

## Report on Operations 2009

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 **Banco di Desio e della Brianza S.p.A.**

## Corporate offices

### Board of Directors

<u>Chairman</u>	Agostino Gavazzi*
<u>Deputy Chairman</u>	Stefano Lado* Guido Pozzoli*
<u>Managing Director</u>	Nereo Dacci*
<u>Directors</u>	Francesco Cesarini Pier Antonio Cutellé Egidio Gavazzi Luigi Gavazzi Paolo Gavazzi Luigi Guatri Gerolamo Pellicanò

\* *Members of Executive Committee*

### Board of Statutory Auditors

<u>Chairman</u>	Eugenio Mascheroni
<u>Statutory Auditors</u>	Rodolfo Anghileri Marco Piazza
<u>Alternate Auditors</u>	Giovanni Cucchiani Clemente Domenici Carlo Mascheroni

### General Management

<u>General Director</u>	Alberto Mocchi
<u>Vice General Director</u>	Claudio Broggi

### Manager responsible for preparing the Company's financial reports pursuant to article 154-bis of Consolidated Law on Finance "TUF"

<u>Nominated Official in charge of drawing up Company Accounts</u>	Piercamillo Secchi
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## PREAMBLE

The data and indexes reported in this *Report on operations* make reference, if applicable, to the Balance Sheet of the Financial Statements layouts, as well as to the reclassified Income Statement, as per the appropriate paragraph, which has in turn been prepared based on the Financial Statements layout.

It should be noted that, following the update of Circular Letter no. 262, it was necessary to make some reclassifications of comparative data, as described in detail in Part A – Accounting policies (A1 – General, Section 2 “General accounting policies”) of the *Notes to the Financial Statements*, to which reference is made.

## 1 - FINANCIAL HIGHLIGHTS AND RATIOS

### BALANCE SHEET DATA

<i>in thousands of Euros</i>	31.12.2009	31.12.2008	Change	
			Amount	%
Total assets	6,900,788	6,324,991	575,797	9.1%
Financial assets	839,119	692,082	147,037	21.2%
Amounts due from banks	920,613	716,167	204,446	28.5%
Amounts due from customers	4,686,128	4,460,763	225,365	5.1%
Tangible assets	130,251	128,939	1,312	1.0%
Intangible assets	2,715	2,904	-189	-6.5%
Amounts due to banks	257,628	229,124	28,504	12.4%
Amounts due to customers	3,675,226	3,111,753	563,473	18.1%
Securities issued	1,473,209	1,568,889	-95,680	-6.1%
Financial liabilities at fair value through profit or loss	549,197	490,830	58,367	11.9%
Shareholders' equity (including net profit for the period)	731,262	671,793	59,469	8.9%
Total indirect deposits	16,154,110	13,773,914	2,380,196	17.3%
<i>of which indirect deposits from ordinary customers</i>	6,236,835	5,663,240	573,595	10.1%

### INCOME STATEMENT DATA <sup>(1)</sup>

<i>in thousands of Euros</i>	31.12.2009	31.12.2008	Change	
			Amount	%
Operating income	269,205	286,608	-17,403	-6.1%
<i>of which net interest income</i>	154,429	171,526	-17,097	-10.0%
Operating costs	168,510	165,469	3,041	1.8%
Operating margin	100,695	121,139	-20,444	-16.9%
Operating profit net of taxes	26,212	43,756	-17,544	-40.1%
Non-recurring profit after taxes	31,851	21,754	10,097	46.4%
Net profit/(loss) for the period	58,063	65,510	-7,447	-11.4%
Comprehensive income <sup>(2)</sup>	73,417	51,580	21,837	42.3%

<sup>(1)</sup> from reclassified Income Statement;

<sup>(2)</sup> as per the statement requested by the Bank of Italy with the updated version of Circular Letter no. 262/2005

**FINANCIAL RATIOS**

	31.12.2009	31.12.2008	Change Amount
Shareholders' equity / Total assets	10.6%	10.6%	0.0%
Shareholders' equity / Amounts due from customers	15.6%	15.1%	0.5%
Shareholders' equity / Amounts due to customers	19.9%	21.6%	-1.7%
Shareholders' equity / Securities issued	49.6%	42.8%	6.8%
(Tier 1 and Core Tier 1) Equity ratio	18.3%	17.4%	0.9%
(Tier 2) Solvency ratio	20.8%	18.7%	2.1%
Financial assets / Total assets	12.2%	10.9%	1.3%
Amounts due from banks / Total assets	13.3%	11.3%	2.0%
Amounts due from customers / Total assets	67.9%	70.5%	-2.6%
Amounts due from customers / Direct deposits from customers	82.2%	86.3%	-4.1%
Amounts due to banks / Total assets	3.7%	3.6%	0.1%
Amounts due to customers / Total assets	53.3%	49.2%	4.1%
Securities issued / Total assets	21.3%	24.8%	-3.5%
Financial liabilities at fair value through profit or loss / Total assets	8.0%	7.8%	0.2%
Direct deposits from customers / Total assets	82.6%	81.8%	0.8%
Operating costs / Operating income (Cost/Income ratio)	62.6%	57.7%	4.9%
Net interest income / Operating income	57.4%	59.8%	-2.4%
Operating margin / Operating income	37.4%	42.3%	-4.9%
Operating profit net of taxes / Shareholders' equity	3.6%	6.5%	-2.9%
Net profit/(loss) for the period / Shareholders' equity (R.O.E.)	8.6%	10.8%	-2.2%

**STRUCTURE AND PRODUCTIVITY DATA**

	31.12.2009	31.12.2008	Change Amount	%
Number of employees	1,394	1,397	-3	-0.2%
Number of bank branches	127	121	6	5.0%
<i>in thousands of Euros</i>				
Amounts due from customers by employee <sup>(3)</sup>	3,358	3,252	106	3.3%
Direct deposits from ordinary customer by employee <sup>(3)</sup>	4,083	3,771	312	8.3%
Operating income by employee <sup>(3)</sup>	193	209	-16	-7.7%

<sup>(3)</sup> on the basis of the number of employees determined as arithmetic mean

## 2 - THE BASELINE SCENARIO

### 2.1 - THE MACROECONOMIC FRAMEWORK

In 2009, the main economies recorded a large decrease in Gross Domestic Product, as a result of the serious repercussions caused by the previous months of 2008. Indeed, the end of 2008 and the first months of 2009 will be remembered as the period in which the most profound recession in recent decades was recorded and in which the largest fall in GDP was experienced. According to the most recent International Monetary Fund (IMF) estimates, world economic growth in 2009 should be  $-0.8\%$  ( $+3\%$  in 2008).

The negative effects of the financial crisis that started in the summer of 2007 and worsened in September of 2008 spread to the real economy of the main economies. However, the lowest point of the cycle of this crisis was reached in the first quarter of 2009, meaning that the effects of the economic recovery started to be seen from late spring and then continued until the end of the year, as a result of the expansive economic policies put into place by the authorities of the main economies. From the second half of 2009, the main economic indicators started to show signs of recovery. The consumer and business confidence indexes started to show positive signs, the decline in industrial production came to a halt and the financial crisis started to be under control. Tensions on the financial markets started to relax and the bank credit crunch became less intense.

In the third quarter of 2009, GDP returned to growth in the United States of America and in the EURO zone, continued to expand in Japan and to accelerate in Latin America and Asia. In Japan and in the United States, the unemployment rate levelled off.

During 2009, inflation remained modest, although the prices of oil and other raw materials gradually rose, as a result of the large amounts of unused resources. Inflation in the main economies was on average close to zero, with some peaks of deflation being recorded in some months.

In order to deal with the serious economic crisis, monetary policies in the main economies remained heavily expansive for the whole of 2009. In particular, "quantitative easing" monetary policies were employed, above all in the USA, whereby substantial doses of liquidity were injected into the financial system.

During 2009, the Euro devalued on average against the currencies of the United States, China, Japan and Switzerland. On the other hand, it appreciated against the British Pound.

Looking to 2010, a number of factors of weakness could influence the recovery of the advanced economies; the expansive effect of the fiscal measures is likely to recede from the second half of 2010 and the uncertain employment market conditions are limiting the possibility of consumption returning to growth. Indeed, unemployment rates are likely to rise again or in any case remain high for a large part of 2010. On the other hand, growth should continue at sustained rates in Brazil, India and China, as a result of stronger domestic consumption.

#### THE UNITED STATES

At the end of the fourth quarter of 2009, the GDP of the United States showed a decline of  $-2.4\%$  ( $+0.4\%$  in 2008) as a direct consequence of the strong decline in both investments in residential property ( $-20.4\%$ ) and other investments ( $-17.9\%$ ), of the sharp fall in private consumption ( $-0.6\%$ ) and of the sharp slowdown in exports ( $-14.2\%$ ). The United States government continued to support public spending ( $+1.9\%$ ) in order to combat the crisis. The rate of inflation was slightly negative ( $-0.3\%$ ). At the end of 2009, trade with the rest of the world was down because of a worsening both of the energy and non-energy balances which in all likelihood will mean that imports will be needed for the process of restocking.

## JAPAN

The Japanese economy showed signs of recovery from the second half of 2009; thanks to the contribution of net exports and consumption, production continued to grow until the end of the year. Government economic measures boosted imports and consumption in spite of the fact that the employment situation and real salaries were not very encouraging. Indeed, unemployment rate rose to 5.2% at the end of 2009, against 4.4% in 2008. As far as businesses were concerned, the fall in profits and the increase in uncertainty on the markets affected business development plans, with companies putting a stop to their investment plans despite the increase in production. Japanese GDP, although it continued to expand in the final part of 2009, had a negative variance of -5.2% on an annual basis. For 2010, the government has launched a new package of measures aimed at raising GDP again by 1.5 percentage points through fiscal and environmental policies (cars and houses) and to support employment.

## EMERGING ECONOMIES

From the second half of 2009, countries with emerging economies showed strong signs of recovery; this can be traced back to the main countries which had by then passed the lowest point of the economic cycle, despite shadows remaining regarding the potential risks which could slow down progress in 2010. Russia managed to benefit from the increase in oil and raw material prices but doubts remain about the sustainability of growth in 2010 in the light of the performance of real income (lower consumption), of the banking system and of its monetary policy. The Middle East resumed its growth, above all thanks to the further increase in public spending which has had positive repercussions on the employment and capital markets. China and India are the countries that best resisted the market crisis, managing to significantly increase their GDPs (+8.6% in China and +6.5% in India). Indeed, the increase in industrial production boosted consumption and exports. The countries of Latin America also resumed their growth, except for Argentina. The growth in industrial production and the public policies to support domestic demand have promoted recovery in Brazil and Mexico.

## EURO ZONE

At the end of 2009 the Euro zone reported a fall in GDP of -4% against +0.5% in 2008. Despite the positive signs in the last months of 2009, recovery still remained very weak. The marked improvement in the climate of business and consumer confidence was not matched by an equally intense strengthening of production activity and business volumes. This was reflected in the persisting weakness of domestic demand, compared with a strong export market. In fact, private consumption reported a decline in the last quarters of 2009, down by 1% at the end of 2009. In the first three quarters gross fixed investments decreased by 11.5% compared to the same period in the previous year. Industrial production in the Euro zone reported an average fall of -14.9%.

The performance of the general price index was on average close to zero in the Euro zone, reporting +0.3%. Given this rate of inflation, the European Central Bank lowered the refinancing rate from 2.5% at the end of 2008 to 1% in the first five months of the year in order to combat the heavily negative effects of the recession and it was maintained at that level for the whole of the second part of the year. The ECB also adopted further "non-conventional" measures during 2009 to support the economic and financial system; these included the increase in the duration of fixed-rate refinancing transactions.

## ITALY

In 2009, Italy recorded its worst fall in GDP since the beginning of the post-war period: -4.9%. After five consecutive months of decline, the GDP started to grow in the summer. Despite the improvement in the climate of confidence, consumption levels and private investments remained very weak. The fall in the number of persons employed, which inevitably led to a fall in disposable income for families, had a negative effect on private consumption, while the uncertainty about future prospects led to lower spending. In 2009 the unemployment rate increased compared to 2008, passing from 6.8% in 2008 to 7.8%. The loss of jobs intensified above all in the second part of 2009, but continued to be at lower levels than those prevalent in the countries of the Euro zone.

Consumer inflation fell drastically during 2009, settling at around 1%. The core inflation showed a change from 2.8% in 2008 to 1.7% in 2009. Producer prices also reported very negative trends equal to -4.7%.

## 2.2 - THE CAPITAL MARKET AND THE BANKING SYSTEM IN ITALY

The change reported in the trends of the main economies in December 2009 is also evident if we observe International stock markets: Standard & Poor's 500 of New York rose by 23.5% on an annual basis, Nikkei 225 of Tokyo by 19%, Dow Jones Euro Stoxx Large by 25.1%. The new economy indexes also had significant annual performances: the German Tech Dax reported an increase of +60.8%, Nasdaq by +43.9%. Likewise, the Italian stock market also benefitted from this annual positive trend: the FTSE MIB index rose by +19.5% on an annual basis, while the bank index, FTSE Italy Banks, showed a further positive annual change equal to +27.9%. The improvements in the indexes are also connected to the increase in the overall capitalisation of the stock markets; with reference to the Italian stock market, a strong increase was observed in the capitalisation volumes of stocks in the industrial and services sectors, showing increases of +40% and +15%, respectively. The banking sector also saw a 30% increase in its capitalisation on an annual basis.

In analysing the Italian banking system, the statistics from the Italian banking Association (ABI) show that in 2009 deposits in Euro (resident customers and bonds) increased by +9.3%: under specific forms of funding, deposits from resident customers reported an annual increase of +8%, while bonds rose by +11.2% compared to December 2008. Under deposits from resident customers, the components which obtained the best annual performance were current account deposits, locked-up deposits and deposit certificates: the components that reported a sharp fall were repos (-23.9%) and foreign deposits (-9.4%).

The intense phase of slowdown in the Italian economy was heavily reflected in the performance of loans; in fact, loans to private individuals only rose by +1.7% compared to December 2008. Within these, loans to families and non-financial companies increased by +0.5% on an annual basis with a clear prevalence of medium- and long-term loans. As regards businesses, the reduction in the investment plans has heavily affected the performance of the corporate sector, down by -2.4% compared to December 2008. The trend in household lending grew by +5.9% on an annual basis. Consumer credit increased by +5% on an annual basis, showing an opposite trend compared to the Euro zone.

The deterioration in the economic situation adversely affected the ratio between non-performing loans and loans; as at December 2009, the ratio was equal to 3.28%, against 2.35% in December 2008.

The banks' securities portfolio reported an annual growth of 29.4% (equal to +439 billion euro) compared to December 2008, up by about 100 billion euro.

As regards interest rate markets, the structure was affected by the measures imposed by the ECB: 3-month Euribor went down to 0.71% (against 3.29% in December 2008), the return on BOT treasury bills to 0.66% (against 2.13% in 2008), the return on CCT treasury credit certificates came to 1% (against 3.89% in 2008). The average return of BTP treasury bonds reported a decline from 4.58% to 3.95% in the same period. With reference to the bank lending, the mean rate of interest on deposits reported a fall of 1.41 percentage points (and came to 1.59% against 3% in December 2008), while the average interest rate on loans came to 3.76% against 6.09% in December 2008.

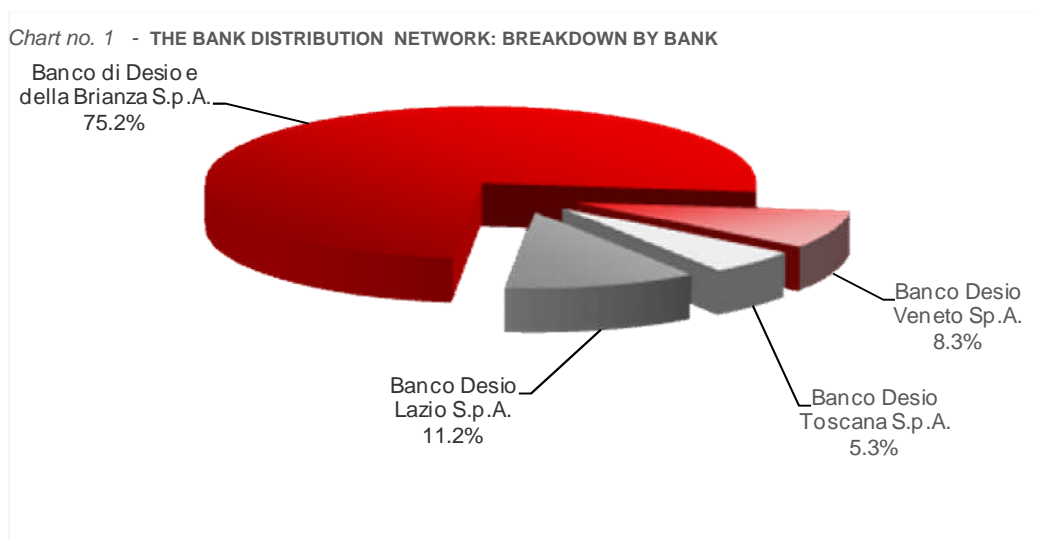
### 3 - LOCAL EXPANSION AND ISSUES OF CORPORATE INTEREST

#### 3.1 - DEVELOPMENT OF THE DISTRIBUTION NETWORK

The rate of growth of the distribution network also continued in 2009 in spite of the worsening macroeconomic scenario, enabling the Bank to reach 127 branches at the end of the financial year, an increase of 6 units on annual basis, while at Group level the total number of branches reached 169, an increase of 8.

The branch network, increasingly widespread, continues to be marked by the central role given to the rapport and relations with customers. The objective of the continuity in the expansion policy was aimed at putting roots down in the territory with which the Bank is historically associated and in adjacent and complementary areas and taking up other local opportunities. This policy led to further extend the presence of the Bank in Lombardy, Piedmont, Emilia and Liguria.

Considering the Group's distribution network as a whole and then adding the other regions where the Group is active (Veneto, Toscana and Lazio) through subsidiary banks, the chart that follows gives the related percentage distribution. The breakdown by banks is represented below.



In the year that has closed, the Bank opened a branch in the provincial capital of Lombardy, one branch in Moncalieri in Piedmont, two branches in the Emilia region, in Rubiera and Bologna respectively, and other two branches in Liguria, in Savona and in Imperia.

The chart below shows the percentage breakdown of the Bank's distribution network by relevant regions, while the subsequent chart shows the dimensional growth reached in the last few years, with growth rates corresponding to a Compound Annual Growth Rate of 5.6% in the three year period 2007-2009.



Chart no. 2 - THE BANK DISTRIBUTION NETWORK: BREAKDOWN BY REGION

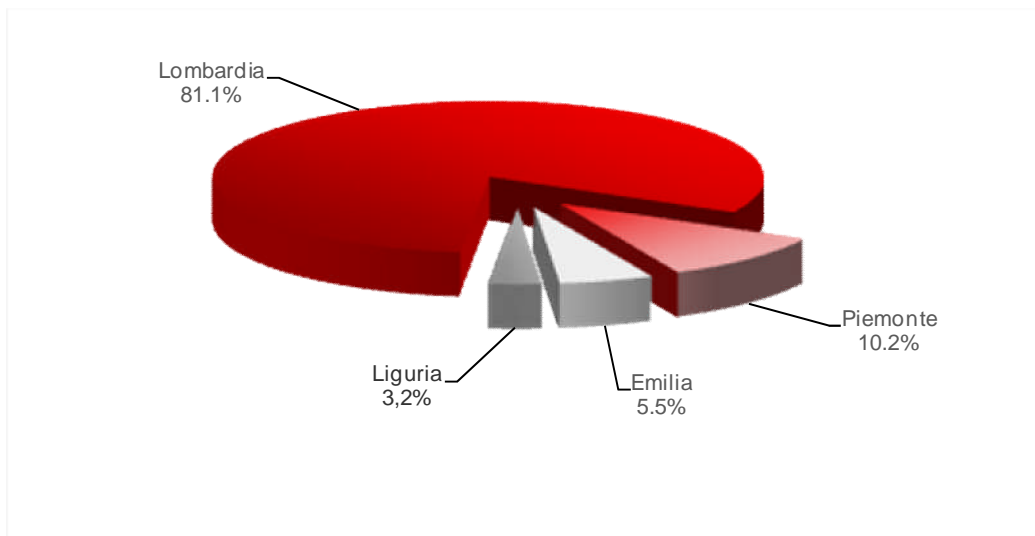
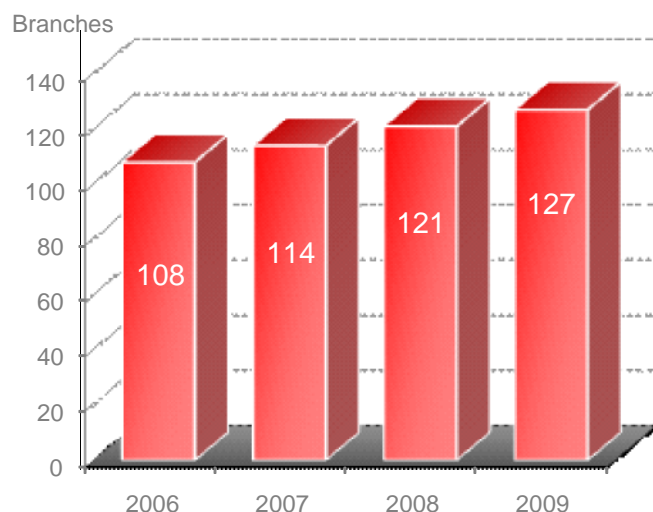


Chart no. 3 - THE BANK DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEAR



### 3.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL YEAR

#### *Approval of the two-year 2010-2011 Business Plan*

Within the scope of the Group's strategic planning activity, on 22 December 2009 the Board of Directors approved the two-year 2010-2011 Business Plan, which also approves the "Local Development Project" for the two-year period communicated to the Bank of Italy. The opening of ten branches is expected during the two-year period, in order to reinforce the Bank's local presence.

Taking into account the opening of the branch in Correggio (Reggio Emilia) in the current year (as reported in the paragraph "Significant events after the reporting date"), as well as an additional branch to be scheduled to be

opened soon, both of which in accordance with the previous two-year 2008-2009 Business Plan, it is expected that the Bank's distribution network will reach a total of 139 branches at the end of the two-year period.

*Acceptance of BPM's public offer to buy all the shares of Anima SGR p.A. and sale of the equity investment*

On 30 January 2009, the Bank completed the transfer of the residual stake held in Anima SGR.p.A. in the implementation of the voluntary public offer to buy all the shares promoted by Banca Popolare di Milano, for the total no. of 22,251,550 shares held, equal to 21.191% of SGR's share capital (namely 20.284% of the fully diluted share capital as defined in the Offer Documentation), achieving a net capital gain of about Euro 29.5 million.

*Rovere SICAV*

Within the scope of a project developed by the Bank, aimed at the incorporation of a Luxembourg registered open-end investment company, on 26 February 2009 Rovere SICAV was established and, again in Luxembourg, the management company "Rovere Société de Gestion SA", with a share capital of Euro 500,000, in which two other Italian banks that are interested in the project participate with a 10% stake each. This management company, controlled by the bank through Brianfid-Lux SA with a current stake of 80%, joined the Group on the date of incorporation itself. As reported in the paragraph "Significant events after the reporting date", the current year saw the implementation of the expected partial reallocation of such stake through the transfer of an overall stake of 30%, equally distributed, by Brianfid-Lux SA to the three Italian subsidiary banks of the Group.

*Capital increase of the subsidiary Chiara Assicurazioni S.p.A. and a 67.35% increase in the stake held*

On 20 July 2009 the subsidiary Chiara Assicurazioni S.p.A. took steps to implement the first tranche of the capital increase serving the Stock option plan in place (from Euro 7,500,000 to Euro 8,212,000) and, at the same time as the issue, the bank purchased a total of no. 656,000 shares resold by the majority of subscribing beneficiaries, thus causing the controlling interest held in the Company to come to 67.35%. The sale was made at a price of Euro 3.47 per share (the normal value determined on the basis of an appropriate report prepared by an appointed actuary).

*Increase in the stake held in the associate Istifid S.p.A.*

On 25 September 2009 the Bank increased its stake held in the associate Istifid S.p.A. from 21.65% to 28.96%, thus becoming the first shareholder of the company in terms of relative majority.

*Corporate Governance Project*

During the year, the procedure was completed for the adoption of the supervision provisions contained in the Bank of Italy's order of 4 March 2008 on Corporate Governance, by appropriate resolutions passed by the board of directors and by the shareholders' meeting of the Bank and of the three Italian subsidiary banks. The related details are reported in the Annual report on Corporate Governance made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the website ([www.bancodesio.it](http://www.bancodesio.it), section Banco Desio – Corporate Governance) at the same time as this Report.

*"Common notice" for the suspension of SME (small- and medium-sized enterprises) debts to the banking systems and ABI / Cassa Depositi e Prestiti Agreement for loans to SMEs*

In September, the Group joined the Common Notice of the Italian Banking Association (ABI) and the Ministry of the Economy for the suspension of SME debts to the Credit System. Still in the context of the sector's initiatives to support the manufacturing industry as it deals with the economic crisis, the Bank also considered it appropriate to start the procedure in October for approving the agreement signed on 28 May 2009 between ABI and the bank Cassa Depositi e Prestiti ("CDP", Deposits and Loans Fund). On the basis of this agreement, the institute has made a total maximum amount of Euro 8 billion available to banks, split into two tranches, to be used for paying out loans to SMEs.

#### *Admission to trading on MTF EuroTLX as an Intermediary and Specialist*

From 26 October 2009, the bank was admitted to trading on the multilateral trading facility (MTF) EuroTLX managed by TLX S.p.A. as an Intermediary and as a Specialist, for its own debenture loans and for those issued by the Italian subsidiary banks.

#### *100<sup>th</sup> Anniversary of the Bank*

It should be noted that the past financial year was marked by a series of initiatives dedicated to celebrating the 100<sup>th</sup> anniversary of the Bank; the events that took place all shared the aim of enhancing the historic tradition of the Institute.

### **3.3 - OTHER TRANSACTIONS / MAJOR CORPORATE EVENTS RELATING TO SUBSIDIARIES OR ASSOCIATES**

#### *Capital increase of the indirect subsidiary FIDES S.p.A. and increase in the indirect stake held through the subsidiary Banco Desio Lazio*

In the framework of a plan to expand the distribution network of the indirect subsidiary FIDES S.p.A., in March 2009, the subsidiary Banco Desio Lazio completed the sale of a 3% interest in the share capital of the financial company, for about Euro 250,000, thus reducing the stake to 75%.

In April the extraordinary shareholders' meeting of the financial company resolved a capital increase from Euro 1,100,000.00 to Euro 1,610,472.00 through the issue of no. 510,472 shares to be offered as an option to the shareholders, proportionally to the stake held, with a premium of Euro 6.64 per each share with a par value of Euro 1.00 each, and then for a total profit of Euro 3.9 million. The transaction was effected in June and, including as a result of the subscription of the non-opted shares of a minority shareholder, entailed an increase in the stake of Banco Desio Lazio up to about 81%. In the same month, as a result of the subsequent transfer by a minority shareholder of a stake of about 14% of FIDES S.p.A., Banco Desio Lazio further increased its stake in the financial company up to 95%, against a disbursement of about Euro 1.5 million.

As reported in the paragraph "Significant events after the reporting date", the stake became then total in the current year.

## **4 - HUMAN RESOURCES**

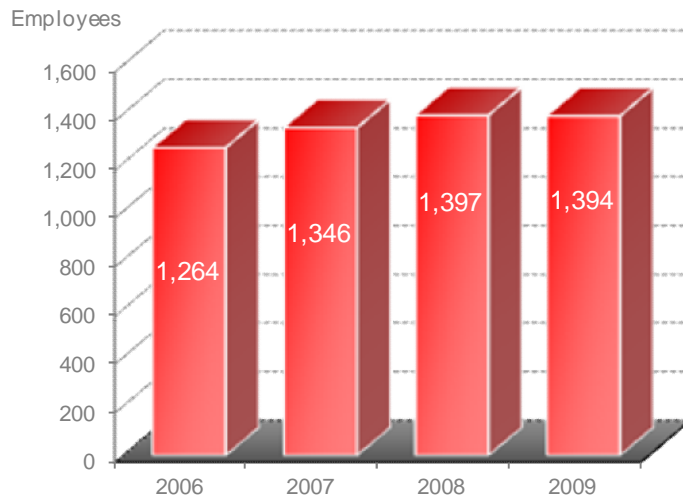
### **4.1 - RESOURCES MANAGEMENT**

While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the sharing of values within the Group. This approach, in line with the geographic expansion policy, accompanies the dissemination of information and development in areas with which the Bank has historic associations and in inter-regional offices in different catchment areas and economic sectors.

As at 31 December 2009, the subordinate staff counted 1,394 employees, with a change of three resources less than the previous year, corresponding to 0.2%.

In the last three year period, the average compound annual growth rate registered in the headcount was equal to 3.3%, lower than that registered in the distribution network, which was equal to 5.6%, as evidenced by the numeric data represented in the chart below.

Chart no. 4 - INCREASE STAFF NUMBERS IN THE LAST FEW YEARS



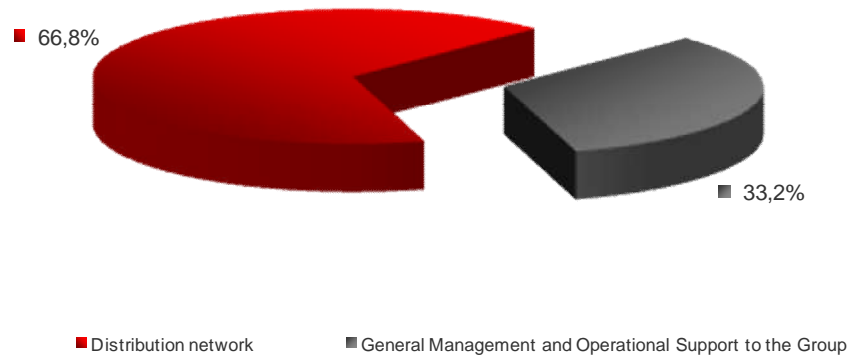
The table below shows the breakdown of staff by grade.

Table no. 1 - STAFF: BREAKDOWN BY GRADE

No. of employees	31.12.2009		31.12.2008		Change	
		Percentage breakdown		Percentage breakdown	Value	%
Executives	24	1.7%	24	1.7%	0	0.0%
3rd and 4th level managers	328	23.5%	318	22.8%	10	3.1%
1st and 2nd level managers	373	26.8%	368	26.3%	5	1.4%
Other personnel	669	48.0%	687	49.2%	-18	-2.6%
<b>Staff</b>	<b>1,394</b>	<b>100.0%</b>	<b>1,397</b>	<b>100.0%</b>	<b>-3</b>	<b>-0.2%</b>

The chart below reports the breakdown of staff employed at the end of the financial year by area, showing that the staff employed by the distribution network represent the majority with a percentage of 66.8%.

Chart no. 5 - BREAKDOWN OF THE STAFF IN EMPLOYMENT BY AREA OF REFERENCE



The average age of employees at the end of the period was 42 years, which was unchanged compared to the previous year, while the percentage of female staff reached 40.4%, up compared to 34.5% of the previous year.

#### 4.2 - TRAINING

Training is a distinctly effective partner in growth processes and in developing human resources, as part of a more widespread culture within the Bank and, in general, the Group.

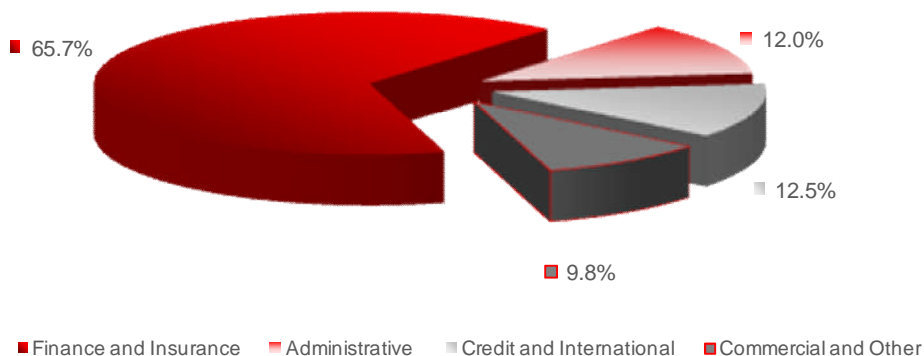
A total of 5,790 man/days of training were administered during 2009, counting in-house courses within the Bank, conferences, external seminars and online training activities, up compared to 4,653 in the previous year.

In particular, the sessions held are divided according to the type of training:

- “General”, directed at all professional roles and having the objective of developing cross-cutting skills;
- “Communication and organisation”, aimed at developing effective and efficient relational, organisational and behavioural skills in the business organisation, which will facilitate the spreading of the business culture and the internalisation of the company values;
- “Technical professional”, covering the initiatives aimed at developing, consolidating and maintaining over time the professional skills that are linked to specific roles and fields.

The percentage breakdown of the meetings held based on the classification of the issues dealt with and dedicated to the “Technical professional” training, which affected about 74% of the total days, may be represented in the following chart.

Chart no. 6 - "TECHNICAL PROFESSIONAL" TRAINING IN THE YEAR 2009: BREAKDOWN BY SUBJECT



In the "Finance" sphere, it should be noted that the assessment, training and certification process launched in 2008, in collaboration with the Bocconi University of Milan, was concluded. This involved network staff and had the objective of reinforcing and standardising technical-professional skills.

Moreover, training sessions were carried out for those in professional Private Banker roles in collaboration with the Italian Private Banking Association (AIPB), with certification of the skills acquired, as well as update activities of the Consob provisions concerning illiquid products (3<sup>rd</sup> Level measures) with impacts on operational, contractual and commercial transactions.

### 4.3 - RELATIONSHIP WITH THE TRADE UNIONS

In the general framework of labour relations which was always been marked by calm and constructive discussion, it should be noted that negotiations are in progress for the renewal of the company supplementary agreement started in July 2009.

## 5 - CONTROL ACTIVITIES

### 5.1 - LEVELS OF CONTROL IN THE FUNCTION OF DIRECTION AND CO-ORDINATION

In the exercise of its function of direction and co-ordination, Banco di Desio e della Brianza S.p.A., in its capacity as the Parent Company, effects three levels of control on subsidiaries in order to implement the specific "co-ordination model" selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location and identifying the competent functions of the Parent Company for the specific control mechanisms.

The first level is of a strategic nature and is designed to maintain a constant check that the indications given by the Parent Company are kept to. Implementation is achieved for the most part by the presence of its own

representatives on the Boards of Directors of each subsidiary company, normally in sufficient numbers to represent a majority.

The second level is more concerned with management and relates to the activities of analysis, systemising and evaluation of the periodical information flows from subsidiary companies in order to confirm the pursuit of strategic goals in compliance with supervisory rules, the preparation of sufficient reports on performance and profitability, the analysis of development plans and strategic opportunities, forecast flows and all other information necessary for the preparation of the Group Budget.

The third level can be described as being technical/operational in nature and in practice is conducted through the supervision of internal control systems.

Additional information on direction and coordination activities is contained in paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report, to which reference is made.

## 5.2 - INTERNAL CONTROL SYSTEM

The internal control system is made up of the collection of standards of conduct, rules and organisational procedures which, in observance of law instructions from the Supervisory Body and business strategies, make it possible to manage all Group activities properly, involving the top Bodies and management and, in general, all staff.

Detailed information on the internal control system, as well as on the Manager responsible for preparing the Company's financial reports, and then also on risk management systems and on systems of internal control over the financial reporting process, is contained in paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report, to which reference is made.

## 5.3 - RISK MEASUREMENT AND MANAGEMENT

With regard to the specific activities carried out by the Parent Company's Risk Management Office, designed to ensure that checks are maintained on the various risk types through the adoption of integrated processes, please refer to Part E of the Notes to the Financial Statements "Information on Risks and the Related Hedging Policies".

## 6 - MANAGEMENT PERFORMANCE

### 6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of the financial year the total administered customer assets increased to about Euro 21.9 billion, up by Euro 2.9 billion compared to the previous year, i.e. equal to 15.3%, attributable to both direct and indirect deposits.

The overall performance of this item is shown in the table below, which also gives a breakdown.

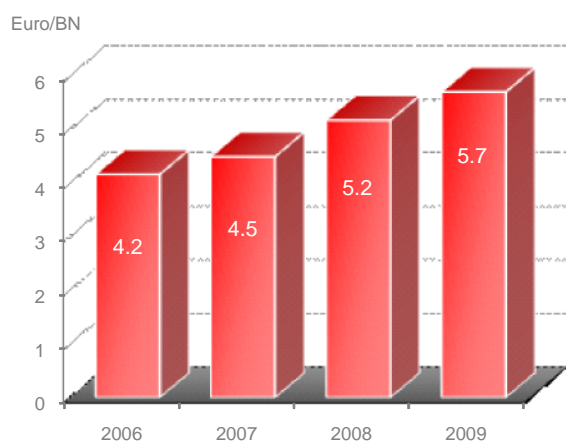
Table no. 2 - DEPOSITS FROM CUSTOMERS

Amounts in thousands of Euro	31.12.2009		31.12.2008		Change	
	Value	Percentage breakdown	Value	Percentage breakdown	Value	%
Amounts due to customers	3,675,226	16.8%	3,111,753	16.4%	563,473	18.1%
Securities issued	1,473,209	6.7%	1,568,889	8.3%	-95,680	-6.1%
Financial liabilities at fair value through profit or loss	549,197	2.5%	490,830	2.6%	58,367	11.9%
<b>Direct deposits</b>	<b>5,697,632</b>	<b>26.1%</b>	<b>5,171,472</b>	<b>27.3%</b>	<b>526,160</b>	<b>10.2%</b>
Deposits from ordinary customers	6,236,835	28.5%	5,663,240	29.9%	573,595	10.1%
Deposits from institutional customers	9,917,275	45.4%	8,110,674	42.8%	1,806,601	22.3%
<b>Indirect deposits</b>	<b>16,154,110</b>	<b>73.9%</b>	<b>13,773,914</b>	<b>72.7%</b>	<b>2,380,196</b>	<b>17.3%</b>
<b>Total deposits from customers</b>	<b>21,851,742</b>	<b>100.0%</b>	<b>18,945,386</b>	<b>100.0%</b>	<b>2,906,356</b>	<b>15.3%</b>

#### Direct deposits

The increase in direct deposits during the last three year of business for the Bank, is represented in the chart below, with annual growth rates corresponding to an average compound growth rate of 11%.

Chart no. 7 - DEPOSITS: THE TREND OVER THE LAST FEW YEARS



The most substantial item of direct deposits as at the end of the financial year in question, corresponding to 64.5% of the aggregate, is represented by the "amounts due to customers", Euro 3.6 billion of which reflects "sight" deposits, i.e. current accounts and savings deposits, and the residual part of which is for reverse repurchase agreements and other payables.

At the end of the financial year, securities in circulation, amounting to Euro 0.1 billion less than the previous year, consisted of Euro 1.3 billion of bonds issued and placed by the Bank, mainly with a variable yield (including about



Euro 0.1 billion of subordinate bonds) and of Euro 0.2 billion of deposit certificates. The end-of-year balance of financial liabilities reported on the basis of the fair value option refers to bond loans, mainly with a variable yield, issued by the Bank and hedged with financial derivative instruments.

The total value of the bond loans issued during 2009 was Euro 383.4 million.

### *Indirect deposits*

In the twelve months indirect deposits reported an overall increase of Euro 2.4 billion, equal to 17.3% of the previous balance, totalling about Euro 16.2 billion.

Specifically, deposits from “ordinary” customers showed a growth by Euro 0.6 billion, equal to 10.1%, mainly attributable to the performance of the managed asset sector, notwithstanding the penalisation due to the financial crisis.

Deposits from institutional customers reported an increase of Euro 1.8 billion, mainly due to the volumes concerned by the custodian bank service, which caused the balance to increase up to Euro 9.9 million, the most significant value at the level of the aggregate as a whole.

The table below gives the details of the items in question, showing the variations reported at the end of the twelve months under analysis.

Table no. 3 - **INDIRECT DEPOSITS**

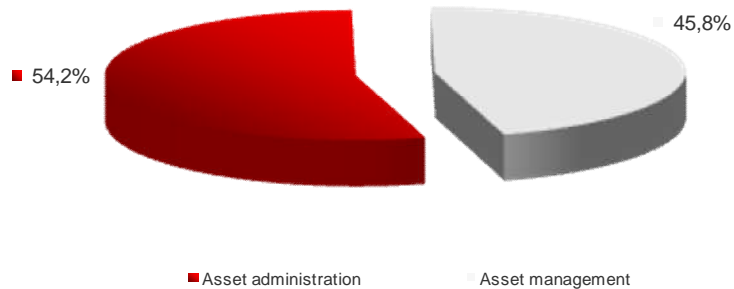
<i>Amounts in thousands of Euros</i>	31.12.2009		31.12.2008		Change	
		Percentage breakdown		Percentage breakdown	Value	%
<b>Asset administration</b>	<b>3,379,094</b>	<b>20.9%</b>	<b>3,342,888</b>	<b>24.3%</b>	<b>36,206</b>	<b>1.1%</b>
<b>Asset management</b>	<b>2,857,741</b>	<b>17.7%</b>	<b>2,320,352</b>	<b>16.8%</b>	<b>537,389</b>	<b>23.2%</b>
<i>of which: Mut.Fund and Open-end Inv. ( <sup>1</sup> )</i>	997,634	6.2%	669,005	4.9%	328,629	49.1%
<i>Portfolio management ( <sup>2</sup> )</i>	394,278	2.4%	367,093	2.7%	27,185	7.4%
<i>Bank Insurance</i>	1,465,829	9.1%	1,284,254	9.3%	181,575	14.1%
<b>Deposits from ordinary customers</b>	<b>6,236,835</b>	<b>38.6%</b>	<b>5,663,240</b>	<b>41.1%</b>	<b>573,595</b>	<b>10.1%</b>
Depository Bank	7,787,653	48.2%	6,448,432	46.8%	1,339,221	20.8%
Others	2,129,622	13.2%	1,662,242	12.1%	467,380	28.1%
<b>Deposits from institutional customers</b>	<b>9,917,275</b>	<b>61.4%</b>	<b>8,110,674</b>	<b>58.9%</b>	<b>1,806,601</b>	<b>22.3%</b>
<b>Indirect deposits</b>	<b>16,154,110</b>	<b>100.0%</b>	<b>13,773,914</b>	<b>100.0%</b>	<b>2,380,196</b>	<b>17.3%</b>

<sup>(1)</sup> net of mutual fund and open-end investments units under portfolio management and fund-based portfolio management

<sup>(2)</sup> net of liquidity in current accounts and of securities issued by the bank

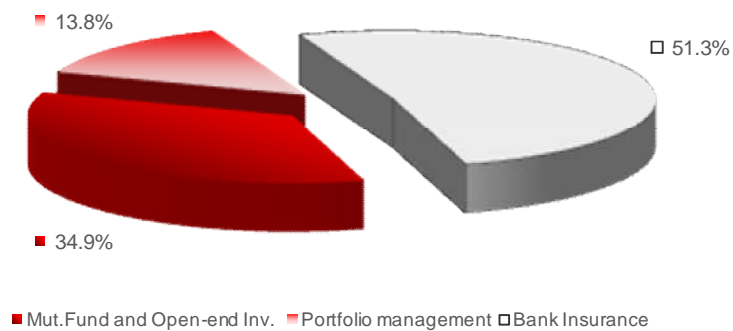
The percentage breakdown by segment of the indirect deposits from ordinary customers as at 31 December 2009, represented in the chart below, shows that the portion attributable to administered assets is greater than that of managed assets, even if less than the previous year.

Chart no. 8 - INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2009: BREAKDOWN



The percentage composition of assets under management at the end of 2009 is shown in the graph below: the life bank insurance element is the biggest with 51.3%.

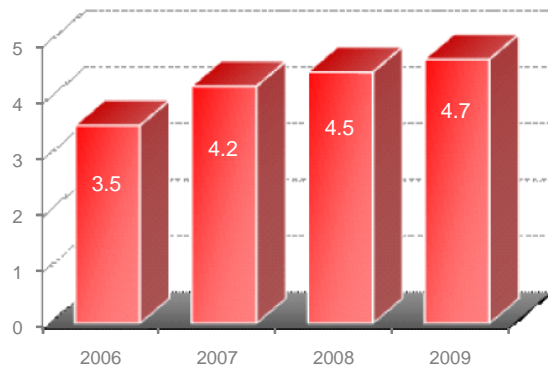
Chart no. 9 - INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2009: BREAKDOWN



It should be noted that the administered customer assets at 31 December 2009 included about Euro 378 million as capitals repatriated following the so-called “tax shield” transaction under Legislative Decree no. 78 of 1 July 2009.

## 6.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

At 31 December 2009 the total amount of lending to customers increased up to about Euro 4.7 billion, an increase of 5.1% compared to the balance of the previous year, which contributed to determining a compound annual rate of increase over the three-year 2007/2009 period of 10.1%, as shown in the graph below.

**Chart no. 10 - LOANS TO CUSTOMERS: THE TREND OVER THE LAST FEW YEARS**  
 Euro/BN


The differences in the balances of the items making up lending, as shown in the table below, indicate that the overall increase was attributable to medium- and long-term forms of investment, particularly mortgages, partially offset by the decline in other items.

**Table no. 4 - AMOUNTS DUE FROM CUSTOMERS**

<i>Amounts in thousands of Euros</i>	31.12.2009	Percentage breakdown	31.12.2008	Percentage breakdown	Change	
					Value	%
Current accounts	1,163,980	24.9%	1,228,860	27.5%	-64,880	-5.3%
Mortgages and other medium/long term loans	2,846,210	60.7%	2,478,837	55.6%	367,373	14.8%
Other	675,938	14.4%	753,066	16.9%	-77,128	-10.2%
<b>Amounts due from customers</b>	<b>4,686,128</b>	<b>100.0%</b>	<b>4,460,763</b>	<b>100.0%</b>	<b>225,365</b>	<b>5.1%</b>

Amounts due to customers are also analysed in the table below, which evidences the changes in balances registered in the period under review, based on the type of customer, while the following chart represents their breakdown as at the end of 2009.

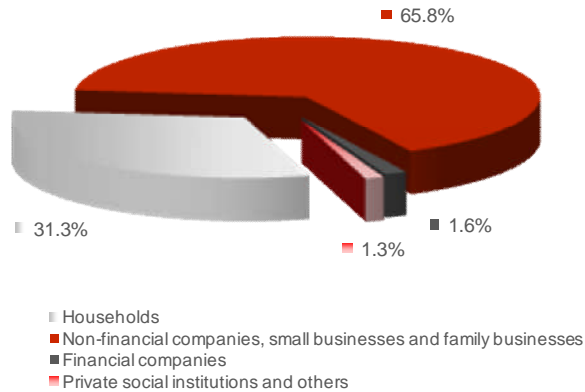
It is worth noting, in particular, the predominance of loans to non-financial companies, small businesses and family businesses, which, at the end of the period, represented a share of 65.8% of the total, totalling Euro 3.1 billion and the increasing relevance of loans to households, with a positive change of 12.8%.

**Table no. 5 - AMOUNTS DUE FROM CUSTOMERS: BREAKDOWN BY TYPE OF CUSTOMER**

<i>Amounts in thousands of Euros</i>	31.12.2009	Percentage breakdown	31.12.2008	Percentage breakdown	Change	
					Value	%
Households	1,465,285	31.3%	1,299,283	29.1%	166,002	12.8%
Non-financial companies, small businesses and family businesses	3,085,228	65.8%	3,032,917	68.0%	52,311	1.7%
Financial companies	73,625	1.6%	84,696	1.9%	-11,071	-13.1%
Private social institutions and others <sup>(1)</sup>	61,990	1.3%	43,868	1.0%	18,122	41.3%
<b>Amounts due from customers</b>	<b>4,686,128</b>	<b>100.0%</b>	<b>4,460,763</b>	<b>100.0%</b>	<b>225,365</b>	<b>5.1%</b>

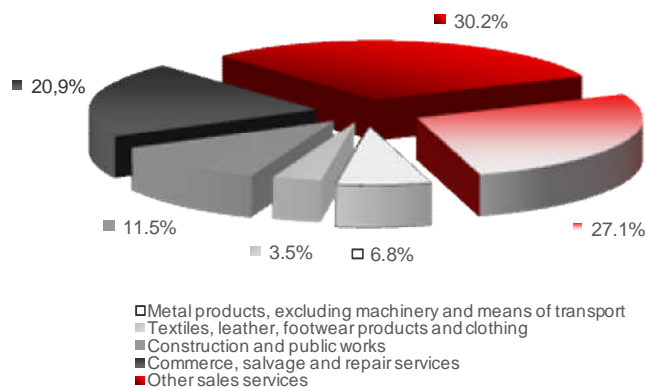
<sup>(1)</sup> including financial and non financial companies in the rest of the world

Chart no. 11 - AMOUNTS DUE FROM CUSTOMERS AS AT 31.12.2009: PERCENTAGE BREAKDOWN BY TYPE OF CUSTOMER



The chart below is an analysis of the breakdown of the loans to the categories of non-financial companies, small businesses and family businesses, which represent a share of 65.8% of the total as at the end of 2009, with reference to the relevant economic sector.

Chart no. 12 - AMOUNTS DUE FROM NON-FINANCE COMPANIES, SMALL BUSINESSES AND OTHER FAMILY BUSINESS AS AT 31.12.2009: PERCENTAGE BREAKDOWN BY ECONOMIC SECTOR



The chart above highlights the considerable relevance of loans to companies belonging to the tertiary sector in general, particularly as regards other sales services, commerce, salvage and repair services, as well as construction and public works. Jointly considered, these loans represent a share of 62.6%, corresponding to about Euro 1.9 billion.

The credit quality reflects the guidelines based on the principles of prudence, diversification and targeted development characterising the credit policies of the whole Banco Desio Group, constituting the essential element in the credit provision strategy and it permits a degree of concentration on smaller figures.

As regards the distribution of gross loans, including endorsement loans, the percentage of uptakes by the largest clients at the end of 2009 was higher than the final figure at the end of the previous year, with indexes which in any case reflect a high degree of risk spreading. The table below shows the details.

**Table no. 6 – AMOUNTS DUE FROM LARGEST CUSTOMERS: CONCENTRATION INDEX**

<i>Number of customers</i>	<b>31.12.2009</b>	<b>31.12.2008</b>
10 largest customers	3.7%	3.3%
20 largest customers	5.3%	4.7%
30 largest customers	6.5%	5.9%
50 largest customers	8.7%	7.9%

Furthermore, take note that, in accordance with the supervisory regulations in force, no positions were recorded at the end of the year that were classifiable under “Significant Risks” in the context of credit activities

At the end of the period the total amount of net impaired loans, represented by non-performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured exposures, amounted to Euro 149.1 million, net of value adjustments of Euro 84.7 million. Specifically, net non-performing loans amounted to Euro 62.4 million, net problem loans to Euro 60.4 million and expired loans to Euro 26 million and restructured exposures to Euro 0.3 million.

The table below summarises gross and net credit risk ratios: the amounts are still low, even though there was a generalised increase compared with the previous year as a natural consequence of the economic crisis.

**Table no. 7 - AMOUNTS DUE FROM CUSTOMERS: RISK CREDIT INDICATORS**

<i>% Indexes for gross loans</i>	<b>31.12.2009</b>	<b>31.12.2008</b>
Gross impaired loans to customers	4.88%	3.73%
<i>of which:</i>		
- gross non performing loans	2.42%	1.71%
- gross problem loans	1.89%	1.49%
- gross expired loans	0.57%	0.52%
- gross restructured loans	0.01%	0.00%

<i>% Indexes for net loans</i>	<b>31.12.2009</b>	<b>31.12.2008</b>
Net impaired loans to customers	3.18%	2.29%
<i>of which:</i>		
- net non performing loans	1.33%	0.82%
- net problem loans	1.29%	0.95%
- net expired loans	0.55%	0.52%
- net restructured loans	0.01%	0.00%

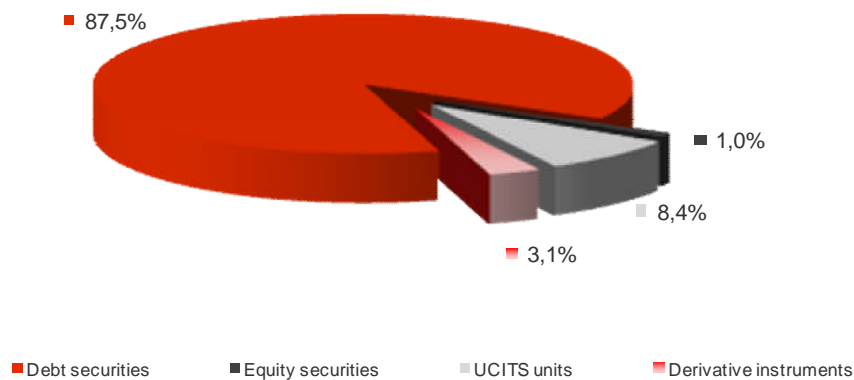
### 6.3 THE SECURITIES PORTFOLIO AND INTER-BANK ACTIVITIES

#### *The securities portfolio*

On 31 December 2009 the Bank's total financial assets stood at a value of Euro 0.8 billion, compared to Euro 0.7 billion which was the figure of the preceding year.

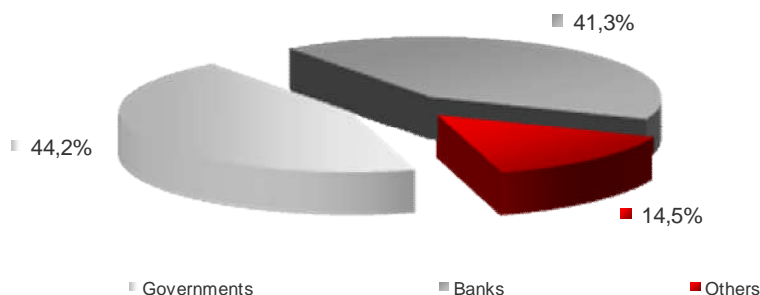
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing that debt securities, mainly comprised of Government securities and of primary bank issuers, accounts for the main portion.

Chart no. 13 - FINANCIAL ASSETS AT 31.12.2009: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY



With reference to the issuers of securities, the aggregate Portfolio at the end of the financial year is comprised of "Government securities" (over 44.2%), "bank securities" (41.3%), and by "other issuers" for the remaining share, as evidenced in the graph below.

Chart no. 14 - FINANCIAL ASSETS AT 31.12.2009: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER



As regards the management of the owned securities portfolio, purchases of bonds were increased during the year, cautiously but decisively, favouring the corporate bonds of the main banking issuers and the supranational bonds, to the detriment of the government securities which continued to return ever lower yields.

In an operating context characterised by “plummeting” rates, the company has also taken measures to increase the duration of the global Portfolio, increasing it from the initial 0.42 to 1.08 in order to pursue the objective of optimising yield while leaving the criteria unchanged for the selection of issuers of financial instruments.

#### *Inter-bank activities*

There was a positive inter-bank balance of about Euro 0.7 billion at the end of the period compared with the positive balance of Euro 0.5 billion at the end of the previous year.

In this framework, in order to allocate the liquidity that prudently was maintained at constantly high levels and as part of the daily objective of achieving the highest possible yields, the bank participated in the Collateralised Interbank Market (MIC), strongly implemented its activity on the repo market (over Euro 50 billion) and re-launched its activity on the interbank market, which however was and still is constantly poor.

## **6.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY**

Shareholders' equity as at 31 December 2009, including the net profits of the period, amounted to a total of Euro 731.3 million, an increase of Euro 59.5 million with respect to the figure recorded for 2008.

