banca Valori's Private business unit, at the end of 2008 Banca Aletti took over the direct and indirect control of 3 different trusts (Aletti Fiduciaria, Nazionale Fiduciaria and Critefi SIM). To streamline this segment and to optimise costs and market presence, a project was launched to reduce the number of product companies to two, one dealing with static trust assignments and the other acting as a trust company. This plan, requiring the involvement of Carfid SpA, a trust controlled by Banco Popolare, will be implemented in 3 steps:

1 Carfid SpA adoption of amendments to the Articles of Association for operational startup as a trust company, control of Carfid then being transferred from the parent company to Banca Aletti & C. SpA;
2 merger of Critefi SIM SpA into Banca Aletti & C. SpA;
3 merger of Aletti Fiduciaria SpA into Nazionale Fiduciaria SpA.

The plan was approved by the parent company Board of Directors on 27 January 2009 and by the Banca Aletti Board of Directors on 19 February 2009.

This operation qualifies as a related party transaction under IAS 24 and governed by art. 2391-*bis* of the Italian Civil Code.
In 2009, in compliance with step 1 of the plan, the following were implemented:

a) on 27 March 2009 Banca Aletti acquired the Banco Popolare Soc. Coop. investment in Carfid S.r.l., amounting to the entire share capital of 51,600 euro, with a book value of 47,543 euro;
b) on 21 April 2009 the parent company Board of Directors approved the transformation of Carfid S.r.l. into a joint stock company and authorised the share capital increase against payment by the single shareholder, Banca Aletti, from 51,600 euro to 500,000 euro, the transaction being completed on 13 May 2009;
c) on transformation Carfid S.r.l. changed its name to Aletti Trust S.p.A. and adopted new Articles of Association in compliance with group policies and based on the specific purpose of the company as a trust.

As a result of the above transactions, at 31 December 2009 Banca Aletti held an investment of 500,000 euro in Aletti Trust S.p.A., corresponding to 100% of the share capital.

In compliance with step 2 of the plan, the following were implemented:

a) on 11 November 2009 Banca Aletti acquired 100% of Critefi SIM share capital from Nazionale Fiduciaria at a value in line with the fair value of the merged company, equal to the Critefi SIM shareholders’ equity recorded as at 30 September 2009 of 1,224,890 euro;
b) on 14 December 2009 the merger of Critefi Sim into Banca Aletti was registered. As Banca Aletti owned 100% of Critefi Sim share capital the merger merely led to derecognition of the investment, without any increase in Banca Aletti as merging company, or assignment of shares to the shareholder of Critefi SIM as merged company. The effective date of the merger for accounting and tax purposes pursuant to art. 2504-*bis*, subsection 3 of the Italian Civil code is 1 January 2009, whilst legal effects entered into force from 23:59 hours on 31 December 2009.

Infragroup services: transformation of services companies into consortia

The parent company has launched a project, as part of a plan to steer services provided to the Group into cost centres, to review the organisation of companies that play an instrument role within the Group by providing services to other subsidiaries. This project offered the opportunity to transform a number of services companies from profit-making limited companies into no-profit consortia. This transformation affected two companies, SGS BP and BP Property Management.
The parent company also envisages that as the consortia are capital intensive but no-profit it would be appropriate that the investors to a certain extent reflect use of the consortia services. As these are related party transactions the move guarantees increased observance of the interests of all parties involved.

On 2 April 2009 Banca Aletti adopted this project, which offers price reductions for services provided by the above-mentioned companies, to be determined on the basis of actual cost, to which the mark-up previously envisaged under contract will no longer be applied.
On 4 May 2009 Banca Aletti acquired 1,020,000 SGS BP shares, corresponding to 10% of the share capital. The transaction price was 11.065 euro per share, equal to a valuation based on company shareholders' equity as at 31 December 2008 confirmed by the appointed independent expert KPMG, for a total cost of 11,286,300 euro.
On 7 May 2009 the Bank acquired 13 units of BP Property Management, corresponding to 1% of the share capital. The transaction price was 37,720 euro per share, equal to a valuation based on company shareholders' equity as at 31 December 2008 and on the effect of the share capital increase for a total 12 million euro approved and subscribed in February, confirmed by the appointed independent expert KPMG, for a total cost of 490,360 euro.

INFORMATION ON RELATED PARTY TRANSACTIONS

Relations with Group companies

Banca Aletti serves as the Banco Popolare Group's Investment and Private Bank, and is also the gateway to the main domestic and international markets for the Group's entire retail network. Funding is mainly based on demand and term deposits received from the Banco Popolare Group. As part of the progressive opening of specialist centres within the Group, Banca Aletti relies on Società Gestione Servizi BP to provide various services (information technology, middle and back office, etc); Banca Aletti has also outsourced other activities to specific parent company departments (Risk management, correspondent banking, short term treasury, regulatory reporting , etc.).

Outsourced services and financial transactions with Group counterparties are governed by agreements that provide for the application of arm's length conditions.

Further details of equity and economic relations with Group companies can be found in "Part H – Related party transactions" in the Notes to the financial statements.

Reasons underlying decisions/Influenced decisions

Pursuant to art. 2497-*bis* of the Italian Civil Code, Banca Aletti is subject to the management and coordination of Banco Popolare Società Cooperativa, parent company of the Banco Popolare Banking Group.

Numerous companies of various kinds belong to this Group (banking, finance, product, services, etc.), over which Banco Popolare exercises the same management and coordination, adopting common logics to achieve the most efficient management possible of an entity as typically complex as a banking group. In this respect, it is considered that many decisions gradually made by Banca Aletti (as by other companies directly or indirectly controlled by the parent company) which, were they seen in other organisational or market contexts, would be considered influenced under art. 2497-*ter* of the Civil Code, do not apply in this case as they in effect represent a consistent and necessary consequence of correct application of those logics.

For example, and focusing on decisions of greatest import or note, they refer to decisions on outsourcing numerous activities and services (to Group departments, services companies, specialist operators, etc.), or of activating instruments designed to standardise the handling of significant issues, especially during important mergers.

Having said this, with the aim of providing information in the financial statements that is as up-to-date and qualified as possible, in 2009 certain transactions were developed - under the management and coordination of the parent company given their nature/extent - for which the decisions, obviously made independently by the Bank's Board of Directors, could be considered influenced in the sense implied above.

Decisions made by taking this context into account are those relating to the transfer of treasury management, forex and Banco Popolare proprietary portfolio management from Banca Aletti to Banco Popolare.

These transactions are fully described in the section "Significant events", to which reference may be made for further details on the reasons and interests for which the assessment influenced the decisions in question.

BANKING ACTIVITIES

Private and Finance business segment

Investment Management and Private Banking

Private Banking

Banca Aletti closed 2009 with a global AUM (administered and managed assets) of 14.5 billion euro, 0.3 billion of which attributable to institutional customers.
2009 was characterised by a drop in the earnings margin compared to the previous year, though the monthly trend indicated a constant, gradual recovery. The persisting tough market scenario kept many customers on the defensive and changes in rates put pressure on the interest margin.
Regarding asset management, a strong relaunch was implemented to restore the medium-term investment portfolios.
The year was also characterised by a constant and decisive focus on increasing AUM and expanding the customer base.
In this respect, particularly significant in the second half of the year were the assets repatriated from the “Scudo Fiscale Ter”, which saw Banca Aletti play a coordinating role within the Group in terms of training, constant support and reporting.
Net deposits (1.58 billion euro in the private segment alone) proved particularly significant and well above the business targets for the period (121% of the budget).
Also highly significant were the results achieved in terms of new customer acquisitions, 1,330 in all, confirming the quality of the Aletti brand as perceived by the market and the intensive marketing action launched by the Private Banking Network.
The "cross selling private-corporate" project, "Pri-Corp", is now in its third year, with fully synchronised cooperation with the Group Networks. Its results show a constant upward trend. Since the launch of the project (2006) 2.04 billion euro have been raised, 834 million euro of which in 2009.
As in past years, strategies were defined to increase development opportunities with the aim of generating contact with potential customers, for example by organising a series of local events (approximately 80 in 2009).
At organisational level, during the first half of the year the Milan “Santo Spirito” and “Passaggio Duomo” business units were incorporated, as were the “Frescobaldi” and “Monalda” units in Florence.
At the same time, with a view to streamlining local monitoring, the Adriatic area office was merged into the Emilia area, which was then renamed the Emilia-Romagna Area.
The Toscana Ovest area was renamed Toscana Area, extending its coverage to the entire Tuscany region.
After these changes, at the end of 2009 the Banca Aletti network comprised 9 Area Offices, 36 Units and 178 Private Bankers.
With regard to the training plan, which since 2006 has aimed for an integrated “Family Business” approach, activities continued throughout the year involving the former BPI Private Bankers.

Investment Management

In 2009 the equity markets recorded a highly positive performance, the upward trend essentially uninterrupted from March onwards. MSCI WORLD indices in local currency on industrialised and emerging equity markets recorded growth of around 23% and 61%, respectively. This performance was supported by a levelling-out of risk aversion, gradual improvement of the macroeconomic scenario and all areas coming out of the recession, along with constant improvement in companies' profit for the year.
Among the more industrialised markets, the USA indices recorded a slightly better performance than Europe and Japan: the Nasdaq and S&P 500 recorded growth of around 44% and 23.5%, respectively, whilst the growth figures for the Eurostoxx 600 and Nikkei indices were 28.5% and 19%.
In 2009 the global performance of the government bonds market was barely positive (+0.75%) and particularly volatile, especially in the second part of the year, with respect to the prospects for recovery of the macroeconomic scenario and interest rate performance forecasts. At area level, the negative performance of USD public debt securities (-3.7%) conflicted with the positive performance of those in euro (+4.4%) and in emerging country currencies (+29.7%). The high-rating corporate bond segment recorded a distinctly positive performance over the year.
The foreign exchange market was mainly characterised by the intrinsic weakness of the US dollar, particularly in the first quarter, and appreciation of currencies of the emerging countries with higher exposure to commodity prices. At the end of the year, the US dollar fell by more than 2% against the euro, whilst among the emerging currencies the Brazilian Real gained approximately 30% on the US dollar.

The returns on managed products were highly positive in both absolute terms and compared to the benchmarks, managing to successfully exploit the favourable market trends in the various asset classes.

As at 31 December 2009 AUM stood at around 11.92 billion euro, with a strong 6.1% improvement in balances during the year, a totally different result than the 26% decrease recorded in 2008. In fact, after its minimum recorded in March, deposits showed a constant increase. 2009 therefore marked a halt in the trend that characterised AUM performance in 2007 and 2008 in the entire Italian segment.

Regarding the breakdown of AUM, in line with 2008 the 2009 performance of deposits was positive for investments of private, VIP and institutional customers, just as the negative performance was in line with 2008 for deposits from Retail products and for asset-backed and quantitative products.

During the year, enhancement continued of the commercial catalogue, which became operative in the first few months of 2008, particularly the “Multilinea” product dedicated to retail customers and replacing the Mosaico System, with the aim of more efficiently matching the different investor profiles with products characterised by different management approaches. With regard to internal service activities, from January 2010 the SMIT2 front office was completely abandoned with transfer to the new ANTANA platform for most of the investment management business, for which completion is scheduled for April 2010 on migration of the VIP and institutional customer investment business.

In terms of Investment Management staffing, after its consolidation phase in 2008, the Advisory Desk for direct and accredited Private customers intensified its joint research and development of new relations with the commercial network in 2009. Still to be completed for this service is the IT procedure for AMC analysis and monitoring. As at 31 December 2009 the service had 83 active contracts for a countervalue of around 185 million euro, a distinct improvement on the corresponding figures for 2008 (40 active contracts, approximately 105 million euro).

Investment Banking

Derivatives and Structured Products - Financial Engineering

2009 was a very tough year for all the financial markets. Credit squeezes after the Lehman Brothers crash were the key topic for debate during the first half of the year, which saw fierce volatility and illiquidity on all the major markets. The main theme was “fly to quality”, all market players liquidating their riskier positions in favour of investment in government securities, and as a result the spread between the swap curve and the return on government securities reached extremes, close to 100 bps in the 5-year segment (BOBL) at the start of 2009.
The central banks reacted by quickly lowering the rates and injecting mass quantities of liquidity - not only into the overnight, but also on longer term maturities. In the Eurozone the ECB’s Long Term Refinancing Operation in June 2009 was fundamental (12-month liquidity at 1% for 440 billion euro). In the second half of the year, liquidity led to the rallying of all leading financial assets, and many indices (e.g. many corporate credit spreads) settled back to their pre-Lehman levels.

For the Fixed Income Structured Products Department 2009 was characterised by a drop in business with Group customers in relation to corporate hedges, and the par value of completed transactions was 7.4 billion euro, down on the 10.3 billion of 2008 which did however include around 2 billion euro from derecognition of open positions. Worth noting is the increase on transactions concluded with Large Corporate customers (1.1 billion euro, up from 0.15 billion).
In terms of retail structured products placed by the Group networks, the trend to simplify the structures and reallocate through more simple structures indexed to rate performance continued. Approximately 7 billion euro in rate-indexed issues were structured and placed, compared to 3.8 billion euro in 2008. The volumes of covered warrant caps structured by Aletti more than doubled, helped by the all-time low rates and rate increases forecast for the future.
Credit spreads narrowed considerably in the second half of the year, having started the year in a serious crisis position, and secondary market values for many securities placed in the past by the Group networks benefited strongly.
From a strategic and organisational point of view, 2009 activities of the Fixed Income Structured Products Department focused on secondary market management for all Structured Products, offering better credit risk management within the department and improved relations with Issuers.

The unyielding instability of the financial markets weighed heavily on last quarter of the year and continued throughout the first quarter of this year. Fears of the potential futility of government and central bank intervention in the major industrialised countries to overcome the global financial crisis and the possible economic consequences of the recession on the one hand drove share prices and commodities (the only exception being copper) to new lows, and on the other hand pushed credit spreads to new peak levels.
The situation improved somewhat in the second quarter, after the major governments had agreed on the action needed to safeguard the financial system and guarantee lifeblood for the global economic fabric. The share and commodity prices fell back almost to their levels at the start of the year and even credit spreads narrowed considerably. This trend became stronger during the entire second half of the year, which saw both share and commodity prices peak at year end.
In this scenario, implicit and real volatility and correlation remained significantly high, albeit lower than those of the previous year.
Share trading in this context was characterised by a search for precise hedging to reduce risk book positions as much as possible, without putting a block on the assumption of volatility and correlation positions on the market, even if restricted to the more liquid underlyings.
Structuring of equity-linked products plunged due to lower volumes of products placed by the group networks. The only exceptions were Indexed Policies – very few in number terms but for considerable amounts – though it is important to note that the share component of these products was minimal. A marked increase, however, was seen in the structuring and pricing for institutional customers from outside the group.
Market making on the regulated IDEM and SEDEX markets instead remained in line with the previous year.
The exchange rate market was no exception with respect to the general climate of uncertainty shrouding the entire finance industry. As a result, the demand for short-term hedges by corporate customers was weak.

The strong implicit and real levels of volatility evident throughout the half year, however, offered the chance to search for opportunities on these markets, in which proprietary trading was focused.

During 2009 the normal expansion and development of existing pricing and hedging tools continued.
Developments concerned both functional aspects of the models (automation of certain hedging procedures and credit watch mechanisms) and methodology-related aspects (upgrading of pricers for equity options, inflation-linked derivatives and short/long-term spread options).
Specifically, development of the new pricing and calibration models (SABR) for CMS rate options and stochastic volatility models for equity-linked derivatives (Heston) was completed.
Both activities formed part of the normal methodology comparison process with market best practices, a constant prerogative of the Department.
During the first half of the year the migration of the entire equity-linked exotic derivatives book was completed, from models using the native Montecarlo engine of the Risque system to 100% proprietary models.
This important results guarantees more independence than the position keeping system, and has already allowed significant expansion of the desk's business options (hybrid ir-eq, inflation-eq and fx-eq derivatives).
Development also began in the second half of the year on a new "general purpose" Montecarlo pricing framework for interest rate derivatives.
This tool offers high-level flexibility and can ensure rapid assessment, with very little extra implementation effort, of the pricing of many different types of interest rate derivatives available on the market, for which risk management may be necessary in the future.
The Department’s normal business activities also continued during the year regarding calculation of the potential future exposure (EPF) indicator for corporate catalogue derivatives, and estimation of the potential return on all financial products offered to customers by the Group.

Equity markets

After another negative start to the year, from the second quarter the share indices showed increasingly convincing signs of recovery and gave rise to a bullish trend that closed the year with increases of two percentage points. The share price increases seem to have brought back an appetite for equity investments, albeit marked by strong forethought and an attitude of cautious optimism. Despite the recovery, the countervalue of trading on the Borsa Italiana equity market fell by around 35% compared to the previous year, the phenomenon partly due to Asset Managers’ liquidation of portfolios to meet redemption requests, and partly due to the impairment of shares which, with float trading remaining equal, express far lower countervalues. In this context, Banca Aletti also recorded a decrease in volumes traded on the domestic markets, mainly linked to business with institutional counterparties being only partly mitigated by the recovery of business with private and retail customers.

During the year the banking book continued its market making on 46 underlying assets of Italian single stock futures. The increase in trading volumes compared to 2008 resulted in a significant market share of 10.78% being maintained.
In terms of strategic portfolio management, given the strong volatility of the first half year, the merger arbitrage strategy was preferred on takeover bids with a low risk profile. In the second half of the year, the gradual restoration of the option to perform short selling led to a return to the market neutral arbitrage strategy between companies in the same business sector, without exposure to market trends.

Gradual consolidation also continued during the year of the basket trading strategy on the Spanish Ibex35 index and increased Delta1 trading on foreign shares listed on the Liffe, with good results.

Securities lending

The liquidity crisis that hounded the system in 2008 had a positive impact on both volumes traded in securities lending in the bond segment and on related trading spreads. The gradual return to normal of the phenomenon brought total volumes back to pre-crisis levels and partially reactivated the share segment, confirming Aletti to be among the leading Italian market players in this field.

Bond markets

In 2009 the government bond market recorded different trends, depending on the curve analysed.
Though the short curve continued to benefit from cuts in official rates and cash injections from the central banks, the long curve underperformed due to the mass of government bonds offered on the primary market to fund the increasingly high public deficits.
The combination of these two events therefore led to the curve becoming increasingly steeper to eventually touch unprecedented levels.
It is in this context that the significant narrowing of spreads can be positioned for Eurozone countries, particular among the cartel of countries around the German market.
Where the forced sales in 2008 led to return spreads in Eurozone securities reaching absolute peaks since the introduction of the Euro, the abundantly restored liquidity triggered a reverse process to bring the spreads almost completely back to normal, except in certain countries such as Greece and Ireland.

After suffering an overall widening of credit spreads in 2008 and the first few months of 2009, and after the economic policy measures introduced by governments and the central banks, corporate bonds took pole position in one of the most important rallies in credit history.
A highly important factor that helped provide considerable support to the market was the vitality of the new corporate issues, which allowed a vast number of issuers to delve into capital market coffers to refinance and reschedule their debt profiles.
Retail customer volumes on the Hi-MTF platform were significant, as were those on the Group's Securities Market.
The combination of these factors, together with the strategies adopted, led to the achievement of economic results well beyond forecasts in bond portfolio management.

Capital Markets

Equity Capital Market

As a consequence of the extended crisis, in 2009 the Italian primary equity market was once again for the most part characterised by share capital increases and takeover bids, with a total of 30 transactions against just 6 new listings, 5 of which on the AIM Italia – the recently established market not regulated by Borsa Italiana – on which Banca Aletti was also authorised to operate as Nomad with 4 key executives.

In January the Eurofly SpA share capital increase was completed for a countervalue of around 33 million euro, for which Banca Aletti acted as Financial Advisor. During the year Banca Aletti was also the Financial Advisory and Intermediary appointed to coordinate the collection of takeover bid subscriptions on FMR-Art'è, Management & Capitali and Mirato shares, and the Intermediary appointed to coordinate collection of subscriptions in the takeover bid on IPI shares.

In June, Banca Aletti was a member of the underwriting syndicate for the ENEL share capital increase, with a commitment of approximately 27.5 million euro. Banca Aletti also had a sub-guarantee commitment for a maximum 60 million euro in the rights offer beginning in December 2009 for the Credito Valtellinese 2009-2013 4.25% Convertible Bond Loan, due to end in January 2010.

In 2009 mandate was received to act as specialist operator for Marcolin shares, whilst mandates concerning units of the BNL Portfolio Immobiliare Crescita Fund lapsed following winding-up of the fund, as did those on Mirato shares as a result of delisting of the company, on Bastogi and on Retelit shares. As at 31 December 2009 the bank has 13 mandates in progress as specialist operator.

Debt Capital Market

In the first half of 2009, in its role as Sole Arranger, Banca Aletti completed the structuring of the securitisation of residential mortgages originated by the External Specialist Networks for a total of around 1.1 billion euro.
The securitisation of Ducato S.p.A. commercial loans for a countervalue of approximately 500 million euro, for which Banca Aletti acted as Sole Arranger, was not completed however due to the decision of Agos S.p.A. (the company into which Ducato was merged) to buy back the entire loans package from the SPV.
In June Banca Aletti participated in the Public Offering of ENI 2009-2015 fixed rate and floating rate bonds, collecting subscriptions for a total countervalue of more than 147 million euro.

In the second half of the year, Banca Aletti participated in the subscription and placement of the first two Banco Popolare bond issues since the outbreak of the financial crisis, reserved for institutional investors.
For the first of these two issues, launched in July with a 3-year maturity for 1 billion euro, increased by a further 350 million euro in September, Banca Aletti acted as Joint Lead Manager, collecting applications totalling almost 500 million euro. In the second, launched in October with a 5-year maturity for 1 billion euro, Banca Aletti, for the first time also acting as Bookrunner, collected applications for around 600 million euro.
In November Banca Aletti also participated in the Public Offering of Mediobanca 5-year fixed rate and floating rate bonds, collecting subscriptions for a total of around 45 million euro.

Equity Research

Considering the deepening economic crisis and growing illiquidity of certain asset classes, in 2009 the Equity Research desk focused on retaining its research footprint and on stabilising the number of counterparties. In keeping with the Group franchise, coverage continues to focus on Italian Small/Mid Caps, with ongoing expansion to mid caps due to the persistent illiquidity of the reference niche. This was achieved by discontinuing the coverage of certain securities with a limited float and capitalisation, and also through the entry of new professionals, who broadened the coverage to include new securities and new capitalisation sectors. Marketing also continued with the key counterparties and management of certain listed companies through road shows.

Forex and Money Markets

Money Market Department

The reorganisation process that returned money market business to the parent company with effect from 1 April 2009 involved the department, for all of the first part of the year, in activities regarding the transfer of business (market disclosures, contracts, operating tools, loans).
Money market business was therefore limited to trading and focused on optimising funding by means of efficient collateral management.
With the aim of seizing upon all funding opportunities, careful monitoring continued of the many extraordinary initiatives of regulators to re-establish market stability and solidity.
Specifically, in the first part of 2009, monetary policy transactions imposed by the European Central Bank increased in terms of both frequency and type. Auctions with a monthly and half-yearly maturity were arranged in addition to the weekly and quarterly auctions.
As part of the individual member country initiatives, the Bank of Italy launched the Collateralised Interbank Market on which members trade interbank deposits after having provided suitable collateral.
The gradual fall in benchmark rates and the constant and abundant cash injections by the central banks contributed to narrowing the liquidity and nominal rate spreads to bring overnight rates to deposit facilities levels.

Forex Department

In the wake of the last few months of 2008 and during the first half of this year the forex market was characterised by low level liquidity, encouraging volatile changes with no precise direction. After an initial appreciation of the US dollar against the euro, the exchange rate quickly returned to the 1.35-1.40 range to begin a sideways movement still in progress.
Our market activities focused mainly on short term trading to the detriment of intraday trading, resulting in a drop in the number of transactions and volumes traded but achieving good economic results.
In the first part of the year the department was also involved in providing support for various activities ready for transfer of the department, from 1 April 2009, to the parent company (market disclosures, contracts, operating tools, loans).

Corporate & Institutional Sales

Group Networks Distribution

The department’s activities in 2009 were strongly affected by market dynamics, strong volatility of equity markets and credit spreads, the climate of uncertainty and investors lack of risk appetite.
The distribution strategies, structuring and placement activities centred on simple, transparent products of limited duration and with guaranteed capital.
Interest rate indexing took precedence, to the detriment of the share indices, and the preference for Banco Popolare as issuer rather than third parties.
Over 60% of structured investment products placed by the local banks during the year (around 9.6 billion euro) were in fact bond loans issued by the Group.
Despite customers' strong risk aversion and drop in volumes compared to 2008, Banca Aletti maintained its prominent position on the Italian certificates market, participating in the major events for the sector, organising product road shows and achieving important investor recognition.
A project was developed to improve after-sales information on structured products available to branches, by means of dynamic product sheets downloadable via the Intranet, to increase advisory content in relations with customers subscribing to our products.
The offer of Covered Warrant Euribor Caps to customers taking out floating rate mortgages has recovered. Hedged assets in 2009 totalled around 760 million euro, more than double the previous year’s figure.
With regard to marketing of asset management, the focus was on improving sales support tools, defining periodic reports and “ad hoc” information to place the networks in a position to provide advisory services to customers in a particularly difficult time for the asset management sector.
In June, in collaboration with the parent company Retail Division, it was agreed to relaunch the segment, identifying new graphics for the asset management options making up the product mix, launching new investment solutions to integrate the current catalogue and planning a series of roadshows with the local banks.

Institutional Sales

With regard to developing business with “non captive” customers, the banks gave precedence to direct deposits through plain vanilla bonds, the reason for which bond issue hedging derivatives business decreased.
The preference for simpler structures and for Italian issuers, however, boosted activities as "arranger" for Banco Popolare issues.
In fact there was an interesting development on the primary market, with Banca Aletti acting as co-lead in the first public issues for the year by Banco Popolare and, for the first time, as Bookrunner in the more recent issue.
In addition, over 320 million euro in private placements were arranged with institutional investors.

On the secondary market, the bank benefited from the repositioning of many institutional investors to less risky investments such as bonds, with 1.3 billion euro from intermediation and the acquisition of 15 new customers.
Regarding the placement of Banca Aletti products, 2009 saw a considerable increase in certificates with volumes almost tripling compared to 2008, involving 21 issues for the banking networks and 14 issues for the sales networks.
Also in terms of interest rate risk hedging products, the volumes of Covered Warrant Caps recorded a considerable increase in volumes, four times higher than in 2008 due to forecast increases in interest rates.
With regard to the placement of asset management products through non-captive networks, however, a negative result was recorded for net deposits, due to the difficult period faced in general by the asset management sector that led to a preference for direct deposit products with insurance content, such as capitalisation policies.
Equity Brokerage business suffered once again in 2009 due to the difficult market conditions that drove institutional equity investors to preferring companies with a stronger level of capitalisation.
Nevertheless, new accounts were opened during the year with new Banca Aletti customers UBS and Henderson, and intense marketing continued through the organisation of several meetings with both Italian and international customers, and meetings with investors and the management of companies in Italy and Switzerland.
In 2009 a strong drive was given to the cooperation project between Institutional Sales and the Aletti Private Banking network, with a particular focus on the marketing of asset management.
As part of the project, meetings were organised with the heads of the various business areas to produce joint development plans, two events were organised in Rome especially for institutional customers (Welfare Organisations, Foundations and Pension Funds) based in the capital, plus visits to 75 prospective customers.
In the second half of 2009, as a joint operation with the Investment Management Sales Department, a development project was put together for relations with Pension Funds, for which we performed various activities such as participation in 5 operator selection tenders, 10 commercial visits, several meetings with advisors and participation in sector events and seminars.
Institutional Sales Department business was supported by intense marketing activity that saw Banca Aletti's participation in the major sector events and the organisation of dedicated events and product roadshows.

Large Corporate Sales

In 2009 the Large Corporate Sales Department continued to perform financial risk management on behalf of accredited customers of the Group banks and, in agreement with the parent company Corporate Division and the local banks, continued its development action in relation to potentially accreditable new customers.
A total of 40 visits were made to customers during the year to present the services offered and to consolidate existing relations. As part of advisory services provided to accredited customers, in certain cases joint meetings were arranged with the Analysis and Macroeconomic Strategy Department.
Over the year interest rate and exchange rate hedging transactions were completed with 22 counterparties of major standing, for a total notional amount of approximately 1.13 billion euro.
The interest rate risk management tools adopted were mainly effective hedging products. In particular, to exploit the exceptionally low levels in the euro curve, the large corporations preferred recourse to interest rate swaps or caps in line with their specific medium/long-term borrowing profiles.
The exchange rate hedges mainly involved US dollars and for the most part were implemented through simple forward transactions or plain vanilla options.
In the second half of the year, in collaboration with the Capital Markets Department and the parent company Corporate Division, the Large Corporate Sales Department launched a marketing organisation project with the group networks and potential customers with the aim of identifying the target companies for support in the event of extraordinary transactions on the capital markets.

BUSINESS OUTLOOK

The economic indicators and forecasts of the research agencies suggest that the profound financial crisis that exploded with brute force in 2008 is coming to an end, but not without serious difficulties. At the same time, the real economy seems to have begun a slow, laboured recovery, albeit with certain conflicting signals.
2010 will see the effects of Banca Aletti strategies – in line with those of the entire Banco Popolare Group – adopted to overcome the difficult situation and exploit opportunities that the improving economic situation can offer this year, particularly with the aim of:

- increasing market shares, specifically through cross-selling initiatives with corporate customers and the local banks;
- further developing skills and training of the bank's human resources;
- raising the quality of customer service;
- developing new products in both the Investment Banking and asset management segments, seeking to satisfy – and if possible anticipate – the needs of local bank customers.

PROFIT ALLOCATION PROPOSAL

We propose that the Shareholders' Meeting approves the Financial Statements as submitted and allocates the 162,558,906.65 euro profit for the year as follows:

- 10,702.83 euro to other reserves;
- 5,223,453.62 euro to reconcile the negative reserve created in 2005 on first time adoption of the new international accounting standards;
- 157,324,750.20 euro to Shareholders, corresponding to 6.7 euro per share.

The requirements of art. 2430 of the Italian Civil Code regarding allocation of part of the profits to the legal reserve are disregarded as the legal reserve already amounts to one-fifth of the share capital.

Should the above proposals be approved, the makeup of Banca Aletti shareholders' equity will be as follows:

(in thousands of euro)	**Current**	**New**
Share capital	121,164	121,164
Share premium	72,590	72,590
Legal reserve	24,233	24,233
Other reserves	214,018	219,252
Valuation reserves	1,735	1,735
Total Shareholders' equity	**433,740**	**438,975**

Chairman of the Board of Directors

Urbano Aletti

BANCA ALETTI

Statement on the separate financial statements pursuant to art. 81-ter, Consob Regulation no. 11971 of 14 May 1999, as amended

1. The undersigned, Urbano Aletti as Chairman of the Board of Directors of Banca Aletti & C. S.p.A. and Roberto Gori as Manager responsible for the preparation of corporate accounting documents of Banca Aletti & C. S.p.A., also taking into consideration the provisions of art. 154-*bis*, subsections 3 and 4, Italian Legislative Decree no. 58 of 24 February 1998, hereby confirm:

   - the suitability with regard to the business characteristics and
   - the effective application

   of administrative and accounting procedures for preparation of the financial statements throughout 2009.

2. The assessment of the suitability and effective application of administrative and accounting procedures for preparation of the separate financial statements as at 31 December 2009 was based on an internal model defined by Banca Aletti & C. S.p.A., developed in reference to the COSO Report (Committee of Sponsoring Organizations of the Treadway Commission), the standard for internally-generated control systems generally accepted at international level.

3. It is also confirmed that:

   3.1 the separate financial statements:

   a) were drafted in compliance with international accounting standards endorsed by the European Union pursuant to European Parliament and Council Regulation 1606/2002/EC of 19 July 2002;

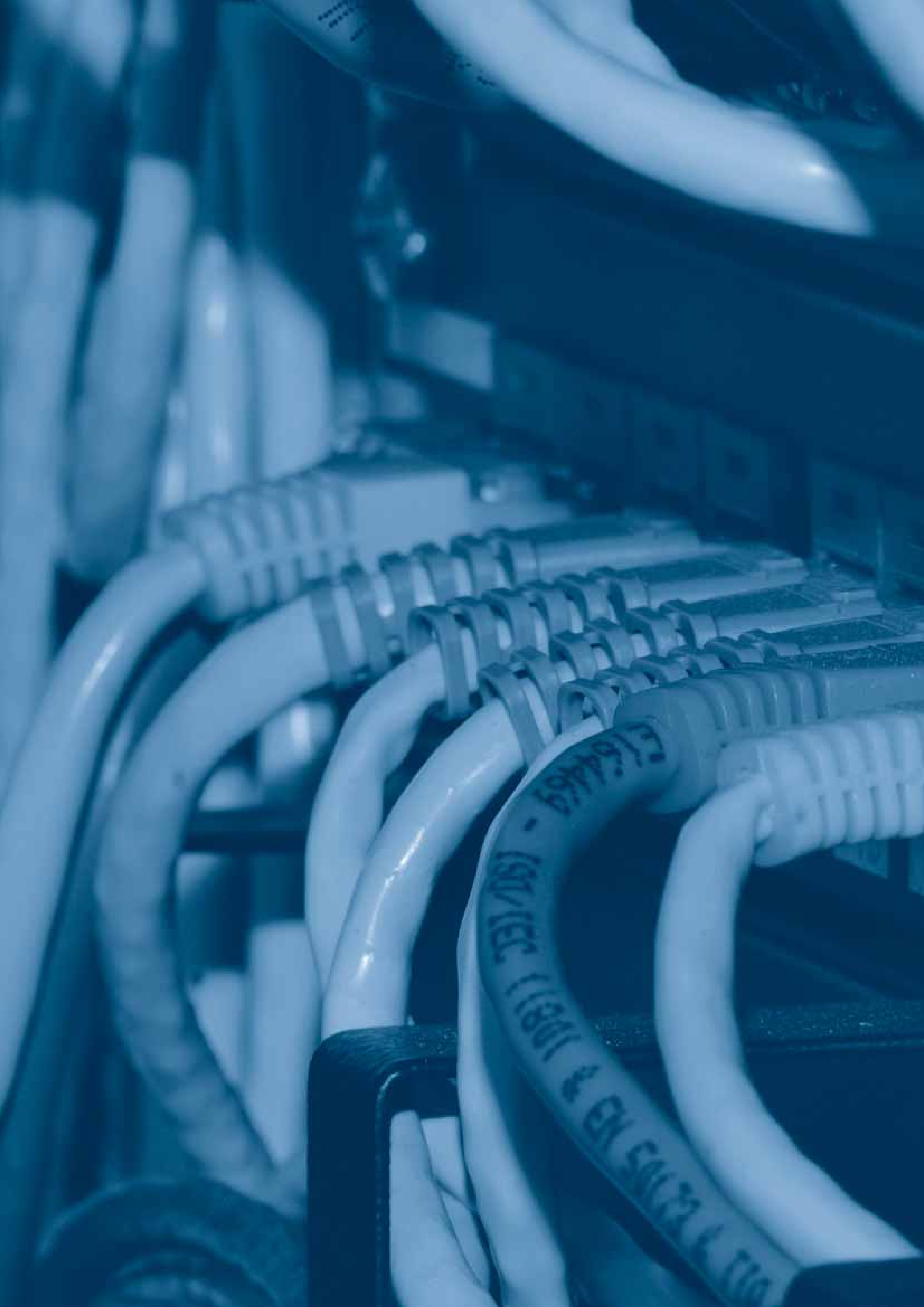
   b) correspond to accounting books and records;

   c) suitably present a truthful and accurate view of the equity, economic and financial position of Banca Aletti & C. S.p.A.

   3.2 The report on operations includes a reliable analysis of the operating performance and results, the position of the issuer and a description of the main risks and uncertainties to which the issuer is exposed.

Date: 11 March 2010

Urbano Aletti	*Roberto Gori*
Chairman of the Board of Directors	Manager responsible for the preparation of corporate accounting documents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STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REPORT TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2009

Dear Shareholders,

The separate financial statements as at 31 December 2009, including the Notes to the financial statements and Report on Operations, were approved by the Board of Directors on 11 March 2010 and made available to the Board of Statutory Auditors on that same date, in accordance with the law.

The financial statements are certified by RECONTA ERNST & YOUNG S.p.A., as the company is subject to compulsory audit. The financial statements as at 31 December 2009 are therefore accompanied by the Independent Auditors' Report pursuant to art. 156 of the Consolidated Law on Finance, which provides their *"Opinion on the Financial Statements"* after having completed the relevant audit tasks.

The financial statements contain the statement pursuant to art. 154-*bis*, subsection 5 of the Consolidated Law on Finance, in compliance with art. 81-*ter* of Consob Regulation no. 11971/1999, as amended (the Issuers' Regulation), to the effect that administrative and accounting procedures considered in preparing the separate financial statements were suitable and applied. The opinion on the suitability and effective application is based on the "COSO report" model. The financial statements were prepared in accordance with IAS and correspond with accounting records.

a) Supervision by the Board of Statutory Auditors

The Board of Statutory Auditors performed its supervisory tasks in compliance with Italian Civil Code provisions - where applicable - as amended by the Consolidated Law on Finance (Legislative Decree no. 58, 24 February 1998), in keeping with related Consob Communications and also in consideration of Bank of Italy instructions issued in March 2008 bon bank governance.
The work completed by the Board of Statutory Auditors can be summarised as follows:
- as required by law, the Board of Statutory Auditors attended the Shareholders' and Board of Directors' Meetings. On these occasions, the Board of Statutory Auditors was duly informed by the Directors of company business activities and of the most significant economic, financial and equity transactions performed. The frequency of these meetings fulfilled the directors' formal reporting requirements pursuant to the current art. 150, subsection 1, of the Consolidated Law on Finance.

b) Results of the supervisory audits conducted by the Board of Statutory Auditors

Illustrated below is the main audit information emerging from Board of Statutory Auditors activities during the year.

01. The Board of Statutory Auditors was informed of the main transactions performed by the Bank.
On 1 April 2009 and in compliance with the interests of the Group, BANCA ALETTI transferred treasury management, the Banco Popolare proprietary portfolio and foreign exchange business for the entire Group to the parent company with a view to improving overall management efficiency.
This was followed by streamlining of the trusts, taking into consideration the fact that at the end of 2008 Banca Aletti held direct and indirect control of three different trusts (Aletti Fiduciaria S.p.A., Nazionale Fiduciaria S.p.A. and Critefi SIM S.p.A.). In this context a project was launched that envisages a reduction in the number of product companies to two: one a static trust and the other a Trust Company.
As a result, in 2009 it was resolved to:
- acquire the investment in CARFID S.p.A., now ALETTI TRUST S.p.A., from the parent company and amend the Articles of Association as appropriate for it to become the Group's Trust company for the management of high standing trust activities;
- merge CRITEFI SIM S.p.A. into BANCA ALETTI, with stipulation and registration of the merger deed on 14 December 2009, the legal effect of the merger being from 23:59 hours on 31 December 2009 and the accounting and tax effects from 1 January 2009;
- merger of ALETTI FIDUCIARIA S.p.A. into NAZIONALE FIDUCIARIA S.p.A.. Stipulation of the merger deed has been postponed to allow further study and verification of the operating, organisational and IT processes of the two companies which call for substantial standardisation.

In this respect (merely accessory to that of the bank) the 100% investment in Nazionale Fiduciaria S.p.A. was again written down for impairment, as better illustrated in the notes to the financial statements. The estimate was revised on the basis of the current value of related cash flows, also taking into account the business combination pending with Aletti Fiduciaria S.p.A.
The Board monitored the positive developments linked to write-downs suffered by Banca Aletti in 2008 as a result of the international financial crisis. In fact, a number of those write-downs were reversed in 2009.

02. No atypical or unusual transactions were identified, either with third parties or with companies of the Group. It is the Board of Statutory Auditors' opinion that infragroup and related parties transactions were carried out in accordance with the business plans coordinated by the parent company Banco Popolare. The Board of Statutory Auditors constantly focused Top Management's attention on compliance with this consistency. In the report issued by the Board of Directors it was planned to set up a special section on material to be submitted to the Board illustrating the key aspects of transactions potentially influenced by the parent company Banco Popolare, pursuant to art. 2497 of the Italian Civil Code. In this respect, however, it should be remembered that in information provided by the Bank, your directors have specified that decisions influenced by the parent company represent the correct application of Group logics inspired by greater efficiency of the organisation as a whole.

03. The Board of Statutory Auditors considers the information regarding related parties transactions provided by Directors in the Report on Operations to be adequate.
A specific section of the Notes to the financial statements indicates the balance sheet and income statement balances referring to related parties.

04. No objections have been raised by the independent auditors.

05. No reports have been received pursuant to art. 2408 of the Italian Civil Code.

06. With regard to complaints concerning investment services, the report submitted for the first half of 2009 was approved and that for the second half of 2009 is pending approval, a summary version of the main content having been received from the Banco Popolare Legal and Compliance Division (outsourcer for this service for Banca Aletti).
The Bank's business segment most affected by complaints is hedge fund management.
With regard to examination of the complaints, the Bank considers there is no evidence of significant organisational shortcomings. On our part, we would like to mention that in certain cases decisions involving the Bank's assumption of charges (trade reimbursements) to anticipate complaints that could lead to more significant reductions in revenues, have been approved by the Board of Directors.

07. In 2009 the independent auditors were assigned the following tasks:
- to Reconta Ernst & Young S.p.A.:

Accounting audit	*Euro*	*5,000*
Endorsement of tax returns	*Euro*	*211,700*

- to Ernst & Young Financial Business Advisory S.p.A:

Compliance with global investment performance standards (GIPS)	*Euro*	*46,800*

All amounts are stated net of VAT and expenses.
No other mandates were assigned to parties bound by permanent relations to the independent auditors.

08. No circumstances arose during the year that required the Board of Statutory Auditors to issue opinions by law.
The Board was kept constantly informed at Board of Directors meetings and during periodic inspections on activities performed by the following departments:
- *Internal Audit*
- *Compliance*.

These departments are the main contacts regarding the analysis of regulatory compliance, both prior and subsequent to activities performed by the Bank.
It is important to remember that such sensitive tasks are performed with the parent company Banco Popolare through service contracts. As with all outsourced activities, these are assessed in the light of reports submitted to the Board of Directors on a half-yearly basis, indicating the levels of satisfaction and any problems linked to the provision of such services according to a practice – in our opinion correct – as instructed by Banca Aletti. These reports on service contract operations are indispensable, taking into consideration that, in any event, liability for the risks connected with incorrect performance of outsourced services remains with Banca Aletti.
On these occasions the Board of Statutory Auditors expressed its opinions which, though not compulsory, represent an opinion significant to the path towards greater regulatory and operating adequacy. For a summary of these opinions, reference should be made to point 12 of this report, on infragroup relations.

09. There are no substantial remarks to be made in relation to compliance with the principles of proper management. Note that the Bank conducts its business activities independently, albeit in keeping with the plans and coordination of Banco Popolare, benefiting from the advantages of belonging to the Group. Banca Aletti achieved a highly significant result for its banking group, better than forecast also taking into account that, with centralisation into Banco Popolare, certain areas of business as described in point 1 of this report have reduced compared to 2008. Both the RoE and cost-income ratios have recorded strong progress. The material decrease in the interest margin and net commissions is offset by the increase in the earnings margin and decrease in operating costs, and likewise there is a strong positive difference from 2008 in terms of loan write-downs, which last year were negative due to the effects of the international financial crisis and this year are slight.

10. During the year, the Board of Statutory Auditors conducted the following audits:
- 17 ordinary or extraordinary audits,
- 4 audits of Private Branches,
- 2 audits linked to meetings with the Audit Committee of the parent company BANCO POPOLARE.

11. The Report on Operations provides an accurate identification of the Bank's areas of business in its various aspects.
The overall workforce of the Bank decreased as a result of the centralisation of the treasury, Banco Popolare

proprietary portfolio and forex business to the parent company. As at 31 December 2009 there were 454 employees. The decrease was also affected by the closure of the Documentation Office, also transferred to the parent company.

New "gateways" have been established for the incentive schemes, which were in any event adjusted for top management as established in the new Code of Ethics to take into account provisions that introduced the "Tremonti Bonds".

12. With regard to infragroup relations, the Board wishes to draw attention to points emerging during the various meetings of the board of directors regarding outsourced activities.

In particular, points for action regard the Group Audit and Compliance Divisions, whose organisation needs to be reinforced in both quantitative and qualitative terms.

The Credit Assessment Department and IT Department instead require a more incisive adaptation to the specific operating needs of Banca Aletti. In particular, the need emerged to formalise special regulations for the disbursement of credit to direct customers of Banca Aletti and to accelerate timing, though this activity is marginal compared to the Bank's core business. In this respect, the relevant corporate bodies have guaranteed improvement.

With regard to the IT Department it will probably be necessary to speed up projects involving the new asset management, securities lending and off-premises sales model. Also in this context the Board was reassured that such problems would be resolved in 2010.