Shareholders' equity calculated in accordance with the supervisory regulations in force increased to Euro 773.3 million with respect to Euro 659.3 million at the end of the previous year. The figure is made up of Tier 1 capital of Euro 681 million (compared to Euro 615.8 million at the end of 2008) with Tier 2 capital of Euro 105.8 million (compared to Euro 57 million at the end of 2008) for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 23.1 million (of which Euro 13.5 million is to be deducted from the sum of Tier 1 and Tier 2) and these refer to equity investments in financial and insurance bodies.

The Tier 1 capital ratio, representing the ratio of primary capital to risk-weighted assets increased up to 18.3% and in fact coincides with the Tier 1 Core. The Tier 2 solvency ratio, representing the ratio between regulatory capital and risk-weighted assets, reached 20.8% according to the supervisory regulations in force. On 31 December 2008 these ratios were 17.4% and 18.7% respectively.

We would draw attention to the fact that the total net equity position at the end of 2009, that is the part of equity which is “unrestricted” in that it is not affected by credit risk (solvency ratio) and market risks (risks on available for sale securities portfolio, exchange rate risks, concentration risks) amounted to a value of Euro 475.4 million, up compared to Euro 376.7 million of the previous year.

## **6.5 - RECLASSIFIED INCOME STATEMENT**

A reclassified Income Statement has been prepared (as compared with the Layout in the Financial Statements) in order to provide a view of the Bank's affairs that is more consistent with operational performance, and this is the basis on which the following comments are made.

The following is a summary of the criteria adopted in the preparation of this statement:

- two accounting item totals were stated, defined as “Operating income” and “Operating costs”, the algebraic balance of which constitutes the “Operating margin”;
- “Net profit/(loss) for the period” was divided into “Profits/(losses) after taxes from continuing operations” and “Non-recurring profits/(losses) after taxes”;
- “Operating income” also includes the balance of item 190, “Other operating income and expenses”, also net of tax recoveries for stamp duty on customers’ statements of account and securities deposit accounts and substitute tax on medium- and long-term financing, in addition to the amortisation of leasehold improvements, respectively reclassified as a reduction of item 150 (b), “Other administrative expenses” and as an increase of item 180, “Net adjustments to the value of /write-backs to intangible assets” in the “Operating costs” total;
- dividends on equity investments in subsidiaries were reclassified from item 70 “Dividends and other similar income” to the item “Dividends from equity investments in subsidiaries”, which follows “Operating margin”;
- the balance of item 100 (a), “Profit/(loss) on disposal/purchase of receivables” in “Operating income” was reclassified in special item “Profit/(loss) on disposal/purchase of receivables” after “Operating margin”;
- provisions for clawback actions in debt litigation were reclassified from item 190, “Net provisions for risks and charges”, to item 130 (a), “Net impairment losses on loans”, both items following “Operating margin”;
- provisions for extraordinary transactions are reclassified from item 160, “Net provisions for risks and charges”, to item “Provisions for risks and charges on extraordinary transactions”;
- the balance of "Overdraft limit fees" ("CMS") and of "Recovery of applications expenses for credit facilities" at 30 June 2009 are reclassified from item 10 “Interest income and similar revenues” and from item 190 “Other operating income and expenses”, respectively, to item 40 “Fee and commission income”.
- the tax effect on non-recurring Profits/(losses) is reclassified from item 260, “Taxes for the period on income from continuing operations” to the item “Taxes for the period on income from non-recurring operations”.



The 2009 financial year ended with a net profit for the period of Euro 58.1 million, as shown in the table below, which states the reclassified Income Statement in comparison with the income statement of the previous year.

Table no. 8 - RECLASSIFIED INCOME STATEMENT

Captions <i>Amounts in thousands of Euros</i>		31.12.2009	31.12.2008	Change	
				Value	%
10+20	Net interest income	154,429	171,526	-17,097	-10.0%
70	Dividend and similar income	445	6,436	-5,992	-93.1%
40+50	Net fees and commissions	98,472	102,039	-3,566	-3.5%
80+90+100 +110	Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	8,378	470	7,909	1684.5%
190	Other operating income and expenses	7,481	6,137	1,344	21.9%
<b>Operating income</b>		<b>269,205</b>	<b>286,608</b>	<b>-17,403</b>	<b>-6.1%</b>
150 a	Personnel expenses	-111,606	-108,791	-2,815	2.6%
150 b	Other administrative expenses	-49,116	-48,671	-445	0.9%
170+180	Net adjustments to tangible/intangible assets	-7,789	-8,007	218	-2.7%
<b>Operating costs</b>		<b>-168,510</b>	<b>-165,469</b>	<b>-3,041</b>	<b>1.8%</b>
<b>Operating margin</b>		<b>100,695</b>	<b>121,139</b>	<b>-20,444</b>	<b>-16.9%</b>
	Net profits/(losses) on disposal/purchase of receivables	-293	-1,021	728	-71.3%
130 a	Net impairment losses on loans	-52,993	-37,990	-15,003	39.5%
130 b	Net impairment losses on financial assets available for sale	0	-889	889	-100.0%
130 d	Net impairment losses on other financial transactions	59	-386	445	-115.3%
160	Net provisions for risks and charges	-1,833	286	-2,119	-741.0%
	Dividends on equity investments in subsidiaries	3,137	2,544	593	23.3%
<b>Profits/(losses) before taxes from continuing operations</b>		<b>48,772</b>	<b>83,683</b>	<b>-34,911</b>	<b>-41.7%</b>
260	Taxes for the period on income from continuing operations	-22,560	-39,926	17,366	-43.5%
<b>Profits/(losses) after taxes from continuing operations</b>		<b>26,212</b>	<b>43,756</b>	<b>-17,544</b>	<b>-40.1%</b>
210	Profits (losses) on equity investments	29,886	51,230	-21,344	-41.7%
240	Profits/(losses) on disposal of investments	0	91	-91	-100.0%
	Provisions for risks and charges on extraordinary transactions	0	-37,800	37,800	-100.0%
<b>Non-recurring Profit (Loss) before taxes</b>		<b>29,886</b>	<b>13,521</b>	<b>16,366</b>	<b>121.0%</b>
	Taxes for the period on income from non-recurring items	1,965	8,233	-6,268	-76.1%
<b>Non-recurring Profit(Loss) after taxes</b>		<b>31,851</b>	<b>21,754</b>	<b>10,097</b>	<b>46.4%</b>
<b>290</b>	<b>Net profit/(loss) for the period</b>	<b>58,063</b>	<b>65,510</b>	<b>-7,447</b>	<b>-11.4%</b>

In order to make it easier to compare the reclassified Income Statement with the items as shown in the Financial Statements layout, a reconciliation statement is given for each period, showing the figures corresponding to the total in the layouts and the reclassification balances.

**Table no. 9 - RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2009**

Captions	Financial Statements 31.12.2009	Reclassified Statements							Reclassified Statements 31.12.2009
		Tax recoveries	Dividends from subsidiaries	Net profits/(losses) from sale of equity investments	Amortisation of leasehold improvements	Net profits/(losses) on disposal/purchase of receivables	Uses / provisions for risks and charges	CMS / recovery of applications expenses for credit facilities	
10+20 Net interest income	163,161							-8,732	154,429
70 Dividend and similar income	3,582		-3,137						445
40+50 Net fees and commissions	86,720							11,752	98,472
80+90+100+110 Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	8,085					293			8,378
190 Other operating income and expenses	18,054	-9,302			1,750			-3,020	7,481
<b>Operating income</b>	<b>279,602</b>	<b>-9,302</b>	<b>-3,137</b>	<b>0</b>	<b>1,750</b>	<b>293</b>	<b>0</b>	<b>0</b>	<b>269,205</b>
150 a Personnel expenses	-111,606								-111,606
150 b Other administrative expenses	-58,418	9,302							-49,116
170+180 Net adjustments to tangible/intangible assets	-6,039				-1,750				-7,789
<b>Operating costs</b>	<b>-176,063</b>	<b>9,302</b>			<b>-1,750</b>		<b>0</b>	<b>0</b>	<b>-168,510</b>
<b>Operating margin</b>	<b>103,539</b>	<b>0</b>	<b>-3,137</b>	<b>0</b>	<b>0</b>	<b>293</b>	<b>0</b>	<b>0</b>	<b>100,695</b>
Net profits/(losses) on disposal/purchase of receivables						-293			-293
130 a Net impairment losses on loans	-52,555						-438		-52,993
130 b Net impairment losses on financial assets available for sale	0								0
130 d Net impairment losses on other financial transactions	59								59
160 Net provisions for risks and charges	-2,271						438		-1,833
Dividends on equity investments in subsidiaries			3,137						3,137
<b>Profits/(losses) before taxes from continuing operations</b>	<b>48,772</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48,772</b>
260 Taxes for the period on income from continuing operations	-20,595							-1,965	-22,560
<b>Profits/(losses) after taxes from continuing operations</b>	<b>28,177</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,965</b>	<b>26,212</b>
210 Profits (losses) on equity investments	29,886								29,886
240 Profits/(losses) on disposal of investments	0								0
Provisions for risks and charges on extraordinary transactions									0
<b>Non-recurring profit (loss) before taxes</b>	<b>29,886</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,886</b>
Taxes for the period on income from non-recurring items								1,965	1,965
<b>Non-recurring profit (loss) after taxes</b>	<b>29,886</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,965</b>	<b>31,851</b>
290 <b>Net profit/(loss) for the period</b>	<b>58,063</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,063</b>

**Table no. 10 - RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2008**

Captions	Financial Statements 31.12.2008	Reclassified Statements							Reclassified Statements 31.12.2008
		Tax recoveries	Dividends from subsidiaries	Net profits/(losses) from sale of equity investments	Amortisation of leasehold improvements	Net profits/(losses) on disposal/purchase of receivables	Uses / provisions for risks and charges	CMS / recovery of applications expenses for credit facilities	
10+20 Net interest income	190,216							-18,690	171,526
70 Dividend and similar income	8,980		-2,544						6,436
40+50 Net fees and commissions	77,350							24,689	102,039
80+90+100+110 Net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss	951			-1,503		1,021			470
190 Other operating income and expenses	19,312	-8,841			1,665			-5,999	6,137
<b>Operating income</b>	<b>296,809</b>	<b>-8,841</b>	<b>-2,544</b>	<b>-1,503</b>	<b>1,665</b>	<b>1,021</b>	<b>0</b>	<b>0</b>	<b>286,608</b>
150 a Personnel expenses	-108,791								-108,791
150 b Other administrative expenses	-57,512	8,841							-48,671
170+180 Net adjustments to tangible/intangible assets	-6,342				-1,665				-8,007
<b>Operating costs</b>	<b>-172,645</b>	<b>8,841</b>	<b>0</b>	<b>0</b>	<b>-1,665</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-165,469</b>
<b>Operating margin</b>	<b>124,164</b>	<b>0</b>	<b>-2,544</b>	<b>-1,503</b>	<b>0</b>	<b>1,021</b>	<b>0</b>	<b>0</b>	<b>121,139</b>
Net profits/(losses) on disposal/purchase of receivables						-1,021			-1,021
130 a Net impairment losses on loans	-38,563						573		-37,990
130 b Net impairment losses on financial assets available for sale	-889								-889
130 d Net impairment losses on other financial transactions	-386								-386
160 Net provisions for risks and charges	-36,941						37,227		286
Dividends on equity investments in subsidiaries			2,544						2,544
<b>Profits/(losses) before taxes from continuing operations</b>	<b>47,385</b>	<b>0</b>	<b>0</b>	<b>-1,503</b>	<b>0</b>	<b>0</b>	<b>37,800</b>	<b>0</b>	<b>83,683</b>
260 Taxes for the period on income from continuing operations	-31,693							-8,233	-39,926
<b>Profits/(losses) after taxes from continuing operations</b>	<b>15,692</b>	<b>0</b>	<b>0</b>	<b>-1,503</b>	<b>0</b>	<b>0</b>	<b>37,800</b>	<b>-8,233</b>	<b>43,756</b>
210 Profits (losses) on equity investments	49,727			1,503					51,230
240 Profits/(losses) on disposal of investments	91								91
Provisions for risks and charges on extraordinary transactions							-37,800		-37,800
<b>Non-recurring profit (loss) before taxes</b>	<b>49,818</b>	<b>0</b>	<b>0</b>	<b>1,503</b>	<b>0</b>	<b>0</b>	<b>-37,800</b>	<b>0</b>	<b>13,521</b>
Taxes for the period on income from non-recurring items								8,233	8,233
<b>Non-recurring profit (loss) after taxes</b>	<b>49,818</b>	<b>0</b>	<b>0</b>	<b>1,503</b>	<b>0</b>	<b>0</b>	<b>-37,800</b>	<b>8,233</b>	<b>21,754</b>
290 <b>Net profit/(loss) for the period</b>	<b>65,510</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,510</b>

The breakdown and performance of the main reclassified Income Statement items are summarised as follows, on the basis of the above tables.

#### *Operating income*

The items related to operating income show an overall decrease of 6.1% over the previous year, reaching the sum of 269.2 million euro. This performance is attributable to the net interest income trend, which, at 154.4 million euro, is 57.4% of the total, with a downward variation of 17.1 million euro (10%), to dividends and similar income and net fees and commissions, partially offset by the results of the other items. Specifically, dividends and similar income were affected by failure to receive dividends from Anima SGR S.p.A., which is no longer an associate, and from Chiara Vita S.p.A., an associate, equal to a total of 6 million euro in 2008.

The fall of 3.6 million euro in net fees and commissions, as it can be analysed through the table below, confirms an impact which can be directly correlated to the considerable economic difficulties of the financial markets in general and which is, in any case, mitigated by the increases in the receipts related to the more traditional activities.

Table no. 11 - NET COMMISSIONS: BREAKDOWN BY SERVICE TYPE

<i>Amounts in thousands of Euros</i>	31.12.2009	Percentage breakdown	31.12.2008	Percentage breakdown	Change	
					Value	%
Collection and payment services	13,449	13.6%	13,724	13.5%	-275	-2.0%
Securities placement	5,680	5.8%	6,750	6.6%	-1,070	-15.9%
Port. Mgmt. and Receipt/Transmission of orders	11,793	12.0%	9,228	9.0%	2,565	27.8%
Distribution of insurance products	7,192	7.3%	11,510	11.3%	-4,318	-37.5%
Holding and managing current accounts	49,305	50.1%	48,922	47.9%	383	0.8%
Other services	11,053	11.2%	11,905	11.7%	-852	-7.2%
<b>Net commissions</b>	<b>98,472</b>	<b>100.0%</b>	<b>102,039</b>	<b>100.0%</b>	<b>-3,567</b>	<b>-3.5%</b>

#### *Operating costs*

Total operating costs, which include personnel expenses, other administrative expenses and net adjustments to tangible/intangible assets, came to 168.5 million euro, an increase of 1.8% for the year.

#### *Operating margin*

The operating margin at the end of the period is consequently 100.7 million euro, compared to 121.1 million euro in the comparable period.

#### *Profits/(losses) after taxes from continuing operations*

Net impairment losses on loans and the losses arising from the disposal/purchase of receivables, equal to 53.3 million euro, with a lower impact in the second half, net provisions for risks and charges of 1.8 million, the contribution from dividends on equity investments in subsidiaries for 3.1 million euro and taxes for the period on

income from continuing operations of 22.6 million euro lead to profits/(losses) after taxes from continuing operations equal to 26.2 million, down by 40.1% compared to the 2008 final figure.

#### *Profits/(losses) after taxes from non-recurring operations*

Profits/(losses) after taxes from non-recurring operations is mainly determined by the capital gain collected arising from the transfer of 21.191% of the share capital of Anima SGRp.A., following the acceptance of the voluntary public offer promoted by Banca Popolare di Milano, equal to 29.9 million, as adjusted to the related taxes equal to 0.4 million. Moreover, a positive effect on the profit for the period equal to 2.4 million euro was created by the tax redemption of the surpluses that were deducted on a non-accounting basis in the EC section of the tax return through the payment of the 12% substitute tax in three annual instalments, as required by article 1, paragraph 48, of Law no. 244/2007, as well as by the realignment of the differences between the values in the statutory accounts and the values for tax purposes that emerged at the time of the first application of the international accounting standards (FTA), deriving from the elimination of amortisation and depreciation and provisions, with a single payment of the same substitute tax, as required by article 15, paragraph 3, letter b), of Legislative Decree no. 185/08. Profits/(losses) after taxes then amounted to 31.9 million.

#### *Net profit (loss)*

Adding together profit after taxes from continuing operations and profit after taxes from non-recurring operations, net profit (loss) for the 2009 financial year was 58.1 million euro, down by 11.4% compared to 65.5 million euro in the previous year, despite the increase in adjustments to loans (+39.5%), and a particularly cautious 'wait-and-see' policy regarding investments in financial assets.

It should be noted that the "comprehensive income" of the Parent Bank at 31 December 2009, on the basis of the concept introduced by IAS 1 (Revised) "Presentation of Financial Statements" and in the application of the statement requested by the Bank of Italy with the updated version of circular letter no. 262/2005, amounts to 73.4 million euro compared to 51.6 million in the comparable period, given the significant capital gain of 15 million which is still latent in the income statement for the financial year as it is an equity reserve. For additional specific information, reference is made to the related statement under the Financial Statements layouts at 31 December 2009.

## **7 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

#### *Opening of branches*

On 25 February 2009, the bank initiated the opening of the Correggio branch (Reggio Emilia), bringing the number of its branches in the distribution network to 128.

#### *Increase in the stake held by the subsidiary Banco Desio Lazio in FIDES S.p.A.*

On 18 February 2010 Banco Desio Lazio further increased its stake in the share capital of FIDES S.p.A. from 95% to 100%, with a disbursement of about 0.6 million. This transaction anticipates the expected capital increase of the financial company, consistently with the 2010-2011 Business Plan of the Group, to be fully implemented by Banco Desio Lazio for a total of 5 million euro, on the occasion of the next Ordinary Shareholders' Meeting of the company.

#### *Rovere SICAV*

On 25 January 2010, the expected partial reallocation of the 80% stake of the capital of "Rovere Société de Gestion SA" on the part of Brianfid-Lux SA, through the sale by the latter of an overall stake of 30%, equally distributed, to the three Italian subsidiary banks of the Group.

## 8 - OTHER INFORMATION

### 8.1 - SHAREHOLDINGS HELD IN BANCO DESIO E DELLA BRIANZA S.P.A. BY DIRECTORS, STATUTORY AUDITORS, THE GENERAL MANAGER AND VICE GENERAL MANAGERS HOLDING OFFICE AT THE END OF THE PERIOD

Name and surname	Office held in Banco Desio e della Brianza S.p.A.	Ownership / Type of ownership	Ordinary shares at 01.01.2009	Savings shares at 01.01.2009	Ordinary shares purchased	Savings shares purchased	Ordinary shares sold	Savings shares sold	Ordinary shares at 31.12.2009	Savings shares at 31.12.2009
Agostino Gavazzi	Chairman	Ow ned	96,697	0	0	0	18,453	0	78,244	0
		Bare property	5,500	0	0	0	0	0	5,500	0
		Registered to spouse	2,900	0	0	0	0	0	2,900	0
Guido Pozzoli	Deputy Chairman	Ow ned	37,000	0	0	0	0	0	37,000	0
		Registered to spouse	12,500	0	0	0	0	0	12,500	0
		Usufruct	50,000	3,000	0	0	0	0	50,000	3,000
Stefano Lado	Deputy Chairman	Ow ned	218,363	0	45,599	0	18,458	0	245,504	0
		Registered to spouse	6,500	0	0	0	0	0	6,500	0
Nereo Dacci	Managing Director		0	0	0	0	0	0	0	0
Francesco Cesarini	Director		0	0	0	0	0	0	0	0
Pier Antonio Cutellè	Director		0	0	0	0	0	0	0	0
Egidio Gavazzi	Director	Ow ned	31,300	0	18,458	0	0	0	49,758	0
Luigi Gavazzi	Director	Ow ned	97,797	0	0	0	18,457	0	79,340	0
		Bare property	5,500	0	0	0	0	0	5,500	0
		Registered to spouse	5,000	0	0	0	0	0	5,000	0
Paolo Gavazzi	Director	Ow ned	768,800	15,004	39,653	0	30,000	0	778,453	15,004
Luigi Guatri	Director		0	0	0	0	0	0	0	0
Gerolamo Pellicano'	Director		0	0	0	0	0	0	0	0
Eugenio Mascheroni	Chairman of the Board of Statutory Auditors		0	0	0	0	0	0	0	0
Rodolfo Anghileri	Statutory Auditor		0	0	0	0	0	0	0	0
Marco Piazza	Statutory Auditor		0	0	0	0	0	0	0	0
Giovanni Cucchiani	Alternate Stat. Aud.	Ow ned	11,340	1,000	0	0	0	0	11,340	1,000
		Registered to spouse	2,200	0	0	0	0	0	2,200	0
Clemente Domenici	Alternate Stat. Aud.	Ow ned	1,000	0	0	0	0	0	1,000	0
Carlo Mascheroni	Alternate Stat. Aud.		0	0	0	0	0	0	0	0
Alberto Mocchi	General Manager	Ow ned	11,000	25,000	18,100	0	0	0	29,100	25,000
Claudio Broggi	Deputy General Manager		0	0	0	0	0	0	0	0
Marco Sala	Deputy General Manager		0	0	0	0	0	0	0	0

### 8.2 - SHAREHOLDINGS HELD IN SUBSIDIARIES BY DIRECTORS, STATUTORY AUDITORS, THE GENERAL MANAGER AND VICE GENERAL MANAGERS HOLDING OFFICE AT THE END OF THE PERIOD

At 31 December 2009 there was no record of any shareholdings in subsidiaries owned by directors, statutory auditors, the General Manager and Vice General Managers holding office at the end of the period, nor were any such shareholdings involved in movements during the period.

### 8.3 - TREASURY SHARES

As at 31 December 2009, as in the previous year, Banco di Desio e della Brianza S.p.A did not hold any treasury shares nor any shares in the parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and no movements were registered during the year.

#### 8.4 - RELATIONS BETWEEN BANCO DI DESIO E DELLA BRIANZA S.P.A. AND ITS CONTROLLING COMPANY, ITS SUBSIDIARIES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

With reference to the financial year end date, the following is a summary of the balance sheet and income statement values underlying the relations between Banco di Desio e della Brianza S.p.A and the parent company, the subsidiary companies and those subject to significant influence, divided by counterparty and by nature.

Table no. 12 - RELATIONS BETWEEN CONTROLLING COMPANY, SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE AS OF 31.12.2009

<i>Amounts in thousands of Euros</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Guarantees / Commitments</b>	<b>Revenues</b>	<b>Charges</b>
<b>Controlling company</b>					
Brianza Unione di Luigi Gavazzi & C. S.a.p.A.	0	3,692	0	8	104
<b>Subsidiaries</b>					
Banco Desio Toscana S.p.A.	18,271	48,821	3,386	1,377	1,297
Banco Desio Lazio S.p.A.	11,517	89,317	11,036	3,542	1,614
Banco Desio Veneto S.p.A.	159,746	11,385	2,828	2,677	842
Brianfid-Lux S.A.	0	2,195	0	1,339	1,671
Credito Privato Commerciale S.A.	0	86,831	0	154	336
Rovere Societé de Gestion S.A.	0	0	0	0	0
Fides S.p.A.	37,150	108	0	1,161	1
Chiara Assicurazioni S.p.A.	661	1,355	0	1,826	115
<b>Companies subject to significant influence</b>					
Chiara Vita S.p.A.	35,049	104,075	0	7,878	4,115
Istifid S.p.A.	82	992	0	103	166
<b>Relations by company</b>	<b>262,476</b>	<b>348,771</b>	<b>17,250</b>	<b>20,065</b>	<b>10,261</b>
<b>Breakdown of relations by type</b>					
Finance	259,859	348,681	5,540	8,322	9,830
Business	118	2	11,710	8,949	130
Assets Rental / Management	947	88	0	791	0
Supply of services	1,552	0	0	1,894	155
Other	0	0	0	109	146
<b>Relations by type</b>	<b>262,476</b>	<b>348,771</b>	<b>17,250</b>	<b>20,065</b>	<b>10,261</b>

It should be noted that the relations evidenced in this table were adjusted, whenever it has been possible to make a comparison, by applying the average terms and rates indicated by the market.

Pursuant to article 37, paragraph 2 of the Consob Regulations on Markets (Resolution no. 16191 dated 29 October 2007), we specifically declare that Brianza Unione di Luigi Gavazzi & C. S.a.p.A., parent company of Banco di Desio e della Brianza S.p.A, in accordance with the express provisions of its Articles of Associations, does not exercise any management and coordination activity on Banco di Desio e della Brianza S.p.A, nor on any of its subsidiaries, whether on the basis of banking laws or provisions of the Civil Code. For more details on the structure of the Group for the purposes of management and coordination activities, reference should be made to paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

## 8.5 –RATING

On 29 June 2009, the international agency Fitch Ratings confirmed all the ratings levels previously assigned to the Bank, having considered the well-diversified loans portfolio, the low level of doubtful debts, the good retail deposits and the healthy capitalisation, with the exception of the individual rating which passed from B to B/C. The change is due to the deterioration in the quality of the assets, which however still remains adequate when also taking into account the records relating to other institutes and considering the crisis affecting the economic system (the Italian recession which is particularly affecting small- and medium-sized enterprises).

Long-term	Short-term	Forecast
A	F 1	Stable

## 8.6 - CODE FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196 of 30 June 2003)

In compliance with the provisions of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Personal Data Protection Code - the annual up-date of the Security Programme Document was completed in accordance with the provisions of law.

The Document sets out a description of aspects laid down by the Code pursuant to Rule 19 of the Technical Regulations – Annex B to the Code itself.

## 8.7 - LEGISLATIVE DECREE 231/2001

In the framework of measures taken as regards the issue of administrative liability, in 2004 the Board of Directors of Banco di Desio e della Brianza resolved to adopt an Organisational Model to prevent the commission of the offences contemplated in Legislative Decree 231/2001.

For a summary description of the Model adopted (that was updated in 2009), reference should be made to paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

## 8.8 - TRANSACTIONS WITH RELATED PARTIES

The rules on transactions with related Parties is included in a specific "Internal Procedure for the management of transactions governed by Article 136 of the Consolidated Banking Law and with Related Parties in the context of the Group". The regulations were approved by the Banco di Desio e della Brianza S.p.A.' s Board of Directors in 2007.

For a more detailed description of the procedures governing the transactions referred to above, we would refer to paragraph 5 of the Annual Report on Corporate Governance, made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the website at the same time as this Report.

The transactions with related parties approved by the Board of Directors in 2009 are detailed in Part H of the Notes to the Financial Statements.

### 8.9 - INFORMATION ON STOCK OPTION PLANS

The Plans in existence at the end of the financial period are those started during 2006, regarding shares of subsidiaries Banco Desio Veneto S.p.A. and Chiara Assicurazioni S.p.A. (shares to be issued in the future against capital increases resolved as per Article 2443 of the Civil Code) and the Plan started during 2008, regarding shares of indirect subsidiary FIDES S.p.A. (these are already in Banco Desio Lazio S.p.A.'s possession). Part I of the Notes to the Group's consolidated financial statements should be referred to for information regarding these Plans.

Part I in these Notes to the financial statements presents, in compliance with CONSOB instructions, the statement summarising the assignment of stock options with reference to the names of the Directors and General Manager and at an aggregate level, to managers with strategic responsibilities in Banco di Desio e della Brianza S.p.A..

### 8.10- THE ANNUAL REPORT ON THE ADOPTION OF THE CODE OF CONDUCT FOR LISTED COMPANIES

The information on the adoption of the Code of Conduct for listed companies is reported in the Annual Report on Corporate Governance required by article 123-*bis* of the Consolidated Law on Finance, made available on the Group's website at the same time as this Report, to which reference is made.

## 9 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The continued reinforcement of the local presence, the renewed dynamic impulse in the development of deposit volumes, the careful management and attentive monitoring of credit ratios, as well as the strict control of operating costs constitute the main drivers in achieving an operating result for the current year that is not too distant from that of the financial year that has just concluded.

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Financial Statements as at 31 December 2009 were drawn up on a going concern basis, due to there being no reasons to consider anything otherwise to be likely in the foreseeable future. Indeed, no symptoms were seen in the equity and financial structure and in the operating performance which could lead to uncertainty about the continuity of the company.

The chapter about the relevant macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the related risks can be inferred, whereas the controls on the company's operations of the various types of risk are shown in detail in Part E of the Notes to the Financial Statements – Information on Risks and the Related Hedging Policies”.

Moreover, explanatory notes about the levels of control in the management and coordination function, as well as about internal controls, are reported in the related paragraphs of this Report, making reference, for detailed information, to the Annual report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.



## 10 - PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AND THE ALLOCATION OF NET PROFIT

Dear Shareholders,

We hereby submit for your approval the Financial Statements for the year ended on 31 December 2009, which closes with a net Profit of Euro 58,062,631.91, as shown in the Income Statement.

Pursuant to article 31 of the articles of association, the following allocation of the net profit is hereby proposed:

- 10% to be allocated to the legal reserve	Euro	5,806,263.00
- 10% to be allocated to the statutory reserve	Euro	5,806,263.00
- to shareholders:		
Euro 0.10500 for each of the 117,000,000 ordinary shares	Euro	12,285,000.00
Euro 0.12600 for each of the 13,202,000 savings shares	Euro	1,663,452.00
- additional allocation to the statutory reserve	Euro	32,501,653.91
<b>Total Net Profit</b>	<b>Euro</b>	<b>58,062,631.91</b>

25 March 2010

The Board of Directors

## **Financial Statements**

**BALANCE SHEET**
**ASSET**

(amount per unit)

ASSETS	31.12.2009	31.12.2008	Change	
10 Cash and cash equivalents	17,996,461	22,944,284	(4,947,823)	-21.6%
20 Financial assets held for trading	70,197,750	280,283,006	(210,085,256)	-75.0%
40 Available-for-sale financial assets	768,921,285	403,695,852	365,225,433	90.5%
50 Held-to-maturity investments	-	8,103,394	(8,103,394)	-100.0%
60 Amounts due from banks	920,612,756	716,167,283	204,445,473	28.5%
70 Amounts due from customers	4,686,128,255	4,460,763,479	225,364,776	5.1%
80 Hedging derivatives	-	30,714	(30,714)	-100.0%
100 Equity investments	177,795,027	175,135,902	2,659,125	1.5%
110 Tangible assets	130,250,865	128,939,203	1,311,662	1.0%
120 Intangible assets	2,715,445	2,904,027	(188,582)	-6.5%
of which:				
- goodwill	1,728,505	1,728,505		
130 Tax assets	36,661,412	32,001,172	4,660,240	14.6%
a) current	10,469,005	6,329,144	4,139,861	65.4%
b) deferred	26,192,407	25,672,028	520,379	2.0%
140 Non current assets held for sale and discontinued operations	-	2,877,064	(2,877,064)	
150 Other assets	89,508,949	91,146,597	(1,637,648)	-1.8%
<b>Total Assets</b>	<b>6,900,788,205</b>	<b>6,324,991,977</b>	<b>575,796,228</b>	<b>9.1%</b>

**LIABILITIES**

(amounts per unit)

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2009	31.12.2008	Change	
10 Amounts due to banks	257,628,069	229,124,131	28,503,938	12.4%
20 Amounts due to customers	3,675,225,826	3,111,752,696	563,473,130	18.1%
30 Securities issued	1,473,209,379	1,568,889,145	(95,679,766)	-6.1%
40 Financial liabilities held for trading	1,669,193	12,870,246	(11,201,053)	-87.0%
50 Financial liabilities at fair value through profit or loss	549,196,944	490,829,674	58,367,270	11.9%
80 Tax liabilities	10,742,403	14,238,918	(3,496,515)	-24.6%
b) deferred	10,742,403	14,238,918	(3,496,515)	-24.6%
100 Other liabilities	118,294,592	137,828,806	(19,534,214)	-14.2%
110 Reserve for employee termination indemnities	24,349,866	25,107,400	(757,534)	-3.0%
120 Reserves for risks and charges:	59,210,083	62,557,403	(3,347,320)	-5.4%
b) other reserves	59,210,083	62,557,403	(3,347,320)	-5.4%
130 Valuation reserves	26,187,079	10,832,966	15,354,113	141.7%
160 Reserves	563,162,011	511,600,197	51,561,814	10.1%
170 Share premium reserve	16,145,088	16,145,088	-	
180 Share capital	67,705,040	67,705,040	-	
200 Net profit / (loss) for the period (+/-)	58,062,632	65,510,267	(7,447,635)	-11.4%
<b>Total Liabilities and shareholders' equity</b>	<b>6,900,788,205</b>	<b>6,324,991,977</b>	<b>575,796,228</b>	<b>9.1%</b>

**INCOME STATEMENT**

(amount per unit)

INCOME STATEMENT		31.12.2009	31.12.2008	Change	
10	Interest income and similar revenues	245,555,301	358,783,478	(113,228,177)	-31.6%
20	Interest expense and similar charges	(82,393,574)	(168,567,459)	86,173,885	-51.1%
<b>30</b>	<b>Net interest income</b>	<b>163,161,727</b>	<b>190,216,019</b>	<b>(27,054,292)</b>	<b>-14.2%</b>
40	Fee and commission income	92,096,249	82,997,892	9,098,357	11.0%
50	Fee and commission expense	(5,375,633)	(5,647,799)	272,166	-4.8%
<b>60</b>	<b>Net fees and commissions</b>	<b>86,720,616</b>	<b>77,350,093</b>	<b>9,370,523</b>	<b>12.1%</b>
70	Dividends and similar income	3,581,840	8,980,091	(5,398,251)	-60.1%
80	Net profits/(losses) on trading activities	2,953,799	(1,421,628)	4,375,427	-307.8%
90	Net profits/(losses) on hedging activities	(45,514)	346,418	(391,932)	-113.1%
100	Profit/(loss) on disposal or repurchase of:	5,632,527	782,972	4,849,555	619.4%
	<i>a) loans and receivables</i>	(293,100)	(1,020,584)	727,484	-71.3%
	<i>b) available-for-sale financial assets</i>	4,769,512	1,774,461	2,995,051	168.8%
	<i>d) financial liabilities</i>	1,156,115	29,095	1,127,020	3873.6%
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(455,649)	1,244,995	(1,700,644)	-136.6%
<b>120</b>	<b>Net interest and other banking income (intermediation margin)</b>	<b>261,549,346</b>	<b>277,498,960</b>	<b>(15,949,614)</b>	<b>-5.7%</b>
130	Net impairment losses on/w ritebacks to:	(52,495,678)	(39,837,592)	(12,658,086)	31.8%
	<i>a) loans and receivables</i>	(52,555,008)	(38,562,973)	(13,992,035)	36.3%
	<i>b) available-for-sale financial assets</i>	-	(888,705)	888,705	-100.0%
	<i>d) other financial assets</i>	59,330	(385,914)	445,244	-115.4%
<b>140</b>	<b>Net income from banking activities</b>	<b>209,053,668</b>	<b>237,661,368</b>	<b>(28,607,700)</b>	<b>-12.0%</b>
150	Administrative expenses:	(170,023,868)	(166,303,334)	(3,720,534)	2.2%
	<i>a) personnel expenses</i>	(111,606,259)	(108,791,084)	(2,815,175)	2.6%
	<i>b) other administrative expenses</i>	(58,417,609)	(57,512,250)	(905,359)	1.6%
160	Net provisions for risks and charges	(2,271,788)	(36,940,683)	34,668,895	-93.9%
170	Net adjustments to the value of tangible assets	(5,650,275)	(5,927,948)	277,673	-4.7%
180	Net adjustments to the value of intangible assets	(388,642)	(413,941)	25,299	-6.1%
190	Other operating (expenses)/income	18,053,142	19,310,227	(1,257,085)	-6.5%
<b>200</b>	<b>Operating expenses</b>	<b>(160,281,431)</b>	<b>(190,275,679)</b>	<b>29,994,248</b>	<b>-15.8%</b>
210	Profits/(losses) on equity investments	29,885,612	49,726,783	(19,841,171)	-39.9%
240	Profits/(losses) on the disposal of investments	-	90,577	(90,577)	-100.0%
<b>250</b>	<b>Profits/(losses) before taxes from continuing operations</b>	<b>78,657,849</b>	<b>97,203,049</b>	<b>(18,545,200)</b>	<b>-19.1%</b>
260	Taxes for the period on income from continuing operations	(20,595,217)	(31,692,782)	11,097,565	-35.0%
<b>270</b>	<b>Net profits (loss) after tax from continuing operations</b>	<b>58,062,632</b>	<b>65,510,267</b>	<b>(7,447,635)</b>	<b>-11.4%</b>
<b>290</b>	<b>Net profit/(loss) for the period</b>	<b>58,062,632</b>	<b>65,510,267</b>	<b>(7,447,635)</b>	<b>-11.4%</b>

**STATEMENT OF COMPREHENSIVE INCOME**

(Euro/1,000)

		31.12.2009	31.12.2008
	<b>Items</b>		
<b>10.</b>	<b>Net Profit (Loss) for the period</b>	<b>58,063</b>	<b>65,510</b>
	<b>Other income components, net of taxes</b>		
<b>20.</b>	Available-for-sale financial assets	15,030	(12,498)
<b>30.</b>	Tangible assets	-	-
<b>40.</b>	Intangible assets	-	-
<b>50.</b>	Hedging of foreign investments	-	-
<b>60.</b>	Cash flow hedge	-	-
<b>70.</b>	Exchange differences	-	-
<b>80.</b>	Non-current assets being disposed of	-	-
<b>90.</b>	Actuarial Gains (Losses) on defined benefit plans	324	(1,432)
<b>100.</b>	Portion of valuation reserves of equity investments carried at equity	-	-
<b>110.</b>	<b>Total other income components, net of taxes</b>	<b>15,354</b>	<b>(13,930)</b>
<b>120.</b>	<b>Comprehensive income (Item 10+110)</b>	<b>73,417</b>	<b>51,580</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2009**

(Euro/1000)

	Equity as of 31.12.2008	Change in opening balances	Equity as of 01.01.2009	Allocation of result from previous period		Changes over the period							Comprehensive income FY 31.12.2009	Equity as of 31.12.2009
				Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity							
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
Shareholders' equity:														
a) ordinary shares	60,840	-	60,840											60,840
b) other shares	6,865	-	6,865											6,865
Share premium reserve	16,145	-	16,145											16,145
Reserves:														
a) retained earnings	511,600	-	511,600	51,562										563,162
b) others	-	-	-											-
Revaluation reserves:	10,834	-	10,834									15,354		26,188
Equity instruments	-	-	-											-
Treasury shares	-	-	-											-
Net Profit (loss) for the year	65,510	-	65,510	(51,562)	(13,948)								58,063	58,063
<b>Shareholders' equity</b>	<b>671,794</b>	<b>-</b>	<b>671,794</b>	<b>-</b>	<b>(13,948)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,417</b>	<b>731,263</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2008**

(Euro/1.000)

	Equity as of 31.12.2007	Change in opening balances	Equity as of 01.01.2008	Allocation of result from previous period		Changes over the period							Equity as of 31.12.2008
				Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity					Comprehensive income as at 31.12.2008	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares		
Shareholders' equity:													
a) ordinary shares	60,840	-	60,840	-	-	-	-	-	-	-	-	-	60,840
b) other shares	6,865	-	6,865	-	-	-	-	-	-	-	-	-	6,865
Share premium reserve	16,145	-	16,145	-	-	-	-	-	-	-	-	-	16,145
Reserves:													
a) retained earnings	339,740	-	339,740	171,860	-	-	-	-	-	-	-	-	511,600
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserves:	24,764	-	24,764	-	-	-	-	-	-	-	-	(13,930)	10,834
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit (loss) for the year	185,808	-	185,808	(171,860)	(13,948)	-	-	-	-	-	-	65,510	65,510
<b>Shareholders' equity</b>	<b>634,162</b>	<b>-</b>	<b>634,162</b>	<b>-</b>	<b>(13,948)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,580</b>	<b>671,794</b>

**CASH FLOW STATEMENT**

<b>A. OPERATIONS</b>	<b>Amount</b>	
	<b>31.12.2009</b>	<b>31.12.2008</b>
<b>1. Management activities</b>	<b>92,100,808</b>	<b>146,688,108</b>
- interest income earned (+)	245,058,354	373,827,089
- interest expenses paid (-)	(82,362,526)	(183,375,800)
- dividends and similar revenues	412,958	384,354
- net commissions (+/-)	87,163,063	64,094,990
- personnel costs (-)	(11,606,259)	(108,791,084)
- other costs (-)	(52,468,756)	(52,032,081)
- other revenues (+)	26,499,190	84,273,422
- taxes and duties (-)	(20,595,217)	(31,692,782)
- costs/revenues relating to non current assets held for sale and discontinued operations, net of tax effect (+/-)	-	-
<b>2. Liquid assets generated (absorbed) by decrease/increase in financial assets</b>	<b>(623,305,217)</b>	<b>(654,666,675)</b>
- financial assets held for trading	211,751,048	153,214,050
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	(343,589,430)	(43,115,731)
- amounts due from customers	(288,218,215)	(296,353,965)
- amounts due from banks: at sight	193,492,400	(109,269,165)
- amounts due from banks: others	(398,598,652)	(338,875,192)
- other assets	1,857,634	(20,266,672)
<b>3. Liquid assets generated (absorbed) by increase/decrease in financial liabilities</b>	<b>506,474,938</b>	<b>526,556,635</b>
- amounts due to banks: at sight	(152,693,724)	63,872,652
- amounts due to banks: others	181,199,584	(202,394,144)
- amounts due to customers	563,778,014	228,871,626
- securities issued	(95,710,815)	185,674,795
- financial liabilities held for trading	(8,195,247)	9,182,482
- financial liabilities at fair value through profit or loss	54,805,470	251,324,124
- other liabilities	(36,708,345)	(9,974,899)
<b>Net liquid assets generated (absorbed) by operations (A)</b>	<b>(24,729,471)</b>	<b>18,578,068</b>
<b>B. INVESTMENTS</b>		
<b>1. Liquid assets generated by</b>	<b>43,686,261</b>	<b>42,949,486</b>
- sale of investments	32,264,748	33,741,914
- dividends received from investments	3,168,882	8,595,737
- sale/redemption of financial assets held to maturity	8,117,592	0
- sale of tangible assets	135,040	611,835
- sale of intangible assets	-	-
- sale of business divisions	-	-
<b>2. Liquid assets absorbed by</b>	<b>(9,956,162)</b>	<b>(42,314,484)</b>
- purchase of investments	(2,659,125)	(35,000,000)
- purchase of financial assets held to maturity	-	-
- purchase of tangible assets	(7,096,977)	(6,942,325)
- purchase of intangible assets	(200,060)	(372,158)
- purchase of business divisions	-	-
<b>Net liquid assets generated (absorbed) by investments (B)</b>	<b>33,730,099</b>	<b>635,003</b>
<b>C. FUNDING ACTIVITIES</b>		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	(13,948,452)	(13,948,452)
<b>Net liquid assets generated (absorbed) by funding activities (C)</b>	<b>(13,948,452)</b>	<b>(13,948,452)</b>
<b>NET LIQUID ASSETS GENERATED (ABSORBED) DURING THE YEAR (A+B+C)</b>	<b>(4,947,824)</b>	<b>5,264,619</b>
<b>Financial statements' items</b>	<b>2009</b>	<b>2008</b>
Cash and cash equivalents at beginning of year	22,944,284	17,679,665
Total liquid assets generated (absorbed) during the year	(4,947,824)	5,264,619
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at end of year	17,996,460	22,944,284

## Part A - ACCOUNTING POLICIES

### A. 1 – GENERAL

#### Section 1 – Declaration of conformity with international accounting standards

These financial statements were prepared in accordance with the provisions of law in force and the International Accounting Standards IAS/IFRS, and is made up of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements; they are also accompanied by the notes on operations.

In application of Legislative Decree no. 38 of 28 February 2005, which incorporated EC Regulation no. 1606/2002 of 19 July 2002, the Bank's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), and related Interpretations, in force at the date of reference of such financial statements.

Set out below are the accounting policies adopted in the preparation of the financial statements as of 31 December 2009.

#### Section 2 – General accounting policies

The financial statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.

When noting the main management events emphasis has been given to the principle of economic substance over form.

The financial statements have been drawn up in compliance with the economic accruals basis using the criterion of historic cost, modified in relation to the valuation of financial assets held for trading, available for sale, valued at fair value and by all existing derivative contracts which have been valued in accordance with the fair value principle.

The accounting value of liabilities recorded in the financial statements which have been hedged have been adjusted to take account of the changes in fair value attributable to the hedged risk.

The schedules under the financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005, as updated on 18 November 2009.

By the abovementioned update, the Circular Letter no. 262 adopted the amendments made, since its first issue, to the international accounting standards IAS/IFRS and entailed the review of some tables and information in the notes to the financial statements.

The measure mainly concerned the introduction of the "Statement of comprehensive Income", the classification of measurements at fair value into levels, the different reporting of "impaired assets" and "assets sold but not written off" and the reorganisation of the disclosure on derivatives.

Therefore, for a better comparison of data, the necessary reclassifications were made in reporting data from the previous period, as reported in detail in the comment on the specific tables concerned.

Amounts are expressed in Euro units, except for the notes to the financial statements which have been expressed in thousands of Euros.

#### Introduction of the fair value hierarchy

Measurements at fair value, as described in chapter "A.2 – Main financial statement item" below, are classified according to the following decreasing hierarchy levels:

- a) Level 1: measurement at quotation prices recorded, with no adjustments, in defined active markets. Active market means a market in which prices are promptly and regularly available, and represent actual and regular market transactions in normal trading.
- b) Level 2: application of valuation techniques by using models which employ, as an input, curves of market rates, prices or spreads inferred from quotations of similar instruments in terms of risk factors and other parameters that can be observed in active markets.
- c) Level 3: application of valuation techniques by using models which report parameters not available on active markets.

For quantitative information, reference is made to Part A.3 – Information on fair value and to the specific tables in the notes to the financial statements.



### **Amendments to standards IAS/IFRS**

The main changes made to IAS/IFRS include the review of IAS 1, as endorsed by Regulation (EC) no. 1274/2008, which entailed the introduction of the “Statement of comprehensive income” in the financial statements of the financial years starting from 1 January 2009. This statement summarises costs and income for the period and recognises them in equity, rather than in the income statement, and the consequent adjustment to the “Statement of changes in shareholders’ equity”.

IAS 14 has been replaced by IFRS 8 (Operating segments), which requires operating segments to be identified on the basis of the reporting used internally by the management.

Furthermore, it should be noted that, by Regulation no. 1004 of 15 October 2008, the European Commission endorsed an amendment to IAS 39 and to IFRS 7 by which, upon the occurrence of specific circumstances, a major number of possibilities will be available for the reclassification of financial assets. The Bank has not made use of this option.

### **Section 3 – Events subsequent to the reporting date**

Reference is made to the Directors’ Report.

### **Section 4 – Other aspects**

#### **Use of estimates and assumptions when drawing up the financial statements.**

The drafting of the financial statements calls for the use of estimates and assumptions which may have a significant effect on the values entered in the balance sheet and the income statement as well as on the notes to the financial statements. The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently entered in the financial statements may change precisely because of changes in the subjective valuations utilised.

The main cases where the use of subjective valuations are called for are the following:

- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, of financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of the notes to the financial statements;
- the use of valuation techniques for the determination of the fair value of financial instruments not listed on active markets (Level 2 and 3);
- the quantification of the reserve for employee termination indemnities and the reserves for risks and charges;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

The description of the accounting policies applied to the main aggregate headings in the financial statements provides more details and information on the subjective assumptions and valuations used in the drawing up of the financial statements.

## **A.2 - MAIN FINANCIAL STATEMENT ITEMS**

The measurement criteria described below, used in the preparation of the financial statements as at 31 December 2009, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date and have been applied on a going-concern basis.

For transactions involving the trading of standardized financial assets, namely contracts whereby delivery takes place over a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

### **Financial assets held for trading**

#### *Classification criteria*

“Financial assets held for trading” (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments with a positive value and the other assets that, based on their initial designation, are classified as financial instruments intended to be traded in the near term. Since classification derives from the initial designation, subsequent transfers to other categories are not generally permitted for this category of financial assets, except as permitted by IAS 39 in specific and exceptional circumstances.

*Recognition criteria*

Initial recognition is at fair value at the settlement date, which corresponds to the consideration paid without considering transaction costs, which are charged directly to the income statement.

*Criteria for the measurement and recognition of income statement components*

After initial recognition, subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.

For shares, government bonds – both Italian and foreign – and derivatives which are traded on an active market, measurement is at the closing price at the date of measurement (Level 1 fair value).

Italian and foreign bonds traded on an active market are measured at the BID price (Level 1 fair value).

Shares and bonds which are not traded on an active market are measured at fair value by using valuation techniques and considering objective elements that can be observed in the market (Level 2 fair value).

Derivative instruments which are not traded on active markets are measured by using valuation techniques (Level 2 or 3 fair value).

***Derecognition criteria***

Assets held for trading are derecognised when they are sold or upon expiry of the assets

**Available-for-sale financial assets***Classification criteria*

“Available-for-sale financial assets” comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss.

They include minority investments, bonds held for investment (not short-term) and mutual investment fund units.

“Available-for sale financial assets” may be transferred to the category “Held-to-maturity investments” only in the following circumstances:

- a change in intention or ability,

- in the rare circumstances that a reliable measure of fair value is not available.

The transfer to the category “Loans and Receivables” is permitted only in particular circumstances

*Recognition criteria*

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date.

*Measurement criteria*

After initial recognition, subsequent measurement is at fair value for the price component, while the interest component is calculated with reference to the Effective Rate of Return.

Fair value is determined using the criteria already set out for assets held for trading.

Unlisted financial assets whose fair value cannot be reliably measured are measured at cost.

For minority interests, measurement at fair value is made by using valuation techniques (Level 3). For UCITS units, measurement occurs at the N.A.V. at the measurement date, or at the latest available date (Level 1).

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows, considering possible financial difficulties of the issuer, or any other similar element. As required by paragraph 61 of IAS 39, “significant” (exceeding 50%) or “extended” (beyond 24 months) decreases in value are considered as an objective evidence of impairment of equity securities.

The amount of the loss of value is represented by the difference between the asset’s accounting value and its recoverable value.

*Criteria for the recognition of income statement components*

Gains or losses are recorded at equity in the valuation reserve, net of tax effects, until derecognition of the asset, while the component deriving from amortised cost is instead charged to the income statement.

At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount accrued in the valuation reserve is recognised in the income statement.

When impairment losses which have been recognised in the income statement, are balanced as a result of subsequent revaluations, the value write-back, up to the amount of these losses, is recognised in the income

statement for debt securities and in an equity reserve for equity securities.

#### *Derecognition criteria*

Available-for sale financial assets are derecognized when sold, upon expiry of the assets or upon transfer to another category.

### **Held-to-maturity investments**

#### *Classification criteria*

“Held-to-maturity investments” comprise non-derivative (including implicit) financial assets listed on an active market (Level 1) with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.

The constitution of the held-to-maturity investments category, and any subsequent movements, was made against specific resolutions adopted by the corporate bodies, in accordance with the provisions of IAS 39.

Transfers are permitted limited to the category AFS in some cases only. The recording of financial assets in this category is no longer permitted for the current year and for the two following years in the event that sales or transfers are made for a not insignificant amount, except in the case of investments close to maturity and isolated events that are beyond the Bank’s control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified as available-for-sale financial assets (tainting provision).

#### *Recognition criteria*

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, on the settlement date.

#### *Criteria for the measurement and recognition of income statement components*

After initial recognition subsequent measurement is at amortised cost against profit and loss, by using the actual interest rate method.

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognised in the income statement.

Since they are securities listed on active markets, the fair value reported in the notes to the financial statements is equal to their counter values at market prices (Level 1).

#### *Derecognition criteria*

Held-to-maturity investments are derecognised when sold, upon expiry of the assets or upon transfer to another category.

### **Loans and receivables**

#### *Classification criteria*

“Loans and receivables” comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market that have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.

They also include finance lease receivables.

Transfers from the categories of “Financial assets available for sale” and “Financial assets held for trading” are permitted only in particular circumstances specified by IAS 39.

#### *Recognition criteria*

Loans and receivables are recorded on the trade date at fair value, including transaction costs and commissions directly attributable, normally equal to the value paid out.

#### *Measurement criteria*

After initial recognition subsequent measurement is at amortised cost using the effective interest method.

The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Loans and receivables are periodically subject to analysis, and are classified as “performing” and “nonperforming” based on the state of impairment of the loan or receivable.

Non performing loans include the different classes of impaired loans provided for under the regulations of Bank of Italy: non-performing; problem, restructured exposures and expired loans.

Where objective evidence of impairment exists, loans pass from performing to non-performing.

The loans and receivables portfolio is subject to reassessment at least at the close of every set of annual or interim financial statements, for the purpose of identifying and determining any objective evidence of impairment. Measurement is achieved by considering both the specific solvency situation of customers and the local or national economic conditions relative to the debtor’s sector of activity.

“Performing” loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic statistical analysis of the performance of non-performing and problem loans. The expected loss takes account of the deterioration of the receivables at the reference date although the precise entity of such deterioration is not yet known at the time of measurement, in order to move the valuation model from expected loss to latent loss.

Specific analyses are conducted for exposures of a significant amount.

This method was adopted to advance the convergence with the valuation criteria provided by the Basel Agreement on capital requirements (Basel 2).

All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of expected future cash flows discounted applying the original agreed effective interest rate, were classified in the “non-performing” category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees.

Receivables for default interest that have accrued on impaired assets are accounted for as to their actual collection.

The value of loans to non-resident persons is written down on a general basis in relation to the difficulty in servicing the debt by their countries of residence.

As regards “performing loans” beyond the short term, the fair value of the loans is calculated only for the purposes of their inclusion in the notes to the financial statements. Non-performing loans previously valued analytically, and the short term positions, are recognised at book value, which represents a reasonable estimate of their fair value.

The fair value is determined through the contractual development of future cash flows, applying a risk free rediscount rate, and taking also into account the credit risk in term of PD and LGD, reported in the CRS model (Level 3).

#### *Derecognition criteria*

Loans and receivables are derecognised from the financial statements when repaid, sold, or written off, since all the risks and rewards relative to those assets have been settled or transferred.

#### *Criteria for the recognition of income statement components*

Measurement at amortised cost generates a transfer of the transaction costs and additional revenues in the income statement, over the life of the financial asset rather than being fully recognised in the income statement in the period of initial recognition.

Default interest accrued is charged to the income statement only at the time of their actual collection.

Interest accruing over time as a result of the discounting-back of impaired loans is recognised in the income statement under write-backs.

The adjustments arising from the analytical and collective assessments are recognized in profit and loss.

The original value of loans and receivables is reinstated if the reasons for the adjustment recorded cease to exist, and the reversal is recognized in profit and loss.

### **Hedging transactions**

#### *Classification criteria*

Hedging transactions have the objective of neutralizing certain potential risks of loss on financial assets or liabilities through specific financial instruments, whose use is directed at lessening the effects of the hedged financial instruments in the income statement.

The type of hedge used is the Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument.

### *Recognition criteria*

Recognition of hedging transactions in the financial statements entails:

- involvement of external parties;
- specific designation and identification of the hedging and hedged financial instruments used for the transaction;
- definition of the risk management objective pursued, specifying the nature of the risk hedged;
- passing the test of effectiveness at the inception of the hedge relationship, and subsequently, with specific measurement methods and timing;
- preparation of complete formal documentation of the hedging relationship.