The Board of Statutory Auditors acknowledges that, with regard to the project to gather Group services provided into "cost centres" that tend to review the organisation of Group companies performing an instrumental role, i.e. the provision of services to other subsidiaries, the Bank has adopted a framework agreement governing infragroup relations that replaces agreements formalised to date, and has taken action to become a shareholder of the services companies, now transformed into no-profit consortia.

Consequently the current outsourcing contracts govern infragroup relations under consortium logic.

Nota that in 2009 a long investigation into the lack of connection to the AUI single database for certain asset management cases originating from the Banco Popolare Italiana Group was resolved without charge to the outsourcer SGS-BP S.p.A. This situation led to the issue of reports by the Board of Auditors to the Bank of Italy and the Financial Reporting Unit regarding operating errors also generated in disclosures to the Supervisory Authority, the Courts and to Tax Authorities.

The irregularities were remedied and a correct reconciliation between asset management data and the AUI single database is almost complete.

An external company was empowered as necessary to produce certification of the processes relating to the AUI single database in order to further confirm the accuracy of data relevant to this sensitive database and related input procedures.

13. As already reported in the notes to the financial statements, risk management is carried out under the coordination of Banco Popolare, as Parent Company, and of companies into which activities of common interest to the Group have been centralised.

Specifically, the Bank is exposed to market risk, liquidity risk, operational risk, and to a lesser extent counterparty risk and reputation risk.

With regard to market risk management there has been a positive development: the historic VaR simulation systems have been upgraded to give significance to the more recent readings. Total VaR has gradually decreased.

In relation to liquidity risk, it should be noted that this is centrally managed at parent company level (for which the organisational model was reviewed in 2009).

Regarding operational risk, it should be remembered that a new monitoring system has been approved, this too managed centrally. On this aspect the lack of AUI single database input has already been mentioned under point 12 with regard to former BPI asset management data, which was reported to the Bank of Italy and the Financial Reporting Unit by the Board of Statutory Auditors. This problem was then discussed in a later, more complex and final report to the Supervisory Authority from Banca Aletti, illustrating the arrangements implemented and the organisational action taken. For better coordination of all anti-money laundering formalities a single Group Manager was appointed.

The validity of general monitoring arrangements (operational risk VaR, backflows from the DIPO Consortium set up by the ABI, managerial IT models for operational risk and reports on operations) are insufficient unless accompanied by firm and specific training and information policies for company personnel, which have to take into account:

- the specific needs of BANCA ALETTI within the Group and the specific needs of departments, and therefore the need for selective, restricted and non-segregated training and information;
- the history of negative operational events that might have affected the Bank in the past, which could therefore provide useful indications to areas of future operational risk.

An appropriate system for the assumption of responsibility by individual operators must also be arranged for those failing to complete the training and education sessions, though it is assumed, again in consideration of the Bank's specific activities, that operators have a basic approach in dedicating themselves to the specialist topics required of their duties.

The Bank's management in any event places constant focus and commitment to developments in terms of these operational risks, which by definition cannot be completely eliminated.

Furthermore, activities have been updated as required under current regulations with regard to measurement of the Group's capital requirements. The Bank has adapted to all standards envisaged on this topic.

14. With regard to the administrative accounting system and its capacity to correctly represent business results, reference should be made to statements by the manager responsible for the preparation of corporate accounts referred to at the beginning of this report. In addition, a specific audit of the administrative accounting department was completed in the first few months of 2010, confirming the reliability of our opinion.

15. During the year the Board of Statutory Auditors was in constant contact with the Audit and Compliance departments.
Specifically, the Board regularly disclosed its notes on the Internal Audit report for the first half of 2009, also taking into account the Board of Directors' comments. The report for the second half of 2009 will be submitted to the Board of Directors in the near future.
In addition to the audit of certain branches, which produced essentially satisfactory results, this department also audited centralised departments in 2009 (SGS-BP S.p.A. and the parent company).
Aspects that could be improved are bancassurance and inducements. This does not compromise the overall adequacy of the areas audited.
The only issue worthy of mention as a stand-alone issue is that indicated in point 12 regarding lack of reconciliation of certain account records with the AUI single database.
At the end of the year the Bank was affected by a problem concerning off-market purchases of an issuer's treasury shares which indicated certain anomalies. As a result of those transactions, the Bank promptly informed Consob and the anomalies are still subject to special audit by the Compliance and Internal Audit Departments.
To facilitate dataflow exchange regarding Bank and the Group controls, in addition to meetings with Audit and Compliance representatives, the Board of Statutory Auditors also met with:
- the parent company Internal Control Committee, to which the Board reported on its activities, with the option of discussing areas potentially subject to further study and operating improvement;
- the Boards of Statutory Auditors of the subsidiaries Aletti Fiduciaria S.p.A., NAZIONALE FIDUCIARIA S.p.A and Critefi SIM S.p.A to obtain information on their results, in compliance with the control procedures adopted at Group level and the reorganisation process for the "trusts" segment.

In addition, also to improve the management of potential reputation risk, the Board obtained information on the startup of ALETTI TRUST S.p.A. operations, during the audits emphasising the need for appropriate Audit and Compliance Departments, and extension of the model pursuant to Italian Legislative Decree 231/01. The plan to transfer trust relations from ALETTI FIDUCIARIA S.p.A. to ALETTI TRUST S.p.A. must be completed quickly and in line with their empowerment as Trust Companies, in order for them to be ready for highly specialised and professional business activities.
It should be noted that, in accordance with 231/01 compulsory audit, the Board performed a more systematic review of the matrix regarding
- risk-related conduct
- potential offences
- the model.

The model should be updated further, though it should also be noted that this action is already scheduled. Again with regard to Italian Legislative Decree 231/01, the need for selective rather than scattered training calls for planning in 2010 of direct training action, in addition to online training options. The parent company departments responsible for such activities should be enhanced in both quantitative and qualitative terms.
In any event, no reports were received regarding conduct pursuant to Italian Legislative Decree 231/01.

16. Regular meetings were held with the independent auditors to exchange information, from which there are no significant aspects to report.

17. As the company is not listed, the corporate governance code for listed companies was not adopted. It should also be noted that the Bank has adopted both the Code of Ethics and Self-Imposed Code of Conduct issued at parent company level.

18. With regard to reports to the Supervisory Authorities, the action taken by the Board of Statutory Auditors is described earlier in this report.

19. and **20.** The Board of Statutory Auditors has no proposals to submit to the Shareholders' meeting pursuant to art. 153 of the Consolidated Law on Finance.

* * *

With regard to supervisory tasks performed in 2009, given all of the above, having read the independent auditors’ report from RECONTA ERNST & YOUNG of 26 March 2010 on the 2009 separate financial statements, and having considered that it states *"In our opinion, the financial statements of Banca Aletti & C. S.p.A. as at 31 December 2009 comply with the International Financial Reporting Standards adopted by the European Union, and with the directives implementing art. 9, Italian Legislative Decree 38/2005; therefore they are prepared with clarity and provide a truthful and accurate representation of the equity and financial position, economic results and cash flows of Banca Aletti & C. S.p.A. for the financial year ending on that date"* and that *"By law we are required to express an opinion on the correspondence between the report on operations and the specific section on corporate governance and ownership structure and the financial statements, as required by art. 123-bis, subsection 2, paragraph b) of Italian Legislative Decree 58/98. For this purpose we completed the procedures established in auditing principle no. 001 issued by the Italian Accounting Profession as recommended by Consob. In our opinion the report on operations and information provided pursuant to art. 123-*bis*, subsection 2, paragraph b) of Legislative Decree 58/98 is consistent with the separate financial statements of Banca Aletti & C. S.p.A. as at 31 December 2009",* the Board of Statutory Auditors hereby expresses opinion in favour of approving the separate financial statements and the profit allocation proposal as indicated in the Report on Operations.

Milan, 29 March 2010

The Board of Statutory Auditors
Maria Gabriella Cocco, *Chairman*
Alfonso Sonato, *Standing Auditor*
Franco Valotto, *Standing Auditor*


14 SARAH CATANIA
Schatze Auction - bid to cover has been 2.1 co
13 FILIPPO COCCHIERI
RBS: Baa2/BBB XTALN 6¼ 5/15 now offer @
13 CALYON CREDIT
toyota 12's Up at 390. Left +395/90 16s/ 395/8
12 DAVID DURAN PAZ
SGLT&PORTB offers
12 DANIELA FERRARO
Launch of the new Schatz Mar.11 - strong dema
11 GIOVANNI TARDITI
[/] EUROPEAN BANK CDS AXES
1:09 FILIPPO COCCHIERI
COVERED BUYING AXE !!!
1:09 SID GOWDA
BANG-A-THON....MAIN 192¼-193¼
1:09 GIOVANNI TARDITI
****Retail CDS run .
1:09 LUIGI FANCIANO
RY 5.75 07/11
11:08 STEFANO RAZIO
Citi >> Euro Utilities Cash >(10am)<
11:08 LOREDANA ABBADINI
HANNOVER RE Q4 08 RESULTS OUT, PROFIT DRO
11:08 STEFANO RAZIO
CITI TOBACCO CASH RUN: INDIC
Tmt Asw
Properties
Legend
Track
Annotations
News
Zoom
Period/Range
Table
DT 4.5 10/25/13 Corp - Mid Asset Swap Spread (R1) 152.00
FRTEL 7.25 1/28/13 Corp - Mid Asset Swap Spread (R1) 163.84
TITIM6.875 1/24/13 Corp - Mid Asset Swap Spread (L1) 348.98
KPN 4.5 3/18/13 Corp - Mid Asset Swap Spread (L1) 229.69
BRITEL 5.25 1/22/13 Corp - Mid Asset Swap Spread (L1) 299.44
TELEFO 5.125 2/14/13 Corp - Mid Asset Swap Spread (R1) 157.33
VOD 3.625 11/29/12 Corp - Mid Asset Swap Spread (R1) 128.78
Sep 30
Oct 31
Nov 28
Dec 31
2008
Jan 30
Tmt Asw
Properties
Legend
Track
Annotations
News
Zoom
Period/Range
Table
EIB 3.75 11/10 Corp - Mid Asset Swap Spread (R1) -13.30
XS0170558877 Corp - Mid Asset Swap Spread (R1) 27.66
XS0361975955 Corp Corp - Mid Asset Swap Spread (L1) 39.63
XS0196448129 Corp - Mid Asset Swap Spread (L1) 59.68

INDEPENDENT AUDITORS' REPORT

Reconta Ernst & Young S.p.A.
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Independent auditors' report
pursuant to articles 156 and 165 of Legislative Decree n. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of
Banca Aletti & C. S.p.A.

1. We have audited the financial statements of Banca Aletti & C. S.p.A. as of and for the year ended December 31, 2009, comprising the balance sheet, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of the Banca Aletti & C. S.p.A.' s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of the prior year are presented for comparative purposes. As reported in the explanatory notes, management has restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated March 24, 2009. We have examined the methods adopted to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of our opinion on the financial statements as of and for the year ended December 31, 2009.

3. In our opinion, the financial statements of Banca Aletti & C. S.p.A. as of December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Aletti & C. S.p.A. for the year then ended.

4. The management of Banca Aletti & C. S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and of the specific section on the Corporate Governance and ownership structure restricted to the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 2), letter b) included in the specific section, are consistent with the financial statements of Banca Aletti & C. S.p.A. as of December 31, 2009.

Milan, March 26, 2010

Reconta Ernst & Young S.p.A.
signed by: Riccardo Schioppo, partner

FINANCIAL STATEMENTS

BALANCE SHEET

Assets *(in euro)*	**31/12/2009**	**31/12/2008**	**Changes**	
10 Cash and cash equivalents	49,390	25,032	24,358	97.3%
20 Financial assets held for trading	6,162,322,969	4,501,563,534	1,660,759,435	36.9%
30 Fair value financial assets	18,540,027	18,299,006	241,021	1.3%
40 Available-for-sale financial assets	8,206,748	7,720,366	486,382	6.3%
60 Due from banks	3,174,354,655	18,424,362,594	-15,250,007,939	-82.8%
70 Due from customers	1,177,266,671	2,030,533,885	-853,267,214	-42.0%
100 Investments	21,046,734	13,128,450	7,918,284	60.3%
110 Property, plant and equipment	1,686,185	2,029,164	-342,979	-16.9%
120 Intangible assets	19,980,728	19,976,695	4,033	-
of which: goodwill	*19,973,005*	*19,973,005*	-	-
130 Tax assets	22,508,609	22,431,008	77,601	0.3%
a) current	9,544,952	10,887,279	-1,342,327	-12.3%
b) prepaid	12,963,657	11,543,729	1,419,928	12.3%
150 Other assets	85,921,945	354,571,191	-268,649,246	-75.8%
Total	**10,691,884,662**	**25,394,640,926**	**-14,702,756,264**	**-57.9%**

Liabilities and shareholders' equity *(in euro)*	**31/12/2009**	**31/12/2008**	**Changes**	
10 Due to banks	3,130,497,066	17,519,963,775	-14,389,466,709	-82.1%
20 Due to customers	1,695,430,659	2,740,810,783	-1,045,380,124	-38.1%
30 Securities in issue	34,636,212	177,597,389	-142,961,177	-80.5%
40 Financial liabilities from trading	5,115,885,511	4,171,493,027	944,392,484	22.6%
60 Hedging derivatives	148,482	95,884	52,598	54.9%
80 Tax liabilities	3,976,244	3,347,223	629,021	18.8%
a) current	550,094	-	550,094	-
b) deferred	3,426,150	3,347,223	78,927	2.4%
100 Other liabilities	96,300,454	330,846,953	-234,546,499	-70.9%
110 Employee termination indemnity	2,703,120	2,645,029	58,091	2.2%
120 Provisions for risks and charges	16,007,593	15,722,169	285,424	1.8%
b) other provisions	16,007,593	15,722,169	285,424	1.8%
130 Valuation reserves	1,735,383	76,442	1,658,941	n.s.
160 Reserves	238,251,287	146,839,819	91,411,468	62.3%
170 Share premium reserve	72,590,205	72,590,205	-	-
180 Capital	121,163,539	121,163,539	-	-
200 Profit for the year	162,558,907	91,448,689	71,110,218	77.8%
Total	**10,691,884,662**	**25,394,640,926**	**-14,702,756,264**	**-57.9%**

INCOME STATEMENT

Income statement items *(in euro)*		2009	2008	Changes	
10	Interest income and similar revenues	323,544,169	1,169,818,466	-846,274,297	-72.3%
20	Interest expense and similar charges	-269,012,562	-1,074,053,147	805,040,585	-75.0%
30	**Interest margin**	**54,531,607**	**95,765,319**	**-41,233,712**	**-43.1%**
40	Commission income	160,040,443	206,443,692	-46,403,249	-22.5%
50	Commission expense	-93,692,341	-121,943,972	28,251,631	-23.2%
60	**Net commissions**	**66,348,103**	**84,499,720**	**-18,151,617**	**-21.5%**
70	Dividends and similar revenues	528,043,079	413,484,146	114,558,933	27.7%
80	Trading gains/losses	-312,222,257	-291,218,807	-21,003,450	7.2%
90	Hedging gains/losses	86,370	-8,908	95,278	-
100	Gains (Losses) from disposal or repurchase of:	117,587	-	117,587	-
	b) available-for-sale financial assets	117,587	-	117,587	-
110	Net profit from fair value financial assets and liabilities	747,662	-1,283,574	2,031,236	-
120	**Earnings margin**	**337,652,150**	**301,237,896**	**36,414,254**	**12.1%**
130	Net write-downs/reversals for impairment of:	241,779	-37,200,341	37,442,120	-
	a) loans	241,779	-27,042,118	27,283,897	-
	b) available-for-sale financial assets	-	-10,158,223	10,158,223	-
140	**Net profit from financial management**	**337,893,929**	**264,037,555**	**73,856,374**	**28.0%**
150	Administrative costs:	-119,372,986	-130,669,832	11,296,846	-8.6%
	a) staff costs	-54,010,476	-57,330,473	3,319,997	-5.8%
	b) other administrative expense	-65,362,510	-73,339,360	7,976,850	-10.9%
160	Net provisions for risks and charges	-938,216	-2,840,208	1,901,992	-67.0%
170	Net write-downs/reversals on property, plant and equipment	-624,306	-784,432	160,126	-20.4%
180	Net write-downs/reversals on intangible assets	-6,338	-2,562	-3,776	147.4%
190	Other operating income (expense)	15,061,153	16,045,329	-984,176	-6.1%
200	**Operating costs**	**-105,880,694**	**-118,251,705**	**12,371,011**	**-10.5%**
210	Gains (Losses) on investments	-3,585,208	-6,100,000	2,514,792	-41.2%
240	Gains (Losses) on investment disposals	452	1,250	-798	-63.9%
250	**Profit (Loss) on current operations before tax**	**228,428,479**	**139,687,100**	**88,741,379**	**63.5%**
260	Income tax for the year for current operations	-65,869,572	-48,238,411	-17,631,161	36.6%
270	**Net profit (Loss) on current operations**	**162,558,907**	**91,448,689**	**71,110,218**	**77.8%**
290	**Profit for the year**	**162,558,907**	**91,448,689**	**71,110,218**	**77.8%**

STATEMENT OF COMPREHENSIVE INCOME

Item		31/12/2009	31/12/2008
10	**Profit (Loss) for the year**	**162,558,907**	**91,448,689**
	Other income items after tax	-	-
20	Available-for-sale financial assets	1,658,941	-2,250,042
30	Property, plant and equipment	-	-
40	Intangible assets	-	-
50	Foreign investment hedges	-	-
60	Cash flow hedges	-	-
70	Exchange differences	-	-
80	Discontinued operations	-	-
90	Actuarial gains (losses) on defined benefit plans	-	-
100	Portion of valuation reserves relating to investments measured at equity	-	-
110	**Total other income items after tax**	**1,658,941**	**-2,250,042**
120	**Comprehensive income (Items 10 + 110)**	**164,217,848**	**89,198,647**

2009 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in euro)	Balance as at 31 12 08	Changes in opening balance	Balance as at 01 01 09	Allocation of previous year's results		Changes during the year								Shareholders' equity as at 31 12 09
						Changes in reserves	Equity transactions						Comprehensive income 2009	
				Reserves	Dividends and other utilisation		Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on own shares	Stock options		
Share capital:														
a) ordinary shares	121,163,539		121,163,539	-	-	-		-	-	-	-	-	-	121,163,539
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**72,590,205**		**72,590,205**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**72,590,205**
Reserves:														
a) profit	146,839,820		146,839,820	91,448,689	-	-37,222	-	-		-	-	-	-	238,251,287
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:														
a) available for sale	76,442		76,442	-	-		-	-	-	-	-	-	1,658,941	1,735,383
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (Loss) for the year	**91,448,689**		**91,448,689**	**-91,448,689**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**162,558,907**	**162,558,907**
Shareholders' equity	**432,118,695**	**-**	**432,118,695**	**-**	**-**	**-37,222**	**-**	**-**	**-**	**-**	**-**	**-**	**164,217,848**	**596,299,321**

2008 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in euro)	Balance as at 31 12 07	Changes in opening balance	Balance as at 01 01 08	Allocation of previous year's results		Changes during the year								Shareholders' equity as at 31 12 08
						Changes in reserves	Equity transactions						Comprehensive income 2008	
				Reserves	Dividends and other utilisation		Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on own shares	Stock options		
Capital														
a) ordinary shares	118,613,947	-	118,613,947	-	-	-	2,549,592	-	-	-	-	-	-	121,163,539
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**45,325,967**	**-**	**45,325,967**	**-**	**-**	**-**	**27,264,238**	**-**	**-**	**-**	**-**	**-**	**-**	**72,590,205**
Reserves:														
a) profit	139,315,902	-	139,315,902	87,360,358	-	-	-	-	-79,836,440	-	-	-	-	146,839,820
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:														
a) available for sale	2,326,485	-	2,326,485	-	-		-	-	-	-	-	-	- 2,250,043	76,442
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (Loss) for the year	**124,599,620**	**-**	**124,599,620**	**-87,360,358**	**-37,239,262**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91,448,689**	**91,448,689**
Shareholders' equity	**430,181,921**	**-**	**430,181,921**	**-**	**-37,239,262**	**-**	**29,813,830**	**-**	**-79,836,440**	**-**	**-**	**-**	**89,198,646**	**432,118,695**

The bank does not possess own shares or shares in parent companies, nor has it purchased or disposed of such shares directly or through third parties during the year.

CASH FLOW STATEMENT (DIRECT METHOD)

Operations (in euro)	31/12/2009	31/12/2008
1. Management	**- 34,173,017**	**74,141,970**
- interest income received (+)	357,549,335	1,173,395,185
- interest expense paid (-)	-300,901,783	-1,078,101,540
- dividends and similar revenues (+)	527,945,969	413,203,705
- net commissions (+/-)	-116,502,947	62,652,352
- staff costs	-63,368,495	-47,065,723
- other costs (-)	-403,643,455	-334,307,415
- other revenues (+)	15,671,795	33,783,853
- taxes (-)	-50,923,436	-149,418,447
- costs/revenues for groups of discontinued assets, net of tax effects (+/-)	-	-
2. Cash flow generated/absorbed by financial assets:	**14,894,183,899**	**675,745,913**
- financial assets held for trading	-1,660,759,435	265,975
- fair value financial assets	-241,021	161,913,525
- available-for-sale financial assets	1,290,146	2,150,291
- due from customers	853,508,993	95,859,326
- due from banks: on demand	-1,766,264,035	228,200,268
- due from banks: other receivables	17,015,466,990	-542,404,487
- other assets	451,182,261	729,761,015
3. Cash flow generated/absorbed by financial liabilities:	**-14,847,074,377**	**-631,954,661**
- due to banks: on demand	-13,419,062,289	-1,193,438,046
- due to banks: other payables	-970,404,419	-658,241,756
- due to customers	-1,045,380,124	483,669,539
- securities in issue	-142,961,177	130,099,269
- financial liabilities from trading	944,392,484	1,188,915,663
- fair value financial liabilities	-	-
- other liabilities	-213,658,852	-582,959,330
Net cash flow generated/absorbed by operations	**12,936,505**	**117,933,222**
Investments		
1. Cash flow generated by:	**100,520**	**281,691**
- disposal of investments	-	-
- dividends collected on investments	97,110	280,441.00
- disposal/redemption of financial assets held to maturity	-	-
- disposal of property, plant and equipment	3,410	1,250.00
- disposal of intangible assets	-	-
- disposal of business segments	-	-
2. Cash flow absorbed by:	**-13,012,667**	**-1,153,453**
- acquisition of investments	-12,728,382	-
- acquisition of financial assets held to maturity	-	-
- purchase of property, plant and equipment	-284,285	-1,153,453
- purchase of intangible assets	-	-
- acquisition of business segments	-	-
Net cash flow generated/absorbed by investments	**-12,912,147**	**-871,762**
Funding		
- issue/purchase of own shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other		-117,075,702
Net cash flow generated/absorbed by funding	**-**	**-117,075,702**
Net cash flow generated/absorbed during the year	**24,358**	**-14,242**

Reconciliation (in euro) *Balance sheet items*	31/12/2009	31/12/0208
Cash and cash equivalents – opening balance	25,032	39,274
Total net cash flow generated/absorbed during the year	24,358	-14,242
Cash and cash equivalents: effect of exchange differences	-	-
Cash and cash equivalents – closing balance	49,390	25,032

NOTES TO THE FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 – GENERAL SECTION

Section 1 - Declaration of compliance with international accounting standards

In accordance with Italian Legislative Decree no. 38 of 28 February 2005, these separate financial statements were prepared according to international accounting standards issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission as established in EC Regulation no. 1606 of 19 July 2002.

For the interpretation and application of international accounting standards reference was made to the following documents, albeit not approved by the European Commission:

- Systematic framework for the preparation and presentation of financial statements (the "Framework");
- Implementation Guidance, Basis for Conclusions and other appropriate documents prepared by the IASB or the IFRIC to complete the accounting standards issued.

The main accounting standards applied in the preparation of these financial statements were those in force as at 31 December 2009 (including SIC and IFRIC interpretations).
For an overview of the standards approved in 2009 or those approved earlier but applicable from 2009 (or later), reference should be made to "Section 4 - Other aspects" below, which also illustrates the standards with an impact on the bank.

Section 2 – General preparation principles

The separate financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements, accompanied by the Report on Operations.
In preparing the statements and content of the notes to the financial statements, the bank applied the Bank of Italy instructions provided in Circular no. 262 of 22 December 2005, "Bank financial statements: presentation formats and rules", and the update of 18 November 2009. With regard to the latest update, "Section 4 – Other aspects" covers the main new elements introduced and resulting reclassification of the 2008 financial statements and tables in the notes compared to the information published last year, to ensure standardised comparability with the figures as at 31 December 2009.

These financial statements adopted the euro as operating currency.
The amounts indicated in the balance sheet, cash flow statement, statement of comprehensive income and statement of changes in shareholders' equity are expressed in euro, whilst the figures indicated in the tables to the notes - unless otherwise indicated - are expressed in thousands of euro.

The financial statements were prepared with a view to clarity and to presenting a fair and truthful picture of the equity, financial and economic position for the year.

Where the information required by international accounting standards and instructions of the aforementioned Circular are not sufficient to provide a fair and truthful view, supplementary information for this purpose is given in the notes to the financial statements.
If in exceptional circumstances the application of any of the international accounting standards proves incompatible with a fair and truthful view of the equity, financial and economic position, it is not applied. The notes to the financial statements explain the reasons for any exception, and its impact on the representation of the equity, financial and economic results.

The financial statements were prepared in accordance with the following general principles:

Going concern: the financial statements were prepared with a view to the bank remaining a going concern;

Recognition on an accruals basis: the financial statements were prepared according to the accruals principle except for the information on cash flows;

Presentation consistency: the presentation and classification of statement items remains constant from one year to the next unless an accounting standard or interpretation calls for a change in the presentation, or a different presentation or classification would no longer be appropriate under the terms of IAS 8. In this last case the notes to the financial statements provide information regarding any changes compared to the previous year.

Materiality and aggregation: The balance sheet and income statement comprise items (marked with Arabic numerals), sub-items (marked by letters) and additional details (under "of which" in the items and sub-items). The items, sub-items and related details form the accounts of the financial statements. The formats used comply with those defined by the Bank of Italy in Circular no. 262 of 22 December 2005, as updated. New items can be added to these formats if their content cannot be attributed to any other item already indicated in the statements and only if the amount concerned is material. The sub-items envisaged in the statements can be aggregated if one of the following two conditions is met:

a) the amount of the sub-items is immaterial;
b) aggregation lends greater clarity to the statements. In this case the notes to the financial statements provide separate comments on any aggregated sub-items.

The balance sheet and income statement contain no accounts for which no amount was recorded for either the year in question or the previous year.

Substance over form: transactions and other events are recognised and represented in compliance with their substance and economic effect, and not merely according to their legal form;

Offsetting: assets and liabilities, income and costs are not offset unless offsetting is permitted or required by an international accounting standard or related interpretation, or instructed in the aforementioned Bank of Italy Circular.

Comparative information: for every item in the balance sheet and income statement a comparative figure for the previous year is indicated. Where necessary, figures for the previous year may be adjusted as appropriate to ensure their comparability to the current year. This is evident in these financial statements as certain comparative figures had to be adjusted in accordance with the new instructions issued in the first update to Circular no. 262. Any incomparability, adjustment or any adjustment not possible is marked and commented in the notes to the financial statements.

The notes to the financial statements are divided into parts (Accounting policies, Balance sheet data, Income statement data, Comprehensive Income, Information on risks and related hedging policies, Information on capital, Business combinations, Related party transactions, Share-based payments, Operating segments).
Each part of the notes is divided into sections, each illustrating a single aspect of operations.

Uncertainties in the use of estimates in preparing the separate financial statements

The application of certain accounting standards necessarily implies recourse to estimates and assumptions that have an impact on the values of assets and liabilities recognised to the balance sheet and on the information provided in relation to potential assets and liabilities.
Assumptions based on estimates take into consideration all the information available as at the date of preparation of the financial statements, together with any scenarios considered reasonable based on past experience and the difficult current situation of the financial markets. In this respect it should be pointed out that the situation brought about by the current economic and financial crisis led to certain assumptions regarding the business outlook marked by significant uncertainty.
Given this uncertain situation it cannot be excluded that the assumptions made, albeit reasonable, may not be confirmed by future scenarios in which the bank is expected to operate. Future results could therefore differ from the estimates used in preparing these financial statements, and it would therefore be necessary to adjust any figures currently not predictable or estimable with respect to book values recognised under assets and liabilities in the statements.
The valuation processes requiring most use of estimates and assumptions to determine the values recognised to the financial statements are:

- the quantification of financial asset impairment losses, particularly on loans and available-for-sale financial assets;
- the measurement of impairment losses of goodwill and equity investments;
- the fair value measurement of financial assets and liabilities where the value is not directly obtainable on active markets. In this case, the subjective nature of elements lies in the choice of valuation models or in the input parameters that may not be available on the market;
- the quantification of provisions for risks and charges and pension funds, given the uncertainty of the subject matter, contingency timeframes and the current actuarial assumptions used;
- the estimated recoverability of deferred tax assets.

The above list of valuation processes is provided to offer readers of the financial statements a better understanding of the main areas of uncertainty. It is not intended as any implication that alternative assumptions would at present be appropriate.
In addition, the financial statements valuations are based on going concern assumptions, as no risks have been identified that could jeopardise the regular continuation of the bank's activities. Information on risks, particularly liquidity risk, is provided in Part E – Information on risks and related hedging policies.

Section 3 – Events after the financial statements date

No significant events occurred between the financial statements date and the approval date of the draft financial statements by the Board of Directors.

Section 4 – Other aspects

Critefi Sim merger

As a result of the simplification and streamlining of the Group's trusts with a view to achieving cost-revenue synergies, on 27 January the Banco Popolare Management Board approved the merger of Critefi SIM SpA, a single shareholder company, into Banca Aletti. On 6 August 2009 the Banca Aletti Board of Directors approved the Critefi Sim merger, at the same time approving the 100% acquisition of the company for 1,224,890 euro, the book value of shareholders' equity as at 30 September 2009. This amount was paid on 11 November 2009.
This merger qualifies as a business combination involving companies under common control as defined in IFRS 3.10. In application of international accounting standards, this involves transaction accounting by Banca Aletti of the assets and liabilities transferred at their historic values (i.e. value continuation).
The merger became legally effective at 23:59 hours on 31 December 2009, whilst the accounting and tax effects date from 1 January 2009.
Therefore on 31 December 2009 the investment was derecognised and the assets, liabilities and income statement figures for the asset management company were recognised to Banca Aletti accounts for all of 2009. This method is in line with that envisaged in Assirevi Preliminary Guidance (OPI no.2) as the merger in question can be classed as a "parent-child merger with a 100% investment in the investee company".
It was decided not to prepare comparative post-merger proforma statements as the merger became effective only as of 31 December 2009 and the amounts contributed by the merger can be considered immaterial to Banca Aletti aggregate figures.
For further details of the incorporated values, reference should be made to Section G – Business combinations of the Notes to the financial statements.

Separate financial statements deadlines for approval and publication

Article 154-*ter* of Italian Legislative Decree 59/98 (the Consolidated Law on Finance), as amended by Legislative Decree no. 195 of 6 November 2007 – which implemented the Transparency Directive (2004/109/EC) – envisages that within 120 days of year end the separate financial statements are approved and the annual report containing the separate financial statements, report on operations and the statement pursuant to article 154-*bis*, subsection 5 of the Consolidated Law on Finance is published.
The draft separate financial statements were approved by the Board of Directors on 11 March 2010 and will be submitted for approval of the Shareholders' Meeting called for 15 April 2010.

Audit

The separate financial statements were audited by Reconta Ernst & Young S.p.A. pursuant to Italian Legislative Decree 58/98, as part of the assignment for the period 2008-2013 approved by the shareholders' meeting of 20 April 2007. The independent auditors' report will be published with the annual report pursuant to art. 154-*ter* of Legislative Decree 58/98.

Amendments to international accounting standards approved by the European Commission

Described below are the main amendments to accounting standards, approved by the IASB and endorsed by the European Commission, that are relevant to the bank's activities and are applicable for the purpose of preparation of the 2009 separate financial statements.

IAS 1 (revised) "Presentation of financial statements" – adopted by EC Regulation no. 1274 of 17 December 2008

Applicable from 1 January 2009, this standard requires that the "Statement of changes in shareholders' equity" reports only transactions with shareholders. A new statement was therefore introduced, the "Statement of Comprehensive Income" to record costs and revenues recognised directly to equity - in other words to "non-owner changes in equity").
For example, this statement may include:

- changes in valuation reserves for property, plant, equipment and intangible assets (IAS 16 and IAS 38);
- gains and losses deriving from changes in foreign exchange rates of international operations (IAS 21);
- changes in reserves due to the fair value measurement of AFS financial assets (IAS 39);
- the effective portion of gains and losses from derivatives classed as cash flow hedges (IAS 39).

Specifically, IAS 1 envisages that all costs and revenues, including those recognised directly to equity, are presented in a single statement or in two separate statements. The Bank of Italy's decision, specified in its update to Circular no. 262, opts for the presentation of two separate statements, with which the bank has duly complied.
The statement of comprehensive income therefore records operating profit (losses) taken from the income statement and "Other income items", equal to changes in asset values recorded during the year as a balancing entry for valuation reserves (after tax).
Likewise, amendment of the "Statement of changes in shareholders' equity" was also needed to explain the portion of changes in shareholders' equity that is not attributable to transactions with shareholders (the latter represented, for example, by a share capital increase, dividend distribution, etc.), but instead deriving from the "Statement of comprehensive income".
This standard has an effect in disclosure terms, but no impact on the measurements of assets and liabilities recognised.

IFRS 8 –Operating segments" – adopted by EC Regulation no. 1358 of 21 November 2007

The new accounting standard IFRS 8 "Operating segments" became applicable to financial statements with effect from 1 January 2009, replacing IAS 14 "Segment reporting".
The new standard has no effect on the measurement of assets and liabilities, or therefore on the calculation of profit or loss for the year, but instead refers only to disclosure obligations. In summary, IFRS 8 requires that segment reporting is based on elements that management uses to make its operating decisions (the "management approach"), and replaces the need to determine the key reporting segment (based on the business sector) and secondary reporting segment (geographic) of the bank. The identification of operating segments is therefore based on internal reporting regularly reviewed by management for resource allocation to the various segments and for performance analysis.
In addition, it should be noted that for the annual financial statements IFRS 8 requires information to be provided on the revenue-producing countries in which business is conducted, regardless of whether such information is used for internal purposes.

IFRS 1 (revised) "First-time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and separate financial statements" – adopted by EC Regulation no. 69 of 23 January 2009

The new version of IFRS 1 allows companies which are "First Time Adopters" (of IAS/IFRS) and which have chosen to recognise equity investments at cost in their separate financial statements, to determine that cost using the "deemed cost" method. Alternatively, this cost is represented by the fair value as at the transition date as envisaged in IAS 39 or by the book value of the investment in accordance with previous accounting standards.
In addition, before the aforementioned amendment, IAS 27 required a parent company recognising its equity investments at cost to recognise gains from pre-acquisition dividend distribution as a reduction in the cost of the investment.
This provision would have potentially led to problems for First-Time Adopters as, if the parent company acquired an investment before the IFRS transition date, it would have been necessary to calculate the pre-acquisition capital gains in accordance with IAS/IFRS.
For these reasons the IASB decided to eliminate the distinction between pre- and post-acquisition profits from dividends as an element for valuation of whether the dividend does or does not represent a recovery on the investment, from IAS 27.
The new version of IAS 27 therefore envisages that all dividends must be recognised to the income statement from the moment due right to the receipt of dividends arises.
To avoid recognition of dividends under the new rules leading to an over-valuation of the investment, IAS 36 introduced two new and specific impairment indicators that could be triggered following a dividend distribution-related event.

IFRS 7 (revised) "Financial instruments: disclosures" – adopted by EC Regulation no. 1165 of 27 November 2009

The amendment to IFRS 7 is the IASB's response to helping improve reporting transparency in the wake of the financial markets crisis, by calling for more information on fair value measurement and liquidity risk.
Specifically, for financial instruments measured at fair value the need has been introduced to provide indications on the method used to measure fair value using a triple hierarchy (levels 1, 2 and 3), based on the degree of market benchmark observation, as described in "A.2 - Notes on the main items of the balance sheet", to which reference should be made for further details. In particular, the additional information required under the new IFRS 7 can be summarised as follows:

- indication of the fair value level at which the fair value measurement can be classified;
- reasons for transferring from level 1 to level 2, if relevant;
- reconciliation of the opening and closing balances for financial instruments classified as level 3;
- for level 3 instruments, or instruments for which fair value is largely measured on the basis of unobservable benchmarks and therefore somewhat subjective, it is necessary to provide evidence of the impact – if significant – of any change in the assumptions underlying the fair value measurement.

Regarding liquidity risk, the amendment to IFRS 7 introduced a new definition of the risk given the difficulty in meeting obligations in terms of financial liabilities settled in cash or other financial assets. Different reporting needs are also envisaged for derivatives and other financial liabilities. The need remains to provide information on financial assets held for liquidity risk management purposes, if significant in valuating the nature and extent of the risk. This is particularly important for banks, whose management of financial liabilities is strongly integrated with that of financial assets (Asset & Liability Management).
Application of the amendments referred to above, which have an impact only in terms of disclosure, is backdated to financial statements for years commencing 1 January 2009. In effect, for first-time application there is the option of not providing comparative figures. In this respect, it should be emphasised that the Group has decided to apply the 3-level fair value hierarchy also in relation to 2008 comparative data so as to guarantee maximum transparency and comparability with this year. For information on the fair value hierarchy reference should be made to "A3 – Fair value disclosure".
Information on liquidity risk, the format of which is based on Circular 262 instructions, can be found in Part E – Information on risks and related hedging policies, Section 3 - Liquidity risk.

The following table lists all the accounting standards approved in 2009 or earlier, the application of which became compulsory from 2009. Except for the amendments already discussed, for the purpose of preparing these financial statements no significant impact was seen from the other accounting standards.

Accounting standards and interpretations	Notes	EC approval regulation	Applicable from the year commencing:
New standards			
IFRS 8 – Operating segments	Replaces IAS 14 and calls for reporting consistent with that used internally for chief operating decision-making	EC Reg. no. 1358 of 21 November 2007 and Reg. no. 1126 of 3 November 2008	01-Jan-09
Amendments to existing standards			
IFRS 1 – First time adoption of International Financial Reporting Standards IAS 27 – Consolidated and separate financial statements	FTA allows the book value of equity investments to be the “deemed cost”. In the separate financial statements, dividends from investments in subsidiaries, associated companies and joint ventures are always recognised under revenues in the income statement	EC Reg. no. 69 of 23 January 2009	01-Jan-09
IFRS 2 – Maturity and derecognition conditions	Clarifies that maturity conditions refer only to delivery and/or performance and provides guidance on how to record their non-realisation	EC Reg. no. 1261 of 16 December 2008	01-Jan-09
IFRS 7 – Improved reporting of fair value and liquidity risk	Introduces 3-level fair values for disclosure purposes Changes liquidity assessment, particularly for derivatives	EC Reg. no. 1165 of 27 November 2009	01-Jan-09
IAS 1 – Presentation of financial statements	Introduces the need for the statement of comprehensive income Where balances are restated for the purpose of the new accounting standards, requires the presentation of three complete balance sheet positions	EC Reg. no. 1274 of 17 December 2008	01-Jan-09
IAS 23 – Financial charges	The capitalisation of financial charges becomes compulsory for qualifying asset-building	EC Reg. no. 1260 of 10 December 2008	01-Jan-09
IAS 32 and IAS 1 – Puttable financial instruments and obligations arising on liquidation	If the contractual clauses envisage that repayment is linked to the issuer’s economic results, instruments repayable on demand or on liquidation are classifiable as equity instruments	EC Reg. no. 53 of 21 January 2009	01-Jan-09
IAS 39 and IFRIC 9 – Clarification on the measurement of embedded derivatives	Clarifies the accounting treatment to be adopted for derivatives embedded in financial assets subject to reclassification, pursuant to the October 2008 amendment to IAS 39	EC Reg. no. 1171 of 30 November 2009	01-Jan-09
Improvement plans for many IFRS (approved by the IASB in May 2008)	The amendments referred to are minor.	EC Reg. no. 70 of 23 January 2009	01-Jan-09 (30 June 2009 for IFRS 5 amendments)
New interpretations			
IFRIC 13 – Customer loyalty programmes	Identifies the accounting treatment for incentives offered by the company to acquire goods and services with the sale of products/services (e.g. bonus point collecting)	EC Reg. no. 1262 of 16 December 2008	01-Jan-09

To complete the information, the table below illustrates standards which, albeit endorsed by the European Commission for 2009, do not apply to the financial statements as at 31 December 2009 and have not been adopted in advance (where permitted) by the Group:

Accounting standards and interpretations	Notes	EC approval regulation	Applicable from the year commencing:
Amendments to existing standards			
IFRS 3 – Business combinations IAS 27 – Consolidated and separate financial statements	Allows the recognition of goodwill on minority interests (full goodwill). Acquisition or loss of control requires recognition of the related income and charges to the income statement. Increases or decreases in minority interests held without loss of control are considered transactions with shareholders and therefore recognised to shareholders' equity	EC Reg. no. 494 and 495 of 3 June 2009	01-Jul-09
IAS 32 – Classification of rights issues	Clarifies how certain rights should be recorded for accounting purposes when the instruments issued are in a currency other than the issuer’s operating currency	EC Reg. no. 1293 of 23 December 2009	01-Feb-10
IAS 39 – Elements qualifying for hedge accounting	Establishes the conditions to be met in order to allow inflation risk hedging for a hedged item, and specifies that the hedged risk does not include the time value of an acquired option	EC Reg. no. 839 of 15 September 2009	01-Jul-09
New interpretations			
IFRIC 12 – Service concession arrangements	Defines the accounting treatment for rights and obligations deriving from concession arrangements based on the characteristics of the agreement concerned	EC Reg. no. 254 of 25 March 2009	01-Jan-10
IFRIC 15 – Agreements for the construction of real estate	Establishes when real estate construction revenues must be considered as asset disposals (IAS 18) or as construction services (IAS 11)	EC Reg. no. 636 of 22 July 2009	01-Jan-10
IFRIC 16 – Hedges of a net investment in a foreign operation	Clarifies the application methods for IAS 21 and IAS 39 in cases in which an entity hedges exchange rate risk deriving from its own net investments in foreign operations	EC Reg. no. 460 of 4 June 2009	01-Jul-09
IFRIC 17 – Distributions of non-cash assets to owners	Establishes that non-cash assets distributed to shareholders are subject to fair value measurement	EC Reg. no. 1142 of 26 November 2009	01-Nov-09
IFRIC 18 – Transfers of assets from customers	Establishes the accounting treatment of property, plant and equipment received from customers in order to supply them with periodically with goods or services	EC Reg. no. 1164 of 27 November 2009	01-Nov-09

Lastly, note that the endorsement of the new IFRS 9, originally planned for the end of 2009, has been postponed. The new principle forms part of the wider plans to revise IAS 39 in three steps as follows:

- Classification and measurement;
- Impairment testing methods;
- Hedge accounting methods.

With regard to the first of these steps, in November 2009 the IASB approved the new IFRS 9 on the classification and measurement of financial assets. The new standard essentially envisages three macro-categories of assets (Fair value financial assets recognised to the income statement, Financial assets at amortised cost and Fair value instruments measured at equity) based on the business model and characteristics of the instrument (Basic loan future). Compulsory application of the new standard is planned for 2013.
As mentioned previously, the approval process was suspended as on 12 November 2009 the IFRAG, the European Commission's support committee for technical valuation of the standards, reported the need for more time to fully assess all effects of the new accounting standard, with particular reference to valuation of the extended number of assets to be measured at fair value.
With regard to step 2 of the review plan, in November 2009 the IASB issued an Exposure Draft (ED), according to which it is planned to recognise expected losses on financial assets (expected loss approach). This model diverges from that currently envisaged, based on which financial asset losses are recognised only at the time impairment occurs (incurred loss approach).
The issue of an ED for step 3 – on Hedge Accounting – is planned for the first quarter of 2010.

Changes to the fair value measurement method for proprietary financial liabilities for which the fair value option has been exercised

During the first quarter of 2009, particularly from the end of February, the Banco Popolare credit spread expressed by Credit Default Swap (CDS) prices recorded a sudden increase, affected by the extraordinary factors related, amongst other things, to the performance of the subsidiary Banca Italease and to rumours linked to reorganisation of its ownership structure. This situation led to increasing illiquidity of the Banco Popolare CDS market, especially evident at the end of March. A review was organised, therefore, of the actual "fair value" representation of prices calculated on the basis of a valuation technique using only CDS prices as its credit rating input. Given the peculiar illiquidity situation of the CDS market and the confirmation of a pricing policy for the buy-back of financial liabilities on the secondary market by retail customers geared towards the application of credit spreads in line with those existing at the time of issue, from the interim report as at 31 March 2009 certain changes were made to the fair value measurement method used for financial liabilities issued by the Group and recognised at fair value, more precisely to the method used to calculate changes in the Banco Popolare credit rating. With regard to financial liabilities placed with retail customers or similar, the change consists in the use of prices actually practised on the secondary market of securities issued by the bank, abandoning recourse to valuation models and thereby maximising the use of prices seen directly on the market considered active. In other words, in the preparation of these financial statements, fair value measurements do not take into account changes in the credit rating since the issue date if, according to observed market practices, the transaction prices are not specifically adjusted to take the related credit rating into account. These are issues targeting retail or similar customers from a material point of view. This change had no effect on the Banca Aletti income statement as the bank is not a bond loan issuer.

Illustration of the main elements introduced by the 1st update on 18 November 2009 to Circular no. 262 – amendment to classification criteria

On 18 November 2009 the Bank of Italy published its 1st update to Circular no. 262/2005 on financial statements formats and presentation rules.

This update takes into consideration new standards and changes in previous standards, illustrated in the above paragraph "Amendments to international accounting standards approved by the European Commission". Specifically:

- IAS 1 (revised) introduced a new statement known as the "Statement of comprehensive income" and a new part of the notes to the financial statements - Part D - providing detailed information (amounts before and after tax, changes in fair value, reversals to the income statement);
- amendments to IFRS 7 in reference to the fair value hierarchy which led to the introduction of a special section "A.3 – Information on fair value" in Part A – Accounting policies, in addition to the need to divide the tables with breakdown by product of fair value financial asset and liabilities portfolios into the 3 levels. This detailed information is required by the Bank of Italy also in reference to "Financial assets held to maturity" under Assets and "Securities in issue" under Liabilities;
- the disclosure required for securities reclassified outside the "financial assets held for trading" and "available-for-sale financial assets" portfolios, as envisaged in the amendment to IAS 39 of October 2008, was concentrated into Section "A.3 - Information on fair value" in Part A - Accounting policies.

In addition to the above action, amendments contained in the update are the result of ABI requirements to streamline and simplify financial reporting and to respond to specific interpretation queries.
Illustrated below are the main changes which, specific to banks, have had an impact on the financial statements or tables in the notes and for which reclassification of previous years' figures was necessary to allow comparison with this year.

Therefore, it should be noted that balances recorded in the financial statements, rather than the details indicated in the notes to the financial statements, may differ to those published in the 2008 separate financial statements as approved by the Shareholders' Meeting.

Illustration of the main changes with an impact on financial statements items

So as to duly comply with the rules for the presentation of bank financial statements, the following items of the 2008 financial statements were reclassified:

- certain items of a tax nature previously recorded under "Tax assets/Tax liabilities" are now stated under "Other assets/Other liabilities" as it has been clarified that the first aggregate figures only include assets/liabilities recognised in accordance with IAS 12, i.e. all items relating to income taxes;
- certain operating receivables and payables related to the provision of financial services (e.g. financial product distribution), which could previously be recognised to the residual items "Other assets/Other liabilities" are now more correctly recognised to "Due to customers/banks", "Due from customers/banks" according to the counterparty involved;
- income from the application of periodic or floating charges on customer current accounts, previously recognised under "Other operating income" and relating to current account liabilities are now recorded under "Commission income" unless they merely represent the reimbursement of costs incurred;
- charges incurred for the stipulation of civil liability insurance policies in favour of directors and auditors have been reclassified from "other administrative costs" to "staff costs".

The Circular also specified that productivity bonuses accrued for the current year but payable the next year must be recorded under "staff costs" with a balancing entry in "other liabilities" in the balance sheet. Taking into consideration and interpreting the spirit of this provision, it should be noted that for the 2009 financial statements liabilities resulting from employee-related provisions have been reclassified to "other liabilities" or "provisions for risks and charges - other", according to the expected timing of payment, which in turn depends on the certainty or otherwise of the obligation. In particular, "other liabilities" include payables that are certain, payment of which is due by law in the following year, whilst "provisions for risks and charges – other" includes obligations for which the total or contingency date was considered uncertain at the time of preparation of these financial statements, in line with IAS 37 requirements. In both cases, the balancing entry in the income statement is represented by "staff costs", the substantial nature of the expense being prevalent. Based on these criteria, in order to offer standardised comparison, figures for the previous year - largely represented by "other liabilities" were duly restated. This led to reclassification of "Other liabilities" to "Provisions for risks and charges – other" of 11,862 thousand euro.

Illustration of the main changes with an impact on details to be provided in the notes to the financial statements

The main changes to the Circular with an impact on the detailed information required in the tables of the Notes to the financial statements are described below, also specifying that:

- assets sold but not derecognised and corresponding liabilities, together with impaired assets for which the 2008 financial statements required separate indication in the tables providing a breakdown of balance sheet and income statement items, must now be recognised according to their original type. Information on credit quality and disposals is reported in Part E of the Notes to the financial statements. The tables were therefore recalculated with breakdowns by product type, annual changes and breakdowns by borrower/issuer where appropriate, for the following sections of balance sheet assets:
  Section 2 - Financial assets held for trading – Item 20;
  Section 3 – Fair value financial assets – Item 30;
  Section 4 – Available-for-sale financial assets – Item 40;
  Section 5 - Financial assets held to maturity – Item 50;
  Section 6 – Due from banks – Item 60;
  Section 7 – Due from customers – Item 70.
  For the tables in section 7 the performing and impaired assets were separated for the breakdown by type.
  In addition, payables relating to financial asset disposals that do not meet IAS 39 requirements for full derecognition were transferred to "other payables" except for repurchase agreements on own shares exposed under their own line of "Repurchase agreements", together with similar transactions performed on securities received as part of reverse repurchase agreements. In the context of these indications, the previous years' figures were restated in reference to "Section 1 – Due to banks – Item 10" and "Section 2 – Due to customers";
- for the tables in "Section 1 – Interest – Items 10 and 20", the 2008 figures were restated to take into consideration elimination of the details required on assets sold but not derecognised and related liabilities, together with impaired assets. In addition, the provisions specified that derivative spreads linked for management purposes to trading assets and liabilities or derivatives linked to the fair value option must be indicated, according to their related algebraic sign, under interest income or expense in correspondence, respectively, with "financial assets held for trading – other transactions" and "financial liabilities held for trading – other transactions". Therefore it was necessary to restate 2008 spreads accordingly, previously by tradition recorded against "hedging derivatives";
- information on derivatives has been streamlined and concentrated, mainly into Part E. The information by totals remains in Part B of the notes to the financial statements. For the tables in Part E, Section 2 – Market risk, 2.4

Derivatives, the comparative information on notional and fair values provided in the 2008 statements was recalculated, where envisaged, to take into account the new breakdown of "underlying assets/derivative type";

- the information envisaged in Part E, Section 1 – Credit risk, "A. Credit Quality" and "Breakdown and concentration of credit exposure" now refers to credit exposures only. Exposures in equity instruments and UCI units are therefore no longer included in balance sheet asset items 20, 30 and 40. Comparative data from the previous year were therefore restated accordingly.

For completion purposes, a note is now required to the balance sheet tables providing details of equity instruments issued by entities classified as non-performing or problem by the bank, accompanied by cumulative write-downs and write-downs for the year.

Updated to Circular no. 272 of 10 December 2009 – definitions of objective problem and past due exposures
The Bank of Italy recently provided a definition of impaired exposures for use in bank regulatory disclosures on a separate and consolidated basis. These new definitions were duly applied also for the purpose of loan classification in the financial statements. The changes introduced specifically refer to the classification criteria for past due and/or unpaid exposures and "objective" problem exposures, which were applied with effect from the financial statements as at 31 December 2009.

A.2 NOTES ON THE MAIN ITEMS OF THE BALANCE SHEET

The balance sheet as at 31 December 2009 was prepared in application of the same accounting standards used for the previous year's balance sheet, except for the changes indicated in section 4 – Other aspects, A.1. General Section.

Details are provided below of the accounting standards applied for each item of the balance sheet.

1 - Financial assets held for trading

This category contains only debt securities, equity instruments, UCI units and the positive value of derivatives held for trading, together with derivatives relating to fair value assets/liabilities. The derivatives include those embedded in complex financial instruments subject to separate recognition when:

- their economic and risk characteristics are not strictly linked to the characteristics of the underlying contract;
- the embedded instruments, even if separate, satisfy the definition of derivative:
- the related hybrid instruments are not measured at fair value with related changes recognised to the income statement.

Financial assets are initially recognised as at the settlement date for debt securities and equity instruments, and as at the subscription date for derivatives.
On initial recognition, financial assets held for trading are recorded at fair value, normally corresponding to the price paid, without considering transaction costs or gains directly attributable to the financial instrument, which are instead recognised to the income statement. Any derivates embedded in complex contracts not strictly linked to the derivatives and with characteristics that satisfy the definition of a derivative, are stripped from the primary contract and measured at fair value, whilst the accounting criterion of reference is applied to the primary contract.

After initial recognition financial assets held for trading are measured at fair value, and any changes recognised to a balancing entry in the income statement.
For the fair value measurement of financial instruments listed on an active market, the market prices are used. In the absence of an active market, valuation model estimates are used that take into consideration all risk factors linked to the instruments and which are based on information available on the market, i.e.: valuation method for listed instruments with similar characteristics, discounted cash flow calculations, option pricing models, values recorded in recent comparable transactions. For further details reference should be made to paragraph "17 - Other information, Fair value measurement methods for financial instruments".

Equity instruments and related derivatives for which fair value cannot be reliably measured in accordance with the above guidelines, continue to be recognised at cost and written down in the event of impairment. Such impairment cannot be reversed at a later date.

Financial assets are derecognised when the contractual rights to cash flows generated by the assets expire or on disposal of the financial assets with transfer of essentially all related risks/benefits.
Trading gains and losses and capital gains and losses from trading book valuation are recognised to the income statement under item 80 "Net trading gains/losses", except those relating to FVO derivatives which are recognised to item 110 "Net profit/loss from fair value financial assets and liabilities".

Reclassification to other financial asset categories (loans, AFS financial assets, financial assets held to maturity) is permitted in only rare circumstances or if certain conditions for recognition according to paragraph "17 – Other information, Reclassification of financial asset portfolios (amendment to IAS 39)".

2 - Available-for-sale financial assets

This category includes non-derivative financial assets not otherwise classified as loans, assets held for trading, assets held to maturity or fair value assets.
Specifically, equity investments not held for trading and not qualifying as controlling, associate or common control interests including private equity investments and portions of syndicated loans underwritten which, from the outset, are held for disposal and bonds not subject to trading, are recognised to this category.
Financial assets are initially recognised as at the settlement date for debt securities and equity instruments, and as at the disbursement date for other financial assets not classed as receivables.
Initial recognition of the assets is at fair value, normally corresponding to the price paid, including transaction costs or gains directly attributable to the instrument. If recognised after reclassification from Assets held to maturity or Financial assets held for trading, the recognition value is the fair value as at the date of transfer, which represents the new amortised cost for debt securities.
Recognition following reclassification from "Financial assets held for trading" can only occur in rare circumstances and in any event when the asset is no longer held for short-term trading as described in paragraph 17 "Other information, Reclassification of financial asset portfolios (amendment to IAS 39)", to which reference should therefore be made.

After initial recognition, available-for-sale financial assets continue to be measured at fair value, with the interest resulting from application of the amortised cost recognised to the income statement, whilst any profit or loss from changes in fair value are recognised to a specific equity reserve until the financial asset is derecognised or until impairment is recognised with subsequent recognition to the income statement of the entire difference between the book value and the disposal price or fair value.
The fair value is measured according to the criteria illustrated for financial assets held for trading.
Equity instruments and related derivatives for which fair value cannot be reliably measured continue to be recognised at cost and written down in the event of impairment.
Impairment testing is performed at the end of each annual or interim reporting period. For further details of events expressing impairment, reference should be made to paragraph 17 "Other information, Impairment testing methods for financial assets".

In particular, the first signs of potential impairment, for which arrangement should be made for impairment testing, are:

- for debt securities, a decrease in fair value of more than 20% of the original book value, adjusted by the amortised cost;
- for equity instruments, a decrease in fair value of more than 20% of the original book value or a decrease in fair value lasting more than 12 months.

Any difference between the fair value and book value is not sufficient evidence per se of impairment. This evidence is supplemented by qualitative analysis to identify any negative events that could imply that not all the book value of the asset is recoverable.
Any write-down after impairment testing is recognised to the income statement as a cost for the year. If the reasons for impairment should eventually no longer apply as a result of an event occurring after recognition, a reversal is recognised to the income statement if in reference to a debt security or loan, or to a specific equity reserve if the asset is an equity instrument. For debt securities and loans the aforementioned reversal cannot in any event lead to a book value higher than the amortised cost had the impairment never been recognised.
Financial assets are derecognised when the contractual rights to cash flows generated by the assets expire or on disposal of the financial assets with transfer of essentially all related risks/benefits.
Available-for-sale financial assets can be reclassified to "Financial assets held to maturity" if:

- the intention changes or there is a change in the capacity to hold the instrument to maturity;
- a reliable fair value measurement is no longer available (rare);
- the period envisaged by the tainting rule has passed and the portfolio of financial assets held to maturity may be rebuilt.

Reclassification to the "Loans" portfolio is also possible if the conditions indicated in paragraph 17 "Other information, Reclassification of financial asset portfolios (amendment to IAS 39)" are met.

3 - Loans

Loans include loans to customers and banks, disbursed directly or acquired from third parties, which envisage fixed or calculable payments, are not listed on an active market and are not classified at source as available-for-sale financial assets.
The item also includes trade receivables, receivables from finance lease transactions and securities acquired through private subscription or placement, with fixed or calculable payments, not listed on active markets. Loans acquired without recourse are included under receivables subject to confirmation that no contractual clauses exist that could significantly alter the risk exposure of the transferee company.
Also included are "repurchase agreement" transactions with compulsory repurchase on maturity of the security and "securities lending" transactions involving cash payment as security. These transactions are recognised as loans and do not affect the own shares portfolio.

Initial recognition of a loan is on the date of disbursement or, if in reference to a debt security the settlement date, based on the fair value of the financial instrument. This normally corresponds with the amount disbursed, or subscription price, including costs/income directly attributable to the individual receivable and calculable from the start of the transaction if settled at a later date. Costs which, despite having the aforementioned characteristics, are subject to repayment by the borrower or can be classed as normal internal administrative costs, are excluded.
If recognition to this category is as a result of reclassification from Available-for-sale assets or from Financial assets held for trading, the book value corresponds to the fair value as at the date of the decision to transfer, which becomes the new amortised cost of the asset. For further details reference should be made to section "17 - Other information, Reclassification of financial asset portfolios (amendment to IAS 39)".

For loan transactions concluded at terms other than arm's length conditions, the fair value is calculated using specific valuation techniques. The difference compared to the amount disbursed or to the subscription price is recognised directly to the income statement.

After initial recognition, loans are measured at amortised cost, equal to the initial cost less/plus capital repayments, write-downs/reversals and amortisation - calculated using the effective interest rate method – of the difference between the amount disbursed and that redeemable on maturity, normally attributed to cost/income items assigned directly to each loan. The actual interest rate is identified by calculating the rate equal to the current value of future cash flows on the loan, both capital and interest, on the sum disbursed including costs/income attributable to the loan. The cash flows estimation must take into account all contractual clauses that could affect the amounts and the maturities, without considering expected losses. This accounting method adopting a financial logic allows costs and income to be spread across the estimated residual life of the loan. The amortised cost method is not used for loans for which the short-term residual life renders the effect of time-discounting negligible. These loans are measured at historic cost and the related costs/income are recognised to the income statement on a straight line basis throughout the contractual life of the loan. A similar measurement criterion is adopted for loans without a finite life or cancelled loans.

At each financial statements date or interim reporting date, impairment testing is performed on the loans to identify any post-recognition impairment, as indicated in paragraph 17 “Other information, Impairment testing methods for financial assets”. This includes loans attributed with the status of non-performing, problem or restructured, in accordance with Bank of Italy instructions and consistent with IAS standards.
These impaired loans are subjected to an analytical valuation process, and the amount of the write-down for each loan is equal to the difference between the book value or interim reporting position at the time of the assessment (amortised cost) and the current value of future cash flows forecast, calculated by applying the actual original interest rate. The estimated cash flows take into consideration the forecast recovery time, the estimated realisable value of any guarantees and the costs expected to be incurred to recover the credit position. The cash flows for credits forecast for short-term recovery are not discounted. The actual original rate for each loan remains unchanged in the long term unless the position is restructured and involves a change in contractual rate, or if in practice according to the contract the position becomes interest-free.

The amount of the impairment is recognised to the income statement. The original value of the loans is restored over future years to the extent that the reasons for write-down are removed, provided such a valuation is objectively related to an event occurring after the write-down. The amount of the reversal is recognised to the income statement, and cannot in any event exceed the amortised cost that would have been recorded for the loan had no write-down been made.

Impaired loans also include past due exposures, i.e. loans with continuous unpaid or delayed payments, identified automatically by Group IT procedures in accordance with current Bank of Italy instructions. Write-downs on these loans, provided they are calculated using a lump-sum/statistical method, are recognised as “Specific write-downs” in accordance with instructions in Bank of Italy Circular no. 262.

Loans with no individual objective evidence of impairment, i.e. performing loans, including those to counterparties in countries at risk, are assessed collectively. This valuation is by similar categories of loans in terms of credit risk and related loss percentages are estimated according to time series, based on elements observable at the valuation date that allow the latent loss to be estimated in each loan category. Write-downs determined collectively are recognised to the income statement. At each annual and interim reporting date any additional write-downs or reversals are recalculated as spreads over the entire performing loans portfolio at that date.

Loans are derecognised from assets in the annual or interim financial statements only if their disposal involved the essential transfer of all loan-related risks and benefits. Vice versa, if the related risks and benefits of such loans are retained, they continue to be recognised under assets in the annual or interim financial statements until legal ownership of the loan is actually transferred. If the material transfer of risks and benefits cannot be confirmed, the loans are derecognised from the annual or interim financial statements if no form of control over the loans is retained. Otherwise, even part-retention of control requires continued recognition of loans to the annual or interim financial statements, to the extent of the residual involvement, measured by the exposure to changes in value of loans transferred and to changes in their cash flows. Lastly, loans are derecognised from the annual or interim statements if contractual rights to receive the related cash flows are retained, at the same time assuming the obligation to repay those cash flows, and only those cash flows, to third parties.

4 - Fair value financial assets

A financial asset is measured at fair value on initial recognition with valuation results recognised to the income statement only when:

1. a hybrid contract is involved, containing one or more embedded derivatives and the embedded derivative significantly alters the cash flows that would otherwise be envisaged in the contract;
2. fair value measurement and recognition to the income statement offer an improved disclosure as they:
   - eliminate or considerably reduce a lack of standardised assessment or recognition that would otherwise result from valuation of the assets or liabilities or recognition of profit and loss on a different basis;
   - a group of financial assets, financial liabilities or both is under management and its performance is measured at fair value in accordance with a documented risk management or investment strategy, and group disclosures are provided internally on such a basis to strategic executives.

These financial assets are measured at fair value from the time of initial recognition, which is based on the settlement date. Initial income and charges are recognised directly to the income statement.
The fair value is measured according to the criteria illustrated for financial assets held for trading.

Financial assets are derecognised when the contractual rights to cash flows generated by the assets expire or on disposal of the financial assets with transfer of essentially all related risks/benefits.

5 - Hedging

Asset and liability items include hedging derivatives which, at the annual or interim reporting date have a positive and negative fair value, respectively.
Risk hedging aims to neutralise potential losses on a given financial instrument or group of instruments, attributable to a certain risk, by means of gains seen in a different financial instrument or group of instruments if that particular risk is confirmed.
IAS 39 envisages the following hedge types:

- fair value hedges, which aim to hedge exposure to changes in fair value of an asset or liability in the balance sheet attributable to a certain risk;
- cash flow hedges, which aim to hedge exposure to changes in future cash flows attributable to specific risks associated with balance sheet items,
- foreign investment hedge, which hedges the risks of an investment in a foreign company expressed in foreign currency;
- macrohedging, which aims to reduce fluctuations in fair value attributable to interest rate risk, on a cash sum deriving from a portfolio of financial assets and liabilities (including core deposits). Net amounts deriving from asset-liability mismatching cannot be macrohedged.

A derivative is considered a hedge if there is formal documentation of the relationship between the hedged instrument and the hedging instrument, and if that relationship is effective at the start date of the hedge and, prospectively, throughout its entire life. The effectiveness of the hedge depends on the extent to which changes in fair value of the hedged instruments and related estimated cash flows are offset by fair value changes of the hedging instrument. Effectiveness is therefore recognised by comparing these changes, taking into account the company's intentions at the time hedging was implemented.
Such a hedge is effective (within limits in the range of 80-125%) when changes in fair value (or cash flows) of the hedging instrument almost fully neutralise changes in the hedged instrument for the element of risk concerned. Efficiency testing is performed at the closing date of every annual or interim financial statements by means of:

- prospective tests that justify the application of hedge accounting in that they demonstrate that effectiveness can be forecast;
- backtesting, which highlights the degree of effectiveness of the hedge achieved in the reference period. In other words backtesting measures the extent to which actual results differ from perfect hedging.

If both prospective testing and backtesting fail to confirm hedge effectiveness, hedge accounting of the hedges as described above is suspended. In such circumstances the hedging derivative is reclassified to trading instruments. The hedged instrument is recognised to its specific category at a value equal to its fair value at the time effectiveness ceased and is assessed according to the criterion for its original asset class.
Hedging derivatives are measured at fair value. Specifically:

- for fair value hedges, the change in fair value of the hedged element is offset by the change in fair value of the hedging instrument. This offsetting is recorded by recognition to the income statement of changes in value for both the hedged element (with regard to changes generated by the underlying risk factor) and the hedging instrument. Any difference, representing the partial ineffectiveness of the hedge, consequently forms the net economic effect. Recognition to the income statement of changes in fair value of the hedged instrument, attributable to the risk hedged, also applies if the hedged instrument is an AFS financial asset. Without hedging, that change would be recognised as a balancing entry in shareholders' equity;
- for cash flow hedges, changes in fair value of the derivative are recognised to shareholders’ equity to the extent

the hedge is effective, and recognised to the income statement only when in reference to the hedged item there is a change in cash flows to be offset. The portion of gains or losses of the hedging instrument considered ineffective is recognised to the income statement. This portion is equal to any excess fair value accrued by the hedging instrument compared to the fair value accrued for the hedged instrument. In any event, fluctuations in fair value of the hedged item and related hedge must stay within a range of 80-125%;

- foreign investment hedge accounting follows the same method used for cash flow hedges.

Financial asset and liability hedges are derecognised when the contractual rights to cash flows generated by the assets expire or on disposal of the financial assets/liabilities with transfer of essentially all related risks/benefits.

6 - Equity investments

This item includes interests in direct subsidiaries, associates, companies under common control and minority interests in Group subsidiaries and associates.
A subsidiary is a company over which control is exercised. This condition applies when the investor has the power to directly or indirectly make administrative or management decisions of the company in order to achieve the related benefits. This occurs when over 50% of the voting rights or other working control, e.g. appointment by majority vote of the Directors, are held either directly or indirectly.
Associates are companies that are not controlled but over which significant influence is exercised. A company is presumed to have significant influence in all cases in which it holds 20% or more of voting rights and, regardless of the shareholding, if it has power to participate in management and financial decisions of the investee.
Companies under common control are those for which contractual or other agreements exist according to which unanimous consent of all controlling parties is necessary for strategic financial and management decisions to be valid.

The initial recognition of the financial asset is at the date of settlement at the acquisition cost, plus any directly attributable costs.

Thereafter the investments are measured at cost, adjusted for impairment if necessary.
If there is any evidence of impairment in an investment, its recoverable value is estimated, i.e. the higher value between the fair value net of costs to sell and the value in use. The value in use is calculated by discounting future cash flows that the investment is expected to generate, including its final disposal value. If the recovery value proves lower than the book value, the related difference is recognised to the income statement. If the reasons for impairment recognition are eliminated by an event occurring at a later date, a reversal is recognised to the income statement.

Dividends are recorded as revenues from the moment in which the right to receive the dividends arises, i.e. when allocation is approved, regardless of whether the dividends are generated before or after the date of acquisition. The risk that recognition of dividends to the income statement may result in overvaluation of the investment, if in relation to profits achieved prior to the acquisition, this is eliminated from impairment testing of the investment.

Financial assets are derecognised when the contractual rights to cash flows generated by the assets expire or on disposal of the financial assets with transfer of essentially all related risks/benefits.

7 - Property, plant and equipment

Property, plant and equipment include land, instrumental real estate, investment property, technical systems, furniture, fittings and equipments of any type. They are assets held for use in production or in the provisions of goods and services, for rental by third parties or for administrative purposes, and which are expected to be used for more than one financial year. Also included under this item are assets used as part of finance leases provided legal ownership of the assets remains with the lessor. Lastly, the item includes improvements and incremental costs incurred on third party assets, if the assets are identifiable and separable.

Property, plant and equipment are recognised at cost, which in addition to the purchase price includes all accessory charges directly attributable to the purchase and operational startup of the asset. Extraordinary maintenance costs resulting in an increase in future economic benefits are recognised as an increase in asset value, whilst other routine maintenance costs are recognised to the income statement.
Renovation costs for third party real estate are capitalised in consideration of the fact that for the duration of the rental agreement the user has control over the assets and can achieve future economic benefits. Such costs are amortised over a period not exceeding the duration of the contract.

Property, plant and equipment, including non-instrumental property, are measured at cost, less any depreciation and impairment. These assets are systematically depreciated over their entire useful life, adopting the line-by-line method for depreciation except for:

- land, whether acquired separately or as part of the value of buildings, which is considered to have an infinite life. If the value is incorporated in the building value by application of the components approach, land is considered separable from the building. The value split between land and building is based on independent expert reports;

- artistic heritage, as the useful life of a work of art cannot be estimated and its value is normally expected to increase in the long term.

At each annual or interim reporting date, if there is any sign of asset impairment, the book value of the asset and its recovery value, equal to the higher between the fair value net of costs to sell and the value in use of the asset, i.e. the current value of future cash flows generated by the asset, are compared. Any write-downs are recognised to the income statement. If the reasons for impairment are eliminated, a reversal is recognised that cannot exceed the value that would have been recognised for the asset, net of depreciation, calculated had there been no impairment.
Property, plant and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use or when no future economic benefits can be expected from its disposal.

8 - Intangible assets

Intangible are non-monetary, identifiable and have no physical consistency, and are held for long-term use. Intangible assets are recognised at cost, less any accessory charges, only if it is likely that economic benefits attributable to the asset will be realised and the cost of the asset can be reliably calculated. If not, the cost of the intangible asset is recognised to the income statement in the year in which it is incurred.

Goodwill, which represents the positive difference between the acquisition cost of the investment (including accessory charges) and the fair value of assets and liabilities acquired, can be recognised as an intangible asset if the difference represents the future profit-generating capacity of the investment. If that difference is negative (i.e. badwill) or if goodwill cannot be justified by the future profit-generating capacity of the investee, the difference is recognised directly to the income statement.
Goodwill is not subject to amortisation, but is subjected to impairment testing to confirm the adequacy of its book value.
Specifically, any time there is evidence of impairment and in any event at least once a year, impairment testing is performed. For this purpose the cash generating unit to which the goodwill should be attributed is identified. The amount of any write-down is calculated on the difference between the recognition value of goodwill and its recovery value, if less. The recovery value is equal to the higher between the fair value of the cash generating unit, net of any costs to sell, and the related value in use. The value in use is the current value of estimated future cash flows from the generating units to which the goodwill is attributed. Any write-downs are recognised to the income statement. Any subsequent reversal must not be recognised.

Other intangible assets are recognised as such if they are identifiable and can be traced back to legal or contractual rights.
The cost of finite life intangible assets is amortised on a straight line basis over the related useful life. If the useful life is infinite, the asset is not amortised but merely subject to periodic impairment testing to confirm book value adequacy. At each annual or interim reporting date, if there is any sign of impairment the recoverable value of the asset is estimated. The amount of the impairment loss, recognised to the income statement, is equal to the difference between the book value of the asset and its recoverable value.

An intangible asset is derecognised from the balance sheet on disposal or from the moment in which no future economic benefits are expected.

9 - Current and deferred taxes

These items include current and prepaid tax assets and current and deferred tax liabilities, respectively.

Income taxes, calculated in compliance with current tax regulations, are recognised to the income statement on an accruals basis, consistent with the recognition of costs and revenues generating the taxes. Exceptions are taxes relating to amounts credited or debited directly to shareholders' equity, for which related recognition of taxes is to shareholders' equity for consistency purposes.

Prepaid and deferred taxes are calculated on the temporary differences, without time limits, between the book values and tax values of each asset or liability.
Prepaid tax assets are recognised to the annual or interim financial statements to the extent that their recovery, assessed on the basis of the company capacity (and the Group's capacity if tax consolidation is adopted) to generate taxable income as a going concern in future years, is reasonably certain. Deferred tax liabilities are recognised to the annual or interim financial statements, except with regard to assets recognised for an amount higher than their accepted tax value and withholding tax reserves, for which it is reasonable to believe that no transactions will be implemented that affect their taxation.
Assets and liabilities recognised for prepaid and deferred taxes are systematically measured to take into account any changes in the tax regulations or tax rates.
Current tax assets and liabilities are recorded in the balance sheet as offset balances if settlement is on a net balance basis as permitted by legal offsetting rights.
Prepaid and deferred taxes are recognised to the balance sheet as open balances, without offsetting.
Tax liabilities include allocations pursuant to IAS 37 for tax payables that could arise from investigations already notified or in any event from existing disputes with tax authorities.

10 - Provisions for risks and charges

Provisions for risks and charges refer to liabilities of an uncertain amount or maturity, recognised to the financial statements if:

- there is a current obligation (legal or implicit) deriving from a past event;
- resources are likely to be needed to produce economic benefits to meet that obligation;
- a reliable estimate can be produced regarding probable future outlay.

The item "Provisions for risks and charges" includes provisions for long-term benefits and post-employment benefits covered by IAS 19 and provisions for risks and charges covered by IAS 37.
The item does not include write-downs for impairment of guarantees granted or credit derivatives and similar pursuant to IAS 39, which are instead recognised under "Other liabilities".

The sub-item “other provisions for risks and charges” include amounts allocated for expected losses from pending legal action, including revocatory action, estimated outlay for customer complaints regarding securities intermediation, and a reliable estimate of outlay for any other legal or implicit obligation outstanding as at the annual or interim reporting date.
Where the time element is significant, allocations are discounted at current market rates. The effect of time discounting is recognised to the income statement, as is any time-related increase in the provision.
Allocated provisions are reviewed at each reporting date and adjusted to reflect the best current estimate. When the use of resources to produce economic benefits to meet an obligation becomes improbably, the provision is written off.
In addition, each provision is used only to meet commitments for which it was originally allocated.
The sub-item “pension funds and similar commitments” includes provisions for defined benefit plans, i.e. pension funds for which there is guaranteed repayment of capital and/or return in favour of the beneficiaries, as reported in paragraph 17 "Other information, Employee severance indemnity and other employee benefits". Benefits to be disbursed in the future are assessed by an external actuary by the “projected unit credit method” as required by IAS 19.

11 – Payables and securities in issue

The items “due to banks”, “due to customers” and “securities in issue” include the various forms of interbank funding and customer deposits in the form of certificates of deposit and issued bonds, therefore net of any repurchase commitment. Also included are amounts payable to the lessor under finance leases, repurchase agreements and securities lending with guaranteed cash return.
Initial recognition of these financial liabilities is on receipt of the deposits or issue of the debt securities. The initial recognition is based on the fair value of the liabilities, normally corresponding to the total collected or the issue price, plus any additional costs/income directly attributable to each funding or issue transaction and not reimbursed by the credit counterparty. Internal administrative costs are excluded.
Repurchase agreements are recognised to the financial statements as deposits for the purchase price.

After initial recognition, financial liabilities are measured at amortised costs using the effective interest rate method. Exceptions are short-term liabilities, where the time factor is negligible, which remain recognised at the collection value and any costs recognised to the income statement on a straight line basis over the contractual life of the liability. Furthermore, deposit instruments are subject to effective hedging assessed on the basis of rules envisaged for hedge transactions.

For structured instruments, if the requirements of IAS 39 are met, the embedded derivative is separated from the host contract and recognised at fair value as an asset/liability held for trading. In this case the host contract is recognised at amortised cost.

Financial liabilities are derecognised from the annual or interim statements when past due or settled. Derecognition also occurs on repurchase of securities issued previously. The difference between the book value of the liability and the purchase price paid is recognised to the income statement. Market re-placement of own securities after repurchase is considered a new issue, with recognition of the new placement price and no effect on the income statement.

12 - Financial liabilities held for trading

This item includes the negative value of trading derivatives measured at fair value and cash financial liabilities held for trading.
Also included are the negative valuations of derivatives linked to fair value assets and liabilities, embedded derivatives which are separated from the host financial instruments pursuant to IAS 39, and liabilities originating from short positions generated from securities trading.

Initial recognition is based on the fair value of the liability, normally the amount collected, without considering the transaction costs or income directly attributable to the instrument, which are instead recognised directly to the income statement.

Gains or losses deriving from changes in fair value and/or disposal of the trading instruments are recognised to the income statement.

Financial liabilities are derecognised from the annual or interim statements when past due or settled.
Trading gains and losses and capital gains and losses from trading book valuation are recognised to the income statement under item 80 “Net trading gains/losses”, except those relating to FVO derivatives which are recognised to item 110 "Net profit/loss from fair value financial assets and liabilities".

13 – Transactions in foreign currency

At the time of initial recognition, transactions in foreign currency are recognised in the operating currency applying the exchange rate as at the date of the transaction.

On each annual or interim reporting date, financial statement items in foreign currency are assessed as follows:

- cash amounts are converted at the period-end exchange rate;
- non-cash amounts assessed at their historic cost are translated at the exchange rate valid for the transaction date;
- non-cash amounts assessed at fair value are translated at the exchange rate valid for the reporting date.

Exchange differences resulting from cash settlement or the translation of cash elements at rates other than the initial exchange rate, or translation from the previous financial statements, are recognised to the income statement in the period in which they arise.

When an exchange gain or loss for a non-cash element is recognised to shareholders’ equity, the exchange difference for that element is also recognised to shareholders’ equity. Vice versa, when a gain or loss is recognised to the income statement, the related exchange difference is also recognised to the income statement.

14 - Other information

a) content of other financial statements items

Cash and cash equivalents

This item includes legal currency, including banknotes and coins in foreign currency and demand deposits with central banks of the home member country or country in which the bank has operating companies or branches.
The item is recognised at face value. For foreign currencies the face value is converted into euro at the exchange rate as at the reporting date.

Value adjustments to financial assets and liabilities subject to macrohedging

This item includes changes in the fair value of financial assets and liabilities, respectively, subject to interest rate risk macrohedging, based on their respective balances, whether positive or negative.

Other assets

This item includes assets not attributable to other balance sheet assets items. For example, it may include:

a) gold, silver and precious metals;
b) accrued income other than that to be capitalised on the related financial assets;
c) any inventories according to IAS 2;
   improvements and incremental costs incurred on third party assets other than those attributable to the item “Property, plant and equipment”. In particular, assets that cannot be separated from the goods to which they refer, and therefore cannot be used independently, are classified under this item. These costs are recognised under other assets, because, owing to the lease contract, the tenant company has control over the goods and can obtain a future economic benefit from their use;
d) loans associated with the provision of non-financial goods or services.

Debit balances of floating or suspense items not allocated to the relevant accounts can be included under this item, but only if the amount is immaterial.

Other liabilities

This item includes liabilities that cannot be attributed to other balance sheet liability items.
For example, it may include:

e) payment agreements that must be classified as payables under IFRS 2;
f) initial recognition of guarantees granted and related credit derivatives according to IAS 39, and subsequent write-downs for impairment;

g) payables associated with the payment of non-financial goods or services received;
h) accrued liabilities other than those to be capitalised on the relevant financial liabilities.

Employee severance indemnity and other employee benefits

Following the supplementary pension reform pursuant to Italian Legislative Decree no. 252 of 5 December 2005, new regulations were introduced for employee termination benefits accrued from 1 January 2007.
Specifically, for accounting purposes, termination benefits accrued from 1 January 2007 are considered a "defined contribution plan" based on IAS 19. The charge is limited to the contribution defined by the Italian Civil Code, without application of actuarial methods.
The employee severance indemnity accrued as at 31December, 2006 instead continues to be treated as a defined benefit plan according to IAS 19. The liability associated with the accrued severance indemnity, however, must be measured according to actuarial methods without applying the pro rata for the service provided as service to be measured can be considered fully accrued.
Pension plans and liabilities linked to "seniority bonuses" are divided into defined benefit plans and defined contribution plans.
For defined contribution plans the cost is represented by contributions accrued during the year, since the company is only required to pay the contributions defined by contract to an external fund, and has therefore no legal or implicit obligation to pay other amounts over and above that contributions if the fund does not have sufficient assets to pay all the benefits to employees.
In defined benefit plans, liabilities are measured using the actuarial method envisaged in IAS 19, as the actuarial and investment risk, i.e. the risk that contributions are insufficient or that the assets in which contributions are invested do not generate a sufficient return, is borne by the company. Actuarial measurements according to this standard are performed by an external independent actuary.
In particular, where the company has guaranteed capital repayment and/or return in favour of beneficiaries, the plan-related commitments are recognised to "Pension funds and similar commitments", whilst seniority bonuses are recognised to "Provisions for risks and charges - Other".
The actuarial gains and losses on all defined benefit plans are recognised directly to the income statement. These actuarial gains and losses originate from adjustments to previous actuarial assumptions in the light of real effects or due to amendments to such assumptions.

Valuation reserves

This item includes valuation reserves for available-for-sale financial assets, foreign investment hedges, cash flow hedges, translation differences, individual assets and discontinued operations. Also included are valuation reserves for revaluation under special laws, even if subject to tax redemption.

Share capital and own shares

Capital includes the amount of both ordinary and preferred shares issued, net of any capital subscribed but not yet called as at the annual or interim reporting date. The item is recognised gross of any own shares held by the bank. These are instead recognised with a minus sign under "own shares" in balance sheet liabilities.
The original cost of repurchased own shares and capital gains or losses from their subsequent resale are recognised as changes in shareholders' equity.

b) illustration of other significant accounting treatments

Dividends and revenue recognition

Revenues are recognised when received or in any event when future benefits are likely and those benefits can be reliably measured. Specifically:
- default interest, if envisaged in the contract, are recognised to the income statement only on actual collection;
- dividends are recognised to the income statement as of the moment in which the legal right to collection arises, i.e. the moment in which allocation is approved;
- gains and losses from the intermediation of financial instruments held for trading are recognised to the income statement on contractual settlement of the transaction, based on the difference between the amount paid or collected and the fair value recognised for the instrument, measured by means of valuation models that use observable market benchmarks as input that offer the best terms for the bank. The resulting fair value is then adjusted for the risk of recoverability of any positive margins, based on the specific counterparty with which the financial instrument was stipulated (credit risk adjustment);
- gains from the stipulation of financial instruments, for which it is considered that the fair value cannot be measured according to observable market benchmarks, are time-distributed depending on the nature and maturity of the instrument (e.g. guaranteed-capital or protected products);
- revenues from the issue of bond loans, calculated as the difference between the price collected and the fair value of the instrument, are recognised to the income statement as at the issue date if the fair value is based on observable benchmarks or recent transactions recorded on the same market on which the instrument was traded.

If these benchmarks are not directly observable on the market, the valuation model used to measure fair value considers the commercial spread as the adjusting factor in time-discounting the cash flows. The resulting fair value corresponds to the amount collected: therefore no gains can be recognised as at the issue date. For all bond issues measured at fair value, to guarantee material representation of the cost of the funding transaction based on costs and revenues, if placement commissions are recognised to the income statement as of the date of issue, on that same date a revenue represented by the commercial spread, of an amount up to the cost of placement commission expense, is also recognised. These cost and revenue components are grouped under the income statement item “110 Net profit/loss from fair value financial assets and liabilities”.

Reclassification of financial asset portfolios (amendment to IAS 39)

On 13 October 2008 the IASB approved an amendment to IAS 39 and IFRS 7, endorsed through fast-track procedures by the European Commission on 15 October 2008 with the issue of Regulation no. 1004/2008.
Based on this amendment, if certain conditions are met it is possible to reclassify financial instruments recognised on acquisition to “Financial assets held for trading” or “Available-for-sale financial assets” to a different accounting category. Prior to this amendment the general rule was that category transfers were not permitted, except for transfers from “AFS financial assets” to “HTM financial assets”.
According to paragraphs 50D and 50E of the new IAS 39, the following can be reclassified:

- non-derivative financial instruments previously classified as held for trading. Reclassification to “Fair value financial assets” is not possible, however, following adoption of the fair value option. The new destination category is “Loans”. The condition for reclassification is that, as at the date of transfer, the financial instrument meets the requirements for classification in the “Loans” portfolio and that the company no longer intends to trade the reclassified securities having decided to hold the financial instrument for the foreseeable future or to maturity;
- non-derivative financial instruments classified under “Available-for-sale financial assets” to “Loans” if, as at the reclassification date, the financial instrument complies with the definition of “Loans” and the company now intends and has the capacity to hold the instrument for the foreseeable future or to maturity.

Any other non-derivative debt or equity instrument can be reclassified from “Financial assets held for trading” to “Available-for-sale” or from “Held for trading” to “Held to maturity” (for debt instruments only), if such instruments are no longer held for short-term trading. However, in rare circumstances, this is permitted under paragraph 50B.

The reclassified financial asset is recognised to its new category (“Loans”, “Financial assets held to maturity”, “Available-for-sale financial assets”) at its fair value as at the reclassification date, which represents the new cost or amortised cost.
After transfer the financial instruments follow the measurement and recognition rules for the destination category, unless where otherwise specified. So for assets measured at amortised cost the actual rate of return must be calculated for use as from the reclassification date.
For reclassified assets, any further positive change in expected cash flows is used in calculating the actual interest rate as at the forecast review date and will be recorded on a straight line basis throughout the instrument’s residual useful life rather than changing the book value of the asset with a balancing entry in the income statement, as envisaged for assets not reclassified.
Vice versa, any subsequent decrease in expected cash flows from the date of reclassification will follow the previous rules, i.e. recognised directly to the income statement if the decrease represents impairment.
Any profit or loss previously suspended in the equity reserve for Available-for-sale financial assets, if referring to an instrument with a pre-established maturity, is amortised over the life of the investment according to the amortised cost criterion. Vice versa, if the instrument does not have a fixed maturity (e.g. perpetual instruments), it remains suspended in the reserve until disposal or settlement.
If the financial asset is reclassified and until its settlement, an illustration must be given of the resulting effects and the effects had the asset not been reclassified, as indicated in section A.3 “Information on fair value”.

Business combinations and Goodwill

Business combinations are recorded using the purchase method, for which the cost of the business combination is measured and then, at the acquisition date, the cost s allocated to the acquired assets and to the liabilities and potential liabilities assumed.
Goodwill acquired in a business combination is initially recognised at cost, measured as the amount by which the cost of acquisition exceeds the interest in net fair values of identifiable assets, liabilities and potential liabilities acquired.
After initial recognition, goodwill is recognised at cost less any accrued impairment losses. For impairment testing purposes, the goodwill acquired following a business combination is allocated as at the acquisition date to the individual cash generating units or group of cash generating units expected to benefit from the combination synergies, regardless of whether other acquirer’s assets or liabilities are assigned to the same units or group of units.
When goodwill forms part of a cash generating unit (or group of cash generating units) and part of the internal assets of that unit are sold, goodwill associated with the sold assets is included in the book value of the assets when calculating the disposal gains or losses. Goodwill sold under such circumstances is measured according to the related values of the assets sold and to the portion of the CGU remaining.
Reorganisations involving two or more companies or business segments of the Banco Popolare Group are not considered business combinations. International accounting standards do not apply to infragroup transactions which continue to be

recognised at acquisition cost in the acquiring company's financial statements in compliance with IAS 8 paragraph 10, which in the absence of a specific standards calls for the use of discretion in applying an accounting standard in order to provide a significant, reliable, prudent financial disclosure that reflects the transaction's economic content.

Fair value measurement of financial instruments

Fair value is the amount for which an asset can be traded or a liability settled, in a free transaction performed at arm's length between independent and willing parties, at a given measurement date.
The fair value is the price that would be paid in an ordinary transaction, i.e. a transaction involving market operators willing to trade, thereby excluding any kind of forced transaction.
The fair value measurement of financial instruments is based on going concern assumptions regarding the bank, i.e. the assumption that the bank will remain fully operative and will not wind up or significantly reduce its operations or perform transactions at unfavourable terms.

Financial assets and liabilities held for trading, Fair value financial assets, Available-for-sale financial assets, Hedging derivatives

A "fair value policy" is envisaged for financial instruments measured at fair value, that attaches top priority to official prices available on active markets (mark to market) and a lower priority to use of the more discretional unobservable input data (mark to model).