### *Criteria for the measurement and recognition of income statement components*

The fair value of hedging financial instruments, which are not listed on an active market, is calculated by using valuation models for the estimate and discounting back of future cash flows (Level 3).

The changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately in the income statement.

A hedging transaction is considered effective when changes in the fair value (or in cash flows) of the hedging financial instrument offset the changes of the hedged financial instrument within a range of 80%-125%, as set by IAS 39.

Tests of effectiveness are performed at the close of each set of annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.

### *Derecognition criteria*

Recognition of hedging transactions in the financial statements is discontinued when the effectiveness criteria are no longer met, when the transactions are revoked, or when the hedging instrument or the hedged instrument expires, is terminated or is sold.

If the hedged instrument is measured at amortised cost, the difference between the fair value, determined at the date of discontinuance of the hedging relationship, and the amortised cost is recognised over its residual life.

## **Equity investments**

### *Classification criteria*

This item comprises investments in subsidiaries and associates, as defined by IAS 27 and 28. Other minority investments are accounted for in accordance with IAS 39, and are classified as available-for-sale financial assets and measured in accordance with the measurement criteria for that class of financial asset.

### *Recognition criteria*

Investments are entered at the settlement date. Initial recognition is at cost including any directly attributable additional charges.

### *Measurement criteria*

After initial recognition, investments in subsidiaries and associates are valued at cost.

Any value adjustments due to impairment must be recognised in the income statement.

#### a) Criterion to estimate recoverable values (Impairment)

For the criterion to estimate the recoverable value of the Equity Investment, reference is made to the so-called "fair value":

The impairment test is conducted by using the financial valuation method Discounted Cash Flow (DCF).

Time horizon for the determination of future cash flows: it is only that attributable to the last Business Plan or budget approved by the Directors.

### Cash flows

#### 1) Equity investments in banking companies

With reference to this type of equity investments, the DCF method adopted is the so-called "Asset Side", taking account of the fact that the financial margin is the most peculiar component of the income statement for these entities. Furthermore, flows represented directly by the Net Results (NR) are assumed as future net Cash Flows.

2) Equity investments in other companies

With reference to equity investments (if any) in non-banking companies, the DCF method adopted is always the so-called "Asset Side", and, accordingly, the future net Cash Flows (CF) are determined on the basis of the prospective (unlevered) financial statements, or net of the financial margin.

Discount rate: reference is made to the so-called WACC (weighted average cost of capital) which, as is known, expresses the cost of the financing sources of the business under consideration, weighing the debt ratio and the equity ratio according to the degree of indebtedness.

Growth rate of the flows after the period covered by the business plan or budget: it is prudentially considered to be:

- equal to zero, where the Subsidiary or Associate has already reached an income stability, or a ROE (return on equity, i.e. the ratio between Net Result and Equity) in line with the equity ratio; vice versa,
- equal to an annual growth rate such as to allow a ROE (return on equity) to be reached by the entity, in the medium- to long-term, in line with the equity ratio previously determined.

Terminal Value: it is determined by applying the formula which is associated to the traditional formula of "perpetual annuity" at the WACC rate, or by taking account of the Market Multiples (Stock Exchange), with reference to the P/E (Capitalisation value divided by the Net Profit) of a significant basket of listed companies.

The Fair Value of the Equity Investment, as determined on the date when observations are made, is then compared to the value at which the specific Equity Investment is entered in the accounts, with the sole objective of verifying impairment losses (if any).

b) Sensitivity analysis

To further support the test carried out, a stress test is then conducted which is based on the so-called sensitivity analysis of the impairment test carried out.

Given the nature of the object of the impairment test (equity investments), the sensitivity analysis is based on carrying out again the impairment procedure while considering the same variables used in it, but with reference to a pessimistic version (worst case) of the Business Plan or Budget approved by the Board of Directors of the Company.

This pessimistic version takes account of the impact of possible macro-changes in the market conditions as to:

- rates (negative performance of the interest rate curve for the bank);
- terms and conditions of sale of the products (introduction of possible regulatory changes which might substantially amend such conditions);
- credit risk (higher intensity of the phenomenon of the so-called credit litigation).

c) Control method

The sensitivity analysis will be completed by an additional investigation to compare values, based on an alternative method, only in the case when the findings of the stress test, after having been compared to the value of the specific equity investment entered in the accounts, should report a significant negative deviation (exceeding 10% of the value of the equity investment).

For equity investments in banks, this method is identified as the so-called "mixed" method, i.e. the most used relevant method within transactions concerning banking companies. The method in question estimates the Bank's value on the basis of:

- *adjusted equity*, or of the equity, taking account of implicit revaluations/write-downs (if any) of assets and/or liabilities; in applying the method, reference is made only to the book value of the equity;
- *Market value of Direct and Indirect Deposits* on the basis of a reasonable panel of valuation rates;
- *value of the so-called "income goodwill"* which arises from a 3-year (in the case of a negative value) or 5-year (in the case of a positive value) discounting back of the difference between the Net Result and the Cost of Capital given by the equity ratio multiplied by the sum of adjusted equity and the market value of Direct and Indirect Deposits.

For equity investments in other (non-banking) companies, the control method is identified as the method of the so-called "multiples" that can be recorded in the market (Stock Exchange) or within recent transactions which have taken place for companies in the sector in which the company operates, for which an impairment is made in relation to the equity investment or the economic segment next to it.

*Criteria for the recognition of income components*

Dividends are accounted for when the right to receive them matures. Profits/losses from disposals are determined based on the difference between the investment's book value, according to the weighted-average cost method and the consideration paid for the transaction, net of any directly attributable additional charges.

*Derecognition criteria*

Investments are derecognised from the accounts when the contractual rights to the cash flows from financial assets expire or when they are transferred together with the substantial transfer of all related risks and rewards.

**Tangible assets***Classification criteria*

Tangible assets comprise buildings, land, plant, furniture and fittings and other office equipment. They are goods that are instrumental to the supply of services.

Tangible assets whose cost can be reliably measured and from which it is probable that future economic benefits will flow are recognised in the financial statements.

*Recognition criteria*

Tangible assets are initially recognised at the purchase price, including additional costs sustained for the purchase and to put the asset into operation.

For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, paragraph 16, was taken advantage of by opting for the measurement of buildings at fair value, as a substitute for cost, as at 1 January 2004. The cost model was adopted for the measurement of buildings subsequent to that date.

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer.

Ordinary maintenance costs are recognized directly in the income statement.

In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased out under finance leases are recognised as receivables.

*Measurement criteria*

Tangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life of the assets. Land and works of art are exceptions - they are not subject to depreciation given that their useful lives are unlimited, and in consideration of the fact that the related value is not normally destined to reduce in relation to the passage of time. Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer and depreciated in relation to the residual useful life of the related assets.

Each year an assessment will be made of whether there are any indications of impairment. Should it be determined that the carrying amount of an asset is greater than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the loss charged to the income statement.

*Criteria for the recognition of income statement components*

Depreciation and impairment (if any) are recognised in the income statement under net value adjustments to tangible assets.

*Derecognition criteria*

Tangible assets are derecognised on disposal.

**Intangible assets***Classification criteria*

Intangible assets include goodwill, the indemnity costs for the abandonment of leasehold premises and the costs for the purchase of applications software.

Restructuring costs related to leasehold properties are entered under other assets.

### *Recognition criteria*

Goodwill represents the positive difference between the acquisition cost and the fair value of net assets acquired in business combinations. It is recognised in the financial statements as an intangible asset when it is effectively representative of the future economic benefits of the assets acquired.

Other intangible assets are recognised at cost only if they comply with the requirements that they be independently identifiable and distinct from goodwill, that it is probable that future economic benefits will be realised, and that the cost itself can be measured reliably.

### *Measurement criteria*

Intangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life.

Goodwill is not amortized in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). Should there be indications of impairment, goodwill is adjusted appropriately and the loss charged to the income statement.

d) Definition of the CGU "cash generating unit"

It is identified as the group of branches which are or have been purchased or contributed on the part of the purchasing bank or the contributing bank.

e) Allocation of goodwill

The price settled by the purchasing bank by cash or equity gives rise to an asset defined as "goodwill" or a "negative reserve" which is entered under the assets (under "intangible asset" with an unlimited life) or liabilities (under "equity reserves") of the financial statements of the purchasing or contributing bank at the time of the purchase or contribution.

f) Criterion to estimate recoverable values (Impairment)

For the criterion to estimate the recoverable value of the CGUs, reference is made to the so-called "value in use" obtained by estimating the following factors:

- future incoming and outgoing cash flows which will derive from the continuing use of the CGU and from its "theoretical" future disposal;
- an appropriate discount rate (WACC – Weighted Average Cost Of Capital) for future incoming and outgoing flows cash flows;
- the time horizon considered is only that attributable to the last business plan or budget approved by the Directors.

Cash flows: the flows represented by EBITDA (earning before interest, tax, depreciation and amortisation) are assumed as future Cash Flows of the CGU.

Discount rate: reference is made to the so-called WACC (weighted average cost of capital) which expresses the cost of the financing sources of the business under consideration, weighing the debt ratio and the equity ratio according to the degree of indebtedness,

Growth rate of the flows after the period covered by the business plan or budget: it is prudentially considered to be equal to zero.

Terminal Value: it is determined by applying the formula which is associated to the traditional formula of "perpetual annuity" at the WACC rate.

Completion of the impairment test

The value in use of the CGU, as determined on the basis of the above procedure on the date when observations are made, is then compared to the value of the specific item entered in the accounts of the bank, with the sole objective of verifying impairment losses (if any).

g) Sensitivity analysis

To further support the test carried out, a stress test is then conducted which is based on the so-called sensitivity analysis of the impairment test carried out.

Given the nature of the object of the impairment test (groups of branches), the sensitivity analysis is based on carrying out again the impairment procedure while considering the same variables used in it, but with reference to a pessimistic version (worst case) of the Business Plan or Budget approved by the Directors.

This pessimistic version takes account of the impact of possible macro-changes in the market conditions as to:

- rates (negative performance of the interest rate curve for the bank);



- terms and conditions of sale of the products (introduction of possible regulatory changes which might substantially amend such conditions);
- credit risk (higher intensity of the phenomenon of the so-called credit litigation).

h) Control method

The sensitivity analysis will be completed by an additional investigation to compare values, based on an alternative method, only in the case when the findings of the stress test, after having been compared to the value of the specific item entered in the accounts of the Bank, should report a significant negative deviation (exceeding 10% of the value of the item).

For CGUs, this method is identified as that of the so-called “market multiples” which, in the present case, is referred to the price per branch relating to the most recent market transactions concerning the purchase and sale of bank branches.

Indemnity costs for the abandonment of leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

Indemnity costs for the abandonment of leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

*Criteria for the recognition of income statement components*

Amortisation and impairment losses (if any) are recognised in the income statement under net adjustments to the value of intangible assets.

Value adjustments relating to costs for restructuring of leasehold properties are recognised in the income statement under other operating expenses.

*Derecognition criteria*

Intangible assets are derecognised from assets on disposal or when future economic benefits are no longer expected.

**Non current assets held for sale and discontinued operations / Liabilities related to discontinued operations**

*Classification criteria*

This item includes non-current tangible assets, intangible assets and financial assets, and the groups of assets/liabilities being disposed of, according to the provisions under IFRS 5.

*Recognition criteria*

Entries are made under this item for non-current assets, or groups of assets/liabilities being disposed of, if the book value is to be recovered mainly through a sales transaction rather than through continuing use. Sale is considered highly probable and is to be completed within a year of the day the entry is made.

*Measurement criteria*

These are valued at the lower of book value and fair value, net of sales costs, with the exclusions under IFRS 5 (deferred tax assets, assets from employee benefits, financial assets falling within the scope of application of IAS 39, real property investments, contractual rights arising from insurance contracts), for which the measurement criteria under the corresponding IAS/IFRS standards apply.

*Criteria for the recognition of income statement components*

The income statement components referable to non current assets held for sale and discontinued operations are not recognised separately in the income statement, because they do not fall under the definition of discontinued operations.

**Current and deferred taxes**

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating

as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.

Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under item 130 "Tax assets".

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under item 80 "Tax liabilities".

Likewise, current taxes that have not yet been paid are separately recognised under item 80 "Current tax liabilities". In the event of excess payments on account, the receivable to be recovered is recognized under item 130 "Current tax assets".

Tax assets and liabilities are recognised in equity if relating to transactions recognised directly in equity.

## **Reserves for risks and charges**

### **Reserve for employee termination indemnities**

#### *Measurement criteria*

The reserve for employee termination indemnities is measured in the financial statements employing actuarial calculation techniques.

Measurement is entrusted to independent external actuaries, employing the accrued benefit method using the Projected Unit Credit Method. The amount thus determined represents the present value, calculated using demographic-financial assumptions, of the benefits due to the employee (settlement of Employee Termination Indemnity (TFR)) for the service accrued to date, obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the date of measurement, taking into account the likelihood of resignations and advance requests.

#### *Criteria for the recognition of income statement components*

The provisions to the Employee Termination Indemnity (TFR), resulting from the actuarial valuation, in accordance with the provisions of IAS 19, are registered against the valuation reserves as regards the actuarial profit (loss) element, and against the profit and loss account under provisions as regards other elements such as interest accrued in time (time-discounting) and the adjustment of the figures as at 31 December 2006 in light of the reform introduced with the 2007 Financial Act.

## **Other provisions**

#### *Classification criteria*

Reserves for risks and charges include the provisions made against present obligations that are the result of past events, and it is probable that the settlement of these obligations will require the employment of economic resources that can be reliably estimated.

The provisions reflect the best estimate of the future cash flows required to settle the present obligations at the balance sheet date.

#### *Measurement criteria*

In cases in which the effect of time is a relevant aspect, the amounts provided are subject to discounting taking into account the estimate of the maturity of the obligation. The discount rate reflects current assessments of the time value of money, taking into account risks specific to the liability.

The valuation of seniority bonuses paid to staff is the responsibility of independent external actuaries and follows the same calculation logic already described for the provision for Employee Termination Indemnities.

#### *Criteria for the recognition of income statement components*

Provisions are generally recognized in the income statement. Exceptions are the amounts set aside for employee seniority bonuses, recorded as balancing entries to valuation reserves.

The effects deriving from the elapsing of time for discounting of future cash flows are recognised in the income statement under provisions.

**Liabilities and securities issued***Classification criteria*

This item includes the various types of deposits received by the Bank: amounts due to banks, amounts due to customers, certified bond securities held on deposit or issued by the Bank itself.

*Recognition criteria*

These financial liabilities are recognised upon receipt of the amounts deposited or upon issue of the debt securities. Recognition is at fair value, equal to the amount collected, or at the issue price, adjusted by any initial costs or income directly attributable to the individual issue.

*Criteria for the measurement and recognition of income statement components*

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.

Financial liabilities without amortisation plans are measured at cost.

Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in the income statement. The fair value of hedge financial instruments is calculated through valuation techniques by using elements present in the market (Level 2).

In the case of discontinuance of the hedging relationship, the difference between the fair value determined as at the date of discontinuance and the amortised cost is charged to the income statement, spreading it over the residual life of the financial instrument.

Securities issued by the Bank are shown net of any repurchases.

*Derecognition criteria*

Liabilities and securities issued are derecognised from the financial statements upon maturity, settlement or sale. For securities issued, the part subject to repurchase is, in essence, settled. The reinvestment of the Bank's securities previously repurchased is considered as a new issue at the selling value.

**Financial liabilities held for trading***Classification criteria*

This item comprises derivative instruments that are held for trading with a negative fair value.

*Recognition criteria*

Liabilities held for trading are recognised at fair value.

*Criteria for the measurement and recognition of income statement components*

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.

Derivative instruments traded on active markets are valued at the closing price on the day of valuation (Level 1).

For derivative instruments, not traded on active markets, the pricing is made by employing valuation techniques (Level 3).

*Derecognition criteria*

Financial liabilities are derecognised upon sale, maturity or settlement.

**Financial liabilities at fair value through profit or loss**

*Classification criteria*

This item includes financial liabilities at fair value through profit or loss.

Specifically, the item refers especially to the application of the so-called fair value option for “naturally hedged” financial liabilities. The purpose of the fair value option is to improve the balance of the profit and loss effects of the measurement of financial assets and liabilities.

Liabilities at fair value may be recognised through profit or loss in the following cases:

- the elimination or the reduction of measurement inconsistencies;
- the measurement of instruments containing embedded derivatives;
- the measurement of groups of financial assets or liabilities on the basis of documented risk management or investment strategy.

Bond issues including an embedded derivative or that are financially hedged are classified under this category.

*Recognition criteria*

These are recognised at fair value, which corresponds to the consideration collected or the issue price, as adjusted by initial income or charges (if any) directly attributable to the individual issue.

*Criteria for the measurement and recognition of income statement components*

These are measured at fair value through profit or loss.

Fair value is determined through valuation techniques which use parameters that can be observed in active markets (level 2). The method is the discounted cash flow method by using a zero-coupon curve made up of elements present in the market, and applying a credit spread calculated using the euro swaps curve and the curve of the yields of the securities issued by European banks with a rating equal to that of the Bank (Level 2). For subordinate bonds, a specific adjustment factor is also considered.

*Derecognition criteria*

Financial liabilities at fair value are derecognised upon sale, maturity or settlement.

Repurchases of own issues substantially entail the extinction of the part subject to repurchase. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

**Transactions in foreign currency***Recognition criteria*

Foreign currency transactions are recorded in the accounts on their date of settlement, converting them into Euros at the exchange rate in force on the operation date.

*Measurement criteria*

At the end of the accounting period the headings in the financial statements in foreign currency have been valued as follows:

- monetary: conversion at the exchange rate in force at the date of the closure;
- non-monetary, valued at cost: conversion at the exchange rate in force at the date of the transaction;
- non-monetary valued at fair value: conversion at the exchange rate in force at the date of closure.

*Criteria for the recognition of income statement components*

For monetary elements the effect of the valuation is assigned to the income statement.

For non-monetary elements whose profits and losses are recognized in the income statement, even exchange rate differences will be recorded in the income statement. If profits and losses are recognized in equity, exchange rate differences will be recognized in equity as well.

**Other information***Revaluation reserves*

This item comprises the revaluation reserves on financial assets available for sale, derivative contracts hedging financial flows, the revaluation reserves constituted in application of special laws in previous years and the reserves from actuarial valuation of the reserve for employee termination indemnities according to IAS 19. Additionally, the effects deriving from the application of fair value, as deemed cost, to tangible assets upon the first-time adoption of IAS/IFRS are also included.

### Costs and revenues recognition

Costs and revenues have been recognized in the financial statements on the basis of the economic accruals criterion.

### Finance leases

Assets under finance leases are shown as receivables at an amount corresponding to the net leasing investment. Financial income is then recognised on the basis of methods that reflect a constant periodical rate of return.

## A.3 - INFORMATION ON FAIR VALUE

### A.3.1 Transfers between portfolios

There have been no transfers.

### A.3.2 Fair value hierarchy

#### A.3.2.1 Accounting portfolios: breakdown by level of fair value

(Euro/1000)

Assets/Liabilities at fair value	Total 31.12.2009			Total 31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	40,907	3,147	26,144	251,373	2,339	26,571
2. Attività finanziarie valutate al fair value						
3. Available-for-sale financial assets	453,959	306,821	8,141	365,663	30,672	7,361
4. Hedging derivatives						31
<b>Total</b>	<b>494,866</b>	<b>309,968</b>	<b>34,285</b>	<b>617,036</b>	<b>33,011</b>	<b>33,963</b>
1. Financial liabilities held for trading		13	1,656	17	108	12,745
2. Financial liabilities at fair value		549,197			490,830	
3. Hedging derivatives						
<b>Total</b>	<b>-</b>	<b>549,210</b>	<b>1,656</b>	<b>17</b>	<b>490,938</b>	<b>12,745</b>

#### A.3.2.2 Financial assets at fair value (level 3): annual changes

(Euro/1000)

	Financial assets			
	held for trading	at fair value	available for sale	hedging
<b>1. Opening balances</b>	26,571	-	7,361	31
<b>2. Increases</b>	<b>22,510</b>	<b>-</b>	<b>1,954</b>	<b>63</b>
2.1 Purchases			150	
2.2 Profits charged to:				
2.2.1 Income statement	4,953		526	
- of which Capital Gains	4,953			
2.2.2 Equity			780	
2.3 Transfers from other levels				-
2.4 Other increases	17,557		498	63
<b>3. Decreases</b>	<b>22,937</b>	<b>-</b>	<b>1,174</b>	<b>94</b>
3.1 Sales			1,174	-
3.2 Redemptions				
3.3 Losses charged to:				
3.3.1 Income statement	12,626			46
- of which Capital Losses	12,626			46
3.3.2 Equity				-
3.4 Transfers to other levels				
3.5 Other decreases	10,311			48
<b>4. Closing balances</b>	<b>26,144</b>	<b>-</b>	<b>8,141</b>	<b>-</b>

Profits and losses charged to the income statement (items 2.2.1 and 3.3.1) include capital gains and losses for the period, as well as profits and losses on disposal, while accruals are reported under other increases and decreases (items 2.4 and 3.5).

Financial assets held for trading of Level 3 outstanding at the end of the financial year generated overall profits for accruals and differentials collected for Euro 19,304 thousand, charged to item 10 in the income statement and for Euro 2,242 thousand to item 80 in the income statement. Losses for accruals and differentials paid amount to Euro 10,490 thousand, charged to item 10, and Euro 1,559 thousand to item 80 in the income statement. Item 80 in the income statement recognises capital gains for Euro 634 thousand and capital losses for Euro 166 thousand. Finally, item 110 in the income statement recognises capital gains for Euro 4,288 thousand and capital losses for Euro 488 thousand.

Financial assets available for sale outstanding at the end of the financial year determined an increase in valuation reserves for Euro 780 thousand.

#### A.3.2.3 *Financial liabilities at fair value (level 3): annual changes*

(Euro/1000)

	Financial liabilities		
	held for trading	at fair value	hedging
<b>1. Opening balances</b>	12,745	-	-
<b>2. Increases</b>	<b>3,371</b>	-	-
2.1 Issues			
2.2 Losses charged to:			
2.2.1 Income statement	1,382		
- of which Capital Losses	1,382		
2.2.2 Equity			
2.3 Transfers from other levels			
2.4 Other increases	1,989		
<b>3. Decreases</b>	<b>14,460</b>	-	-
3.1 Redemptions			-
3.2 Repurchases	-		
3.3 Profits charged to:			
3.3.1 Income statement	12,389		
- of which Capital Gains	12,389		
3.3.2 Equity			
3.4 Transfers to other levels			
3.5 Other decreases	2,071		
<b>4. Closing balances</b>	<b>1,656</b>	-	-

Profits and losses charged to the income statement (items 2.2.1 and 3.3.1) recognise capital gains and losses, as well as profits and losses on disposal, while accruals are reported under other increases and decreases (items 2.4 and 3.5)

Financial liabilities outstanding at the end of the financial year generated profits for accruals and differentials collected for Euro 29 thousand charged to item 10 in the income statement and for Euro 911 thousand to item 80 in the income statement. Losses for accruals and differentials paid charged to the two items amounted to Euro 14 thousand and Euro 1,355 thousand, respectively.

Item 80 also recognises capital gains for Euro 177 thousand and capital losses for Euro 507 thousand, while item 110 recognises capital gains for Euro 385 thousand and capital losses for Euro 875 thousand.

#### A.3.3 *Information on the so-called "day one profit/loss"*

In relation to the Bank's operations and on the basis of the internal valuation methods which are currently in use, no differences have been recognized between the price of the transactions and the initial measurement of financial assets and liabilities entered in the accounts (the so-called "day one profit/loss").

## Part B - INFORMATION ON THE BALANCE SHEET

### Assets

#### Section 1 – Cash and cash equivalents (caption 10)

##### 1.1 Cash and cash equivalents : break-down

(Euro/1,000)		
	Total 31.12.2009	Total 31.12.2008
a) Cash	17,996	22,944
b) Sight deposits at Central Banks	-	
<b>Total</b>	<b>17,996</b>	<b>22,944</b>

The counter-value of the component expressed in foreign currencies totals Euro 461 thousand (Euro 386 thousand at the end of 2008).

#### Section 2 – Financial assets held for trading (caption 20)

##### 2.1 Financial assets held for trading: break-down by type

(Euro/1,000)						
Caption/Amount	Total 31.12.2009			Total 31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash equivalents</b>						
1. Debt securities	40,907	3,132	-	245,768	2,234	-
1.1 Structured securities		654				
1.2 Other debt securities	40,907	2,478	-	245,768	2,234	
2. Equity securities	-			5,241		
3. UCITS units	-			343		
4. Financing						
4.1 Repurchase agreements						
4.2 Other						
<b>Total (A)</b>	<b>40,907</b>	<b>3,132</b>	<b>-</b>	<b>251,352</b>	<b>2,234</b>	<b>-</b>
<b>B. Derivative instruments:</b>						
1. Financial derivatives:	-	15	26,144		125	26,572
1.1 trading	-	15	1,720		125	12,642
1.2 connected with the fair value			24,424			13,930
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 connected with the fair value						
2.3 other						
<b>Total (B)</b>	<b>-</b>	<b>15</b>	<b>26,144</b>	<b>-</b>	<b>125</b>	<b>26,572</b>
<b>Total (A+B)</b>	<b>40,907</b>	<b>3,147</b>	<b>26,144</b>	<b>251,352</b>	<b>2,359</b>	<b>26,572</b>

This caption included securities held for trading together with the positive value of derivative contracts created for trading purposes and those connected with the fair value option.

The counter-value of derivative instruments referred to banks of the Group amounts to Euro 3 thousand (Euro 528 thousand at the end of 2008).

## 2.2 Financial assets held for trading: break-down by debtor/issuer

(Euro/1,000)

Caption / Amount	Total 31.12.2009	Total 31.12.2008
<b>A. CASH EQUIVALENTS</b>		
<b>1. Debt securities</b>	<b>44,039</b>	<b>248,003</b>
a) Governments and central banks	42,190	230,839
b) Other public entities	-	
c) Banks	1,849	10,672
d) Other issuers	-	6,492
<b>2. Equity securities</b>	<b>-</b>	<b>5,240</b>
a) Banks	-	1,084
b) Other issuers	-	4,156
- insurance companies	-	96
- financial institutions	-	274
- non-financial companies	-	3,786
- other	-	-
<b>3. UCITS units</b>	<b>-</b>	<b>343</b>
<b>4. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
<b>Total A</b>	<b>44,039</b>	<b>253,586</b>
<b>B. DERIVATIVE INSTRUMENTS</b>		
a) Banks		
- fair value	24,565	24,371
b) Customers:		
- fair value	1,594	2,326
<b>Total (B)</b>	<b>26,159</b>	<b>26,697</b>
<b>Total (A+B)</b>	<b>70,198</b>	<b>280,283</b>

## 2.3 Cash financial assets held for trading: annual changes

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Financing	<b>Total 2009</b>
<b>A. Opening balance</b>	<b>115,495</b>	<b>5,241</b>	<b>343</b>	-	<b>121,079</b>
<b>B. Increases</b>	<b>1,191,786</b>	<b>286,259</b>	<b>708,813</b>	-	<b>2,186,858</b>
B1 Purchases	1,057,402	285,088	708,729		2,051,219
B2 Positive fair value changes	323				323
B3 Other changes	134,061	1,171	84		135,316
<b>C. Decreases</b>	<b>1,263,242</b>	<b>291,500</b>	<b>709,156</b>	-	<b>2,263,898</b>
C1 Sales	1,001,073	291,213	709,114		2,001,400
C2 Redemptions	259,619				259,619
C3 Negative fair value changes	22				22
C4. Transfer to other portfolios					
C5 Other changes	2,528	287	42		2,857
<b>D. Closing balance</b>	<b>44,039</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,039</b>

Last year the closing balance of the item also included the amount of securities involved in repo transactions for Euro 132,507 thousand, which on the other hand had not been recognised in the table commented on. For the sole purposes of balancing the statement, this balance is conventionally included under item "B.3 Other changes".



Items "B.2" and "C.3" represent the result of the fair value changes of the trading portfolio, recognised in the income statement under item 80 "Net profits/(losses) on trading activities".

Item "B.3 Other changes" also includes profits from trading activities or from redemptions for a total of Euro 2,626 thousand, as well as and interest accrued, inclusive of the positive issue spreads, for an aggregate of Euro 183 thousand.

Item "C.5 Other changes" includes losses from trading activities or from redemptions for Euro 1,853 thousand and the de-recognition of interest accrued as at 31 December 2008 amounting to Euro 1,004 thousand.

### Section 3 – Financial assets at fair value (caption 30)

At the end of the year, as well as at the end of the previous year, the item did not report balances; on the other hand, during 2009 transactions were effected which are broken down in the table below.

#### 3.3 Financial assets at fair value: annual changes

(Euro/1,000)

Changes / Underlying assets	Debt securities	Equity securities	UCITS units	Financing	Total 2009
<b>A. Opening balance</b>					-
<b>B. Increases</b>	<b>50,281</b>	-	-	-	<b>50,281</b>
B1 Purchases	50,146				<b>50,146</b>
B2 Positive fair value changes					-
B3 Other changes	135				<b>135</b>
<b>C. Decreases</b>	<b>50,281</b>	-	-	-	<b>50,281</b>
C1 Sales	50,281				<b>50,281</b>
C2 Redemptions					-
C3 Negative fair value changes					-
C4 Other changes					-
<b>D. Closing balance</b>	-	-	-	-	-

The item "B.3 Other changes" represents the profit achieved in the year.

### Section 4 - Available-for-sale financial assets (caption 40)

#### 4.1 Available-for-sale financial assets: break-down by type

(Euro/1,000)

Caption/Fair value	Total 31.12.2009			Total 31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	383,692	306,821	110	305,503	30,672	110
1.1 Structured securities	-	1,601	-	1,428		
1.2 Other debt securities	383,692	305,220	110	304,075	30,672	110
2. Equity securities	-	-	8,031	-	-	7251
2.1 Measured at fair value	-	-	8,031			7183
2.2 Measured at cost	-	-	-			68
3. UCITS units	70,267	-	-	60,160		
4. Financing	-	-	-			
<b>Total</b>	<b>453,959</b>	<b>306,821</b>	<b>8,141</b>	<b>365,663</b>	<b>30,672</b>	<b>7,361</b>

## 4.2. Available-for-sale financial assets: break-down by debtor/issuer

(Euro/1,000)		
Caption / Amount	Total 31.12.2009	Total 31.12.2008
<b>1. Debt securities</b>	<b>690,623</b>	<b>336,285</b>
a) Governments and central banks	329,065	155,793
b) Other public entities	-	-
c) Banks	318,120	156,999
d) Other issuers	43,438	23,493
<b>2. Equity securities</b>	<b>8,031</b>	<b>7,251</b>
a) Banks	1,562	-
b) Other issuers	6,469	7,251
- insurance companies	-	-
- financial institutions	35	34
- non-financial companies	6,434	7,217
- other	-	-
<b>3. UCITS units</b>	<b>70,267</b>	<b>60,160</b>
<b>4. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>768,921</b>	<b>403,696</b>

UCITS units are subdivided in the following categories of funds: bond funds of Euro 40.1 million, monetary funds of Euro 9.7 million, equity funds of Euro 1.4 million, flex of Euro 6.9 million, hedge funds of Euro 12.2 million.

## 4.4 Available-for-sale financial assets: annual changes

(Euro/1,000)					
	Debt securities	Equity securities	UCITS units	Financing	Total 2009
<b>A. Opening balance</b>	<b>283,537</b>	<b>7,251</b>	<b>60,160</b>	-	<b>350,948</b>
<b>B. Increases</b>	<b>828,821</b>	<b>1,954</b>	<b>65,173</b>	-	<b>895,948</b>
B1. Purchases	749,378	150	61,382	-	810,910
B2. Positive fair value changes	18,228	780	2,441	-	21,449
B3. Write-backs	-	-	-	-	-
- charged to statement of income	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B4. Transfer from other portfolios	-	-	-	-	-
B5. Other increases	61,215	1,024	1,350	-	63,589
<b>C. Decreases</b>	<b>421,735</b>	<b>1,174</b>	<b>55,066</b>	-	<b>477,975</b>
C1. Sales	254,548	1,174	54,725	-	310,447
C2. Redemptions	163,082	-	-	-	163,082
C3. Negative fair value changes	794	-	-	-	794
C4. Impairment write-downs	-	-	-	-	-
- charged to statement of income	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other decreases	3,311	-	341	-	3,652
<b>D. Closing balance</b>	<b>690,623</b>	<b>8,031</b>	<b>70,267</b>	-	<b>768,921</b>

Item "B.2 Positive fair value changes" represents capital gains, inclusive of the relevant tax effect, recognised under Shareholders' equity under item 130 "Valuation reserves".

Item "B.5 Other changes" includes:

- reclassifications of 2008 year-end balances, which relate almost exclusively to securities involved in repo transactions for an aggregate of Euro 53.3 million;
- interest accrued, including the positive issue spreads and the increase in the amortised cost, for an aggregate of Euro 5.8 million, charged to the income statement under item 10 "Interest income on securities";;
- profits on trading activities for an aggregate of Euro 6.5 million, charged to the income statement under item 100 "Profit/(loss) on disposal or repurchase of financial assets available for sale".

Item "C.6 Other changes" includes:

- interest accrued in the previous year and the portion of negative amortised cost for an aggregate of Euro 3.2 million, charged under item 10 in the income statement;
- losses from trading activities for an aggregate of Euro 0.5 million, charged to item 100 in the income statement.

## Section 5 – Held-to-maturity investments (caption 50)

### 5.1 Held-to-maturity investments: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009				Total 31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	-	-	-	-	8,103	8,067	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	8,103	8,067	-	-
2. Financing	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,103</b>	<b>8,067</b>	<b>-</b>	<b>-</b>

The balance as at 31.12.2008 was represented by one single security, due in 2009.

### 5.2 Held-to-maturity investments: break-down by debtor/issuer

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009	Total 31.12.2008
<b>1. Debt securities</b>	<b>-</b>	<b>8,103</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	8,103
d) Other issuers	-	-
<b>2. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>-</b>	<b>8,103</b>

## 5.4 Held-to-maturity financial assets: annual changes

(Euro/1,000)

	Debt securities	Financing	Total 2009
<b>A. Opening balance</b>	<b>8,103</b>		<b>8,103</b>
<b>B. Increases</b>	<b>14</b>	-	<b>14</b>
B1. Purchases			-
B2. Write-backs			-
B3. Transfer from other portfolios			-
B4. Other increases	14		14
<b>C. Decreases</b>	<b>8,117</b>	-	<b>8,117</b>
C1. Sales			-
C2. Redemptions	8,000		8,000
C3. Value adjustments			-
C4. Transfers to other portfolios			-
C5. Other decreases	117		117
<b>D. Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

Item B.4 "Other increases" represents the portion of amortised cost accrued in the year and accounted for under item 10 "Interest income" of the income statement.

Item "C.5. Other decreases" reflects the de-recognition of the coupons accrued as at 31 December 2008, brought to the debit of item 10 of the income statement.

**Section 6 – Amounts due from banks** (caption 60)

## 6.1 Amounts due from banks: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009	Total 31.12.2008
<b>A. Amounts due from Central banks</b>	<b>189,383</b>	<b>443,438</b>
1. Restricted deposits	-	360,000
2. Compulsory reserve	189,383	83,438
3. Repurchase agreements	-	-
4. Other	-	-
<b>B. Amounts due from banks deposits</b>	<b>731,230</b>	<b>272,729</b>
deposits	220,965	193,471
2. Restricted deposits	313,519	58,389
3. Other financing	136,671	20,869
3.1 repurchase agreements	116,478	
3.2 finance leases	-	-
3.3 other	20,193	20,869
<b>4. Debt securities</b>	<b>60,075</b>	<b>-</b>
4.1 structured	-	-
4.2 other debt securities	60,075	-
<b>Total (book value)</b>	<b>920,613</b>	<b>716,167</b>
<b>Total (fair value)</b>	<b>920,613</b>	<b>716,167</b>

The aggregate of credits expressed in foreign currencies amounts to a counter-value of Euro 88.8 million (Euro 71.2 million at the end of 2008).

The accounts outstanding with Italian banks of the group come to an aggregate of Euro 187 million (Euro 171 million at the end of last year), and include subordinated loans to current accounts for Euro 20.2 million. All accounts are regulated at arm's length.

At the end of the year, the commitment to maintain the Compulsory reserve undertaken by Banco Desio for all the Group banks amounted to Euro 96.7 million.

The figure referred to the previous year increased by Euro 661 thousand as a result of reclassifications of items previously included under "Other assets".

## Section 7 – Amounts due from customers (caption 70)

### 7.1 Amounts due from customers: break-down by type

Transaction type / Amount	Total		Total	
	31.12.2009		31.12.2008	
	Performing	Impaired	Performing	Impaired
1. Current account	1,108,818	55,162	1,185,046	43,814
2. Repurchase agreements	-	-	3,961	-
3. Mortgage loans	2,051,735	73,344	1,707,657	45,303
4. Credit cards, personal loans and loans on salary	103,783	3,430	115,093	2,215
5. Financial leases	599,511	14,982	599,318	9,251
6. Factoring	7,532	40	10,319	76
7. Other transactions	611,823	2,121	704,985	1,458
8. Debt securities	53,847	-	32,267	-
8.1 Structured	-	-	-	-
8.2 Other debt securities	53,847	-	32,267	-
<b>Total (book value)</b>	<b>4,537,049</b>	<b>149,079</b>	<b>4,358,646</b>	<b>102,117</b>
<b>Total (fair value)</b>	<b>4,748,901</b>	<b>149,079</b>	<b>4,522,408</b>	<b>102,139</b>

The amounts due from customers shown are virtually all registered vis-à-vis resident clients, while loans to non-resident customers limited to Euro 1.2 million only.

Currency exposures amount to a counter-value of Euro 20.3 million (Euro 23.6 million at the end of 2008).

Amounts due from Group companies amounted to Euro 37.8 million (Euro 4.4 million last year), of which Euro 37.1 million from the indirect subsidiary Fides.

Section E of these Notes should be referred to for information regarding "Impaired assets" additional to that provided in the Report on Operations.

The fair value of credits reflects performing loans connected with medium and long term financing, the major changes of which refer to mortgages, with a fair value of Euro 2,213.5 million, financial leases for Euro 641.2 million, credit cards, personal loans and loans on salary ("*cessione del quinto*") for Euro 111.3 million.

The total loans relating to the previous year increased by Euro 3,873 thousand as a result of reclassifications of items previously included under "Other assets".

## 7.2 Amounts due from customers: break-down by debtor/issuer

(Euro/1,000)

Transaction type / Amount	31.12.2009		31.12.2008	
	Performing	Impaired	Performing	Impaired
<b>1. Debt securities:</b>	<b>53,846</b>	-	<b>32,266</b>	-
a) Governments				
b) Other public entities				
c) Other issuers	53,846	-	32,266	-
- non-financial companies				
- financial companies				
- insurance companies	53,846		32,266	
- other			-	-
<b>2. Loans to:</b>	<b>4,483,203</b>	<b>149,079</b>	<b>4,326,380</b>	<b>102,117</b>
a) Governments		-		
b) Other public entities	93	-	158	
c) Other entities	4,483,110	149,079	4,326,222	102,117
- non-financial companies	2,994,849	90,380	2,970,857	62,989
- financial companies	73,625	-	83,848	
- insurance companies	2,330	-	1,551	
- other	1,412,306	58,699	1,269,966	39,128
<b>Total</b>	<b>4,537,049</b>	<b>149,079</b>	<b>4,358,646</b>	<b>102,117</b>

## 7.4 Finance lease

Reconciliation between the gross leasing investment and the present value of the minimum payments due for leasing and unsecured residual values due to the lessor.

(Euro/1,000)

Type of transactions	Gross Investment	Deferred Profit	Net Investment	Unsecured residual values (redemption)
Finance lease	762,242	157,248	604,994	92,303
- of which leaseback agreements	57,020	14,937	42,083	8,437
<b>Total 31.12.2009</b>	<b>762,242</b>	<b>157,248</b>	<b>604,994</b>	<b>92,303</b>

(Euro/1,000)

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Within 1 year	12,477	249	12,228
- Between 1 and 5 years	250,747	20,624	230,123
- Beyond than 5 years	499,018	136,375	362,643
<b>Total 31.12.2009</b>	<b>762,242</b>	<b>157,248</b>	<b>604,994</b>

The net investment exclusively corresponds to the capital falling due for the contracts existing at the year-end.

**Section 8 – Hedging derivatives** (caption 80)

## 8.1 Hedging derivatives: break-down by type of hedging and by level

(Euro/1,000)

Captions/Amounts	Total				Total			
	31.12.2009			Total NV	31.12.2008			Total NV
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>A. Financial derivatives</b>	-	-	-	-	-	-	31	20,000
1) Fair value		-					31	20,000
2) Cash flows								
3) Foreign investments								
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value								
2) Cash flows								
<b>Total</b>	-	-	-	-	-	-	<b>31</b>	<b>20,000</b>

No transactions of this kind were effected during the year.

**Section 10 – Equity investments** (caption 100)

## 10.1 Equity investments in subsidiaries, in companies subject to joint control and companies subject to significant influence: information on ownership relationships

Company name	Registered offices	% Ownership share
<b>A. Wholly-owned subsidiary companies</b>		
Brianfid-Lux S.A.	<i>Luxemburg</i>	100.000
Banco Desio Toscana S.p.A.	<i>Florence</i>	100.000
Banco Desio Lazio S.p.A.	<i>Rome</i>	100.000
Banco Desio Veneto S.p.A.	<i>Vicenza</i>	100.000
Chiara Assicurazioni S.p.A.	<i>Desio</i>	67.353
<b>C. Companies subject to significant influence</b>		
Chiara Vita S.p.A.	<i>Milan</i>	30.000
Istifid S.p.A.	<i>Milan</i>	28.961

10.2 Equity investments in subsidiaries, in companies subject to joint control and companies subject to significant influence: accounting data

(Euro/1,000)

Company name	Total assets	Total revenues	Profit (loss)	Net Shareholders' equity	Book value	Fair value
<b>A. Wholly-owned subsidiary companies</b>						
Brianfid-Lux S.A.	45,821	4,804	819	34,904	27,970	x
Banco Desio Toscana S.p.A.	384,015	17,217	- 312	28,715	32,577	x
Banco Desio Lazio S.p.A.	881,340	39,174	5,011	59,470	55,992	x
Banco Desio Veneto S.p.A.	543,902	21,645	- 1,702	30,670	38,100	x
Chiara Assicurazioni S.p.A.	39,759	20,929	492	10,763	8,776	x
<b>Total A</b>	<b>1,894,837</b>	<b>103,769</b>	<b>4,308</b>	<b>164,522</b>	<b>163,415</b>	
<b>C. Companies subject to significant influence <sup>(1)</sup></b>						
Chiara Vita S.p.A.	1,616,475	454,292	- 233	41,791	13,497	x
Istifid S.p.A.	4,986	4,599	352	3,426	883	x
<b>Total C</b>	<b>1,621,461</b>	<b>458,891</b>	<b>119</b>	<b>45,217</b>	<b>14,380</b>	
<b>Total</b>	<b>3,516,298</b>	<b>562,660</b>	<b>4,427</b>	<b>209,739</b>	<b>177,795</b>	

<sup>(1)</sup> figures as at 31.12.2008, the last approved financial statements.

10.3 Equity investments: annual changes

(Euro/1,000)

	Total 2009	Total 2008
<b>A. Opening balance</b>	<b>175,136</b>	<b>173,464</b>
<b>B. Increases</b>	<b>34,924</b>	<b>87,520</b>
B.1 Purchases	2,659	37,043
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	32,265	50,477
<b>C. Decreases</b>	<b>32,265</b>	<b>85,848</b>
C.1 Sales	32,265	83,469
C.2 Value adjustments	-	-
C.3 Other decreases	-	2,379
<b>D. Closing balance</b>	<b>177,795</b>	<b>175,136</b>
<b>E. Total revaluations</b>		
<b>F. Total value adjustments</b>		



Changes over the accounting period can be summarised as follows:

(Euro/1,000) countervalue

**"B.1 Purchases"**

**Chiara Assicurazioni S.p.A.**

purchase of no. 656,000 shares with a nominal value 2,276

**Istifid S.p.A.**

purchase of no. 106,040 shares with a nominal value of € 1 each, of which no. 14,456 subject to 383  
2,659

**"B.4 Other increases"**

**A.N.I.M.A. S.G.R.p.A.**

reclassification under this item of 22,251,550 shares with a nominal value of Euro 0.05 each, previously recorded under the item 140 "Non-current assets held for sale and discontinued operations" 2,379

profit from disposal of 22,251,550 shares with a nominal value of Euro 0.05 each 29,886  
32,265

**"C.1 Sales"**

**A.N.I.M.A. S.G.R.p.A.**

countervalue for approval of take-over bid for no. 22,251,550 shares 32,265  
32,265

**List of equity investments**

(amounts in euro units)

Equity investments	Number of shares or stakes	% ownership share	Nominal value €	Book value €
<b>Subsidiaries</b>				
BRIANFID-LUX S.A.	2,794,300	100.000	27,943,000	27,969,510
BANCO DESIO TOSCANA S.p.A.	23,774,017	100.000	23,774,017	32,577,213
BANCO DESIO LAZIO S.p.A.	47,700,000	100.000	47,700,000	55,992,079
BANCO DESIO VENETO S.p.A.	35,100,000	100.000	35,100,000	38,100,000
CHIARA ASSICURAZIONI S.p.A.	5,531,000	67.353	5,531,000	8,776,320
<b>Total Subsidiaries</b>				<b>163,415,122</b>
<b>Associated companies</b>				
ISTIFID S.p.A. (1)	419,937	28.961	419,937	883,370
CHIARA VITA S.p.A.	10,253,400	30.000	10,253,400	13,496,535
<b>Total Associated companies</b>				<b>14,379,905</b>
<b>Total Equity investments</b> (caption 100)				<b>177,795,027</b>

(1) of which 0.997% equal to no. 14,456 shares under bare property

**Others (\*)**

Cedacri S.p.A.	627	4.973	627,000	7,962,900
Be.Ve.Re.Co. S.r.l.	30,000	5.825	15,000	15,494
Euros Spa Cefor & Istinform Consulting	4,882	0.200	2,539	2,539
SI Holding S.p.A	60,826	0.135	36,496	34,174
S.S.B. Società Servizi Bancari S.p.A.	51,491	0.030	6,694	3,640
Consorzio Bancario S.I.R. S.p.A.	882,939	0.006	883	274
S.W.I.F.T. - Bruxelles	10	0.011	1,250	5,572
Si.Te.Ba.	7,264	0.145	3,777	3,752
Sviluppo Brianza	1	0.698	2,462	2,613
<b>Total</b>			<b>696,101</b>	<b>8,030,956</b>

(\*) Equity investments recognised under item 40 "Financial assets available for sale"

**List of significant equity investments (article 126 of CONSOB resolution no. 11971/1999)**

Company name	Number of shares or stakes with voting rights	% ownership share with voting right	Type of ownership	Type of holding
BANCO DESIO LAZIO S.p.A.	47,700,000	100.000	holding	direct
BANCO DESIO TOSCANA S.p.A.	23,774,017	100.000	holding	direct
BANCO DESIO VENETO S.p.A.	35,100,000	100.000	holding	direct
CHIARA ASSICURAZIONI S.p.A.	5,531,000	67.353	holding	direct
CHIARA VITA S.p.A.	13,496,535	30.000	holding	direct
ISTIFID S.p.A. (1)	419,937	28.961	holding	direct
FIDES S.p.A.	1,045,000	95.000	holding	indirect through Banco Desio Lazio
BRIANFID-LUX S.A.	2,794,300	100.000	holding	direct
CREDITO PRIVATO COMMERCIALE S.A.	11,000	100.000	holding	indirect through Brianfid-Lux
ROVERE Société de Gestion S.A.	40,000	80.000	holding	indirect through Brianfid-Lux

**Section 11 – Tangible assets – Caption 110**

## 11.1 Tangible assets: break-down of assets valued at cost

(Euro/1,000)

Asset/Value	Total 31.12.2009	Total 31.12.2008
<b>A. Functional assets</b>		
<b>1.1 owned by the Bank</b>	<b>130,245</b>	<b>128,933</b>
a) land	36,275	35,197
b) buildings	77,269	74,677
c) fixtures and fittings	7,228	7,759
d) electrical equipment	2,513	3,516
e) other	6,960	7,784
<b>1.2 acquired under finance lease</b>	-	-
a) land		
b) buildings		
c) fixtures and fittings		
d) electrical equipment		
e) other		
<b>Total A</b>	<b>130,245</b>	<b>128,933</b>
<b>B. Tangible assets held for investment</b>		
<b>2.1 owned by the Bank</b>	<b>6</b>	<b>6</b>
a) land	6	6
b) buildings		
<b>2.2 acquired under finance lease</b>	-	-
a) land		
b) buildings		
<b>Total B</b>	<b>6</b>	<b>6</b>
<b>Total (A + B)</b>	<b>130,251</b>	<b>128,939</b>

The estimated useful life for the main categories of assets is defined as follows: buildings: 50 years; furniture for office use, fittings, systems and miscellaneous equipment, office machines, armoured counters and security doors, alarm systems: 10 years; vehicles for business use: 8 years; terminals and PCs, motor vehicles for dual purpose: 4 years.

Within the individual categories, where required, some types of assets were identified to which different specified useful lives were assigned.

Depreciation is calculated on a straight line basis for all classes of tangible assets, with the exception of land which is not depreciated.

## 11.3 Tangible assets for business use: annual changes

(Euro/1,000)

	Land	Buildings	Fixtures and fittings	Electronic equipment	Other	Total 2009
<b>A. Gross opening balance</b>	<b>35,196</b>	<b>81,473</b>	<b>25,967</b>	<b>16,797</b>	<b>32,441</b>	<b>191,874</b>
A.1 Total net decreases in value		6,796	18,208	13,280	24,657	62,941
<b>A.2 Net opening balance</b>	<b>35,196</b>	<b>74,677</b>	<b>7,759</b>	<b>3,517</b>	<b>7,784</b>	<b>128,933</b>
<b>B. Increases:</b>	<b>1,079</b>	<b>4,222</b>	<b>640</b>	<b>355</b>	<b>801</b>	<b>7,097</b>
B.1 Purchases	1,079	4,222	640	355	801	7,097
B.2 Capitalized improvement expenses		-				-
B.3 Write-backs						
B.4 Positive fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
B.5 Positive exchange differences						
B.6 Transfers from assets held for investment						-
B.7 Other increases						
<b>C. Decreases:</b>	<b>-</b>	<b>1,630</b>	<b>1,171</b>	<b>1,359</b>	<b>1,625</b>	<b>5,785</b>
C.1 Sales			8	18	109	135
C.2 Amortization/depreciation		1,630	1,163	1,341	1,516	5,650
C.3 Value adjustments due to deterioration charged to:						
a) shareholders' equity						
b) statement of income						
C.4 Negative fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets being disposed of						
C.7 Other decreases						-
<b>D. Net closing balance</b>	<b>36,275</b>	<b>77,269</b>	<b>7,228</b>	<b>2,513</b>	<b>6,960</b>	<b>130,245</b>
D.1 Total net decreases in value		8,426	19,272	14,447	25,589	67,734
<b>D.2 Gross closing balance</b>	<b>36,275</b>	<b>85,695</b>	<b>26,500</b>	<b>16,960</b>	<b>32,549</b>	<b>197,979</b>
E. Measurement at cost						

Land and buildings have been valued based on the revalued amount as of 1 January 2004 upon first time application of IASs. Once in operation, they have been valued at cost. Furniture, electronic systems and other tangible assets have been valued at cost.

The sale of tangible assets, of which item "C.1 Sales" represents the carrying value of the assets disposed of, led to the recognition of profits on sales of Euro 35 thousand; and losses on sales of Euro 40 thousand.

## 11.4 Tangible assets held for investment: annual changes

(Euro/1,000)

	2009	
	Land	Buildings
<b>A. Opening balance</b>	<b>6</b>	
<b>B. Increases:</b>	-	-
B.1 Purchases		
B.2 Capitalized improvement expenses		
B.3 Positive fair value changes		
B.4 Write-backs		
B.5 Positive exchange differences		
B.6 Transfer from property held for own use		
B.7 Other increases		
<b>C. Decreases:</b>	-	-
C.1 Sales		
C.2 Amortization/depreciation		
C.3 Negative fair value changes		
C.4 Value adjustments for impairment		
C.5 Negative exchange differences		
C.6 Transfers to other assets portfolios:	-	-
a) property held for own use		
b) non-current assets held for sale and discontinued operations		
C.7 Other decreases		
<b>D. Net closing balance</b>	<b>6</b>	-
E. Measurement at fair value		

**Statement of revaluations made on assets entered in the accounts (pursuant to Article 10 of Law No. 72 of 19/3/1983)**

(amounts in Euro)

	Inflation adjustment			Revaluation		TOTAL
	L. 576/75	L.72/83	L. 413/91	Merger deficit	Voluntary Revaluation	
<b>Property</b>						
DESIO, via Rovagnati		937,369	6,844,273			7,781,642
CINISELLO P.zza Gramsci			1,173			1,173
CUSANO M.NO Via Matteotti	10,170	25,483	19,944		12,925	68,522
CANTU' Via Manzoni		22,884	185,972	1,321,713		1,530,569
CARUGATE Via XX Settembre			355		4,132	4,487
MILANO Via della Posta			189,958		51,645	241,603
NOVATE M.SE Via Matteotti			22,022	170,257		192,279
GIUSSANO Via dell'Addolorata			26,067			26,067
MEDA Via Indipendenza			51,616			51,616
MONZA Corso Milano			227,521			227,521
BOVISIO Via Garibaldi			26,357			26,357
PADERNO DUGNANO Via Casati			24,339			24,339
LEGNANO Corso Garibaldi			176,676			176,676
SOVICO Via G. da Sovico			62,703			62,703
<b>TOTALS</b>	<b>10,170</b>	<b>985,736</b>	<b>7,858,976</b>	<b>1,491,970</b>	<b>68,702</b>	<b>10,415,554</b>

*Property owned by the bank (excluding properties under financial lease)*
**properties for instrumental use**

Location		Surface area for offices (sqm)	Net book value (thousands of euros)
ALBINO	Viale Libertà 23/25	332	758
ARCORE	Via Casati, 7	362	615
BAREGGIO	Via Falcone, 14	200	307
BESANA BRIANZA	Via Vittorio Emanuele, 1/3	625	906
BOVISIO MASCIAGO	Via Garibaldi, 8	382	468
BRESCIA	Via Verdi, 1	530	1,936
BRESCIA 1° piano	Via Verdi, 1	190	1,175
BRIOSCO	Via Trieste, 14	430	432
BRUGHERIO	Viale Lombardia, 216/218	425	1,406
BUSTO ARSIZIO	Via Volta, 1	456	1,077
CADORAGO	Via Mameli, 5	187	322
CANTU'	Via Manzoni, 41	1,749	2,424
CARATE BRIANZA	Via Azimonti, 2	773	1,016
CARUGATE	Via XX Settembre, 8	574	678
CARUGO	Via Cavour, 2	252	409
CASTELLANZA	Corso Matteotti, 18	337	462
CESANO MADERNO	Corso Roma, 15	692	955
CHIAVARI	Piazza Matteotti	68	1,013
CINISELLO BALSAMO	Via Frova, 1	729	999
CINISELLO BALSAMO	Piazza Gramsci	26	17
COLOGNO MONZESE	Via Cavallotti, 10	128	52
CUSANO MILANINO	Viale Matteotti, 39	522	752
DESIO	Piazza Conciliazione, 1	1,694	2,300
DESIO	Via Rovagnati, 1	17,330	24,994
DESIO	Via Volta	238	637
GARBAGNATE	Via Varese, 1	400	1,343
GIUSSANO	Via Addolorata, 5	728	1,025
LECCO	Via Volta	615	1,832
LEGNANO	Corso Italia, 8	1,545	2,951
LISSONE	Via San Carlo, 23	583	1,512
MEDA	Via Indipendenza, 60	678	886
MILANO	Via della Posta, 8	1,912	8,004
MILANO	Via Foppa	223	850
MILANO	Via Menotti	825	3,176
MILANO	Via Moscova	668	5,609
MILANO	Via Trau'	627	3,428
MILANO	P.za De Angeli	385	2,394
MISINTO	Piazza Mosca, 3	330	395
MODENA	Via Saragozza, 130	720	4,657
MONZA	Via Manzoni, 37	397	789
MONZA	Corso Milano, 47	2,143	4,254
MONZA	Via Rota, 66	330	607
MONZA	P.za S. Paolo	496	4,054
NOVA MILANESE	Piazza Marconi, 5	526	751
NOVATE MILANESE	Via Matteotti, 7	462	714
ORIGGIO	Largo Croce, 6	574	744
PALAZZOLO MILANESE	Via Monte Sabotino, 1	605	649
PIACENZA	Via Vittorio Veneto, 67/a	486	1,574
REGGIO EMILIA	Via Terrachini, 1 ang. Via Risorgir	713	2,192
RENATE	Piazza don Zanzi, 2	429	716
RHO	Via Martiri Libertà, 3	410	786
RUBIERA	Via Emilia Ovest, 7	310	1,509
SARONNO	Via Rimembranze, 42	530	809
SEGRATE	Via Cassanese, 200	170	317
SEREGNO	Via Trabattoni, 40	1,233	2,252
SESTO SAN GIOVANNI	Piazza Oldrini	377	874
SEVESO	Via Manzoni	382	1,201
SOVICO	Via Frette, 10	673	1,179
VAREDO	Via Umberto I°, 123	501	576
VEDUGGIO	Via Vittorio Veneto, 51	257	267
VERANO BRIANZA	Via Preda, 17	322	429
VIGEVANO	Via Decembrio, 21	480	2,129
sub-total		52,276	113,544

**Properties for investment purposes**

MEDA posto auto	Via Indipendenza, 60	15	6
sub-total		15	6
<b>total</b>		<b>52,291</b>	<b>113,550</b>

**Section 12 – Intangible assets - Caption 120**

## 12.1 Intangible assets: break-down by type of asset

(Euro/1,000)

Caption/Value	Total		Total	
	31.12.2009		31.12.2008	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
<b>A.1 Goodwill</b>	x	1,729	x	1,729
<b>A.2 Other intangible assets</b>	986	-	1,175	-
A.2.1 Assets valued at cost:	986	-	1,175	-
a) Intangible assets generated internally				
b) Other assets	986		1,175	
A.2.2 Assets at fair value through profit or loss:	-	-	-	-
a) Intangible assets generated internally				
b) Other assets				
<b>Total</b>	<b>986</b>	<b>1,729</b>	<b>1,175</b>	<b>1,729</b>

No impairment losses were recorded compared to the previous period for goodwill relating to the acquisition of bank branches made in 1999, and, given the indefinite useful life, no amortization was calculated.