Mark to Market
To measure fair value, the Bank uses information based on market data obtained from independent sources if possible, as this is considered to be the best evidence of fair value. In this case, the fair value is the market price of the financial instrument under valuation – i.e., without changes or recomposition of the instrument - derived from the prices expressed on an active market. A market is considered to be active when listed prices reflect normal arm's length transactions, are regularly and readily available through the Stock exchanges, pricing services, intermediaries, and when these prices represent actual, regular market transactions.
The following are normally considered active markets:

- regulated securities and derivative markets, except the Luxembourg market;
- multilateral trading systems:
- certain OTC electronic trading circuits (e.g. Bloomberg), if certain conditions based on the presence of a given number of contributors with executable offers, characterized by bid-ask spreads – i.e., the difference between the price at which the counterparty is committed to sell (ask price) and the price at which the buyer is willing to buy (bid-ask) – within a specified tolerance limit;
- the secondary market for UCI units, expressed by the official NAV (Net Asset Value), based on which the issuing asset management company must settle the units in question. The NAV can be adequately adjusted to account for a fund's diminished liquidity, i.e., the time interval between the redemption application date and that of actual redemption, and for any exit commissions.

Mark to Model

When the Mark to Market policy cannot be applied as there are no market prices directly observable on active markets, recourse has to be made to measurement methods that maximise the use of information available on the market, based on the following measurement approaches:

- Comparable approach: in this case the instrument's fair value is based on the prices observed in recent transactions in similar instruments on active markets, adequately adjusted to account for differences in the instruments and in the market conditions;
- Valuation Model: in the absence of observable transaction prices for the instrument measured or similar instruments, a valuation model has to be applied; the model must prove reliable in estimating hypothetical "operating" prices and therefore must be widely accepted by market operators.
- Specifically:
- debt securities are measured according to the expected cash flow discounting method, adjusted as necessary for issuer risk;
- derivatives are measured according to a variety of models, depending on the input factors (interest rate risk, volatility, exchange rate risk, price risk, etc.) affecting their measurement;
- unlisted equity instruments are measured on direct transactions in the instrument or similar securities observed over an adequate timeframe as compared to the measurement date, using the market multiples method on comparable companies, and subordinately according to financial, income and equity measurement methods.

Based on the "fair value policy" described above, fair value is expressed on three levels, based on the degree to which market benchmarks are observable:

1. Prices observed on active markets (Level 1):
   The measurement is based on the market price of the instrument itself, derived from the price quotations expressed by an active market.

2. Measurement methods based on observable market benchmarks (Level 2)
   The financial instrument measurement is not based on the market price of the financial instrument concerned, but on observable market prices of similar assets or through measurement methods in which all significant factors – including credit spread and liquidity – derive from observable market data. This level entails a limited level of discretion, as all the benchmarks used are obtained on the market (for the same or similar securities) and the calculation methods offer replication of prices listed on active markets.
3. Measurement methods based on non-observable market benchmarks (Level 3)
   In this case the fair value measurements rely on methods largely based on significant input data that cannot be obtained on the market, and therefore call for management estimates and assumptions.

The hierarchy described above is in line with IFRS 7 (revised) "Financial instruments: disclosures", adopted by EC Regulation no. 1165 of 27 November 2009, which call for fair value disclosure on three levels as illustrated in section A.3 "Information on fair value".

Due to/from banks and customers, Securities in issue
For other financial instruments recognised at amortised cost and essentially classified as amounts due to banks or customers, securities in issue or financial assets held to maturity, the fair value was measured for the purposes of disclosure in the Notes to the financial statements. Specifically:

- for medium/long-term impaired loans (non-performing or problem), the fair value is measured by discounting the contractual flows, based on a risk-free market rate, net of loss provisions. For medium/long-term performing loans, fair value is measured according to a risk aversion approach: discounting of expected cash flows, adjusted as necessary for expected losses, is performed at a risk-free market rate plus a component expressing risk aversion to take into account factors in addition to the probable loss;
- for assets and liabilities payable on demand or with short-term or infinite maturity, the book value recognised is considered to be a reasonable approximation of fair value.

Impairment testing methods for financial assets

At each reporting date, all financial assets, except FVTPL, are impairment tested for objective evidence of impairment losses that could jeopardise recoverability of the investment.
Specifically, objective evidence of impairment affecting an asset or a group of financial assets can be associated with the following negative events:

a) significant financial difficulties of the issuer or the borrower;
b) breach of contract, e.g. default or failure to repay capital or interest;
c) allowance granted to a beneficiary, considered by the bank primarily for economic or legal reasons linked to the beneficiary's financial difficulties, and which otherwise would not have been granted;
d) likelihood of the borrower becoming involved in bankruptcy proceedings or other financial restructuring;
e) disappearance of an active market for the financial asset concerned due to financial difficulties of the issuer. However, the disappearance of an active market due to a company's financial instruments no longer being publicly traded is not evidence of a decrease in fair value;
f) events implying a significant decrease in the issuer's future cash flows (including the general local or domestic economic scenario in which the issuer operates). Furthermore, objective evidence of impairment of an equity investment may also be seen in the following negative events:
g) significant changes negatively affecting the technological, economic or regulatory environment in which the issuer operates, indicating that the investment is no longer recoverable;
h) a prolonged or significant fair value reduction to below the purchase cost.

If objective evidence of impairment is the result of one or more events occurring after initial recognition of the asset, the impairment loss must be calculated according to rules envisaged for fair value financial assets with any changes recognised to shareholders' equity.
With regard to the impairment testing model, reference should be made to the description under "Available-for-sale financial assets" for assets measured at fair value, with balancing entry in a specific equity reserve.

A.3 – Information on fair value

A.3.2 Fair value hierarchy

The increasing complexity of financial instruments and the recent financial market disturbance have further highlighted the need to focus on providing complete and transparent information on fair value measurement methods, in terms of both quality and quantity. This need forms the basis for the amendments to IFRS 7 "Improving Disclosure about Financial Instruments", approved by the IASB on 5 March 2009 and endorsed by EC Regulation no. 1165 of 27 November 2009.
The information required by IFRS 7 for financial asset and liability portfolios measured at fair value, based on the triple hierarchy illustrated in the paragraph "Fair value measurement methods for financial instruments" in Part A.2 "Notes on the main items of the balance sheet", is provided below. This disclosure complies with the guidance contained in the "Regulation on criteria and market benchmarks for the accounting measurement of financial instruments", approved by the

Group in 2009 with the aim of defining the approach and operating model adopted to valuate financial instruments measured at fair value.

A.3.2.1 Accounting portfolios: breakdown by fair value level

	31-12-2009			31-12-2008		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	1,733,199	4,377,163	51,961	1,154,131	3,338,657	8,775
2. Fair value financial assets	18,288	-	252	17,876	423	-
3. Available-for-sale financial assets	5,553	2,120	534	3,678	3,884	158
4. Hedging derivatives	-	-	-	-	-	-
Total	**1,757,040**	**4,379,283**	**52,747**	**1,175,685**	**3,342,964**	**8,933**
1. Financial liabilities held for trading	243,371	4,868,305	4,210	494,885	3,667,468	9,140
2. Fair value financial liabilities	-	-	-	-	-	-
3. Hedging derivatives	-	148	-	-	96	-
Total	**243,371**	**4,868,453**	**4,210**	**494,885**	**3,667,564**	**9,140**

(*) regarding the comparative data as at 31 December 2008, note that for almost all securities Level 1 corresponds to the "listed" columns in the tables with breakdown by product of the financial assets and liabilities portfolios, published in the consolidated annual report for the previous year. Likewise, the sum of level 2 and 3 securities normally corresponds to figures indicated in the "unlisted" columns. Any differences are attributable to certain securities listed on markets normally considered active, for which there was nevertheless a need to redetermine the fair value due to the non-representative nature of prices recorded on that market. With regard to fair value financial assets, note that the hedge funds, classified as “unlisted” in the financial statements, were classified for fair value hierarchy purposes as Level 1 in view of the measurement frequency of the hedge fund unit and their liquidability characteristics.

FINANCIAL ASSETS

Financial instruments valued according to prices taken from active markets (Level 1) or calculated on the basis of market benchmarks (Level 2) represent 99.15% of the total financial assets measured at fair value.
Financial instruments measured largely on the basis of unobservable benchmarks (Level 3) represent a marginal percentage (0.85%) and refer to minority shareholdings valued according to internal models (profitability, equity or combined methods) and to unlisted private equity funds. The remaining positions refer to a limited number of illiquid securities or complex securities, mainly of Italian bank issuers, for which the fair value is mainly taken from information obtained from external contributors, through non-public sources. Such fair values are prudentially classified as Level 3.
The financial assets include 4,065 million derivatives held for trading and hedging purposes, almost all of which are OTC contracts valuated by means of valuation models that make significant use of benchmarks observable on the market or from independent sources (Level 2).
The breakdown of the financial assets portfolio on a 3-level fair value basis as at 31 December 2009 was essentially in line with that recorded the previous year.

FINANCIAL LIABILITIES

Financial liabilities held for trading are mainly represented by derivatives, the fair value of which is measured by means of valuation models that make significant use of observable market benchmarks (Level 2). The positions indicated as Level 3 refer to a limited number of contracts regarding sold options linked to secured assets under management.

During 2009 there were no significant transfers between Levels 1 and 2.

A.3.2.2 Annual changes in fair value financial assets (level 3)

	FINANCIAL ASSETS			
	held for trading	fair value	available-for-sale	as hedges
1. Opening balances	**8,775**	-	**158**	-
2. Increases	**71,025**	**314**	**376**	-
2.1. Acquisitions	63,596	-	200	-
2.2. Profits recognised to:	1,526	-	176	-
2.2.1. Income statement	1,526	-	-	-
- of which capital gains	793	-	-	-
2.2.2. Shareholders' equity	-	-	176	-
2.3. Transfers from other levels	5,323	314	-	-
2.4. Other increases	580	-	-	-
3. Decreases	**(27,839)**	**(62)**	**-**	-
3.1. Sales	(26,996)	-	-	-
3.2. Redemptions	-	-	-	-
3.3. Losses recognised to:	(692)	(62)	-	-
3.3.1. Income statement	(692)	(62)	-	-
- of which capital losses	(501)	(62)	-	-
3.3.2. Shareholders' equity	-	-	-	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	(151)	-	-	-
4. Closing balances	**51,961**	**252**	**534**	-

A.3.2.3 Annual changes in fair value financial liabilities (level 3)

	FINANCIAL LIABILITIES		
	held for trading	fair value	as hedges
1. Opening balances	**9,140**	-	-
2. Increases	**839**	-	-
2.1. Issues	839	-	-
2.2. Losses recognised to:	-	-	-
2.2.1. Income statement	-	-	-
- of which capital losses	-	-	-
2.2.2. Shareholders' equity	-	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**(5,769)**	-	-
3.1. Redemptions	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised to:	(5,769)	-	-
3.3.1. Income statement	(5,769)	-	-
- of which capital gains	-	-	-
3.3.2. Shareholders' equity	-	-	
3.4. Transfers to other levels	-	-	
3.5. Other decreases	-	-	
4. Closing balances	**4,210**	-	

A.3.3 Information on "day one profit/loss"

Pursuant to IFRS 7 paragraph 28, among the Groups financial instruments, sold options linked to guaranteed-return asset management were identified for which there is a difference between the fair value on initial recognition (transaction price) and the amount calculated at that date using the Day 1 Profit measurement method. Given the type of products concerned, the fact that input parameters cannot be observed on the market and as there are no reference prices for similar products on an active market, this difference was allocated on a "pro rata temporis" basis, as described in "Part A - Accounting policies" under the paragraph on "Dividends and recognition of revenues". The positive figure recognised to the income statement under "Net trading gains/(losses)" as at 31 December 2009 totals 5.7 million euro and the residual differences still to be recognised amount to 4.2 million euro.

PART B – BALANCE SHEET DATA

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

(in thousands of euro)	31-12-2009	31-12-2008
a) Cash	49	25
b) Demand deposits with Central Banks	-	-
Total	**49**	**25**

This item includes banknotes and coins held by the Bank's offices.

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by product

As at 31 December 2009 financial assets totalled 6,162,323 thousand euro. The breakdown of financial assets is illustrated in the table below.

(in thousands of euro)	31-12-2009			31-12-2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Cash assets						
1. Debt securities	1,299,187	392,488	51,950	692,485	357,217	8,559
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,299,187	392,488	51,950	692,485	357,217	8,559
2. Equity instruments	339,991	-	-	235,882	-	216
3. UCI units	14,032	-	11	17,599	-	-
4. Loans	-	-	-	-	-	-
4.1 Repo agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**1,653,210**	**392,488**	**51,961**	**945,966**	**357,217**	**8,775**
B Derivatives						
1. Financial derivatives	79,989	3,984,675	-	208,165	2,981,388	-
1.1 trading	79,989	3,984,675	-	208,165	2,981,388	-
1.2 linked to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	52	-
2.1 trading	-	-	-	-	52	-
2.2 linked to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**79,989**	**3,984,675**	**-**	**208,165**	**2,981,440**	**-**
Total (A+B)	**1,733,199**	**4,377,163**	**51,961**	**1,154,131**	**3,338,657**	**8,775**

2.2 Financial assets held for trading: breakdown by borrower/issuer.

(in thousands of euro)		31-12-2009	31-12-2008
A	**CASH ASSETS**		
	1. Debt securities	**1,743,625**	**1,058,261**
	a) Governments and central banks	809,570	419,546
	b) Other public authorities	4	-
	c) Banks	845,674	600,057
	d) Other issuers	88,377	38,658
	2. Equity instruments	**339,991**	**236,098**
	a) Banks	39,259	39,360
	b) Other issuers:	300,732	196,738
	- insurance companies	35,548	33,495
	- finance companies	11,415	4,667
	- non-financial companies	253,769	158,576
	- other	-	-
	3. UCI units	**14,043**	**17,599**
	4. Loans	**-**	**-**
	a) Governments and central banks	-	-
	b) Other public authorities	-	-
	c) Banks	-	-
	d) Other entities	-	-
	Total A	**2,097,659**	**1,311,958**
B	**DERIVATIVES**		
	a) Banks		
	- fair value	3,834,391	2,852,568
	b) Customers		
	- fair value	230,273	337,037
	Total B	**4,064,664**	**3,189,605**
	Total (A+B)	**6,162,323**	**4,501,563**

As at 31 December 2009 the composition of UCI units was as follows:

- Shares: 9,439 thousand euro
- Bonds: 3,521 thousand euro;
- Monetary: 1,050 thousand euro;
- Real estate: 34 thousand euro.

Item "A.1. d) Debt securities – Other issuers" includes bonds issued by the Lehman Brothers Group classed as non-performing, the value of which was derecognised in 2009. Cumulative write-downs as at 31 December 2009 amounted to 918 thousand euro, including the write-down during the year of 140 thousand euro.

2.3 Cash financial assets held for trading: annual changes

2009

(in thousands of euro)		Debt securities	Equity instruments	UCI units	Loans	Total
A	**Opening balances**	**1,058,261**	**236,098**	**17,599**	-	**1,311,958**
B.	**Increases**	**58,036,978**	**27,158,784**	**12,930**	**-**	**85,208,692**
B1.	Acquisitions	57,889,180	26,596,254	10,202	-	84,495,636
B2.	Positive changes in fair value	20,614	21,750	2,464	-	44,828
B3.	Other changes	127,184	540,780	264	-	668,228
C.	**Decreases**	**(57,351,614)**	**(27,054,891)**	**(16,486)**	-	**(84,422,991)**
C1.	Sales	(57,310,462)	(26,378,421)	(16,441)	-	(83,705,324)
C2.	Redemptions	-	-	-	-	-
C3.	Negative changes in fair value	(3,277)	(14,271)	(3)	-	(17,551)
	C4. Transfers to other portfolios	-	-	-	-	-
C5.	Other changes	(37,875)	(662,199)	(42)	-	(700,116)
D	**Closing balances**	**1,743,625**	**339,991**	**14,043**	-	**2,097,659**

Section 3 – Fair value financial assets – Item 30

3.1 Fair value financial assets: breakdown by product

(in thousands of euro)	31-12-2009			31-12-2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1 Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2 Equity instruments	118	-	-	-	109	-
3 UCI units	18,170	-	252	17,876	314	-
4 Loans	-	-	-	-	-	-
4.1 Structured securities	-	-	-	-	-	-
4.2 Other debt securities	-	-	-	-	-	-
Total	**18,288**	**-**	**252**	**17,876**	**423**	**-**
Cost	**17,369**	**-**	**314**	**22,994**	**297**	**-**

UCI units include 18,170 thousand euro in units of Hedge Funds (comprising investments in "other assets") and 252 thousand euro in Private Equity Funds.
The item Equity Instruments refers to an insurance policy stipulated with an insurance company in relation to a Supplementary Benefit Plan designed to encourage Top Management loyalty.
The hedge fund units included in the Banca Aletti portfolio were acquired with the aim of achieving profit based on long-term performance of the fund and not to generate profits through trading of the units, considered in its strictest sense. Classification among AFVTPL is therefore consistent with the type of transactions developed on such assets compared, for example, to an HFT classification, which presumes fairly frequent purchases or sales of assets and therefore constant movement, or compared to recognition as AFS, as the investment logic is not attributable to assets "available for sale".

Application of the fair value option to the above asset items meets the need to manage and represent a portfolio consistent with an investment strategy defined in terms of performance objectives.

3.2 Fair value financial assets: breakdown by borrower/issuer

(in thousands of euro)	31-12-2009	31-12-2008
1 Debt securities	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other issuers	-	-
2 Equity instruments	**118**	**109**
a) Banks	-	-
b) Other issuers:	118	109
- insurance companies	118	109
- finance companies	-	-
- non-financial companies	-	-
- other	-	-
3 UCI units	**18,422**	**18,190**
4 Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**18,540**	**18,299**

3.3 Fair value financial assets: annual changes

2009

(in thousands of euro)		Debt securities	Equity instruments	UCI units	Loans	Total
A	**Opening balances**	**-**	**109**	**18,190**	**-**	**18,299**
B.	**Increases**	**-**	**9**	**8,178**	**-**	**8,187**
B1.	Acquisitions	-	-	7,322	-	7,322
B2.	Positive changes in fair value	-	9	856	-	865
B3.	Other changes	-	-	-	-	-
C.	**Decreases**	**-**	**-**	**(7,946)**	**-**	**(7,946)**
C1.	Sales	-	-	(7,829)	-	(7,829)
C2.	Redemptions	-	-	-	-	-
C3.	Negative changes in fair value	-	-	(117)	-	(117)
C4.	Other changes	-	-	-	-	-
D	**Closing balances**	**-**	**118**	**18,422**	**-**	**18,540**

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

4.1 Available-for-sale financial assets: breakdown by product

(in thousands of euro)	31-12-2009			31-12-2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1 Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2 Equity instruments	**5,553**	**2,120**	**534**	**3,678**	**3,884**	**158**
2.1 Measured at fair value	5,553	2,120	534	3,678	3,884	158
2.2 Measured at cost	-	-	-	-	-	-
3 UCI units	-	-	-	-	-	-
4 Loans	-	-	-	-	-	-
Total	**5,553**	**2,120**	**534**	**3,678**	**3,884**	**158**

“Equity instruments” comprise investments in the following companies:

- London Stock Exchange (formerly Borsa Italiana S.p.A.) for 5,553 thousand euro (0.246% of the share capital);
- SIA-SSB S.p.A. l’Automazione (formerly SIA S.p.A.) for 2,120 thousand euro (0.416% of the share capital);
- Unica Sim S.p.A. for 534 thousand euro (10% of the share capital).

As at 31 December 2009 the shares included under the above accounting category were subjected to impairment testing consistent with guidelines adopted at Group level, described in "Part A - Accounting policies" of these Notes to the financial statements, to which reference should therefore be made. In this respect, note that no permanent impairment of the security values were found. In relation to the London Stock Exchange security, note that in 2008 the cumulative negative reserve of 10,158 thousand euro due to impairment was recognised to the income statement. In 2009 the share showed signs of recovery, and in fact a revaluation of the security generated a gross positive reserve of 1,581 thousand euro.

4.2 Available-for-sale financial assets: breakdown by borrower/issuer

(in thousands of euro)	**31-12-2009**	**31-12-2008**
1 Debt securities	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other issuers	-	-
2 Equity instruments	**8,207**	**7,720**
a) Banks	-	-
b) Other issuers:	8,207	7,720
- insurance companies	-	-
- finance companies	533	158
- non-financial companies	7,674	7,562
- other	-	-
3 UCI units	**-**	**-**
4 Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**8,207**	**7,720**

4.3 Available-for-sale financial assets subject to micro hedging

(in thousands of euro)	**31-12-2009**	**31-12-2008**
1 Financial assets subject to fair value micro hedging:	**5,553**	**3,678**
a) interest rate risk	-	-
b) price risk	-	-
c) exchange rate risk	5,553	3,678
d) credit risk	-	-
e) multirisk	-	-
2 Financial assets subject to cash flow micro hedging:	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**5,553**	**3,678**

The security fair value micro-hedged for exchange rate risk was the London Stock Exchange share, listed in GB pounds.

4.4 Available-for-sale financial assets: annual changes

2009

(in thousands of euro)		Debt securities	Equity instruments	UCI units	Loans	Total
A	**Opening balances**	-	**7,720**	-	-	**7,720**
B.	**Increases**	**-**	**2,250**	**-**	**-**	**2,250**
B1.	Acquisitions	-	200	-	-	200
B2.	Positive changes in fair value	-	1,756	-	-	1,756
B3.	Reversals	-	-	-	-	-
	- recognised to the income statement	-	-	-	-	-
	- recognised to shareholders' equity	-	-	-	-	-
B4.	Transfers from other portfolios	-	-	-	-	-
B5.	Other changes	-	294	-	-	294
C.	**Decreases**	**-**	**(1,763)**	**-**	**-**	**(1,763)**
C1.	Sales	-	(1,763)	-	-	(1,763)
C2.	Redemptions	-	-	-	-	-
C3.	Negative changes in fair value	-	-	-	-	-
C4.	Write-downs for impairment	-	-	-	-	-
	- recognised to the income statement	-	-	-	-	-
	- recognised to shareholders' equity	-	-	-	-	-
C5.	Transfers to other portfolios	-	-	-	-	-
C6.	Other changes	-	-	-	-	-
D	**Closing balances**	-	**8,207**	-	-	**8,207**

Item B.1 "Acquisitions" refers only to the subscription to the share capital increase of Sivori Sim S.p.A. on 29 May 2009 on its change of name to Unicasim S.p.A. The subscription did not change the Banca Aletti's percentage control (10%) over the company.
Item B.2 "Positive changes in fair value" comprises the increase recorded for the London Stock Exchange share of 1,581 thousand euro and the increase recorded for the Unicasim SpA share of 175 thousand euro.
The item B.5 "Other changes" includes the balancing entry for the positive exchange difference recognised to item 90 of the Income Statement - Hedging gains/(losses), deriving from recording according to hedge accounting rules of the exchange risk hedge transaction completed in 2009.
Item C.1 "Sales" refers to part-disposal of 587,935 SIA-SSB S.p.A. shares to Intesa Sanpaolo in February 2009 following exercise of the put option by the parent company which led to a decrease in the holding from 0.762% to 0.416%.

Section 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by product

(in thousands of euro)		31-12-2009	31-12-2008
A	**Due from Central Banks**	**-**	**-**
	1. Term deposits	-	-
	2. Compulsory reserve	-	-
	3. Repurchase agreements	-	-
	4. Other	-	-
B	**Due from banks**	**3,174,355**	**18,424,363**
	1. Current accounts and demand deposits	2,124,742	359,282
	2. Term deposits	135,208	2,265,455
	3. Other loans	914,405	15,799,626
	3.1 Repurchase agreements	456,729	15,479,833
	3.2 Finance leases	-	-
	3.3 Other	457,676	319,793
	4. Debt securities	-	-
	4.1 Structured securities	-	-
	4.2 Other debt securities	-	-
	Total (book value)	**3,174,355**	**18,424,363**
	Total (fair value)	**3,174,355**	**18,407,896**

This item comprises short-term loans to banks with a book value similar to their fair value.
Item B.2 "Term deposits" includes 77,480 thousand euro in deposits as collateral on financial instrument contracts.

The breakdown for item B.3. “Other loans" as at 31 December 2009 was essentially as follows:

- Repurchase transactions for a countervalue of 358,274 thousand euro (14,977,201 thousand euro as at 31 December 2008);
- Securities lending transactions for a countervalue of 98,453 thousand euro (502,632 thousand euro as at 31 December 2008);
- Securities lending transactions in the form of mortgages for 310,457 thousand euro.
- Operating receivables for 147,105 thousand euro.

Item B.2 “Term deposits” includes the deposit in favour of Kaupthing Banki hf for 10,764 thousand euro. These assets were classified as non-performing and written down by a cumulative value of 8,114 thousand euro (at a 25% recovery rate), including the 2009 write-down of 465 thousand euro. It should also be emphasised, as already described in the Report on Operations, that in July 2009 the loan of 13,966 thousand euro due from Kaupthing Bank Luxembourg was rescheduled by securitisation with subsequent issue via the SPV Pillar Securitisation S.a.r.l. of a security recognised under item 70 “Due from customers" in the L&R category.

Note also that in 2007 the Bank transferred its liability for the Compulsory Reserve deposited with the Bank of Italy to Banco Popolare, which handles such activities at central level for the entire group. The total compulsory reserve deposited with the parent company is 19,786 thousand euro.

The significant decrease in volumes of repo agreements recorded in 2009 is the result of treasury activities being centralised with the parent company.

Section 7 – Due from customers – Item 70

7.1 Due from customers: breakdown by product

(in thousands of euro)		31-12-2009		31-12-2008	
		Performing	**Impaired**	**Performing**	**Impaired**
1	Current accounts	8,241	13	15,588	-
2	Repurchase agreements	531,953	-	1,250,578	-
3	Mortgages	80,018	-	280,325	-
4	Credit cards, personal loans and salary-backed loans	-	-	-	-
5	Finance leases	-	-	-	-
6	Factoring	-	-	-	-
7	Other transactions	552,921	4,098	479,904	4,139
8	Debt securities	-	-	-	-
	8.1 Structured securities	-	-	-	-
	8.2 Other debt securities	-	23	-	-
	Total (book value)	**1,173,133**	**4,134**	**2,026,395**	**4,139**
	Total (fair value)	**1,173,133**	**4,134**	**2,022,700**	**4,139**

Item 1 – “Current accounts” mainly comprises overdrafts granted to reliable customers. These assets were collectively written down by approximately 67 thousand euro.

Item 2 – “Repurchase agreements” refers exclusively to securities lending transactions for a countervalue of 531,953 thousand euro (1,250,578 thousand euro as at 31 December 2008).

Item 3 – “Mortgages” totalling 79,951 thousand euro represents the balance of securities lending transactions completed in the form of mortgages outstanding as at the end of 2009.

Item 7 – “Other transactions” (performing) mainly refers to 397,841 thousand euro in guarantee deposits released to clearing houses for derivatives settled on Italian and international markets, and 136,810 thousand euro in collateral on financial instrument contracts released to finance companies. Item 7 – “Other transactions” (impaired) mainly refers to 13,307 thousand euro due from the Lehman Brothers Group, cumulatively written down by 9,342 thousand euro including the 2009 write-down of 106 thousand euro.

7.2 Due from customers: breakdown by borrower/issuer

(in thousands of euro)	31-12-2009		31-12-2008	
	Performing	Impaired	Performing	Impaired
1 Debt securities	**-**	**23**	**-**	**-**
a) Governments	-	-	-	-
b) Other public authorities	-	-	-	-
c) Other issuers	-	23	-	-
- non-financial companies	-	23	-	-
- finance companies	-	-	-	-
- insurance companies	-	-	-	-
- other	-	-	-	-
2 Loans to	**1,173,133**	**4,111**	**2,026,395**	**4,139**
a) Governments	-	-	-	-
b) Other public authorities	-	-	-	-
c) Other entities	1,173,133	4,111	2,026,395	4,139
- non-financial companies	416	-	1,539	-
- finance companies	1,120,482	3,964	1,662,872	4,139
- insurance companies	233	-	-	-
- other	52,002	147	361,984	-
Total	**1,173,133**	**4,134**	**2,026,395**	**4,139**

Section 8 – Hedging derivatives – Item 80

8.1 Hedging derivatives: breakdown by contract type and underlying assets

The exchange rate micro hedging of the London Stock Exchange share, classified as AFS, recorded a negative fair value as at 31 December 2009, and therefore reference should be made to Section 6 Liabilities.

Section 10 – Investments – Item 100

10.1 Equity investments in subsidiaries, companies subject to common control (measured at equity) or subject to significant influence: information on investment relations

(in thousands of euro)	31-12-2009			31-12-2008		
	Reg'd office	Percentage investment %	Percentage voting rights %	Reg'd office	Percentage investment %	Percentage voting rights %
A. 100% subsidiaries						
1. Aletti Fiduciaria S.p.A.	Milan	100%	100%	Milan	100%	100%
2. Nazionale Fiduciaria S.p.A.	Brescia	100%	100%	Brescia	100%	100%
3. Aletti Trust S.p.A.	Milan	100%	100%	-	-	-
C. Companies subject to significant influence						
1. Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	Milan	20%	20%	Milan	22.5%	22.5%
2. HI-MTF S.p.A	Milan	20%	20%	Milan	20%	20%
3. Società Gestione Servizi - BP Soc. cons. per azioni (SGS)	Verona	10%	10%	-	-	-
4. BP Property Management Soc. cons. per azioni (Formerly BPVN Immobiliare)	Verona	1%	1%	-	-	-

With regard to the plan to streamline the "trusts" segment of the group, on 27 March 2009 Banco Popolare transferred the entire investment in Carfid Srl to Banca Aletti at the price of 47,543 euro (the share capital totalled 51,600 euro). On 12 June 2009, Carfid srl became a single member joint-stock company, at the same time increased its share capital to 500,000 euro and changed its name from Carfid srl to Aletti Trust SpA.

On 2 April 2009 Banca Aletti adopted the plan for transformation of the group service companies, SGS BP and BP Property Management, from profit centres to cost centres following their transformation into consortia. On 4 May 2009 Banca Aletti purchased 1,020,000 SGS BP shares (10% of the share capital) for a countervalue of 10,519,431 euro, and on 7 May 2009 purchased 13 units of BP Property Management (1% of the capital) for 490,360 euro.
On 25 November 2009, after Banca Popolare dell'Etruria e del Lazio's investment in Group srl capital, the Bank's investment in that company fell from 22.5% to 20%.

As described in detail in the Report on Operations, as a result of the simplification and streamlining of the Group's trusts in addition to achieving cost-revenue synergies, on 27 January the Banco Popolare Management Board approved the merger of Critefi SIM SpA, a single shareholder company, into Banca Aletti. On 6 August 2009 the Banca Aletti Board of Directors approved the Critefi Sim SpA merger, at the same time approving the 100% acquisition of the company's share capital for 1,224,890 euro, the book value of shareholders' equity as at 30 September 2009, paid in full on 11 November 2009. As this was a business combination for reorganisation purposes between two or more companies or business units forming part of the Banco Popolare Group, the transactions were recorded at the same value in both the merged company and merging company financial statements. Therefore on 31 December 2009, the effective date of the merger, the investment was derecognised and the assets, liabilities and income statement figures for the asset management company were recognised to Banca Aletti accounts for all of 2009 as the accounting and tax effects were backdated to 1 January 2009. Accounting of the merger led to a 37,222 euro merger deficit, recognised as a reduction in the Other equity reserves of Banca Aletti.

It should also be noted that following impairment testing on 31 December 2009 of Nazionale Fiduciaria Spa, a write-down of 3,585 thousand euro was recognised.

10.2 Equity investments in subsidiaries, companies subject to common control or subject to significant influence: accounting data

(in thousands of euro)	Total Assets	Total Revenues	Gains (Losses)	Shareholders' equity	Book value	Fair value
A. 100% subsidiaries	**8,031**	**5,043**	**1,356**	**5,113**	**9,021**	X
1. Aletti Fiduciaria S.p.A.	3,363	2,583	603	1,699	1,025	X
2. Nazionale Fiduciaria S.p.A.	3,796	1,972	702	2,877	7,500	X
3. Aletti Trust S.p.A.	872	488	51	537	496	
C. Companies subject to significant influence	**377,059**	**459,442**	**5,263**	**162,834**	**12,025**	X
1. Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	104	34	7	97	16	X
2. HI-MTF S.p.A	4,347	2,093	121	3,967	1,000	X
3. Società Gestione Servizi - BP Soc. cons. per azioni (SGS)	312,480	372,156	7,476	112,187	10,519	X
4. BP Property Management Soc. cons. per azioni (Formerly BPVN Immobiliare)	60,128	85,159	(2,341)	46,583	490	X
Total	***385,090***	***464,485***	***6,619***	***167,947***	***21,046***	X

The accounting data for total assets, total revenues, gains/(losses) and shareholders' equity were taken from the latest financial statements as at 31 December 2009.

10.3 Equity investments: annual changes

(in thousands of euro)	2009	2008
A. Opening balances	**13,128**	**2,043**
B. Increases	**12,730**	**17,185**
B.1 Acquisitions	12,730	17,185
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**4,812**	**6,100**
C.1 Disposals	2	-
C.2 Write-downs	3,585	6,100
C.3 Other changes	1,225	-
D. Closing balances	**21,046**	**13,128**
E. Total revaluations	-	-
F. Total write-downs	9,685	6,100

Item B1 – Acquisitions refers to the acquisition of Carfid Srl for 47 thousand euro and same time subscription to the company's share capital increase for 449 thousand euro on its transformation into Aletti Trust Spa. The item also includes acquisition of the investment in SGS BP for 10,519 thousand euro and in BP Property Management for 490 thousand euro. A further contribution to this item was the 100% investment in Critefi Sim SpA capital of 1,225 thousand euro.
Item C.1 – Disposals - refers to the disposal of 2.5% of Group srl to Banca Popolare dell'Etruria e del Lazio. This disposal generated capital gains of 242 euro recognised to item 210 of the Income Statement, "Gains (losses) on investments.
Item C.2 – Write-downs refers to write-down of the investment in Nazionale Fiduciaria SpA following impairment testing at year end for 3,585 thousand euro.

Item C.3 – Other changes refers to derecognition of the investment in Critefi Sim Spa following its merger into the bank on 31 December 2009.

10.4 Commitments relating to investments in subsidiaries

As at 31 December 2009 the Bank had no commitments to subsidiaries.

10.5 Commitments relating to investments in companies subject to significant influence

As at 31 December 2009 the Bank had no commitments to its investee company.

Section 11 – Property, plant and equipment – Item 110

Property, plant and equipment totalled 1,686 thousand euro, net of related provisions for depreciation.

11.1 Property, plant and equipment: breakdown of assets measured at cost

(in thousands of euro)		31/12/2009	31/12/2008
A	**Assets for operational use**		
	1. Owned	**1,686**	**2,029**
	a) land	-	-
	b) buildings	-	-
	c) furniture and fittings	1,007	1,177
	d) electrical systems	-	-
	e) other	679	852
	2. Acquired under finance leases	-	-
	a) land	-	-
	b) buildings	-	-
	c) furniture and fittings	-	-
	d) electrical systems	-	-
	e) other	-	-
	Total A	**1,686**	**2,029**
B	**Assets held as investments**		
	1. Owned	-	-
	a) land	-	-
	b) buildings	-	-
	2. Acquired under finance leases	-	-
	a) land	-	-
	b) buildings	-	-
	Total B	-	-
	Total (A+B)	**1,686**	**2,029**

11.3 Assets for operational use: annual changes

2009

(in thousands of euro)	Land	Buildings	Furniture and fittings	Electrical systems	Other	Total
A. Gross opening balances	-	-	**4,348**	**787**	**2,781**	**7,916**
A.1 Total net impairment	-	-	(3,171)	(787)	(1,929)	(5,887)
A.2 Net opening balances	-	-	1,177	-	852	2,029
B Increases	-	-	**149**	-	**136**	**285**
B.1 Acquisitions	-	-	149	-	135	284
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised to						-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transferred from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	1	1
C Decreases	-	-	**(319)**	-	**(309)**	**(628)**
C.1 Disposals	-	-		-	(3)	(3)
C.2 Depreciation	-	-	(319)	-	(305)	(624)
C.3 Write-downs for impairment recognised to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transferred to:	-	-	-	-	-	-
a) property, plant and equipment held as investments	-	-	-	-	-	-
b) discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	(1)	**(1)**
D Net closing balances	-	-	**1,007**	-	**679**	**1,686**
D.1 Total net impairment	-	-	(3,515)	(787)	(2,282)	(6,584)
D.2 Gross closing balances	-	-	4,522	787	2,961	8,270
E Measurement at cost	-	-	-	-	-	-

Section 12 – Intangible assets – Item 120

12.1 Intangible assets: breakdown by asset type

Intangible assets totalled approximately 19,981 thousand euro, net of amortisation.

(in thousands of euro)	31-12-2009		31-12-2008	
	Finite life	**Infinite life**	**Finite life**	**Infinite life**
A.1 Goodwill	X	**19,973**	X	**19,973**
A.2 Other intangible assets	**8**	**-**	**4**	**-**
A.2.1 Assets measured at cost	8	-	4	-
a) Intangible assets generated in-house	-	-	-	-
b) Other assets	8	-	4	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated in-house	-	-	-	-
b) Other assets	**-**	**-**	**-**	**-**
Total	**8**	**19,973**	**4**	**19,973**

The total of 19,973 euro is the book value (calculated according to international accounting standards) of goodwill relating to Bipitalia SGR, acquired following the transfer of 2007. The Bipitalia goodwill arose from extraordinary transactions between 2000 and 2004, and relate to the transfer of asset management business from banks of the former BPI group to this asset management company.

The residual values concerned were impairment tested, the results of which showed that these values were lower than the higher value between the fair value and recovery value of the CGU to which the goodwill was recognised.

Consistent with the configuration adopted by the Group following the establishment of Banco Popolare, the CGUs identified were the Legal Entity (i.e. the entire bank) and no longer the bank's intersecting business segments (private, investment and asset management).

Estimation of the recoverable value for impairment testing purposes was performed on the fair value calculation by applying the stock market multiples method, based on an analysis of comparable listed companies or comparable transactions and application of the resulting benchmarks to the bank's values. The multiples obtained were the ratio between valuation of the comparable companies (expressed as the market prices) or of the prices paid in M&A transactions, and the related income, equity and financial amounts deemed significant, taking into account any excess/deficit capital.

The test in any event showed that the book value of the residual goodwill was much lower than the fair value of the CGU, and therefore no write-down for impairment was recognised.

12.2 Intangible assets: annual changes

The following changes in intangible assets occurred during the year.

2009

(in thousands of euro)	Goodwill	Other intangible assets: generated in-house		Other intangible assets: Other		Total
		Limited	Unlimited	Limited	Unlimited	
A. Opening balances	**19,973**	**-**	**-**	**16**	**-**	**19,989**
A.1 Total net impairment	-	-	-	(12)	-	(12)
A.2 Net opening balances	19,973	-	-	4	-	19,977
B. Increases:	**-**	**-**	**-**	**10**	**-**	**10**
B.1 Acquisitions		-	-	-	-	-
B.2 Increases in assets generated in-house	X	-	-	-	-	-
B.3 Reversals	X	-	-	-	-	-
B.4 Positive changes in fair value:	-	-	-	-	-	-
a) shareholders' equity	X	-	-	-	-	-
b) income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	10	-	10
C. Decreases	**-**	**-**	**-**	**(6)**	**-**	**(6)**
C.1 Disposals	-	-	-	-	-	-
C.2 Write-downs	-	-	-	(6)	-	(6)
- Amortisation	X	-	-	(6)	-	(6)
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- to Shareholders' equity	X	-	-	-	-	-
- to the income statement	X	-	-	-	-	-
C.4 Transfer to discontinued operations	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing balances	**19,973**	**-**	**-**	**8**	**-**	**19,981**
D.1 Total net impairment	**-**	**-**	**-**	**23**	**-**	**23**
E. Gross closing balances	**19,973**	**-**	**-**	**31**	**-**	**20,004**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Section 13 – Tax assets and liabilities – Item 130 Assets and Item 80 Liabilities

Current taxes

As at 31 December 2009 current tax assets amounted to 9,523 thousand euro, corresponding to the IRAP (regional tax) credit in excess of prepayments for 2008 net of 2009 taxes payable.

Current tax liabilities as at 31 December 2009 totalled 550 thousand euro, corresponding to the second instalment of substitute tax for misalignment redemption of off-balance sheet deductions applied in the Unico 2009 tax return, payable to the Tax Authorities by 16 June 2010.

With regard to IRES (production tax) it should be emphasised that the related credit and debit positions can be found, respectively, under "Other assets" and "Other liabilities". Given the bank’s adoption of the consolidated tax regime as a consolidated company (renewed in 2007), Banca Aletti will pay both the balance and prepayment of IRES to the parent company Banco Popolare which, as consolidating company and subject to consolidation of the taxable amounts for all companies included in the consolidation area, will arrange payment to the Tax Authority of any tax debits.

Deferred taxes

Deferred taxes are recognised by applying the IAS 12 “balance sheet liability method” in compliance with Bank of Italy instructions. In particular, prepaid tax assets and deferred tax liabilities are calculated by applying the tax rates presumed to be in force at the time any differences will be recovered, to the nominal values of all deductable and taxable temporary differences, in accordance with tax regulations valid as at the balance sheet date. The tax rates and IRES and IRAP tax base calculations are adjusted during the tax years to take into account any new reference regulations (for example, changes in tax rates) and the profitability outlook of the company (recording amounts under credits and debits considered consistent with their real recovery capacity).

For 2009 there were no extraordinary events significantly affecting the quantification of tax liabilities for deferred taxes and prepaid tax assets. Specifically, compared to 2008, there were no changes in prospective tax rates or significant changes in the tax treatment of income items with an impact on deferred taxes.

13.1 Prepaid tax assets: breakdown

	(in thousands of euro)	**IRES**	**IRAP**	**31-12-2009**	**31-12-2008**
A)	**With balancing entry in the income statement**				
	Provisions for risk – non-deductible, standard taxation	508	-	508	1,009
	Non-deductible costs relating to more than one tax year	94	16	110	201
	Non-deductible operating asset losses	33	6	39	99
	Deferred tax on personnel costs	3,907	-	3,907	3,335
	Goodwill impairment	962	169	1,131	1,336
	Write-downs on amounts due from banks	6,573	-	6,573	4,923
	Write-downs on amounts due from customers in excess of the deductible limit	-	-	-	556
	Other	163	490	653	77
	Total A	**12,240**	**681**	**12,921**	**11,536**
B)	**With balancing entry in equity**				
	Fair value measurement of AFS financial assets	-	43	43	8
	Other	-	-	-	-
	Total B	**0**	**43**	**43**	**8**
	Total (A+B)	**12,240**	**724**	**12,964**	**11,544**

13.2 Deferred tax assets: breakdown

(in thousands of euro)	IRES	IRAP	Other taxes	31-12-2009	31-12-2008
A) With balancing entry in the income statement					
Capital gains recognised in relation to Italian UCIs	338	-	-	338	33
Capital gains on operating assets	-	-	-	-	49
Early depreciation of property, plant and equipment	-	-	-	-	-
Tax amortisation on goodwill	2,143	320	-	2,463	2,063
AFS financial asset measurement	58	-	-	58	63
Substitute tax for misalignment redemption of off-balance sheet deductions	-	-	-	-	-
Other	142	-	394	536	1,123
Total A	**2,681**	**320**	**394**	**3,395**	**3,331**
B) With balancing entry in equity					
Fair value measurement of AFS financial assets	24	7	-	31	16
Total B	**24**	**7**	**-**	**31**	**16**
Total (A+B)	**2,705**	**327**	**394**	**3,426**	**3,347**

In table 13.2 “Deferred tax assets”, the breakdown of the “Other" column refers to deferred liabilities for an amount equal to the third instalment of substitute tax for misalignment of off-balance sheet deductions, pursuant to art. 1, subsection 48, Italian Law no. 244 of 24 December 2007 (the 2008 Finance Act), in the 2008 tax return (Unico 2009). This amount will be paid to the tax authorities on 16 June 2011.

13.3 Changes in prepaid taxes (with balancing entry in the income statement)

	(in thousands of euro)	31-12-2009	31-12-2008
1.	**Opening balances**	**11,536**	**19,092**
2.	**Increases**	**6,264**	**9,720**
	2.1 Prepaid taxes recognised during the year	6,264	9,720
	a) relating to previous years	1,848	-
	b) due to changes in accounting standards	-	-
	c) reversals	-	-
	d) other	4,416	9,720
	2.2 New taxes or tax rate increases	-	-
	2.3 Other increases	-	-
	- of which “business combinations”	-	-
3.	**Decreases**	**(4,879)**	**(17,276)**
	3.1 Prepaid taxes derecognised during the year	(4,879)	(17,276)
	a) reversals	(4,879)	(17,276)
	b) irrecoverable write-downs	-	-
	c) changes in accounting standards	-	-
	3.2 Tax rate decreases	-	-
	3.3 Other decreases	-	-
4.	**Closing balance**	**12,921**	**11,536**

In calculating the prepaid tax credit the bank considered it reasonable to assume that sufficient profits will be generated in future years to allow recovery of the amounts recognised to the financial statements.

13.4 Changes in deferred taxes (with balancing entry in the income statement)

(in thousands of euro)	31-12-2009	31-12-2008
1. Opening balances	**3,331**	**11,258**
2. Increases	**768**	**1,469**
2.1 Deferred taxes recognised during the year	768	525
a) relating to previous years	67	88
b) due to changes in accounting standards	-	-
c) other	701	437
2.2 New taxes or tax rate increases	-	944
2.3 Other increases	-	-
- of which "business combinations"	-	-
3. Decreases	**(704)**	**(9,396)**
3.1 Deferred taxes derecognised during the year	-	(9,175)
a) reversals	-	(9,175)
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate decreases	-	-
3.3 Other decreases	(704)	(221)
4. Closing balance	**3,395**	**3,331**

13.5 Changes in prepaid taxes (with balancing entry in shareholders' equity)

(in thousands of euro)	31-12-2009	31-12-2008
1. Opening balances	**8**	**-**
2. Increases	**120**	**8**
2.1 Deferred taxes recognised during the year	120	-
a) relating to previous years	-	-
b) due to changes in accounting standards	-	-
c) other	120	8
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
- of which "business combinations"	-	-
3. Decreases	**(85)**	**-**
3.1 Deferred taxes derecognised during the year	(85)	-
a) reversals	(85)	-
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate decreases	-	-
3.3 Other decreases	-	-
4. Closing balance	**43**	**8**

13.6 Changes in deferred taxes (with balancing entry in shareholders' equity)

(in thousands of euro)	31-12-2009	31-12-2008
1. Opening balances	**16**	**154**
2. Increases	**22**	**16**
2.1 Deferred taxes recognised during the year	22	16
a) relating to previous years	-	-
b) due to changes in accounting standards	-	-
c) other	22	16
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**(7)**	**(154)**
3.1 Deferred taxes derecognised during the year	(7)	(154)
a) reversals	(7)	(154)
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate decreases	-	-
3.3 Other decreases	-	-
4. Closing balance	**31**	**16**

Section 15 – Other Assets – Item 150

15.1 Other assets: breakdown

Details of certain items of "Other Assets" are provided below.

(in thousands of euro)	31-12-2009	31-12-2008
A. Loans	**66,162**	**95,580**
1. Amounts due from group companies for tax consolidation	-	78,703
2. Commissions receivable	17,163	14,877
3. Tax credits	48,981	2,000
4. Other income receivable	18	-
B. Other items	**19,760**	**258,992**
1. In progress	6,193	32,500
2. Securities and coupons to be settled	11,421	220,718
3. Other transactions to be settled	-	-
4. Other	2,146	5,774
Total	**85,922**	**354,572**

"Amounts due to the parent company for tax consolidation" reduced the total recognised as "Amounts due from the parent company for tax consolidation". Note that in 2009 no prepayments were made to the parent company as the tax payable for 2008, restated for prepayment calculation purposes, was lower than withholding tax and tax credits recorded for 2008.

"Tax credits" mainly refer to 44,202 thousand euro in tax credits on foreign dividends for which reimbursement has been requested and 750 thousand euro in amounts due from the parent company following the claim for reimbursement submitted by the parent company (under the terms of the tax consolidation) regarding the deductibility of 10% IRAP for IRES tax purposes.

The item "Commissions receivable" refers mainly to 16,173 thousand euro "Amounts due to group companies or associates" for accrued services provided as at year end that are not attributable to "Operating receivables".
"Securities and coupons to be settled" refer to securities transactions performed on the bank's own account and on behalf of third parties in the last few days of 2009 which were settled in the first few days of the new year. This item is linked to amounts to be settled recorded under the corresponding item "Other liabilities" under Liabilities.

"Other items – other" comprises 903 thousand euro for settlement transactions on various accounts completed at the beginning of 2010 and 1,243 thousand euro in improvements to third party assets not attributable to property, plant and equipment.

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 Due to banks: breakdown by product

(in thousands of euro)	31-12-2009	31-12-2008
1. Due to central banks	-	-
2. Due to banks	**3,130,497**	**17,519,964**
2.1 Current accounts and demand deposits	1,093,998	2,106,511
2.2 Term deposits	921,798	2,791,253
2.3 Loans	1,093,315	12,560,952
2.3.1 Reverse repurchase agreements	1,093,315	12,560,952
2.3.2 Other	-	-
2.4 Commitments to repurchase own equity instruments	-	-
2.5 Other payables	21,386	61,248
Total	**3,130,497**	**17,519,964**
Fair value	**3,130,497**	**17,519,964**

Item 2.2 “Term deposits” includes 908,740 thousand euro (543,930 thousand euro as at 31 December 2008) in deposits as collateral on financial instrument contracts.

Item 2.3 “Loans” refers to "Repurchase agreements" and "Securities Lending" transactions. This item comprises:

- Repurchase transactions for a countervalue of 661,234 thousand euro (11,520,837 thousand euro as at 31 December 2008);
- Securities lending transactions for a countervalue of 432,081 thousand euro (762,742 thousand euro as at 31 December 2008);

The significant decrease in volumes of repo agreements recorded in 2009 is the result of treasury activities being centralised with the parent company.
Item 2.5 “Other payables” comprises operating payables.

Section 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by product

(in thousands of euro)	31-12-2009	31-12-2008
1. Current accounts and demand deposits	936,588	458,723
2. Term deposits	-	-
3. Loans	757,463	2,282,088
3.1 Reverse repurchase agreements	240,204	2,282,088
3.2 Other	517,259	-
4. Commitments to repurchase own equity instruments	-	-
5. Other payables	1,380	-
Total	**1,695,431**	**2,740,811**
Fair value	**1,695,431**	**2,740,811**

The breakdown for item 3.1 “Loans – Repurchase agreements" as at 31 December 2009 was as follows:

- Repurchase transactions for a countervalue of 103,995 thousand euro (579,318 thousand euro as at 31 December 2008);
- Securities lending transactions for a countervalue of 136,208 thousand euro (1,675,784 thousand euro as at 31 December 2008);

Item 3.2 “Loans – Other” refers to the payable mortgage generated from securities borrowing.

Item 5 “Other payables” comprises operating payables only.

Section 3 – Securities in issue – Item 30

3.1 Securities in issue: breakdown by product

Security type/Values	Total 2009				Total 2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-	-	-
2. Other securities	34,636	-	34,636	-	177,597	-	177,597	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	34,636	-	34,636	-	177,597	-	177,597	-
Total	**34,636**	**-**	**34,636**	**-**	**177,597**	**-**	**177,597**	**-**

This item refers to short-term certificates of deposit only.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by product

As at 31 December 2009 financial liabilities held for trading totalled 5,115,886 thousand euro. The breakdown of financial liabilities is illustrated in the table below.

Security type/Values	Total 2009					Total 2008				
	NV	FV			FV*	NV	FV			FV*
		L 1	L 2	L 3			L 1	L 2	L 3	
A. Cash liabilities										
1. Due to banks	142	146	-	-	146	58	983	-	-	983
2. Due to customers	34,013	34,386	-	-	34,386	75,596	71,188	-	-	71,188
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-		-	-	-	-	
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**34,155**	**34,532**	**-**	**-**	**34,532**	**75,654**	**72,171**	**-**	**-**	**72,171**
B. Derivatives										
1. Financial derivatives	-	208,839	4,864,248	4,210	-	-	422,714	3,667,398	9,140	-
1.1 Trading	X	208,839	4,864,248	4,210	X	X	422,714	3,667,398	9,140	X
1.2 Linked to the fair value option	-	-	-	-	-	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	4,057	-	X	-	-	70	-	-
2.1 Trading	-	-	4,057	-	-	X	-	70	-	X
2.2 Linked to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**208,839**	**4,868,305**	**4,210**	**X**	**X**	**422,714**	**3,667,468**	**9,140**	**X**
Total (A+B)	**34,155**	**243,371**	**4,868,305**	**4,210**	**34,532**	**75,654**	**494,885**	**3,667,468**	**9,140**	**72,171**

FV = Fair value
FV = Fair value measured by excluding value differences due to changes in the issuer credit rating since the issue date*
NV = Nominal or notional value
L 1 = Level 1
L2 = Level 2
L3 = Level 3

“Due to banks” includes uncovered short positions on listed shares issued by banks.
“Due to customers” includes uncovered short positions on listed shares issued by non-banking entities.

Section 6 – Hedging derivatives – Item 60

6.1. Hedging derivatives: breakdown by hedge type and by hierarchical level

(in thousands of euro)	Fair value 2009			NV 2009	Fair value 2008			NV 2008
	L 1	L 2	L 3		L 1	L 2	L 3	
A) Financial derivatives	**-**	**148**	**-**	**5,743**	**-**	**96**	**-**	**3,580**
1) fair value	-	148	-	5,743	-	96	-	3,580
2) cash flow	-	-	-	-	-	-	-	-
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1) fair value	-	-	-	-	-	-	-	-
2) cash flow	-	-	-	-	-	-	-	-
Total	**-**	**148**	**-**	**5,743**	**-**	**96**	**-**	**3,580**

NV = Notional value
L 1= Level 1
L2 = Level 2
L3 = Level 3

In 2009 the micro hedging of exchange rate risk continued in relation to the London Stock Exchange share classified as AFS financial assets.
The fair value of the hedge was recorded under this item. The balancing entry of this valuation in the income statement was recognised to item 90 "Hedging gains/(losses)". The exchange difference on the share as at the hedging date was recognised to the same income statement item.

6.2. Hedging derivatives: breakdown by hedged portfolio and hedge type

Transactions/Hedge type	Fair value						Cash flow		Foreign investment
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit Risk	Price Risk	Multirisk				
1. Available-for-sale financial assets	-	148	-	-	-	X	-	X	X
2. Loans	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	-	-	-	X
5. Other transactions	X	X	X	X	X	X	X	X	-
Total assets	**-**	**148**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
1. Transactions pending	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	X	-	-

Section 8 – Tax liabilities – Item 80

See section 13 under Assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

(in thousands of euro)	31-12-2009	31-12-2008
A. Payables	**55,201**	**49,110**
Due to group companies for tax consolidation	5,715	-
Due to tax and social security authorities for amounts payable on behalf of third parties	4,562	6,863
Due to personnel	1,474	1,744
Trade payables	43,450	40,503
B. Other items	**41,100**	**281,737**
Securities and coupons to be settled	39,565	275,399
Bank transfers for clearance	1,525	849
Other items	10	5,489
Total	**96,301**	**330,847**

Details of certain items of “Other liabilities” are provided below.

Amounts due to group companies for tax consolidation refer to the IRES tax debit of 5,715 thousand euro of Banco Popolare, the only entity with tax obligations following adoption of the Tax Consolidation option.

Amounts due to tax authorities for amounts payable on behalf of third parties mainly refer to 1,330 thousand euro in contributions payable to the Italian social security authority, 216 thousand euro capital gains payable to the tax authority as a result of asset management, withholdings on interest paid to customers for 804 thousand euro, 566 thousand euro VAT payable and IRPEF withholding tax for 1,357 thousand euro.

Amounts due to personnel mainly regard payables due for leave not taken and bonus salaries.

The trade payables refer to amounts due on invoices received but not yet paid and amounts allocated for invoices to be received.

“Securities and coupons to be settled” refer to securities transactions performed on the bank’s own account and on behalf of third parties in the last few days of 2009 which were settled in the first few days of the new year. This item is linked to amounts to be settled recorded under the corresponding item “Other assets” under Assets.

The amount indicated for bank transfers for clearance refer to bank transfers performed on the bank’s own account and on behalf of third parties in the last few days of 2009 which were settled in the first few days of the new year.

“Other items” mainly includes payables to external pension funds for contributions matured and paid at the beginning of 2009 and amounts due on customer accounts that were settled during the following year.

Section 11 - Employee termination indemnity – Item 110

11.1 Employee termination indemnity: annual changes

The balance of the employee termination indemnity as at 31 December 2009 was determined in accordance with IAS 19 and totals 2,703 thousand euro. The table below provides details of changes during the year compared to those of the previous year, restated as envisaged by IAS.

(in thousands of euro)	31-12-2009	31-12-2008
A. Opening balances	**2,645**	**2,539**
B. Increases	**391**	**380**
B.1 Allocations for the year	118	114
B.2 Other increases	273	266
C. Decreases	**(333)**	**(274)**
C.1 Settlements	(110)	(139)
C.2 Other decreases	(223)	(135)
D. Closing balances	**2,703**	**2,645**
Total	**2,703**	**2,645**

The amount recorded under sub-item B.1 “Allocations for the year” includes 118 thousand euro (114 thousand euro as at 31 December 2008) in financial charges (interest cost) for liabilities as at 31 December 2009 (calculated on residual liabilities from the previous year net of utilisation and according to the nominal discounting rate of 4.40%).

Sub-item B.2 “Other increases” refers to employee severance indemnity for personnel terminating their detachment to Group companies during the year and re-employed directly by Banca Aletti (the figure for employee severance indemnity for personnel transferred within the group as at 31 December 2008 was 360 thousand euro). This item includes the post-merger amount for two former employees of Critefi Sim SpA. The item also includes the annual portion of legal revaluation net of 11% substitute tax which totalled 65 thousand euro, and the positive impact of actuarial time discounting of the provision for 20 thousand euro.

Sub-item C.1 “settlements” represents the amount of employee severance indemnity paid to employees during the year following termination of their employment with Banca Aletti.

The amount indicated under sub-item C.2 “Other decreases” includes employee severance indemnity for personnel who terminated their detachment to Banca Aletti and were re-employed directly by the Group banks (the figure for employee severance indemnity for personnel transferred from Banca Aletti as at 31 December 2009 was 223 thousand euro).
For IAS 19 purposes, employee severance indemnity was classified as a defined benefit plan and therefore estimated using actuarial assumptions envisaging the calculation of future service accrued by employees which is then time-discounted at a market benchmark rate for the share performance of leading companies with a 10-year maturity (corresponding to the average residual life of group liabilities).
This leads to a DBO (Defined Benefit Obligation) equal to the average year-end value of defined benefit obligations accrued for existing staff as at the assessment date.

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

(in thousands of euro)	31-12-2009	31-12-2008
1. Company pension funds	-	-
2. Other provisions for risks and charges	**16,007**	**15,722**
2.1 legal disputes	-	-
2.2 personnel costs	14,120	12,882
2.3 other	1,887	2,840
Total	**16,007**	**15,722**

The total provisions for risks and charges of 16,007 thousand euro can be broken down as follows:

- 13,772 thousand euro liabilities regarding provisions for future personnel costs, 209 thousand euro provisions for renewal of the supplementary company agreement and 349 thousand euro costs to be incurred by the bank over the next year for employees who during the previous year subscribed to the “Solidarity fund for income, employment and professional reconversion and requalification support of finance company personnel pursuant to art. 7, Ministerial Decree 158/2000" trade union agreement signed by the Banco Popolare Group on 30 June 2007.
- 1,887 thousand euro for limited and specific disputes or potential reimbursement of sales to customers as at year end, settlement of which was partially defined during the first few months of 2009, and for fees payable to a leading international law office for advisory services regarding the protection of amounts claimed by customers in relation to the Lehman Brothers Group, as already indicated in the report on operations.

12.2 Provisions for risks and charges: annual changes

2009

(in thousands of euro)	Pension funds	Other provisions	Total
A. Opening balances	**-**	**15,722**	**15,722**
B. Increases	**97**	**15,218**	**15,315**
B.1 Allocations for the year	10	15,199	15,209
B.2 Time-related changes	-	19	19
B.3 Changes due to discounting rate amendments	-	-	-
B.4 Other increases	87	-	87
C. Decreases	**(97)**	**(14,933)**	**(15,030)**
C.1 Utilisation during the year	(97)	(14,933)	(15,030)
C.2 Changes due to discounting rate amendments	-	-	-
C.3 Other decreases	-	-	-
D. Closing balances	**-**	**16,007**	**16,007**

Sub-items B.1 and B.2 form the total impact on the income statement of changes in provisions for risks and charges in 2009. The entire amount comprises 13,331 thousand euro provisions for personnel costs recognised to item 150 a) "Personnel costs" of the income statement as at 31 December 2009, and 1,887 thousand euro provisions as described above for customer claims.

Item C.1 "Utilisation" mainly refers to the utilisation of provisions following the conclusion of transactions with customers as a result of the claims for 2,840 thousand euro and 12,092 thousand euro in payments relating to personnel costs.

2008

(in thousands of euro)	Pension funds	Other provisions	Total
A. Opening balances	**-**	**1,975**	**1,975**
B. Increases	**-**	**3,553**	**3,553**
B.1 Allocations for the year	-	3,464	3,464
B.2 Time-related changes	-	20	20
B.3 Changes due to discounting rate amendments	-	-	-
B.2 Other increases	-	69	69
C. Decreases	**-**	**1,668**	**1,668**
C.1 Utilisation during the year	-	1,643	1,643
C.2 Changes due to discounting rate amendments	-	-	-
C.3 Other decreases	-	25	25
D. Closing balances	**-**	**3,860**	**3,860**

12.3 Defined benefit plans (company pension funds)

Banca Aletti has no internal pension funds but, in accordance with Group policy, is obliged to contribute to funds established within the Group with annual payment of 3.25% of the gross remuneration paid to employees subscribing to such funds.
The amount paid in 2009 totalled 1,004 thousand euro, recognised to item 150 a) of the income statement in relation to personnel costs (in particular, see section 9, table 9.1, point 1) g) of the income statement).

It should also be specified that as at 1 January 2009 Critefi Sim SpA had a pension fund in favour of company directors amounting to 87 thousand euro. After provisions for the year of 10 thousand euro, this fund was liquidated in full by the end of 2009.

12.4 Provisions for risks and charges – other provisions

As the above-described Solidarity Fund will affect income in the next 4 years, arrangements were made for discounting pursuant to international accounting standards, using the swap rate curve for the same time horizon.

Section 14 – Capital and reserves – Items 140, 160, 170, 180, 190, 200 and 220

14.1 Capital and reserves: breakdown

(in thousands of euro)	31-12-2009	31-12-2008
1. Capital	121,164	121,164
2. Share premium reserve	72,590	72,590
3. Reserves	238,252	146,840
4. (Own shares)	-	-
5. Valuation reserves	1,735	76
6. Equity instruments	-	-
7. Profit (Loss) for the year	162,559	91,449
Total	**596,300**	**432,119**

Following the merger of Critefi SIM SpA, a business combination for reorganisation purposes between two or more companies or business units forming part of the Banco Popolare Group, the transactions were recorded at the same value in both the merged company and merging company financial statements. Accounting of the merger led to a 37,222 euro merger deficit, recognised as a reduction in the Other equity reserves of Banca Aletti.
As at 31 December 2009 the share capital remained unchanged compared to the previous year and therefore comprises 23,481,307 ordinary shares with a par value of 5.16 euro, for a countervalue of 121,163,538.96 euro.

14.2 Share capital – Number of shares: annual changes

2009

(in units)	Ordinary	Other
A. Opening balance of shares in issue	**23,481,306**	**-**
- fully called	23,481,306	-
- not fully called	-	-
A.1 Own shares (-)	-	-
A.2 Shares in issue: opening balances	**23,481,306**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- bond conversion	-	-
- warrant exercise	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of own shares	-	-
B.3 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Business disposals	-	-
C.4 Other decreases	-	-
D. Shares in issue: closing balances	**23,481,306**	**-**
D.1 Own shares (+)	-	-
D.2 Closing balance of shares in issue	23,481,306	-
- fully called	23,481,306	-
- not fully called	-	-

14.3 Share capital – Other information

All shares were fully paid-up, have no restrictions or privileges and each share offers the same dividend collection and capital repayment rights.
The Bank does not possess own shares or shares in parent companies, nor has it purchased or disposed of such shares directly or through third parties during the year.

14.4 Profit reserves: other information

The breakdown of profit reserves as at 31 December 2009 was as follows:

- Legal reserve: 24,233 thousand euro
- Other reserves: 214,019 thousand euro

"Other reserves" includes the negative "First Time Adoption reserve" totalling 5,223 thousand euro.
Pursuant to art. 2427, subsection 7-*bis* of the Italian Civil Code, the table below provides a breakdown of items of shareholders' equity, specifying the utilisation options and any utilisation in the last three years.

Breakdown of "Shareholders' equity"	Amount	Utilisation options (*)		Available share	Summary utilisation in the last three years	
					as loss cover	other reasons
Capital	**121,164**			**-**	**-**	**-**
Capital Reserves:				**72,590**		
share premium reserve	72,590	A, B, C	(1)	72,590	-	-
Profit reserves:				**214,019**		
a) legal	24,233	B		-	-	-
b) other	214,019	A, B, C		214,019	-	-
Other reserves:				**-**		
Valuation reserves	1,735		(2)	-	-	-
Comprehensive total	**433,741**			**286,609**		
Non distributable share	**-**			**1,735**		
Distributable residual share	**433,741**			**284,874**		

(*) A = for share capital increases, B = as loss cover, C = for distribution to investors, D = non-distributable
(1) = according to art. 2431, Italian Civil Code, the share premium reserve is freely distributable as the legal reserve has reached the limit established in art. 2430, Italian Civil Code.
(2) = reserve with non-distributable restrictions pursuant to art. 6, Italian Legislative Decree 38/05

Other information

1. Guarantees granted and commitments

(in thousands of euro)	31-12-2009	31-12-2008
1) Financial guarantees granted	**814**	-
a) Banks	-	-
b) Customers	814	-
2) Commercial guarantees granted	-	-
a) Banks	-	-
b) Customers	**-**	**-**
3) Irrevocable commitments to disburse funds	**201,600**	**423,912**
a) Banks	184,023	413,202
i) certain use	184,023	413,202
ii) uncertain use	-	-
b) Customers	17,577	10,710
i) certain use	17,577	9,896
ii) uncertain use	-	814
4) Commitments on underlying assets of credit derivatives: protection sales	-	-
5) Assets pledged as security for third party obligations	-	-
6) Other commitments	**875,777**	**1,492,978**
Total	**1,078,191**	**1,916,890**

The guarantees granted comprise the amount committed to the Interbank Fund for Protection and Deposits for 814 thousand euro. Additionally, there is the guarantee granted for the placement in progress at year end of the Credito Valtellinese convertible bond (ISIN IT0004547698).

Irrevocable commitments to disburse funds for certain use refer to the acquisition of securities not yet settled.

"Other commitments" include put options sold by the bank on guaranteed-return capital and put options sold on regulated markets involving the physical exchange of underlying assets.

2. Assets pledged on own liabilities and commitments

(in thousands of euro)		31-12-2009	31-12-2008
1.	Financial assets held for trading	420,109	313,265
2.	Fair value financial assets	-	-
3.	Available-for-sale financial assets	-	-
4.	Financial assets held to maturity	-	-
5.	Due from banks	77,480	183,435
6.	Due from customers	136,810	91,610
7.	Property, plant and equipment	-	-
	Total	**634,399**	**588,310**

Financial assets pledged on own liabilities refer to own securities pledged on repurchase agreements and securities lending for 420,109 thousand euro.
Amounts due to banks refer to collateral given on financial instrument contracts.

4. Management and intermediation on behalf of third parties

(in thousands of euro)	31-12-2009	31-12-2008
1. Execution of customer orders	**7,040,444**	**10,773,322**
a) Purchases	3,561,781	5,419,036
1. Regulated	3,329,498	5,189,268
2. Unregulated	232,283	229,768
b) Sales	3,478,663	5,354,286
1. Regulated	3,346,223	5,222,010
2. Unregulated	132,440	132,276
2. Asset management	**11,643,403**	**15,239,692**
a) individual	11,643,403	14,849,901
b) collective	-	389,791
3. Securities custody and administration		
a) securities deposited by third parties: relating to custodian bank activities (excluding asset management)	-	-
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	-	-
b) other securities deposited by third parties (excluding asset management): other	61,444,395	69,248,234
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	61,444,395	69,248,234
c) third-party securities deposited with third parties	61,263,285	68,954,830
d) own securities deposited with third parties	1,833,567	1,901,123
4. Other transactions	**-**	**-**

The balance for Asset Management includes 639,069 thousand euro in secured asset management.

PART C – INCOME STATEMENT DATA

Section 1 – Interest – Items 10 and 20

1.1. Interest income and similar revenues: breakdown

(in thousands of euro)	Debt securities	Loans	Other transactions	Total 2009	Total 2008
1. Financial assets held for trading	34,648	-	-	34,648	40,044
2. Available-for-sale financial assets	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-
4. Due from banks	-	240,864	-	240,864	1,077,713
5. Due from customers	-	48,032	-	48,032	46,245
6. Fair value financial assets	-	-	-	-	5,817
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
Total	**34,648**	**288,896**	**-**	**323,544**	**1,169,819**

Interest matured on impaired assets totalled 342 thousand euro.

13.1 Interest income on financial assets in foreign currency

Interest income on financial assets in foreign currency totalled 6,541 thousand euro (53,231 thousand euro as at 31 December 2008) and refer to current accounts and deposits in other currencies.

1.4 Interest expense and similar charges: breakdown

Item/Type	Payables	Securities	Other Liabilities	2009	2008
1. Due to central banks	-	X	-	-	-
2. Due to banks	202,336	X	-	202,336	868,967
3. Due to customers	66,473	X	-	66,473	205,025
4. Securities in issue	X	33	-	33	61
5. Financial liabilities held for trading	170	-	-	170	-
6. Fair value financial liabilities	-	-	-	-	-
7. Other liabilities and provisions	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
Total	**268,979**	**33**	**-**	**269,012**	**1,074,053**

The interest margin has decreased considerably from the 1,074,053 thousand euro recorded for 2008, mainly due to the transfer of treasury activities to the parent company in the first few months of 2009.

1.6.1 Interest expense on liabilities in foreign currency

Interest expense on financial liabilities in foreign currency totalled 12,053 thousand euro (78,477 thousand euro as at 31 December 2008) and refer to current accounts and deposits in other currencies.

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: breakdown

(in thousands of euro)		**2009**	**2008**
a)	**guarantees granted**	-	-
b)	**credit derivatives**	-	-
c)	**management, intermediation and advisory services:**	**134,374**	**187,658**
	1. Financial instrument trading	10,473	14,415
	2. Foreign currency trading	58	71
	3. Portfolio management	52,013	76,849
	3.1 individual	52,013	76,849
	3.2 collective	-	-
	4. Securities custody and administration	1,397	349
	5. Custodian bank activities	-	-
	6. Securities placement	66,791	93,712
	7. Order receipt and transmission	1,491	833
	8. Advisory services	538	271
	8.1 on investments	538	271
	8.2 on financial structuring	-	-
	9. Third party service distribution	1,613	1,158
	9.1 portfolio management	-	-
	9.1.1 individual	-	-
	9.1.2 collective	-	-
	9.2 insurance products	781	31
	9.3 other products	832	1,127
d)	**collection and payment services**	**51**	**59**
e)	**securitisation servicing**	-	-
f)	**factoring services**	-	-
g)	**tax authority/agency collection services**	-	-
h)	**multilateral trading system operations**	-	-
i)	**current account record-keeping and management**	**199**	**158**
j)	**other services**	**25,416**	**18,568**
	Total	**160,040**	**206,443**

The breakdown of "Commission income – Placement" is as follows:

- commission income for debt security placement of 51,995 thousand euro;
- commission income for placement of funds and other financial products of 13,330 thousand euro.
- commission income for equity instrument placement of 10 thousand euro;
- commission income for certificates placement of 711 thousand euro;
- commission income for takeover bids/share capital increases of 683 thousand euro.

"Other services" refers to commissions collected for arranger services which began in 2009 on the structuring of Index-linked Policies issued by insurance companies for 23,907 thousand euro, advisory services for 794 thousand euro, support services for low-liquidity securities for 466 thousand euro, diamond brokerage services for 810 thousand euro and securitisation arranger services for 200 thousand euro.

2.2 Commission income: product and service distribution channels

(in thousands of euro)	2009	2008
a) At own branches:	**119,617**	**167,140**
1. portfolio management	52,013	73,397
2. securities placement	66,791	93,712
3. third party products and services	813	31
b) Off-premises sales:	**-**	**-**
1. portfolio management	-	-
2. securities placement	-	-
3. third party products and services	-	-
c) Other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. securities placement	-	-
3. third party products and services	-	-

2.3 Commission expense: breakdown

(in thousands of euro)	2009	2008
a) Guarantees received	**23**	**44**
b) Credit derivatives	-	-
c) Management and intermediation services:	**90,662**	**120,438**
1. Financial instrument trading	5,298	6,968
2. Foreign currency trading	-	-
3. Asset management:	**-**	**-**
3.1 own assets	-	-
3.2 third party assets	-	-
4. Securities custody and administration	3,840	2,499
5. Financial instrument placement	59,257	64,056
6. Off-premises sale of financial instruments, products and services	22,267	46,915
d) Collection and payment services	**21**	**176**
e) Other services	**2,986**	**1,286**
Total	**93,692**	**121,944**

"Commission expense" mainly refers to commissions paid to BP Group banks for AUM, debt security and equity instrument placements.

The figures for asset management commissions recorded a decrease on the previous year due to the drop in AUM registered over the last year.

Section 3 – Dividends and similar revenues – Item 70

3.1 Dividends and similar revenues: breakdown

(in thousands of euro)	2009		2008	
	Dividends	UCI unit gains	Dividends	UCI unit gains
A. Financial assets held for trading	527,733	-	413,204	-
B. Available-for-sale financial assets	310	-	280	-
C. Fair value financial assets	-	-	-	-
D. Investments	-	X	-	X
Total	**528,043**	**-**	**413,484**	**-**

The increase in dividends on financial assets held for trading, from 413,484 thousand euro as at 31 December 2008 to 528,043 thousand euro as at 31 December 2009 is due to continuous intermediation on the Italian and international share markets and related market making on derivatives listed on regulated markets.
The dividends on AFS financial assets relate to the London Stock Exchange S.p.A. investment for 284 thousand euro and to SIA S.p.A. for 26 thousand euro.

Section 4 – Trading gains/losses – Item 80

4.1 Trading gains/losses: breakdown

2009

(in thousands of euro)	Capital gains (A)	Trading gains (B)	Capital losses (C)	Trading losses (D)	Net trading gains/(losses) (A+B)-(C+D)
1. Financial assets held for trading	**47,005**	**584,010**	**(18,636)**	**(533,130)**	**79,249**
1.1 Debt securities	23,548	72,527	(5,408)	(3,479)	87,188
1.2 Equity instruments	20,993	511,337	(13,225)	(529,627)	(10,522)
1.3 UCI units	2,464	146	(3)	(24)	2,583
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**828**	**2,951**	**(1,046)**	**(23,540)**	**(20,807)**
2.1 Debt securities	-	-	-	-	-
2.2 Borrowings	828	2,951	(1,046)	(23,540)	(20,807)
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(17,067)**
4. Derivatives	**2,599,335**	**4,717,623**	**(1,893,955)**	**(5,786,076)**	**(353,597)**
4.1 Financial derivatives	2,599,335	4,714,878	(1,889,933)	(5,780,171)	(346,415)
- On debt securities and interest rates	1,563,465	4,239,606	(1,306,544)	(4,776,997)	(280,470)
- On equity instruments and share indices	1,035,870	475,272	(583,389)	(1,003,174)	(75,421)
- On currencies and gold	X	X	X	X	9,476
- Other	-	-	-	-	-
4.2 Credit derivatives	-	2,745	(4,022)	(5,905)	(7,182)
Total	**2,647,168**	**5,304,584**	**(1,913,637)**	**(6,342,746)**	**(312,222)**

The “Net trading losses” recorded is linked to the increase in item 30 – “Dividends” following the growth of intermediation business on Italian and international share markets and related market making on derivatives listed on regulated markets.

Pursuant to IFRS 7 paragraph 28, among the Bank’s financial instruments sold options linked to guaranteed-return asset management were identified for which there is a difference between the fair value on initial recognition (transaction price) and the amount calculated at that date using the Day 1 Profit measurement method. Given the type of products concerned, the fact that input parameters cannot be observed on the market and as there are no reference prices for similar products on an active market, this difference was allocated on a "pro rata temporis" basis, as described in "Part A - Accounting policies" under the paragraph on “Dividends and recognition of revenues”. The positive figure recognised to the income statement under "Net trading gains/(losses)" as at 31 December 2009 totals 5.7 million euro and the residual differences still to be recognised amount to 4.2 million.

Section 5 – Hedging gains/losses – Item 90

5.1 Hedging gains/losses: breakdown

Income items/Values		2009	2008
A.	**Income relating to:**		
A.1	Fair value hedging derivatives	-	1,995
A.2	Fair value hedging of financial assets	294	-
A.3	Fair value hedging of financial liabilities	-	-
A.4	Cash flow hedging derivatives	-	-
A.5	Assets and liabilities in foreign currencies	-	-
Total hedging gains (A)		**294**	**1,995**
B.	**Charges relating to:**		
B.1	Fair value hedging derivatives	(208)	-
B.2	Fair value hedging of financial assets		(2,004)
B.3	Fair value hedging of financial liabilities	-	-
B.4	Cash flow hedging derivatives	-	-
B.5	Assets and liabilities in foreign currencies	-	-
Total hedging losses (B)		**(208)**	**(2,004)**
C.	**Net hedging gains/losses (A-B)**	**86**	**(9)**

Micro hedging continued in 2009 of the credit risk relating to the London Stock Exchange share classed as AFS financial assets, through a currency repurchase agreement (a fixed-rate GBP-Euro repo) calculated on the total in currency as at the merger recognition date.
This item includes the net gains from fair value hedging derivatives of 208 thousand euro and the positive exchange differences on the share of 294 thousand euro from the hedging date to the closing date of the financial statements.

Section 6 – Gains (Losses) from disposals/repurchases – Item 100

6.1 Gains (Losses) from disposals/repurchases: breakdown

(in thousands of euro)	31/12/2009			31/12/2008		
	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Available-for-sale financial assets	117	-	117	-	-	-
3.1 Debt securities	-	-	-	-	-	-
3.2 Equity instruments	117	-	117	-	-	-
3.3 UCI units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**117**	**-**	**117**	**-**	**-**	**-**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

2009 saw the part-disposal of 587,935 SIA-SSB S.p.A. shares to Intesa Sanpaolo following exercise of the put option by the parent company which led to a decrease in the holding from 0.762% to 0.416%.
This disposal generated a gain of 117 thousand euro.

Section 7 - Net profit/loss from fair value financial assets and liabilities -

Item 110

7.1 - Net profit/loss from fair value financial assets and liabilities: breakdown

2009

(in thousands of euro)	Capital gains (A)	Realised gains (B)	Capital losses (C)	Realised losses (D)	Net gains/(losses) (A+B)-(C+D)
1. Financial Assets	**865**	**-**	**(117)**	**-**	**748**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	9	-	-	-	9
1.3 UCI units	856	-	(117)	-	739
1.4 Loans	-	-	-	-	-
2. Financial Liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Assets and liabilities in foreign currencies: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**865**	**-**	**(117)**	**-**	**748**

Section 8 – Net write-downs/reversals for impairment – Item 130

8.1 Net write-downs/reversals for impairment of loans: breakdown

(in thousands of euro)	Write-downs			Reversals				2009	2008
	Specific		Portfolio	Specific		Portfolio			
	Derecognitions	Other		A	B	A	B		
A. Due from banks	**-**	**(465)**	**-**	**-**	**15**	**-**	**-**	**(450)**	**(17,901)**
- Loans	-	(465)	-	-	15	-	-	(450)	(17,901)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**-**	**(114)**	**(37)**	**-**	**842**	**-**	**-**	**691**	**(9,141)**
- Loans	-	(114)	(37)	-	842	-	-	691	(9,141)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**(579)**	**(37)**	**-**	**857**	**-**	**-**	**241**	**(27,042)**

The write-down under item A – Due from banks refers to the write-down of Kaupthing Banki Hf positions using a 25% recovery rate.
The write-down under item B – Due from customers refers to the write-down of Lehman Brothers Group positions using a 30% recovery rate.
The portfolio adjustment refers to the cumulative write-down of book values acquired on transfer of the "private" business segment from Banca Valori on 1 August 2008.
The reversal recognised to item B – Due from customers refers to the higher recovery value following part-repayment on the Pillar Securitisasion Sarl security in 2009 compared to the net book values recognised in July 2009 after securitisation of the Banca Aletti loan to Kaupthing Bank Luxembourg.

8.2 Net write-downs for impairment of AFS financial assets: breakdown

(in thousands of euro)	Specific write-downs		Specific reversals		2009	2008
	Derecognitions	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equity instruments	-	-	X	X	-	(10,158)
C. UCI units	-	-	X	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-**	**-**	**-**	**-**	**(10,158)**

A = Due to interest
B = Other reversals

In 2009 there were no write-downs for impairment of "Available-for-sale financial assets".

Section 9 - Administrative Costs - Item 150

9.1 Staff costs: breakdown

(in thousands of euro)	**2009**	**2008**
1) Employees	**46,753**	**48,363**
a) wages and salaries	33,085	34,612
b) social security costs	9,839	9,580
c) employee termination indemnity	1,682	1,674
d) welfare costs	-	-
e) provisions for employee severance indemnity	118	114
f) provisions for pension funds and similar commitments:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary benefit plans:	950	703
- defined contribution plans	950	703
- defined benefit plans	-	-
h) costs deriving from share-based payments		-
i) other employee benefits	1,079	1,680
2) Other personnel in service	**1,901**	**2,121**
3) Directors and Auditors	**861**	**925**
4) Staff laid off	**-**	**26**
5) Cost recoveries for employees seconded to other companies	**(2,728)**	**(2,906)**
6) Reimbursements for employees seconded to the company	**7,224**	**8,802**
Total	**54,011**	**57,331**

Item c) "employee severance indemnity" comprises the cost accrued for employee severance indemnity and paid into external pension funds for 1,628 thousand euro.

Item e) "provisions for employee severance indemnity" refer to interest expense on residual liabilities net of utilisation for contract termination of 118 thousand euro (114 thousand euro as at 31 December 2008).

Item g) "payments to external supplementary benefit plans" refers to the amount of contributions due and paid by the Bank.

9.2 Average workforce by grade

	2009	**2008**
Employees	467	**492**
a) executives	23	22
b) total management grades	322	334
- grades 3 and 4	204	204
c) other employees	122	136
Other personnel	40	**44**
Total	**507**	**536**

9.4 Other employee benefits

As reported last year, there is a S.I.Pre. Supplementary Benefits Plan which through deferred supplementary welfare treatment is designed as a Top Management loyalty programme.

9.5 Other administrative expense: breakdown

(in thousands of euro)	2009	2008
a) Real estate expense:	6,619	7,506
- property rents and maintenance	6,035	6,753
- cleaning costs	462	421
- electricity, water and heating	122	332
b) indirect taxes and duties	720	1,262
c) postal, telephone, printing and other office costs	1,273	1,760
d) furniture, machine and system maintenance and repayments	510	470
e) fees to professionals	2,744	1,947
f) costs for searches and information	171	587
g) surveillance and security transport	148	130
h) third party provision of services	49,166	53,872
i) advertising, entertainment and gift costs	2,809	3,642
l) insurance premiums	397	396
m) transport, vehicle rental and travel expenses	530	235
n) Other costs and expense	276	1,532
Total	**65,363**	**73,339**

In the ongoing setup of Group specialist centres, like the other banks Banca Aletti makes use of services by Società Gestione Servizi BP for various business activities (information technology, settlement, interbank reconciliation, etc.). In addition, for other services Banca Aletti uses certain parent company departments (Risk management, correspondent banking, short-term treasury services, regulatory disclosures, trade accounting). The use of these departments on the one hand offers improved management of the services concerned and on the other an appreciable cost saving.

Outsourced services are governed by contracts envisaging the application of arm's length conditions or are based on cost spreading criteria that make use of consumption- or volume-based chargeback models.

Section 10 – Net provisions for risks and charges – Item 160

10.1 Net provisions for risks and charges: breakdown

(in thousands of euro)	Allocations	Reallocation of surplus	2009	2008
1. Retirement fund provisions	-	X	-	-
2. Provisions for other risks and charges:	**(938)**	**-**	**(938)**	**(2,840)**
a) legal disputes	-	-	-	-
b) personnel costs	-	-	-	-
c) other	(938)	-	(938)	(2,840)
Total	**(938)**	**-**	**(938)**	**(2,840)**

0.9 million euro in provisions for risks and charges were recognised to the income statement in 2009 for specific disputes or potential reimbursement of sales to customers as at year end, settlement of which was partially defined during the first few months of 2010, and for fees payable to a leading international law office for advisory services regarding the protection of amounts claimed by customers in relation to the Lehman Brothers Group, as already indicated in the report on operations.

Section 11 - Net write-downs/reversals on property, plant and equipment – Item 170

11.1 Net write-downs/reversals on property, plant and equipment: breakdown

2009

(in thousands of euro)	Depreciation (a)	Write-downs for impairment (b)	Reversals (c)	Net gains/(losses) (a+b-c)
A. Property, plant and equipment				
A.1 Owned	(624)	-	-	(624)
- for operational use	(624)	-	-	(624)
- as investments	-	-	-	-
A.2 Acquired under finance leases	-	-	-	-
- for operational use	-	-	-	-
- as investments	-	-	-	-
Total	**(624)**	**-**	**-**	**(624)**

Section 12 - Net write-downs/reversals on intangible assets – Item 180

12.1 Net write-downs/reversals on intangible assets: breakdown

2009

(in thousands of euro)	Amortisation (a)	Write-downs for impairment (b)	Reversals (c)	Net gains/(losses) (a+b-c)
A. Intangible assets				
A.1 Owned	(6)	-	-	(6)
- generated in-house	-	-	-	-
- other	(6)	-	-	(6)
A.2 Acquired under finance leases	-	-	-	-
Total	**(6)**	**-**	**-**	**(6)**

Section 13 – Other operating income and expense – Item 190

13.1 Other operating expense: breakdown

(in thousands of euro)	2009	2008
a) Depreciation of improvements to third party assets	(463)	(380)
b) other	(153)	(106)
Total	**(616)**	**486**

13.2 Other operating income: breakdown

(in thousands of euro)	2009	2008
a) tax recoveries	679	941
b) cost recoveries	206	166
c) services provided to group companies	14,336	14,975
d) other	456	449
Total	**15,677**	**16,531**

Item c) "Services provided to group companies" totalling 14,336 thousand euro refers to income from the provision of financial instrument trading services performed by Banca Aletti on behalf of trading group banks and from services provided by Banca Aletti regarding corporate desk activities and regulatory formalities for the issue of Group or third party bond loans.

Section 14 – Gains (Losses) on investments – Item 210

Income items/Values	2009	2008
A. Income	-	-
1. Revaluations	-	-
2. Disposal gains	-	-
3. Reversals	-	-
4. Other income	-	-
B. Charges	**(3,585)**	**(6,100)**
1. Write-downs	-	-
2. Write-downs for impairment	(3,585)	(6,100)
3. Disposal losses	-	-
4. Other charges	-	-
Net gains/(losses)	**(3,585)**	**(6,100)**

As at 31 December 2009 the investment in Nazionale Fiduciaria was written down due to impairment for 3,585 thousand euro, as the book value of the investment was higher than its recoverable value. This value was estimated to be equal to the current value of cash flows to be generated by the investment, based on the most recent financial plans approved by management, and calculated by applying a market rate representing the current value of money and the specific investment-related risks.

Section 16 – Write-down of goodwill – Item 230

Based on impairment testing performed on goodwill recognised to item 120 "Intangible assets" under balance sheet assets, as reported in Section 12 on assets in Part B - Balance sheet data, no write-down was necessary and therefore no entry was made as at 31 December 2009.

Section 17 – Gains (Losses) in investment disposals – Item 240

(in thousands of euro)	2009	2008
A. Real estate	-	-
- Disposal gains	-	-
- Disposal losses	-	-
B. Other assets	**1**	**1**
- Disposal gains	2	1
- Disposal losses	(1)	-
Net gains/(losses)	**1**	**1**

Section 18 – Income tax for the year on current operations – Item 260

18.1 Income tax for the year on current operations: breakdown

(in thousands of euro)	2009	2008
1. Current taxes (-)	(70,061)	(52,859)
2. Change in current taxes for previous years (+/-)	2,870	4,250
3. Reduction in current taxes for this year (+)	-	-
4. Change in prepaid taxes (+/-)	1,385	(7,556)
5. Change in deferred taxes (+/-)	(64)	7,927
6. Taxes for the year (-) (-1 +/- 2 +/- 3 +/- 4 +/- 5)	(65,870)	(48,238)

Taxes include 750,281 euro (recording a decrease in the item) for the IRES reimbursement claim on part-deductibility of IRAP. In fact, article 6, subsection 1, Italian Law Decree no. 185 of 29 November 2008 (the "anti-crisis" decree law), converted with amendments into Law no. 2 of 28 January 2009, introduced part-deductibility of IRAP tax on the IRES taxable base. Specifically, a lump sum deduction of 10% of IRAP paid can be deducted when considering the taxable base for IRES calculation purposes, provided that the IRAP taxable base included staff costs or interest expense not deductible in calculating the tax base. Subsections 2 and 3 of the aforementioned article 6 envisaged the right to reimbursement of IRES that the bank would not have incurred had the deduction been envisaged also in tax years prior to 31 December 2008, in compliance with the ruling on lapse 48 months after payment as envisaged in art. 38, Italian Presidential Decree 602/1973. In effect the years in question are 2004, 2005, 2006 and 2007.