Other intangible assets have been amortized on a straight-line basis according to their useful life.

Useful life for indemnities for abandonment of premises is estimated to be equal to the lease term, being equal to 4 years for software associated with machines and to 5 years for application software.

## 12.2 Intangible assets: annual changes

(Euro/1,000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total 2009
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
<b>A. Opening balance</b>	<b>1,729</b>	-	-	<b>3,188</b>	-	<b>4,917</b>
A.1 Total net decreases in value				2,013		2,013
<b>A.2 Net opening balance</b>	<b>1,729</b>	-	-	<b>1,175</b>	-	<b>2,904</b>
<b>B. Increases</b>	-	-	-	<b>200</b>	-	<b>200</b>
B.1 Purchases				200		200
B.2 Increases in internal intangible assets	x					-
B.3 Write-backs	x					-
B.4 Increases in fair value charged to:						-
- shareholders' equity	x					-
- statement of income	x					-
B.5 Positive exchange differences						-
B.6 Other increases						-
<b>C. Decreases</b>	-	-	-	<b>389</b>	-	<b>389</b>
C.1 Sales						-
C.2 Adjustments	-	-		389		389
- Amortization	x			389		389
- Write-downs	-	-				-
+ shareholders' equity	x					-
+ statement of income						-
C.3 Decreases in fair value charged to:						-
- shareholders' equity	x					-
- statement of income	x					-
C.4 Transfers to non-current assets held for sale and discontinued operations						-
C.5 Negative exchange differences						-
C.6 Other decreases						-
<b>D. Net closing balance</b>	<b>1,729</b>	-	-	<b>986</b>	-	<b>2,715</b>
D.1 Total net adjustments				2,402		2,402
<b>E. Gross closing balance</b>	<b>1,729</b>	-	-	<b>3,388</b>	-	<b>5,117</b>
F. Measurement at cost						

All classes of intangible assets have been valued at cost.



**Section 13 – Tax assets and liabilities** – (caption 130 under assets and caption 80 under liabilities)

Tax assets and liabilities resulting from the application of “deferred taxation” are calculated by applying to the temporary differences, generated in connection with the discrepancies between statutory and tax provisions, the theoretical tax rates in force at the moment of their settlement.

## 13.1 Deferred tax assets: break-down

(Euro/1,000)

Temporary Differences	ires	irap	Total 31.12.2009	Total 31.12.2008
<b>a) against Profit and Loss</b>				
w ritedow ns of loans to customers deductible on a straight-line basis	18,506		18,506	11,849
w rite-dow n of loans to customers outstanding as at 31.12.1994	12		12	135
provisions for risks from implicit loan losses	1		1	3
w ritedow n of FVTPL classified shares			-	251
statutory depreciation of tangible assets	75		75	
provisions for guarantees and commitments/country risk	275		275	292
provisions for personnel charges	1,913		1,913	2,685
provisions for legal disputes	2,042		2,042	1,809
provisions for revocatory actions	901		901	778
provision for sundry charges	306		306	812
tax provision for employee termination indemnities	99		99	
entertainment expenses, w ithin the limit of one third deductible in the follow ing four financial years	22	4	26	51
other general expenses deductible in the follow ing accounting period	30		30	24
<b>Total a)</b>	<b>24,182</b>	<b>4</b>	<b>24,186</b>	<b>18,689</b>
<b>b) against Equity</b>				
tax provision for employee termination inc	490		490	67
w ritedow n of securities classified AFS	1,240	276	1,516	6,914
w rite-dow n of equity investments			-	2
<b>Total b)</b>	<b>1,730</b>	<b>276</b>	<b>2,006</b>	<b>6,983</b>
<b>Total</b>	<b>25,912</b>	<b>280</b>	<b>26,192</b>	<b>25,672</b>

Deferred tax assets have been entered being aware that it is likely that future taxable income will arise such as to be able to reabsorb, within the time limits set out in the tax regulations, the costs arising from the abatement of these assets.

## 13.2 Deferred tax liabilities: break-down

(Euro/1,000)

Temporary Differences	ires	irap	<b>Total</b> <b>31.12.2009</b>	<b>Total</b> <b>31.12.2008</b>
<b>a) against Profit and Loss</b>				
gains on disposal of tangible assets	67	1	68	96
tax amortization of properties	7,059	1,101	8,160	8,232
tax amortization of tangible assets		29	29	2,549
tax amortization of goodwill	201	35	236	356
tax amortization on long-term charges (software)	2	7	9	140
tax amortization on long-term charges (other)			-	1,016
assets and liabilities result, fair value option			-	658
assets and liabilities result, hedge accounting			-	9
tax provision for employee termination indemnities			-	539
<b>Total a)</b>	<b>7,329</b>	<b>1,173</b>	<b>8,502</b>	<b>13,595</b>
<b>b) against Equity</b>				
revaluation of AFS securities	1,672	293	1,965	484
revaluation of equity investments	46	162	208	160
tax provision for employee termination indemnities	67		67	-
<b>Total b)</b>	<b>1,785</b>	<b>455</b>	<b>2,240</b>	<b>644</b>
<b>Total</b>	<b>9,114</b>	<b>1,628</b>	<b>10,742</b>	<b>14,239</b>

## 13.3 Change in deferred tax assets (against profit and loss)

(Euro/1,000)

	Total 2009	Total 2008
<b>1. Initial amount</b>	<b>18,689</b>	<b>12,833</b>
<b>2. Increases</b>	<b>10,003</b>	<b>10,329</b>
2.1 Deferred tax assets recognized during	9,993	10,329
a) from previous years		
b) due to adoption of different accounting standards		
c) write-backs		
d) other	9,993	10,329
2.2 New taxes or increases in fiscal rates		
2.3 Other increases	10	
<b>3. Diminuzioni</b>	<b>4,506</b>	<b>4,473</b>
3.1 Deferred tax assets cancelled during the	3,953	3,603
a) reallocation	3,953	3,603
b) write-downs due to irrecoverability		
c) different accounting standards		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases	553	870
<b>4. Final amount</b>	<b>24,186</b>	<b>18,689</b>

The item "2.3 Other increases" refers to the allocation of deferred tax assets:

- as a result of both the effect of the recalculation of deferred tax assets as at 31.12.2008 at the time of the tax return, relating to the capital losses on shares;
- and the release under article 1, paragraph 48, of Law no. 244/2007 of the surpluses deducted on an informal basis in table EC of the tax return and the realignments under article 15, paragraph 3, letter b), of Decree Law no. 185/2008 of the discrepancies between values for statutory purposes and values for tax purposes, as emerged upon FTA.

Item 3.3, "Other decreases" refers to the write-off of deferred tax assets as a result of the calculation of deferred tax assets as at 31.12.2008 at the time of the tax return, of the items relating to the write-down of loans.

#### 13.4 Change in deferred tax liabilities (against profit and loss)

(Euro/1,000)		
	Total 2009	Total 2008
<b>1. Initial amount</b>	<b>13,595</b>	<b>15,010</b>
<b>2. Increases</b>	<b>77</b>	<b>328</b>
2.1 Deferred tax liabilities recognized during	77	328
a) from previous years		
b) due to adoption of different		
c) other	77	328
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>5,170</b>	<b>1,743</b>
3.1 Deferred tax liabilities cancelled during	106	1,186
a) reallocation	106	1,186
b) due to adoption of different		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases	5,064	557
<b>4. Final amount</b>	<b>8,502</b>	<b>13,595</b>

The item "3.3 Other decreases" refers to the cancellation of deferred tax liabilities:

- o of Euro 642 thousand as a result of the recalculation of deferred tax liabilities as at 31.12.2008 at the time of the tax return, relating to the net result of assets and liabilities at fair value and hedge accounting and to non-deductible amortisation and depreciation;
- o of Euro 4,422 thousand as a result of the release under article 1, paragraph 48, of Law no. 244/2007 of the surpluses deducted on an informal basis in table EC of the tax return and of the realignment under article 15, paragraph 3, letter b), of Decree Law no. 185/2008 of the discrepancies between values for statutory purposes and values for tax purposes, as emerged upon FTA.

#### 13.5 Change in deferred tax assets (against equity)

(Euro/1,000)		
	Total 2009	Total 2008
<b>1. Initial amount</b>	<b>6,983</b>	<b>715</b>
<b>2. Increases</b>	<b>705</b>	<b>6,323</b>
2.1 Deferred tax assets recognized during	301	6,323
a) from previous years		
b) due to adoption of different		
c) other	301	6,323
2.2 New taxes or increases in fiscal rates		
2.3 Other increases	404	
<b>3. Decreases</b>	<b>5,682</b>	<b>55</b>
3.1 Deferred tax assets cancelled during the	5,682	55
a) reallocation	5,682	55
b) write-downs due to irrecoverability		
c) due to adoption of different accounting standards		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
<b>4. Final amount</b>	<b>2,006</b>	<b>6,983</b>

Item "2.3 Other increases" relates to the allocation of deferred tax assets, as a result of the release under article 1, paragraph 48, of Law no. 244/2007 of the surpluses deducted on an informal basis in table EC of the tax return.

### 13.6 Change in deferred tax liabilities (against equity)

(Euro/1,000)

	Total 2009	Total 2008
<b>1. Initial amount</b>	<b>644</b>	<b>940</b>
<b>2. Increases</b>	2,048	413
2.1 Deferred tax liabilities recognized during	2,048	413
a) from previous years		
b) due to adoption of different accounting standards		
c) other	2,048	413
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		
<b>3. Decreases</b>	452	709
3.1 Deferred tax liabilities cancelled during	452	709
a) reallocation	452	709
b) due to adoption of different accounting standards		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases		
<b>4. Final amount</b>	<b>2,240</b>	<b>644</b>

### 13.7 Other information

As from this financial year, advances and withholding taxes paid are no longer separated under "current tax assets", but are detracted, by type of tax, from the forecasted liabilities for taxes of the current financial year.

#### Current tax assets

(Euro/1,000)

Items	Total 31.12.2009	Total 31.12.2008
IRES advances for current taxes	10,118	5,331
IRAP advances for current taxes	351	998
<b>Total</b>	<b>10,469</b>	<b>6,329</b>

**Section 14 - Non-current assets and discontinued operations and associated liabilities - Caption 140 under assets and caption 90 under liabilities**

## 14.1 Non-current assets and discontinued operations: break-down by type of asset

Euro/1,000	Total 31.12.2009	Total 31.12.2008
<b>A. Individual assets</b>		
A.1 Financial assets		
A.2 Investments		2,379
A.3 Tangible assets		
A.4 Intangible assets		
A.5 Other non-current assets		
<b>Total A</b>	-	2,379
<b>B. Groups of assets (discontinued operating units)</b>		
B.1 Financial assets held for trading		
B.2 Financial assets designated as at fair value		
B.3 Available-for-sale investments		498
B.4 Held-to-maturity investments		
B.5 Amounts due from banks		
B.6 Amounts due from customers		
B.7 Equity investments		
B.8 Tangible assets		
B.9 Intangible assets		
B.10 Other assets		
<b>Total B</b>	-	498
<b>C Liabilities on non-current discontinued operations</b>		
C.1 Debts		
C.2 Securities		
C.3 Other liabilities		
<b>Total C</b>	-	-
<b>D Liabilities on discontinued operations</b>		
D.1 Amounts due to banks		
D.2 Amounts due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities at fair value through profit or loss		
D.6 Reserves		
D.7 Other liabilities		
<b>Total D</b>	-	-

**Section 15 – Other assets – Caption 150**

## 15.1 Other assets: break-down

(Euro/1,000)	<b>Total</b>	<b>Total</b>
	<b>31.12.2009</b>	<b>31.12.2008</b>
Tax credits		
- principal	1,612	4,946
- interests	-	250
Amounts due from tax authorities for paid advances	13,965	37
Taxes withheld	14	-
Traded cheques to be settled	17,172	29,630
Guarantee deposits		-
Invoices issued to be collected	183	4,988
Accounts receivable for third-party securities and coupons to be collected	1	2,000
Print-outs and stationery stock		262
Unprocessed transactions and amounts in transit with bank branches	29,464	17,307
Currency spreads on portfolio transactions	122	79
Investments in supplementary termination indemnities for personnel	854	925
Leasehold improvements	15,764	16,616
Accrued income and prepaid expenses	361	657
Other items	9,997	13,450
<b>Total</b>	<b>89,509</b>	<b>91,147</b>

The changes in “Tax credits - principal” mainly involve:

- the credit for withholdings on interest on deposits and current accounts of Euro 7,901 thousand generated by the difference between the advances paid out on a temporary basis in the year and the taxes actually withheld;
- the increase in the credit for the online payment of stamp duty of Euro 1,109 thousand, due to the increase in the amount of advance from 75% to 85%, required by law;
- the increase in the VAT credit concerning the leasing activity for Euro 1,572 thousand.

The decrease in the item “Tax credits – interests” is due to the use of the prepaid tax asset related to the employee severance fund.

This section also includes accrued income and prepaid expenses not connected to any specific items in the balance sheet; accrued income amounted to Euro 4 thousand, and related to services performed in favour of Group companies, while prepaid expenses, all involving administrative costs, totalled Euro 357 thousand.

The expenses referred to leaseholds improvements are subject to annual amortisation as regards the residual term of the lease agreement.

The caption includes assets, almost exclusively for invoices to be settled by or issued to other companies in the Group, for a total amount of Euro 2,535,547 thousand (Euro 547 thousand last year).

The 2008 year-end figure decreased by Euro 4,534 thousand against items previously classified under “Other assets” reclassified to “Amounts due from banks” for Euro 661 thousand and “Amounts due from customers” for Euro 3,873 thousand.

## Liabilities

### Section 1 – Amounts due to banks (caption 10)

#### 1.1 Amounts due to banks: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009	Total 31.12.2008
<b>1. Amounts due to central banks</b>	-	-
<b>2. Amounts due to banks</b>	<b>257,628</b>	<b>229,124</b>
2.1 Current accounts and unrestricted deposits	213,877	152,694
2.2 Restricted deposits	43,114	55,632
2.3 Financing	599	20,796
2.3.1 Reverse repurchase agreements	599	20,796
2.3.2 Other	-	-
2.4 Commitments for repurchases of own equity instruments	-	-
2.5 Other amounts due	38	2
<b>Total</b>	<b>257,628</b>	<b>229,124</b>
<b>Fair value</b>	<b>257,628</b>	<b>229,124</b>

Payables expressed in foreign currency have been valued at Euro 73.9 million (Euro 59.6 million at the end of the previous year).

Relations with Group banks amounted to Euro 235.6 million (Euro 201.7 million as at 31 December 2008). All relations were regulated at arm's length.

The 2008 year-end figure decreased by Euro 2 thousand against the reclassification of an item previously classified under "Other liabilities".

### Section 2 – Amounts due to customers (caption 20)

#### 2.1 Amounts due to customers: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009	Total 31.12.2008
1. Current accounts and unrestricted	3,605,017	2,815,559
2. Restricted deposits	3,291	103,266
3. Financing	46,393	164,641
3.1 Reverse repurchase agreements	46,393	164,641
3.2 Other	-	-
4. Commitments for repurchases of own equity instruments	-	-
5. Other amounts due	20,525	28,287
<b>Total</b>	<b>3,675,226</b>	<b>3,111,753</b>
<b>Fair value</b>	<b>3,675,226</b>	<b>3,111,753</b>

Payables due to resident customers amounted to a total of Euro 3,626.3 million (Euro 2,908.4 million at the end of 2008), while the total amount of relations in foreign currency amounted to Euro 35.4 million (compared to Euro 32.3 million last year).

All payables due to group companies were serviced at market conditions and totalled Euro 3,658 million.

Item 7 "Other amounts due" includes Euro 19.1 million of bank drafts and Euro 1.4 million in non-transferable cheques.

Compared to the figure published last year, the item "Other amounts due" increase by Euro 305 thousand as a result of reclassifications of items previously classified under "Other liabilities".

### Section 3 – Securities Issued (caption 30)

#### 3.1 Securities issued: break-down by type

(Euro/1,000)		Total 31.12.2009				Total 31.12.2008			
Security type / Amount	Book value	fair value			Book value	fair value			
		level 1	level 2	level 3		level 1	level 2	level 3	
<b>A. Securities</b>									
1. Bonds	1,250,698	-	1,294,852	-	1,401,530	-	1,410,457	-	
1.1 structured									
1.2 other	1,250,698	-	1,294,852	-	1,401,530	-	1,410,457	-	
2. Other securities	222,511	-	222,511	-	167,359	-	167,360	-	
2.1 structured									
2.2 other	222,511	-	222,511	-	167,359	-	167,360	-	
<b>Total</b>	<b>1,473,209</b>	<b>-</b>	<b>1,517,363</b>	<b>-</b>	<b>1,568,889</b>	<b>-</b>	<b>1,577,817</b>	<b>-</b>	

The book value is determined according to the amortised cost method and therefore it includes the accruals matured.

The caption "A.2.2 Other Securities – Other" is made up of deposit certificates which have been issued almost exclusively in the short term.

#### 3.2 Break-down of caption 30 "securities issued": subordinated securities

(Euro/1,000)		31.12.2009	31.12.2008
<b>Bonds</b>			
due 03.05.2009			30,237
due 15.12.2009			30,042
due 01.12.2010		13,013	13,049
due 29.12.2011		12,999	13,002
due 01.06.2012		13,003	13,044
due 03.06.2013		13,009	13,040
due 04.05.2014		30,052	
due 15.12.2014		30,016	
<b>Total</b>		<b>112,092</b>	<b>112,414</b>

During the year, the Bank issued two subordinated debenture loans whose characteristics are summarised below.

- Banco di Desio e della Brianza bonds, variable rate, subordinate lower tier II with a nominal value of Euro 13 million, divided into bonds with a nominal value of Euro 1,000 each, having the following characteristics:

- total nominal value of Euro 30 million, divided into bonds with a nominal value of Euro 1,000 each;
- duration: 5 years, expiry date 04/05/2014;
- indexation ratio and record date: 6-month Euribor, taken on the fifth last working day prior to the start of the relevant coupon entitlement;
- spread: the indexation parameter will be increased by a spread equal to 20 basis points;
- coupon payment frequency: coupons will be paid on a six-monthly basis on 04/05 and 04/11 of each year;
- redemption price and procedures: redemptions will be made at a percentage equal to 100% of the nominal value, in one single payment, on 04/05/2014;
- early redemption: no early redemptions, nor repayments by amortisation, are envisaged;
- subordination: the subordination clauses provide that in the event that the Bank is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been paid off.



- Banco di Desio e della Brianza bonds, variable rate, subordinate lower tier II with a nominal value of Euro 13 million, divided into bonds with a nominal value of Euro 1,000 each, having the following characteristics:

- total nominal value of Euro 30 million, divided into bonds with a nominal value of Euro 1,000 each;
- duration: 5 years, expiry date 15/12/2014;
- indexation ratio and record date: 6-month Euribor, taken on the fifth last working day prior to the start of the relevant coupon entitlement;
- spread: the indexation parameter will be increased by a spread equal to 20 basis points;
- coupon payment frequency: coupons will be paid on a six-monthly basis on 15/06 and 15/12 of each year;
- redemption price and procedures: redemptions will be made at a percentage equal to 100% of the nominal value, in one single payment, on 15/12/2014;
- early redemption: no early redemptions, nor repayments by amortisation, are envisaged;
- subordination: the subordination clauses provide that in the event that the Bank is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been paid off.

Subordinated debenture loans entered into in the previous years show characteristics similar to those of the loan issued in the last accounting period.

### 3.3 "Securities issued": securities subject to specific hedging

(Euro/1,000)

Security type / Amount	Total 31.12.2009	Total 31.12.2008
1. Debt securities subject to fair value hedging	-	20,206
a) <i>interest rate risk</i>		20,206
b) <i>exchange rate risk</i>		
c) <i>other risks</i>		
2. Debt securities subject to cash flow hedging	-	-
a) <i>interest rate risk</i>		
b) <i>exchange rate risk</i>		
c) <i>other risks</i>		
<b>Total</b>	<b>-</b>	<b>20,206</b>

**Section 4 – Financial liabilities held for trading** (caption 40)

## 4.1 Financial liabilities held for trading: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009					Total 31.12.2008				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
<b>A. Liabilities for cash</b>										
1. Amounts due to banks										
2. Amounts due to customers										
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
<b>Total A</b>	-	-	-	-	-	-	-	-	-	-
<b>B. Derivative instruments</b>										
1. Financial derivatives		-	13	1,656		-	125	12,745		
1.1 Trading	x	-	13	1,215	x	x	125	12,729	x	
1.2 Connected with the fair value option	x	-	-	441	x	x		16	x	
1.3 Other	x				x	x			x	
2. Credit derivatives		-		-						
2.1 Trading	x				x	x			x	
2.2 Connected with the fair value option	x				x	x			x	
2.3 Other	x				x	x			x	
<b>Total B</b>	x	-	13	1,656	x	x	-	125	12,745	x
<b>Total (A + B)</b>	x	-	13	1,656	x	x	-	125	12,745	x

**Legenda**

FV = fair value

FV\* = fair value calcolato escludendo le variazioni di valore dovute al cambiamento del merito creditizio dell'emittente rispetto alla data di emissione

VN = valore nominale o nozionale

L1 = Livello 1

L2 = Livello 2

L3 = Livello 3

Derivative instruments “connected with the fair value option” are related to the negative valuations of derivatives fully associated to financial liabilities designated at fair value and represented solely by bonds issued by the Bank.

“Financial derivatives for trading” include a total of Euro 764 thousand (Euro 290 thousand last year) in transactions with group companies.

**Section 5 – Financial liabilities at fair value through profit or loss – Caption 50**

## 5.1 Financial liabilities at fair value through profit or loss: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009					Total 31.12.2008				
	NV	fair value			FV*	NV	fair value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Amounts due to banks	-	-	-	-		-	-	-	-	
1.1 Structured					x					x
1.2 Other					x					x
2. Amounts due to customers	-	-	-	-		-	-	-	-	
2.1 Structured					x					x
2.2 Other					x					x
3. Debt securities	537,907	-	549,197	-	551,824	486,013	-	490,830	-	493,286
3.1 Structured	20,000		19,872		x	15,000		14,942		x
3.2 Other	517,907		529,325		x	471,013		475,888		x
<b>Total</b>	<b>537,907</b>	<b>-</b>	<b>549,197</b>	<b>-</b>	<b>551,824</b>	<b>486,013</b>	<b>-</b>	<b>490,830</b>	<b>-</b>	<b>493,286</b>

FV\* - fair value calculated by excluding value variations due to the changed credit rating of the issuer with respect to the issue date.

This item includes the bonds issued by the Bank hedged by derivative financial instruments and recognised at fair value in the financial statements, in accordance with the fair value option.

## 5.3 Financial liabilities at fair value through profit or loss: annual changes

(Euro/1,000)

	Amounts due to	Amounts due to	Securities issued	<b>Total 2009</b>
<b>A. Opening balance</b>			<b>490,830</b>	<b>490,830</b>
<b>B. Increases</b>	-	-	<b>73,075</b>	<b>73,075</b>
B1. Issues			59,500	59,500
B2. Sales			2,672	2,672
B3. Increases in fair value			3,883	3,883
B4. Other increases			7,020	7,020
<b>C. Decreases</b>	-	-	<b>14,708</b>	<b>14,708</b>
C1. Purchases			7,671	7,671
C2. Redemptions			3,000	3,000
C3. Decreases in fair value			321	321
C4. Other decreases			3,716	3,716
<b>D. Closing balance</b>	<b>-</b>	<b>-</b>	<b>549,197</b>	<b>549,197</b>

Item B.2 "Sales" represents the counter-value of reissuing bonds previously reacquired.

Items B.3 "Increases in fair value" and C.3 "Decreases in fair value" reflect charges and income, respectively, deriving from changes in the valuations at fair value, recognised in the income statement account under item "110 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss".

Item B.4 "Other increases" relates almost exclusively to the accruals accrued at the end of the year and to the positive issue spreads, for about Euro 9.96 million; the item also includes losses of Euro 52 thousand, resulting from the reacquisition/reissue of the above-mentioned liabilities.

Item C.4 "Other decreases" is made up of the de-recognition of interest accrued at the end of the previous year, for a total amount of Euro 3.66 million and profits on repurchase for Euro 56 thousand.

**Section 8 – Tax liabilities** (caption 80)

The composition and breakdown of tax liabilities are provided under Section 13 of Assets, together with information on deferred tax assets

**Section 10 – Other liabilities** (caption 100)

## 10.1 Other liabilities: break-down

(Euro/1,000)		
	Total	Total
	31.12.2009	31.12.2008
Due to tax authorities	1,215	135
Amounts due to tax authorities on account of third parties	9,792	12,740
Social security contributions to be reversed	3,876	3,035
Due to shareholders on account of dividends	13	14
Suppliers	14,549	13,864
Amounts available for customers	10,342	22,723
Interest and fees to be credited	314	204
Payments against disposals on bills	423	216
Advance payments on expiring loans	126	21
Unprocessed transactions and amounts in transit with branches	11,405	45,967
Currency spreads on portfolio transactions	19,282	21,598
Due to personnel	1,989	1,787
Other accounts payable	41,953	12,950
Provisions for guarantees and commitments	981	1,040
Accrued liabilities and deferred income	2,035	1,535
<b>Total</b>	<b>118,295</b>	<b>137,829</b>

This item includes a total of Euro 90 thousand in liabilities towards companies of the Group (Euro 98 thousand as at 31 December 2008).

This section also includes accrued liabilities and deferred income not connected to any specific items in the balance sheet.

**Section 11 – Provisions for employee termination indemnities** - (caption 110)

## 11.1 Provisions for employee termination indemnities: annual changes

(Euro/1,000)		
	Total	Total
	2009	2008
<b>A. Opening balance</b>	<b>25,107</b>	<b>24,995</b>
<b>B. Increases</b>	<b>974</b>	<b>3,197</b>
B.1 Provisions during the year	974	1,457
B.2 Other increases	-	1,740
<b>C. Decreases</b>	<b>1,731</b>	<b>3,085</b>
C.1 Amounts paid	1,488	2,990
C.2 Other decreases	243	95
<b>D. Closing balance</b>	<b>24,350</b>	<b>25,107</b>

The amount payable actually accrued at the end of the financial year is equal to Euro 27.7 million (Euro 28.5 million as at 31.12.2008).

Below are shown the actuarial assumptions utilized by an independent actuary to determine the liabilities at the reporting date.

### Demographic assumptions

The following assumptions were made:

- as regards death probabilities, those determined by the General Accounting Office (*Ragioneria Generale dello Stato*) and named RG48;
- as regards the time of retirement, for the assets in general, the attainment of the first of the pension requirements valid for the Compulsory General Insurance was assumed;
- as regards the probabilities of leaving employment for reasons other than death, based on internal statistics, an annual frequency of 2.5% was assumed.

### Economic-financial assumptions

Technical valuations have been carried out based on the following assumptions:

- annual technical discount rate 4.45%
- annual inflation rate 3%

As regards the discount rate, such parameter was determined taking in consideration the index IBoxx Eurozone Corporates AA 7-10.

## Section 12 – Provisions for risks and charges (caption 120)

### 12.1 Provisions for risks and charges: break-down

(Euro/1,000)

Caption / Components	Total	Total
	31.12.2009	31.12.2008
1. Company pension funds		
2. Other provisions for risks and charges	59,210	62,557
2.1 legal disputes	11,704	10,405
2.2 personnel charges	8,855	12,399
2.3 other	38,651	39,753
<b>Total</b>	<b>59,210</b>	<b>62,557</b>

The item “personnel charges” includes the provisions related to company bonuses and seniority bonuses. The payable for untaken holidays and public holidays previously charged to this item has been reclassified to “Other liabilities”.

“Others” includes a fund amounting to 37.8 million euro created from the portion of capital gain collected as a result of the sale of 70% of Chiara Vita S.p.A..

### 12.2 Provisions for risks and charges: annual changes

(Euro/1,000)

	Pension funds	Other funds	Total 2009
<b>A. Opening balance</b>		<b>62,557</b>	<b>62,557</b>
<b>B. Increases</b>	-	<b>7,693</b>	<b>7,693</b>
B.1 Provisions during the year		7,470	7,470
B.2 Changes due to the elapsing of time		223	223
B.3 Changes due to discount rate adjustments		-	-
B.4 Other increases		-	-
<b>C. Decreases</b>	-	<b>11,040</b>	<b>11,040</b>
C.1 Use during the year		11,040	11,040
C.2 Changes due to discount rate adjustments		-	-
C.3 Other decreases		-	-
<b>D. Closing balance</b>	-	<b>59,210</b>	<b>59,210</b>

Provisions made in the year (item B.1) include appropriations of Euro 2 million against charges for legal disputes, Euro 5.4 million against staff charges and Euro 37 thousand for other risks and charges.

The caption "B.2 Changes due to the elapsing of time" includes interests from discounting-back activity accrued over the year in the provision for legal disputes.

The withdrawals for the year mainly refer (item C.1) to the staff costs fund (Euro 10.1 million) and to the legal disputes fund (Euro 0.9 million); the use of provisions for paying other charges was limited to Euro 17 thousand.

#### 12.4 Provisions for risks and charges - Other provisions

(Euro/1,000)		
	31.12.2009	31.12.2008
Provision for legal disputes	11,704	10,405
Seniority premium	1,783	1,712
Sundry personnel provisions	7,072	10,687
Other	38,651	39,753
<b>Total</b>	<b>59,210</b>	<b>62,557</b>

Provisions for risks and charges for legal disputes include the analytical discounted estimate of the expected liabilities which may arise for the Bank following claw-back actions and legal actions pending with customers, in addition to provisions for expenses due to dispute management.

### Section 14 – Bank's shareholders' equity (captions 130, 150, 160, 170, 180, 190 and 200)

#### 14.1 Capital and treasury shares: break-down

(Euro/1,000)		
Caption / Amount	31.12.2009	31.12.2008
Share capital	67,705	67,705
Treasury shares	-	-
<b>Total</b>	<b>67,705</b>	<b>67,705</b>

The share capital, fully subscribed and paid up, is made up of:  
 - 117,000,000 ordinary shares, with a nominal value of Euro 0.52 each;  
 - 13,202,000 savings shares, with a nominal value of Euro 0.52 each.

The Bank does not hold, and has never held, treasury shares over the period.

## 14.2 Capital - Number of shares: annual changes

Caption/Type	Ordinary	Other
<b>A. Number of shares at the beginning of the year</b>		
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		
A.1 Treasury shares (-)		
<b>B.2 Shares in circulation: opening balance</b>	117,000,000	13,202,000
<b>B. Increases</b>	-	-
B.1 New issues		
- on a payment basis:	-	-
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- on a free basis:	-	-
- in favor of employees		
- in favor of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
<b>C. Decreases</b>	-	-
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Sale of companies		
C.4 Other changes		
<b>D. Shares in circulation: closing balance</b>	117,000,000	13,202,000
D.1 Treasury shares (+)		
D.2 Number of shares at the end of the year	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		

## 14.4 Profit reserves: other information

(Euro/1,000)		
Caption	31.12.2009	31.12.2008
Legal reserve	64,303	57,752
Statutory reserves	367,277	322,266
Profits (losses) carried forward	23,571	23,571
First Time Adoption (F.T.A.) reserves	99,785	99,785
Other reserves	8,226	8,226
<b>Total</b>	<b>563,162</b>	<b>511,600</b>

The changes registered are the consequence of the allocation of the profit for 2008, resolved by the ordinary shareholders' meeting of 28 April 2009, which was called to approve the financial statements.

**Other Information**

 1. *Guarantees granted and commitments*

(Euro/1,000)

Transactions	31.12.2009	31.12.2008
<b>1) Financial guarantees granted</b>	<b>10,312</b>	<b>10,187</b>
a) Banks	6,883	6,477
b) Customers	3,429	3,710
<b>2) Commercial guarantees granted</b>	<b>174,362</b>	<b>175,626</b>
a) Banks	14,755	13,444
b) Customers	159,607	162,182
<b>3) Irrevocable commitments to grant</b>	<b>392,104</b>	<b>219,832</b>
a) Banks	240,926	15,795
<i>i) certain to be called on</i>	240,926	15,795
<i>ii) not certain to be called on</i>	-	-
b) Customers	151,178	204,037
<i>i) certain to be called on</i>	12,707	23,494
<i>ii) not certain to be called on</i>	138,471	180,543
<b>4) Underlying commitments to credit derivatives: hedging sales</b>	-	-
<b>5) Assets lodged to guarantee minority interest</b>	-	-
<b>6) Other commitments</b>	-	-
<b>Total</b>	<b>576,778</b>	<b>405,645</b>

 2. *Assets lodged to guarantee own liabilities and commitments*

(Euro/1,000)

Portfolios	31.12.2009	31.12.2008
1. Financial assets held for trading	4,353	132,507
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	116,666	132,911
4. Held-to-maturity investments		
5. Amounts due from banks	24,315	
6. Amounts due from customers		
7. Tangible assets		



## 4. Administration and dealing on behalf of third parties

(Euro/1,000)

Type of services	Amount
<b>1. Execution of orders on behalf of customers</b>	<b>2,066,256</b>
a) Purchase	1,043,151
1. Settled	1,039,298
2. not settled	3,853
b) Sale	1,023,105
1. Settled	1,016,752
2. not settled	6,353
<b>2. Portfolio management</b>	<b>943,680</b>
a) individual	427,971
b) collective	515,709
<b>3. Custody and administration of securities</b>	
a) Third-party securities held on deposit in connection with depositary bank's services (excluding portfolio management)	13,630,633
1. securities issued by the bank preparing the accounts	
2. Other	13,630,633
b) other third-party securities held on deposit (excluding portfolio management): other	13,645,582
1. securities issued by the bank preparing the accounts	1,830,288
2. Other	11,815,294
c) third-party securities deposited with third parties	21,662,396
d) own securities deposited with third parties	902,626
<b>4. Other transactions</b>	<b>-</b>

## Part C - INFORMATION ON THE INCOME STATEMENT

### Section 1 – Interest (captions 10 and 20)

#### 1.1 Interest income and similar revenues: break-down

(Euro/1,000)

Caption / Technical forms	Debt securities	Loans	Other transactions	Total	
				31.12.2009	31.12.2008
1. Financial assets held for trading	3,585		8,862	<b>12,447</b>	17,605
2. Available-for-sale financial assets	11,113			<b>11,113</b>	14,091
3. Held-to-maturity investments	221			<b>221</b>	455
4. Amounts due from banks	435	8,021		<b>8,456</b>	22,050
5. Amounts due from customers	1,580	211,490		<b>213,070</b>	304,300
6. Financial assets at fair value through profit or loss	134			<b>134</b>	-
7. Hedging derivatives	x	x		-	-
9. Other assets	x	x	114	<b>114</b>	282
<b>Total</b>	<b>17,068</b>	<b>219,511</b>	<b>8,976</b>	<b>245,555</b>	<b>358,783</b>

This item includes interest paid by Banks and other Companies of the Group with an aggregate of Euro 4.7 million (Euro 4.6 million last year).

Interests on “amounts due from customers” are recognised net of any default interests accrued in the financial year on impaired assets, since such interests are included in the balance sheet only after their collection. Default interests collected during the year, all referred to loans under dispute, amount to Euro 382 thousand (Euro 413 thousand at the end of 2008), Euro 263 thousand which refer to interests related to previous financial years (last year this figure was Euro 328 thousand).

The total 2008 year-end figure of items “10 Interest income and similar revenues” e “20 Interest expense and similar charges” decreased by Euro 15,005 thousand, as a result of a reporting of the differentials on hedging derivatives based on fair value option other than reporting based on pre-closing balances.

#### 1.2 Interest income and similar revenues: differentials on hedging transactions

In this financial year no hedging transactions were effected.

#### 1.3 Interest income and similar revenues: other information

##### 1.3.1 Interest income on foreign currency financial assets

(Euro/1,000)

Technical forms	31.12.2009	31.12.2008
Amounts due from banks	395	1,210
Amounts due from customers	454	993
<b>Total</b>	<b>849</b>	<b>2,203</b>

##### 1.3.2 Interest income on finance lease transactions

The total interest income recognised as revenues for the period and which are entered under “Amounts due from customers - Loans”, amount to Euro 21.3 million; these include Euro 15.4 million related to indexed contracts, of which Euro 1.1 million on leaseback agreements (in 2008, respectively, Euro 32.8 million on indexed contracts, of which Euro 1.8 million on leaseback contracts).

Financial profits pertaining to subsequent years amount to Euro 157.2 million, of which Euro 14.9 million relating to leaseback agreements (respectively Euro 153.5 million and 14.7 million at the end of last year).

1.4 Interest expense and similar charges: break-down

(Euro/1,000)

Caption / Technical forms	Debts	Securities	Other transactions	Total	
				31.12.2009	31.12.2008
1. Amounts due to central banks	-	x	-	-	-
2. Amounts due to banks	(1,946)	x	-	<b>(1,946)</b>	(10,991)
3. Amounts due to customers	(24,044)	x	-	<b>(24,044)</b>	(59,161)
4. Securities issued	x	(36,376)	-	<b>(36,376)</b>	(80,376)
5. Financial liabilities held for trading	-	-	-	-	(2,326)
6. Financial liabilities at fair value through profit or loss	-	(20,028)	-	<b>(20,028)</b>	(15,188)
7. Other liabilities and reserves	x	x	-	-	-
8. Hedging derivatives	x	x	-	-	(525)
<b>Total</b>	<b>(25,990)</b>	<b>(56,404)</b>	-	<b>(82,394)</b>	<b>(168,567)</b>

Debit interest paid to Group companies amounted to a total of Euro 4.9 million (Euro 12.3 million last year).

1.5 Interest expense and similar charges: differentials on hedging transactions

(Euro/1,000)

Caption / Amount	31.12.2009	31.12.2008
A. Positive differentials on hedging transactions		1,588
B. Negative differentials on hedging transactions		(2,113)
<b>C. Balance (A-B)</b>	<b>-</b>	<b>(525)</b>

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign currency liabilities

(Euro/1,000)

Captions/Technical types	31.12.2009	31.12.2008
Amounts due to banks	(134)	(739)
Amounts due to customers	(77)	(444)
Securities issued	(6)	(41)
<b>Total</b>	<b>(217)</b>	<b>(1,224)</b>

**Section 2 – Net fee and commission income** (captions 40 and 50)

## 2.1 Fee and commission income: break-down

(Euro/1,000)		
Type of service / Amount	Total 31.12.2009	Total 31.12.2008
a) Guarantees given	1,596	1,683
b) Credit derivatives		-
c) Management, trading and consultancy services:	33,107	37,206
1. trading of financial instruments	40	51
2. currency trading	903	1,129
3. portfolio management	3,159	2,965
3.1. Individual	2,542	2,287
3.2. Collective	617	678
4. securities safekeeping and administration	1,825	1,958
5. depositary bank	4,807	6,054
6. securities placement	5,680	6,750
7. order receipt and transmission	8,634	6,263
8. consultancy services	-	-
8.1 on investments		
8.2 on financial structures		
9. distribution of third party services	8,059	12,036
9.1. portfolio management	211	307
9.1.1. Individual	211	307
9.1.2. Collective		-
9.2. insurance products	7,192	11,510
9.3. other products	656	219
d) Collection and payment services	16,043	16,315
e) Servicing for securitization operations	11	17
f) Factoring transaction services	32	36
g) Tax collection services		
h) multi-lateral trading systems management		
i) holding and managing current accounts	37,553	24,233
j) Other services	3,754	3,508
<b>Total</b>	<b>92,096</b>	<b>82,998</b>

Commission paid by Group Companies amounted to a total of Euro 2.6 million (Euro 1.8 million as at 31.12.2008).

The figure reported in the previous year increased by a total of Euro 13,711 thousand as a result of reclassifications, which affected the sub-items "i) holding and managing current accounts" (up by Euro 24,233 thousand) and "j) other services" (down by Euro 10,522 thousand), with the consequent decrease in the item "220 Other operating income".

## 2.2 Fee and commission income: products and services distribution channels

(Euro/1,000)

Channel / Amount	Total 31.12.2009	Total 31.12.2008
<b>a) Bank branches:</b>	<b>16,898</b>	<b>21,751</b>
1. Portfolio management	3,159	2,965
2. Placement of securities	5,680	6,750
3. Third party services and products	8,059	12,036
<b>b) Door-to-door sale:</b>	<b>-</b>	<b>-</b>
1. Portfolio management		
2. Placement of securities		
3. Third party services and products		
<b>c) Other distribution channels:</b>	<b>-</b>	<b>-</b>
1. Portfolio management		
2. Placement of securities		
3. Third party services and products		

## 2.3 Fee and commission expense: break-down

(Euro/1,000)

Type of service / Amount	Total 31.12.2009	Total 31.12.2008
a) Guarantees received	(32)	(29)
b) Credit derivatives		
c) Management and dealing services:	(1,889)	(1,985)
1. Trading of financial instruments	(34)	(27)
2. Currency trading		
3. Portfolio management:	-	-
3.1 own customers		
3.2 delegated		
4. Securities safekeeping and administration	(1,855)	(1,958)
5. Placement of financial instruments		
6. Door-to-door sale of financial instruments, products and services		
d) collection and payment services	(2,594)	(2,591)
e) Other services	(861)	(1,043)
<b>Total</b>	<b>(5,376)</b>	<b>(5,648)</b>

The figure for debit commission paid to Group companies amounted to Euro 30 thousand (Euro 15 thousand last year).

**Section 3 – Dividends and similar revenues** (caption 70)

## 3.1 Dividends and similar revenues: break-down

(Euro/1,000)					
Caption / Revenues	31.12.2009		31.12.2008		
	Dividends	Income from UCITS units	Dividends	Income from UCITS units	
A. Financial assets held for trading	167		276		
B. Available-for-sale financial assets	247		108		
C. Financial assets at fair value through profit or loss			-		
D. Equity investments	3,168	x	8,596	x	
<b>Total</b>	<b>3,582</b>	<b>-</b>	<b>8,980</b>	<b>-</b>	

Dividends collected from equity investments, included under point D, relate to:

Banco Desio Lazio	Euro 1,908 thousand (previously Euro 1,508 thousand)
Brianfid	Euro 1,229 thousand (previously Euro 1,036 thousand)
Istifid	Euro 31 thousand (previously Euro 31 thousand)
Chiara Vita	Euro 0 (previously Euro 2,905 thousand)
Anima	Euro 0 (previously Euro 3,115 thousand)

**Section 4 – Profits (losses) on trading** (caption 80)

## 4.1 Profit (losses) on trading: break-down

(Euro/1,000)						
Transaction / Income component	Capital gains	Profit on trading	Capital losses	Losses on trading	Net income	
					31.12.2009	31.12.2008
<b>1. Financial assets held for trading</b>	<b>323</b>	<b>2,707</b>	<b>(22)</b>	<b>(1,851)</b>	<b>1,157</b>	<b>(3,305)</b>
1.1 Debt securities	323	1,371	(22)	(1,522)	150	877
1.2 Equity securities	-	1,171	-	(287)	884	(3,886)
1.3 UCITS units	-	84	-	(42)	42	(409)
1.4 Loans					-	-
1.5 Other		81			81	113
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities					-	-
2.2 Debts					-	-
2.3 Other					-	-
<b>3. Other financial assets and liabilities: foreign exchange differences</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>1,033</b>	<b>695</b>
<b>4. Derivative instruments</b>	<b>1,150</b>	<b>7,166</b>	<b>(734)</b>	<b>(6,731)</b>	<b>764</b>	<b>1,188</b>
4.1 Derivatives held for trading:					-	-
- on debt securities and interest rates	1,146	6,456	(730)	(6,008)	864	207
- on equity securities and stock	3	710	(3)	(723)	(13)	412
- on currencies and gold	x	x	x	x	(87)	325
- other	1	-	(1)	-	-	244
4.2 Credit derivatives					-	-
<b>Total</b>	<b>1,473</b>	<b>9,873</b>	<b>(756)</b>	<b>(8,582)</b>	<b>2,954</b>	<b>(1,422)</b>

**Section 5 – Fair value adjustments in hedge accounting** (caption 90)

## 5.1 Fair value adjustments in hedge accounting: break-down

(Euro/1,000)

Income component/Value	31.12.2009	31.12.2008
<b>A. Income relating to:</b>		
A.1 Fair value hedging derivatives		1,038
A.2 Hedged financial assets (fair value)		
A.3 Hedged financial liabilities (fair value)		71
A.4 Cash flow hedge financial derivatives		
A.5 Currency assets and liabilities		
<b>Total income from hedging activities</b>	<b>-</b>	<b>1,109</b>
<b>B. Charges relating to:</b>		
B.1 Fair value hedging derivatives	(46)	(30)
B.2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)		(733)
B.4 Cash flow hedge financial derivatives		
B.5 Currency assets and liabilities		
<b>Total charges from hedging activities</b>	<b>(46)</b>	<b>(763)</b>
<b>C. Net hedging income</b>	<b>(46)</b>	<b>346</b>

The net hedging income is given by the difference between valuation at fair value of the bond issues being hedged and the valuation of the related hedging derivatives.

**Section 6 – Profits (losses) on disposal/repurchase** (caption 100)

## 6.1 Profits (losses) on disposal/repurchase: break-down

(Euro/1,000)

Caption/Income component	31.12.2009			31.12.2008		
	Profits	Losses	Net income	Profits	Losses	Net income
<b>Financial assets</b>						
1. Amounts due from banks			-			
2. Amounts due from customers	20	(313)	(293)	14	(1,036)	(1,022)
3. Available-for-sale financial assets	8,531	(3,761)	4,770	2,620	(845)	1,775
3.1 Debt securities	5,331	(562)	4,769	121	(312)	(191)
3.2 Equity securities	935	(360)	575	1,503	(34)	1,469
3.3 UCITS units	2,265	(2,839)	(574)	996	(499)	497
3.4 Loans			-			
4. Held-to-maturity investments			-			-
<b>Total assets</b>	<b>8,551</b>	<b>(4,074)</b>	<b>4,477</b>	<b>2,634</b>	<b>(1,881)</b>	<b>753</b>
<b>Financial liabilities</b>						
1. Amounts due to banks			-			
2. Amounts due to customers			-			
3. Securities issued	1,196	(40)	1,156	30		30
<b>Total liabilities</b>	<b>1,196</b>	<b>(40)</b>	<b>1,156</b>	<b>30</b>	<b>-</b>	<b>30</b>

Profits/losses on disposals of loans result from the transfer of non-performing loans.

Profits/losses from disposal/repurchase of financial assets available for sale represent the effect in the income statement of the sales made in the financial year, including the closure of the related valuation reserves before tax effect. Profits referred to disposal of UCITS units also include the relevant tax credit.

As regards financial liabilities, the result reflects the profits/losses resulting from the purchase, sale or redemption of bonds issued by the Bank

## Section 7 – Profits (losses) on financial assets and liabilities at fair value through profit or loss (caption 110)

### 7.1 Profits (losses) on financial assets and liabilities at fair value through profit or loss: break-down

(Euro/1,000)

Transaction/Income component	Capital gains	Profits on disposal	Capital losses	Losses on disposal	Net income	
					31.12.2009	31.12.2008
<b>1. Financial assets</b>	-	<b>135</b>	-	-	<b>135</b>	-
1.1 Debt securities		135			135	
1.2 Equity securities						
1.3 UCITS units						
1.4 Loans						
<b>2. Financial liabilities</b>	<b>321</b>	<b>56</b>	<b>(3,883)</b>	<b>(52)</b>	<b>(3,558)</b>	<b>(11,430)</b>
2.1 Debt securities	321	56	(3,883)	(52)	(3,558)	(11,430)
2.2 Amounts due to banks						
2.3 Amount due to customers						
<b>3. Other financial assets and liabilities: foreign exchange differences</b>	x	x	x	x	-	-
<b>4. Credit and financial derivatives</b>	<b>4,379</b>		<b>(1,374)</b>	<b>(38)</b>	<b>2,967</b>	<b>12,675</b>
<b>Total</b>	<b>4,700</b>	<b>191</b>	<b>(5,257)</b>	<b>(90)</b>	<b>(456)</b>	<b>1,245</b>

Profits (losses) on financial assets and liabilities at fair value through profit or loss are given by the difference between valuation at fair value of the bonds issued, subject to “natural” hedging in compliance with the so-called fair value option, and the corresponding financial derivatives.

## Section 8 – Net losses/recoveries on impairment (caption 130)

### 8.1 Net impairment losses on loans: break-down

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total 31.12.2009	Total 31.12.2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from	-	-	-	-	-	-	-	-	(16)
- loans			-				-	-	(16)
- debt securities									
B. Amounts due from	(16,666)	(50,925)	-	3,249	10,558	-	1,229	(52,555)	(38,547)
- loans	(16,666)	(50,925)		3,249	10,558		1,229	(52,555)	(38,547)
- debt securities									
<b>C. Total</b>	<b>(16,666)</b>	<b>(50,925)</b>	<b>-</b>	<b>3,249</b>	<b>10,558</b>	<b>-</b>	<b>1,229</b>	<b>(52,555)</b>	<b>(38,563)</b>

“Impairment losses due to write-offs” entirely refer to the writing off of non-performing loans.

“Impairment losses - specific: other” are generated by the analytical valuation of the likelihood of recovery of impaired loans and by the discounting of cash flows expected on the same classes of loans; specifically they refer:

- to non-performing loans (Euro 23 million)
- to problem loans (Euro 26.5 million)



- to default loans (Euro 1.4 million).

“Recoveries: – due to interests” result from the release of interests from the discounting of capital on all categories of impaired loans.

As regards specific recoveries, “other recoveries” refer:

- to transactions amortised in previous years (Euro 2.1 million);
- to collections of previously devalued credits (Euro 4.6 million),
- to recoveries from valuations (Euro 3.8 million).

#### 8.2 Net impairment losses on financial assets held for sale: breakdown

(Euro/1,000)

Transaction/Income component	Impairment losses		Recoveries		Total 31.12.2009	Total 31.12.2008
	Specific		Specific			
	Write-offs	Other	Due to interests	Other recoveries		
A. Debt securities		-			-	(889)
B. Equity securities			x	x	-	-
C. UCITS units			x		-	-
D. Loans to banks					-	-
E. Loans to customers					-	-
<b>F. Total</b>	-	-	-	-	-	<b>(889)</b>

#### 8.4 Net impairment losses on other financial transactions: break-down

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total 31.12.2009	Total 31.12.2008
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted		(283)	(2)		332		13	60	(386)
B. Credit derivatives									
C. Commitments to grant									
D. Other transactions									
<b>E Total</b>	-	<b>(283)</b>	<b>(2)</b>	-	<b>332</b>	-	<b>13</b>	<b>60</b>	<b>(386)</b>

“Impairment losses and recoveries - specific: other” represent the valuation of the guarantees issued with regard to non-performing loans or problems loans.

**Section 9 – Administrative costs** (caption 150)

## 9.1 Personnel costs: break-down

(Euro/1,000)		
Type of costs / Amount	Total 31.12.2009	Total 31.12.2008
1) Employees	(106,388)	(103,394)
a) wages and salaries	(71,945)	(68,327)
b) social security charges	(18,277)	(17,262)
c) provision for employee termination indemnities		
d) social security costs		
e) provisions for termination indemnities	(933)	(1,457)
f) accruals to pension funds and similar funds:	-	-
- defined contribution		
- defined benefit		
g) amounts paid to external complementary social	(8,439)	(8,058)
- defined contribution	(8,439)	(8,058)
- defined benefit		
h) costs arising from payment agreements based on own financial instruments		
i) other benefits in favor of employees	(6,794)	(8,290)
2) Other personnel in active employment	(1,619)	(1,542)
3) Directors and statutory auditors	(3,563)	(3,936)
4) Staff pensioned off		
5) Recoveries of expenses for staff seconded to other companies	110	81
6) Refund of expenses for third-party employees seconded to the company	(146)	
<b>Total</b>	<b>(111,606)</b>	<b>(108,791)</b>

## 9.2 Average number of employees by category

	31.12.2009	31.12.2008
<b>Employees</b>	<b>1,340</b>	<b>1,372</b>
a) executives	23	24
b) managers	669	652
c) remaining employees	648	696
<b>Other personnel</b>	<b>22</b>	<b>22</b>

## 9.4 Other benefits in favour of employees

(Euro/1,000)	31.12.2009	31.12.2008
provisions for sundry costs	(4,034)	(5,639)
social security contribution	(793)	(778)
training and education expenses	(586)	(387)
leases on buildings dedicated to the use by employees	(58)	(125)
refund of travel expenses	(168)	(87)
other	(1,155)	(1,274)
<b>Total</b>	<b>(6,794)</b>	<b>(8,290)</b>

## 9.5 Other administrative costs: break-down

(Euro/1,000)	31.12.2009	31.12.2008
indirect taxes and duties		
- stamp duties	(7,545)	(7,432)
- other	(3,506)	(2,844)
other costs		
- information technology charges	(9,339)	(8,795)
- property/equipment lease	(6,112)	(5,975)
- maintenance of property/furniture and equipment	(3,429)	(4,303)
- postal and telegraphic charges	(2,306)	(2,334)
- telephone, data transmission charges	(3,618)	(3,772)
- electric power, heating, water	(2,574)	(2,505)
- cleaning services	(798)	(759)
- printing, stationery and consumables expenses	(1,303)	(1,329)
- transport costs	(601)	(763)
- surveillance and security	(1,123)	(1,237)
- advertising	(2,521)	(1,539)
- information and certificates	(1,111)	(1,157)
- insurance premiums	(781)	(809)
- costs for provision of sundry services		
- legal expenses	(3,472)	(3,149)
- professional consulting expenses	(2,653)	(3,678)
- expenses for collective bodies		
- contributions and donations	(169)	(136)
- other expenses	(5,457)	(4,996)
<b>Total</b>	<b>(58,418)</b>	<b>(57,512)</b>

This item includes the fees paid to the audit firm PricewaterhouseCoopers S.p.A. for the following types of services rendered to the Bank.