A claim regarding these years was submitted in 2009 for the reimbursement of IRES amounting to 750,281, in accordance with the methods and deadlines established by the Italian Inland Revenue. The claim was submitted by both the Bank and by Banco Popolare which, as consolidating company for the tax consolidation, will have the right to receive direct reimbursement from the tax authority. The sum reimbursed by Inland Revenue to Banco Popolare will in turn be reimbursed to the Bank. This amount was recognised under item 150 – "Assets – Other assets".

18.2 Reconciliation between theoretical and balance sheet tax charges

IRES ***(in thousands of euro)***		**2009**	**2008**
Profit/(loss) on current operations before tax	(i)	228,428	139,687
Negative income statement items not fully significant (+)	(ii)	13,762	37,297
> non-deductible interest expense		5,248	17,135
> capital losses from realisation/valuation of investments		3,585	17,654
> other (telephone costs, entertainment costs, transport costs, sundry costs, non-deductible contingency liabilities, etc.)		4,929	2,508
Positive income statement items not fully significant (-)	(iii)	(1,720)	(2,162)
>non-significant portion of capital gains from realisation/valuation of investments (95% unless transitional provisions apply)		(391)	-
> non-significant portion of dividends		(294)	(266)
> other (non-taxable contingent assets, etc.)		(1,035)	(1,896)
Increases in taxable amounts not linked to income statement items	(iv)	44	2,648
> other (mainly the tax effect on Italian UCIs)		44	2,648
Decreases in taxable amounts not linked to income statement items	(v)	(845)	(285)
> other (mainly the tax effect on Italian UCIs)		(845)	(285)
IRES taxable amount	(i)+(ii)+(iii)+(iv)+(v)	239,669	177,185
IRES tax rate		27.50%	27.50%
Total IRES	**(A)**	**65,909**	**48,726**
Actual tax rate		**28.85%**	**34.88%**

IRAP ***(in thousands of euro)***		**2009**	**2008**
Profit/(loss) on current operations before tax	(i)	228,428	139,687
Negative income statement items not fully significant (+)	(vi)	65,526	131,033
> non-deductible interest expense		10,761	32,222
> non-deductible portion of depreciation of operating assets (10%)		63	79
> other administrative costs not fully deductible (ICI tax, etc.)		199	-
> non-deductible portion of residual administrative costs (10%)		6,461	7,334
> staff costs net of permitted deductions (wedge reductions, invalidity, introductory contracts, etc.)*		39,575	45,258
> write-down of loans net of reversals		(242)	37,200
> net provisions for risks and charges		938	2,840
> losses on investments (item 210, income statement, banks)		3,585	6,100
> other		4,186	-
Positive income statement items not fully significant (-)	(vii)	(264,022)	(211,261)
> gains on investments (item 210, income statement, banks)		-	-
> non-significant portion of dividends (50%)		(264,022)	(206,736)
> other operating income (item 190, income statement, banks)		-	(4,525)
> other		-	-
Increases in taxable amounts not linked to income statement items	(viii)	-	35,096
> other (mainly the effect of misalignment reabsorption between the book value and tax value as at 31.12.2007 on share trading and on Italian UCIs)		-	35,096
Decreases in taxable amounts not linked to income statement items	(ix)	-	(44,622)
> other (mainly the effect of misalignment reabsorption between the book value and tax value as at 31.12.2007 on share trading and on Italian UCIs)		-	(44,622)
IRAP taxable amount	(i)+(vi)+(vii)+(viii)+(ix)	29,932	49,933
IRAP tax rate		4.82%	4.82%
Total IRAP	**(B)**	**1,443**	**2,407**
Actual tax rate		**0.63%**	**1.72%**

NON-CURRENT IRES AND IRAP AND OTHER TAXES (in (thousands of euro)		2009	2008
IRES – Current, prepaid and deferred taxes from previous years		(1,013)	(8)
IRAP – Current, prepaid and deferred taxes from previous years		(490)	(451)
Effect of misalignment redemption of off-balance sheet deductions		-	(2,097)
Other		21	(339)
Total	**(C)**	**(1,482)**	**(2,895)**
Total taxes on profit/(loss) from current operations before tax	**(A)+(B)+(C)**	**65,870**	**48,238**
Tax rate	**((A)+(B)+(C))/(i)**	**28.84%**	**34.53%**

Section 21 – Earnings per share

Earnings per Share	2009	2008
Profit for the year (*in euro*)	162,558,907	91,448,689
Weighted average of shares in issue	23,481,306	23,192,402
Basic EPS for the year	**6.92**	**3.94**

EPS (Earnings per Share) is a measurement of performance that indicates the participation of ordinary shareholders in the company's results.

21.1 Average number of ordinary shares

There was no change in the number of ordinary shares during the year.

21.2 Other information

IAS/IFRS require that earnings per share (EPS) figures are provided in two forms: basic and diluted EPS.
Basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average of ordinary shares in issue.
Diluted EPS is instead calculated by dividing net profit attributable to ordinary shareholders by the weighted average of ordinary shares potentially in issue following the issue of shares deriving from financial instruments (stock options, convertible subordinated liabilities, option rights on new shares, convertible preferred shares) or other contracts. As the bank does not possess such instruments the diluted EPS was not calculated.

PART D – COMPREHENSIVE INCOME

Analytical statement of comprehensive income

Item	31/12/2009			31/12/2008		
	Before tax	Income tax	After tax	Before tax	Income tax	After tax
10 Profit (Loss) for the year			**162,559**			**91,449**
Other income items	-	-	-	-	-	-
20 Available-for-sale financial assets	1,638	21	1,659	-2,396	146	-2,250
a) changes in fair value	1,756	21	1,777	-2,396	146	-2,250
b) reversal to the income statement	-118	-	-118	-	-	-
- write-downs for impairment	-	-	-	-	-	-
- realised gains/losses	-118	-	-118	-	-	-
c) other changes	-	-	-	-	-	-
30 Property, plant and equipment	-	-	-	-	-	-
40 Intangible assets	-	-	-	-	-	-
50 Foreign investment hedges:	-	-	-	-	-	-
a) changes in fair value	-	-	-	-	-	-
b) reversal to the income statement	-	-	-	-	-	-
c) other changes	-	-	-	-	-	-
60 Cash flow hedges:	-	-	-	-	-	-
a) changes in fair value	-	-	-	-	-	-
b) reversal to the income statement	-	-	-	-	-	-
c) other changes	-	-	-	-	-	-
70 Exchange differences:	-	-	-	-	-	-
a) changes in value	-	-	-	-	-	-
b) reversal to the income statement	-	-	-	-	-	-
c) other changes	-	-	-	-	-	-
80 Discontinued operations:	-	-	-	-	-	-
a) changes in fair value	-	-	-	-	-	-
b) reversal to the income statement	-	-	-	-	-	-
c) other changes	-	-	-	-	-	-
90 Actuarial gains (losses) on defined benefit plans	-	-	-	-	-	-
100 Portion of valuation reserves	-	-	-	-	-	-
from investments measured at equity:	-	-	-	-	-	-
a) changes in fair value	-	-	-	-	-	-
b) reversal to the income statement	-	-	-	-	-	-
- write-downs for impairment	-	-	-	-	-	-
- realised gains/losses	-	-	-	-	-	-
c) other changes	-	-	-	-	-	-
110 Total other income items	**1,638**	**21**	**1,659**	**-2,396**	**146**	**-2,250**
120 Comprehensive income (Items 10 + 110)			**164,218**			**89,199**

Breakdown of the change in fair value is as follows:

- London Stock Exchange for 1,581 thousand euro;
- UNICASIM SpA for 175 thousand euro.

The reversal to the income statement refers to gains from the sale of an equity investment in SIA-SSB.

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

Credit Risk

QUALITATIVE INFORMATION

1. General aspects

The Banco Popolare Group pursues credit policy objectives with a view to:

- supporting business development in its operating area, focusing on support and development of relations with SMEs and households;
- portfolio diversification, limiting the concentration of exposures on individual counterparties/groups, individual business sectors or geographic areas;
- applying a single standard credit management model based on rules, methodologies, processes, IT procedures and internal regulations, standardised for all the banks in the Group.

Credit portfolio monitoring – performed by the parent company's Credit Department, focuses on analysing the risk profile performance of the business sectors, geographic areas, customer segments and loan types agreed, and other levels of analysis that allow central definition of any corrective action required. The reports produced are submitted each month to the Management Board, and each quarter to the Boards of Directors of the various banks.

2. Credit risk management policies

2.1 Organisational aspects

In providing its characteristic credit intermediation services, the Group is exposed to the risk that credit disbursed is not fully or partially repaid by borrowers on the due date. This risk is sensitive to national and international economy performance, structural and technological changes to the business of corporate borrowers, changes in competitive position of the counterparties, structural macroeconomic factors and other external factors such as legal and regulatory requirements.
The Group's organisational model for credit-related matters complies with the following principles:

- the Holding guarantees centralised governance, guidance, coordination and control of the credit process and related risks for both the network banks and the product companies, defining policies, methodologies and processes, valuation criteria, suitable organisational, management, informative and training tools and verifies their adoption by Group companies;
- the Group's operating banks and companies assess and resolve independently on credit disbursed, retaining ownership of the related accounts, income items and risks;
- the operating banks and companies also cooperate with the Parent Company in optimising credit regulations, methodologies and tools, contributing the range of skills and experience gained from direct supervision of local customers and credit.

In pursuing the objective of optimising credit quality and minimising the overall cost of credit risk for the Group and the individual companies, the organisational model assigns the role of credit business development and credit policy guidance for the Group's banks and companies to the parent company's Credit Department.
For the full and consolidated implementation of the Group credit model, the banks and subsidiaries take action to:

- adopt the criteria, credit rating analysis tools and procedures and the loan valuation methodology in accordance with instructions received from the parent company;
- ensure constant compliance with the global and individual limits allocated for the acceptance and management of "large risks" at both individual business unit and Group level;
- define the structure of decision-making bodies and internal delegation mechanisms in compliance with parent company instructions;
- ensure performance monitoring of assigned and other accounts with first level liability and control implementation, as ordered by the parent company.

With regard to the credit rating valuation process, decision-making and management of the positions, each company providing lending services adopts its own decision-making structure and has the option to authorise delegates, based on guidelines provided by the parent company.
The levels of independence assigned to the decision-making bodies are defined according to the risk category concerned. Up to pre-established amounts, the rating determines the level of decision-making required.

At Group level rules of conduct have been established in relation to the assumption of credit risk, so as to avoid excessive concentration, limit potential losses and guarantee credit quality. Specifically, at credit granting stage the parent company exercises the role of Group guidance, governance and support through:

- credit rules governing the methods used for assuming credit risk in relation to customers;
- the reliability ceiling, i.e. the maximum limit of loans that can be agreed by Group companies in the major risk categories;
- advance opinions issued on the maximum amount of loans that can be granted to an individual customer or group of customers allocated by the Banco Popolare Group.

2.2 Management, measurement and control systems

The Banco Popolare Group makes use of a well-defined set of tools to monitor the quality performance of the credit portfolio, also including internal ratings. The internal ratings are calculated using differentiated models, estimated specifically for each customer segment (large corporate, mid corporate, small business, private and banks).
The rating plays a central role in the disbursement, performance monitoring and management processes. In certain cases the Rating Desk is called upon to examine these positions and assess whether the rating can be changed (the override process).
The rating is used by the relevant bodies in decisions regarding loans, affects application of the automatic renewal mechanism for cancelled loan positions and helps to steer the decision of account managers in classifying position performance. In addition, it represents one of the elements that contribute to the outcome processed by credit rating valuation systems for private and SME customers, in support of credit decisions made by the decision-making bodies.
In 2009 the performance monitoring and management system was fully reviewed. Assuming that account managers are responsible for management of the open credit positions, following a line of conduct appropriate for a constant, correct recording of facts in order to identify events that could compromise the success of loans, new and updated process have been implemented to monitor risk. Specifically, a new “early warning” system has been implemented for use by the account manager in taking rapid action to solve any anomalies discovered. Furthermore, the performance process has been streamlined for positions that show strong signs of impairment so as to avoid customer default. In reference to private customers a new management process has been adopted which, helped by a new IT procedure, envisages precise action with well-defined timing to bring the position back into line and to recover the unpaid amount.
With regard to Banco Popolare Group internal limits on the disbursement of credit, in addition to observance of regulatory risk concentration limits, for key customers exceeding pre-established credit limits, the setting of maximum limits at Group Credit Department level or the opinion of relevant bodies of the parent company are envisaged.
Country classification and maximum Group exposure limits for each country are also established at parent company level.
The LGD model was revaluated in 2009, and action was taken for its implementation in credit processes in order to offer a more complete credit rating assessment.
Management reporting uses LGD and EAD estimates, both deriving from models developed internally.
Credit risk monitoring at portfolio level is performed through a default model applied monthly, mainly for credit exposures of the Banco Popolare Group’s commercial banks, on performing, cash and unsecured loans to ordinary and other customers resident in Italy. The model used allows estimation of the working capital compared to credit risk, taking into account the portfolio concentration and the probability of joint insolvency of the counterparties, in a pre-established context of significant macroeconomic variables. The confidence interval used is 99.96% and the reference time horizon is one year.
Specifically, the working capital absorbed by the counterparties is determined by a “MonteCarlo" approach, which simulates a sufficiently high number of scenarios to provide a good conjectural approximation of theoretical credit portfolio losses.
In 2009, in order to extend this capital calculation to all ordinary and other counterparties of the commercial banks, the portfolio model was updated to offer reconciliation of the risk management measurements with the regulatory figure.
During the year a project was launched to create an analysis, definition, implementation and monitoring system for the Group’s strategic credit policy guidelines. These development and credit portfolio redefinition guidelines aim to optimise the risk-return ratio consistent with the target risk profile defined by the corporate bodies, available capital and planned income-equity growth objectives.

2.3 Credit risk mitigation techniques

Our Group has always taken care to acquire accessory credit agreements, or the use of tools and techniques that reduce credit risk. For this purpose, when considered necessary, typical bank business guarantees were obtained, i.e. mainly property mortgages, collateral and personal guarantees issued by surety guarantors.
In general, the decision to obtain a guarantee is based on the customer credit rating assessment and on the characteristics of the transaction. Such analysis may suggest obtaining additional guarantees to mitigate risk, taking into consideration the estimated recovery value offered by the guarantee.
The calculation system for real estate assets used as guarantees is now consolidated, amongst other things offering periodic revaluation of the assets.
The value of financial collateral is subject to constant, automatic monitoring that allows comparison of the current value of the guarantee against its initial value, thereby allowing the manager to take prompt action if there should be a significant drop in guarantee value.
With regard to the use of hedging with market counterparties, the preferred entities are those with active collateral provision agreements, with particular reference to the ISDA - Credit Support Annex, in order to significantly reduce credit risk.

2.4 Impaired financial assets

For the management of impaired credit the Group has special business units that apply pre-established management and recovery methods, differentiated by amount and risk according to the credit type concerned.
Problem loan classifications follow specific prudent criteria based on objective risk parameters.
In general, the problem loan classification includes loans with a severely anomalous performance of relations with the Group banks, serious irregularities in reports sent to the National Risk Database, a worrying financial statements position, the occurrence of negative events that could restrict the credit rating of the position and reduce the value of guarantees, or in any event could compromise the loans.
Write-downs, analytically assessed on each individual position, reflect prudent criteria in relation to the real possibility of recovery, also linked to the existence of additional guarantees and subject to periodic checks.
Specifically, all non-performing and problem positions exceeding the pre-established usage limits are managed by a dedicated company, a 100% subsidiary of the Group, which acts as problem loan servicer with management process specialisation in relation to the credit characteristics, with a view to increasing recovery potential and optimising the cost-percentage collection ratio. This activity therefore aims for an economic result, where possible preferring out-of-court settlements and focusing on fast, well-timed recovery.
This company uses peripheral structures, special IT and performance control tools and a systematic reporting system.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Impaired and performing exposures: amounts, write-downs, performance, economic and geographic breakdown

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

(in thousands of euro)	Non performing	Problem	Restructured exposures	Past due exposures	Other assets	Total
1. Financial assets held for trading	-	-	-	-	5,808,289	5,808,289
2. Available-for-sale financial assets	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-
4. Due from banks	2,649	-	-	-	3,171,705	3,174,355
5. Due from customers	3,965	133	23	14	1,173,132	1,177,267
6. Fair value financial assets	-	-	-	-	-	-
7. Discontinued financial assets	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total as at 31/12/2009	**6,614**	**133**	**23**	**14**	**10,153,126**	**10,159,910**
Total as at 31/12/2008	**4,024**	**6,098**	**-**	**92**	**24,952,103**	**24,962,317**

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

(in thousands of euro)	Impaired assets			Performing assets			Total
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio write-downs	Net exposure	
1. Financial assets held for trading	918	(918)	-	X	X	5,808,288	5,808,288
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	10,764	(8,115)	2,649	3,171,705	-	3,171,705	3,174,355
5. Due from customers	23,217	(19,082)	4,135	1,173,199	(67)	1,173,132	1,177,267
6. Fair value financial assets	-	-	-	-	X	-	-
7. Discontinued financial assets	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total as at 31/12/2009	**34,899**	**(28,115)**	**6,784**	**4,344,904**	**(67)**	**10,153,125**	**10,159,909**
Total as at 31/12/2008	**38,456**	**(28,242)**	**10,214**	**20,432,335**	**(94)**	**24,952,103**	**24,962,317**

A.1.3 Cash and off-balance sheet credit exposures to banks (gross and net values)

2009

(in thousands of euro)	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. Cash exposures				
a) Non performing	10,764	(8,115)	X	2,649
b) Problem	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	4,017,380	-	-	4,017,380
Total A	**4,028,144**	**(8,115)**	**-**	**4,020,029**
B. Off-balance sheet exposures				
a) Impaired	-	-	X	-
b) Other	2,458,135	-	-	2,458,135
Total B	**2,458,135**	**-**	**-**	**2,458,135**

2008

(in thousands of euro)	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. Cash exposures				
a) Non performing	-	-	-	-
b) Problem	23,867	(17,901)	-	5,966
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Other assets	19,041,347	X	-	19,041,347
Total A	**19,065,214**	**(17,901)**	**-**	**19,047,313**
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	2,026,906	X	-	2,026,906
Total B	**2,026,906**	**-**	**-**	**2,026,906**

A.1.4 Cash exposures to banks: performance of gross impaired exposures

(in thousands of euro)	Non performing	Problem	Restructured exposures	Past due exposures
A. Gross exposure – opening balance	**-**	**23,867**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-
B. Increases	**10,764**	**-**	**-**	**-**
B.1 Amounts collected on performing exposures	-	-	-	-
B.2 Transfer from other impaired exposure categories	10,220	-	-	-
B.3 Other increases	544	-	-	-
C. Decreases	**-**	**(23,868)**	**-**	**-**
C.1 Amounts paid on performing exposures	-	-	-	-
C.2 Derecognitions	-	-	-	-
C.3 Amounts collected	-	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other impaired exposure categories	-	(10,220)	-	-
C.6 Other decreases	-	(13,648)	-	-
D. Gross exposure – closing balance	**10,764**	**-**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-

A.1.5 Cash exposures to banks: performance of total write-downs

(in thousands of euro)	Non performing	Problem	Restructured exposures	Past due exposures
A. Total write-downs – opening balance	**-**	**(17,901)**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-
B. Increases	**8,115**	**-**	**-**	**-**
B.1 write-downs	-	-	-	-
B.2 transfer from other impaired exposure categories	7,665	-	-	-
B.3 other increases	450	-	-	-
C. Decreases	**-**	**(17,901)**	**-**	**-**
C.1 reversals due to valuation	-	-	-	-
C.2 reversals due to amounts collected	-	-	-	-
C.3 derecognitions	-	-	-	-
C.4 transfer to other impaired exposure categories	-	(7,665)	-	-
C.5 other decreases	-	(10,236)	-	-
D. Total write-downs – closing balance	**8,115**	**-**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-

A.1.6 Cash and off-balance sheet credit exposures to customers (gross and net values)

2009

Portfolio/Quality *(in thousands of euro)*	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. Cash exposures				
a) Non performing	14,224	(10,260)	X	3,964
b) Problem	453	(320)	X	133
c) Restructured exposures	9,443	(9,420)	X	23
d) Past due exposures	14	-	X	14
g) Other assets	2,071,150	X	(66)	2,071,084
Total A	**2,095,284**	**(20,000)**	**(66)**	**2,075,218**
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	245,692	X	-	245,692
Total B	**245,692**	**-**	**-**	**245,692**

2008

Portfolio/Quality *(in thousands of euro)*	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. Cash exposures				
a) Non performing	14,045	(10,021)	-	4,024
b) Problem	452	(320)	-	132
c) Restructured exposures	-	-	-	-
d) Past due exposures	92	-	-	92
e) Other assets	2,721,245	X	(94)	2,721,151
Total A	**2,735,834**	**(9,556)**	**(94)**	**2,725,399**
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	2,275,826	X	-	2,275,826
Total B	**2,275,826**	**-**	**-**	**2,275,826**

A.1.7 Cash exposures to customers: performance of gross impaired exposures

(in thousands of euro)	Non performing	Problem	Restructured exposures	Past due exposures
A. Gross exposure – opening balance	**14,045**	**452**	**-**	**92**
- of which: exposures transferred but not derecognised	-	-	-	-
B. Increases	**179**	**1**	**13,989**	**-**
B.1 Amounts collected on performing loans	-	-	-	-
B.2 Transfer from other impaired exposure categories	-	-	-	-
B.3 Other increases	179	1	13,989	-
C. Decreases	**-**	**-**	**(4,546)**	**(78)**
C.1 Amounts paid on performing loans	-	-	-	(78)
C.2 Derecognitions	-	-	-	-
C.3 Amounts collected	-	-	(4,546)	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other impaired exposure categories	-	-	-	-
C.6 Other decreases	-	-	-	-
D. Gross exposure – closing balance	**14,224**	**453**	**9,443**	**14**
- of which: exposures transferred but not derecognised	-	-	-	-

A.1.8 Cash exposures to customers: performance of total write-downs

(in thousands of euro)	Non performing	Problem	Restructured exposures	Past due exposures
A. Total write-downs – opening balance	**10,021**	**320**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-
B. Increases	**239**	**-**	**10,236**	**-**
B.1 write-downs	133	-	-	-
B.2 transfer from other impaired exposure categories	-	-	-	-
B.3 other increases	106	-	10,236	-
C. Decreases	**-**	**-**	**(816)**	**-**
C.1 reversals due to valuation	-	-	-	-
C.2 reversals due to amounts collected	-	-	(816)	-
C.3 derecognitions	-	-	-	-
C.4 transfer to other impaired exposure categories	-	-	-	-
C.5 other decreases	-	-	-	-
D. Total write-downs – closing balance	**10,260**	**320**	**9,420**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-

A.2 Exposure classification based on internal and external ratings

A.2.1 Breakdown of cash and off-balance sheet exposures by external rating class

2009

(in thousands of euro)	External rating classes						Unrated	Total
	AAA/ AA-	A+/A-	BBB+/ BBB-	BB+/ BB-	B+/B-	Lower than B-		
A. Cash exposures	**129,539**	**4,959,639**	**780**	**-**	**-**	**2,654**	**1,002,635**	**6,095,246**
B. Derivatives	**418,651**	**1,992,059**	**5,276**	**-**	**-**	**-**	**92,182**	**2,508,168**
B.1 Financial derivatives	418,651	1,992,058	5,276	-	-	-	92,182	**2,508,168**
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**814**	**814**
D. Commitments to disburse funds	**55,121**	**33,877**	**-**	**-**	**-**	**-**	**105,848**	**194,845**
Total	**603,310**	**6,985,574**	**6,056**	**-**	**-**	**2,654**	**1,201,478**	**8,799,073**

2008

(in thousands of euro)	External rating classes						Unrated	Total
	AAA/ AA-	A+/A-	BBB+/ BBB-	BB+/ BB-	B+/B-	Lower than B-		
A. Cash exposures	**842,466**	**15,149,266**	**1,612,282**	**2,091**	**-**	**2,600**	**4,164,008**	**21,772,713**
B. Derivatives	**426,867**	**1,314,305**	**74,509**	**-**	**-**	**-**	**133,954**	**1,949,635**
B.1 Financial derivatives	426,832	1,314,305	74,509	-	-	-	133,937	1,949,583
B.2 Credit derivatives	35	-	-	-	-	-	17	52
C. Guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to disburse funds	**532,830**	**522,518**	**7,296**	**-**	**-**	**-**	**1,290,399**	**2,353,043**
Total	**1,802,163**	**16,986,089**	**1,694,087**	**2,091**	**-**	**2,600**	**5,588,361**	**26,075,391**

A.2.2 Breakdown of cash and off-balance sheet exposures by internal rating class

2009

(in thousands of euro)	Internal rating classes						Unrated	Total
	AAA	AA	A	BBB	BB	B		
A. Cash exposures	**-**	**100,003**	**384,715**	**112,376**	**810**	**-**	**3,419,474**	**4,017,378**
B. Derivatives	**-**	**308,421**	**471,101**	**219,507**	**6,434**	**65**	**1,426,989**	**2,432,517**
B.1 Financial derivatives	-	308,421	471,101	219,507	6,434	65	1,426,989	**2,432,517**
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**814**	**814**
D. Commitments to disburse funds	**-**	**793**	**2,134**	**298**	**-**	**-**	**21,579**	**24,804**
Total	**-**	**409,217**	**857,950**	**332,181**	**7,244**	**65**	**4,868,856**	**6,475,514**

2008

(in thousands of euro)	Internal rating classes						Unrated	Total
	AAA	AA	A	BBB	BB	B		
A. Cash exposures	**-**	**44,364**	**183,362**	**1,001**	**-**	**32**	**1,602,757**	**1,831,516**
B. Derivatives	**1**	**162,535**	**784,799**	**89,007**	**100,352**	**3,002**	**17,907,667**	**19,047,363**
B.1 Financial derivatives	-	-	-	-	-	-	52	52
B.2 Credit derivatives	1	162,535	784,799	89,007	100,352	3,002	17,907,615	19,047,311
C. Guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to disburse funds	**-**	**313**	**787**	**-**	**-**	**-**	**194,237**	**195,337**
Total	**1**	**207,212**	**968,948**	**90,008**	**100,352**	**3,034**	**19,704,661**	**21,074,216**

A.3 Breakdown of secured exposures by guarantee type

A.3.1 Secured credit exposures to banks

(in thousands of euro)	Net exposure value	Collateral (1)			Personal guarantees (2)									Total (1)+(2) 31/12/2009	Total (1)+(2) 31/12/2008
					Credit derivatives					Unsecured loans					
		Real estate	Securities	Other assets	CLN	Other derivatives									
						Governments	Other public authorities	Banks	Other entities	Governments	Other public authorities	Banks	Other entities		
1. Secured cash exposures:	**456,729**	-	**456,729**	-	-	-	-	-	-	-	-	-	-	456,729	**15,783,159**
1.1. fully secured	456,729	-	456,729	-	-	-	-	-	-	-	-	-	-	456,729	15,783,159
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. part-secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures:	**866,859**	-	**892,140**	-	-	-	-	-	-	-	-	-	-	892,140	**1,530,903**
2.1. fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,530,903
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. part-secured	866,859	-	892,140	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,323,588**	**-**	**1,348,869**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,314,062**

A.3.2 Secured credit exposures to customers

(in thousands of euro)	Net exposure value	Collateral (1)			Personal guarantees (2)									Total (1)+(2) 31/12/2009	Total (1)+(2) 31/12/2008
					Credit derivatives					Unsecured loans					
		Real estate	Securiti es	Other assets	CLN	Other derivatives									
						Governments	Other public authorities	Banks	Other entities	Governments	Other public authorities	Banks	Other entities		
1. Secured cash exposures:	**931,953**	-	**931,953**	-	-	-	-	-	-	-	-	-	-	931,953	**1,565,710**
1.1. fully secured	931,953	-	931,953	-	-	-	-	-	-	-	-	-	-	931,953	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. part-secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,565,710
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures:	**34,051**	-	**41,700**	-	-	-	-	-	-	-	-	-	-	41,700	**220,296**
2.1. fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. part-secured	34,051		41,700	-	-	-	-	-	-	-	-	-	-	-	220,296
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**966,004**	**-**	**973,653**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,786,006**

B. Breakdown and concentration of credit exposures

B.1 Breakdown of cash and off-balance sheet exposures to customers by segment (book values)

(in thousands of euro)	Governments and central banks			Other public authorities			Finance companies			Insurance companies			Non-financial companies			Other entities			Total 31/12/2009	Total 31/12/2008
	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs		
A. Cash exposures																				
A.1 Non performing	-	-	-	-	-	-	3,964	(10,260)	-	-	-	-	-	-	-	-	-	-	3,964	3,915
A.2 Problem	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133	(320)	-	133	132
A.3 Restructured exposures	-	-	-	-	-	-	23	(9,420)	-	-	-	-	-	-	-	-	-	-	23	-
A.4 Past due exposures	-	-	-	-	-	-	4	-	-	-	-	-	1	-	-	8	-	-	14	92
A.5 Other exposures	809,570	-	-	4	-	-	1,167,733	-	-	15,365	-	-	26,404	-	-	52,008	-	(66)	2,071,083	2,721,260
Total A	**809,570**	**-**	**-**	**4**	**-**	**-**	**1,171,725**	**(19,680)**	**-**	**15,365**	**-**	**-**	**26,405**	**-**	**-**	**52,149**	**(320)**	**(66)**	**2,075,218**	**2,725,399**
B. Off-balance sheet exposures																				
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	165,751	-	-	612	-	-	75,349	-	-	139	-	-	555	-	-	3,286	-	-	245,692	2,275,012
Total B	**165,751**	**-**	**-**	**612**	**-**	**-**	**75,349**	**-**	**-**	**139**	**-**	**-**	**555**	**-**	**-**	**3,286**	**-**	**-**	**245,692**	**2,275,012**
Total as at 31/12/2009	**975,321**	**-**	**-**	**617**	**-**	**-**	**1,247,073**	**(19,680)**	**-**	**15,504**	**-**	**-**	**26,960**	**-**	**-**	**55,435**	**(320)**	**(66)**	**2,320,909**	**-**
Total as at 31/12/2008	**679,850**	**-**	**-**	**251**	**-**	**-**	**2,929,420**	**(9,236)**	**-**	**79,953**	**-**	**-**	**201,699**	**-**	**- 18**	**1,109,238**	**(320)**	**(76)**	**-**	**4,990,761**

B.2 Geographical breakdown of cash and off-balance sheet exposures to customers (book values)

(in thousands of euro)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	31/12/2009
A. Cash exposures											
A.1 Non performing	-	-	2,709	-6,856	1,255	-3,403	-	-	-	-	3,964
A.2 Problem	133	-320	-	-	-	-	-	-	-	-	133
A.3 Restructured exposures	-	-	23	-9,420	-	-	-	-	-	-	23
A.4 Past due exposures	10	-	4	-	-	-	-	-	-	-	14
A.5 Other exposures	1,435,824	-67	478,185	-	150,933	-	-	-	6,143	-	2,071,084
Total A	**1,435,967**	**-387**	**480,920**	**-16,276**	**152,188**	**-3,403**	**-**	**-**	**6,143**	**-**	**2,075,218**
B. Off-balance sheet exposures											
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	202,609	-	34,050	-	-	-	-	-	9,033	-	245,692
Total B	**202,609**	**-**	**34,050**	**-**	**-**	**-**	**-**	**-**	**9,033**	**-**	**245,692**
Total A+B as at 31/12/2009	**1,638,576**	**-387**	**514,970**	**-16,276**	**152,188**	**-3,403**	**-**	**-**	**15,176**	**-**	**2,320,910**
Total A+B as at 31/12/2008	**3,822,830**	**403**	**1,074,951**	**6,383**	**86,752**	**2,864**	**13,155**	**-**	**3,537**	**-**	**5,001,225**

B.3 Geographical breakdown of cash and off-balance sheet exposures to banks (book values)

(in thousands of euro)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	31/12/2009
A. Cash exposures											
A.1 Non performing	-	-	2,649	-8,115	-	-	-	-	-	-	2,649
A.2 Problem	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	3,361,179	-	598,631	-	39,829	-	-	-	17,751	-	4,017,390
Total A	**3,361,179**	**-**	**601,280**	**-8,115**	**39,829**	**-**	**-**	**-**	**17,751**	**-**	**4,020,039**
B. Off-balance sheet exposures											
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	1,537,405	-	913,589	-	1,709	-	3,180	-	2,251	-	2,458,135
Total B	**1,537,405**	**-**	**913,589**	**-**	**1,709**	**-**	**3,180**	**-**	**2,251**	**-**	**2,458,135**
Total A+B as at 31/12/2009	**4,898,584**	**-**	**1,514,869**	**-8,115**	**41,539**	**-**	**3,180**	**-**	**20,002**	**-**	**6,478,174**
Total A+B as at 31/12/2008	**18,458,171**	**-**	**2,498,691**	**17,901**	**45,375**	**-**	**11,112**	**-**	**60,818**	**-**	**21,074,167**

B.4 Large risks

(in thousands of euro)	31/12/2009	31/12/2008
Number (in units)	3	2
Total amount (in thousands of euro)	195,648	122,556

C. Securitisations and Asset disposals

C.1 Securitisations

QUALITATIVE INFORMATION

Banca Aletti's trading book contains investments in securities originating from Banco Popolare Group securitisations for a total nominal value of 25,390 million euro.

All such securities are represented by senior tranches with AAA ratings and with 100% performing assets backed by collateral at a level significantly higher than the nominal value of the securities issued.

QUANTITATIVE INFORMATION

C.1.1 Securitisation-related exposures with breakdown by underlying asset quality

Underlying asset quality / Exposures *(in thousands of euro)*	CASH EXPOSURES						GUARANTEES GRANTED						CREDIT FACILITIES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. With 3rd party underlying assets	**19,998**	**10,578**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) impaired	9,443	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	10,555	10,555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3 Exposure originating from the main third-party securitisations with breakdown by underlying asset type and exposure type

ISIN code	*(in thousands of euro)*		CASH EXPOSURES						GUARANTEES GRANTED						CREDIT FACILITIES					
			Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
			Book value	Write-downs / reversals	Book value	Write-downs / reversals	Book value	Write-downs / reversals	Net exposure	Write-downs / reversals	Net exposure	Write-downs / reversals	Net exposure	Write-downs / reversals	Net exposure	Write-downs / reversals	Net exposure	Write-downs / reversals	Net exposure	Write-downs / reversals
IT0004215320	BP MORTGAGES 07/20.04.43 CL A2 TV CALL SENIOR	*Residential mortgages*	3,831	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0004239353	BP MORTGAGES 07/20.07.44 CL.A2 SENIOR	*Residential mortgages*	6,724	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LU0447905216	PILLAR SECURITISATION S.A.R.L. 10.7.09/PERP.TV- TRANCHE B IB	*Other assets*	23	815	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Securitisation-related exposures with breakdown by portfolio and type

Exposure / portfolio (*in thousands of euro*)	HFT assets	Fair value assets	AFS assets	HTM assets	Loans	31/12/2009	31/12/2008
1. Cash exposures	**10,555**	**-**	**-**	**-**	**23**	**10,578**	**16,153**
- Senior	10,555	-	-	-	23	10,578	16,153
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.2 Disposals

C.2.1. Financial assets sold but not derecognised

(*in thousands of euro*)	Financial assets held for trading			Fair value financial assets			Available-for-sale financial assets			Financial assets held to maturity			Due from banks			Due from customers			Total 31/12/2009	Total 31/12/2008
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets	**419,655**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**419,655**	
1. Debt securities	419,655	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	419,655	312,335
2. Equity instruments	454	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	930
3. UCIs	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
31/12/2009	**420,109**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**419,655**	**-**
of which impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2008	**313,265**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**313,265**
of which impaired																				

C.2.2. Financial liabilities from financial assets sold but not derecognised

	(in thousands of euro)	Financial assets held for trading	Fair value financial assets	Available-for-sale financial assets	Financial assets held to maturity	Due from banks	Due from customers	Total 31/12/2009	Total 31/12/2008
A.	**Due to customers**	**32,893**	**-**	**-**	**-**	**-**	**-**	**32,893**	**26,985**
	a) from fully recognised assets	32,893	-	-	-	-	-	32,893	26,985
	b) from partially recognised assets	-	-	-	-	-	-	-	-
B.	**Due to banks**	**433,030**	**-**	**-**	**-**	**-**	**-**	**433,030**	**277,372**
	a) from fully recognised assets	433,030	-	-	-	-	-	433,030	277,372
	b) from partially recognised assets	-	-	-	-	-	-	-	-
	Total 2009	***465,923***	**-**	**-**	**-**	**-**	**-**	***465,923***	**-**
	Total 2008	***304,357***	**-**	**-**	**-**	**-**	**-**	**-**	***304,357***

D. Credit risk measurement models

For loans portfolio risk measurement the Risk Management Departments uses an econometric model fed with an extensive dataset and risk variables.

Through Credit-VaR metrics the model allows definition of the loss probability breakdown for the loans portfolio, limited to performing, cash and unsecured exposures of ordinary and financial customers based in Italy. This breakdown is used to measure the potential maximum loss over a 1-year time horizon with a specific confidence level.

Specifically, to determine the breakdown the model's calculation engine uses a "MonteCarlo" simulation approach, which simulates a sufficiently high number of scenarios to provide a good conjectural approximation of theoretical loans portfolio losses.

Calculation of the maximum potential loss, broken down into the classic Expected Loss and Unexpected Loss measurements (Economic Capital), is respectively affected by concentration risk (deriving from high levels of exposure to individual counterparties - name concentration - or other counterparty types, similar in terms of geographic area and/or business sector, the credit rating of which depends on one or more systematic factors – industry concentration) and systematic risk (deriving from the impact of unexpected changes in macroeconomic factors on the likelihood of insolvency of individual counterparties).

In addition to the level of loans portfolio concentration, the impact of these components on credit risk also depends on the correlation matrix structure of probability of default (PD), in turn estimated by a quantitative stress testing model (developed and updated internally), that can link the rate of deterioration of counterparties similar in terms of business sector and geographic area to a set of "first level" (national and international) and "second level" (regional) economic and financial factors.

Lastly, the portfolio model is periodically subject to stress testing to assess credit risk sensitivity of the Group portfolio to changes, both moderate and extreme (albeit plausible), to one (sensitivity analysis) or more (scenario analysis) economic and financial factors.

Section 2

Market Risk

2.1 Interest rate risk and Price risk – Regulatory trading book

<u>QUALITATIVE INFORMATION</u>

A. General aspects

The organisational model adopted by the Banco Popolare Group for trading books subject to interest rate risk and price risk envisages centralisation:

- of Treasury positions into the Group Finance Division, which arranges coordinated management of the Group's interest rate, short-term liquidity and exchange rate risks, management of the own assets portfolio with the aim of optimising the overall risk-return profile, and diversifying the risks between different asset classes of financial instruments;
- of risk and operating cash flow positions relating to securities, currency, OTC derivative and other financial asset trading, into Banca Aletti. Added to these are the main interest rate risk exposures of the Banca Aletti trading

book, attributable to cash market transactions and related listed or plain vanilla derivatives monitored by the Fixed Income, Equity Proprietary Trading and GSF Departments, and on the OTC derivative and structured product and listed derivative markets covered by the Structured Products Department.

Excluded from the model are the subsidiary Efibanca and former Banca Italease Group companies as at present they have no significant positions with an impact on market risk.
Certain positions, completely residual compared to the aforementioned portfolios and not centralised at parent company level, are retained by the local banks, held for specific needs and purposes of the individual banks or directly linked to commercial activities. These portfolios are monitored by Banca Aletti if they derive from commercial network trading, and are represented by tranches of securities that cannot be placed or readily liquidated on the market.
Also assigned to the parent company Finance Department are other positions relating to government bonds deposited as collateral and residual positions deriving from trading that cannot be transferred immediately to Banca Aletti given their failure to meet the minimum amount requirements envisaged by the payment systems. Lastly, certain other positions are considered investment trading for management purposes, but are included in the banking book as a result of their accounting classification.

Banca Aletti trading book, held as part of its activities as an investment bank

As the Group's investment bank, Banca Aletti holds a trading book whose main exposures are attributable to cash market transactions and related listed or plain vanilla derivatives monitored by the Fixed Income Department, and on the OTC derivative and structured product and listed derivative markets covered by the Structured Products Department.
Specifically:

- bond investment portfolios and related listed derivatives, held by the Fixed Income Department, are characterised by prudent interest rate risk management. Specifically, in reference to year-end positions, the nominal amount of the portfolio is approximately 1 billion euro, mainly in government securities (78% of the total) and the remainder corporate securities (22% of the total). The resulting overall risk exposure totals around 1.5 million euro, assuming that any changes is in line with the 100 b.p. interest rate curve. This portfolio includes positions deriving from Group activities on the Securities Market, the management system for secondary market management of unstructured securities issued by the Group for approximately 96 million euro, and securities positions deriving from Group bank securitisations for just over 12 million euro. for accounting purposes at consolidated level the bank securitisations reduce the liabilities recorded for loans transferred but not derecognised;
- transactions in structured instruments and listed and unlisted derivatives, also including secondary market trading of structure products issued or placed by Group banks, represent a second transaction type. The destructuring of complex transactions based on underlying assets allows centralised interest rate, exchange rate and share price risk management by sections of the Bank's specific Structured Products Department, which make use of sophisticated position-keeping systems. In particular, the sensitivity (delta) to overall interest rate risk at year end, net of long and short positions on the various currencies and rate curve nodes, is approximately 33 million euro, assuming any change is in line with the 100 b.p. rate curve. This exposure also depends on the structured bond portfolio, for over 500 million euro, including those deriving from Group Securities Market activities for 270 million euro.

The main exposures to share price risk trace back to transactions on the cash and related listed or plain vanilla derivatives markets, monitored by the Equity Proprietary Trading Department, and on OTC derivative and structured products and listed derivative markets covered by the Equity Structured Product Department.
Specifically:

- share portfolios and related listed derivatives, held for trading by the Equity Proprietary Trading Department for market making transactions on individual Stock Futures and related specialist services, are characterised by limited net overnight exposures. With regard to proprietary portfolio activities, basket trading on the Spanish share index Ibex 35 is of particular note. This portfolio comprises futures sales on the index against the cash positions on individual securities;
- transactions in structured instruments and listed and unlisted derivatives are organised by the Equity Structured Products Department. As mentioned previously, the destructuring of complex transactions according to their underlying assets allows the centralised management of interest rate, exchange rate and share price risk management by specific sections of this Department, which for this purpose use a specialist position-keeping system for both interest rate and share price/exchange rate risks. The system is also integrated with in-house pricing and risk calculation models certified by a specific Model Validation Team with support from leading representatives of the academic sphere, coordinated by the parent company Risk Management Department. The year-end overall exposure to share price risk of the derivatives portfolio managed by the Structured Products Department was the equivalent to a short position countervalue of around 2.5 million euro, net of derivative and cash flow hedges.

The aforementioned Banca Aletti exposure to risk is monitored daily to confirm compliance with the operating limits established by the Board of Directors for the entire portfolio and individual underlying assets.
The Internal Regulation on Risk Positions establishes operating limits in relation to stock, sensitivity to interest rate risk, asset allocation in terms of issuer type and credit ratings, and in relation to individual company concentration risk and related

rating scales. These maximum limits set by the corporate bodies are monitored daily by the Market Risk Department of the parent company. The daily and periodic reports indicate the assets held and related exposures.
To complete the framework illustrated above, reference should be made to the next paragraph on risk management and measurement procedures.

B. Management procedures and measurement methods for interest rate risk and price risk

Financial risk management control procedures to identify the various types of risk, define risk measurement methods and control strategic limits and their consistency with operations, with allocated risk-return targets, is centrally managed by the parent company Market Risk Department.
For the specific identification, measurement, management and operating control of the risk positions of Group banks, the parent company Finance Department and Banca Aletti make use of a sophisticated position-keeping and risk control system that offers constant monitoring of exposure levels and prompt confirmation of compliance with the operating limits defined by the Management and Supervisory Boards of the parent company and the Boards of Directors of Group banks.
With regard to trading in unlisted derivatives and structured products, risk control is centralised on an application to manage interest rate, exchange rate and share indexed derivatives.
For particularly complex and innovative structures, their integration with in-house pricing and sensitivity calculation models is envisaged, authorised by a Validation Team and monitored by the parent company Market Risk Department.
The aforementioned position-keeping system, to which data is automatically uploaded from the market platform and sales networks for cash and listed derivative transactions, is constantly aligned to accounting procedures, guarantees ongoing identification and control of position, sensitivity and operating profit indicators and is also strictly integrated with the VaR control systems developed by the Market Risk Department.
Financial risk monitoring is performed on a daily basis and makes use of deterministic (sensitivity to market risk factors) and probability (VaR) indicators.
Specifically, these indicators are considered the most suitable tools to guarantee effective and precise measurement and control of market risk deriving from complex derivative exposures, also in regulatory terms.
Value at Risk (VaR) represents a synthetic risk measurement and expresses the maximum potential loss from market movements under normal conditions. The VaR calculation method used is one of the historic VaR simulation models. The values produced are calculated with a confidence level of 99% and a 1-day time horizon. The observation period is 250 days.
A 0.98 deterioration factor was introduced from the second half of 2009 to give a different weighting to historic data. This method allows greater significance to be given to more recent readings so as to capture upwards and downwards volatility of the market more rapidly.
The model currently used fully covers macro position and exchange rate risks, whilst micro risk is calculated for equity instruments only (pilot testing is also in progress on the VaR model application to estimate micro position risk in reference to bonds). The risk factors considered are interest rate risk, share price risk and exchange rate risk.
A VaR report is produced that allows monitoring at Group, individual bank, business unit and trading book levels.
Such reports are transmitted to the Senior Management of the Banks, to Finance Division and to Internal Audit.
In 2009 an automatic filtering system was implemented for daily P&L operations and for comparison with historic VaR simulations for the purposes of back-testing, i.e. to check the reliability of the model in relation to risks that have actually occurred.
With regard to stress testing, simulations have been defined and implemented by applying pre-defined shocks to the main risk factors for the purpose of current and forecast assessment of available capital according to second pillar Basel II requirements. Developments in the stress testing process are currently being implemented in accordance with a logic that envisages revaluation of portfolio positions as a result of combined risk factor shocks.
The VaR method described above is used to measure operational risks. During the year a project requesting validation of the internal market risk model was launched with the aim of also allowing its application in the calculation of capital requirements.

QUALITATIVE INFORMATION

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

Denomination currency: Positions in euro

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO
1. Cash assets	-	***550,780***	***423,875***	***161,667***	***846,134***	***82,013***	***16,199***	-
1.1. Debt securities	-	281,387	366,446	133,657	846,134	82,013	16,199	-
- with early redemption option	-	3,116	1,701	198	46,514	15,740	443	-
- other	-	278,271	364,745	133,459	799,620	66,273	15,756	-
1.2 Other assets	-	269,393	57,429	28,010	-	-	-	-
2. Cash liabilities	-	***754,486***	***58,994***	***127,756***	***742***	***84***	***10,131***	-
2.1 Reverse repo agreements	-	754,383	57,403	127,660	-	-	-	-
2.2 Other liabilities	-	103	1,591	96	742	84	10,131	-
3. Financial derivatives	-	***116,573,226***	***47,328,738***	***23,544,066***	***97,863,319***	***23,250,705***	***2,194,761***	-
3.1 With underlying security	-	398,556	179,362	8,414	96,068	33,580	55,004	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	398,556	179,362	8,414	96,068	33,580	55,004	-
+ Long positions	-	202,807	89,785	4,830	53,091	7,579	27,401	-
- Short positions	-	195,749	89,577	3,584	42,977	26,001	27,603	-
3.2 Without underlying security	-	116,174,670	47,149,376	23,535,652	97,767,251	23,217,125	2,139,757	-
- Options	-	2,377,256	692,931	558,785	3,604,459	556,685	77,405	-
+ Long positions	-	1,030,226	341,765	205,188	2,034,783	316,500	40,394	-
- Short positions	-	1,347,030	351,166	353,597	1,569,676	240,185	37,011	-
- Other derivatives	-	113,797,414	46,456,445	22,976,867	94,162,792	22,660,440	2,062,352	-
+ Long positions	-	57,004,091	23,505,980	11,614,967	45,390,608	12,030,275	1,336,470	-
- Short positions	-	56,793,323	22,950,465	11,361,900	48,772,184	10,630,165	725,882	-

Denomination currency: Positions in US Dollars

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	USD	USD	USD	USD	USD	USD	USD	USD
1. Cash assets	-	***169***	***124***	***802***	***5,003***	***21***	***35***	-
1.1. Debt securities	-	169	124	802	5,003	21	35	-
- with early redemption option	-	-	-	-	15	-	-	-
- other	-	169	124	802	4,988	21	35	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repo agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	***1,370,572***	***424,757***	***1,171,642***	***968,714***	***33,257***	***308***	-
3.1 With underlying security	-	2,480	4	348	1,492	250	308	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	2,480	4	348	1,492	250	308	-
+ Long positions	-	1,264	2	174	722	125	154	-
- Short positions	-	1,216	2	174	770	125	154	-
3.2 Without underlying security	-	1,368,092	424,753	1,171,294	967,222	33,007	-	-
- *Options*	-	234,838	294,817	531,830	160,792	-	-	-
+ Long positions	-	117,073	151,932	274,970	96,705	-	-	-
- Short positions	-	117,765	142,885	256,860	64,087	-	-	-
- *Other derivatives*	-	1,133,254	129,936	639,464	806,430	33,007	-	-
+ Long positions	-	571,238	70,091	321,502	384,384	27,454	-	-
- Short positions	-	562,016	59,845	317,962	422,046	5,553	-	-

Denomination currency: Positions in Swiss Francs

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
1. Cash assets	-	-	-	***27***	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	27	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repo agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	***225,081***	***174,826***	***35,277***	***277,294***	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	225,081	174,826	35,277	277,294	-	-	-
- *Options*	-	1,668	4,295	23,145	42,392	-	-	-
+ Long positions	-	834	3,396	9,982	25,315	-	-	-
- Short positions	-	834	899	13,163	17,077	-	-	-
- *Other derivatives*	-	223,413	170,531	12,132	234,902	-	-	-
+ Long positions	-	101,765	106,498	6,740	105,487	-	-	-
- Short positions	-	121,648	64,033	5,392	129,415	-	-	-

Denomination currency: Positions in Japanese Yen

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	YEN	YEN	YEN	YEN	YEN	YEN	YEN	YEN
1. Cash assets	-	-	-	-	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repo agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	34	-	-
3. Financial derivatives	-	***417,744***	***434,217***	***164,526***	***553,483***	***4,620***	-	-
3.1 With underlying security	-	227	-	-	-	227	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	227	-	-	-	227	-	-
+ Long positions	-	167	-	-	-	60	-	-
- Short positions	-	60	-	-	-	167	-	-
3.2 Without underlying security	-	417,517	434,217	164,526	553,483	4,393	-	-
- Options	-	5,115	30,064	53,505	41,426	-	-	-
+ Long positions	-	2,604	15,503	25,765	28,151	-	-	-
- Short positions	-	2,511	14,561	27,740	13,275	-	-	-
- Other derivatives	-	412,402	404,153	111,021	512,057	4,393	-	-
+ Long positions	-	214,425	185,142	48,145	265,361	4,393	-	-
- Short positions	-	197,977	219,011	62,876	246,696	-	-	-

Denomination currency: Positions in Other Currencies

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES
1. Cash assets	-	***38***	***13***	***2,190***	-	-	-	-
1.1. Debt securities	-	38	13	2,190	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	38	13	2,190	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	***57***	-	-	-	-
2.1 Reverse repo agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	57	-	-	-	-
3. Financial derivatives	-	***241,973***	***100,244***	***53,658***	***213,049***	***4,400***	***76***	-
3.1 With underlying security	-	1,802	12	81	608	1,022	76	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	1,802	12	81	608	1,022	76	-
+ Long positions	-	872	6	69	304	511	38	-
- Short positions	-	930	6	12	304	511	38	-
3.2 Without underlying security	-	240,171	100,232	53,577	212,441	3,378	-	-
- *Options*	-	1,303	2,850	12,278	16,224	-	-	-
+ Long positions	-	651	1,431	6,156	8,414	-	-	-
- Short positions	-	652	1,419	6,122	7,810	-	-	-
- *Other derivatives*	-	238,868	97,382	41,299	196,217	3,378	-	-
+ Long positions	-	112,535	39,416	36,975	96,346	3,378	-	-
- Short positions	-	126,333	57,966	4,324	99,871	-	-	-

2. Regulatory trading book: breakdown of exposures in equity instruments and share indices by major country of listing

(in thousands of euro)	Listed							Unlisted
	Italy	*United States*	*Switzerland*	*United Kingdom*	*Japan*	*Germany*	*Other countries*	
A. Equity instruments	**149,214**	**40,704**	**14,364**	**8,498**	**29,628**	**21,480**	**97,940**	**-**
- long positions	146,257	33,723	12,944	5,342	25,774	18,922	97,132	-
- short positions	2,957	6,982	1,419	3,155	3,854	2,559	808	-
B. Sales/purchases of equity instruments not yet settled	**4,561**	**-**	**-**	**-**	**642**	**-**	**4,884**	**-**
- long positions	3,173	-	-	-	642	-	2,873	-
- short positions	1,389	-	-	-	-	-	2,010	-
C. Other derivatives on equity instruments	**191,382**	**96,467**	**36,917**	**30,661**	**43,547**	**22,566**	**60,285**	**34,622**
- long positions	69,574	38,102	14,701	14,303	15,504	6,887	34,481	1,883
- short positions	121,808	58,366	22,215	16,358	28,042	15,679	25,804	32,739
D. Derivatives on share indices	**501,918**	**777,646**	**1,584,569**	**74,740**	**623,058**	**23,455**	**353,561**	**27,968**
- long positions	246,815	371,911	835,605	23,293	326,064	4,798	132,322	772
- short positions	255,103	405,735	748,964	51,447	296,994	18,657	221,239	27,196

2.2 Interest rate risk and Price risk – Banking book

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for interest rate risk and price risk

Interest rate risk on the banking book, represented by deposits, loans and repurchase agreements with interbank counterparties and ordinary customers, is managed centrally by the Forex and Money Market Department of the Parent Company.

The main exposures to price risk on the Banca Aletti banking book concern the strategic portfolio, comprising units of hedge funds, UCIs and private equity funds, together with bond issues by the Group's commercial banks, repurchased by Banca Aletti for internal secondary market management.
With regard to the strategic portfolio, this currently includes units of hedge funds managed by Gestielle Alternative. These funds were added to the portfolio in previous years also with a view to diversifying traditional investment portfolio results, especially in highly volatile periods.
Again with a view to diversifying banking book investments, the Bank subscribed to units of a private equity fund, Fondo Dimensione Network. This fund does not envisage immediate payment of the subscription value, but rather a gradual series of payments on demand from the fund management company as investments corresponding to the terms of the regulation are identified.
In relation to the bonds issued by the Group's commercial banks included in the Banca Aletti banking book, related management is strictly linked to the positions assumed for the derivatives trading book, and therefore reference should be made to paragraph 2.1 Interest rate risk and price risk - Trading book, with regard to management upstream of the related portfolio risk.

Management procedures and methods for price risk

Price risk monitoring and control of the banking book, comprising funds of hedge funds, is performed using the internal VaR model described in the section "Interest rate risk and price risk - Regulatory trading book". Risk assessment is performed by attributing a combination of risk factors representing the management strategies to each hedge fund (together with a factor capable of representing the related specific risk component).

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methods.

As interest rate risk regarding the Banca Aletti banking book is managed centrally by the Parent Company, no open interest rate risk positions have been recognised.

Denomination currency: Positions in euro

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO
1. Cash assets	**3,386,422**	**432,203**	**58,257**	**198,461**	**-**	**-**	**23**	**-**
1.1. Debt securities	-	-	-	-	-	-	23	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	23	-
1.2 Loans to banks	2,470,803	295,393	58,257	198,461	-	-	-	-
1.3 Loans to customers	915,619	136,810	-	-	-	-	-	-
- current account	314,358	-	-	-	-	-	-	-
- other loans	601,261	136,810	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	601,261	136,810	-	-	-	-	-	-
2. Cash liabilities	**3,652,608**	**606,233**	**57,791**	**153,630**	-	-	-	-
2.1 Due to customers	1,468,457	69,499	7,509	28,117	-	-	-	-
- current account	914,549	-	-	-	-	-	-	-
- other liabilities	553,908	69,499	7,509	28,117	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	553,908	69,499	7,509	28,117	-	-	-	-
2.2 Due to banks	2,184,151	518,733	50,282	125,513	-	-	-	-
- current account	867,900	-	-	-	-	-	-	-
- other liabilities	1,316,251	518,733	50,282	125,513	-	-	-	-
2.3 Debt securities	-	18,000	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	18,000	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-

Denomination currency: Positions in US Dollars

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	USD	USD	USD	USD	USD	USD	USD	USD
1. Cash assets	**126,163**	**1,719**	-	-	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	51,116	1,719	-	-	-	-	-	-
1.3 Loans to customers	75,047	-	-	-	-	-	-	-
- current account	11,767	-	-	-	-	-	-	-
- other loans	63,280	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	63,280	-	-	-	-	-	-	-
2. Cash liabilities	**190,436**	**4,022**	-	-	-	-	-	-
2.1 Due to customers	69,829	-	-	-	-	-	-	-
- current account	7,289	-	-	-	-	-	-	-
- other liabilities	62,539	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	62,539	-	-	-	-	-	-	-
2.2 Due to banks	120,607	4,022	-	-	-	-	-	-
- current account	79,536	-	-	-	-	-	-	-
- other liabilities	41,071	4,022	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-

Denomination currency: Positions in Swiss Francs

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
1. Cash assets	**13,817**	-	-	-	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	489	-	-	-	-	-	-	-
1.3 Loans to customers	13,329	-	-	-	-	-	-	-
- current account	5,494	-	-	-	-	-	-	-
- other loans	7,835	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	7,835	-	-	-	-	-	-	-
2. Cash liabilities	**96,617**	-	-	-	-	-	-	-
2.1 Due to customers	8,711	-	-	-	-	-	-	-
- current account	876	-	-	-	-	-	-	-
- other liabilities	7,835	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	7,835	-	-	-	-	-	-	-
2.2 Due to banks	87,905	-	-	-	-	-	-	-
- current account	87,905	-	-	-	-	-	-	-
- other liabilities	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-

Denomination currency: Positions in Japanese Yen

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	YEN	YEN	YEN	YEN	YEN	YEN	YEN	YEN
1. Cash assets	**88,289**	**5,971**	-	-	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	82,409	5,971	-	-	-	-	-	-
1.3 Loans to customers	5,879	-	-	-	-	-	-	-
- current account	3,284	-	-	-	-	-	-	-
- other loans	2,595	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	2,595	-	-	-	-	-	-	-
2. Cash liabilities	**5,952**	**15,484**	**439**	**1,021**	-	-	-	-
2.1 Due to customers	5,940	-	-	-	-	-	-	-
- current account	3,345	-	-	-	-	-	-	-
- other liabilities	2,595	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	2,595	-	-	-	-	-	-	-
2.2 Due to banks	12	308	-	-	-	-	-	-
- current account	12	-	-	-	-	-	-	-
- other liabilities	-	308	-	-	-	-	-	-
2.3 Debt securities	-	15,176	439	1,021	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	15,176	439	1,021	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-

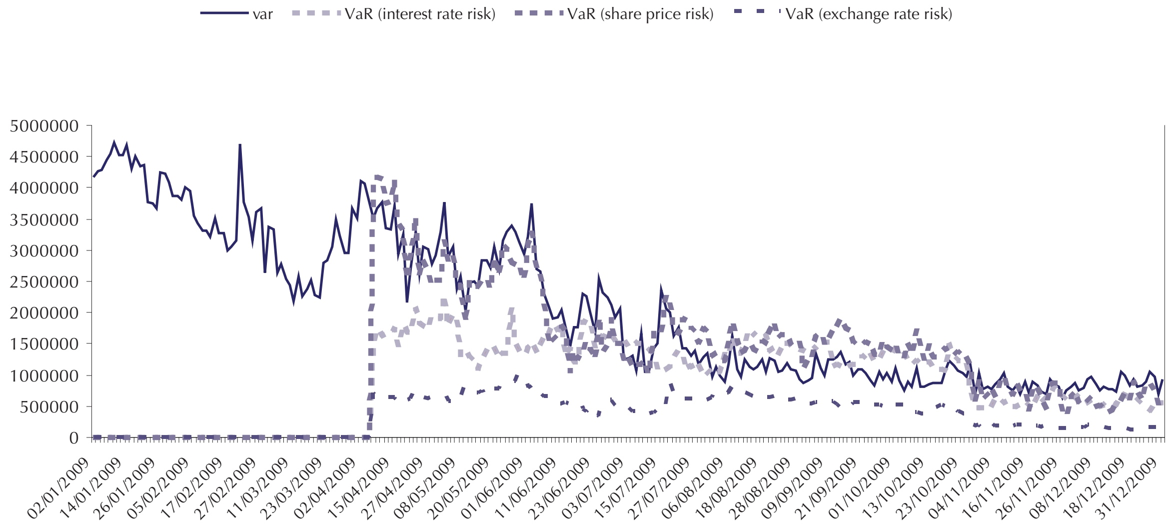
Denomination currency: Positions in Other Currencies

Type/Residual life	On demand	Up to 3 months	3-6 months	6 months – 1 year	1 – 5 years	5–10 years	Over 10 years	Infinite life
	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES
1. Cash assets	**40,295**	-	-	-	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	9,736	-	-	-	-	-	-	-
1.3 Loans to customers	30,559	-	-	-	-	-	-	-
- current account	4,286	-	-	-	-	-	-	-
- other loans	26,273	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	26,273	-	-	-	-	-	-	-
2. Cash liabilities	**45,142**	-	-	-	-	-	-	-
2.1 Due to customers	27,565	-	-	-	-	-	-	-
- current account	1,291	-	-	-	-	-	-	-
- other liabilities	26,273	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	26,273	-	-	-	-	-	-	-
2.2 Due to banks	17,577	-	-	-	-	-	-	-
- current account	17,549	-	-	-	-	-	-	-
- other liabilities	28	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	5,743	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	5,743	-	-	-	-	-	-
- *Options*	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- *Other derivatives*	-	5,743	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
- Short positions	-	5,743	-	-	-	-	-	-

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

The 2009 VaR (*) figures for the Banca Aletti regulatory trading book are provided below.

VaR trend – daily and by risk factor
BANCA ALETTI: Regulatory trading book



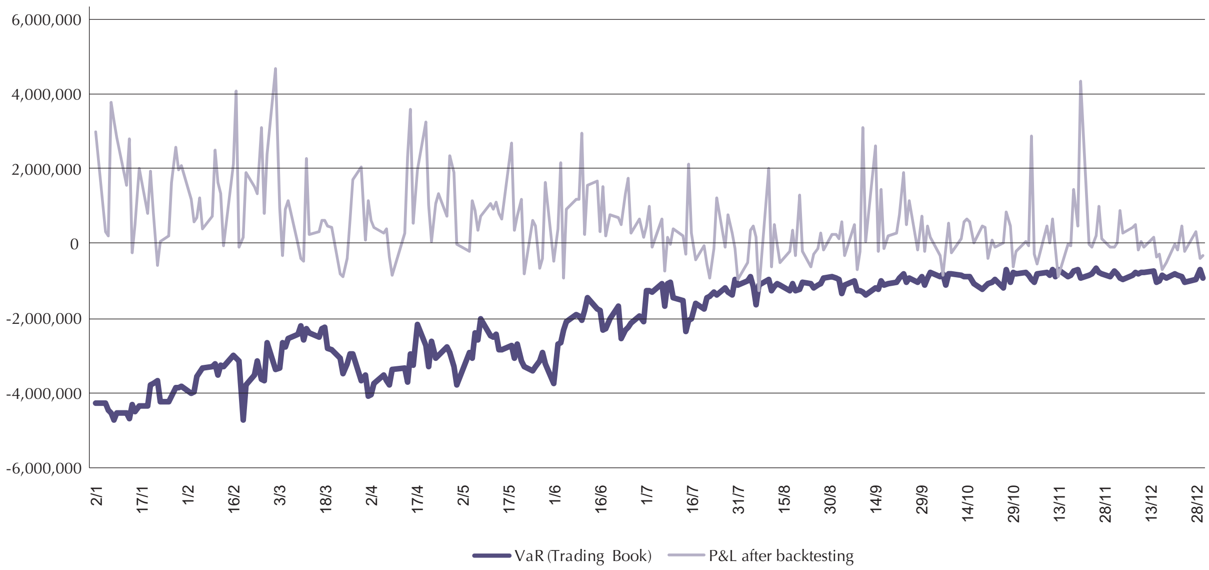
* Note that the VaR figure takes into account risk factor correlation from April onwards, and from that month the value of individual risk factors is also available. From the second half of 2009 a methodology update introduced a time-lapse factor (lambda) to take into consideration greater risk in periods of stronger financial market disruption.

Regulatory trading book *(in millions of euro)*	**31 December**		***2009***		
	2008	***2009***	***AVERAGE***	***PEAK***	***MINIMUM***
Interest rate risk	*1.688*	*0.561*	*0.902*	*2.290*	*0.409*
Exchange rate risk	*0.756*	*0.152*	*0.363*	*1.038*	*0.123*
Share price risk	*3.741*	*0.383*	*1.189*	*4.157*	*0.337*
Total not correlated	**6.185**	**1.096**			
Effect of diversification	-1.913	-2.254			
Combined risk	**4.272**	**0.918**	**2.077**	**4.724**	**0.643**

2009 saw a gradual decrease in total VaR following the reduction in share price risk positions from Structured Products. At the same time, the weaker financial market volatility had a positive impact on the historic time series used in risk calculation. The final value at risk was close to the minimum value for the period.

The chart below indicates the backtesting of the VaR methodology on the Banca Aletti portfolio for 2009.

Banca Aletti backtesting – 2009



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

The following table illustrates 2009 VaR figures for the Banca Aletti banking book, limited to positions concerning transactions classified as AFS, FV, L&R and HTM.
The figures depend on positions in Hedge Funds classified as FV.

"No trading" book *(in millions of euro)*	**31 December** ***2009***
Interest rate risk	*0.000*
Exchange rate risk	*0.000*
Share price risk	*0.091*
Total not correlated	**0,091**
Effect of diversification	**0.000**
Combined risk	**0.091**

2009 saw a gradual decrease in total VaR following the weakening of financial market volatility.

2.3 Exchange rate risk

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for exchange rate risk
Exchange rate risk is managed centrally by the Equity Structured Products Department. The exposures are the result of transactions in exchange rate derivatives in the major currencies for a total of less than 10 million euro.
With regard to the measurement methods and control of exchange rate risk generated by the trading book, reference should be made to the description in the section "Interest rate risk and price risk – Regulatory trading book". As for other risks, the adopted methods are not applied in the calculation of capital requirements.

B. Exchange rate risk hedging
Exposure to exchange rate risk is monitored daily and hedged so as to comply with the risk limits envisaged for each department.

QUALITATIVE INFORMATION

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

(in thousands of euro)	Currency						
	Euro	*US Dollars*	*GB Pounds*	*Swiss Francs*	*Japanese Yen*	*Norwegian Kroner*	*Other currencies*
A. Financial assets	**6,638,186**	**67,307**	**13,026**	**18,403**	**114,142**	**75**	**12,534**
A.1 Debt securities	2,155,027	6,101	2,124	27	-	-	23
A.2 Equity instruments	262,622	37,507	6,825	12,528	25,297	-	3,991
A.3 Loans to banks	3,068,838	11,217	1,065	354	85,561	74	7,246
A.4 Loans to customers	1,151,699	12,482	3,012	5,494	3,284	-	1,274
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	**1,675**	**7**	**-**	**-**	**-**	**-**	**4**
C. Financial liabilities	**4,667,985**	**97,209**	**11,977**	**89,183**	**21,458**	**1**	**7,284**
C.1 Due to banks	2,939,873	85,466	10,523	87,905	320	1	7,079
C.2 Due to customers	1,710,112	11,743	1,453	1,278	4,502	-	206
C.3 Debt securities	18,000	-	-	-	16,636	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**(1,035,618)**	**24,864**	**(4,986)**	**871**	**3,619**	**-**	**(1,382)**
- Options	**(1,051,557)**	**(31,741)**	**610**	**871**	**(1,770)**	**-**	**(1,357)**
+ long positions	580,910	273,023	3,987	13,124	29,478	-	4,199
+ short positions	1,632,467	304,763	3,377	12,253	31,248	-	5,556
- Other derivatives	**15,939**	**56,605**	**(5,596)**	**-**	**5,389**	**-**	**(25)**
+ long positions	3,017,319	105,168	6,632	1,005	16,795	6,941	6,084
+ short positions	3,001,380	48,564	12,228	1,005	11,407	6,940	6,109
Total assets	**10,238,090**	**445,506**	**23,645**	**32,532**	**160,415**	**7,015**	**22,821**
Total liabilities	**9,301,832**	**450,536**	**27,582**	**102,441**	**64,112**	**6,941**	**18,949**
Imbalance (+/-) as at 31/12/2009	***936,258***	***(5,031)***	***(3,938)***	***(69,910)***	***96,303***	***74***	***3,872***
Imbalance (+/-) as at 31/12/2008	***1,939***	***(35,104)***	***581***	***(7,488)***	***116,141***	***(36)***	***6,876***

Internal models and other sensitivity analysis methods

The monitoring of exchange rate risk generated by the trading book and banking book is performed using an internal VaR model, described in the section "Interest rate risk and price risk - Regulatory trading book" which, in addition to the section "Interest rate risk and price risk - Banking book", provides the values assumed by this indicator.

2.4 Derivatives

QUALITATIVE INFORMATION

With regard to derivative transactions the Banco Popolare Group has adopted specific, robust validation and control processes for the Pricing Model and related Market Benchmarks.

Validation and control process for Market Benchmarks

The Banco Popolare Group has a Fair Value Policy that defines the accounting rules for the valuation of market benchmarks. For the implementation of this Policy, a strict market benchmark enumeration, validation and control process is used to measure the market value and to estimate risk for derivative positions. This process is implemented by the parent company Risk Management Department.
Specifically, the process involves:

- constant updating of the Benchmarks Manual, which contains the main benchmarks used and their more important features, together with a definition of the input source;
- constant updating of the benchmark control methodologies;
- validation and control on a daily basis of the listed benchmarks, with automatic datafeed from external infoproviders;
- validation and control on a daily basis of illiquid benchmarks at accounting and operating level.

In support of Group control activities, an advanced application is used (with datafeed from the Front Office system and, for benchmarking purposes, by alternative, highly specialised infoproviders) to monitor long-term benchmark performance, with statistical analysis of any operational deviations and warnings.

Pricing Model validation process for OTC derivatives

For the valuation of its OTC derivative transactions the Banco Popolare Group uses quantitative pricing models in line with the best market practices already included in the Front Office application or, for particular structures, models developed in-house by Banca Aletti finance engineering.
To guarantee precise and strict governance of the process for adopting new pricing models – whether available on the market or developed internally – a validation process is used which envisages:

- action by a model validation team, formed from managers of various corporate departments and coordinated by the parent company Risk Management Department;
- model validation by strict consistency and strength testing, also conducted with support from advisors from the academic sphere;
- official validation of new models by a Financial Product Innovation Committee, involving strategic company executives.

A limited number of OTC derivatives remain (less than 0.08% in terms of the number of contracts) for matching purposes, the complexity of which makes the fair value difficult to reproduce on in-house theoretical models.
However, it should be emphasised that the bank is not exposed to market risk from these products, given their use for matching purposes only. For a correct quantification of counterparty risk and correct recognition to the balance sheet, the valuation of such contracts is based on information provided by external contributors, through sources not available to the public. The percentage incidence of these instruments is in any event due to gradually diminish, as the current Group policy envisages that the stipulation of financial instrument contracts with innovative features is permitted only after thorough verification of the reliability and accuracy of the related pricing models.

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The following table illustrates the total fair value of Banca Aletti derivative positions (excluding forward exchange rate transactions), in relation to the type of pricing model used. Note that as the Banco Popolare Group's investment bank, Banca Aletti manages market risk deriving from complex derivative transactions.

Table: Fair Value of derivative positions

Aggregate ***(values in thousands of euro)***	**No. of contracts/ trading blocks**	**Fair value**	**Positive fair value**	**Negative fair value**
Total	185,634	(1,018,139,336)	4,058,355,442	(5,076,494,778)
of which: Listed derivatives	172,368	(128,850,128)	79,989,283	(208,839,412)
of which: OTC derivatives measured using proprietary Front Office system models	1,086	(93,114,861)	375,452,254	(468,567,115)
of which: OTC derivatives measured using in-house models developed by Banca Aletti finance engineering	12,163	(752,135,543)	3,548,534,384	(4,300,669,927)
of which: OTC derivatives measured by external contributors	17	(44,038,803)	54,379,521	(98,418,325)

A. Financial derivatives

A.1 Regulatory trading book: year-end and average notional values

Underlying assets/Derivative type	Total 2009		Total 2008	
	Over the counter	*Central counterparties*	*Over the counter*	*Central counterparties*
1. Debt securities and interest rates	**181,937,208**	**8,856,620**	**68,650,501**	**-**
a) Options	36,891,128	-	11,082,220	-
b) Swaps	145,046,080	-	57,558,281	-
c) Forward contracts	-	-	10,000	-
d) Futures	-	8,856,620	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	**22,039,759**	**3,179,505**	**5,846,271**	**1,647,979**
a) Options	22,039,759	2,898,029	5,824,058	1,647,979
b) Swaps	-	-	-	-
c) Forward contracts	-	-	-	-
d) Futures	-	281,476	-	-
e) Other	-	-	22,213	-
3. Currencies and gold	**1,110,398**	**-**	**3,246,110**	**-**
a) Options	906,229	-	371,909	-
b) Swaps	-	-	-	-
c) Forward contracts	204,169	-	2,450,511	-
d) Futures	-	-	-	-
e) Other	-	-	423,690	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**205,087,365**	**12,036,125**	**77,742,882**	**1,647,979**
Average values	**141,415,124**	**6,842,052**	**62,225,617**	**1,933,848**

A.2 Banking book: year-end and average notional values

A.2.1 Hedging

Underlying assets/Derivative type	Total 2009		Total 2008	
	Over the counter	*Central counterparties*	*Over the counter*	*Central counterparties*
1. Debt securities and interest rates	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward contracts	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward contracts	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**5,743**	**-**	**3,580**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward contracts	5,743	-	3,580	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**5,743**	-	**3,580**	-
Average values	**4,662**	-	**9,622**	-

A.3 Financial derivatives: gross positive fair value – breakdown by product

Book/Derivative type	Positive fair value			
	Total 2009		Total 2008	
	Over the counter	*Central counterparties*	*Over the counter*	*Central counterparties*
A. Regulatory trading book	**3,981,527**	**83,137**	**2,981,387**	**208,166**
a) Options	821,583	83,137	675,567	208,166
b) Interest rate swaps	3,153,625	-	2,152,876	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	6,319	-	152,944	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - hedging	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book – other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**3,981,527**	**83,137**	**2,981,387**	**208,166**

A.4 Financial derivatives: gross negative fair value – breakdown by product

Book/Derivative type	Negative fair value			
	Total 2009		Total 2008	
	Over the counter	*Central counterparties*	*Over the counter*	*Central counterparties*
A. Regulatory trading book	**4,169,714**	**907,583**	**3,076,129**	**1,023,123**
a) Options	1,082,081	907,583	855,558	1,023,123
b) Interest rate swaps	3,082,774	-	2,063,901	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	4,859	-	156,670	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - hedging	**148**	**-**	**96**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	148	-	96	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book – other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward contracts	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**4,169,862**	**907,583**	**3,076,225**	**1,023,123**

A.5 OTC financial derivatives – regulatory trading book: notional values, gross positive and negative fair values by counterparty – contracts not covered by netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates							
- notional value	-	-	65,975,295	-	4,046,659	-	2,652,073
- positive fair value	-	-	1,459,583	-	-	-	-
- negative fair value	-	-	1,399,840	-	516,070	-	30,036
- future exposure	-	-	381,850	-	39,164	-	23,935
2) Equity instruments and share indices							
- notional value	-	-	3,346,094	-	7,689,041	-	623,853
- positive fair value	-	-	37,997	-	-	-	93
- negative fair value	-	-	242,565	-	119,444	-	4,219
- future exposure	-	-	266,620	-	650,932	-	48,342
3) Currencies and gold							
- notional value	-	-	667,356	1,157	-	928	15,568
- positive fair value	-	-	26,554	-	-	2	45
- negative fair value	-	-	16,180	11	-	79	638
- future exposure	-	-	7,481	12	-	9	195
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives – regulatory trading book: notional values, gross positive and negative fair values by counterparty – contracts covered by netting agreements

Contracts covered by netting agreements	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates							
- notional value	-	-	92,179,543	17,083,638	-	-	-
- positive fair value	-	-	1,816,378	177,094	-	-	-
- negative fair value	-	-	1,160,775	253,514	-	-	-
2) Equity instruments and share indices							
- notional value	-	-	9,668,968	711,803	-	-	-
- positive fair value	-	-	442,739	11,520	-	-	-
- negative fair value	-	-	361,443	45,324	-	-	-
3) Currencies and gold							
- notional value	-	-	376,048	49,342	-	-	-
- positive fair value	-	-	9,453	59	-	-	-
- negative fair value	-	-	19,350	377	-	-	-
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives – banking book: notional values, gross positive and negative fair values by counterparty – contracts not covered by netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equity instruments and share indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold	**-**	**-**	**5,948**	**-**	**-**	**-**	**-**
- notional value	-	-	5,743	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	148	-	-	-	-
- future exposure	-	-	57	-	-	-	-
4) Other values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

(in thousands of euro)		Up to 1 year	1 – 5 years	Over 5 years	Total
A.	**Regulatory trading book**	**39,110,784**	**128,128,930**	**37,841,909**	**205,081,623**
A.1	Financial derivatives on debt securities and interest rates	34,849,122	112,816,968	34,271,118	181,937,208
A.2	Financial derivatives on equity instruments and share indices	3,237,718	15,231,250	3,570,791	22,039,759
A.3	Financial derivatives on exchange rates and gold	1,023,944	80,712	-	1,104,656
A.4	Financial derivatives on other values	-	-	-	-
B.	**Banking book**	**5,743**	**-**	**-**	**5,743**
B.1	Financial derivatives on debt securities and interest rates	-	-	-	-
B.2	Financial derivatives on equity instruments and share indices	-	-	-	-
B.3	Financial derivatives on exchange rates and gold	5,743	-	-	5,743
B.4	Financial derivatives on other values	-	-	-	-
	Total as at 31/12/2009	**39,116,527**	**128,128,930**	**37,841,909**	**205,087,366**
	Total as at 31/12/2008	**37,299,221**	**103,099,864**	**35,835,697**	**176,234,782**

A.10 OTC financial derivatives: counterparty risk/financial risk – Internal models

For the purpose of calculating capital requirements in relation to counterparty risk, the Banco Popolare Group does not use EPE-type internal models approved by regulatory authorities.
For management and capital adequacy assessment purposes (ICAAP), the Bank has recently developed and is pilot testing a risk assessment model for the component represented by over-the-counter (OTC) derivative transactions.
This model envisages the use of internal market risk assessment models to determine potential short-term developments in the fair value of positions, incorporating the benefits of market correlation and including the impact on guarantee agreements, applying internal PD and LGD estimates and weighting formulas as envisaged in the credit risk IRB methodology to the resulting future exposures.

B. Credit derivatives

B.1 Credit derivatives: year-end and average notional values

Transaction category	Regulatory trading book		Banking book	
	single underlying	underlying basket	single underlying	underlying basket
1. Protection purchases				
a) Credit default products	143,589	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Other	-	-	-	-
Total as at 31/12/2009	**143,589**	**-**	**-**	**-**
AVERAGE VALUES	**83,794**	**-**	**-**	**-**
Total as at 31/12/2008	**24,000**	**-**	**-**	**-**
2. Protection sales				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Other	-	-	-	-
Total as at 31/12/2009	**-**	**-**	**-**	**-**
AVERAGE VALUES	**-**	**-**	**-**	**-**
Total as at 31/12/2008	**-**	**-**	**-**	**-**

B.2 OTC credit derivatives: gross positive fair value – breakdown by product

Book/Derivative type	Positive fair value	
	Total 2009	Total 2008
A. REGULATORY TRADING BOOK	**-**	**52**
a) Credit default products	-	52
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
B. BANKING BOOK	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**-**	**52**

B.3 OTC credit derivatives: gross negative fair value – breakdown by product

Book/Derivative type	Negative fair value	
	Total 2009	Total 2008
A. REGULATORY TRADING BOOK	**4,057**	**-**
a) Credit default products	4,057	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
B. BANKING BOOK	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**4,057**	**-**

B.5 OTC credit derivatives: gross positive and negative fair values by counterparty – contracts covered by netting agreements

Contracts covered by netting agreements	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading book							
1) Protection purchases	**-**	**-**	**142,546**	**5,100**	**-**	**-**	**-**
- notional value	-	-	138,589	5,000	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	3,957	100	-	-	-
2) Protection sales	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
Banking book							
1) Protection purchases	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2) Protection sales	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6 Residual life of credit derivatives: notional values

Underlying assets/Residual life		Up to 1 year	1 – 5 years	Over 5 years	Total
A.	**Regulatory trading book**	**-**	**143,589**	**-**	**143,589**
A.1	Credit derivatives on loans with reference obligation - qualified	-	-	-	-
A.2	Credit derivatives on loans with reference obligation - unqualified	-	143,589	-	143,589
B.	**Banking book**	**-**	**-**	**-**	**-**
B.1	Credit derivatives on loans with reference obligation - qualified	-	-	-	-
B.4	Credit derivatives on loans with reference obligation - unqualified	-	-	-	-
	Total as at 31/12/2009	**-**	**143,589**	**-**	**143,589**
	Total as at 31/12/2008	**17,000**	**41,000**	**-**	**58,000**

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

(in thousands of euro)	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities
1) Bilateral financial derivative agreements							
- positive fair value	-	-	866,707	34,050	-	-	-
- negative fair value	-	-	143,662	144,692	-	-	-
- future exposure	-	-	492,203	49,627	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
2) Bilateral credit derivative agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) Cross-product agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for liquidity risk

Liquidity risk is generated by a very short-term mismatch between expected incoming and outgoing cash flows. In addition to the difficulty/impossibility of hedging against these mismatches, liquidity risk can also lead to interest rate risk arising from the need to raise/use funds at unknown and potentially disadvantageous rates.

In 2009 the Banco Popolare Group organisational model was reviewed and the bank treasury services for the entire Group were assigned to the Forex and Money Market Department of the parent company Finance Division.

During the year a liquidity policy was also implemented in methodology-related areas (on demand items, prepayment on term transactions, derivative alignment with the credit support annex, call risk on available credit facility margins, etc.) with greater measurement frequency and with stress testing. This ensured it was possible to redefine operating limits on more stringent levels and identify further improvement objectives, followed up during the course of the year.

First level control of liquidity risk is covered by the daily monitoring and control of cumulative mismatches in operating liquidity, generated from transactions with interbank and institutional counterparties, using the following time buckets: overnight, 14 days, 1 month, 3 months and 6 months.

Monitoring of the operating liquidity risk limits, as for the first level controls, is assigned to the ALM and Asset Backed Funding Departments of the Group Finance Division, whereas the Transformation and Operational Risk Department of the Risk Management Division is responsible for second level control.

Second level control of liquidity risk involves the monitoring of any structural liquidity mismatch, generated from transactions regarding the entire banking book, using the following time buckets: 14 days, 1 month, 3 months and 6 months. Monitoring of structural liquidity risk limits is handled by the Transformation and Operational Risk Department of the Risk Management Division.

Third level monitoring of liquidity risk involves the measurement and management of structural liquidity risk by the ALM and Asset Backed Funding Departments of the Group Finance Division.
The measurement of structural liquidity risk, i.e. lack of cash resources necessary to fund financial outgoings, is performed on processors produced by the Operating Asset & Liability Management procedure, in particular the simulation module which is also used to measure interest rate risk.
Structural liquidity risk is measured from both a static point of view, measuring liquidity needs by building liquidity gaps into each time bucket (the difference between due commitments and deposits) and from a dynamic point of view, determining liquidity needs in various scenarios characterised by a change in certain financial balances capable of affecting the time-related liquidity profile.
In identifying Group liquidity risk an important role is played by the thorough, constant and daily measurement of counterbalancing capacity, a readily available reserve of liquidity which essentially comprises securities – prior to planned haircuts – the characteristics of which can be determined in advance by the European Central Bank. For its counterbalancing capacity the Group adopts a restrictive definition that takes into consideration only the positions on individual securities exceeding 5 million euro.