Euro/1,000	31.12.2009	31.12.2008
Type of services / Remuneration		
Audit	132	123
Certification services		7
Tax advisory services		
Other services: agreed procedures	9	27

**Section 10 – Net provisions for risks and charges** (caption 160)

## 10.1 Net provisions for risks and charges: break-down

(Euro/1,000)		
Type of costs / Amount	31.12.2009	31.12.2008
charges for legal disputes	(2,235)	861
sundry charges	(37)	(37,802)
<b>Total</b>	<b>(2,272)</b>	<b>(36,941)</b>

Adjustment to provisions relating to personnel charges is included under “Administrative expenses - Personnel costs”.

**Section 11 – Net adjustments to/recoveries on tangible assets** (caption 170)

## 11.1 Net adjustments to/recoveries on tangible assets: break-down

(Euro/1,000)					
Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income	Net income
				31.12.2009	31.12.2008
A. Tangible assets					
A.1 owned by the Bank	(5,650)	-	-	(5,650)	(5,928)
- for business use	(5,650)			(5,650)	(5,904)
- for investment	-			-	(24)
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
<b>Total</b>	<b>(5,650)</b>	<b>-</b>	<b>-</b>	<b>(5,650)</b>	<b>(5,928)</b>

Value adjustments exclusively refer to depreciation calculated on the basis of the useful life of assets.

The breakdown of the amortizations by type of asset is shown in the table 11.3 of the Assets.

**Section 12 – Net adjustments to/recoveries on intangible assets** (caption 180)

## 12.1 Net adjustments to/recoveries on intangible assets: break-down

(Euro/1,000)					
Asset/Income component	Amortization	Impairment losses	Recoveries	Net income	Net income
				31.12.2009	31.12.2008
	(a)	(b)	(c)		
A. Intangible assets					
A.1 owned by the Bank	(389)	-	-	(389)	(414)
- generated internally				-	
- other	(389)			(389)	(414)
A.2 leased				-	
<b>Total</b>	<b>(389)</b>	<b>-</b>	<b>-</b>	<b>(389)</b>	<b>(414)</b>

Value adjustments exclusively refer to amortization calculated on the basis of the useful life of intangible assets.

### Section 13 – Other operating income (expenses) (caption 190)

#### 13.1 Other operating expenses: break-down

(Euro/1,000)		
Type of costs/Amount	31.12.2009	31.12.2008
amortization of costs for leasehold improvements	(1,750)	(1,665)
losses on disposal of tangible assets	(40)	(51)
charges on non-banking services	(956)	(3,271)
<b>Total</b>	<b>(2,746)</b>	<b>(4,987)</b>

#### 13.2 Other operating income: break-down

(Euro/1,000)		
Type of income/Amount	31.12.2009	31.12.2008
recovery of taxes from third parties	9,302	8,841
recovery of expenses on deposits and current accounts	1,365	1,054
rentals receivable	5	192
other recoveries of expenses	6,640	10,782
profits from disposal of tangible assets	35	111
others	3,452	3,317
<b>Total</b>	<b>20,799</b>	<b>24,297</b>

### Section 14 – Profits (losses) on equity investments (caption 210)

#### 14.1 Profits (losses) on equity investments: break-down

(Euro/1,000)		
Income component/ / Values	Total 31.12.2009	Total 31.12.2008
A. Revenues	29,886	49,727
1. Revaluations		
2. Profits on disposal	29,886	49,727
3. Write-backs		
4. Other		
B. Charges	-	-
1. Write-downs		
2. Impairment losses		
3. Losses on disposal		
4. Other		
<b>Net result</b>	<b>29,886</b>	<b>49,727</b>

This item represents the profit on disposal of the equity investment in ANIMA S.G.R.p.A. following the approval of the take-over bid.

**Section 17 – Profits (losses) on the disposal of investments** (caption 240)

## 17.1 Profits (losses) on the disposal of investments: break-down

(Euro/1,000)		
Income component/ / Values	Total 31.12.2009	Total 31.12.2008
A. Real estate assets	-	91
- Profits on disposal		91
- Losses on disposal		
B. Other assets	-	-
- Profits on disposal		
- Losses on disposal		
<b>Net result</b>	<b>-</b>	<b>91</b>

**Section 18 – Taxes on income from continuing operations** (caption 260)

## 18.1 Taxes on income from continuing operations: breakdown

(Euro/1,000)		
Income component/Sector	Total 31.12.2009	Total 31.12.2008
1. Current taxes (-)	(31,099)	(39,605)
2. Changes in current taxes of previous periods (+/-)	(87)	641
3. Decrease in current taxes of the year (+)		
4. Changes in deferred tax assets (+/-)	5,497	5,856
5. Changes in deferred tax liabilities (+/-)	5,094	1,415
<b>6. Taxes for the year</b>	<b>(20,595)</b>	<b>(31,693)</b>

The tax release:

- of the surpluses deducted on an informal basis in table EC of the tax return (article 1, paragraph 48, of Law no. 244/2007), and
- of the deviations between values for statutory purposes and values for tax purposes, as emerged upon FTA (article 15, paragraph 3, letter b), of Decree Law no. 185/2008), determined a positive effect on the result for the period equal to Euro 2,376 thousand, due to the difference between the substitute tax paid, equal to Euro 2,051 thousand (referred to in point 1) and the change in deferred tax liabilities equal to Euro 4,427 thousand (referred to in items 4 and 5).

The item "Changes in current taxes of previous periods" relates to the lower current taxes allocated as at 31.12.2008.

## 18.2 Reconciliation of theoretical and effective tax charges in the financial statements

(Euro/1,000)

	IRES	IRAP
Profit before taxes	78,658	78,658
Non-deductible costs for IRAP purposes		189,710
Non-taxable revenues for IRAP purposes		(55,273)
Sub-Total	78,658	213,095
<b>Theoretical tax charge</b>		
<b>27.5% Ires - 4.82% Irap</b>	<b>(21,631)</b>	<b>(10,271)</b>
Temporary taxable differences over subsequent years	(192)	(288)
Temporary deductible differences over subsequent years	36,310	
Reallocation of temporary differences from previous financial years	(14,125)	765
Differences not to be reversed in subsequent years	(27,181)	(30,096)
Taxable income	73,470	183,476
<b>Current taxes for the period</b>		
<b>27.5% Ires - 4.82% Irap</b>	<b>(20,204)</b>	<b>(8,844)</b>

The total effective tax charge, equal to Euro 29,048 thousand, together with the substitute tax of Euro 2,051 thousand relating to the release under article 1, paragraph 48, of Law no. 244/2007 and article 15, paragraph 3, letter b), of Law Decree no. 185/2008, is equal to the amount reported under item "1. Current taxes", table 18.1.

**Section 21 – Earnings per share**

## 21.1 Average number of diluted ordinary shares

## 21.2 Other information

Earnings per share

(amounts per unit)

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	12,285,000	1,663,452	
Retained earnings	38,853,255	5,260,925	
	51,138,255	6,924,377	58,062,632
Average number of outstanding ordinary shares:			
Categories:			
Ordinary shares	117.000.000		
Savings shares	13.202.000		
<b>Earnings per share - Basic:</b>	<b>0.437</b>	<b>0.524</b>	

As at 31 December 2009, the Bank did not hold equity instruments which could potentially dilute basic earnings per share; therefore, diluted earnings per share correspond to basic earnings per share.

## PART D - COMPREHENSIVE INCOME

### Analytical statement of comprehensive income

(Euro/1000)

Captions	Gross amount	Income tax	Net amount
<b>10 Profit (Loss) for the period</b>	x	x	58,063
<b>Other income components</b>			
20 Available-for-sale financial assets	21,955	(6,925)	15,030
a) fair value changes	5,951	(1,720)	4,231
b) reversal to the income statement	1,300	(453)	847
- value adjustments due to deterioration			
- profits/losses on disposal	1,300	(453)	847
c) other changes	14,704	(4,752)	9,952
30 Tangible assets			
40 Intangible assets			
50 Foreign investment hedge:	0	0	0
a) fair value changes			
b) reversal to the income statement			
c) other changes			
60 Cash flow hedge:	0	0	0
a) fair value changes			
b) reversal to the income statement			
c) other changes			
70 Exchange differences:	0	0	0
a) fair value changes			
b) reversal to the income statement			
c) other changes			
Non-current assets held for sale and discontinued operations			
80	0	0	0
a) fair value changes			
b) reversal to the income statement			
c) other changes			
90 Actuarial profits (losses) on defined benefit plans	173	151	324
100 Share of valuation reserve of equity investments carried at equity:	0	0	0
a) fair value changes			
b) reversal to the income statement	0	0	0
- value adjustments due to deterioration			
- profits/losses on disposal			
c) other changes			
<b>110 Total other income components</b>	<b>22,128</b>	<b>(6,774)</b>	<b>15,354</b>
<b>120 Comprehensive income (10+110)</b>	<b>22,128</b>	<b>(6,774)</b>	<b>73,417</b>



## PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

### SECTION 1 – CREDIT RISK

#### Qualitative information

##### 1. General aspects

Banco di Desio e della Brianza's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to medium enterprises markets. Lending is directed at the corporate market to a lesser extent.

The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.

The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.

Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Bank has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.

In relation to policies of risk assumption, one of the main principles underlying the management and formulation of strategic decisions has historically been represented by the effective and precise monitoring of exposure quality.

As a consequence, all policies are aimed at maintaining the high level of receivable quality while also keeping business objectives in mind.

For some specific products (loans, targeted personal loans, leasing), activities are also conducted by means of authorised operators.

##### 2. Policies for the management of credit risks

###### 2.1. Organisational aspects

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.

The Bank's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions. The Board of Directors is assigned, on an exclusive basis, *inter alia*, the tasks and powers related to the determination of the policies which affect the general operation of the company. As regards internal controls, the Board of Directors approves the strategic direction and risk management policies, as well as the organisational structure of the bank.

The Board also ensures that the Managing Director, with the assistance of the General Manager, defines the structure of internal controls and that control functions are autonomous within this structure, in which particular importance is assumed by the system of delegated powers envisaged in the Articles of Association and specified in detail in Internal Regulations. This is a comprehensive system involving various bodies and functions, from the Executive Committee to Middle Managers, which also grants specific powers with regard to disbursing and recovering loans within operating powers.

The various functions are therefore given responsibility for the assessment and assumption of risks in compliance with the lending autonomy ceilings under Internal Regulations and consistently with the organisational system of the sales network.

In this context:

- the Credit (for ordinary credit) and Special Credit (for medium-to-long term, para-banking and consumer credit) Departments standardise the general principles and rules under internal regulations governing the disbursement and monitoring of loans, in order to ensure that the risk activities undertaken meet prudential management criteria and are compatible with regulations on supervision;
- the Risk Performance Control Department monitors activities to forestall and minimise the risks deriving from the worsening of individual credit positions and the credit quality;
- the Litigation Department handles cases that have been classified as problem and non-performing loans, with the aim of optimising the credit collection phase, if necessary through the efficient use of outside collaborators and legal counsels;
- the Internal Audit Department assesses the efficiency and reliability of the entire internal control system and checks, *inter alia*, that lending is carried out in accordance with the rules;
- the duty of the Risk Management Office is to develop credit risk models and measurement methodologies by drawing up periodic reports; the analyses produced mainly regard the evolution of the credit risk attached to the overall credit portfolio and/or to individual fractions of the portfolio entailing other particular credit risks.

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

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.

During the information-gathering stage preliminary to granting credit, the Bank conducts investigations both within and outside the potential borrower's structure, and reaches the final decision to lend also considering the information regarding the economic entity as a whole, which is the result of direct acquaintance with the customer and the economic context in which it operates.

The granting of personal or targeted loans is subject not only to the study of all the valuation factors obtained by means of the necessary documentation, but to the consultation of databases and a series of controls, including points awarded on the basis of a sociological and behavioural scoring system.

In the loan disbursement process, the Bank operates according to guidelines that spread risk over a large number of customers operating in various economic sectors and market segments. Furthermore, the information gathering activities involved in the operational process that leads to disbursement, and periodical reviews, are carried on with the aim of making a loan that is appropriate to each individual name on the basis of both the capacity to repay and the technical form of the credit facility itself and of collaterals. Creditworthiness is assessed with care including on the basis of the customer's explanation of his or her financial requirements in the identification of the most appropriate technical form.

The risk involved in lending is analysed and monitored by the Risk Performance Control Department, which performs its work supported by specific operating procedures. The purpose of a prompt monitoring system is to detect signs of risk deterioration at the earliest possible moment and to take effective corrective actions. For this purpose, customers are separated into classes by analysis of the performance of the relationship and of information from the automated Interbank Risk Service through a specific procedure, which separates customers whose conduct in the course of the relationship is anomalous from those with whom the relationship proceeds smoothly.

When the risk factor evidence contains signs of deterioration (mainly the conduct of the relationship, the trend emerging from the automated Interbank Risk Service, the worsening of the equity and/or financial position or the occurrence of unfavourable events), the loan is classified as under control or in loans to reverse or problem loans with the customer being asked to sign a repayment plan. These loans are handled on the basis of instructions from the Risk Performance Control Department, problem loans are directly managed by the Litigation Department while resolutions on loan disbursement are the sole responsibility of Head Office bodies.

The first watchdog for effective monitoring of the risks that are assumed, however, is the Branch structure, by means both of constant and continual dialogue with customers and recourse to internal and external sources of information. From this point of view it is of fundamental importance to maintain an active presence in the market in order to have access to any information with an unfavourable bearing on the financial position of the grantee.

The Bank adopts, for management purposes, in view of the Risk Management, an internal rating model (C.R.S. Credit Rating System) developed within the Parent Company, capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory). This model allows a rating to be assigned based on the sources of information used and the segment of the borrower (retail/corporate); in particular, the segmentation criteria of the counterparties are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty. There are eight rating classes for performing counterparties (from AAA to CC), while there are four classes representing non-performing loans (expired, restructured, problem and non-performing loans).

With effect from 1 January 2008, the Bank followed the rules laid down in the new legislation regarding the standardised method for the calculation of regulatory capital requirements to meet credit risk.

## **2.3. Credit risk mitigation techniques**

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Bank obtains additional real and/or personal securities in order to mitigate risk.

Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash are also to be found to a lesser extent, although still at significant levels.

A prudential spread is applied to collaterals that varies according to the degree of risk inherent in the assets pledged, which are constantly monitored in order to verify current value as opposed to original value and to allow action to be taken in the event of reductions in value. Spreads defined by Internal regulations are applied to the acquisition of registered mortgages, differentiated according to the type of property, the duration of the financing and the customer's business sector. Personal securities consist for the most part in performance bonds granted by both natural individuals and companies. The related evaluation is always effected on a valuation of the guarantor's liable assets during the enquiry stage or prior to the renewal of the credit.

The guarantees received by the Bank are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks. During 2009 a project was completed, which was aimed at reorganising the

activities involved in the guarantee management process, in compliance with the requirements in the new regulations, paying particular attention to internal monitoring with a view to the verification of eligibility. To date, the Bank has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

#### **2.4. Impaired financial assets**

The transfer to the *non-performing* loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.

Accordingly, the following were classified as *non-performing* loans:

- leasing loans, when the termination of the contracts has been declared due to insolvency, without success;
- consumer credit, when all amicable attempts have been made to recover the loan and credit recovery agencies have intervened unsuccessfully, with the consequent decision to send a letter indicating the forfeiture of the benefit of the term;
- problem mortgage loans, when amicable settlement attempts are to no avail and, consequently, the decision is taken to withdraw the benefit of the term from the customer;
- loans to customers who have entered into receivership procedures, except where it concerns temporary receivership in which it can be reasonably expected that the loan will once again become performing;
- loans to customers who are already placed in non-performing status by other Banks and who, in any event, demonstrate to be unable to meet their commitments undertaken with Bank;
- loans to customers against whom the Bank has initiated a writ of execution

Loans to customers are classified as *problem* loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to take timely legal action in order to safeguard the credit effectively.

In any case problem loans include exposures with specific characteristics described by the supervisory provisions.

As to the classification under restructured loans, either cash or "off-balance sheet", the Group complies with the supervisory provisions, analytically assessing the presence of the requirements prescribed by the regulations.

Positions which are overdue for more than 90 and/or 180 days are kept under constant review by the Risk Control Area with the help of specific computerised procedures.

Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent.

In fact, loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop. The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out by outside legal counsels operating in various court districts.

**Quantitative INFORMATION**
**A. Credit quality**
**A.1 Performing and impaired loans: amounts, value adjustments, changes, break-down by type and geographical area**
*A.1.1 Loans: break-down by portfolio and credit quality (book values)*

(Euro/1,000)

Portfolio / Qua lity	Non - performing loans	Problem loans	Restructured loans	Expired loans	Other assets	Total
1. Financial assets held for trading					70,198	<b>70,198</b>
2. Available-for-sale financial assets	110				690,513	<b>690,623</b>
3. Held-to-maturity investments					-	-
4. Amount due from banks					920,613	<b>920,613</b>
5. Amounts due from customers	62,400	60,420	284	25,975	4,537,049	<b>4,686,128</b>
6. Financial assets at fair value through profit or loss						-
7. Financial assets under disposal						-
8. Hedging derivatives						-
<b>Total 31.12.2009</b>	<b>62,510</b>	<b>60,420</b>	<b>284</b>	<b>25,975</b>	<b>6,218,373</b>	<b>6,367,562</b>
<b>Total 31.12.2008</b>	<b>36,468</b>	<b>42,553</b>		<b>23,206</b>	<b>5,695,843</b>	<b>5,798,070</b>

*A.1.2 Loans: break-down by portfolio and credit quality (gross and net values)*

(Euro/1,000)

Portfolio / Quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	-		-	x	x	70,198	<b>70,198</b>
2. Available-for-sale financial assets	110		110	690,513		690,513	<b>690,623</b>
3. Held-to-maturity investments			-	-		-	-
4. Amount due from banks			-	920,634	21	920,613	<b>920,613</b>
5. Amounts due from customers	234,086	85,006	149,080	4,560,260	23,212	4,537,048	<b>4,686,128</b>
6. Financial assets at fair value through profit or loss			-	x	x		-
7. Financial assets under disposal			-			-	-
8. Hedging derivatives			-	x	x	-	-
<b>Total 31.12.2009</b>	<b>234,196</b>	<b>85,006</b>	<b>149,190</b>	<b>6,171,407</b>	<b>23,233</b>	<b>6,218,372</b>	<b>6,367,562</b>
<b>Total 31.12.2008</b>	<b>169,756</b>	<b>67,529</b>	<b>102,227</b>	<b>5,445,679</b>	<b>24,404</b>	<b>5,695,843</b>	<b>5,798,070</b>

## A.1.3 Cash and off-balance sheet loans to banks: gross and net values

(Euro/1,000)

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH LOANS</b>				
a) Non-performing loans			x	-
b) Problem loans			x	-
c) Restructured loans			x	-
d) Expired loans			x	-
e) Other assets	1,240,603	x	21	1,240,582
<b>Total A</b>	<b>1,240,603</b>	<b>-</b>	<b>21</b>	<b>1,240,582</b>
<b>B. OFF-BALANCE SHEET LOANS</b>				
a) Impaired			x	-
b) Other	276,156	x	140	276,016
<b>Total B</b>	<b>276,156</b>	<b>-</b>	<b>140</b>	<b>276,016</b>
<b>Total A+B</b>	<b>1,516,759</b>		<b>161</b>	<b>1,516,598</b>

## A.1.6 Cash and off-balance sheet loans to customers: gross and net values

(Euro/1,000)

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH LOANS</b>				
a) Non-performing loans	115,962	53,452	x	62,510
b) Problem loans	90,479	30,059	x	60,420
c) Restructured loans	316	32	x	284
d) Expired loans	27,439	1,464	x	25,975
e) Other assets	4,974,843	x	23,212	4,951,631
<b>Total A</b>	<b>5,209,039</b>	<b>85,007</b>	<b>23,212</b>	<b>5,100,820</b>
<b>B. OFF-BALANCE SHEET LOANS</b>				
a) Impaired	1,322	305	x	1,017
b) Other	315,471	x	681	314,790
<b>Total B</b>	<b>316,793</b>	<b>305</b>	<b>681</b>	<b>315,807</b>
<b>TOTAL A+B</b>	<b>5,525,832</b>	<b>85,312</b>	<b>23,893</b>	<b>5,416,627</b>

**A.1.7 Cash loans to customers: changes in impaired loans– gross**

(Euro/1,000)

Type / Category	Nonperforming loans	Problem loans	Restructured loans	Expired loans
<b>A. Opening gross exposure</b>	<b>78,987</b>	<b>67,898</b>		<b>23,759</b>
<i>of which: loans sold but not written off</i>				
<b>B. Increases</b>	<b>95,082</b>	<b>127,524</b>	<b>316</b>	<b>80,736</b>
b.1 from performing loans	17,910	77,015	-	73,266
b.2 transfer from other categories of impaired	73,253	23,103	308	923
b.3 other increases	3,919	27,406	8	6,547
<b>C. Decreases</b>	<b>58,107</b>	<b>104,943</b>	<b>-</b>	<b>77,056</b>
c.1 to performing loans		5,714		35,020
c.2 write-offs	37,870	839		
c.3 collections	19,514	25,181		18,329
c.4 arising from sales	51			
c.5 transfer to other categories of impaired loans	672	73,209		23,707
c.6 other decreases				
<b>D. Closing gross exposure</b>	<b>115,962</b>	<b>90,479</b>	<b>316</b>	<b>27,439</b>
<i>of which: loans sold but not written off</i>				

**A.1.8 Cash loans to customers: changes in total value adjustments**

(Euro/1,000)

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
<b>A. Total opening adjustments</b>	<b>42,520</b>	<b>25,345</b>		<b>553</b>
<i>of which: loans sold but not written off</i>				
<b>B. Increases</b>	<b>57,861</b>	<b>27,388</b>	<b>32</b>	<b>1,566</b>
b.1 adjustments	39,176	27,313		1,414
b.2 transfer from other categories of impaired	18,685	75	32	152
b.3 other increases				
<b>C. Decreases</b>	<b>46,929</b>	<b>22,674</b>	<b>-</b>	<b>655</b>
c.1 write-backs due to valuation	5,139	1,660		244
c.2 write-backs due to collection	3,031	1,470		174
c.3 write-offs	37,870	838		
c.4 transfer to other categories of impaired loans		18,706		237
c.5 other decreases	889			
<b>D. Total closing adjustments</b>	<b>53,452</b>	<b>30,059</b>	<b>32</b>	<b>1,464</b>
<i>of which: loans sold but not written off</i>				

**A.2 Break-down of exposures based on external ratings**
**A.2.1 Break-down of cash and off-balance sheet loans by classes of external ratings (book values)**

In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is modest.

### A.2.2 Break-down of cash and off-balance sheet loans by classes of internal ratings

The Bank does not use internal rating models for the determination of capital requirements. As outlined in the section dedicated to qualitative information (paragraph 2.2), the Bank started a testing process some time ago, focused on the determination of internal ratings of loans to customers. Project activities are in progress which are aimed at implementing a model specifically aimed at assessing retail clients (private consumers and micro enterprises), while in the course of the financial year the section dedicated to Corporate clients (enterprises with a turnover of over Euro 1million) was the object of actions aimed at improving the discriminatory power of the model.

The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate loans.

Loans as at 31.12.2009	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	31.3%	49.9%	18.8%	100%
Off-balance sheet loans	64.2%	27.5%	8.3%	100%

### A.3 Breakdown of guaranteed loans by type of guarantee

#### A.3.1 Secured loans to banks

(Euro/1,000)

	Net exposure	Real Guarantees			Personal Guarantees								Total 2009						
		Property	Securities	Other real guarantees	Credit derivatives				Endorsements										
					C	L	N	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks		Other public entities	Banks	Other entities			
<b>1. Secured cash loans</b>	<b>160,131</b>																		
1.1 fully secured	15,000																		
<i>of wich impaired</i>																			
1.2 partially secured	145,131																		
<i>of wich impaired</i>																			
<b>2. Secured off-balance sheet loans</b>																			
2.1 fully secured																			
<i>of wich impaired</i>																			
2.2 partially secured																			
<i>of wich impaired</i>																			

**A.3.2 Secured loans to customers**

(Euro/1,000)

	Net exposure	Real Guarantees			Personal Guarantees								Total 2009				
					C L N				Credit derivatives					Endorsements			
		Property	Securities	Other real guarantees					Governments and central banks	Other public entities	Banks	Other entities		Governments and central banks	Other public entities	Banks	Other entities
<b>1. Secured cash loans</b>	<b>3,109,690</b>	<b>1,796,170</b>	<b>140,517</b>	<b>58,283</b>													
1.1 fully secured	2,880,627	1,795,870	107,612	45,661													
of which impaired	108,694	65,213	1,203	1,764													
1.2 partially secured	229,063	300	32,905	12,622													
of which impaired	8,185	10	433	461													
<b>2. Secured off-balance sheet loans</b>	<b>75,612</b>	<b>-</b>	<b>66,305</b>	<b>11,623</b>													
2.1 fully secured	59,052		11,145	9,087													
of which impaired	512		197	75													
2.2 partially secured	16,560		55,160	2,536													
of which impaired	1		1	-													

**B. Break-down and concentration of loans**
**B.1 Cash and off-balance sheet loans to customers: break-down by sector (book value)**

(Euro/1,000)

Loan/Counterparty	Governments and central banks			Other public entities			Financial institutions		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
<b>A. Cash loans</b>									
A.1 Non-performing loans			x				110		x
A.2 Problem loans			x						x
A.3 Restructured loans			x						x
A.4 Impaired loans	-		x				-		x
A.5 Other loans	371,255	x		93	x		97,120	x	131
<b>Total A</b>	<b>371,255</b>	<b>-</b>	<b>-</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>97,230</b>	<b>-</b>	<b>131</b>
<b>B. Off-balance sheet loans</b>									
B.1 Non-performing loans			x						x
B.2 Problem loans			x						x
B.3 Other impaired assets			x						x
B.4 Other loans		x			x		3,333	x	22
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,333</b>	<b>-</b>	<b>22</b>
<b>Total (A+B) 2009</b>	<b>371,255</b>	<b>-</b>	<b>-</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>100,563</b>	<b>-</b>	<b>153</b>
<b>Total 2008</b>	<b>386,611</b>			<b>195</b>			<b>158,994</b>	<b>-</b>	<b>125</b>



(Euro/1,000)

Loan/Counterparty	Insurance companies			Non financial companies			Other entities		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
<b>A. Cash loans</b>									
A.1 Non-performing loans			x	40,317	38,666	x	22,082	14,786	x
A.2 Problem loans			x	35,782	22,004	x	24,638	8,055	x
A.3 Restructured loans			x	284	32	x			x
A.4 Impaired loans			x	13,996	839	x	11,979	625	x
A.5 Other loans	57,245	x		3,013,613	x	18,551	1,412,305	x	4,530
<b>Total A</b>	<b>57,245</b>	<b>-</b>	<b>-</b>	<b>3,103,992</b>	<b>61,541</b>	<b>18,551</b>	<b>1,471,004</b>	<b>23,466</b>	<b>4,530</b>
<b>B. Off-balance sheet loans</b>									
B.1 Non-performing loans			x	235	193	x	12	15	x
B.2 Problem loans			x	284	94	x	252	1	x
B.3 Other impaired assets			x	215		x	20		x
B.4 Other loans	108	x	-	279,831	x	590	31,519	x	68
<b>Total B</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>280,565</b>	<b>287</b>	<b>590</b>	<b>31,803</b>	<b>16</b>	<b>68</b>
<b>Total (A+B) 2009</b>	<b>57,353</b>	<b>-</b>	<b>-</b>	<b>3,384,557</b>	<b>61,828</b>	<b>19,141</b>	<b>1,502,807</b>	<b>23,482</b>	<b>4,598</b>
<b>Total 2008</b>	<b>33,916</b>			<b>3,062,879</b>	<b>48,681</b>	<b>20,477</b>	<b>1,309,093</b>	<b>18,849</b>	<b>3,943</b>

## B.2 Cash and off-balance sheet loans to customers: break-down by geographical area (book value)

(Euro/1,000)

Loans/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
<b>A. Cash loans</b>										
A.1 Non-performing loans	62,400	53,452			110					
A.2 Problem loans	60,420	30,059								
A.3 Restructured loans	284	32								
A.4 Impaired loans	25,975	1,464								
A.5 Other loans	4,945,178	23,034	4,444		1,445		565	177		
<b>Total A</b>	<b>5,094,257</b>	<b>108,041</b>	<b>4,444</b>	<b>-</b>	<b>1,555</b>	<b>-</b>	<b>565</b>	<b>177</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet loans</b>										
B.1 Non-performing loans	247	209								
B.2 Problem loans	536	96								
B.3 Other impaired assets	235									
B.4 Other loans	313,617	677	1,173	4						
<b>Total B</b>	<b>314,635</b>	<b>982</b>	<b>1,173</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 2009</b>	<b>5,408,892</b>	<b>109,023</b>	<b>5,617</b>	<b>4</b>	<b>1,555</b>	<b>-</b>	<b>565</b>	<b>177</b>	<b>-</b>	<b>-</b>
<b>Total 2008</b>	<b>5,237,124</b>	<b>92,990</b>	<b>11,940</b>	<b>-</b>	<b>2,376</b>	<b>890</b>	<b>544</b>	<b>233</b>		

**B.3 Cash and off-balance sheet loans to banks: break-down by geographical area (book value)**

(Euro/1000)

Loans/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
<b>A. Cash loans</b>										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	1,157,253		82,499		654		95	16	81	5
<b>Total A</b>	<b>1,157,253</b>	<b>-</b>	<b>82,499</b>	<b>-</b>	<b>654</b>	<b>-</b>	<b>95</b>	<b>16</b>	<b>81</b>	<b>5</b>
<b>B. Off-balance sheet loans</b>										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	258,868	29	16,483	108	1	-	637	1	27	1
<b>Total B</b>	<b>258,868</b>	<b>29</b>	<b>16,483</b>	<b>108</b>	<b>1</b>	<b>-</b>	<b>637</b>	<b>1</b>	<b>27</b>	<b>1</b>
<b>Total (A+B) 2009</b>	<b>1,416,121</b>	<b>29</b>	<b>98,982</b>	<b>108</b>	<b>655</b>	<b>-</b>	<b>732</b>	<b>17</b>	<b>108</b>	<b>6</b>
<b>Total 2008</b>	<b>527,796</b>	<b>-</b>	<b>406,253</b>	<b>-</b>	<b>2,096</b>	<b>-</b>	<b>157</b>	<b>21</b>	<b>52</b>	<b>1</b>

**B.4 Large risks**

At 31 December 2009 there were no risk positions constituting "large risks" on the basis of the regulator's rules.

**C. Securitisation transactions and asset disposal**
**C.1 Securitization transactions**
**Quantitative information**
**C.1.1 Loans arising from securitization transactions divided by quality of the underlying assets**

(Euro/1,000)

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines			
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior	Mezzanine	Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. With own underlying assets</b>																
a) impaired																
b) other																
<b>B. With third party underlying assets</b>																
a) impaired																
b) other	1,807	1,807														

**C.1.3 Loans arising from main “third party” securitization transactions divided by type of securitized assets and of Loan**

(Euro/1,000)

Underlying asset type / Loans	Cash loans						Guarantees granted						Credit lines			
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior	Mezzanine	Junior	
	Book value	Adjustments /Write-backs	Book value	Adjustments /Write-backs	Book value	Adjustments /Write-backs	Net exposure	Adjustments /Write-backs	Net exposure	Adjustments /Write-backs	Net exposure	Adjustments /Write-backs	Net exposure	Adjustments /Write-backs	Net exposure	Adjustments /Write-backs
A.1 F.I.P.F. 10/01/23 - property	1,807		198													

**C.1.4 Exposures arising from securitizations broken down by portfolio and by type**

(Euro/1,000)

Exposure/portfolio	Financial assets held for trading	Financial asset - fair value option	Available-for-sale financial assets	Held-to-maturity investments	Held-to-maturity investments	Total 31.12.2009	Total 31.12.2008
<b>1. Cash loans</b>	-	-	<b>1,807</b>	-	-	<b>1,807</b>	<b>1,807</b>
- senior			1,807			1,807	1,807
- mezzanine							
- junior							
<b>2. Off-balance sheet loans</b>	-	-	-	-	-	-	-
- senior							
- mezzanine							
- junior							

**C.1.7 Servicing activity – collection of securitized loans and repayment of securities issued by special purpose vehicle**

(Euro/1,000)

Special purpose vehicle	Securitized assets (end of period)		Loans collected for the year		As a percentage of repaid securities (end of period)						
	impaired	performing	impaired	performing	senior		mezzanine		junior		
					impaired assets	performing assets	impaired assets	performing assets	impaired assets	performing assets	
S.C.C. S.r.l. Via Ildebrando Vivanti,4 ROME				358					100		

## C.2 Asset disposals

### C.2.1 Financial assets sold but not written off

(Euro/1,000)

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit			Available-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total 2009
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
	<b>A. Cash assets</b>																		
1. Debt securities	4,353						18,225						24,315						<b>46,893</b>
2. Equity securities																			
3. U.C.I.T.S																			
4. Financing																			
<b>B. Derivative instruments</b>																			
<b>Total 31.12.2009</b>	<b>4,353</b>						<b>18,225</b>												<b>46,893</b>
<i>of which impaired</i>																			
<b>Total 31.12.2008</b>	<b>132,507</b>						<b>52,638</b>												<b>185,145</b>
<i>of which impaired</i>																			

#### Legend:

A = financial assets sold and recognised entirely (book value)

B = financial assets sold and recognised partially (book value)

C = financial assets sold and recognised partially (full amount)

### C.2.2 Financial liabilities against financial assets sold but not written off

(Euro/1,000)

Liabilities / Assets portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total 31.12.2009
<b>1. Due to customers</b>	<b>4,319</b>	-	<b>17,762</b>	-	<b>24,313</b>	-	<b>46,394</b>
a) corresponding to fully recorded assets	4,319		17,762		24,313		<b>46,394</b>
b) corresponding to partially recorded assets							
<b>2. Due to banks</b>	-	-	<b>599</b>	-	-	-	<b>599</b>
a) corresponding to fully recorded assets			599				<b>599</b>
b) corresponding to partially recorded assets							
<b>Total 31.12.2009</b>	<b>4,319</b>	-	<b>18,361</b>	-	<b>24,313</b>	-	<b>46,993</b>
<b>Total 31.12.2008</b>	<b>131,797</b>		<b>53,641</b>				<b>185,438</b>

## SECTION 2 – MARKET RISKS

### 2.1 Interest rate risk and price risk- regulatory trading portfolio

#### Qualitative information

##### **A. General aspects**

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.

The Bank adopted a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile, through a low portfolio duration.

##### **B. Interest rate risk and price risk management processes and measurement methods**

The operational activity of the Finance Department is monitored by the internal control system both for operating limits (in terms of amount and composition by type of securities) and interest rate risk and price risk. Specifically, duration limits are laid down in order to limit interest rate risk. The Bank carries out both hedging and trading transactions and has established stop-loss limits on high-volatility financial instruments such as derivatives and equity. The Finance Department provides Head Office with daily updates on operations and amounts in portfolios, as well as informing it in the event that operating limits have been reached.

Together with the abovementioned controls, the Bank has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk and price risk to the risk management unit, which operates completely independently with respect to operational offices.

In order to quantify generic risks, the Bank has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.

This is a parametric model of a variance-covariance type for “linear” instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.

The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in a period corresponding to 250 observations.

The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.

To date, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis.

The VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).

Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary research activities are being performed which will lead to the implementation of “backtesting” analysis.

Trading activity is subject to operating limits laid down by the Board of Directors and expressed for each delegation level in terms of VaR. The interest rate risk and price risk and compliance with the limits are monitored daily. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each party in the process. The results of the monitoring are in any event given daily to the Finance Department Manager, as well as to the General Management and the Board of Directors. The overall V.a.R limits related to the “managed portfolio” were never exceeded in the period of reference.

The internal model is not used in the calculation of the capital requirement on market risks.

**Quantitative information**
**1 Regulatory trading portfolio: break-down by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives**

Currency of denomination  
(euro/1,000)

EURO

Type/Residual maturity	On demand	up to 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Betw een 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	<b>9,610</b>	<b>27,588</b>	<b>3,542</b>	<b>1,241</b>	<b>1,865</b>	<b>80</b>	-
1.1 Government securities	-	9,610	27,588	3,542	1,241	1,865	80	-
- with an option for early redemption				499				
- other		9,610	27,588	3,043	1,241	1,865	80	
1.2 Other assets								
<b>2. Cash liabilities</b>	-	<b>1,168</b>	<b>3,151</b>	-	-	-	-	-
2.1 Reverse repos		1,168	3,151					
2.2 Other liabilities								
<b>3. Financial derivatives</b>	<b>6,006</b>	<b>141,215</b>	<b>78,723</b>	<b>20,278</b>	<b>25,657</b>	-	-	-
3.1 With underlying security	6,006	17,985	295	61	436	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	6,006	17,985	295	61	436	-	-	-
+ long positions	5,278	6,423	225	61	399	-	-	-
+ short positions	728	11,562	70	-	37	-	-	-
3.2 With no underlying security	-	123,230	78,428	20,217	25,221	-	-	-
- Options	-	-	400	178	220	-	-	-
+ long positions			200	89	110			
+ short positions			200	89	110			
- Other	-	123,230	78,028	20,039	25,001	-	-	-
+ long positions		65,828	34,477	10,115	12,501			
+ short positions		57,402	43,551	9,924	12,500			

Currency of denomination  
(euro/1,000)

US Dollar

Type/Residual maturity	On demand	up to 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Betw een 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	-	<b>13,595</b>	<b>10,165</b>	<b>2,059</b>	<b>2,082</b>	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	-	13,595	10,165	2,059	2,082	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	13,595	10,165	2,059	2,082	-	-	-
+ long positions		7,110	4,868	934	1,041			
+ short positions		6,485	5,297	1,125	1,041			

Currency of denomination  
(euro/1,000)

## POUND STERLING

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	-	<b>827</b>	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	-	827	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	827	-	-	-	-	-	-
+ long positions		420						
+ short positions		407						

Currency of denomination  
(euro/1,000)

## SWISS FRANC

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	-	<b>897</b>	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	-	897	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	897	-	-	-	-	-	-
+ long positions		553						
+ short positions		344						

Currency of denomination  
(euro/1,000)

## CANADIAN DOLLAR

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	-	22	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	-	22	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	22	-	-	-	-	-	-
+ long positions								
+ short positions		22						

Currency of denomination  
(euro/1,000)

## JAPANESE YEN

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	-	255	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	-	255	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	255	-	-	-	-	-	-
+ long positions		238						
+ short positions		17						



Currency of denomination  
(euro/1,000)

Type/Residual maturity	Other currencies							
	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	-	<b>894</b>	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	-	894	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	894	-	-	-	-	-	-
+ long positions		452						
+ short positions		442						

### 3 Regulatory trading portfolio - internal models and other methods for sensitivity analyses

Monitoring effected on the “regulatory trading portfolio” during the 2009 financial year showed a structure with limited market risk. Given the policy implemented by the Group to underestimate price risks, specifically in the last part of the year, the “regulatory trading portfolio” is almost entirely exposed to the interest rate risk. During the year, in terms of VaR, the absorption from the interest rate risk has been lower than that of the price risk.

With respect to the interest rate risk, VaR at 31 December 2009 is Euro 54 thousand, with a percentage of less than 0.1% of the trading portfolio and a duration of 0.79, evidence of the low-risk profile.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assumed variations of +/- 100 basis points only for the positions that are sensitive to interest rates. As at 31.12.2009, considering the positive variation in rates and the economic data on an annual basis, there was a negative impact of Euro 338 thousand, equal to:

- 0.76% of trading portfolio;
- 0.13% of business margin;
- 1.29% of net income for the period;
- 0.05% of shareholders' equity, net of the result for the period.

As at 31.12.2009 there were no positions exposed to the price risk.

## 2.2 Interest rate risk and price risk – banking portfolio

### Qualitative information

#### A. General aspects, management procedures and methods of measuring interest rate risk and price risk

It is the responsibility of the risk management unit, which is autonomous with respect to operating areas, to measure interest rate risk. The system of the bank's commercial activities consisting of balance sheet asset and liability maturity transformation, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; an analysis of the application is being concluded which will allow a dynamic assessment to be made.

The studies being carried out at the moment allow the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin. Decision-making is aimed at minimising the volatility of the expected interest margin and of economic value, directing the bank's strategy so that it takes up the opportunities the market offers as the interest rate structure varies.

The model covers the assets and liabilities exposed to interest rate risk, included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.

Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by gap analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.

The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods.

The analyses are performed using parallel shifts in the yield curve and specific scenarios of market rate changes.

## **B. Fair Value hedge**

The Bank's primary objective is to manage the risks associated with its operations prudently and actively, namely on the basis of a determinate risk profile that allows it to take up any opportunities deriving from risk factor variations.

To date, the Bank only takes out Fair Value type hedges in order to protect the profit and loss account from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. To date, only liabilities have been hedged, and of these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.

The Bank has prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Bank uses to carry out the effectiveness test is the Dollar Offset Method (hedge ratio) on a cumulative basis, namely the comparison between changes in Fair Value of the hedging instrument and of the hedged instrument. All the hedges are specific.

In line with the previous year, the Bank decided to apply the Fair Value Option to all hedging transactions started in 2009.

**C. Cash flow hedge**

No cash flow hedge transactions have been effected by the Bank.

**Quantitative information**
**1. Banking portfolio: distribution by outstanding maturity (repricing date) of banking assets and liabilities**

Currency of denomination  
(euro/1,000)

EURO

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>1,489,377</b>	<b>3,271,006</b>	<b>289,973</b>	<b>99,287</b>	<b>550,874</b>	<b>427,728</b>	<b>27,625</b>	-
1.1 Government securities	74,768	385,750	166,270	4,958	123,826	24,742	24,231	-
- with an option for early redemption	6,121	46,471						
- other	68,647	339,279	166,270	4,958	123,826	24,742	24,231	
1.2 Financing to banks	193,857	577,861						
1.3 Financing to customers	1,220,752	2,307,395	123,703	94,329	427,048	402,986	3,394	
- Current account	1,140,555							
- other loans								
- with an option for early redemption	12,369	1,846,401	58,839	39,024	165,267	106,240	2,550	
- other	67,828	460,994	64,864	55,305	261,781	296,746	844	
<b>2. Cash liabilities</b>	<b>3,754,347</b>	<b>978,185</b>	<b>519,394</b>	<b>146,348</b>	<b>405,476</b>	<b>18,155</b>	-	-
2.1 Due to customers	3,570,795	44,659	359	21				
- Current account	3,522,943	2,930						
- other								
- with an option for early redemption								
- other	47,852	41,729	359	21				
2.2 Due to banks	159,797	23,568	300					
- Current account	159,782							
- other	15	23,568	300					
2.3 Debt securities	23,755	909,958	518,735	146,327	405,476	18,155		
- with an option for early redemption								
- other	23,755	909,958	518,735	146,327	405,476	18,155		
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	<b>5,995</b>	<b>720,568</b>	<b>305,820</b>	<b>136,613</b>	<b>299,176</b>	<b>2,718</b>	-	-
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	5,995	720,568	305,820	136,613	299,176	2,718		
- Options			3,895	6,613		2,718		
+ long positions				3,895		2,718		
+ short positions			3,895	2,718				
- Other	5,995	720,568	301,925	130,000	299,176			
+ long positions		269,656	35,000	125,000	299,176			
+ short positions	5,995	450,912	266,925	5,000				

Currency of denomination  
(euro/1,000)

US DOLLAR

Type/Residual maturity	On demand	up to 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Betw een 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>268</b>	<b>68,318</b>	<b>56</b>	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	246	58,700						
1.3 Financing to customers	22	9,618	56	-	-	-	-	
- Current account	8							
- other loans								
- with an option for early redemption								
- other	14	9,618	56					
<b>2. Cash liabilities</b>	<b>60,852</b>	<b>7,137</b>	-	-	-	-	-	-
2.1 Due to customers	15,682	-	-	-				
- Current account	15,682							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	45,170	7,137	-					
- Current account	45,167							
- other	3	7,137						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	<b>746</b>	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	746	-	-	-	-		
- Options	-	-	-	-	-	-		
+ long positions								
+ short positions								
- Other	-	746	-	-	-			
+ long positions		373						
+ short positions		373						

Currency of denomination  
(euro/1,000)

POUND STERLING

Type/Residual maturity	On demand	up to 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Betw een 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>6,803</b>	<b>1,495</b>	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	6,803	1,320						
1.3 Financing to customers	-	175	-	-	-	-	-	-
- Current account								
- other loans								
- with an option for early redemption								
- other		175						
<b>2. Cash liabilities</b>	<b>6,781</b>	<b>1,319</b>	-	-	-	-	-	-
2.1 Due to customers	2,014	281						
- Current account	2,014	281						
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	4,767	1,038	-					
- Current account	4,767							
- other		1,038						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

Currency of denomination  
(euro/1,000)

SWISS FRANC

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>2,159</b>	<b>4,670</b>	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	2,157	844						
1.3 Financing to customers	2	3,826	-	-	-	-	-	-
- Current account								
- other loans								
- with an option for early redemption								
- other	2	3,826						
<b>2. Cash liabilities</b>	<b>2,503</b>	<b>4,516</b>	-	-	-	-	-	-
2.1 Due to customers	217	-						
- Current account	217							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	2,286	4,516	-					
- Current account	2,286							
- other		4,516						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

Currency of denomination  
(euro/1,000)

CANADIAN DOLLAR

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>1,105</b>	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	1,105							
1.3 Financing to customers	-	-	-	-	-	-	-	-
- Current account								
- other loans								
- with an option for early redemption								
- other								
<b>2. Cash liabilities</b>	<b>1,103</b>	-	-	-	-	-	-	-
2.1 Due to customers	310	-						
- Current account	310							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	793	-	-					
- Current account	793							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

Currency of denomination  
(euro/1,000)

JAPANESE YEN

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>93</b>	<b>6,766</b>	-	<b>196</b>	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	86	450						
1.3 Financing to customers	7	6,316	-	196	-	-	-	
- Current account								
- other loans								
redemption								
- other	7	6,316		196				
<b>2. Cash liabilities</b>	<b>110</b>	<b>7,134</b>	-	-	-	-	-	-
2.1 Due to customers	8	-						
- Current account	8							
- other								
redemption								
- other								
2.2 Due to banks	102	7,134	-					
- Current account	100							
- other	2	7,134						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								



Currency of denomination  
(euro/1,000)

Type/Residual maturity	Other currencies							
	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>17,110</b>	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	17,110							
1.3 Financing to customers	-	-	-	-	-	-	-	-
- Current account								
- other loans								
redemption								
- other								
<b>2. Cash liabilities</b>	<b>17,019</b>	-	-	-	-	-	-	-
2.1 Due to customers	16,037	-	-	-	-	-	-	-
- Current account	16,037							
- other								
redemption								
- other								
2.2 Due to banks	982	-	-	-	-	-	-	-
- Current account	982							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

## 2. Banking portfolio - internal models and other methods for sensitivity analyses

The assessment that emerges from the overall Bank position is that of a limited risk profile for 2009. This operational and strategic approach is directed at minimising the volatility of interest margins and of total economic value.

The table below shows the impacts of a change in the interest margin should there be a parallel variation in the interest rate curve and in consideration of the time effect of item repricing from a static perspective and as at 31 December 2009.

Risk indices: parallel shifts of the interest rate curve as of 31 December 2009.

	+100 bp	-100 bp
% on the expected margin	11.50%	-19.52%
% on the business margin	6.34%	-10.76%
% on the result for the period	34.01%	-57.71%
% on equity	1.32%	-2.25%

As regards economic value, in the 2009 financial year risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee. In fact, in the event of significant shifts in the interest rate curve, such changes would lead to negligible changes in the market value of the Bank's assets.

The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices: parallel shifts of the rates curve as of 31 December 2009.

	+100 bp	-100 bp
% on the economic value	-2.10%	2.28%

## 2.3 Exchange risk

### Qualitative information

#### A. General aspects, management procedures and methods of measuring exchange risk

The Bank is exposed to exchange risk because it trades on currency markets and owing to its activities involving investment and savings with instruments denominated in a foreign currency.

The Bank is exposed to exchange risks to a marginal extent. The Finance Department's Operations Room handles currency operations, namely:

- transactions on the domestic and foreign currency, exchange rate and currency deposits markets;
- trading spot and forward contracts on its own behalf and for customers;
- forward and deposit transactions in foreign currencies with resident and non-resident counter-parties.

The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. There are also daily and annual stop-loss operating limits.

#### B. Exchange rate hedge

The Bank's primary objective is to manage the exchange risk prudently, while always taking the possibility of profiting from market opportunities into consideration. Transactions involving exchange risks, therefore, are managed by means of appropriate hedging strategies.

**Quantitative information**

## 1. Break-down of assets, liabilities and derivatives by currency of denomination

(Euro/1,000)

Captions	Currency					
	US Dollar	Pound Sterling	Japanese Yen	Canadian Dollar	Swiss Franc	Other currencies
<b>A. Financial assets</b>	<b>68,642</b>	<b>8,297</b>	<b>7,054</b>	<b>1,105</b>	<b>6,830</b>	<b>17,110</b>
A.1 Debt securities						
A.2 Equity securities						
A.3 Financing to banks	58,946	8,122	536	1,105	3,001	17,110
A.4 Financing to customers	9,696	175	6,518	-	3,829	-
A.5 Other financial assets						
<b>B. Other assets</b>	<b>156</b>	<b>100</b>	<b>9</b>	<b>14</b>	<b>164</b>	<b>18</b>
<b>C. Financial liabilities</b>	<b>67,988</b>	<b>8,100</b>	<b>7,245</b>	<b>1,103</b>	<b>7,019</b>	<b>17,019</b>
C.1 Due to banks	52,306	5,805	7,237	793	6,802	982
C.2 Due to customers	15,682	2,295	8	310	217	16,037
C.3 Debt securities						
C.4 Other financial liabilities						
<b>D. Other liabilities</b>	<b>521</b>	<b>204</b>	<b>29</b>	<b>-</b>	<b>52</b>	<b>-</b>
<b>E. Financial derivatives</b>	<b>27,900</b>	<b>827</b>	<b>255</b>	<b>22</b>	<b>897</b>	<b>894</b>
- Options	-	-	-	-	-	-
+ long positions						
+ short positions						
- Other	27,900	827	255	22	897	894
+ long positions	13,953	420	238	-	553	452
+ short positions	13,947	407	17	22	344	442
<b>Total assets</b>	<b>82,751</b>	<b>8,817</b>	<b>7,301</b>	<b>1,119</b>	<b>7,547</b>	<b>17,580</b>
<b>Total liabilities</b>	<b>82,456</b>	<b>8,711</b>	<b>7,291</b>	<b>1,125</b>	<b>7,415</b>	<b>17,461</b>
<b>Imbalance (+/-)</b>	<b>295</b>	<b>106</b>	<b>10</b>	<b>-6</b>	<b>132</b>	<b>119</b>

## 2. Internal models and other methods for sensitivity analysis

The exchange risk profile assumed by the Bank is not significant, in light of the currency exposure of the balance sheet items and the relevant hedging transactions implemented through derivative financial instruments.

**2.4 Derivative instruments**
**A. Financial derivatives**
*A.1 Regulatory trading portfolio: average and period-end notional values*

Euro / 1,000

Underlying assets / Type of derivatives	Total 31.12.2009		Total 31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	<b>110,098</b>		<b>236,106</b>	
a) Options	2,098		13,132.00	
b) Sw ap	108,000		203,500.00	
c) Forw ard				
d) Futures				
e) Other			19,474.00	
2. Equity securities and stock indexes	-		<b>689</b>	
a) Options				
b) Sw ap				
c) Forw ard				
d) Futures				
e) Other			689	
3. Currencies and gold	<b>30,795</b>		<b>647,249</b>	
a) Options				
b) Sw ap				
b) Forw ard	30,795			
c) Futures				
e) Other			647249	
4. Commodities				
5. Other underlying items				
<b>Total</b>	<b>140,893</b>		<b>884,044</b>	
<b>Average values</b>	<b>113,426</b>		<b>277,556</b>	

*A.2 Banking portfolio: period-end notional values*
*A.2.1 Hedging instruments*

Euro / 1,000

Underlying assets / Type of derivatives	Total 31.12.2009		Total 31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	-		<b>514,485</b>	
a) Options			15,000.00	
b) Sw ap			499,485.00	
c) Forw ard				
d) Futures				
e) Other				
2. Equity securities and stock indexes	-		-	
a) Options				
b) Sw ap				
c) Forw ard				
d) Futures				
e) Other				
3. Currencies and gold	-		-	
a) Options				
b) Sw ap				
b) Forw ard				
c) Futures				
e) Other				
4. Commodities				
5. Other underlying items				
<b>Total</b>	-		<b>514,485</b>	
<b>Average values</b>			<b>431,960</b>	

**A.2.2 Other derivatives**

Euro / 1,000				
Underlying assets / Type of derivatives	Total 31.12.2009		Total 31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
	1. Debt securities and interest rates	<b>544,176</b>		-
a) Options	25,000			
b) Sw ap	519,176			
c) Forw ard				
d) Futures				
e) Other				
2. Equity securities and stock indexes	-		-	
a) Options				
b) Sw ap				
c) Forw ard				
d) Futures				
e) Other				
3. Currencies and gold	-		-	
a) Options				
b) Sw ap				
c) Forw ard				
c) Futures				
e) Other				
4. Commodities				
5. Other underlying items				
<b>Total</b>	<b>544,176</b>		-	
<b>Average values</b>	<b>526,478</b>			

**A.3 Financial derivatives: gross positive fair value – breakdown by products**

Euro / 1,000				
Portfolios / Type of derivatives	Positive Fair value 31.12.2009		Positive Fair value 31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
	A. Regulatory trading portfolio	<b>1,734</b>		<b>12,571</b>
a) Options	3		6	
b) Interest rate sw ap	1,424		993	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard	307			
f) Futures				
g) Other			11572	
B. Banking portfolio - hedging instruments	-		<b>14,031</b>	
a) Options			86	
b) Interest rate sw ap			13,945	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard				
f) Futures				
g) Other				
C. Banking portfolio - other derivatives	<b>24,424</b>		-	
a) Options				
b) Interest rate sw ap	24,424			
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard				
f) Futures				
g) Other				
<b>Total</b>	<b>26,158</b>		<b>26,602</b>	

## A.4 Financial derivatives: gross negative fair value – breakdown by products

Euro / 1,000		Negative Fair value 31.12.2009		Negative Fair value 31.12.2008		
Portfolios / Type of derivatives			Over the counter	Central counterparties	Over the counter	Central counterparties
	A. Regulatory trading portfolio	<b>1,227</b>				<b>12,636</b>
a) Options	3				6	
b) Interest rate sw ap	893				1,112	
c) Cross currency sw ap						
d) Equity sw ap						
e) Forw ard	331					
f) Futures						
g) Other					11,518	
B. Banking portfolio - hedging instruments	-				<b>121</b>	
a) Options						
b) Interest rate sw ap					121	
c) Cross currency sw ap						
d) Equity sw ap						
e) Forw ard						
f) Futures						
g) Other						
C. Banking portfolio - other derivatives	<b>441</b>				-	
a) Options						
b) Interest rate sw ap	441					
c) Cross currency sw ap						
d) Equity sw ap						
e) Forw ard						
f) Futures						
g) Other						
<b>Total</b>	<b>1,668</b>				<b>12,757</b>	

## A.5 OTC financial derivatives – regulatory trading portfolio: notional values, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements

(Euro / 1,000)	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
Contracts w hich do not fall w ithin offset agreements							
<b>1) Debt securities and interest rates</b>			<b>75,601</b>	<b>24,551</b>		<b>12,385</b>	
- notional value			74,049	24,000		12,049	
- positive fair value			599	501		326	
- negative fair value			896	-		-	
- future exposure			57	50		10	
<b>2) Equity securities and stock indexes</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>3) Currencies and gold</b>			<b>19,928</b>	<b>6,022</b>		<b>3,880</b>	<b>1,955</b>
- notional value			19,331	5,838		3,708	1,917
- positive fair value			191	101		8	7
- negative fair value			203	25		89	15
- future exposure			203	58		75	16
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

**A.7 OTC financial derivatives – banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements**

Euro / 1,000

Contracts which do not fall within offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>			<b>549,931</b>	<b>20,651</b>			
- notional value			524,176	20,000			
- positive fair value			23,773	651			
- negative fair value			441				
- future exposure			1,541				
<b>2) Equity securities and stock indexes</b>	-	-	-	-	-	-	-
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>3) Currencies and gold</b>	-	-	-	-	-	-	-
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>4) Other values</b>	-	-	-	-	-	-	-
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

**A.9 Residual maturity of over-the-counter financial derivatives: notional values**

(Euro/1,000)

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
<b>A. Regulatory trading portfolio</b>	<b>114,810</b>	<b>26,082</b>	<b>-</b>	<b>140,892</b>
A.1 Financial derivatives on debt securities and interest rates	86,098	24,000		110,098
A.2 Financial derivatives on equity securities and stock indexes				-
A.3 Financial derivatives on exchange rates	28,712	2,082		30,794
A.4 Financial derivatives on other instruments				-
<b>B. Banking portfolio</b>	<b>235,000</b>	<b>299,176</b>	<b>10,000</b>	<b>544,176</b>
B.1 Financial derivatives on debt securities and interest rates	235,000	299,176	10,000	544,176
B.2 Financial derivatives on equity securities and stock indexes				-
B.3 Financial derivatives on exchange rates				-
B.4 Financial derivatives on other instruments				-
<b>Total 31.12.2009</b>	<b>349,810</b>	<b>325,258</b>	<b>10,000</b>	<b>685,068</b>
<b>Total 31.12.2008</b>	<b>860,223</b>	<b>537,617</b>		<b>1,397,840</b>

### Section 3 – Liquidity risk

#### Qualitative information

##### **A. General aspects, management procedures and methods of measuring liquidity risk**

Liquidity risk is managed through the Finance Department and risk management units, with the aim of verifying the Bank's capacity to meet liquidity requirements and avoid being found in the position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates.

Short-term liquidity is supervised by the Finance Department Treasury, which manages the liquidity risk on a daily basis by carefully analysing cash flows in order to meet liquidity requirements and maximise profitability.

Treasury activities consist in procurement and allocation of liquidity available through the interbank market, repos and derivatives. Monitoring and compliance with operating limits, resolved by the Board of Directors, are carried out through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.

Further support to liquidity risk management is provided by the monitoring carried out by the risk management unit through an internal model. The objective is to set up a medium- to long-term financing policy and assess the bank's liquidity position by breaking down transactions according to their maturity dates.

Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.

Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a preset period of time.

The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Bank from liquidity risks. Special care is taken with the funding policy, coordinated by the Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.



**Quantitative information**
**1. Break-down by contractual residual maturity of financial assets and liabilities**

 Currency of denomination: EURO  
 (Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>1,344,553</b>	<b>230,160</b>	<b>45,111</b>	<b>234,545</b>	<b>708,287</b>	<b>220,081</b>	<b>218,735</b>	<b>1,655,323</b>	<b>1,611,094</b>	-
A.1 Government securities			131	30	1,211	57,836	9,033	192,884	105,236	
A.2 Other debt securities				1,472	13,807	8,975	7,268	304,775	125,129	
A.3 UCITS units	67,826									
A.4 Loans										
- banks	173,748	196,478	25,000	67,000	289,383			10,100	10,000	
- customers	1,102,979	33,682	19,980	166,043	403,886	153,270	202,434	1,147,564	1,370,729	
<b>Cash liabilities</b>	<b>3,732,122</b>	<b>29,663</b>	<b>23,966</b>	<b>92,708</b>	<b>223,833</b>	<b>332,063</b>	<b>305,937</b>	<b>1,041,541</b>	<b>23,155</b>	-
B.1 Deposits and current										
- banks	160,039			23,269						
- customers	3,570,677			943	2,016	19	21	76		
B.2 Debt securities	1,318	11,770	20,472	60,770	207,765	328,255	305,916	1,041,465	23,155	
B.3 Other liabilities	88	17,893	3,494	7,726	14,052	3,789				
<b>Off-balance sheet transactio</b>	<b>9,252</b>	<b>435,616</b>	<b>5,387</b>	<b>1,435</b>	<b>7,351</b>	<b>11,952</b>	<b>4,717</b>	<b>4,565</b>	<b>57</b>	<b>150</b>
C.1 Financial derivatives w ith underlying asset exchange	6,006	16,303	5,317	1,280	6,083	11,782	3,778	4,532	-	-
- long positions	5,278	3,033	2,079	434	3,604	6,817	2,683	3,379		
- short positions	728	13,270	3,238	846	2,479	4,965	1,095	1,153		
C.2 Financial derivatives w ithout underlying asset exchange	2,323	-	-	-	-	-	-	-	-	-
- long positions	1,427									
- short positions	896									
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	93	419,312	-	-	-	1	4	32	57	150
- long positions		209,656				1	4	32	57	75
- short positions	93	209,656								75
C.5 Financial guarantees granted	830	1	70	155	1,268	169	935	1		

Currency of denomination: *US DOLLAR*  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>268</b>	<b>23,690</b>	<b>11,958</b>	<b>28,068</b>	<b>4,660</b>	<b>56</b>	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	246	23,620	7,770	26,066	1,243					
- customers	22	70	4,188	2,002	3,417	56				
<b>Cash liabilities</b>	<b>61,031</b>	-	<b>6,982</b>	<b>108</b>	<b>47</b>	-	-	-	-	-
B.1 Deposits and current										
- banks	45,169		6,982	108	47					
- customers	15,862									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactio</b>	<b>748</b>	<b>1,506</b>	<b>5,469</b>	<b>1,072</b>	<b>5,546</b>	<b>10,165</b>	<b>2,059</b>	<b>2,082</b>	-	-
C.1 Financial derivatives w with underlying asset exchange	-	1,506	5,469	1,072	5,546	10,165	2,059	2,082	-	-
- long positions		756	3,311	792	2,251	4,868	934	1,041		
- short positions		750	2,158	280	3,295	5,297	1,125	1,041		
C.2 Financial derivatives w without underlying asset exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be received	320	-	-	-	-	-	-	-	-	-
- long positions	160									
- short positions	160									
C.4 Irrevocable commitments to grant finance	428	-	-	-	-	-	-	-	-	-
- long positions	214									
- short positions	214									
C.5 Financial guarantees granted										

Currency of denomination: *POUND STERLING*  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>6,803</b>	<b>2</b>	<b>2</b>	<b>127</b>	<b>1,365</b>	-	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	6,803				1,320					
- customers		2	2	127	45					
<b>Cash liabilities</b>	<b>6,779</b>	-	-	-	<b>1,319</b>	-	-	-	-	-
B.1 Deposits and current										
- banks	4,767				1,038					
- customers	2,012				281					
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactio</b>	-	<b>827</b>	-	-	-	-	-	-	-	-
C.1 Financial derivatives w with underlying asset exchange	-	827	-	-	-	-	-	-	-	-
- long positions		420								
- short positions		407								
C.2 Financial derivatives w without underlying asset exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: SWISS FRANC  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>2,160</b>	<b>67</b>	<b>1,194</b>	<b>1,494</b>	<b>1,958</b>	-	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	2,157		102	202	539					
- customers	3	67	1,092	1,292	1,419					
<b>Cash liabilities</b>	<b>2,503</b>	-	<b>4,516</b>	-	-	-	-	-	-	-
B.1 Deposits and current										
- banks	2,286		4,516							
- customers	217									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactio</b>	-	<b>897</b>	-	-	-	-	-	-	-	-
C.1 Financial derivatives w ith										
underlying asset exchange	-	897	-	-	-	-	-	-	-	-
- long positions		553								
- short positions		344								
C.2 Financial derivatives										
w ithout underlying asset										
exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be										
received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to										
grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees										
granted										

Currency of denomination: CANADIAN DOLLAR  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>1,105</b>	-	-	-	-	-	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	1,105									
- customers										
<b>Cash liabilities</b>	<b>1,103</b>	-	-	-	-	-	-	-	-	-
B.1 Deposits and current										
- banks	793									
- customers	310									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactio</b>	-	<b>22</b>	-	-	-	-	-	-	-	-
C.1 Financial derivatives w ith										
underlying asset exchange	-	22	-	-	-	-	-	-	-	-
- long positions										
- short positions		22								
C.2 Financial derivatives										
w ithout underlying asset										
exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be										
received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to										
grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees										
granted										

Currency of denomination: JAPANESE YEN  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>93</b>	-	<b>74</b>	<b>5,814</b>	<b>906</b>	-	<b>202</b>	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	86			56	393					
- customers	7		74	5,758	513		202			
<b>Cash liabilities</b>	<b>108</b>	-	-	<b>7,134</b>	-	-	-	-	-	-
B.1 Deposits and current										
- banks	100			7,134						
- customers	8									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactio</b>	-	<b>255</b>	-	-	-	-	-	-	-	-
C.1 Financial derivatives w ith underlying asset exchange	-	255	-	-	-	-	-	-	-	-
- long positions		238								
- short positions		17								
C.2 Financial derivatives w ithout underlying asset exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: Other currencies  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>17,130</b>	-	-	-	-	-	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	17,130									
- customers										
<b>Cash liabilities</b>	<b>17,019</b>	-	-	-	-	-	-	-	-	-
B.1 Deposits and current										
- banks	982									
- customers	16,037									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactio</b>	-	<b>408</b>	-	<b>189</b>	<b>296</b>	-	-	-	-	-
C.1 Financial derivatives w ith underlying asset exchange	-	408	-	189	296	-	-	-	-	-
- long positions		197		79	176					
- short positions		211		110	120					
C.2 Financial derivatives w ithout underlying asset exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees granted										

## Section 4 – Operating risk

### Qualitative information

#### A. **General aspects, management procedures and methods of measuring operating risk**

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation (Bank of Italy – circular no. 263 of 27 December 2006). This type includes, *inter alia*, losses arising from frauds, human errors, discontinuance of operations, unavailability of the systems, contract defaults, natural disasters.

The Bank, accepting this definition, outlines it within the Bank's methodological framework of operational risks management: operating risk is a potential event capable of giving rise to an actual economic loss, increased cost or reduced income from external causes, processes, systems, human resources and from all anomalies and elements contributing to output and hence the business value. All events with a direct connection with an event whose occurrence may give rise to a loss are also defined as causes of operational risk (or risk factors).

Banco Desio implemented an appropriate procedure for the structured gathering of adverse events which might generate operating losses.

A reporting system for detrimental events recorded in the Corporate Operating Losses Database (DBPOA) was implemented that has the capacity to provide top management at set intervals with all the information (overall and detailed) available regarding such events: the number of events, the amounts of gross losses and of losses net of any recoveries by business line, product/process and organisational unit concerned.

The Bank is, as a Banking Group, a member of the Italian Banking Association's DIPO Observatory.

For the monitoring of risks for the commission of offences pursuant to Legislative Decree no. 231/2001 "Regulations dealing with the administrative liability of legal persons, companies and associations without legal personality", the Bank adopted an organisational prevention model. The supervision of the effective implementation of the above mentioned models was assigned, in line with the provisions of law and with the directions of the industry associations, to specific bodies.

The organisational model under review is updated also following the changes that have occurred in the regulatory framework of reference.

An Operational Continuity Plan has been drawn up in relation to the management of risks having an impact on the Bank's operational continuity. Measures were carried out aimed at the identification and mapping of processes considered vital for the purposes of the business, the preparation of the documentary structure supporting Bank operations (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site to be used in the event of emergency, an alternative site with respect to that to be used for production.

The various corporate Departments guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that most actions brought against the Bank at the end of the financial year consist in disputes regarding financial instruments trading.

The lawsuits pending for Banco Desio Brianza have a value of Euro 86,780 thousand. These risks are appropriately assessed and hedged by prudential allocations to provisions of Euro 10,713 thousand. The most important lawsuits make up 94.57% of the whole, mostly attributable to complaints regarding default on the part of bond issuers and bankruptcy claw-back actions.

**Quantitative information**

The number of adverse events detected, and recognized in the accounts, by Banco Desio Brianza in 2009 totalled 753 events. The result of the process for the gathering of adverse events is summarised in the table below (expressed in thousands of Euros):

Type of event	No. of Events	09/04/2010	Gross loss	% on total	Net loss	% on total	Recoveries	% on total
<b>INTERNAL FRAUD</b> Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the bank	1	0.12%	160.66	7.18%	160.66	7.69%	0.00	0.00%
<b>EXTERNAL FRAUD</b> Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	244	29.94%	295.28	13.19%	152.91	7.32%	142.37	94.59%
<b>EMPLOYMENT CONTRACT AND WORKPLACE SAFETY</b> Losses generated by breaches of the employment laws and contracts, health and workplace safety laws, and by any indemnities for accidents or discrimination.	3	0.37%	4.31	0.19%	0.86	0.04%	3.46	2.30%
<b>RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS</b> Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-à-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments).	26	3.19%	854.89	38.19%	854.89	40.95%	0	0.00%
<b>DAMAGES TO ASSETS</b> This category includes natural events or those events which might be connected to any actions carried out by external persons which cause damages to the tangible assets of the bank.	5	0.61%	67.08	3.00%	62.39	2.99%	4.69	3.11%
<b>BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS</b> Losses generated by any blocks of the information systems or of line connections.	4	0.49%	1.48	0.07%	1.48	0.07%	0	0.00%
<b>EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES</b>	532	65.28%	854.62	38.18%	854.62	40.93%	0	0.00%
<b>GROUP TOTAL</b>	<b>815</b>	<b>100.00%</b>	<b>2,238.32</b>	<b>100.00%</b>	<b>2,087.80</b>	<b>100.00%</b>	<b>151</b>	<b>100.00%</b>

Gross operating loss amounted to Euro 2,106 thousand, consisting of prudential provisions of Euro 1,513 thousand and the net losses paid out were Euro 1,992 thousand, of which Euro 114 thousand was recovered

## Part F – INFORMATION ON EQUITY

### Section 1 – The Bank's shareholders' equity

#### Qualitative information

The Board of Directors has always paid most attention to the shareholders' equity of the bank, aware both of its function in guaranteeing the trust of outside financiers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.

In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the bank's stability.

The policy of the Board of Directors is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in the growth of the bank, and to optimise returns for the shareholders, keeping to a prudent risk profile. As far as this is concerned, it should be remembered that the main risk is involved in lending, but the Bank tries to limit its exposure to credit risk by running a very widely spread loan portfolio, concentrating on its core market of local enterprises and families.

#### Quantitative information

##### B.1 The Bank's shareholders' equity: breakdown

(Euro/1000)		
Items/Values	31.12.2009	31.12.2008
1. Shareholders' equity	67,705	67,705
2. Share premium reserve	16,145	16,145
3. Reserves	563,162	511,600
- retained earnings		
a) legal	64,303	57,752
b) statutory	367,277	322,266
c) treasury shares		
d) other	23,571	23,571
- other	108,011	108,011
4. Equity instruments		
5. Treasury shares		
6. Revaluation reserves	26,187	10,833
- Available-for-sale financial assets	3,448	(11,582)
- tangible assets	22,896	22,896
- intangible assets		
- foreign investment hedge		
- exchange rate differences		
- non-current assets held for sale and discontinued operations		
- actuarial profits (losses) relating to defined benefit plans	(157)	(481)
- shares of valuation reserves relating to investee companies carried at equity		
- special revaluation laws		
7. Profit (loss) for the period	58,063	65,510
<b>Total</b>	<b>731,262</b>	<b>671,793</b>

## B.2 Valuation reserves of financial assets available for sale: breakdown

(Euro/1,000)

Assets/Values	31.12.2009		31.12.2008	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	3,171	(2,321)	446	(11,224)
2. Equity securities	3,150		2,502	(34)
3. UCITS units	945	(1,497)	686	(3,958)
4. Loans				
<b>Total</b>	<b>7,266</b>	<b>(3,818)</b>	<b>3,634</b>	<b>(15,216)</b>

## B.3 Valuation reserves of financial assets available for sale: annual changes

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Loans
<b>1. Opening balance</b>	<b>(10,778)</b>	<b>2,468</b>	<b>(3,273)</b>	
<b>2. Increases</b>	<b>12,673</b>	<b>766</b>	<b>3,328</b>	-
2.1 Fair value increases	3,171	732	866	
2.2 Reversal of negative reserves to the income statement	337	34	1,676	-
- from deterioration				
- from disposal	337	34	1,676	
2.3 Other increases	9,165		786	
<b>3. Decreases</b>	<b>1,045</b>	<b>84</b>	<b>607</b>	-
3.1 Fair value decreases	537			
3.2 Adjustments from deterioration				
2.2 Reversal of positive reserves to the income statement: from disposal	508	84	607	
3.4 Other decreases				
<b>D. Closing balance</b>	<b>850</b>	<b>3,150</b>	<b>(552)</b>	-

## Section 2 – Regulatory capital and ratios

## 2.1 Regulatory capital

## Qualitative information

The Board of Directors also pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banks. The relevant regulations, in fact, state that "...the most important control tools are based on this, such as the solvency coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size". In compliance with European Directives, the regulations specify the method for the calculation of regulatory capital. This is made up of the sum of Tier 1 capital - which is allowed into the calculation without any limitation- and the Tier 2 capital, which is allowed within the maximum limit of Tier 1 capital. The following are deducted from this sum: equity investments, hybrid equity instruments and subordinated assets, held in other banks and finance companies.

As of 31 December 200, the bank's regulatory capital is made up as follows

(Euro/1,000)

description	Amount
Tier 1 capital	680,955
Tier 2 capital	105,790
Items to be deducted	13,497
Regulatory capital	773,247



### 1. Tier 1 capital

Share capital, share premiums, reserves, undistributable earnings for the period and innovative capital instruments are the most significant elements of the capital. From these positive elements, any negative elements are deducted, mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.

Tier 1 capital accounts for 88.06 % of the Regulatory Capital.

### 2. Tier 2 capital

Valuation reserves, innovative capital instruments not included in the Tier 1 capital, hybrid equity instruments, subordinated liabilities and net gains on equity investments represent the key positive elements of Tier 2 capital. To these positive elements, the deductions provided for by the prudential filters are applied.

Tier 2 capital accounts for 13.68% of the Regulatory Capital. The elements to be deducted account for about 1.74%.

### 3. Tier 3 capital

This is comprised by the portion of Tier 2 subordinated liabilities not included in Tier 2 since exceeding 50% of Tier 1 capital gross of the elements to be deducted, and by Tier 3 subordinated liabilities. This aggregate may only be used for the purpose of fulfilling the capital requirements on market risks for a maximum amount equal to 71.4% of such risks.

#### Quantitative information

(Euro/1,000)

	31/12/2009	31/12/2008
<b>A. Tier 1 capital before the application of prudential filters</b>	688,411	644,108
B. Prudential filters of the Tier 1 capital:	-2,626	-14,039
B1 - positive las/lfrs prudential filters (+)	-	-
B2 - negative las/lfrs prudential filters (-)	2,626	14,039
C. Tier 1 capital including elements to be deducted (A+B)	685,785	630,069
D. Elements to be deducted from the Tier 1 capital	4,830	14,293
<b>E. Total Tier 1 capital (TIER1) (C-D)</b>	680,955	615,776
<b>F. Tier 2 capital before the application of prudential filters</b>	112,344	71,296
G. Prudential filters of the Tier 2 capital:	-1,724	-
G1- positive las/lfrs prudential filters (+)	-	-
G2- negative las/lfrs prudential filters (-)	1,724	-
<b>H. Tier 2 capital including elements to be deducted (F+G)</b>	110,620	71,296
J. Elements to be deducted from the Tier 2 capital	4,830	14,293
<b>L. Total Tier 2 capital (TIER2) (H-I)</b>	105,790	57,003
M. Elements to be deducted from the total of Tier 1 and Tier 2 capital	13,497	13,497
<b>N. Regulatory capital (E + L - M)</b>	773,247	659,282
O. 3rd-level capital	-	-
<b>P. Regulatory capital including TIER3 (N + O)</b>	773,247	659,282

## 2.2 Capital adequacy

### A. Qualitative information

The above equity structure allows the following ratios to be applied:

- Tier 1 capital / risk-weighted assets <sup>(1)</sup>	18.29%
- Regulatory capital / risk-weighted assets <sup>(1)</sup>	20.77%

The Board of Directors periodically reviews and approves the aggregates comprising the regulatory capital, in order to verify both their consistency with the risk profile assumed as well as their compliance with the development plans of the bank.

(1) Risk-weighted assets are determined as the product of the total prudential requirements and the reciprocal of the obligatory minimum coefficient for credit risks.

### Quantitative information

#### Prudential ratios

(Euro/1,000)

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
<b>A. RISK ASSETS</b>				
<b>A.1 CREDIT RISK</b>	<b>7,435,790</b>	<b>6,470,831</b>	<b>4,470,091</b>	<b>4,215,315</b>
1. STANDARD METHODOLOGY	7,435,790	6,470,831	4,470,091	4,215,315
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Base				
2.2 Advanced				
3. SECURITISATIONS				
<b>B. CAPITAL REQUIREMENTS</b>				
<b>B.1 CREDIT AND COUNTERPARTY RISKS</b>			<b>357,607</b>	<b>337,225</b>
<b>B.2 MARKET RISK</b>			<b>234</b>	<b>1,132</b>
1. STANDARD METHODOLOGY			234	1,132
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
<b>B.3 OPERATIONAL RISK</b>			<b>39,288</b>	<b>37,823</b>
1. BASE METHODOLOGY			39,288	37,823
2. STANDARD METHODOLOGY				
3. ADVANCED METHODOLOGY				
<b>B.4 OTHER CAPITAL REQUIREMENTS</b>				
<b>B.5 OTHER CALCULATION ELEMENTS</b>			(99,265)	(93,612)
<b>B.6 TOTAL CAPITAL REQUIREMENTS</b>			<b>297,865</b>	<b>282,568</b>
<b>C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS</b>				
C.1 Risk-weighted assets			<b>3,723,308</b>	<b>3,532,104</b>
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			18.29%	17.43%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			20.77%	18.67%

## PART H - TRANSACTIONS WITH RELATED PARTIES

### 1 - INFORMATION ON REMUNERATION PAID TO DIRECTORS AND MANAGERS

Remuneration paid to the members of management and control boards, to general managers and to managers with strategic responsibilities.

(amounts per unit)

Name and surname	Office	Duration office	Emoluments for office in the company drawing up financial statements	Non monetary benefits	Bonuses and other incentives	Other fees
<b>BANCO di DESIO e DELLA BRIANZA</b>						
<b>Directors</b>						
Agostino Gavazzi	Chairman	2008-2010	696,000			
Guido Pozzoli	Deputy Chairman	2008-2010	276,000			
Stefano Lado	Deputy Chairman	2008-2010	276,000			
Nereo Dacci	Managing Director	2008-2010	640,008	3,732	448,072	
Egidio Gavazzi	Director	2008-2010	83,300			
Luigi Gavazzi	Director	2008-2010	174,500			
Paolo Gavazzi	Director	2008-2010	123,600			
Luigi Guatri	Director	2008-2010	143,300			
Francesco Maria Cesarini	Director	2008-2010	143,900			
Gerolamo Pellicano	Director	2008-2010	84,500			
Pier Antonio Cutellè	Director	2008-2010	84,200			
<b>Auditors</b>						
Eugenio Mascheroni	Chairman	2008-2010	105,810			
Marco Piazza	Statutory Auditor	2008-2010	67,820			
Rodolfo Anghileri	Statutory Auditor	2008-2010	72,820			
<b>General Manager</b>						
Alberto Mocchi	General Manager	indefinite		3,321	154,711	509,347
<b>Managers with strategic responsibilities</b>						
					180,497	599,670
<b>BANCO DESIO TOSCANA</b>						
<b>Directors</b>						
Guido Pozzoli	Chairman	2008-2010				50,000
Nereo Dacci	Deputy Chairman	2008-2010				25,000
Stefano Lado	Director	2008-2010				5,000
<b>Managers with strategic responsibilities in the Parent Com</b>						
	Director	2008-2010				5,000
<b>Auditors</b>						
Eugenio Mascheroni	Chairman	2009-2011				19,000
<b>BANCO DESIO VENETO</b>						
<b>Directors</b>						
Stefano Lado	Chairman	2009-2011				50,000
Nereo Dacci	Deputy Chairman	2009-2011				25,000
Alberto Mocchi	Director	2009-2011				10,000
<b>Auditors</b>						
Eugenio Mascheroni	Chairman	2009-2011				19,000
Marco Piazza	Statutory Auditor	2009-2011				13,000
<b>BRIANFID - LUX - S.A.</b>						
<b>Directors</b>						
Stefano Lado	Chairman	2007-2009				50,000
Nereo Dacci	Deputy Chairman	2007-2009				25,000
<b>Managers with strategic responsibilities in the Parent Com</b>						
	Director	2007-2009				10,000
<b>CPC - LUGANO</b>						
<b>Directors</b>						
Agostino Gavazzi	Chairman	until 12/12/2010				52,985
Nereo Dacci	Deputy Chairman acting as a	until 12/12/2010				26,492
<b>BANCO DESIO LAZIO</b>						
<b>Directors</b>						
Stefano Lado	Chairman	2008-2010				100,000
Nereo Dacci	Deputy Chairman	2008-2010				50,000
Guido Pozzoli	Director	2008-2010				20,000
Alberto Mocchi	Director	2008-2010				20,000
<b>Auditors</b>						
Eugenio Mascheroni	Chairman	2008-2010				19,000
<b>CHIARA ASSICURAZIONI</b>						
<b>Directors</b>						
Stefano Lado	Chairman	2009-2011				20,000
Nereo Dacci	Deputy Chairman	2009-2011				15,000
Alberto Mocchi	Director	2009-2011				5,000
<b>FIDES</b>						
<b>Directors</b>						
Alberto Mocchi	Deputy Chairman	2007-2009				10,000
Stefano Lado	Director	2009 (1)				2,083
<b>Auditors</b>						
Eugenio Mascheroni	Chairman	2007-2009				7,495
Rodolfo Anghileri	Statutory Auditor	2007-2009				5,338

(1) The Board of Directors of Fides S.p.A. of 28/07/2009 coopted Stefano Lado.

## 2 - INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The procedures adopted for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) are outlined in the Annual Report on Corporate Governance and mentioned in the Report on Operations, which contains a summary of the intra-group accounts outstanding and of those with associates.

Relations with external related parties are settled on market conditions and, where the market is not a satisfactory reference, (as in the instance of the Agreements for outsourcing services provided to subsidiaries), on conditions that are fair and that are valued in compliance with the procedures above.

In this context, as of 31 December 2009, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.

The following paragraphs summarise the relations by categories of related parties (Parent Company, Subsidiaries, Associates, other Investee Companies, Representatives), distinguishing between transactions carried out (including any transaction made pursuant to article 136 of the Consolidated Banking Act), current accounts and security accounts balances and, finally, any supplier relations of a different type.

### I - Parent Company

At the end of the year, current account deposits of the Parent Company Brianza Unione di Luigi Gavazzi e C. S.a.p.A totalled about Euro 3.7 million. The company has no debt exposure.

During the year, there were no transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph V below).

The balance of relations with the Parent Company, relating to the securities deposit amounts to about Euro 255.1 million.

### II - Subsidiaries

Following is the list of transactions with subsidiaries as approved by the Board during the financial year.

Transaction Type	Amounts / economic terms (Euro)	Counterparty
Credit facility for overdrafts on current account	Increase up to 40,000,000	Fides SpA
Credit facility for business transactions	Increase up to 10,000,000	Banco Desio Veneto SpA
Update of the Framework Agreement for the provision of services	Annual fee to the Parent Company 86,871.29	Chiara Assicurazioni SpA
Update of the Framework Agreement for the provision of services	Annual fee to the Parent Company 62,701.40	Fides SpA
Subscription of a debenture loan issued by Banco Desio Veneto SpA	60,000,000	Banco Desio Veneto SpA
Financing current account	Formalisation of the limit on the use of the credit facility 150,000,000	Banco Desio Veneto SpA
Update of the perimeter of the Tax consolidation regime	Tax benefits and disadvantages rebated to an extent of 10%	Fides SpA
Credit facility for business transactions	Increase up to 5,000,000	Banco Desio Lazio SpA
Credit facility for business transactions	Increase up to 5,000,000	Banco Desio Toscana SpA
Agreement for the performance of leasing activities	Differentiated fees commensurate to the spreads applied to the various types of assets	Banco Desio Lazio SpA
Agreement for the performance of leasing activities	Differentiated fees commensurate to the spreads applied to the various types of assets	Banco Desio Toscana SpA
Agreement for the performance of leasing activities	Differentiated fees commensurate to the spreads applied to the various types of assets	Banco Desio Veneto SpA
Update of the Framework Agreement for the provision of technical-administrative services	Annual fee to the Parent Company about 523,000	Banco Desio Lazio SpA
Review of the Framework Agreement for the provisions of technical-administrative services	Annual fee to the Parent Company about 401,000	Banco Desio Toscana SpA
Review of the Framework Agreement for the provision of technical-administrative services	Annual fee to the Parent Company about 414,000	Banco Desio Veneto SpA

The amount of assets/liabilities, as well as guarantees/commitments and revenues/charges, resulting from relations with the aforesaid companies, is shown in paragraph 8.4 of the Report of Operations (Table no. 13) under the item "Subsidiaries".

### III – Associated companies

At the end of the year there were three associated companies:

- Chiara Vita SpA, in which an interest of 30% is retained within the framework of the agreements with the Helvetia Group entered into in the previous year;
- Istifid S.p.A., in which during the year an additional investment was made, thus reaching a stake of about 28% (relative majority).

Within the framework of the agreements entered into with the Helvetia Group, the following agreements are still in place with Chiara Vita Spa: i) a five-year contract for the distribution of products in the life insurance branch; ii) a correlated agreement for banking services.

The contractual relations maintained with Istifid SpA consist essentially in the supply of company services (shareholders registers, assistance at meetings, consultancy regarding corporate compliance etc) which are charged at the usual costs for such services.

The amount of assets/liabilities, as well as revenues/charges, resulting from relations with the aforesaid companies is shown in paragraph 8.4 of the Report of Operations (Table no. 13) under the item “Companies subject to significant influence”.

### IV – Other investee companies

Following the disposal, in the course of the financial year, of the equity investments held in the companies Zenit SGR and Zenit Alternative SGR, no investee companies are reported which, as a result of the size of the interests held in them and considering the existing agreements to which they are parties, can be treated as “related parties”.

### V - Transactions with Representatives and subjects referable thereto

As regards the transactions subject to credit limits approved by the Board in 2009 pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of these were ordinary transactions whereby credit was paid out to Representatives of the Group and/or companies referable thereto, with regard to which the Representatives (i.e. directors, statutory auditors and managers with strategic responsibilities within the Bank and the companies under control) concerned stated that they had interests of various kinds by virtue of significant equity investments, appointments and/or other relationships of a financial or personal nature with these companies. These relations did not affect the application of the normal criteria for appraising creditworthiness.

The total amount of the facilities granted in the 39 positions existing as at 31 December 2009 is equal to about Euro 42.7 million and the relative uses totalled about Euro 32.2 million. The figures above do not include outstanding transactions with the associate and investee companies mentioned in point III above (officially treated pursuant to Article 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).

As regards deposit relations held directly with the Representatives, it is also worth noting that the debit balances towards customers as at 31 December 2009 amount to approximately Euro 14.3 million (inclusive of approximately Euro 5.1 million, in securities accounts). The relations with persons connected to the Representatives pursuant to Article 136 of the Consolidated Banking Act show debit balances towards customers for an aggregate of Euro 123.4 million (Euro 98.2 million of which in securities accounts).

\* \* \*

In compliance with CONSOB Resolution no. 15519 of 27 July 2006 and analogously, with the matters highlighted in the six-monthly Report of 30 June 2009, it is noted that the total percentage value of the above balances in terms of the Group's equity, financial and economic situation remains substantially negligible.

## PART I - INFORMATION ON SHARE PAYMENT INCENTIVE PLANS

For qualitative and quantitative information on this issue, please see Part I of the Notes to the financial statements referred to the Banco Desio Group.

In accordance with the provisions issued by Consob, following is a table which summarises the stock option grants with specific regard to the Directors and the General Manager of the Parent Company and, in aggregate, to the managers with strategic responsibilities in the Parent Company.

### Stock options assigned to the Directors and to the General Manager

Beneficiaries and object of the options				Options held at the beginning of the financial year			Options granted during the financial year			Options exercised during the financial year			Options expired in the financial year	Options held at the end of the financial year			
Name and surname	Office held within the Bank	Companies whose shares are the subject of the granted options		Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Number of Options	Average exercise price (€)	Average maturity of the options	
		Company	Office held														
Nereo Dacci	Managing Director	Fides		30.000 (1)	7,64 (2)	2011 (3)	13.923 (1)	7,64 (2)	2011 (3)					43.923 (1)	7,64 (2)	2011 (3)	
		Banco Desio Veneto	Deputy Chairman	797.727 (4)	1,09 (5)	2011 (6)								797.727 (4)	1,09 (5)	2011 (6)	
		Chiara Assicurazioni	Deputy Chairman	276.000 (7)	1,33 (8)	2010/2011 (9)								276.000 (7)	1,33 (8)	2010/2011 (9)	
Alberto Mocchi	General Manager	Fides	Deputy Chairman	25.000 (1)	7,64 (2)	2011 (3)	11.603 (1)	7,64 (2)	2011 (3)					36.603 (1)	7,64 (2)	2011 (3)	
		Banco Desio Veneto	Director	425.455 (4)	1,09 (5)	2011 (6)								425.455 (4)	1,09 (5)	2011 (6)	
		Chiara Assicurazioni	Director	50.000 (7)	1,33 (8)	2010/2011 (9)								50.000 (7)	1,33 (8)	2010/2011 (9)	

(1) Ordinary shares of the subsidiary Fides S.p.A. with a nominal value of €1.00 each (increase during the financial year due to additional assignment caused by "share dilution" due to capital increase)

(2) Price determined based on the normal value of the share upon assignment

(3) Options that may be exercised during October 2011

(4) Ordinary shares of the subsidiary Banco Desio Veneto S.p.A. with a nominal value of €1.00 each

(5) Price determined based on the normal value of the share upon assignment

(6) The option may be exercised from 20 March 2011 to 20 May 2011

(7) Ordinary shares of the subsidiary Chiara Assicurazioni Spa, with a nominal value of €1.00 each

(8) Price determined based on the normal value of the share upon assignment

(9) The option can be exercised in relation to the whole share during one of the following alternative periods: 20.03.2010 - 20.05.2010 ; 20.03.2011 - 20.05.2011

### Stock options assigned to Directors with strategic responsibilities

Object of the options	Options held at the beginning of the financial year			Options granted during the financial year			Options exercised during the financial year			Options expired in the financial year	Options held at the end of the financial year		
	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Average exercise price (€)	Average maturity of the options	Number of Options	Average exercise price (€)	Average maturity of the options		Number of Options	Average exercise price (€)	Average maturity of the options
Fides	30.000 (1)	7,64 (2)	2011 (3)	13.923 (1)	7,64 (2)	2011 (3)					43.923 (1)	7,64 (2)	2011 (3)
Banco Desio Veneto	478.636 (4)	1,09 (5)	2011 (6)								478.636 (4)	1,09 (5)	2011 (6)
Chiara Assicurazioni	60.000 (7)	1,33 (8)	2010/2011 (9)								60.000 (7)	1,33 (8)	2010/2011 (9)

(1) Ordinary shares of the subsidiary Fides S.p.A. with a nominal value of €1.00 each (increase during the financial year due to additional assignment caused by "share dilution" due to capital increase)

(2) Price determined based on the normal value of the share upon assignment

(3) Options that may be exercised during October 2011

(4) Ordinary shares of the subsidiary Banco Desio Veneto S.p.A. with a nominal value of €1.00 each

(5) Price determined based on the normal value of the share upon assignment

(6) The option may be exercised from 20 March 2011 to 20 May 2011

(7) Ordinary shares of the subsidiary Chiara Assicurazioni Spa, with a nominal value of €1.00 each

(8) Price determined based on the normal value of the share upon assignment

(9) The option can be exercised in relation to the whole share during one of the following alternative periods: 20.03.2010 - 20.05.2010 ; 20.03.2011 - 20.05.2011

## PART L – SEGMENT REPORTING

The disclosure in question relates to IFRS 8 “Operating segments” which replaces IAS 14 “Segment reporting”. In relation to such IFRS, an entity must provide information which allows the users of its financial statements to assess the nature and effects of the business activities it carries out on the financial statements and the economic contexts in which it operates.

The comparative information presented in relation to 31 December 2009 have been redetermined in light of the new provisions under IFRS 8.

This disclosure makes reference to the organisational and executive structure of the bank, as well as to the internal reporting system on the basis of which the management monitors the performance of the results and makes operational decisions as to the resources to be allocated.

The Bank operates by carrying out the traditional credit brokerage activities, asset management, the offer of bank-insurance products in the life and non-life branches. In this framework, the segment reporting takes account of the fact that the operating structure of the bank does not present segment networks and/or divisions.

This section reports the results of the segments described below:

- *commercial bank*: bringing together the activities directed towards retail and corporate customers concerning the traditional credit brokerage activity. Included in this operating segment are products and services related to: any form of loan or deposit; financial, banking and payment services; financial, insurance and asset management products; and debit and credit cards;
- *investment banking*: bringing together the activities related to the Bank’s own securities portfolio and the Interbank market;
- *corporate center*: reports the results of the bank’s direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the operations and entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center structure can be identified in relation to the centralized functions at the bank supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.).

The financial and economic data by segment correspond to the respective financial statement items and below are reported the criteria for their determination:

- *net interest income*: is calculated by contribution on the basis of internal transfer rates differentiated by product and duration;
- *net income from services*: is obtained by direct allocation of each actual asset and liability commission component;
- *operating costs*: are allocated to each operating segment through a process which provides for the attribution of costs to each organizational unit present in the segment, directly or by driver, in accordance with the full costing method;
- *provisions and adjustments*: are allocated both directly and through allocation criteria.

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.



## INDIVIDUAL REPORT OF BANCO DESIO BRIANZA SEGMENT INFORMATION BY OPERATING SEGMENTS

Income statement data (€ / 1.000)	31/12/09	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Business margin (1)	279,602	241,213	4,393	0	33,996
Structure costs (2)	-176,063	-147,606	-2,165	0	-26,292
Provisions and adjustments (3)	-54,767	-52,495	0	0	-2,272
Profits/(Losses) on equity investments carried at equity	29,886	0	0	0	29,886
Profits/(Losses) on the disposal of investments	0	0	0	0	0
<b>Profits/(Losses) before taxes on continuing operations</b>	<b>78,658</b>	<b>41,112</b>	<b>2,228</b>	<b>0</b>	<b>35,318</b>

(1) income statement, including other operating income/expenses

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Income statement data (€ / 1.000)	31/12/08	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Business margin (1)	296,809	249,945	3,068	0	43,796
Structure costs (2)	-172,645	-138,209	-2,455	0	-31,981
Provisions and adjustments (3)	-76,778	-39,838	0	0	-36,941
Profits/(Losses) on equity investments carried at equity	49,727	0	0	0	49,727
Profits/(Losses) on the disposal of investments	91	0	0	0	91
<b>Profits/(Losses) before taxes on continuing operations</b>	<b>97,203</b>	<b>71,899</b>	<b>613</b>	<b>0</b>	<b>24,692</b>

(1) income statement, including other operating income/expenses

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data (€ / 1.000)	31/12/09	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	839,119	0	839,119	0	0
Equity investments	177,795	0	0	0	177,795
Amounts due from banks	920,613	0	920,613	0	0
Amounts due from customers	4,686,128	4,686,128	0	0	0
Amounts due to banks	257,628	0	257,628	0	0
Amounts due to customers	3,675,226	3,675,226	0	0	0
Securities issued and Financial liabilities at fair value	2,022,406	2,022,406	0	0	0
<b>INDIRECT DEPOSITS: ADMINISTERED AND MANAGED</b>	<b>16,154,110</b>	<b>8,356,094</b>	<b>0</b>	<b>0</b>	<b>7,798,016</b>

Balance sheet data (€ / 1.000)	31/12/08	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	692,082	0	692,082	0	0
Equity investments	175,136	0	0	0	175,136
Amounts due from banks	716,167	0	716,167	0	0
Amounts due from customers	4,460,763	4,460,763	0	0	0
Amounts due to banks	229,124	0	229,124	0	0
Amounts due to customers	3,111,753	3,111,753	0	0	0
Securities issued and Financial liabilities at fair value	2,059,719	2,059,719	0	0	0
<b>INDIRECT DEPOSITS: ADMINISTERED AND MANAGED</b>	<b>13,773,914</b>	<b>7,325,482</b>	<b>0</b>	<b>0</b>	<b>6,448,432</b>

**CERTIFICATION OF THE FINANCIAL STATEMENTS****PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/1998**

1. The undersigned Nereo Dacci, Managing Director, and Piercamillo Secchi, Manager responsible for preparing the Company financial reports, of Banco di Desio e della Brianza S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, do hereby certify to:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures employed to draw up the financial statements for the 2009 financial year.

2. Evaluation of the adequacy of the administrative and accounting procedures employed to draw up the financial statements as at 31 December 2009 was based on methods defined by Banco di Desio e della Brianza S.p.A. consistently with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organization of the Treadway Commission, which is an internationally accepted reference framework.

3. The undersigned also certify that:

3.1 The Financial Statements:

- a. were prepared according to the applicable international accounting standards recognised in the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, the applicable provisions under the Italian Civil Code, Legislative decree no. 38 of 28 February 2005 and the administrative provisions issued by the Bank of Italy;
- b. correspond to the results of the books and accounts;
- c. give a true and fair representation of the equity, economic and financial position of the issuer.

3.2 The Report on Operations includes a reliable analysis of the performance and result of operations, as well as of the position of the issuer, together with the description of the main risks and uncertainties to which it is exposed.

*Desio, 25 March 2010*

Managing Director

*Nereo Dacci*

Manager responsible for preparing  
the Company's financial reports

*Piercamillo Secchi*

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF THE LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)**

To the shareholders of  
Banco di Desio e della Brianza SpA

- 1 We have audited the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2009, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholder's equity, cash flow statement and related notes. The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

The audit of the financial statements as of 31 December 2009 was conducted in compliance with the legislation in force during the year.

For the opinion on the financial statements of the prior period, which are restated to reflect the changes in the presentation of financial statements introduced by IAS 1 and presented for comparative purposes, reference is made to our report dated 9 April 2009.

- 3 In our opinion, the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2009 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Banco di Desio e della Brianza SpA for the period then ended.
- 4 The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of the Report on Operations and of the Report on the Corporate Governance and Shareholding Structure, published in the Banco Desio – Governance section of Banco di Desio e della Brianza SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and on the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance and Shareholding Structure with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance Shareholding Structure are consistent with the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2009.

Milan, 12 April 2010

PricewaterhouseCoopers SpA

Signed by  
Lia Lucilla Turri  
(Partner)

*This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.*

## Consolidated Report on Operations 2009

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 Gruppo **Banco Desio**

## Corporate offices (Banco di Desio e della Brianza S.p.A.)

### Board of Directors

<u>Chairman</u>	Agostino Gavazzi*
<u>Deputy Chairman</u>	Stefano Lado* Guido Pozzoli*
<u>Managing Director</u>	Nereo Dacci*
<u>Directors</u>	Francesco Cesarini Pier Antonio Cutellé Egidio Gavazzi Luigi Gavazzi Paolo Gavazzi Luigi Guatri Gerolamo Pellicanò <i>* Members of Executive Committee</i>

### Board of Statutory Auditors

<u>Chairman</u>	Eugenio Mascheroni
<u>Statutory Auditors</u>	Rodolfo Anghileri Marco Piazza
<u>Alternate Auditors</u>	Giovanni Cucchiani Clemente Domenici Carlo Mascheroni

### General Management

<u>General Director</u>	Alberto Mocchi
<u>Vice General Director</u>	Claudio Broggi

### Manager responsible for preparing the Company's financial reports pursuant to article 154-bis of Consolidated Law on Finance "TUF"

<u>Nominated Official in charge of drawing up Company Accounts</u>	Piercamillo Secchi
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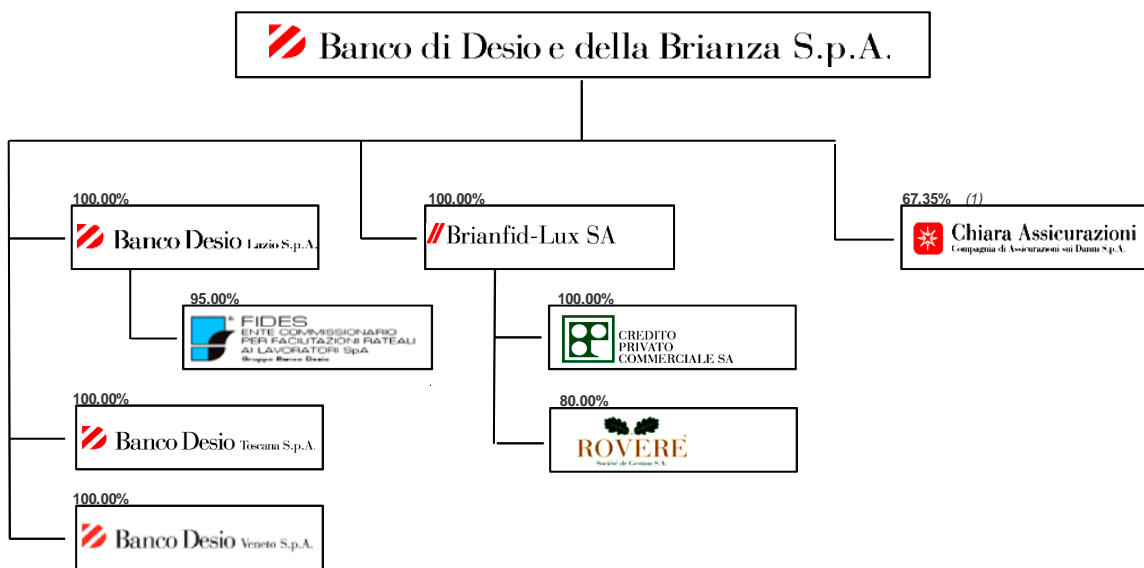
**PREAMBLE**

The data and indexes reported in this *Report on operations* make reference, if applicable, to the Balance Sheet of the Financial Statements layouts, as well as to the reclassified Income Statement, as per the appropriate paragraph, which has in turn been prepared based on the Financial Statements layout.

It should be noted that, following the update of Circular Letter no. 262, it was necessary to make some reclassifications of comparative data, as described in detail in Part A – Accounting policies (A1 – General, Section 2 “General accounting policies”) of the *Notes to the Financial Statements*, to which reference is made.

**THE BANCO DESIO GROUP**

As at 31 December 2009 this consolidated report on operations relates to the following corporate structure of the Banco Desio Group:



(1) Company excluded from the perimeter of the Banking Group

## 1 - FINANCIAL HIGHLIGHTS AND RATIOS

### BALANCE SHEET DATA

<i>in thousands of Euros</i>	31.12.2009	31.12.2008	Change	
			Amount	%
Total assets	8,308,780	7,521,232	787,548	10.5%
Financial assets	943,580	798,133	145,447	18.2%
Amounts due from banks	792,983	587,023	205,960	35.1%
Amounts due from customers	6,160,151	5,710,766	449,385	7.9%
Tangible assets	148,210	147,545	665	0.5%
Intangible assets	45,377	41,288	4,089	9.9%
Amounts due to banks	36,658	37,636	-978	-2.6%
Amounts due to customers	4,868,276	4,062,370	805,906	19.8%
Securities issued	1,808,570	1,863,096	-54,526	-2.9%
Financial liabilities at fair value through profit or loss	557,152	541,488	15,664	2.9%
Shareholders' equity (including net profit for the period) (1)	757,372	697,600	59,772	8.6%
Total indirect deposits	18,152,971	15,915,266	2,237,705	14.1%
<i>of which indirect deposits from ordinary customers</i>	8,140,424	7,804,592	335,832	4.3%

### INCOME STATEMENT DATA <sup>(2)</sup>

<i>in thousands of Euros</i>	31.12.2009	31.12.2008	Change	
			Amount	%
Operating income	343,966	344,359	-393	-0.1%
<i>of which Net interest income</i>	192,722	207,056	-14,334	-6.9%
Operating costs	226,475	213,738	12,737	6.0%
Operating margin	117,491	130,621	-13,130	-10.1%
Operating profit net of taxes	29,063	49,079	-20,016	-40.8%
Non-recurring profit after taxes	24,619	13,825	10,794	n.s.
Net profit/(loss) for the period (1) (3)	53,532	63,060	-9,528	-15.1%
Comprehensive income <sup>(1)(3)</sup>	71,832	51,037	20,795	40.7%

<sup>(1)</sup> pertaining to the Parent Company

<sup>(2)</sup> from reclassified Income Statement.

<sup>(3)</sup> as per the statement requested by the Bank of Italy with the updated version of Circular Letter n. o. 262/2005



**FINANCIAL RATIOS**

	31.12.2009	31.12.2008	Change	
			Amount	%
Shareholders' equity / Total assets	9.1%	9.3%	-0.2%	
Shareholders' equity / Amounts due from customers	12.3%	12.2%	0.1%	
Shareholders' equity / Amounts due to customers	15.6%	17.2%	-1.6%	
Shareholders' equity / Securities issued	41.9%	37.4%	4.5%	
(Tier 1 and Core Tier 1) Equity ratio	10.4%	9.8%	0.6%	
(Tier 2) Solvency ratio	11.8%	10.5%	1.3%	
Financial assets / Total assets	11.4%	10.6%	0.8%	
Amounts due from banks / Total assets	9.5%	7.8%	1.7%	
Amounts due from customers / Total assets	74.1%	75.9%	-1.8%	
Amounts due from customers / Direct deposits from customers	85.2%	88.3%	-3.1%	
Amounts due to banks / Total assets	0.4%	0.5%	-0.1%	
Amounts due to customers / Total assets	58.6%	54.0%	4.6%	
Securities issued / Total assets	21.8%	24.8%	-3.0%	
Financial liabilities at fair value through profit or loss / Total assets	6.7%	7.2%	-0.5%	
Direct deposits from customers / Total assets	87.1%	86.0%	1.1%	
Operating costs / Operating income (Costi/Income ratio)	65.8%	62.1%	3.7%	
Net interest income / Operating income	56.0%	60.1%	-4.1%	
Operating margin / Operating income	34.2%	37.9%	-3.7%	
Operating profit net of taxes / Shareholders' equity	4.0%	7.6%	-3.6%	
Net profit/(loss) for the period / Shareholders' equity (R.O.E.)	7.6%	9.9%	-2.3%	

**STRUCTURE AND PRODUCTIVITY DATA**

	31.12.2009	31.12.2008	Change	
			Amount	%
Number of employees	1,808	1,774	34	1.9%
Number of bank branches	169	161	8	5.0%
<i>in thousands of Euros</i>				
Amounts due from customers by employee <sup>(4)</sup>	3,440	3,318	122	3.7%
Direct deposits from ordinary customer by employee <sup>(4)</sup>	4,039	3,758	281	7.5%
Operating income by employee <sup>(4)</sup>	192	200	-8	-4.0%

<sup>(4)</sup> on the basis of the number of employees determined as arithmetic mean

## 2 - THE BASELINE SCENARIO

### 2.1 - THE MACROECONOMIC FRAMEWORK

In 2009, the main economies recorded a large decrease in Gross Domestic Product, as a result of the serious repercussions caused by the previous months of 2008. Indeed, the end of 2008 and the first months of 2009 will be remembered as the period in which the most profound recession in recent decades was recorded and in which the largest fall in GDP was experienced. According to the most recent International Monetary Fund (IMF) estimates, world economic growth in 2009 should be -0.8% (+3% in 2008).

The negative effects of the financial crisis that started in the summer of 2007 and worsened in September of 2008 spread to the real economy of the main economies. However, the lowest point of the cycle of this crisis was reached in the first quarter of 2009, meaning that the effects of the economic recovery started to be seen from late spring and then continued until the end of the year, as a result of the expansive economic policies put into place by the authorities of the main economies. From the second half of 2009, the main economic indicators started to show signs of recovery. The consumer and business confidence indexes started to show positive signs, the decline in industrial production came to a halt and the financial crisis started to be under control. Tensions on the financial markets started to relax and the bank credit crunch became less intense.

In the third quarter of 2009, GDP returned to growth in the United States of America and in the Euro zone, continued to expand in Japan and to accelerate in Latin America and Asia. In Japan and in the United States, the unemployment rate levelled off.

During 2009, inflation remained modest, although the prices of oil and other raw materials gradually rose, as a result of the large amounts of unused resources. Inflation in the main economies was on average close to zero, with some peaks of deflation being recorded in some months.

In order to deal with the serious economic crisis, monetary policies in the main economies remained heavily expansive for the whole of 2009. In particular, "quantitative easing" monetary policies were employed, above all in the USA, whereby substantial doses of liquidity were injected into the financial system.

During 2009, the Euro devalued on average against the currencies of the United States, China, Japan and Switzerland. On the other hand, it appreciated against the British Pound.

Looking to 2010, a number of factors of weakness could influence the recovery of the advanced economies; the expansive effect of the fiscal measures is likely to recede from the second half of 2010 and the uncertain employment market conditions are limiting the possibility of consumption returning to growth. Indeed, unemployment rates are likely to rise again or in any case remain high for a large part of 2010. On the other hand, growth should continue at sustained rates in Brazil, India and China, as a result of stronger domestic consumption.