QUANTITATIVE INFORMATION

1.1 Breakdown of financial assets and liabilities by contractual residual life – Denomination currency: Positions in euro

2009

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO
Cash assets	**2,662,833**	**17,538**	**16,403**	**291,639**	**383,172**	**336,453**	**375,279**	**898,438**	**109,037**	**-**
A.1 Government securities	-	-	-	229	207,365	192,605	40,244	339,366	28,199	-
A.2 Other debt securities	109	-	2,531	14,863	51,561	85,591	136,574	559,072	76,874	-
A.3 UCI units	31,695	X	X	X	X	X	X	X	X	X
A.4 Loans:	*2,631,029*	*17,538*	*13,871*	*276,547*	*124,246*	*58,257*	*198,461*	-	*3,964*	-
- Banks	2,217,542	17,538	13,871	139,737	124,246	58,257	198,461	-	133	-
- Customers	413,487	-	-	136,810	-	-	-	-	3,831	-
Cash liabilities	**2,895,550**	**24,044**	**14,138**	**291,235**	**276,920**	**57,874**	**153,728**	**2,235**	**10,184**	**-**
B.1 Deposits and current accounts	*2,708,922*	-	*2,263*	*4,325*	*384*	-	*25,119*	-	-	-
- Banks	1,794,373	-	2,263	4,325	384	-	25,119	-	-	-
- Customers	914,549	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	18,000	-	-	-	-	-
B.3 Other liabilities	186,628	24,044	11,875	286,909	258,537	57,874	128,609	2,235	10,184	-
Off-balance sheet transactions	**8,091,377**	**613,156**	**10,864**	**21,451**	**99,158**	**264,207**	**103,918**	**170,101**	**96,670**	**-**
C.1 Financial derivatives with equity swap	*128*	*414,442*	*10,864*	*21,451*	*99,158*	*264,207*	*103,918*	*170,101*	*96,670*	-
- Long positions	-	211,219	548	14,808	17,486	142,746	36,414	88,136	38,497	-
- Short positions	128	203,223	10,316	6,643	81,672	121,461	67,504	81,965	58,173	-
C.2 Financial derivatives without equity swap	*8,091,250*	-	-	-	-	-	-	-	-	-
- Long positions	3,624,771	-	-	-	-	-	-	-	-	-
- Short positions	4,466,479	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions		-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	198,714	-	-	-	-	-	-	-	-
- Long positions	-	198,714	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

2008

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO
Cash assets	**580,226**	**820,812**	**3,022,761**	**3,518,628**	**5,073,483**	**3,369,939**	**1,270,635**	**445,658**	**248,717**	**37,301**
A.1 Government securities	-	-	-	-	-	125,220	170,805	95,847	5,798	-
A.2 Other debt securities	302	-	1,099	1,285	10,503	17,423	33,855	244,431	29,765	-
A.3 UCI units	35,281	X	X	X	X	X	X	X	X	X
A.4 Loans:	*544,643*	*819,955*	*3,020,766*	*3,515,646*	*5,054,097*	*3,148,278*	*1,008,267*	*4,889*	*143,861*	*37,301*
- Banks	150,811	819,955	3,020,766	3,424,036	5,054,097	3,148,278	951,353	4,889	143,861	33,161
- Customers	393,832	-	-	91,610	-	-	56,914	-	-	4,006
Cash liabilities	**2,727,718**	**1,784,668**	**1,862,240**	**3,181,377**	**4,153,937**	**2,260,748**	**563,345**	**65,769**	**322,523**	**10,643**
B.1 Deposits and current accounts	2,727,718	654,588	95,266	74,529	352,749	147,026	69,564	65,769	-	9,120
- Banks	2,292,639	654,588	95,266	74,529	352,749	147,026	69,564	65,769	-	-
- Customers	435,079	-	-	-	-	-	-	-	-	9,120
B.2 Debt securities	-	-	-	39,785	-	-	-	-	-	-
B.3 Other liabilities	-	1,130,080	1,766,974	3,067,063	3,801,188	2,113,722	493,781	-	322,523	1,523
Off-balance sheet transactions	**1,628**	**1,215,522**	**212,227**	**2,022,926**	**1,298,900**	**903,828**	**406,552**	**292,697**	**15,549**	**1,025**
C.1 Financial derivatives with equity swap	-	1,215,522	212,227	2,022,926	1,298,900	903,828	406,552	292,697	15,549	-
- Long positions	-	519,183	111,858	921,241	494,531	580,181	196,745	184,236	15,007	-
- Short positions	-	696,339	100,369	1,101,685	804,369	323,647	209,807	108,461	542	-
C.2 Financial derivatives without equity swap	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions		-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	1,628	-	-	-	-	-	-	-	-	1,025
- Long positions	814	-	-	-	-	-	-	-	-	1,025
- Short positions	814	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

1.2 Breakdown of financial assets and liabilities by contractual residual life – Denomination currency: Positions in US Dollars

2009

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash assets	**25,354**	**-**	**-**	**132**	**1,760**	**127**	**803**	**5,030**	**56**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	35	-
A.2 Other debt securities	-	-	-	132	41	127	803	5,030	21	-
A.3 UCI units	770	X	X	X	X	X	X	X	X	X
A.4 Loans:	*24,583*	-	-	-	*1,719*	-	-	-	-	-
- Banks	12,076	-	-	-	1,719	-	-	-	-	-
- Customers	12,508	-	-	-	-	-	-	-	-	-
Cash liabilities	**88,863**	**-**	**-**	**2,610**	**1,412**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	*86,826*	-	-	*2,610*	*1,412*	-	-	-	-	-
- Banks	79,536	-	-	2,610	1,412	-	-	-	-	-
- Customers	7,289	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2,037	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**375,228**	**8,360**	**37,731**	**44,024**	**158,003**	**266,563**	**483,211**	**109,429**	**571**	**-**
C.1 Financial derivatives with equity swap	-	*7,135*	*37,731*	*44,024*	*158,003*	*266,563*	*483,211*	*109,429*	*571*	-
- Long positions	-	3,587	29,544	18,442	100,840	126,347	251,667	59,777	285	-
- Short positions	-	3,549	8,187	25,583	57,162	140,216	231,544	49,652	286	-
C.2 Financial derivatives without equity swap	*375,228*	-	-	-	-	-	-	-	-	-
- Long positions	167,710	-	-	-	-	-	-	-	-	-
- Short positions	207,518	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions		-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	1,225	-	-	-	-	-	-	-	-
- Long positions	-	1,225	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

2008

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash assets	**14,515**	**192,221**	**45,153**	**47,122**	**79,404**	**46,948**	**3,834**	**-**	**14,434**	**-**
A.1 Government securities	-	-	-	-	-	4	-	-	672	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	2	-
A.3 UCI units	508	X	X	X	X	X	X	X	X	X
A.4 Loans:	*14,007*	*192,221*	*45,153*	*47,122*	*78,678*	*46,944*	*3,834*	-	*13,760*	-
- Banks	12,717	192,221	45,153	47,122	78,678	46,944	3,833	-	13,760	-
- Customers	1,290	-	-	-	-	-	1	-	-	-
Cash liabilities	**255,261**	**119,130**	**100,221**	**325,112**	**111,928**	**50,294**	**4,620**	**13**	**2,675**	**-**
B.1 Deposits and current accounts	255,261	119,130	70,780	325,112	111,928	50,294	4,620	-	-	-
- Banks	248,973	119,130	70,780	325,112	111,928	50,294	4,620	-	-	-
- Customers	6,288	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	29,441	-	-	-	-	13	2,675	-
Off-balance sheet transactions	**-**	**578,016**	**70,038**	**2,085,210**	**1,120,197**	**744,896**	**811,850**	**724,586**	**8,929**	**-**
C.1 Financial derivatives with equity swap	-	567,238	70,038	2,085,210	1,120,197	744,896	811,850	724,586	8,929	-
- Long positions	-	272,335	26,172	1,212,911	725,132	373,791	408,011	369,246	8,134	-
- Short positions	-	294,903	43,866	872,299	395,065	371,105	403,839	355,340	795	-
C.2 Financial derivatives without equity swap	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	10,778	-	-	-	-	-	-	-	-
- Long positions		5,389	-	-	-	-	-	-	-	-
- Short positions	-	5,389	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

1.2 Breakdown of financial assets and liabilities by contractual residual life – Denomination currency: Positions in GB Pounds

2009

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Cash assets	**5,428**	**-**	**-**	**29**	**-**	**-**	**2,204**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	29	-	-	2,204	-	-	-
A.3 UCI units	-	X	X	X	X	X	X	X	X	X
A.4 Loans:	*5,428*	-	-	-	-	-	-	-	-	-
- Banks	2,416	-	-	-	-	-	-	-	-	-
- Customers	3,011	-	-	-	-	-	-	-	-	-
Cash liabilities	**11,551**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	*11,522*	-	-	-	-	-	-	-	-	-
- Banks	10,496	-	-	-	-	-	-	-	-	-
- Customers	1,026	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	28	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**40,736**	**7,449**	**2,163**	**336**	**2,960**	**4,932**	**13,074**	**2,704**	**518**	**-**
C.1 Financial derivatives with equity swap	-	*7,097*	*2,163*	*336*	*2,960*	*4,932*	*13,074*	*2,704*	*518*	-
- Long positions	-	678	1,093	286	1,491	2,365	6,571	1,352	259	-
- Short positions	-	6,420	1,070	50	1,469	2,567	6,503	1,352	259	-
C.2 Financial derivatives without equity swap	*40,736*	-	-	-	-	-	-	-	-	-
- Long positions	20,686	-	-	-	-	-	-	-	-	-
- Short positions	20,049	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions		-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	352	-	-	-	-	-	-	-	-
- Long positions	-	352	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

2008

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Cash assets	**9,084**	**1,060**	**0**	**28,565**	**24,019**	**47,031**	**144**	**1,088**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	14	-	-	1,088	-	-
A.3 UCI units	-	X	X	X	X	X	X	X	X	X
A.4 Loans:	*9,084*	*1,060*	-	*28,565*	*23,874*	*46,928*	-	-	-	-
- Banks	8,341	1,060	-	*28,565*	*23,874*	46,928	-	-	-	-
- Customers	743	-	-	-	-	-	-	-	-	-
Cash liabilities	**16,485**	**52,241**	**126**	**-**	**-**	**10,794**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	16,485	52,241	126	-	-	10,794	-	-	-	-
- Banks	13,425	52,241	126	-	-	10,794	-	-	-	-
- Customers	3,060	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**247,029**	**74,733**	**39,006**	**236,812**	**193,551**	**21,608**	**7,196**	**263**	**-**
C.1 Financial derivatives with equity swap	-	247,029	74,733	39,006	236,812	193,551	21,608	7,196	263	-
- Long positions	-	123,114	48,424	15,207	115,411	76,516	10,984	3,795	263	-
- Short positions	-	123,915	26,309	23,799	121,401	117,035	10,624	3,401	-	-
C.2 Financial derivatives without equity swap	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

1.2 Breakdown of financial assets and liabilities by contractual residual life – Denomination currency: Positions in Swiss Francs

2009

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Cash assets	**5,982**	**-**	**-**	**-**	**-**	**-**	**28**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	28	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCI units	-	X	X	X	X	X	X	X	X	X
A.4 Loans:	*5,982*	-	-	-	-	-	-	-	-	-
- Banks	489	-	-	-	-	-	-	-	-	-
- Customers	5,494	-	-	-	-	-	-	-	-	-
Cash liabilities	**88,782**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	*88,782*	-	-	-	-	-	-	-	-	-
- Banks	87,905	-	-	-	-	-	-	-	-	-
- Customers	876	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**103,124**	**2,010**	**-**	**-**	**-**	**2,582**	**18,900**	**18,954**	**-**	**-**
C.1 Financial derivatives with equity swap	-	*2,010*	-	-	-	*2,582*	*18,900*	*18,954*	-	-
- Long positions	-	1,005	-	-	-	-	11,028	12,131	-	-
- Short positions	-	1,005	-	-	-	2,582	7,872	6,823	-	-
C.2 Financial derivatives without equity swap	*103,124*	-	-	-	-	-	-	-	-	-
- Long positions	44,398	-	-	-	-	-	-	-	-	-
- Short positions	58,726	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions		-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

2008

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Cash assets	**3,344**	**40,952**	**11,233**	**39,952**	**39,514**	**1,284**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCI units	-	X	X	X	X	X	X	X	X	X
A.4 Loans:	*3,344*	*40,952*	*11,233*	*39,952*	*39,514*	*1,284*	-	-	-	-
- Banks	2,074	40,952	11,233	39,952	39,514	1,284	-	-	-	-
- Customers	1,270	-	-	-	-	-	-	-	-	-
Cash liabilities	**2,382**	**31,786**	**1,012**	**-**	**849**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	2,382	31,786	1,012	-	849	-	-	-	-	-
- Banks	2,331	31,786	1,012	-	849	-	-	-	-	-
- Customers	51	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**140,486**	**36,355**	**139,444**	**118,662**	**2,116**	**64,936**	**37,730**	**1,963**	**-**
C.1 Financial derivatives with equity swap	-	89,038	36,355	139,444	118,662	2,116	64,936	37,730	1,963	-
- Long positions	-	38,299	28,615	59,969	36,724	1,321	26,202	24,123	1,754	-
- Short positions	-	50,739	7,740	79,475	81,938	795	38,734	13,607	209	-
C.2 Financial derivatives without equity swap	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	51,448	-	-	-	-	-	-	-	-
- Long positions	-	25,724	-	-	-	-	-	-	-	-
- Short positions	-	25,724	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

1.2 Breakdown of financial assets and liabilities by contractual residual life – Denomination currency: Positions in Other Currencies

2009

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES
Cash assets	**94,288**	**-**	**2,455**	**1,639**	**1,887**	**13**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	10	13	-	-	-	-
A.3 UCI units	-	-	-	X	X	X	X	X	X	X
A.4 Loans:	*94,288*	-	*2,455*	*1,639*	*1,877*	-	-	-	-	-
- Banks	89,729	-	2,455	1,639	1,877	-	-	-	-	-
- Customers	4,558	-	-	-	-	-	-	-	-	-
Cash liabilities	**10,767**	**882**	**2,553**	**1,887**	**10,162**	**439**	**1,079**	**-**	**34**	**-**
B.1 Deposits and current accounts	*10,676*	-	-	-	*308*	-	-	-	-	-
- Banks	7,065	-	-	-	308	-	-	-	-	-
- Customers	3,611	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	882	2,553	1,887	9,854	439	1,021	-	-	-
B.3 Other liabilities	92	-	-	-	-	-	58	-	34	-
Off-balance sheet transactions	**349,988**	**4,610**	**5,008**	**10,344**	**28,478**	**45,003**	**57,360**	**30,632**	**841**	**-**
C.1 Financial derivatives with equity swap	-	*3,301*	*5,008*	*10,344*	*28,478*	*45,003*	*57,360*	*30,632*	*841*	-
- Long positions	-	1,792	2,553	5,283	19,167	18,620	30,750	17,606	367	-
- Short positions	-	1,509	2,455	5,061	9,311	26,383	26,610	13,026	474	-
C.2 Financial derivatives without equity swap	*349,988*	-	-	-	-	-	-	-	-	-
- Long positions	128,583	-	-	-	-	-	-	-	-	-
- Short positions	221,405	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions		-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	1,309	-	-	-	-	-	-	-	-
- Long positions	-	1,309	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

2008

(in thousands of euro)	On demand	1-7 days	7-15 days	15 days-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	Over 5 years	Infinite life
	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES	OTHER CURRENCIES
Cash assets	**50,619**	**144,877**	**4,606**	**57,540**	**37,843**	**37,951**	**1**	**2,021**	**1**	**39**
A.1 Government securities	-	-	-	-	12	-	-	78	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	1	-
A.3 UCI units	-	X	X	X	X	X	X	X	X	X
A.4 Loans:	*50,619*	*144,877*	*4,606*	*57,540*	*37,831*	*37,951*	*1*	*1,943*	-	*39*
- Banks	47,568	144,877	4,606	57,540	37,831	37,951	-	1,943	-	39
- Customers	3,051	-	-	-	-	-	1	-	-	-
Cash liabilities	**27,278**	**9,801**	**38,903**	**54,952**	**66,803**	**38,984**	**4,702**	**1**	**-**	**3,747**
B.1 Deposits and current accounts	27,278	9,801	1,035	38,254	25,340	5,237	-	-	-	413
- Banks	22,565	9,801	1,035	38,254	25,340	5,237	-	-	-	-
- Customers	4,713	-	-	-	-	-	-	-	-	413
B.2 Debt securities	-	-	37,868	16,698	41,463	33,747	4,702	-	-	3,334
B.3 Other liabilities	-	-	-	-	-	-	-	1	-	-
Off-balance sheet transactions	**140,143**	**259,321**	**113,488**	**167,917**	**142,911**	**79,261**	**81,125**	**60,811**	**4,915**	**49**
C.1 Financial derivatives with equity swap	-	96,786	113,488	167,917	142,911	79,261	81,125	60,811	4,915	49
- Long positions	-	29,965	76,120	157,860	86,084	42,327	36,641	28,920	4,521	49
- Short positions	-	66,821	37,368	10,057	56,827	36,934	44,484	31,891	394	-
C.2 Financial derivatives without equity swap	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	84,618	-	-	-	-	-	-	-	-
- Long positions		11,196	-	-	-	-	-	-	-	-
- Short positions	-	11,196	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	140,143	140,143	-	-	-	-	-	-	-	-
- Long positions	-	140,143	-	-	-	-	-	-	-	-
- Short positions	140,143	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-

Section 4 – Operational risk

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for operational risk

Nature of the risk

Operational risk is defined as the risk of losses suffered as a result of inadequacy or malfunction of procedures, human resources and internal systems, or from external events.
Strategic risk and reputation risk are not included in this definition, but it does include legal risk, intended as a risk deriving from the violation of current laws and other regulations, failure to comply with contractual and off-contract responsibilities, and from other disputes that could arise with counterparties as a result of operational inefficiency.

Sources of the risk

The main sources of operational risk are: lack of reliability – in effectiveness/efficiency terms – of operating processes, internal and external fraud, operating errors, the quality level of physical and logistics security, inadequacy of the IT system compared to the extent of operations, increasing recourse to automation, outsourcing of company business activities, the use of a limited number of providers, changes in strategy, the presence of incorrect human resource management and training policies and, lastly, social and environmental impact.

Risk management model and the organisational structure.

The Banco Popolare Group has adopted a risk management model that incorporates the management methods and players involved in the identification, measurement, monitoring, mitigation and reporting processes. The content of the model is included in a Group Regulation approved by the Corporate Governance bodies in 2008.
In order to implement adequate operating policies for this type of risk, also in compliance with special regulatory requirements, specific roles were defined in terms of governance, management and control of the operational risk model.
With regard to the identification and measurement steps for operational risk, the Banco Popolare Group has defined an in-house VaR logic model based on quantitative and qualitative analysis.
The quantitative assessment is first of all based on internal loss data recorded and stored on a dedicated IT application, in compliance with specific regulatory provisions which in this respect envisage processes linked to the operations used for accounting records for those losses. Also in this context a system has been developed offering automated loss collection and accounting of commercial repayments and operating losses for the sales networks. The loss collection process also contemplates a verification and certification system based on operational risk data, guaranteeing the completeness, quality and accuracy of individual loss records.
Secondly, for quantitative assessment purposes external loss data available to the Group are also used, particularly with regard to DIPO consortium back flows. DIPO was set up as part of the ABI (Italian Banking Association) by the major Italian Banking Groups, Banco Popolare being a member since the consortium was set up.
The qualitative risk assessment is performed to enhance the available quantitative data, particularly in cases where there is no historic loss data to indicate the level of risk associated with specific events (especially low frequency-high impact events) or tasks involving review of business operations are in progress that change the exposure level, in general adding perspective to the overall assessments. Risk Assessment data are gathered periodically by a structured process involving managers of the various departments.
Regarding the in-house VaR calculation model, the configuration of which was completed in 2008, function analysis continued in 2009 to fine-tune and calibrate this tool. The model's Group results are used at management level.

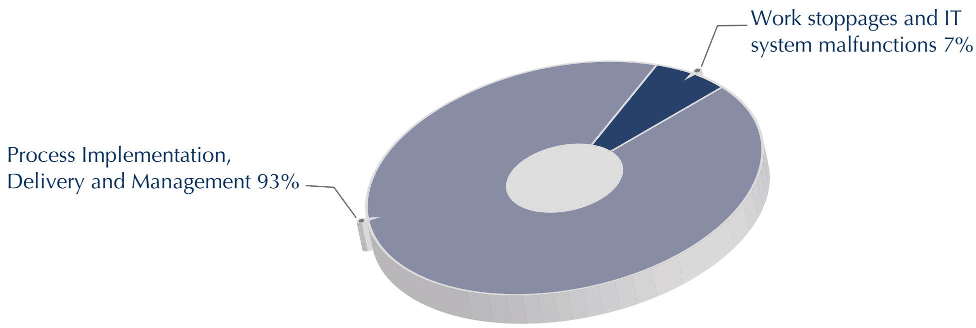
The Banco Popolare Group has implemented a capital requirement calculation model in compliance with the standard approach rules envisaged in the new Supervisory Instructions.
To implement the standardised method, the Group organisational model envisages centralised risk management by specific parent company departments operating directly on behalf of the subsidiaries, making use of decentralised local risk management contacts where companies have adopted the standardised method.
The tasks planned and implemented by the Group for operational risk have allowed adoption of the standardised method, in line with the Supervisory Instructions of 30 June 2008, combined with the basic method applied only to Group companies which, cumulatively, do not exceed the sizing envisaged in the regulatory provisions (former Italease Group companies which at 31 December 2009 were included in the Banco Popolare Group consolidation area use this last method).

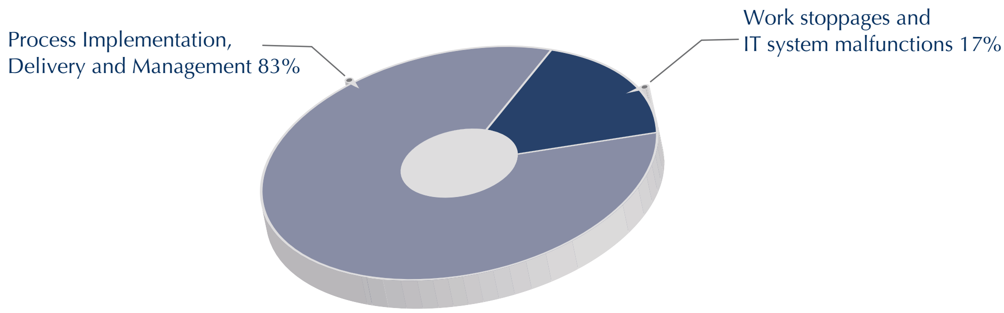
The Banco Popolare Group has implemented a reporting model which specifically envisages:

a) a managerial IT system, with analysis and assessment of all matters related to operational risk (in particular significant losses and related recoveries, overall assessment of the risk profile, capital absorption and risk management policies implemented and/or planned);
b) an operative reporting system, intended as a tool for the operations departments involved in loss collection processes, useful for adequate risk management in their respective areas.

QUANTITATIVE INFORMATION

With regard to sources of operational risk, an analysis was conducted on pure operational risk events, with gross losses in the income statement equal to or greater than 5,000 euro and with an event starting date in 2009, recorded in the Group loss collection archive. The loss data were grouped by event type with breakdown by impact and frequency, in accordance with the event classification format envisaged in the new Supervisory Instructions.





Analysis of the graphs indicates a prevalence of events originating from cases linked to the implementation, delivery and management of the processes, with particular reference to errors occurring at order implementation stage for the sale and purchase of securities.

PART F – INFORMATION ON CAPITAL

Section 1 – Capital and reserves

The information provided below refers to the breakdown of regulatory capital calculated as envisaged in current Bank of Italy instructions, and in particular the new formats established by the 12th update to Circular no. 155/91 on implementation of European directives on capital adequacy (2006/48/EC and 2006/49/EC) – i.e. Basel 2 – implemented by Circular no. 263 "New prudential supervisory instructions for banks".

B.1 Capital and reserves: breakdown

(in thousands of euro)	2009	2008
1. Share capital	**121,164**	**121,164**
2. Share premium reserve	**72,590**	**72,590**
3. Reserves	**238,252**	**146,840**
- profit	238,252	146,840
a) legal	24,233	20,089
b) statutory	-	-
c) own shares	-	-
d) other	214,019	126,751
- other	-	-
4. Equity instruments	-	-
5. (Own shares)	-	-
6. Valuation reserves:	**1,735**	**76**
- Available-for-sale financial assets	1,735	76
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Foreign investment hedges	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Discontinued operations	-	-
- Actuarial gains (losses) on defined benefit plans	-	-
- Portion of valuation reserves relating to investments measured at equity	-	-
- Special revaluation laws	-	-
7. Profit (loss) for the year	**162,559**	**91,449**
Total	**596,300**	**432,119**

B.2 Valuation reserves – available-for-sale financial assets: breakdown

(in thousands of euro)	Total 2009		Total 2008	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equity instruments	1,735	-	242	(166)
3. UCI units	-	-	-	-
4. Loans	-	-	-	-
Total	**1,735**	-	**242**	**(166)**

The net positive reserve can be broken down as follows:

- London Stock Exchange for 1,603 thousand euro;
- SIA-SSB for 132 thousand euro.

Note that there is also a negative reserve on the Sivori-Unica Sim security for 98 euro.

B.3 Valuation reserves – available-for-sale financial assets: annual changes

(in thousands of euro)		Debt securities	Equity instruments	UCI units	Loans
1.	**Opening balances**	**-**	**76**	**-**	**-**
2.	**Positive changes**	**-**	**1,777**	**-**	**-**
2.1	Increases in fair value	-	1,756	-	-
2.2	Reversal of negative reserves to the income statement:	-	-	-	-
	due to impairment	-	-	-	-
	due to realisation	-	-	-	-
2.3	Other changes	-	21	-	-
3.	**Negative changes**	**-**	**(118)**	**-**	**-**
3.1	Decreases in fair value	-	-	-	-
3.2	Write-downs for impairment	-	(118)	-	-
3.3	Reversal of positive reserves to the income statement: due to realisation	-	-	-	-
3.4	Other changes	-	-	-	-
4.	**Closing balances**	**-**	**1,735**	**-**	**-**

Section 2 – Regulatory capital and capital ratios

Scope of application of the regulations

The regulatory capital and capital ratios are calculated in compliance with Bank of Italy instructions in Circular no. 263 of 27 December 2006 ("New prudential supervisory instructions for banks") and Circular no. 155 of 18 December 1991 ("Reporting instructions for regulatory capital and prudential capital ratios"), as amended.
The 12th update to the latest circular, issued on 5 February 2008, established new prudential reporting formats in implementation of European directives on capital adequacy (2006/48/EC and 2006/49/EC) and Basel 2. These formats were fully adopted in 2008.

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

Pursuant to Circular no. 263, the regulatory capital comprises the sum of Tier 1 capital – included in the calculation without restrictions – and Tier 2 capital, included up to the maximum limit for Tier 1 capital. Deducted from these aggregates are equity investments, innovative equity instruments, hybrid capitalisation instruments and subordinated assets, held by other banks and finance companies not pertaining to the Group. Also deducted are investments in insurance companies and subordinated liabilities issued by such companies, together with additional elements linked to the capital requirements calculation.

The Tier 3 capital components can only be used to cover market risk capital requirements - excluding counterparty risk and regulatory risk capital requirements concerning the "regulatory trading book" - and up to a limit of 71.4% of those requirements.

1. Tier 1 capital

The Tier 1 capital does not include innovative or non-innovative equity instruments.
It is mainly composed of the share capital and reserves, profit for the period (as per the proposed profit allocation), net of intangible assets recognised to asset item 120 of the balance sheet and negative filters deriving from IAS/IFRS application.

2. Tier 2 capital

There are no hybrid capitalisation instruments or subordinated liabilities.

3. Deductions from regulatory capital

There are no items to be deducted.

4. Tier 3 capital

There are no Tier 3 capital components.

B. QUANTITATIVE INFORMATION

(in thousands of euro)		Total 2009	Total 2008
A.	**Tier 1 capital prior to application of prudential filters**	417,258	**412,066**
B.	**Tier 1 prudential filters**		
	B.1 Positive IAS/IFRS prudential filters	-	-
	B.2 Negative IAS/IFRS prudential filters	-	-
C.	**Tier 1 capital gross of items to be deducted (A+B)**	417,258	**412,066**
D.	**Items to be deducted from Tier 1 capital**	3,894	**13,233**
E.	**Total Tier 1 capital (C-D)**	413,364	**398,833**
F.	**Tier 2 capital prior to application of prudential filters**	1,735	**76**
G.	**Tier 2 prudential filters**	**(868)**	**(38)**
	G.1 Positive IAS/IFRS prudential filters	-	-
	G.2 Negative IAS/IFRS prudential filters	(868)	(38)
H.	**Tier 2 capital gross of items to be deducted (F+G)**	**868**	**38**
I.	**Items to be deducted from Tier 2 capital**	(868)	-
L.	**Total Tier 2 capital (H-I)**	-	**38**
M.	**Items to be deducted from Tier 1 and Tier 2 capital**	-	-
N.	**Regulatory capital (E+L-M)**	**413,364**	**398,871**
O.	**Tier 3 capital**	-	-
P.	**Regulatory capital including Tier 3 (N+O)**	**413,364**	**398,871**

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

According to Basel 2 prudential regulations, the total capital requirement is the sum of capital requirements prescribed for credit, counterparty, market and operational risk.

For credit, counterparty, market and operational risk the respective "standard methods" have been adopted.

As the Bank is a member of a banking group that complies with the minimum capital requirement of 8% of risk-weighted assets, it benefits from the 25% regulatory reduction.

B. QUANTITATIVE INFORMATION

The first update to Circular no. 262 (“Bank financial statements: presentation formats and rules”) issued in November 2009, specifies that:
- if by the standardised approach, the values for "unweighted amounts" correspond to the exposure value that takes prudential filters, risk mitigation techniques and credit conversion factors into account (E* in regulatory reports multiplied by the credit conversion factors for guarantees and commitments);
- in items C.1, C.2 and C.3, the total risk-weighted assets is always calculated by all the banks as the total prudential requirements (item B.6) multiplied by 12.5 (the opposite of the minimum compulsory requirement of 8%).
Arrangements were made to align the capital adequacy table to the new regulations, including values as at 31 December 2008. Specifically, the total risk-weighted assets, previously obtained by multiplying the total prudential requirements by 16.67 (the opposite of the minimum requirement less 6% as a result of the 25% benefit indicated in paragraph A above), was recalculated.

Note that neither definition materially alters the current and previously published results.

The Bank complies with the minimum compulsory capital requirement for Group banks.

Classes/Values		*Unweighted amounts*		*Weighted amounts/requirements*	
		2009	**2008**	**2009**	**2008**
A.	**RISK ASSETS**	**7,095,717**	**5,302,169**	**430,541**	**582,769**
A.1	**Credit risk and counterparty risk**	**7,095,717**	**5,302,169**	**430,541**	**582,769**
	1. Standardised approach	7,095,694	5,302,169	430,541	582,769
	2. Method based on internal ratings (1)				
	2,1 Basic approach	-	-	-	-
	2,2 Advanced measurement approach	-	-	-	-
	3. Securitisations	23	-	289	-
B.	**REGULATORY CAPITAL REQUIREMENTS**				
B.1	**Credit risk and counterparty risk**			**34,443**	**46,622**
B.2	**Market risk (2)**			**206,756**	**175,941**
	1. Standardised approach			206,756	175,941
	2. Internal models			-	-
	3. Concentration Risk			-	-
B.3	**Operational risk**			**49,640**	**41,927**
	1. Basic approach			-	-
	2. Standardised approach			49,640	41,927
	3. Advanced measurement approach			-	-
B.4	**Other prudential requirements**				
B.5	**Other calculation components**			**(72,710)**	**(66,122)**
B.6	**Total prudential requirements (3)**			**218,129**	**198,367**
C.	**RISK ASSETS AND REGULATORY RATIOS**				
C.1	Risk-weighted assets			2,726,618	2,479,589
C.2	Tier 1 capital ratio			15.16%	16.08%
C.3	Total capital ratio			15.16%	16.09%

(1) Includes exposures relating to equity instruments
(2) The items "standardised approach" and "internal models" also include the capital requirement for regulatory risk.
(3) In the total prudential requirements calculation, banks pertaining to Italian banking groups also take into account the 25% reduction in requirements. Banks and banking groups that calculate credit risk and counterparty risk capital requirements according to the IRB method or for operational risk according to the AMA method, the envisaged floor is also taken into account.

PART G – BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS SEGMENTS

Section 1 – Transactions implemented during the year

As already mentioned in the Report on Operations, on 6 August 2009 the Banca Aletti Board of Directors approved the Critefi Sim merger, and at the same time approved the acquisition of 100% of the company's share capital.
This merger qualifies as a business combination involving companies under common control as defined in IFRS 3.10. In application of international accounting standards, this involves transaction accounting by Banca Aletti of the assets and liabilities transferred at their historic values (i.e. value continuation).
The merger became legally effective at 23:59 hours on 31 December 2009, whilst the accounting and tax effects date from 1 January 2009.

Name	Transaction date	(1)	(2)	(3)	(4)
1. Critefi Sim S.p.A.	**31/12/2009**	**1,225**	**100%**	**463**	**84**

Key:
(1) = Cost of the transaction
(2) = Percentage stage acquired with voting rights at ordinary shareholders' meetings
(3) = Total group revenues
(4) = Net profit/loss for the group

The table below summarises the Critefi Sim SpA accounting position as at 31 December 2009, incorporated in Banca Aletti book values.

Figures in thousands of euro

Assets	Amount	*Liabilities*	Amount
Due from banks	1,348	Due to customers	15
Other assets	68	Staff severance indemnity	48
Intangible fixed assets	5	Other liabilities	87

Costs	Amount	*Revenues*	Amount
Commission expense	2	Interest income	14
Wages and salaries	272	Commission income	441
Administrative expense	100	Other operating income	7
Write-downs on intangible fixed assets	5	Investment disposal gains	2
	379		463
		Profit for the year	84

PART H – RELATED PARTY TRANSACTIONS

1. Information on director and executive remuneration

(in thousands of euro)	2009 AMOUNTS		2008 AMOUNTS	
	DIRECTORS	EXECUTIVES	DIRECTORS	EXECUTIVES
Gross annual remuneration	367	694	800	659
Short-term benefits	-	99	-	80
Post-employment benefits	-	9	-	3
Severance indemnity	-	39	-	22
Total	**367**	**841**	**800**	**764**

In order to fully comply with regulatory requirements, the Banco Popolare Group companies have adopted procedural and material rules on the classification of "related party transactions", envisaging membership of a Group system to keep such transactions under constant observation.
A board of directors regulation was therefore adopted which involves the implementation of a Group database including data based on declarations submitted by individual company officers.
The Boards of Directors of the Group companies are periodically informed of transactions completed with related parties through reports indicating the aggregate figures (where such transactions are ordinary and significant) and with itemised figures if the transactions are unusual or atypical.
It is important to emphasise that, in this respect and from a more extensive prudential point of view, the Group has decided to consider Group company "related parties" to be both persons "related" to the company itself and persons "related" at group level. The figures in the following tables take this configuration into account.
With regard to relations with related parties, as defined by IAS 24, article 2359 of the Italian Civil Code (Subsidiaries and associates) and in the Issuers' Regulation (Consob Resolution 11971/99, as amended), it should be specified that transactions with such parties during the year formed part of the normal business activities of the company in whose interest the transactions were completed, promptly settled at arm's length conditions, and therefore bear no indication of conflict of interest.

2. Information on related party transactions

Transactions with Group companies

The transactions with related parties are listed below.

(in thousands of euro)	Parent company	Other Group companies	Subsidiaries	Associates	Strategic executives	Other related parties	Total	% impact on financial statements
Financial assets held for trading	1,063,696	779,730	-	2,173	-	17,946	1,863,545	30.2%
Due from banks	2,081,562	517,667	-	210	-	-	2,599,439	81.9%
Due from customers	-	1,365	-	-	-	-	1,365	0.1%
Other asset items	2,947	12,274	183	-	-	218	15,622	12.0%
Due to banks	1,467,068	273,408	-	724	-	3,100	1,744,300	55.7%
Due to customers	-	-	384	3	1,137	13,185	14,709	0.9%
Financial liabilities from trading	660,938	943,022	-	623,815	-	12,890	2,240,665	43.8%
Hedging derivatives	148	-	-	-	-	-	148	100.0%
Other liability items	13,615	54,186	896	-	-	3	68,700	57.7%
Guarantees granted and commitments	-	1,160	-	-	-	-	1,160	0.1%
Interest income and similar revenues	172,032	16,241	-	-	-	15,597	203,870	63.0%
Interest expense and similar interest	(39,915)	(109,783)	(5)	(901)	(215)	(191)	(151,010)	56.1%
Commission income	3,156	18,745	-	24,851	-	-	46,752	29.2%
Commission expense	(35)	(76,065)	-	-	-	-	(76,100)	81.2%
Earnings margin	**135,238**	**(150,862)**	**(5)**	**23,950**	**(215)**	**15,406**	**23,512**	**7.0%**
Administrative expense	(8,345)	(44,288)	(998)	-	(79)	(246)	(53,956)	45.2%
- Staff costs	(2,109)	(5,105)	(30)	-	-	(196)	(7,440)	12.9%
- Other administrative expense	(6,236)	(39,183)	(968)	-	(79)	(50)	(46,516)	75.2%
Other operating income/expense	2,472	11,875	116	-	-	-	14,463	102.4%
Costs/Revenues for groups of discontinued assets	-	344	-	-	-	-	344	100.0%
Other income and charges	-	-	-	(3)	-	-	(3)	0.0%
Gains/(Losses) on investments	***129,365***	***(182,931)***	***(887)***	***23,947***	***(294)***	***15,160***	***(15,640)***	***-9.6%***
Direct deposits	-	-	-	-	1,137	16,268	17,405	2.0%
Indirect deposits	-	-	-	-	44,537	448,172	492,709	3.2%

PART L – OPERATING SEGMENTS

Banca Aletti has decided to adopt the "assets segment" as the segment representing its core business.

Breakdown by business segment – Income statement data.

in thousands of euro	*Investment Banking*	*Wealth Management and Sales*	*Total 31/12/2009*
1 Earnings margin	50,913	2,161	53,074
2 Other operating income	184,221	100,357	284,578
3 Operating income (1+2)	235,134	102,518	337,652
4 Operating costs	(39,824)	(65,118)	(104,942)
5 Operating profit (3+4)	195,310	37,400	232,710
6 Write-downs, provisions and gains/(losses) from measurement/disposal of investments	(3,371)	(911)	(4,281)
7 Profit/(loss) on current operations before tax	191,940	36,490	228,429

Breakdown by business segment – Balance sheet data.

	Investment Banking	**Wealth management & Sales**	**Total**
Due from customers	1,168,993,204	8,273,467	1,177,266,671
Total Assets	10,661,894,892	29,989,770	10,691,884,662
Due to customers	774,967,289	920,463,370	1,695,430,659
Total Liabilities	9,736,785,080	955,099,582	10,691,884,662

The segmenting model adopted envisages the setup of two lines of business, and the potential inclusion of a residual segment (Other). Specifically:

- Investment Banking: includes all traditional UK-style Investment Banking, including treasury and forex transactions, trading on international markets on the bank's own account and on behalf of third parties, OTC derivative transactions, share and bond transactions on the capital markets;
- Wealth management and Sales: includes all activities relating to Private Banking, Asset Management and Commercial Banking for corporate and institutional customers.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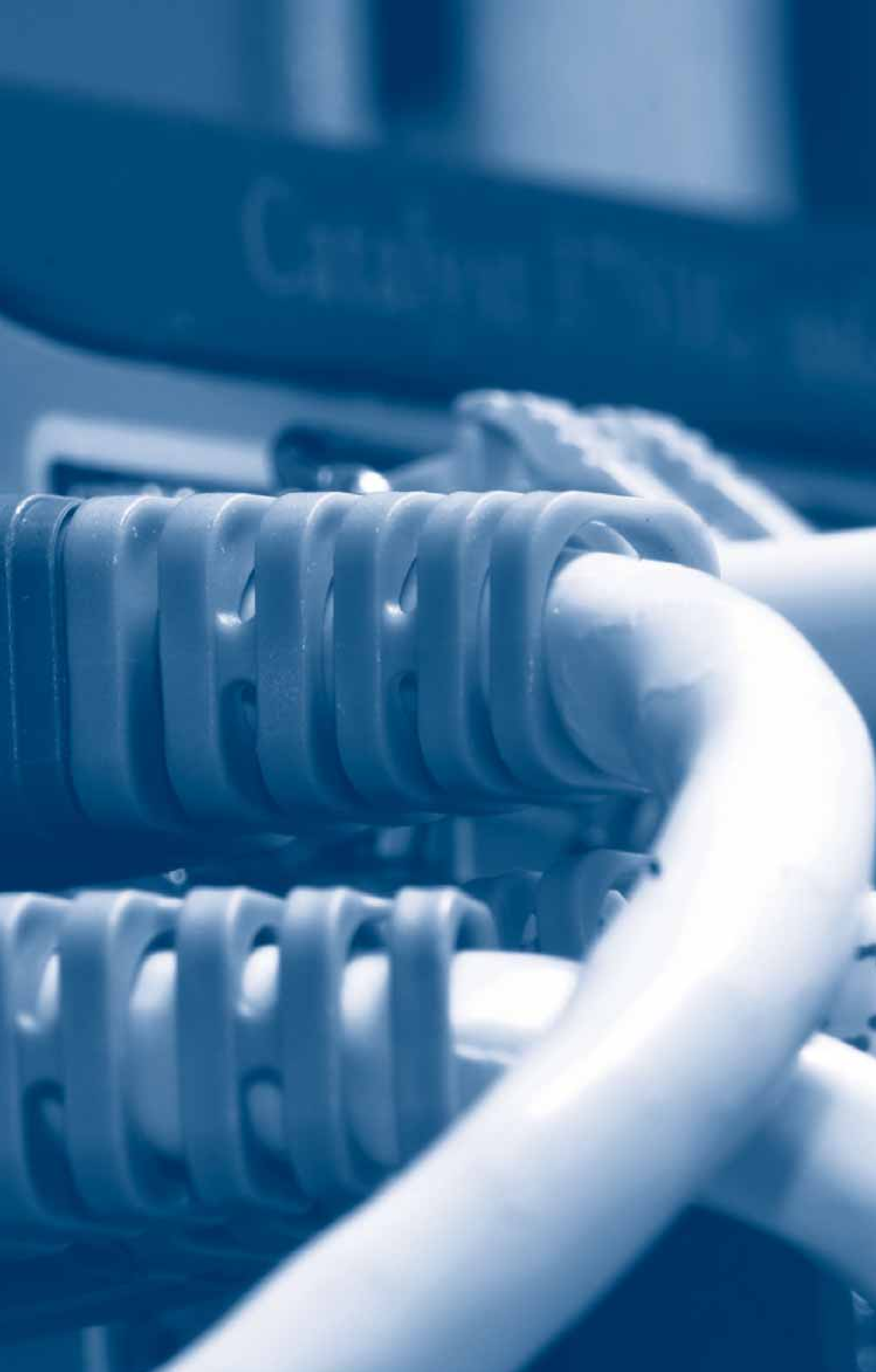

ANNEXES

2008 restated Balance Sheet and Income Statement compared with 2008 Financial Statements data following amendments to the 18 November 2009 update to Circular no. 262

	Assets	31/12/2008	Reclassification Amendment Circ. 262/2005	31/12/2008 restated
10	Cash and cash equivalents	25,032	-	25,032
20	Financial assets held for trading	4,501,563,534	-	4,501,563,534
30	Fair value financial assets	18,299,006	-	18,299,006
40	Available-for-sale financial assets	7,720,366	-	7,720,366
60	Due from banks	18,407,895,594	16,467,000	18,424,362,594
70	Due from customers	2,026,838,885	3,695,000	2,030,533,885
80	Hedging derivatives	-	-	-
100	Investments	13,128,450	-	13,128,450
110	Property, plant and equipment	2,029,164	-	2,029,164
120	Intangible assets	19,976,695	-	19,976,695
	of which: goodwill	*19,973,005*	-	19,973,005
130	Tax assets	24,430,733	(1,999,725)	22,431,008
	a) current	12,887,004	- (1,999,725)	10,887,279
	b) prepaid	11,543,729	-	11,543,729
150	Other assets	424,999,712	(70,428,521)	354,571,191
	Total	**25,446,907,171**	**(52,266,245)**	**25,394,640,926**

	Liabilities and shareholders' equity	31/12/2008	Reclassification Amendment Circ. 262/2005	31/12/2008 restated
10	Due to banks	17,458,715,775	61,248,000	17,519,963,775
20	Due to customers	2,740,810,783	-	2,740,810,783
30	Securities in issue	177,597,389	-	177,597,389
40	Financial liabilities from trading	4,171,493,027	-	4,171,493,027
60	Hedging derivatives	95,884	-	95,884
80	Tax liabilities	3,867,764	(520,541)	3,347,223
	a) current	520,541	(520,541)	-
	b) deferred	3,347,223	-	3,347,223
100	Other liabilities	455,702,336	(124,855,383)	330,846,953
110	Employee termination indemnity	2,645,029	-	2,645,029
120	Provisions for risks and charges	3,860,490	11,861,679	15,722,169
	b) other provisions	3,860,490	11,861,679	15,722,169
130	Valuation reserves	76,442	-	76,442
160	Reserves	146,839,819	-	146,839,819
170	Share premium reserve	72,590,205	-	72,590,205
180	Capital	121,163,539	-	121,163,539
200	Profit for the year	91,448,689	-	91,448,689
	Total	**25,446,907,171**	**(52,266,245)**	**25,394,640,926**

Income statement items	2008	Reclassification Amendment Circ. 262/2005	2008 restated
10 Interest income and similar revenues	1,169,818,466.00	-	1,169,818,466.00
20 Interest expense and similar charges	(1,074,053,147)	-	(1,074,053,147)
30 Interest margin	**95,765,319.00**	**-**	**95,765,319.00**
40 Commission income	201,864,678.00	4,579,013.75	206,443,691.75
50 Commission expense	(121,943,972)	-	(121,943,972)
60 Net commissions	**79,920,706.00**	**4,579,013.75**	**84,499,719.75**
70 Dividends and similar revenues	413,484,146.00	-	413,484,146.00
80 Trading gains/losses	(291,218,807)	-	(291,218,807)
90 Hedging gains/losses	(8,908)	-	(8,908)
100 Gains (Losses) from disposal or repurchase of:	-	-	-
b) available-for-sale financial assets	-	-	-
110 Net profit from fair value financial assets and liabilities	(1,283,574)	- -	- (1,283,574)
120 Earnings margin	**296,658,882.00**	**4,579,013.75**	**301,237,895.75**
130 Net write-downs/reversals for impairment of:	(37,200,341)	-	(37,200,341)
a) loans	(27,042,118)	-	(27,042,118)
b) available-for-sale financial assets	(10,158,223)	-	(10,158,223)
140 Net profit from financial management	**259,458,541.00**	**4,579,013.75**	**264,037,554.75**
150 Administrative costs:	(130,669,832)	-	(130,669,832)
a) staff costs	(57,330,473)	-	(57,330,473)
b) other administrative expense	(73,339,360)	-	(73,339,360)
160 Net provisions for risks and charges	(2,840,208)	-	(2,840,208)
170 Net write-downs/reversals on property, plant and equipment	(784,432)	-	(784,432)
180 Net write-downs/reversals on intangible assets	(2,562)	-	(2,562)
190 Other operating income (expense)	20,624,343.00	(4,579,014)	16,045,329.25
200 Operating costs	**(113,672,691)**	**(4,579,014)**	**(118,251,705)**
210 Gains (Losses) on investments	(6,100,000)	-	(6,100,000)
240 Gains (Losses) on investment disposals	1,250.00	-	1,250.00
250 Profit (Loss) on current operations before tax	**139,687,100.00**	**-**	**139,687,100.00**
260 Income tax for the year for current operations	(48,238,411)	-	(48,238,411)
270 Net profit (Loss) on current operations	**91,448,689.00**	**-**	**91,448,689.00**
290 Profit for the year	**91,448,689.00**	**-**	**91,448,689.00**

Information on the company responsible for management and coordination of Banca Aletti

Management and coordination

Pursuant to art. 2497-*bis* of the Italian Civil Code, a summary statement is provided below on the main data from the latest approved financial statements of the company responsible for management and coordination.

Banco Popolare società cooperativa
Registered office: Piazza Nogara 2 – 37121 Verona, Italy

(in millions of euro)	31/12/2008	31/12/2007
Income statement data		
Earnings margin	210.3	339.3
Net commissions	10.0	184.1
Operating income	306.4	935,6
Operating costs	(271.1)	(473.8)
Operating profit	35.3	461.8
Profit/(loss) on current operations before tax	(976.0)	770.8
Net profit/(loss) on current operations	(494.0)	483.3
Profit for the year	(494.0)	483.3
Balance sheet data		
Total assets	55,005.1	43,014.6
Direct deposits	24,106.5	15,993.0
Due from customers (gross)	4,400.1	1,717.6
Financial assets and hedging derivatives	8,231.3	8,262.2
Shareholders' equity	8,681.3	9,635.7
Organisation		
Average workforce (*)	1,429	4,178
Number of branches	2	-

(*) Arithmetic mean calculated monthly

Disclosure of auditing fees pursuant to art. 160, subsection 1-*bis*, Italian Legislative Decree 58/98

The following table illustrates the fees paid to the independent auditors appointed pursuant to Italian Legislative Decree 58/98, and to members of the independent auditors' network:

Type of service	Service provider	Fees (*) in thousands of euro
Audit	Reconta Ernst & Young Spa	211.7
Other services (tax return signoff)	Reconta Ernst & Young Spa	5
Other services (compliance with global investment performance standards – GIPS)	Ernst & Young Spa Financial Business Advisory Spa	46.8

(*) the amounts stated do not include expenses and VAT

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