#### THE UNITED STATES

At the end of the fourth quarter of 2009, the GDP of the United States showed a decline of -2.4% (+0.4% in 2008) as a direct consequence of the strong decline in both investments in residential property (-20.4%) and other investments (-17.9%), of the sharp fall in private consumption (-0.6%) and of the sharp slowdown in exports (-14.2%). The United States government continued to support public spending (+1.9%) in order to combat the crisis. The rate of inflation was slightly negative (-0.3%). At the end of 2009, trade with the rest of the world was down because of a worsening both of the energy and non-energy balances which in all likelihood will mean that imports will be needed for the process of restocking.

## JAPAN

The Japanese economy showed signs of recovery from the second half of 2009; thanks to the contribution of net exports and consumption, production continued to grow until the end of the year. Government economic measures boosted imports and consumption in spite of the fact that the employment situation and real salaries were not very encouraging. Indeed, unemployment rate rose to 5.2% at the end of 2009, against 4.4% in 2008. As far as businesses were concerned, the fall in profits and the increase in uncertainty on the markets affected business development plans, with companies putting a stop to their investment plans despite the increase in production. Japanese GDP, although it continued to expand in the final part of 2009, had a negative variance of -5.2% on an annual basis. For 2010, the government has launched a new package of measures aimed at raising GDP again by 1.5 percentage points through fiscal and environmental policies (cars and houses) and to support employment.

## EMERGING ECONOMIES

From the second half of 2009, countries with emerging economies showed strong signs of recovery; this can be traced back to the main countries which had by then passed the lowest point of the economic cycle, despite shadows remaining regarding the potential risks which could slow down progress in 2010. Russia managed to benefit from the increase in oil and raw material prices but doubts remain about the sustainability of growth in 2010 in the light of the performance of real income (lower consumption), of the banking system and of its monetary policy. The Middle East resumed its growth, above all thanks to the further increase in public spending which has had positive repercussions on the employment and capital markets. China and India are the countries that best resisted the market crisis, managing to significantly increase their GDPs (+8.6% in China and +6.5% in India). Indeed, the increase in industrial production boosted consumption and exports. The countries of Latin America also resumed their growth, except for Argentina. The growth in industrial production and the public policies to support domestic demand have promoted recovery in Brazil and Mexico.

## EURO ZONE

At the end of 2009 the Euro zone reported a fall in GDP of -4% against +0.5% in 2008. Despite the positive signs in the last months of 2009, recovery still remained very weak. The marked improvement in the climate of business and consumer confidence was not matched by an equally intense strengthening of production activity and business volumes. This was reflected in the persisting weakness of domestic demand, compared with a strong export market. In fact, private consumption reported a decline in the last quarters of 2009, down by 1% at the end of 2009. In the first three quarters gross fixed investments decreased by 11.5% compared to the same period in the previous year. Industrial production in the Euro zone reported an average fall of -14.9%.

The performance of the general price index was on average close to zero in the Euro zone, reporting +0.3%. Given this rate of inflation, the European Central Bank lowered the refinancing rate from 2.5% at the end of 2008 to 1% in the first five months of the year in order to combat the heavily negative effects of the recession and it was maintained at that level for the whole of the second part of the year. The ECB also adopted further "non-conventional" measures during 2009 to support the economic and financial system; these included the increase in the duration of fixed-rate refinancing transactions.

## ITALY

In 2009, Italy recorded its worst fall in GDP since the beginning of the post-war period: -4.9%. After five consecutive months of decline, the GDP started to grow in the summer. Despite the improvement in the climate of confidence, consumption levels and private investments remained very weak. The fall in the number of persons employed, which inevitably led to a fall in disposable income for families, had a negative effect on private consumption, while the uncertainty about future prospects led to lower spending. In 2009 the unemployment rate increased compared to 2008, passing from 6.8% in 2008 to 7.8%. The loss of jobs intensified above all in the second part of 2009, but continued to be at lower levels than those prevalent in the countries of the Euro zone.

Consumer inflation fell drastically during 2009, settling at around 1%. The core inflation showed a change from 2.8% in 2008 to 1.7% in 2009. Producer prices also reported very negative trends equal to -4.7%.

## 2.2 - THE CAPITAL MARKET AND THE BANKING SYSTEM IN ITALY

The change reported in the trends of the main economies in December 2009 is also evident if we observe International stock markets: Standard & Poor's 500 of New York rose by 23.5% on an annual basis, Nikkei 225 of Tokyo by 19%, Dow Jones Euro Stoxx Large by 25.1%. The new economy indexes also had significant annual performances: the German Tech Dax reported an increase of +60.8%, Nasdaq by +43.9%. Likewise, the Italian stock market also benefitted from this annual positive trend: the FTSE MIB index rose by +19.5% on an annual basis, while the bank index, FTSE Italy Banks, showed a further positive annual change equal to +27.9%. The improvements in the indexes are also connected to the increase in the overall capitalisation of the stock markets; with reference to the Italian stock market, a strong increase was observed in the capitalisation volumes of stocks in the industrial and services sectors, showing increases of +40% and +15%, respectively. The banking sector also saw a 30% increase in its capitalisation on an annual basis.

In analysing the Italian banking system, the statistics from the Italian banking Association (ABI) show that in 2009 deposits in Euro (resident customers and bonds) increased by +9.3%: under specific forms of funding, deposits from resident customers reported an annual increase of +8%, while bonds rose by +11.2% compared to December 2008. Under deposits from resident customers, the components which obtained the best annual performance were current account deposits, locked-up deposits and deposit certificates: the components that reported a sharp fall were repos (-23.9%) and foreign deposits (-9.4%).

The intense phase of slowdown in the Italian economy was heavily reflected in the performance of loans; in fact, loans to private individuals only rose by +1.7% compared to December 2008. Within these, loans to families and non-financial companies increased by +0.5% on an annual basis with a clear prevalence of medium- and long-term loans. As regards businesses, the reduction in the investment plans has heavily affected the performance of the corporate sector, down by -2.4% compared to December 2008. The trend in household lending grew by +5.9% on an annual basis. Consumer credit increased by +5% on an annual basis, showing an opposite trend compared to the Euro zone.

The deterioration in the economic situation adversely affected the ratio between non-performing loans and loans; as at December 2009, the ratio was equal to 3.28%, against 2.35% in December 2008.

The banks' securities portfolio reported an annual growth of 29.4% (equal to +439 billion euro) compared to December 2008, up by about 100 billion euro.

As regards interest rate markets, the structure was affected by the measures imposed by the ECB: 3-month Euribor went down to 0.71% (against 3.29% in December 2008), the return on BOT treasury bills to 0.66% (against 2.13% in 2008), the return on CCT treasury credit certificates came to 1% (against 3.89% in 2008). The average return of BTP treasury bonds reported a decline from 4.58% to 3.95% in the same period. With reference to the bank lending, the mean rate of interest on deposits reported a fall of 1.41 percentage points (and came to 1.59% against 3% in December 2008), while the average interest rate on loans came to 3.76% against 6.09% in December 2008.

### 3 - LOCAL EXPANSION AND ISSUES OF CORPORATE INTEREST

#### 3.1 - DEVELOPMENT OF THE DISTRIBUTION NETWORK

The rate of growth of the distribution network continued in 2009 in spite of the worsening macroeconomic scenario, enabling the Group to reach a total of 169 branches at the end of the financial year, an increase of 8.

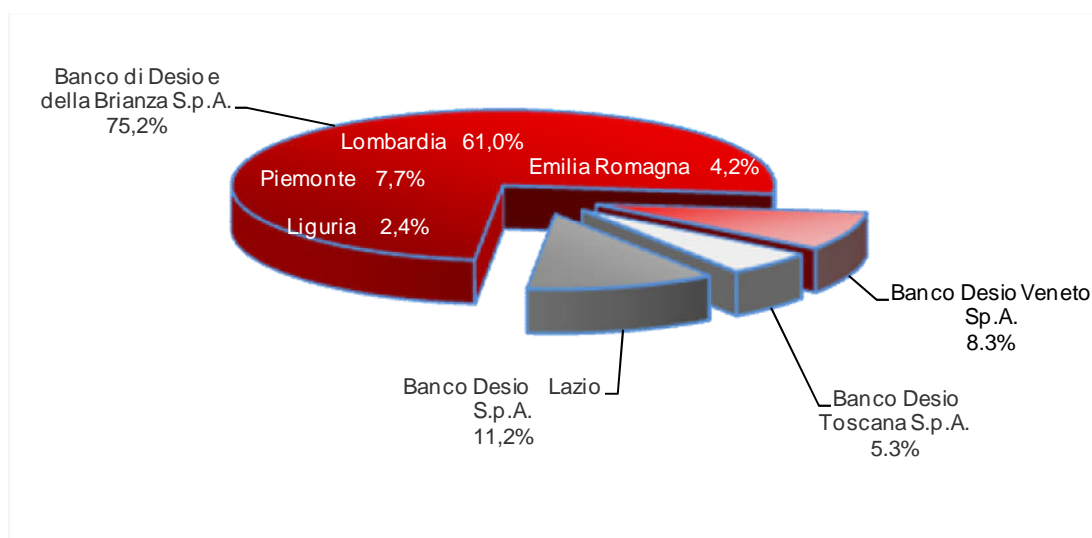
The branch network, increasingly widespread, continues to be marked by the central role given to the rapport and relations with customers. The objective of the continuity in the expansion policy that was again pursued in 2008 was to put roots down in the territory with which the Group is historically associated and in adjacent and complementary areas and to take up other local opportunities. This policy led to further extend the Parent Company's distribution network in Lombardy, Piedmont, Emilia and Liguria, and to reinforce the direct presence of the individual local subsidiary banks, in particular in the Veneto and Lazio regions.

The breakdown of the overall branch network by individual Group company with the change in the year is shown in the table below, while the chart that follows it also gives the percentage distribution by region as at the end of 2009.

Table no. 1 - THE GROUP DISTRIBUTION NETWORK: BREAKDOWN BY BANK

No. of branches	31.12.2009		31.12.2008		Change	
		Percentage breakdown		Percentage breakdown	Value	%
Banco di Desio e della Brianza S.p.A.	127	75.2%	121	75.1%	6	5.0%
Banco Desio Veneto Sp.A.	14	8.3%	13	8.1%	1	7.7%
Banco Desio Toscana S.p.A.	9	5.3%	9	5.6%	0	0.0%
Banco Desio Lazio S.p.A.	19	11.2%	18	11.2%	1	5.6%
<b>Group distribution network</b>	<b>169</b>	<b>100.0%</b>	<b>161</b>	<b>100.0%</b>	<b>8</b>	<b>5.0%</b>

Chart no. 1 - THE GROUP DISTRIBUTION NETWORK: PERCENTAGE BREAKDOWN BY BANK AND BY REGION – YEAR 2009



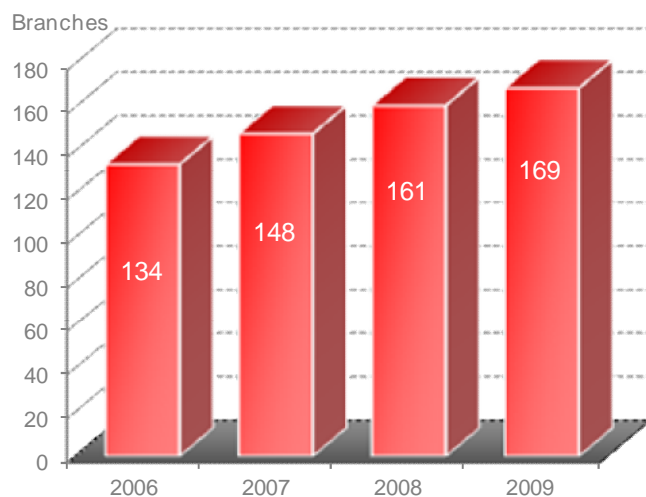
In the year that has closed, the Parent Company opened a branch in the provincial capital of Lombardy, one branch in Monalieri in Piedmont, two branches in the Emilia region, in Rubiera and Bologna respectively, and other two branches in Liguria, in Savona and in Imperia.

The network structure of the subsidiary Banco Desio Veneto S.p.A., with the opening of the branch in Bussolengo (Verona) on 8 June 2009, numbered a total of fourteen branches at the end of the year; these are spread across the local base which covers the districts of Vicenza, Verona, Padua and Treviso.

Following the opening of the branch of Villanova di Guidonia (Rome) in July, Desio Lazio S.p.A. numbered a total of nineteen branches at the end of 2009, with a base that is particularly concentrated in the capital and the surrounding areas. Banco Desio Toscana S.p.A. on the other hand maintained the same structure as the previous year.

The chart below shows the dimensional growth of the Group in the last few years, with a growth rate corresponding to a Compound Annual Growth Rate of 8% in the three year period 2007-2009.

*Chart no. 2 - THE GROUP DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEARS*



### 3.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL YEAR

#### *Approval of the two-year 2010-2011 Business Plan*

Within the scope of the Group's strategic planning activity, on 22 December the Board of Directors of the Parent Company approved the two-year 2010-2011 Business Plan, which has also been adopted by the three Italian subsidiary banks and also includes the "Local Development Project" for the two-year period communicated to the Bank of Italy. The opening of fourteen new branches is expected during the two-year period, in order to reinforce the local presence. Also taking into account the openings carried out in the current year (as reported in the paragraph "Significant events after the reporting date") or scheduled to be carried out soon in accordance with the previous Business Plan, the network of the Banco Desio Group will reach a total of 186 branches at the end of 2011.

*Acceptance of BPM's public offer to buy all the shares of Anima SGR p.A. and sale of the equity investment by the Parent Company*

On 30 January 2009, the Parent Company completed the transfer of the residual stake held in Anima SGR.p.A. in the implementation of the voluntary public offer to buy all the shares promoted by Banca Popolare di Milano, for the total no. of 22,251,550 shares held, equal to 21.191% of SGR's share capital (namely 20.284% of the fully diluted share capital as defined in the Offer Documentation), achieving a net capital gain of about Euro 29.5 million (Euro 21.5 million at consolidated level).

*Rovere SICAV*

Within the scope of a project developed by the Parent Company, aimed at the incorporation of a Luxembourg registered open-end investment company, on 26 February 2009 Rovere SICAV was established and, again in Luxembourg, the management company "Rovere Soci t  de Gestion SA", with a share capital of Euro 500,000, in which two other Italian banks that are interested in the project participate with a 10% stake each. This management company, controlled by the Parent Company through Brianfid-Lux SA with a current stake of 80%, joined the Group on the date of incorporation itself. As reported in the paragraph "Significant events after the reporting date", the current year saw the implementation of the expected partial reallocation of such stake through the transfer of an overall stake of 30%, equally distributed, by Brianfid-Lux SA to the three Italian subsidiary banks of the Group.

*Capital increase of the subsidiary Chiara Assicurazioni S.p.A. and a 67.35% increase in the stake held by the Parent Company*

On 20 July 2009 the subsidiary Chiara Assicurazioni S.p.A. took steps to implement the first tranche of the capital increase serving the Stock option plan in place (from Euro 7,500,000 to Euro 8,212,000) and, at the same time as the issue, the Parent Company purchased a total of no. 656,000 shares resold by the majority of subscribing beneficiaries, thus causing the controlling interest held in the Company to come to 67.35%. The sale was made at a price of Euro 3.47 per share (the normal value determined on the basis of an appropriate report prepared by an appointed actuary).

*Increase by the Parent Company in the stake held in the associate Istifid S.p.A.*

On 25 September 2009 the Parent Company increased its stake held in the associate Istifid S.p.A. from 21.65% to 28.96%, thus becoming the first shareholder of the company in terms of relative majority.

*Corporate Governance Project*

During the year, the procedure was completed for the adoption of the supervision provisions contained in the Bank of Italy's order of 4 March 2008 on Corporate Governance, by appropriate resolutions passed by the board of directors and by the shareholders' meeting of the Parent Company and of the three Italian subsidiary banks. The related details are reported in the Annual report on Corporate Governance made available, pursuant to article 123-bis of the Consolidated Law on Finance, on the website ([www.bancodesio.it](http://www.bancodesio.it), section Banco Desio – Corporate Governance) at the same time as this Report.

*"Common notice" for the suspension of SME (small- and medium-sized enterprises) debts to the banking systems and ABI / Cassa Depositi e Prestiti Agreement for loans to SMEs*

In September, the Group joined the Common Notice of the Italian Banking Association (ABI) and the Ministry of the Economy for the suspension of SME debts to the Credit System. Still in the context of the sector's initiatives to support the manufacturing industry as it deals with the economic crisis, the Parent Company also considered it appropriate to start the procedure in October for approving the agreement signed on 28 May 2009 between ABI and the bank Cassa Depositi e Prestiti ("CDP", Deposits and Loans Fund). On the basis of this agreement, the institute has made a total maximum amount of Euro 8 billion available to banks, split into two tranches, to be used for paying out loans to SMEs.

*Admission to trading on MTF EuroTLX as an Intermediary and Specialist*

From 26 October 2009, the Parent Company was admitted to trading on the multilateral trading facility (MTF) EuroTLX managed by TLX S.p.A. as an Intermediary and as a Specialist, for its own debenture loans and for those issued by the Italian subsidiary banks.

*100<sup>th</sup> Anniversary of the Parent Company*

It should be noted that the past financial year was marked by a series of initiatives dedicated to celebrating the 100<sup>th</sup> anniversary of the Parent Company; the events that took place all shared the aim of enhancing the historic tradition of the Institute.

### **3.3 - OTHER TRANSACTIONS / MAJOR CORPORATE EVENTS RELATING TO SUBSIDIARIES OR ASSOCIATES**

*Capital increase of the indirect subsidiary FIDES S.p.A. and increase in the indirect stake held by the Parent Company through the subsidiary Banco Desio Lazio*

In the framework of a plan to expand the distribution network of the indirect subsidiary FIDES S.p.A., in March 2009, the subsidiary Banco Desio Lazio completed the sale of a 3% interest in the share capital of the financial company, for about Euro 250,000, thus reducing the stake to 75%.

In April the extraordinary shareholders' meeting of the financial company resolved a capital increase from Euro 1,100,000.00 to Euro 1,610,472.00 through the issue of no. 510,472 shares to be offered as an option to the shareholders, proportionally to the stake held, with a premium of Euro 6.64 per each share with a par value of Euro 1.00 each, and then for a total profit of Euro 3.9 million. The transaction was effected in June and, including as a result of the subscription of the non-opted shares of a minority shareholder, entailed an increase in the stake of Banco Desio Lazio up to about 81%. In the same month, as a result of the subsequent transfer by a minority shareholder of a stake of about 14% of FIDES S.p.A., Banco Desio Lazio further increased its stake in the financial company up to 95%, against a disbursement of about Euro 1.5 million.

As reported in the paragraph "Significant events after the reporting date", the stake became then total in the current year.

## **4 - HUMAN RESOURCES**

### **4.1 - RESOURCES MANAGEMENT**

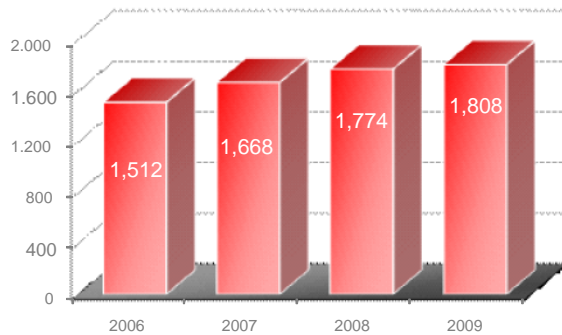
While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the sharing of values within the Group. This approach, in line with the geographic expansion policy, accompanies the dissemination of information and development in areas with which the Bank has historic associations and in inter-regional offices in different catchment areas and economic sectors.

As at 31 December 2009, the Group counted 1,808 employees, with an increase of 34, corresponding to 1.9%, compared to the final figure of the previous year



In the last three year period, the average compound annual growth rate registered in the headcount was equal to 6.1%, lower than that registered in the distribution network, which was equal to 8%, as evidenced by the numeric data represented in the chart below.

Chart no. 3 - INCREASE IN THE GROUP STAFF NUMBERS IN THE LAST FEW YEARS



The table below shows the breakdown of staff by grade and the variation on the previous year.

Table no. 2 - GROUP STAFF: BREAKDOWN BY GRADE

No. of employees	31.12.2009		31.12.2008		Changes	
	No. of employees	Percentage Breakdown %	No. of employees	Percentage breakdown %	Value	%
Executives	40	2.2%	38	2.1%	2	5.3%
3rd and 4th level managers	422	23.3%	409	23.1%	13	3.2%
1st and 2nd level managers	475	26.3%	467	26.3%	8	1.7%
Other Personnel	871	48.2%	860	48.5%	11	1.3%
<b>Group staff</b>	<b>1,808</b>	<b>100.0%</b>	<b>1,774</b>	<b>100.0%</b>	<b>34</b>	<b>1.9%</b>

## 4.2 - TRAINING

Training is a distinctly effective partner in growth processes and in developing human resources, as part of a more widespread culture within the Parent Company, and, in general, the Group.

A total of 7,547 man/days of training were administered during 2009, counting in-house courses, conferences, external seminars and online training activities, up compared to 5,653 in the previous year.

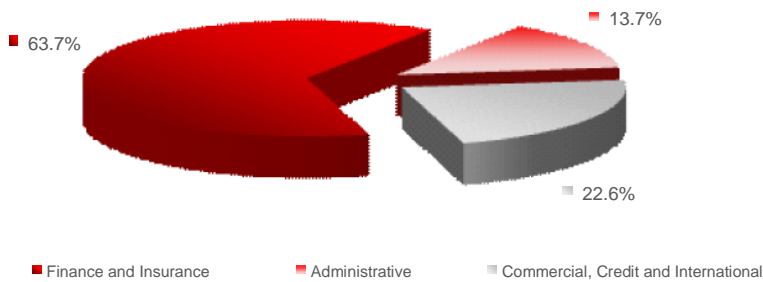
In particular, the sessions held are divided according to the following types of training:

- "General", directed at all professional roles and having the objective of developing cross-sector skills;
- "Communication and organisation", aimed at developing effective and efficient relational, organisational and behavioural skills in the business organisation, which will facilitate the spreading of the business culture and the internalisation of the company values;

- “Technical professional”, covering the initiatives aimed at developing, consolidating and maintaining over time the professional skills that are linked to specific roles and fields.

The percentage breakdown of the meetings held based on the classification of the issues dealt with and dedicated to the “Technical professional” training, which affected about 75% of the total days, may be represented in the following chart.

Chart no. 4 - “TECHNICAL PROFESSIONAL” TRAINING IN THE YEAR 2009: BREAKDOWN BY SUBJECT



In the “Finance” sphere, it should be noted that the assessment, training and certification process launched in 2008, in collaboration with the Bocconi University of Milan, was concluded. This involved network staff and had the objective of reinforcing and standardising technical-professional skills.

Moreover, training sessions were carried out for those in professional Private Banker roles in collaboration with the Italian Private Banking Association (AIPB), with certification of the skills acquired, as well as update activities of the Consob provisions concerning illiquid products (3<sup>rd</sup> Level measures) with impacts on operational, contractual and commercial transactions.

### 4.3 - RELATIONSHIP WITH THE TRADE UNIONS

In the general framework of labour relations which was always been marked by calm and constructive discussion, it should be noted that negotiations are in progress for the renewal of the company supplementary agreement started in July 2009.

## 5 - CONTROL ACTIVITIES

### 5.1 - LEVELS OF CONTROL IN THE FUNCTION OF DIRECTION AND CO-ORDINATION

In the exercise of its function of direction and co-ordination, the Parent Company Banco di Desio e della Brianza S.p.A., effects three levels of control on subsidiaries in order to implement the specific “co-ordination model” selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location and identifying within its structure the competent functions for the specific control mechanisms.

The first level is of a strategic nature and is designed to maintain a constant check that the indications given by the Parent Company are kept to. Implementation is achieved for the most part by the presence of its own

representatives on the Boards of Directors of each subsidiary company, normally in sufficient numbers to represent a majority.

The second level is more concerned with management and relates to the activities of analysis, systemising and evaluation of the periodical information flows from subsidiary companies in order to confirm the pursuit of strategic goals in compliance with supervisory rules, the preparation of sufficient reports on performance and profitability, the analysis of development plans and strategic opportunities, forecast flows and all other information necessary for the preparation of the Group Budget.

The third level can be described as being technical/operational in nature and in practice is conducted through the supervision of internal control systems.

Additional information on direction and coordination activities is contained in paragraph 2.3 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report, to which reference is made.

## **5.2 - INTERNAL CONTROL SYSTEM**

The internal control system is made up of the collection of standards of conduct, rules and organisational procedures which, in observance of law instructions from the Supervisory Body and business strategies, make it possible to manage all Group activities properly, involving the top Bodies and management and, in general, all staff.

Detailed information on the internal control system, as well as on the Manager responsible for preparing the Company's financial reports, and then also on risk management systems and on systems of internal control over the financial reporting process, is contained in paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report, to which reference is made.

## **5.3 - RISK MEASUREMENT AND MANAGEMENT**

With regard to the specific activities carried out by the Parent Company's Risk Management Office, designed to ensure that checks are maintained on the various risk types through the adoption of integrated processes, please refer to Part E of the Notes to the Financial Statements "Information on Risks and the Related Hedging Policies".

## **6 - MANAGEMENT PERFORMANCE**

### **6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS**

At the end of the financial year the total administered customer assets increased to about Euro 25.4 billion, up by Euro 3 billion compared to the previous year, i.e. equal to 13.4%, attributable to both direct and indirect deposits.

The overall performance of this item is shown in the table below, which also gives a breakdown.

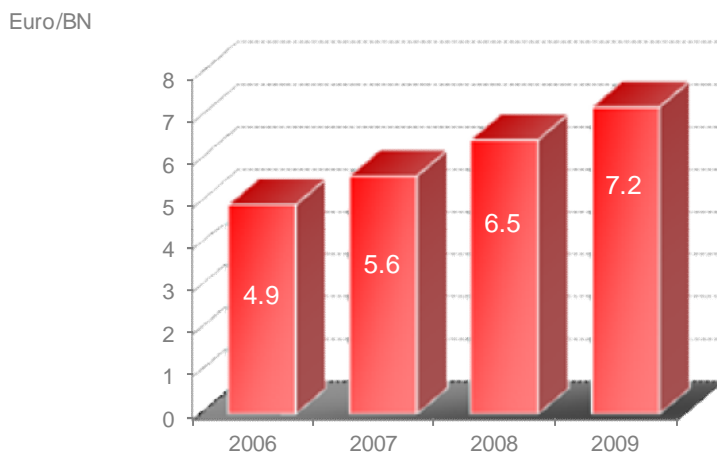
Table no. 3 - DEPOSITS FROM CUSTOMERS

Amounts in thousands of Euro	31.12.2009	Percentage breakdown	31.12.2008	Percentage breakdown	Change	
					Value	%
Amounts due to customers	4,868,276	19.2%	4,062,370	18.2%	805,906	19.8%
Securities issued	1,808,570	7.1%	1,863,096	8.3%	-54,526	-2.9%
Financial liabilities at fair value through profit or loss	557,152	2.2%	541,488	2.4%	15,664	2.9%
<b>Direct deposits</b>	<b>7,233,998</b>	<b>28.5%</b>	<b>6,466,954</b>	<b>28.9%</b>	<b>767,044</b>	<b>11.9%</b>
Deposits from ordinary customers	8,140,424	32.1%	7,804,592	34.9%	335,831	4.3%
Deposits from institutional customers	10,012,548	39.4%	8,110,674	36.2%	1,901,874	23.4%
<b>Indirect deposits</b>	<b>18,152,971</b>	<b>71.5%</b>	<b>15,915,266</b>	<b>71.1%</b>	<b>2,237,705</b>	<b>14.1%</b>
<b>Total deposits from customers</b>	<b>25,386,969</b>	<b>100.0%</b>	<b>22,382,220</b>	<b>100.0%</b>	<b>3,004,749</b>	<b>13.4%</b>

*Direct deposits*

The increase in direct deposits during the last three year of business for the Group, is represented in the chart below, with annual growth rates corresponding to an average compound growth rate of 13.5%.

Chart no. 5 - DEPOSITS: THE TREND OVER THE LAST FEW YEARS



The most substantial item of direct deposits as at the end of the financial year in question, corresponding to 67.3% of the aggregate, is represented by the “amounts due to customers”, Euro 4.8 billion of which reflects “sight” deposits, i.e. current accounts and savings deposits, and Euro 0.1 billion of which is for reverse repurchase agreements and other payables.

At the end of the financial year, securities in circulation, amounting to about Euro 0.1 million less than the previous year, consisted of Euro 1.6 billion of bonds issued and placed by the Group, mainly with a variable yield. The remainder consisted of deposit certificates.

The end-of-year balance of financial liabilities reported on the basis of the fair value option refers to bond loans, mainly with a variable yield, issued by the Group and hedged with financial derivative instruments.

The total value of the bond loans issued and placed during 2009 was around Euro 0.7 billion.

### *Indirect deposits*

In the twelve months indirect deposits reported an overall increase of Euro 2.2 billion, equal to 14.1% of the previous balance, totalling about Euro 18.2 billion.

Specifically, deposits from “ordinary” customers showed a growth by Euro 0.3 billion, equal to 4.3%, attributable to the performance of the managed asset sector, partially offset by the increase in the administered sector, notwithstanding the penalisation due to the financial crisis.

Deposits from institutional customers reported an increase of Euro 1.9 billion, mainly due to the volumes concerned by the custodian bank service.

The table below gives the details of the items in question, showing the variations reported at the end of the twelve months under analysis.

Table no. 4 - **INDIRECT DEPOSITS**

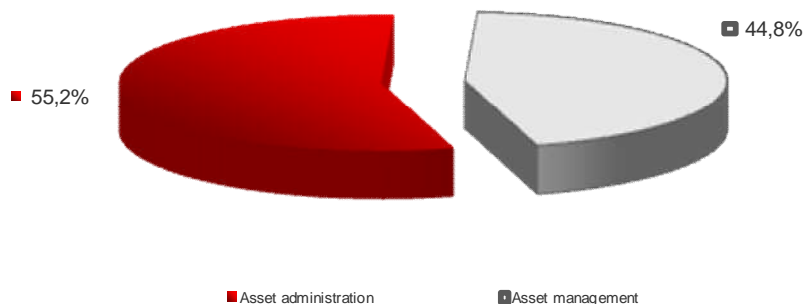
<i>Amounts in thousands of Euros</i>	31.12.2009		31.12.2008		Change	
		Percentage breakdown		Percentage breakdown	Value	%
<b>Asset administration</b>	<b>4,493,950</b>	<b>24.7%</b>	<b>4,620,760</b>	<b>29.0%</b>	<b>-126,810</b>	<b>-2.7%</b>
<b>Asset management</b>	<b>3,646,474</b>	<b>20.1%</b>	<b>3,183,833</b>	<b>20.0%</b>	<b>462,641</b>	<b>14.5%</b>
<i>of which: Mut.Fund and Open-end Inv. (1)</i>	<i>1,248,060</i>	<i>6.9%</i>	<i>831,274</i>	<i>5.2%</i>	<i>416,787</i>	<i>50.1%</i>
<i>Portfolio management (2)</i>	<i>655,597</i>	<i>3.6%</i>	<i>818,622</i>	<i>5.1%</i>	<i>-163,025</i>	<i>-19.9%</i>
<i>Bank Insurance</i>	<i>1,742,816</i>	<i>9.6%</i>	<i>1,533,937</i>	<i>9.6%</i>	<i>208,879</i>	<i>13.6%</i>
<b>Deposits from ordinary customers</b>	<b>8,140,424</b>	<b>44.8%</b>	<b>7,804,592</b>	<b>49.0%</b>	<b>335,831</b>	<b>4.3%</b>
<b>Deposits from institutional customers</b>	<b>10,012,548</b>	<b>55.2%</b>	<b>8,110,674</b>	<b>51.0%</b>	<b>1,901,874</b>	<b>23.4%</b>
<b>Indirect deposits</b>	<b>18,152,971</b>	<b>100.0%</b>	<b>15,915,266</b>	<b>100.0%</b>	<b>2,237,705</b>	<b>14.1%</b>

<sup>(1)</sup> net of mutual fund and open-end investments units under portfolio management and fund-based portfolio management

<sup>(2)</sup> net of liquidity in current accounts and of securities issued by the Group's banks

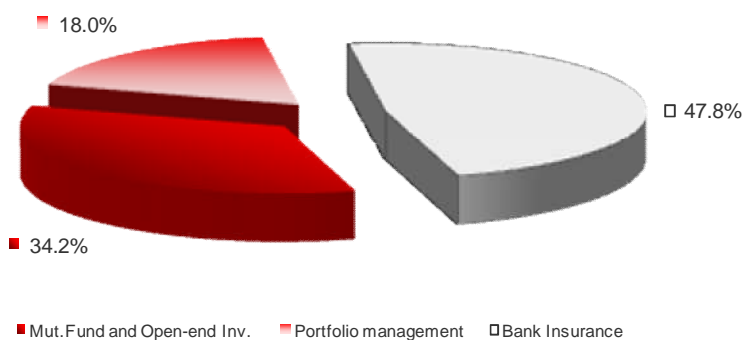
The percentage breakdown by segment of the indirect deposits from ordinary customers as at 31 December 2009, represented in the chart below, shows that the portion attributable to administered assets is greater than that of managed assets, even if less than the previous year.

Chart no. 6 - INDIRECT DEPOSITS FROM ORDINARY CUSTOMERS BY SECTOR AT 31.12.2009: BREAKDOWN



The percentage composition of assets under management at 31 December 2009 is shown in the graph below: the life bank insurance element is the biggest with 47.8%.

Chart no. 7 - INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2009: BREAKDOWN

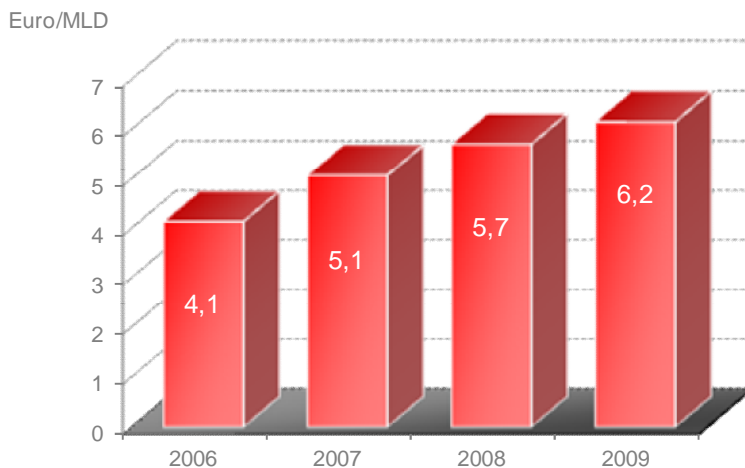


It should be noted that the administered customer assets at 31 December 2009 included about Euro 490 million as capitals repatriated following the so-called “tax shield” transaction under Legislative Decree no. 78 of 1 July 2009.

## 6.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

The total amount of lending to customers at 31 December 2009 reached Euro 6.2 billion, an increase of 7.9% compared to the same period under review of 2008, which contributed to determining a compound annual rate of increase over the last three years of 14.1%, as shown in the graph below.

Chart no. 8 - LOANS TO CUSTOMERS: THE TREND OVER THE LAST FEW YEARS



The differences in the balances of the items making up lending, as shown in the table below, indicate that the overall increase was attributable to medium- and long-term forms of investment, particularly mortgages, partially offset by the decline in other items.

Table no. 5 - AMOUNTS DUE FROM CUSTOMERS

Amounts in thousands of Euros	31.12.2009		31.12.2008		Change	
	Value	Percentage breakdown	Value	Percentage breakdown	Value	%
Current accounts	1,597,041	25.9%	1,655,089	29.0%	-58,048	-3.5%
Mortgages and other medium/long term loans	3,688,795	59.9%	3,001,287	52.6%	687,508	22.9%
Other	874,315	14.2%	1,054,390	18.5%	-180,075	-17.1%
<b>Amounts due from customers</b>	<b>6,160,151</b>	<b>100.0%</b>	<b>5,710,766</b>	<b>100.0%</b>	<b>449,385</b>	<b>7.9%</b>

The credit quality reflects the guidelines based on the principles of prudence, diversification and targeted development characterising the credit policies of the whole Banco Desio Group, constituting the essential element in the credit provision strategy and it permits a degree of concentration on smaller figures.

As regards the distribution of gross loans, including endorsement loans, the percentage of uptakes by the largest clients at the end of 2009 was higher than the final figure at the end of the previous year, with indexes that in any case reflect a greater degree of risk spreading. The table below shows the details

Table no. 6 – AMOUNTS DUE FROM LARGEST CUSTOMERS: CONCENTRATION INDEX

<i>Number of customers</i>	<b>31.12.2009</b>	<b>31.12.2008</b>
10 largest customers	2.9%	2.7%
20 largest customers	4.2%	3.8%
30 largest customers	5.2%	4.9%
50 largest customers	7.1%	6.6%

Furthermore, take note that, in accordance with the supervisory regulations in force, no positions were recorded at the end of 2007 that were classifiable under “Significant Risks” in the context of credit activities

At the end of the period the total amount of net impaired loans, represented by non-performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, as well as restructured exposures, amounted to Euro 174.2 million, net of value adjustments of Euro 95.1 million. Specifically, net non-performing loans amounted to Euro 66.9 million, net problem loans to Euro 74.9 million and expired loans to Euro 32.1 million and restructured exposures to Euro 0.3 million.

The table below summarises gross and net credit risk ratios: the amounts are still low, even though there was a generalised increase compared with the previous year as a natural consequence of the economic crisis.

Table no. 7 - AMOUNTS DUE FROM CUSTOMERS: RISK CREDIT INDICATORS

<i>% Indexes for gross loans</i>	<b>31.12.2009</b>	<b>31.12.2008</b>
Gross impaired loans to customers	4.28%	3.29%
<i>of which:</i>		
- gross non performing loans	1.97%	1.44%
- gross problem loans	1.77%	1.35%
- gross expired loans	0.53%	0.50%
- gross restructured loans	0.01%	0.00%

<i>% Indexes for net loans</i>	<b>31.12.2009</b>	<b>31.12.2008</b>
Net impaired loans to customers	2.82%	2.06%
<i>of which:</i>		
- net non performing loans	1.09%	0.68%
- net problem loans	1.21%	0.88%
- net expired loans	0.52%	0.49%
- net restructured loans	0.00%	0.00%



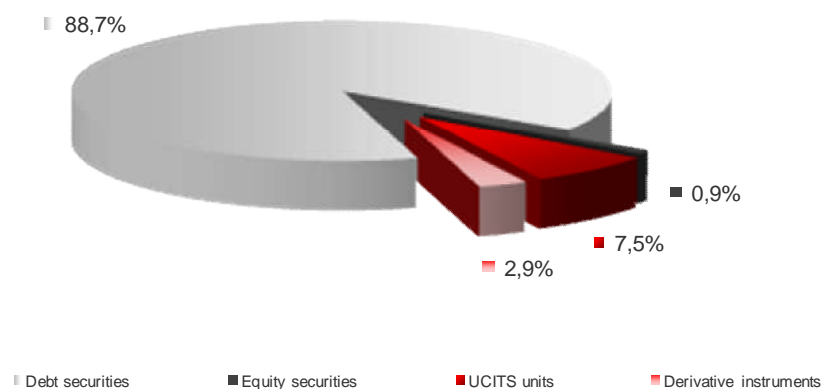
### 6.3 THE SECURITIES PORTFOLIO AND INTER-BANK ACTIVITIES

#### *The securities portfolio*

On 31 December 2009 the Group's total financial assets stood at a value of Euro 0.9 billion, compared to Euro 0.8 billion which was the figure of the preceding year.

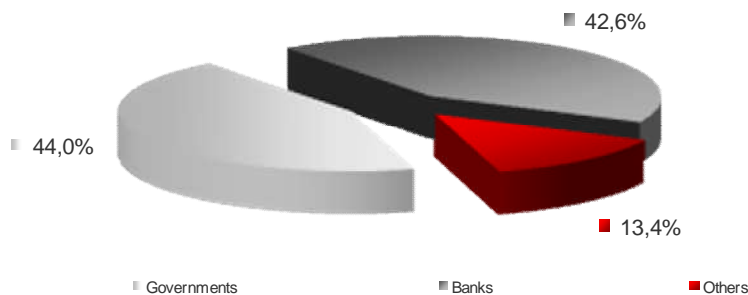
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing that debt securities, mainly comprised of Government securities and of primary bank issuers, accounts for the main portion.

Chart no. 9 - FINANCIAL ASSETS AT 31.12.2009: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY



With reference to the issuers of securities, the aggregate portfolio at the end of the financial year is comprised of "Government securities" (44%), "bank securities" (42.6%), and by "other issuers" for the remaining share, as evidenced in the graph below

Chart no. 10 - FINANCIAL ASSETS AT 31.12.2009: PERCENTAGE BREAKDOWN BY TYPE OF ISSUER



As regards the management of the owned securities portfolio, purchases of bonds were increased during the year, cautiously but decisively, favouring the corporate bonds of the main banking issuers and the supranational bonds, to the detriment of the government securities which continued to return ever lower yields.

In an operating context characterised by “plummeting” rates, the company has also taken measures to increase the duration of the global Portfolio, increasing it from the initial 0.42 to 1.08 in order to pursue the objective of optimising yield while leaving the criteria unchanged for the selection of issuers of financial instruments.

#### *Inter-bank activities*

There was a positive inter-bank balance of about Euro 0.8 billion at the end of the period compared with the positive balance of about Euro 0.6 billion at the end of the previous year.

In order to allocate the liquidity that prudently was maintained at constantly high levels and as part of the daily objective of achieving the highest possible yields, the Parent Company participated in the Collateralised Interbank Market (MIC), strongly implemented its activity on the repo market (over Euro 50 billion) and re-launched its activity on the interbank market, which however was and still is constantly poor.

### **6.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY**

Shareholders' equity as at 31 December 2009, including the net profits of the period, amounted to a total of Euro 757.4 million, an increase of Euro 59.8 million with respect to the figure recorded for 2008.

Shareholders' equity calculated in accordance with the supervisory regulations in force increased to Euro 752.6 million with respect to Euro 637.2 million at the end of the previous year. The figure is made up of Tier 1 capital of Euro 662.9 million (compared to Euro 596.2 million at the end of 2008) with Tier 2 capital of Euro 107.1 million (compared to Euro 54.5 million at the end of 2008) for valuation reserves, and subordinated liabilities. The total of the items to be deducted amounted to Euro 25.8 million (of which Euro 17.4 million is to be deducted from the sum of Tier 1 and Tier 2) and these refer to equity investments in financial and insurance bodies.

The Tier 1 capital ratio, representing the ratio of primary capital to risk-weighted assets increased up to 10.4% and in fact coincides with the Tier 1 Core. The Tier 2 solvency ratio, representing the ratio between regulatory capital and risk-weighted assets, reached 11.8% according to the supervisory regulations in force. On 31 December 2008 these ratios were 9.8% and 10.5% respectively.

### **6.5 - RECLASSIFIED INCOME STATEMENT**

A reclassified Income Statement has been prepared (as compared with the layout in the Financial Statements) in order to provide a view of the Bank's affairs that is more consistent with operational performance, and this is the basis on which the following comments are made.

The following is a summary of the criteria adopted in the preparation of this statement:

- two accounting item totals were stated, defined as “Operating income” and “Operating costs”, the algebraic balance of which constitutes the “Operating margin”;
- “Net profit/(loss) for the period” was divided into “Profits/(losses) after taxes from continuing operations” and “Non-recurring profits/(losses) after taxes”;
- Net income from insurance activities includes the following income from Chiara Assicurazioni S.p.A.: net interest income (items 10 and 20), net insurance premiums (item 150), profits/(losses) on disposal/repurchase of financial assets available for sale (item 100), Other operating income and expenses (item 220) and the balance of other income/charges from insurance activities management (item 160);
- “Operating income” also includes the balance of item 220, “Other operating income and expenses”, also net of tax recoveries for stamp duty on customers' statements of account and securities deposit accounts and substitute tax on medium- and long-term financing, in addition to the amortisation of leasehold

improvements, respectively reclassified as a reduction of item 180 (b), "Other administrative expenses" and as an increase of item 210, "Net adjustments to the value of /write-backs to intangible assets" in the "Operating costs" total;

- shares of profits in the period relating to equity investments in associates were reclassified from item 240 "Profits/(losses) on equity investments" to the item "Profits on equity investments in associates";
- the balance of item 100 (a), "Profit/(loss) on disposal/purchase of receivables" in "Operating income" was reclassified in special item "Profit/(loss) on disposal/purchase of receivables" after "Operating margin";
- provisions for clawback actions in debt litigation were reclassified from item 190, "Net provisions for risks and charges", to item 130 (a), "Net impairment losses on loans", both items following "Operating margin";
- provisions for extraordinary transactions (if any) are reclassified from item 190, "Net provisions for risks and charges", to item "Provisions for risks and charges on extraordinary transactions";
- the balance of "Overdraft limit fees" ("CMS") and of "Recovery of applications expenses for credit facilities" at 30 June 2009 are reclassified from item 10 "Interest income and similar revenues" and from item 220 "Other operating income and expenses", respectively, to item 40 "Fee and commission income".
- the tax effect on non-recurring Profits/(losses) is reclassified from item 290, "Taxes for the period on income from continuing operations" to the item "Taxes for the period on income from non-recurring operations".

The 2009 financial year ended with Parent Bank net profit (loss) of Euro 53.5 million, as shown in the table below, which states the reclassified Income Statement in comparison with the "restated" income statement of the previous year

Table no. 8 - RECLASSIFIED INCOME STATEMENT

Captions <i>Amounts in thousands of Euros</i>		31.12.2009	31.12.2008	Change	
				Value	%
10+20	Net interest income	192,722	207,056	-14,334	-6.9%
70	Dividend and similar income	417	389	28	7.2%
	Profits (losses) on equity investments in associates	3,643	578	3,065	530.3%
40+50	Net fees and commissions	123,539	125,031	-1,492	-1.2%
80+90+100+	Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	10,415	2,362	8,053	340.9%
150+160	Net income from insurance activities	7,587	4,801	2,786	58.0%
220	Other operating income and expenses	5,643	4,142	1,501	36.2%
<b>Operating income</b>		<b>343,966</b>	<b>344,359</b>	<b>-393</b>	<b>-0.1%</b>
180 a	Personnel expenses	-147,236	-138,798	-8,438	6.1%
180 b	Other administrative expenses	-68,532	-64,754	-3,778	5.8%
200+210	Net adjustments to tangible/intangible assets	-10,707	-10,186	-521	5.1%
<b>Operating costs</b>		<b>-226,475</b>	<b>-213,738</b>	<b>-12,737</b>	<b>6.0%</b>
<b>Operating margin</b>		<b>117,491</b>	<b>130,621</b>	<b>-13,130</b>	<b>-10.1%</b>
	Net profits/(losses) on disposal/repurchase of receivables	-293	-1,056	763	-72.3%
130 a	Net impairment losses on loans	-60,008	-44,788	-15,220	34.0%
130 b	Net impairment losses on financial assets available for sale	0	-878	878	-100.0%
130 d	Net impairment losses on other financial transactions	139	-570	709	-124.4%
190	Net provisions for risks and charges	-1,875	218	-2,093	-960.1%
<b>Profits/(losses) before taxes from continuing operations</b>		<b>55,454</b>	<b>83,547</b>	<b>-28,093</b>	<b>-33.6%</b>
290	Taxes for the period on income from continuing operations	-26,391	-34,468	8,077	-23.4%
<b>Profits/(losses) after taxes from continuing operations</b>		<b>29,063</b>	<b>49,079</b>	<b>-20,016</b>	<b>-40.8%</b>
240+270	Profits (losses) on equity investments and on disposal of investments	21,863	52,377	-30,514	-58.3%
	Provisions for risks and charges on extraordinary transactions	0	-37,800	37,800	-100.0%
<b>Non-recurring profit/(loss) before taxes</b>		<b>21,863</b>	<b>14,577</b>	<b>7,286</b>	<b>n.s.</b>
	Taxes for the period on income from non-recurring items	2,756	-752	3,508	n.s.
<b>Non-recurring profit/(loss) after taxes</b>		<b>24,619</b>	<b>13,825</b>	<b>10,794</b>	<b>n.s.</b>
<b>320</b>	<b>Net profit/(loss) for the period</b>	<b>53,682</b>	<b>62,904</b>	<b>-9,222</b>	<b>-14.7%</b>
330	(Profit)/loss for the period attributable to minority interests	-150	156	-306	-196.2%
<b>340</b>	<b>Parent Bank net profit (loss)</b>	<b>53,532</b>	<b>63,060</b>	<b>-9,528</b>	<b>-15.1%</b>

In order to make it easier to compare the reclassified Income Statement with the items as shown in the Financial Statements layout, a reconciliation statement is given for each period, showing the figures corresponding to the total in the layouts and the reclassification balances.

Table no. 9 - RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2009

Captions	Financial Statements 31.12.2009	Reclassification							Reclassified Statements 31.12.2009
		Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Net profits/(losses) on disposal/repurchase of receivables	Uses / provisions for risks and charges	CMS / recovery of applications expenses for credit facilities	
10+20 Net interest income	203,695	-614						-10,359	192,722
70 Dividend and similar income	417								417
Profits (losses) on equity investments in associates				3,643					3,643
40+50 Net fees and commissions	109,486							14,053	123,539
80+90+100+110 Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	10,063	59				293			10,415
150+160 Net income from insurance activities	7,027	560							7,587
220 Other operating income and expenses	18,644	-5	-11,726		2,424			-3,694	5,643
<b>Operating income</b>	<b>349,332</b>	<b>0</b>	<b>-11,726</b>	<b>3,643</b>	<b>2,424</b>	<b>293</b>	<b>0</b>	<b>0</b>	<b>343,966</b>
180 a Personnel expenses	-147,236								-147,236
180 b Other administrative expenses	-80,258		11,726						-68,532
200+210 Net adjustments to tangible/intangible assets	-8,283				-2,424				-10,707
<b>Operating costs</b>	<b>-235,777</b>	<b>0</b>	<b>11,726</b>	<b>0</b>	<b>-2,424</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-226,475</b>
<b>Operating margin</b>	<b>113,555</b>	<b>0</b>	<b>0</b>	<b>3,643</b>	<b>0</b>	<b>293</b>	<b>0</b>	<b>0</b>	<b>117,491</b>
Net profits/(losses) on disposal/repurchase of receivables						-293			-293
130 a Net impairment losses on loans	-59,568						-440		-60,008
130 b Net impairment losses on financial assets available for sale	0								0
130 d Net impairment losses on other financial transactions	139								139
190 Net provisions for risks and charges	-2,315						440		-1,875
<b>Profits/(losses) before taxes from continuing operations</b>	<b>51,811</b>	<b>0</b>	<b>0</b>	<b>3,643</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,454</b>
290 Taxes for the period on income from continuing operations	-23,635							-2,756	-26,391
<b>Profits/(losses) after taxes from continuing operations</b>	<b>28,176</b>	<b>0</b>	<b>0</b>	<b>3,643</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,756</b>	<b>29,063</b>
240+270 Profits (losses) on equity investments and on disposal of investments	25,506			-3,643					21,863
Provisions for risks and charges on extraordinary transactions							0		0
<b>Non-recurring profit(loss) before taxes</b>	<b>25,506</b>	<b>0</b>	<b>0</b>	<b>-3,643</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,863</b>
Taxes for the period on income from non-recurring items								2,756	2,756
<b>Non-recurring profit(loss) after taxes</b>	<b>25,506</b>	<b>0</b>	<b>0</b>	<b>-3,643</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,756</b>	<b>24,619</b>
320 <b>Net profit(loss) for the period</b>	<b>53,682</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53,682</b>
330 (Profit)/loss for the period attributable to minority interests	-150								-150
340 <b>Parent Bank net profit (loss)</b>	<b>53,532</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53,532</b>

Table no. 10 - RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AS AT 31.12.2008

Captions	Financial Statements 31.12.2008	Reclassifications							Reclassified Statements 31.12.2008
		Net income from insurance activities	Tax recoveries	Profits on equity investments in associates	Amortisation of leasehold improvements	Net profits/(losses) on disposal/repurchase of receivables	Uses / provisions for risks and charges	CMS / recovery of applications expenses for credit facilities	
10+20 Net interest income	229,450	-523						-21,871	207,056
70 Dividend and similar income	389								389
Profits (losses) on equity investments in associates				578					578
40+50 Net fees and commissions	95,944							29,087	125,031
80+90+100+110 Net profits/(losses) on trading activities, hedging activities and disposal/repurchase and financial assets/liabilities at fair value through profit or loss	1,300	6				1,056			2,362
150+160 Net income from insurance activities	4,321	480							4,801
220 Other operating income and expenses	20,023	37	-10,893		2,191			-7,216	4,142
<b>Operating income</b>	<b>351,427</b>	<b>0</b>	<b>-10,893</b>	<b>578</b>	<b>2,191</b>	<b>1,056</b>	<b>0</b>	<b>0</b>	<b>344,359</b>
180 a Personnel expenses	-138,798								-138,798
180 b Other administrative expenses	-75,647		10,893						-64,754
200+210 Net adjustments to tangible/intangible assets	-7,995				-2,191				-10,186
<b>Operating costs</b>	<b>-222,440</b>	<b>0</b>	<b>10,893</b>	<b>0</b>	<b>-2,191</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-213,738</b>
<b>Operating margin</b>	<b>128,987</b>	<b>0</b>	<b>0</b>	<b>578</b>	<b>0</b>	<b>1,056</b>	<b>0</b>	<b>0</b>	<b>130,621</b>
Net profits/(losses) on disposal/repurchase of receivables						-1,056			-1,056
130 a Net impairment losses on loans	-45,347						559		-44,788
130 b Net impairment losses on financial assets available for sale	-878								-878
130 d Net impairment losses on other financial transactions	-570								-570
190 Net provisions for risks and charges	-37,023						37,241		218
<b>Profits/(losses) before taxes from continuing operations</b>	<b>45,169</b>	<b>0</b>	<b>0</b>	<b>578</b>	<b>0</b>	<b>0</b>	<b>37,800</b>	<b>0</b>	<b>83,547</b>
290 Taxes for the period on income from continuing operations	-35,220							752	-34,468
<b>Profits/(losses) after taxes from continuing operations</b>	<b>9,949</b>	<b>0</b>	<b>0</b>	<b>578</b>	<b>0</b>	<b>0</b>	<b>37,800</b>	<b>752</b>	<b>49,079</b>
240+270 Profits (losses) on equity investments and on disposal of investments	52,955			-578					52,377
Provisions for risks and charges on extraordinary transactions							-37,800		-37,800
<b>Non-recurring profit(loss) before taxes</b>	<b>52,955</b>	<b>0</b>	<b>0</b>	<b>-578</b>	<b>0</b>	<b>0</b>	<b>-37,800</b>	<b>0</b>	<b>14,577</b>
Taxes for the period on income from non-recurring items								-752	-752
<b>Non-recurring profit(loss) after taxes</b>	<b>52,955</b>	<b>0</b>	<b>0</b>	<b>-578</b>	<b>0</b>	<b>0</b>	<b>-37,800</b>	<b>0</b>	<b>13,825</b>
320 <b>Net profit(loss) for the period</b>	<b>62,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62,904</b>
330 (Profit)/loss for the period attributable to minority interests	156								156
340 <b>Parent Bank net profit (loss)</b>	<b>63,060</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,060</b>

The breakdown and performance of the main reclassified Income Statement items are summarised as follows, on the basis of the above tables.

#### *Operating income*

The items related to operating income show a balance in line with that of the previous year (-0.1%), totalling 344 million euro.

Note the increases in the item that groups together the net profits/(losses) on trading activities, hedging activities and disposal/purchase of receivables, financial assets/liabilities and financial assets/liabilities at fair value through profit or loss of 8.1 million euro (mainly due to the result of trading and of the profit(loss) on disposal/purchase of financial assets available for sale), profits on equity investments in associates for 3.1 million euro, net income from insurance activities for 2.8 million and other operating income/expenses for 1.5 million; vice versa, the decline recorded in the interest margin (-6.9%) and net fees and commissions (-1.2%) has led the balance of operating income to a total reduction of 0.4 million compared to 2008. In addition, note a **particularly cautious 'wait-and-see' policy regarding investments in financial assets.**

#### *Operating costs*

Total operating costs, which include personnel expenses, other administrative expenses and net adjustments to tangible/intangible assets, came to 226.5 million euro, an increase of 6% for the year.

#### *Operating margin*

The operating margin at the end of the period is consequently 117.5 million euro, down by 10.1%, corresponding to 13.1 million euro.

#### *Profits/(losses) after taxes from continuing operations*

Net impairment losses on loans, together with losses arising from the disposal/purchase of receivables, equal to 60.3 million euro (compared to 45.8 million in the previous period), **with a lower impact in the second half, net provisions for risks and charges of about 1.8 million**, the positive balance of net impairment losses on other financial transactions of 0.1 million euro and taxes for the period on income from continuing operations of 26.4 million euro then lead to profits/(losses) after taxes from continuing operations equal to 29.1 million, down by 40.8%.

#### *Profits/(losses) after taxes from non-recurring operations*

Profits/(losses) after taxes from non-recurring operations is mainly determined by the capital gain collected arising from the transfer by the Parent Company of 21.191% of the share capital of Anima SGRp.A., following the acceptance of the voluntary public offer promoted by Banca Popolare di Milano, equal to 21.9 million euro (at individual Parent Company level, equal to 29.9 million), net of 8 million euro for consolidation adjustments, as adjusted to the related taxes equal to 0.4 million. **Moreover, a positive effect on the profit for the period equal to 3.1 million euro was created by the tax redemption of the surpluses that were deducted on a non-accounting basis in the EC section of the tax return through the payment of the substitute tax in three annual instalments, as required by article 1, paragraph 48, of Law no. 244/2007, as well as by the realignment of the differences between the values in the statutory accounts and the values for tax purposes that emerged at the time of the first**

application of the international accounting standards (FTA), deriving from the elimination of amortisation and depreciation and provisions, with a single payment of the same substitute tax, as required by article 15, paragraph 3, letter b), of Legislative Decree no. 185/08. Profits/(losses) after taxes then amounted to 24.6 million.

*Parent Bank net profit (loss)*

Adding together profit after taxes from continuing operations, profit after taxes from non-recurring operations and minority interests, the Parent Bank net profit (loss) for the 2008 financial year was 53.5 million euro, compared to 63.1 million euro in the previous year, down by 15.1%, despite the increase in adjustments to loans (+34%), 2/3 of which was offset by the increase in profits and a particularly cautious 'wait-and-see' policy regarding investments in financial assets.

It should be noted that the "overall profitability" of the Parent Bank at 31 December 2009, on the basis of the concept introduced by IAS 1 (Revised) "Presentation of Financial Statements" and in the application of the statement requested by the Bank of Italy with the updated version of circular letter no. 262/2005, amounts to 71.8 million euro compared to 51 million in the comparable period, given the significant capital gain of 17.3 million which is still latent in the income statement for the financial year as it is an equity reserve. For additional specific information, reference is made to the related statement under the Financial Statements layouts at 31 December 2009.

## 7 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

### *Opening of branches*

On 25 February 2009, the Parent Company initiated the opening of the Correggio branch (Reggio Emilia), bringing the number of its branches to 128, while the subsidiary Banco Desio Lazio made the Civitavecchia branch (temporarily located in the Viterbo branch) operational from 1 March, its twentieth branch. As at the date of this report, the Group's distribution network then included a total of 171 units.

### *Increase in the indirect stake held through the subsidiary Banco Desio Lazio in FIDES S.p.A.*

On 18 February 2010 the subsidiary Banco Desio Lazio further increased its stake in the share capital of FIDES S.p.A. from 95% to 100%, with a disbursement of about 0.6 million. This transaction anticipates the expected capital increase of the financial company, consistently with the 2010-2011 Business Plan of the Group, to be fully implemented by the subsidiary bank for a total of 5 million euro, on the occasion of the next Ordinary Shareholders' Meeting of the company.

### *Rovere SICAV*

On 25 January 2010, the expected partial reallocation of the 80% stake of the capital of "Rovere Société de Gestion SA" on the part of Brianfid-Lux SA, through the sale by the latter of an overall stake of 30%, equally distributed, to the three Italian subsidiary banks of the Group.

## 8 - OTHER INFORMATION

### 8.1 - TREASURY SHARES

As at 31 December 2009, as in the previous year, Banco di Desio e della Brianza S.p.A did not hold any treasury shares nor any shares in the parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and no movements were registered during the year.

### 8.2 - RATING

On 29 June 2009, the international agency Fitch Ratings confirmed all the ratings levels previously assigned to the Parent Company, having considered the well-diversified loans portfolio, the low level of doubtful debts, the good retail deposits and the healthy capitalisation, with the exception of the individual rating which passed from B to B/C. The change is due to the deterioration in the quality of the assets, which however still remains adequate when also taking into account the records relating to other institutes and considering the crisis affecting the economic system (the Italian recession which is particularly affecting small- and medium-sized enterprises).

Long-term	Short-term	Forecast
A	F 1	Stable



### **8.3 - CODE FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196 of 30 June 2003)**

In compliance with the provisions of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Personal Data Protection Code - the annual up-date of the Security Programme Document was completed in accordance with the provisions of law.

The Document sets out a description of aspects laid down by the Code pursuant to Rule 19 of the Technical Regulations – Annex B to the Code itself.

### **8.4 - LEGISLATIVE DECREE 231/2001**

In the framework of measures taken as regards the issue of administrative liability, in 2004 the Parent Company's Board of Directors resolved to adopt an Organisational Model to prevent the commission of the offences contemplated in Legislative Decree 231/2001.

For a summary description of the Model adopted (that was updated in 2009), reference should be made to paragraphs 1 and 7 of the Annual Report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

### **8.5 - TRANSACTIONS WITH RELATED PARTIES**

For a more detailed description of the procedures governing the transactions referred to above, we would refer to paragraph 5 of the Annual Report on Corporate Governance, made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the website at the same time as this Report.

### **8.6 - INFORMATION ON STOCK OPTION PLANS**

The Plans in existence at the end of the financial period are those started during 2006, regarding shares of subsidiaries Banco Desio Veneto S.p.A. and Chiara Assicurazioni S.p.A. (shares to be issued in the future against capital increases resolved as per Article 2443 of the Civil Code) and the Plan started during 2008, regarding shares of indirect subsidiary FIDES S.p.A. (these are already in Banco Desio Lazio S.p.A.'s possession). Part I of the Notes to the Group's consolidated financial statements should be referred to for information regarding these Plans.

Part I in the Notes to the Parent Company's financial statements presents, in compliance with CONSOB instructions, the statement summarising the assignment of stock options with reference to the names of the Directors and General Manager of the Parent Company and at an aggregate level, to managers with strategic responsibilities in the Parent Company itself.

### **8.7- THE ANNUAL REPORT ON THE ADOPTION OF THE CODE OF CONDUCT FOR LISTED COMPANIES**

The information on the adoption of the Code of Conduct for listed companies is reported in the Annual Report on Corporate Governance required by article 123-*bis* of the Consolidated Law on Finance, made available on the Group's website at the same time as this Report, to which reference is made.

## **9 - BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES**

The continued reinforcement of the local presence, the renewed dynamic impulse in the development of deposit volumes, the careful management and attentive monitoring of credit ratios, as well as the strict control of operating costs constitute the main drivers in achieving an operating result for the current year that is not too distant from that of the financial year that has just concluded.

With reference to the main risks and uncertainties, it should be noted that this Report and, more generally, the Financial Statements as at 31 December 2009 were drawn up on a going concern basis, due to there being no reasons to consider anything otherwise to be likely in the foreseeable future. Indeed, no symptoms were seen in the equity and financial structure and in the operating performance which could lead to uncertainty about the continuity of the company.

The chapter about the relevant macroeconomic scenario contains a description of the performance of the global economy and the financial markets from which the related risks can be inferred, whereas the controls on the company's operations of the various types of risk are shown in detail in Part E of the Notes to the Financial Statements – Information on Risks and the Related Hedging Policies”.

Moreover, explanatory notes about the levels of control in the management and coordination function, as well as about internal controls, are reported in the related paragraphs of this Report, making reference, for detailed information, to the Annual report on Corporate Governance made available, pursuant to article 123-*bis* of the Consolidated Law on Finance, on the Group's website at the same time as this Report.

## **CONSOLIDATED FINANCIAL STATEMENTS**

## CONSOLIDATED BALANCE SHEET

### Assets

(Euro/1,000)					
Assets		31.12.2009	31.12.2008	Change	
10	Cash and cash equivalents	26,315	32,573	(6,258)	-19.2%
20	Financial assets held for trading	74,778	282,839	(208,061)	-73.6%
40	Available-for-sale financial assets	865,713	507,191	358,522	70.7%
50	Held-to-maturity investments	3,089	8,103	(5,014)	-61.9%
60	Amounts due from banks	792,983	587,023	205,960	35.1%
70	Amounts due from customers	6,160,151	5,710,766	449,385	7.9%
80	Hedging derivatives	-	31	(31)	-100.0%
100	Equity investments	20,964	16,558	4,406	26.6%
110	Technical reserves arising from reinsurance	5,529	4,858	671	13.8%
120	Tangible assets	148,210	147,545	665	0.5%
130	Intangible assets	45,377	41,288	4,089	9.9%
	of which:				
	- goodwill	43,186	39,182	4,004	10.2%
140	Tax assets	43,074	36,153	6,921	19.1%
	a) current	13,561	7,322	6,239	85.2%
	b) deferred	29,513	28,831	682	2.4%
150	Non current assets held for sale and discontinued operations	-	10,892	(10,892)	-100.0%
160	Other assets	122,597	135,412	(12,815)	-9.5%
	<b>Total Assets</b>	<b>8,308,780</b>	<b>7,521,232</b>	<b>787,548</b>	<b>10.5%</b>

### Liabilities

(Euro/1,000)					
Total Liabilities and shareholders' equity		31.12.2009	31.12.2008	Change	
10	Amounts due to banks	36,658	37,636	(978)	-2.6%
20	Amounts due to customers	4,868,276	4,062,370	805,906	19.8%
30	Securities issued	1,808,570	1,863,096	(54,526)	-2.9%
40	Financial liabilities held for trading	2,519	15,585	(13,066)	-83.8%
50	Financial liabilities at fair value through profit or loss	557,152	541,488	15,664	2.9%
60	Hedging derivatives	-	64	(64)	-100.0%
80	Tax liabilities	13,571	18,322	(4,751)	-25.9%
	a) current	1,808	2,240	(432)	-19.3%
	b) deferred	11,763	16,082	(4,319)	-26.9%
100	Other liabilities	153,408	178,457	(25,049)	-14.0%
110	Reserve for employee termination indemnities	25,696	26,490	(794)	-3.0%
120	Reserves for risks and charges:	61,099	64,634	(3,535)	-5.5%
	a) pensions and similar commitments	164	112	52	46.4%
	b) other reserves	60,935	64,522	(3,587)	-5.6%
130	Technical Reserves	20,512	11,769	8,743	74.3%
140	Valuation reserves	28,987	8,682	20,305	233.9%
170	Reserves	591,003	542,008	48,995	9.0%
180	Share premium reserve	16,145	16,145	-	
190	Share capital	67,705	67,705	-	
210	Minority interest (+/-)	3,947	3,721	226	6.1%
220	Net profit / (loss) for the period	53,532	63,060	(9,528)	-15.1%
	<b>Total Liabilities and shareholders' equity</b>	<b>8,308,780</b>	<b>7,521,232</b>	<b>787,548</b>	<b>10.5%</b>

**CONSOLIDATED INCOME STATEMENT**

(Euro/1,000)

INCOME STATEMENT		31.12.2009	31.12.2008	Change	
10	Interest income and similar revenues	301,749	432,208	(130,459)	-30.2%
20	Interest expense and similar charges	(98,054)	(202,758)	104,704	-51.6%
<b>30</b>	<b>Net interest income</b>	<b>203,695</b>	<b>229,450</b>	<b>(25,755)</b>	<b>-11.2%</b>
40	Fee and commission income	122,388	105,909	16,479	15.6%
50	Fee and commission expense	(12,902)	(9,965)	(2,937)	29.5%
<b>60</b>	<b>Net fees and commissions</b>	<b>109,486</b>	<b>95,944</b>	<b>13,542</b>	<b>14.1%</b>
70	Dividends and similar income	417	389	28	7.2%
80	Net profits/(losses) on trading activities	4,763	55	4,708	8560.0%
90	Net profits/(losses) on hedging activities	(13)	92	(105)	-114.1%
100	Profit/(loss) on disposal or repurchase of:	5,643	696	4,947	710.8%
	a) <i>loans and receivables</i>	(293)	(1,056)	763	-72.3%
	b) <i>available-for-sale financial assets</i>	4,766	1,723	3,043	176.6%
	d) <i>financial liabilities</i>	1,170	29	1,141	3934.5%
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(330)	457	(787)	-172.2%
<b>120</b>	<b>Net interest and other banking income (intermediation margin)</b>	<b>323,661</b>	<b>327,083</b>	<b>(3,422)</b>	<b>-1.0%</b>
130	Net impairment losses on/w ritebacks to:	(59,429)	(46,795)	(12,634)	27.0%
	a) <i>loans and receivables</i>	(59,568)	(45,347)	(14,221)	31.4%
	b) <i>available-for-sale financial assets</i>		(878)	878	-100.0%
	d) <i>other financial assets</i>	139	(570)	709	-124.4%
<b>140</b>	<b>Net income from banking activities</b>	<b>264,232</b>	<b>280,288</b>	<b>(16,056)</b>	<b>-5.7%</b>
150	Net insurance premiums	20,177	12,142	8,035	66.2%
160	Balance of other income/charges arising on insurance management activities	(13,150)	(7,821)	(5,329)	68.1%
<b>170</b>	<b>Net result of financial and insurance activities</b>	<b>271,259</b>	<b>284,609</b>	<b>(13,350)</b>	<b>-4.7%</b>
180	Administrative expenses:	(227,494)	(214,445)	(13,049)	6.1%
	a) <i>personnel expenses</i>	(147,236)	(138,820)	(8,416)	6.1%
	b) <i>other administrative expenses</i>	(80,258)	(75,625)	(4,633)	6.1%
190	Net provisions for risks and charges	(2,315)	(37,023)	34,708	-93.7%
200	Net adjustments to the value of tangible assets	(7,389)	(7,203)	(186)	2.6%
210	Net adjustments to the value of intangible assets	(894)	(792)	(102)	12.9%
220	Other operating (expenses)/income	18,644	20,023	(1,379)	-6.9%
<b>230</b>	<b>Operating expenses</b>	<b>(219,448)</b>	<b>(239,440)</b>	<b>19,992</b>	<b>-8.3%</b>
240	Profits/(losses) on equity investments	25,514	52,100	(26,586)	-51.0%
270	Profits/(losses) on the disposal of investments	(8)	855	(863)	-100.9%
<b>280</b>	<b>Profits/(losses) before taxes from continuing operations</b>	<b>77,317</b>	<b>98,124</b>	<b>(20,807)</b>	<b>-21.2%</b>
290	Taxes for the period on income from continuing operations	(23,635)	(35,220)	11,585	-32.9%
<b>300</b>	<b>Net profits (loss) after tax from continuing operations</b>	<b>53,682</b>	<b>62,904</b>	<b>(9,222)</b>	<b>-14.7%</b>
<b>320</b>	<b>Net profit/(loss) for the period</b>	<b>53,682</b>	<b>62,904</b>	<b>(9,222)</b>	<b>-14.7%</b>
330	Profit (loss) for the period attributable to minority interests	(150)	156	(306)	-196.2%
<b>340</b>	<b>Parent Bank net profit (loss)</b>	<b>53,532</b>	<b>63,060</b>	<b>(9,528)</b>	<b>-15.1%</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro/1,000)

Captions		31.12.2009	31.12.2008
10.	<b>Profit/(loss) for the period</b>	<b>53,682</b>	<b>62,904</b>
	<b>Other income components, net of taxes</b>		
20.	Available-for-sale financial assets	17,271	(14,362)
30.	Tangible assets	-	-
40.	Intangible assets	-	-
50.	Foreign investment hedge	-	-
60.	Cash flow hedge	-	-
70.	Exchange differences	(74)	1,162
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Actuarial gains (losses) on defined benefit plans	331	(1,517)
100.	Share of valuation reserves of equity investments carried at equity	917	2,636
110.	<b>Total other income components, net of taxes</b>	<b>18,445</b>	<b>(12,081)</b>
120.	<b>Comprehensive income (Caption 10+110)</b>	<b>72,127</b>	<b>50,823</b>
130.	Consolidated comprehensive income attributable to minority interests	(295)	214
140.	<b>Consolidated comprehensive income attributable to the Parent Company</b>	<b>71,832</b>	<b>51,037</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2009

(Euro/1,000)

	Equity as of 31.12.2008	Change in opening balances	Equity as of 1.01.2009	Allocation of result from previous period		Changes over the period								Equity attributable to the Group as at 31.12.2009	Minority interests as at 31.12.2009
				Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity						Comprehensive income for FY 31.12.2009		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Shareholders' equity:															
a) ordinary shares	63,707	-	63,707	-	-	-	-	(5)	-	-	-	-	-	60,840	2,862
b) other shares	6,865	-	6,865	-	-	-	-	-	-	-	-	-	-	6,865	-
Share premium reserve	16,145	-	16,145	-	-	-	247	-	-	-	-	-	-	16,145	247
Reserves:															
a) retained earnings	532,105	-	532,105	48,956	-	1,425	-	-	-	-	-	-	-	581,884	601
b) others	10,971	-	10,971	-	-	(2,005)	-	-	-	-	-	153	-	9,119	-
Valuation reserves:	8,624	-	8,624	-	-	2,005	-	-	-	-	-	-	18,445	28,987	87
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit (loss) for the period	62,904	-	62,904	(48,956)	(13,948)	-	-	-	-	-	-	-	53,682	53,532	150
Equity attributable to the Group	<b>697,600</b>	-	<b>697,600</b>		<b>(13,948)</b>	<b>1,735</b>	-	-	-	-	-	<b>153</b>	<b>71,832</b>	<b>757,372</b>	
Minority interests	3,721	-	3,721	-	-	(311)	247	(5)	-	-	-	-	295		3,947

"Changes in reserves" reports the share of revaluation reserves of equity investments carried at equity, relating to previous periods, and shown in the statement of comprehensive income and recognised under reserves with consolidation entries.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2008

(Euro/1,000)

	Equity as of 31.12.2007	Change in opening balances	Equity as of 1.01.2008	Allocation of result from previous period		Changes over the period								Equity attributable to the Group as at 31.12.2008	Minority interests as at 31.12.2008
				Reserves	Dividends and other allocations	Changes in reserves	Transactions in shareholders' equity						Comprehensive income FY 31.12.2008		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Shareholders' equity:															
a) ordinary shares	62,330	-	62,330	-	-	-	-	1,377	-	-	-	-	-	60,840	2,867
b) other shares	6,865	-	6,865	-	-	-	-	-	-	-	-	-	-	6,865	-
Share premium reserve	16,145	-	16,145	-	-	-	-	-	-	-	-	-	-	16,145	-
Reserves:															
a) retained earnings	366,435	-	366,435	169,778	-	(3,045)	-	-	-	-	-	-	-	531,037	1,068
b) others	10,877	-	10,877	-	-	-	-	-	-	-	-	94	-	10,971	-
Revaluation reserves:	19,642	-	19,642	-	-	-	-	-	-	-	-	-	(12,081)	8,682	(58)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(92)	-	(92)	-	-	-	-	92	-	-	-	-	-	-	-
Net Profit (loss) for the year	183,726	-	183,726	(169,778)	(13,948)	-	-	-	-	-	-	-	62,904	63,060	(156)
Equity attributable to the Group	<b>663,325</b>	-	<b>663,325</b>	-	<b>(13,948)</b>	<b>(3,000)</b>	-	<b>92</b>	-	-	-	<b>94</b>	<b>51,037</b>	<b>697,600</b>	
Minority interests	2,603	-	2,603	-	-	(45)		1,377				(214)			3,721

## CONSOLIDATED CASH FLOW STATEMENT

(Euro/1,000)

A. OPERATIONS	Amount	
	31.12.2009	31.12.2008
<b>1. Management activities</b>	<b>97,210</b>	<b>160,946</b>
- interest income earned (+)	301,303	447,308
- interest expenses paid (-)	(97,826)	(217,386)
- dividends and similar revenues (+)	417	389
- net commissions (+/-)	110,099	80,809
- personnel costs (-)	(147,236)	(138,798)
- net premiums earned (+)	20,177	12,142
- other insurance income/charges (+/-)	(13,150)	(7,821)
- other costs (-)	(73,255)	(70,427)
- other revenues (+)	20,316	89,950
- taxes and duties (-)	(23,635)	(35,220)
- costs/revenues relating to non current assets held for sale and discontinued operations, net of tax effect (+/-)	-	-
<b>2. Liquid assets generated (absorbed) by decrease/increase in financial assets</b>	<b>(833,033)</b>	<b>496,287</b>
- financial assets held for trading	209,961	169,892
- financial assets at fair value through profit or loss	-	906,246
- available-for-sale financial assets	(334,372)	467,285
- amounts due from customers	(520,559)	(705,531)
- amounts due from banks: at sight	(91,130)	1,722
- amounts due from banks: others	(115,491)	(318,656)
- other assets	18,558	(24,671)
<b>3. Liquid assets generated (absorbed) by increase/decrease in financial liabilities</b>	<b>719,484</b>	<b>(665,131)</b>
- amounts due to banks: at sight	(1,978)	(30,557)
- amounts due to banks: others	1,000	(10,164)
- amounts due to customers	806,594	314,420
- securities issued	(58,341)	372,299
- financial liabilities held for trading	(10,083)	16,412
- financial liabilities at fair value through profit or loss	15,664	(762,796)
- other liabilities	(33,372)	(473,260)
<b>Net liquid assets generated (absorbed) by operations (A)</b>	<b>(16,339)</b>	<b>(7,898)</b>
<b>B. INVESTMENTS</b>		
<b>1. Liquid assets generated by</b>	<b>32,459</b>	<b>40,057</b>
- sale of investments	498	1,687
- dividends received from investments	-	-
- sale/redemption of financial assets held to maturity	-	-
- sale of tangible assets	194	821
- sale of intangible assets	-	5,494
- sale of subsidiaries and business divisions	31,767	32,055
<b>2. Liquid assets absorbed by</b>	<b>(8,586)</b>	<b>(11,181)</b>
- purchase of investments	(383)	-
- purchase of financial assets held to maturity	5,028	-
- purchase of tangible assets	(8,248)	(10,333)
- purchase of intangible assets	(4,983)	(848)
- purchase of subsidiaries and business divisions	-	-
<b>Net liquid assets generated (absorbed) by investments (B)</b>	<b>23,873</b>	<b>28,876</b>
<b>C. FUNDING ACTIVITIES</b>		
- issues/purchases of treasury shares	-	92
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	(13,792)	(14,044)
<b>Net liquid assets generated (absorbed) by funding activities (C)</b>	<b>(13,792)</b>	<b>(13,952)</b>
<b>NET LIQUID ASSETS GENERATED (ABSORBED) DURING THE YEAR (A+B+C)</b>	<b>(6,258)</b>	<b>7,026</b>
<b>Financial statements' items</b>	2009	2008
Cash and cash equivalents at beginning of year	32,573	25,547
Total liquid assets generated (absorbed) during the year	(6,258)	7,026
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at end of year	26,315	32,573



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **Part A - ACCOUNTING POLICIES**

### **A. 1 – GENERAL**

#### **Section 1 – Declaration of conformity with international accounting standards**

These consolidated financial statements of the Banco Desio Group were prepared in accordance with the provisions of law in force and the International Accounting Standards IAS/IFRS, and is made up of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements; they are also accompanied by the report on operations.

In application of Legislative Decree no. 38 of 28 February 2005, which incorporated EC Regulation no. 1606/2002 of 19 July 2002, the consolidated financial statements of the Banco Desio Group were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), and related Interpretations, in force at the date of reference of such financial statements.

Set out below are the accounting policies adopted in the preparation of the consolidated financial statements as of 31 December 2009.

#### **Section 2 – General accounting policies**

The consolidated financial statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.

When noting the main management events emphasis has been given to the principle of economic substance over form.

The consolidated financial statements have been drawn up in compliance with the economic accruals basis using the criterion of historic cost, modified in relation to the valuation of financial assets held for trading, available for sale, valued at fair value and by all existing derivative contracts which have been valued in accordance with the fair value principle.

The accounting value of liabilities recorded in the financial statements which have been hedged have been adjusted to take account of the changes in fair value attributable to the hedged risk.

As provided for under IAS39, with regard to the valuation of financial instruments the Group adopted the fair value option, permitting the designation of financial assets and liabilities at their fair value with the related entries in the income statement, when this produces more significant information, reduces complexity or leads to a more reliable valuation.

The schedules under the financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005, as updated on 18 November 2009.

By the abovementioned update, the Circular Letter no. 262 adopted the amendments made, since its first issue, to the international accounting standards IAS/IFRS and entailed the review of some tables and information in the notes to the financial statements.

The measure mainly concerned the introduction of the "Statement of comprehensive Income", the classification of measurements at fair value into levels, the different reporting of "impaired assets" and "assets sold but not written off" and the reorganisation of disclosure on derivatives.

Therefore, for a better comparison of the data, the necessary reclassifications were made in reporting data from the previous period, which on the other hand are not significant, as reported in detail in the comment on the specific tables concerned.

Amounts are expressed in thousands of Euro.

#### **Introduction of the fair value hierarchy**

Measurements at fair value, as described in chapter "A.2 – Main financial statement item" below, are classified according to the following decreasing hierarchy levels:

- a) Level 1: measurement at quotation prices recorded, with no adjustments, in defined active markets. Active market means a market in which prices are promptly and regularly available, and represent actual and regular market transactions in normal trading.
- b) Level 2: application of valuation techniques by using models which employ, as an input, curves of market rates, prices or spreads inferred from quotations of similar instruments in terms of risk factors and other

parameters that can be observed in active markets.

- c) Level 3: application of valuation techniques by using models which report parameters not available on active markets.

For quantitative information, reference is made to Part A.3 – Information on fair value and to the specific tables in the notes to the financial statements.

### Amendments to standards IAS/IFRS

The main changes made to IAS/IFRS include the review of IAS 1, as endorsed by Regulation (EC) no. 1274/2008, which entailed the introduction of the “Statement of comprehensive income” in the financial statements of the financial years starting from 1 January 2009. This statement summarises costs and income for the period and recognises them in equity, rather than in the income statement, and the consequent adjustment to the “Statement of changes in shareholders’ equity”.

IAS 14 has been replaced by IFRS 8 (Operating segments), which requires operating segments to be identified on the basis of the reporting used internally by the management.

Furthermore, it should be noted that, by Regulation no. 1004 of 15 October 2008, the European Commission endorsed an amendment to IAS 39 and to IFRS 7 by which, upon the occurrence of specific circumstances, a major number of possibilities will be available for the reclassification of financial assets. The Bank has not made use of this option.

### Section 3 – Scope and methods of consolidation

1. *Investments in wholly-owned subsidiary companies and companies subject to joint control (consolidated proportionately)*

Company name	Registered office	Type of relationship (1)	Ownership relationship		Availability of votes %
			Investing company	Share %	
A. Companies					
A.1 Consolidated on a line by line basis					
Banco Desio Lazio S.p.A.	Rome	1	Banco Desio	100.00	100.00
Banco Desio Toscana S.p.A.	Florence	1	Banco Desio	100.00	100.00
Banco Desio Veneto S.p.A.	Vicenza	1	Banco Desio	100.00	100.00
Brianfid-Lux S.A.	Luxembourg	1	Banco Desio	100.00	100.00
Chiara Assicurazioni S.p.A.	Desio	1	Banco Desio	67.353	67.353
Credito Privato Commerciale	Lugano	1	Brianfid-Lux	100.00	100.00
Rovere S.A.	Luxembourg	1	Brianfid-Lux	80.00	80.00
Fides S.p.A.	Rome	1	Banco Desio Lazio	95.00	95.00

#### Legend

(1) Type of relationship: 1 = majority of voting rights in ordinary shareholders’ meetings

During the period, the scope of consolidation underwent the following changes:

- . Chiara Assicurazioni – increase in the shareholding from 65% to 67.353%;
- . Fides S.p.A. – increase in the shareholding from 78% to 95%;
- . Rovere S.A. – incorporation of a new company with a shareholding of 80%.

Equity investments in companies subject to significant influence - Chiara Vita S.p.A. (shareholding 30%) and Istifid (shareholding 28.961%) are consolidated on an equity basis.

Compared to the previous period, the shareholding in ISTIFID rose to 28.961% compared to the previous 21.648%, while the shareholding in ANIMA S.G.R.p.A. – which was 21.192%-owned last year - was disposed of.

### Section 4 – Events subsequent to the reporting date

Reference is made to the consolidated financial Report.

## Section 5 – Other aspects

*Use of estimates and assumptions when drawing up the consolidated financial statements.*

The drafting of the consolidated financial statements calls for the use of estimates and assumptions which may have a significant effect on the values entered in the balance sheet and the income statement as well as on the notes to the financial statements.

The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently recognised may change precisely because of changes in the subjective valuations utilised.

The main cases where the use of subjective estimations and valuations are called for are the following:

- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, of financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of disclosures;
- the use of valuation models for the identification of the fair value of financial instruments not listed on active markets (Level 2 and 3);
- the quantification of staff reserves and the reserves for risks and charges;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

The description of the accounting policies applied to the main aggregate headings in the financial statements provides more details and information on the subjective assumptions and valuations used in the drawing up of the consolidated financial statements.

### A.2 MAIN FINANCIAL STATEMENT ITEMS

The measurement criteria described below, used in the preparation of the consolidated financial statements as at 31 December 2009, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) and in force at the reporting date and have been applied on a going concern basis.

For transactions involving the trading of standardized financial assets, namely contracts whereby delivery takes place over a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

#### Financial assets held for trading

*Classification criteria*

“Financial assets held for trading” (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments with a positive value and the other assets that, based on their initial designation, are classified as financial instruments intended to be traded in the near term. Since classification derives from the initial designation, subsequent transfers to other categories are not generally permitted for this category of financial assets, except as permitted by IAS 39 in specific and exceptional circumstances.

*Recognition criteria*

Initial recognition is at fair value at the settlement date, which corresponds to the consideration paid without considering transaction costs, which are charged directly to the income statement.

*Criteria for the measurement and recognition of income statement components*

After initial recognition, subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.

For shares, government bonds – both Italian and foreign – and derivatives which are traded on an active market, measurement is at the closing price at the date of measurement (Level 1 fair value).

Italian and foreign bonds traded on an active market are measured at the BID price (Level 1 fair value).

Shares and bonds which are not traded on an active market are measured at fair value by using valuation techniques and considering objective elements that can be observed in the market (Level 2 fair value).

Derivative instruments which are not traded on active markets are measured by using valuation techniques (Level 2 or 3 fair value).

*Derecognition criteria*

Assets held for trading are derecognised when they are sold or upon expiry of the assets.

**Available-for-sale financial assets***Classification criteria*

“Available-for-sale financial assets” comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss.

They include minority investments, bonds held for investment (not short-term) and mutual investment fund units.

“Available-for sale financial assets” may be transferred to the category “Held-to-maturity investments” only in the following circumstances:

- a change in intention or ability to hold,

-in the rare circumstances that a reliable measure of fair value is not available.

The transfer to the category “Loans and Receivables” is permitted only in particular circumstances.

*Recognition criteria*

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date.

*Measurement criteria*

After initial recognition, subsequent measurement is at fair value for the price component, while the interest component is calculated with reference to the Effective Rate of Return.

Fair value is determined using the criteria already set out for assets held for trading.

Unlisted financial assets whose fair value cannot be reliably measured are measured at cost.

For minority interests, measurement at fair value is made by using valuation techniques (Level 3). For UCITS units, measurement occurs at the N.A.V. at the measurement date, or at the latest available date (Level 1).

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows, considering possible financial difficulties of the issuer, or any other similar element. As required by paragraph 61 of IAS 39, “significant” (exceeding 50%) or “extended” (beyond 24 months) decreases in value are considered as objective evidence of impairment of equity securities.

The amount of the loss of value is represented by the difference between the asset’s accounting value and its recoverable value.

*Criteria for the recognition of income statement components*

Gains or losses are recorded at equity in the valuation reserve, net of tax effects, until derecognition of the asset, while the component deriving from amortised cost is instead charged to the income statement.

At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount accrued to the valuation reserve is recognised in the income statement.

When impairment losses which have been recognised in the income statement, are balanced as a result of subsequent revaluations, the value write-back, up to the amount of these losses, is recognised in the income statement for debt securities and in an equity reserve for equity securities.

*Derecognition criteria*

Available-for sale financial assets are derecognized when sold, upon expiry of the assets or upon transfer to another category.

**Held-to-maturity investments***Classification criteria*

“Held-to-maturity investments” comprise non-derivative (including implicit) financial assets listed on an active market (Level 1), with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.

The constitution of the held-to-maturity investments category, and any subsequent movements, was made against specific resolutions adopted by the corporate bodies, in accordance with the provisions of IAS 39.

Transfers are permitted limited to the category AFS in some cases only. The recording of financial assets in this category is no longer permitted for the current year and for the two following years in the event that sales or transfers are made for a not insignificant amount, except in the case of investments close to maturity and isolated events that are beyond the Bank's control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified as available-for-sale financial assets (tainting provision).

#### *Recognition criteria*

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, on the settlement date.

#### *Criteria for the measurement and recognition of income statement components*

After initial recognition, subsequent measurement is at amortised cost against profit and loss, by using the actual interest rate method.

At every balance sheet date, an assessment is made of any evident impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognized in profit and loss.

Since they are securities listed on active markets, the fair value reported in the notes to the financial statements is equal to their counter values at market prices (Level 1).

#### *Derecognition criteria*

Held-to-maturity investments are derecognised when sold, upon expiry of the assets or upon transfer to another category.

### **Loans and receivables**

#### *Classification criteria*

"Loans and receivables" comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market which have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.

They also include finance lease receivables.

Transfers from the categories of "Financial assets available for sale" and "Financial assets held for trading" are permitted only in particular circumstances specified by IAS 39.

#### *Recognition criteria*

Loans and receivables are recorded on the trade date at fair value, including transaction costs and commissions directly attributable to the acquisition, normally equal to the value paid out.

#### *Measurement Criteria*

After initial recognition, subsequent measurement is at amortised cost using the effective interest method.

The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, as determined using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction following impairment or uncollectibility.

Loans and receivables are periodically subject to analysis, and are classified as "performing" and "nonperforming" based on the state of impairment of the loan or receivable.

Non performing loans include the different classes of impaired loans provided for under the regulations of Bank of Italy: non-performing; problem, restructured exposures and expired loans.

Where objective evidence of impairment exists, loans pass from performing to non-performing.

The loans and receivables portfolio is subject to reassessment at least at the close of every set of annual or interim financial statements, for the purpose of identifying and determining any objective impairment. This is carried out considering both the specific solvency situation of debtors and the local or national economic conditions relative to the debtor's sector of activity.

"Performing" loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic-statistical analysis of the performance of non-performing and problem loans. The expected loss takes account of the deterioration of the receivables at the reference date although the precise entity of such deterioration is not yet known at the time of measurement, in order to move the valuation model from expected loss to latent loss.

Specific analyses are conducted for exposures of a significant amount.

This method was adopted to advance a convergence with the valuation criteria provided by the Basel Agreement on capital requirements (Basel 2).

All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of expected future cash flows discounted applying the original agreed effective interest rate, were classified in the “non-performing” category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees. Receivables for default interest accrued on impaired assets are reported in the accounts only at the time of their actual collection.

The value of loans to non-resident persons is written down on a general basis in relation to the difficulty in servicing the debt by their countries of residence.

As regards “performing loans” beyond the short term, the fair value of the loans is calculated only for the purposes of their inclusion in the notes to the financial statements. Non-performing loans previously valued analytically, and the short term positions, are recognised at book value, which represents a reasonable estimate of their fair value. The fair value is determined through the contractual development of future cash flows, applying a risk free discount rate, and taking also into account the credit risk in term of PD and LGD, reported in the CRS model (level 3).

#### *Derecognition criteria*

Loans and receivables are derecognised from the financial statements when repaid, sold, or written off, since all the risks and rewards relative to those assets have been transferred or extinguished.

#### *Criteria for the recognition of income statement components*

Measurement at amortised cost generates a transfer of the transaction costs and additional revenues in the income statement, over the life of the financial asset rather than being fully recognised in the income statement in the period of initial recognition.

Accrued default interest is charged to the income statement only at the time of their actual collection.

Interest accruing over time as a result of the discounting-back of impaired loans is recognised in the income statement under write-backs.

The adjustments arising from the analytical and collective assessments are recognized in profit and loss.

The original value of loans and receivables is reinstated if the reasons for the adjustment recorded cease to exist, and the reversal is recognized in profit and loss.

### **Hedging transactions**

#### *Classification criteria*

Hedging transactions have the objective of neutralizing certain potential risks of loss on financial assets or liabilities through specific financial instruments, whose use is directed at lessening the effects of the hedged financial instruments on the income statement.

The type of hedge used is the Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument.

#### *Recognition criteria*

Recognition of hedging transactions in the financial statements entails:

- involvement of external parties;
- specific designation and identification of the hedging and hedged financial instruments used for the transaction;
- definition of the risk management objective pursued, specifying the nature of the risk hedged;
- passing the test of effectiveness at the inception of the hedge relationship, and subsequently, with specific measurement methods and timing;
- preparation of complete formal documentation of the hedging relationship.

#### *Criteria for the measurement and recognition of income statement components*

The fair value of hedging financial instruments, which are not listed on active markets, is calculated by using valuation models for the estimate and discounting back of future cash flows (Level 3).

The changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately against profit and loss.

A hedging transaction is considered effective when changes in the fair value (or in cash flows) of the hedging financial instrument offset the changes of the hedged financial instrument within a range of 80%-125%, as set by IAS 39.

Tests of effectiveness are performed at the close of each set of annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.

*Derecognition criteria*

Recognition of hedging transactions in the financial statements is discontinued when the effectiveness criteria are no longer met, when the transactions are revoked, or when the hedging instrument or the hedged instrument expires, is terminated or is sold.

If the hedged instrument is measured at amortised cost, the difference between the fair value, determined at the date of discontinuance of the hedging relationship, and the amortised cost is recognised over its residual life.

**Equity investments***Classification criteria*

This item comprises investments in associates, as defined by IAS 28. Other investments are accounted for in accordance with IAS 39, and are classified as available-for-sale financial assets and measured in accordance with the measurement criteria for that class of financial asset.

*Recognition criteria*

Investments are initially entered at cost including any directly attributable additional charges.

*Measurement criteria*

The equity method is applied in measuring after first recognition: according to this method, the initial carrying amount is adjusted to recognise the Parent Company's portion in the associate's balance sheet.

If there are indications of impairment after the value of the investment has been adjusted in accordance with the equity method, its recoverable value is estimated in the light of the present value of the future cash flows that it may generate, including the cost of its final disposal.

If recoverable value is lower than carrying amount, the difference is recognised in profit and loss.

*Criteria for the recognition of income statement components*

Item 240, profit/loss on equity investments, includes the associates' portion of the result for the year.

*Derecognition criteria*

Investments are derecognised when the contractual rights to the cash flows from the assets expire or when they are transferred together with the substantial transfer of all the related risks and rewards.

**Tangible assets***Classification criteria*

Tangible assets comprise buildings, land, plant, furniture and fittings and other office equipment. They are goods that are instrumental to the supply of services.

Tangible assets whose cost can be reliably measured and from which it is probable that future economic benefits will flow are recognised in the financial statements.

*Recognition criteria*

Tangible assets are initially recognised at the purchase price, including additional costs sustained for the purchase and to put the asset into operation.

For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, paragraph 16, was taken advantage of by opting for the measurement of buildings at fair value, as a substitute for cost, as at 1 January 2004. The cost model was adopted for the measurement of buildings subsequent to that date.

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer.

Ordinary maintenance costs are recognized directly in the income statement.

In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased out under finance leases are recognised as receivables.

*Measurement criteria*

Tangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life of the assets. Land and works of art are exceptions - they are not subject



to depreciation given that their useful lives are unlimited, and in consideration of the fact that the related value is not normally destined to reduce in relation to the passage of time. Extraordinary maintenance costs that increase the value of assets are depreciated in relation to the residual useful life of the related assets. Each year an assessment will be made of whether there are any indications of impairment. Should it be determined that the carrying amount of an asset is greater than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the loss charged to the income statement.

*Criteria for the recognition of income statement components*

Depreciation and impairment (if any) are recognised in the income statement under net value adjustments to tangible assets.

*Derecognition criteria*

Tangible assets are derecognised on disposal.

**Intangible assets**

*Classification criteria*

Intangible assets include goodwill, the indemnity costs for the abandonment of leasehold premises and the costs for the purchase of applications software. Restructuring costs related to leasehold properties are entered under other assets.

*Recognition criteria contributing bank.*

Goodwill represents the positive difference between the acquisition cost and the fair value of net assets acquired in business combinations. It is recognised in the financial statements as an intangible asset when it is effectively representative of the future economic benefits of the assets acquired.

Other intangible assets are recognised at cost only if they comply with the requirements that they be independently identifiable and distinct from goodwill, that it is probable that future economic benefits will be realised, and that the cost itself can be measured reliably.

*Measurement criteria*

Intangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life.

Goodwill is not amortized in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). Should there be indications of impairment, goodwill is adjusted appropriately and the loss charged to the income statement.

a) Definition of the CGU “cash generating unit”

It is identified as the group of branches which are or have been purchased or contributed on the part of the purchasing bank or the

b) Allocation of goodwill

The price settled by the purchasing bank by cash or equity gives rise to an asset defined as “goodwill” or a “negative reserve” which is entered under the assets (under “intangible asset” with an unlimited life) or liabilities (under “equity reserves”) of the financial statements of the purchasing or contributing bank at the time of the purchase or contribution.

c) Criterion to estimate recoverable values (Impairment)

For the criterion to estimate the recoverable value of the CGUs, reference is made to the so-called “value in use” obtained by estimating the following factors:

- future incoming and outgoing cash flows which will derive from the continuing use of the CGU and from its “theoretical” future disposal;
- an appropriate discount rate (WACC – Weighted Average Cost Of Capital) for future incoming and outgoing flows cash flows;
- the time horizon considered is only that attributable to the last business plan or budget approved by the Directors.

Cash flows: the flows represented by EBITDA (earning before interest, tax, depreciation and amortisation) are assumed as future Cash Flows of the CGU.

Discount rate: reference is made to the so-called WACC (weighted average cost of capital) which expresses the cost of the financing sources of the business under consideration, weighing the debt ratio and the equity ratio according to the degree of indebtedness,

Growth rate of the flows after the period covered by the business plan or budget: it is prudentially considered to be equal to zero.

Terminal Value: it is determined by applying the formula which is associated to the traditional formula of "perpetual annuity" at the WACC rate.

Completion of the impairment test

The value in use of the CGU, as determined on the basis of the above procedure on the date when observations are made, is then compared to the value of the specific item entered in the accounts of the bank, with the sole objective of verifying impairment losses (if any).

d) Sensitivity analysis

To further support the test carried out, a stress test is then conducted which is based on the so-called sensitivity analysis of the impairment test carried out.

Given the nature of the object of the impairment test (groups of branches), the sensitivity analysis is based on carrying out again the impairment procedure while considering the same variables used in it, but with reference to a pessimistic version (worst case) of the Business Plan or Budget approved by the Directors.

This pessimistic version takes account of the impact of possible macro-changes in the market conditions as to:

- rates (negative performance of the interest rate curve for the bank);
- terms and conditions of sale of the products (introduction of possible regulatory changes which might substantially amend such conditions);
- credit risk (higher intensity of the phenomenon of the so-called credit litigation).

e) Control method

The sensitivity analysis will be completed by an additional investigation to compare values, based on an alternative method, only in the case when the findings of the stress test, after having been compared to the value of the specific item entered in the accounts of the Bank, should report a significant negative deviation (exceeding 10% of the value of the item).

For CGUs, this method is identified as that of the so-called "market multiples" which, in the present case, is referred to the price per branch relating to the most recent market transactions concerning the purchase and sale of bank branches.

Indemnity costs for the abandonment of leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

*Criteria for the recognition of income statement components*

Amortisation and impairment losses (if any) are recognised in the income statement under net adjustments to the value of intangible assets.

Value adjustments relating to costs for restructuring of leasehold properties are recognised in the income statement under other operating expenses.

*Derecognition criteria*

Intangible assets are derecognised from assets on disposal or when future economic benefits are no longer expected.

**Non current assets held for sale and discontinued operations / Liabilities related to discontinued operations**

*Classification criteria*

This item includes non-current tangible assets, intangible assets and financial assets, and the groups of assets/liabilities being disposed of, according to the provisions under IFRS 5.

*Recognition criteria*

Entries are made under this item for non-current assets, or groups of assets/liabilities being disposed of, if the book value is to be recovered mainly through a sales transaction rather than through continuing use. Sale is considered highly probable and is to be completed within a year of the day the entry is made.

*Measurement criteria*

These are valued at the lower of book value and fair value, net of sales costs, with the exclusions under IFRS 5 (deferred tax assets, assets from employee benefits, financial assets falling within the scope of application of IAS 39, real property investments, contractual rights arising from insurance contracts), for which the measurement criteria under the corresponding IAS/IFRS standards apply.

*Criteria for the recognition of income statement components*

The income statement components referable to non current assets held for sale and discontinued operations are not recognised separately in the income statement, because they do not fall under the definition of discontinued operations.

**Current and deferred taxes**

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.

Tax assets and liabilities include the fiscal positions of every single company within the Group. Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under item 140 "Deferred tax assets".

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under item 80 "Deferred tax liabilities".

Current taxes that have not yet been paid are separately recognised under item "Current tax liabilities" in the Balance Sheet. In the event of excess payments on account for current taxes, the receivable to be recovered is recognized under item "Current tax assets" in the Balance Sheet.

Tax assets and liabilities are recognised in equity if connected to transactions recognised directly in equity.

**Reserves for risks and charges****Reserve for employee termination indemnities***Measurement criteria*

The reserve for employee termination indemnities is measured in the financial statements employing actuarial calculation techniques.

Measurement is entrusted to independent external actuaries, employing the accrued benefit method using the Projected Unit Credit Method. The amount thus determined represents the present value, calculated using demographic-financial assumptions, of the benefits due to the employee (settlement of Employee Termination Indemnity (TFR)) for the service accrued to date, obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the date of measurement, taking into account the likelihood of resignations and advance requests.

*Criteria for the recognition of income statement components*

The provisions to the Employee Termination Indemnity (TFR), resulting from the actuarial valuation, in accordance with the provisions of IAS 19, are registered against the valuation reserves as regards the actuarial gain (loss) element, and against the profit and loss account under provisions as regards other elements such as interest accrued in time (time-discounting) and the adjustment to the figures as at 31 December 2006 in light of the reform introduced with the 2007 Financial Act.

**Other provisions***Classification criteria*

Reserves for risks and charges include the provisions made against present obligations that are the result of past

events, and it is probable that the settlement of these obligations will require the employment of economic resources that can be reliably estimated.

The provisions reflect the best estimate of the future cash flows required to settle the present obligations at the balance sheet date.

#### *Measurement criteria*

In cases in which the effect of time is a relevant aspect, the amounts provided are subject to discounting taking into account the estimate of the maturity of the obligation. The discount rate reflects current assessments of the time value of money, taking into account risks specific to the liability.

The valuation of seniority bonuses paid to staff is the responsibility of independent external actuaries and follows the same calculation logic already described for the provision for Employee Termination Indemnities.

#### *Criteria for the recognition of income statement components*

Provisions are generally recognized in the income statement. Exceptions are the amounts set aside for employee seniority bonuses, recorded as balancing entries to valuation reserves.

The effects deriving from the elapsing of time for discounting of future cash flows are recognised in the income statement under provisions.

### **Liabilities and securities issued**

#### *Classification criteria*

This item includes the various types of deposits received by the Bank: amounts due to banks, amounts due to customers, certified bond securities held on deposit or issued by the Group itself.

#### *Recognition criteria*

These financial liabilities are recognised upon receipt of the amounts deposited or upon issue of the debt securities. Recognition is at fair value, equal to the amount collected, or at the issue price, adjusted by any initial costs or income directly attributable to the individual issue.

#### *Criteria for the measurement and recognition of income statement components*

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.

Financial liabilities without amortisation plans are measured at cost.

Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in profit and loss. The fair value of hedged financial instruments is calculated through valuation techniques by using elements present in the market (Level 2).

In the case of discontinuance of the hedging relationship, the difference between the fair value determined as at the date of discontinuance and the amortised cost is charged to the income statement, spreading it over the residual life of the financial instrument.

Securities issued by the Group are shown net of any repurchases.

#### *Derecognition criteria*

Liabilities and securities issued are derecognised from the financial statements upon maturity, settlement or sale. For securities issued, the part subject to repurchase is, in essence, settled. The reinvestment of the Group's securities previously repurchased is considered as a new issue at the selling value.

### **Financial liabilities held for trading**

#### *Classification criteria*

This item comprises derivative instruments that are held for trading with negative fair values.

#### *Recognition criteria*

Liabilities held for trading are recognised at fair value.

*Criteria for the measurement and recognition of income statement components*

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.

Derivative instruments traded on active markets are valued at the closing price on the day of valuation (level 1).

Derivative instruments, not traded on active markets, the pricing is made by employing valuation techniques (Level 3).

*Derecognition criteria*

Financial liabilities are derecognised upon sale, maturity or settlement.

**Financial liabilities at fair value through profit or loss***Classification criteria*

This item includes financial liabilities at fair value through profit or loss.

Specifically, the item refers to the application of the so-called fair value option for “naturally hedged” financial liabilities, aimed at improving the balance of the profit and loss effects of the measurement of financial assets and liabilities.

Liabilities at fair value may be recognised through profit or loss in the following cases:

- the elimination or the reduction of measurement inconsistencies;
- the measurement of instruments containing embedded derivatives;
- the measurement of groups of financial assets or liabilities on the basis of documented risk management or investment strategy.

Bond issues including an embedded derivative or that are financially hedged have been classified under this category.

*Recognition criteria*

These are recognised at fair value, which corresponds to the consideration collected or the issue price, as adjusted by initial income or charges (if any) directly attributable to the individual issue.

*Criteria for the measurement and recognition of income statement components*

These are measured at fair value through profit or loss.

Fair value is determined through valuation techniques which use parameters that can be observed in active markets (level 2). The method is the discounted cash flow method by using a zero-coupon curve made up of elements present in the market, and applying a credit spread calculated using the euro swaps curve and the curve of the yields of the securities issued by European banks with a rating equal to that of the Bank (Level 2). For subordinate bonds, a specific adjustment factor is also considered.

*Derecognition criteria*

Financial liabilities at fair value are derecognised upon sale, maturity or settlement.

Repurchases of own issues substantially entail the extinction of the part subject to repurchase. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

**Transactions in foreign currency***Recognition criteria*

Foreign currency transactions are recorded in the accounts on their date of settlement, converting them into Euros at the exchange rate in force on the operation date.

*Measurement criteria*

At the end of the accounting period the headings in the financial statements in foreign currency have been valued as follows:

- monetary: conversion at the exchange rate in force at the date of the closure;
- non-monetary, valued at cost: conversion at the exchange rate in force at the date of the transaction.
- non-monetary valued at fair value: conversion at the exchange rate in force at the date of closure.

*Criteria for the recognition of income statement components*

For monetary elements the effect of the valuation carried out is recognized in profit and loss.

For non-monetary elements whose profits and losses are recognized in the income statement, even exchange rate differences will be recorded in the income statement. If profits and losses are recognized in equity, exchange rate differences will be recognized in equity.

### **Insurance assets and liabilities**

The insurance assets and liabilities entered in the Group's consolidated financial statements arise solely from the consolidation of Chiara Assicurazioni S.p.A. on a line-by-line basis, and represent the contracts that are classified as insurance contracts as prescribed by IFRS 4, as well as the investment contracts classified as DPF (Discretionary Participation Feature).

The technical reserves are the contractual obligations under the insurance contracts that have been entered into. They are recognised on the basis of the taking out and continuation of the policies and are sufficient to allow the prudentially estimated commitments to be met as far as can reasonably be foreseen.

They comprise:

#### *Assets:*

- actuarial reserves arising from reinsurance: they are the portion of the technical liabilities that are sold under reinsurance agreements. They are measured on the basis of the same parameters as those used to make provision for the risks assumed by the Company (the so-called "direct labour").

#### *Liabilities:*

- actuarial reserves: they are calculated on the basis of suitable actuarial mortality assumptions that are able to discount possible subsequent unfavourable discrepancies, include contractual revaluations and are in any event not lower than the surrender value;
- reserves for sums to pay: they represent the amount necessary to pay out, during the subsequent six months, on the surrenders and claims already notified in the first half-year;
- technical reserves with the risk assumed by the insured: they are proportionate to the value of the units of the internal funds to which the performance of some products are partially linked, such as the Supplementary Pension Fund (FIP);
- other technical reserves: these are made up of reserves for future operating expenses, as estimated pursuant to Article 25, paragraph 8, of Legislative Decree No. 174/1995.

### **Other information**

#### *Revaluation reserves*

This item comprises the revaluation reserves on financial assets available for sale, derivative contracts hedging financial flows, the revaluation reserves constituted in application of special laws in previous years and the reserves from actuarial valuation of the reserve for employee termination indemnities according to IAS 19. Additionally, the effects deriving from the application of fair value, as deemed cost, to tangible assets upon the first-time adoption of IAS/IFRS are also included.

#### *Costs and revenues recognition*

Costs and revenues have been recognized in the financial statements on the basis of the economic accruals criterion.

#### *Finance leases*

Assets under finance leases are shown as receivables at an amount corresponding to the net leasing investment. Financial income is then recognised on the basis of methods that reflect a constant periodical rate of return.

#### *Share-based payments*

Share-based payments to Group employees can be:

- cash-settled, and then accounted for in the income statement on the basis of the quota that has matured at the period-end, also considering the probability that the cost will arise on the date on which the options are exercised.
- equity-settled, and then valued with the Black and Scholes model and recorded in the Income Statement on the basis of the accrued amount at the end of the accounting period and recorded in a specific reserve under equity.

### A.3 - INFORMATION ON FAIR VALUE

#### A.3.1 Transfers between portfolios

There have been no transfers.

#### A.3.2 Fair value hierarchy

##### A.3.2.1 Accounting portfolios: breakdown by level of fair value

(Euro/1,000)

Financial Assets/Liabilities at fair value through profit or loss	Total 31.12.2009			Total 31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	44,069	3,145	27,564	251,372	2,235	29,232
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets	510,479	347,077	8,157	468,245	31,506	7,440
4. Hedging derivatives						31
<b>Total</b>	<b>554,548</b>	<b>350,222</b>	<b>35,721</b>	<b>719,617</b>	<b>33,741</b>	<b>36,703</b>
1. Financial liabilities held for trading		13	2,506		14	15,571
2. Financial liabilities at fair value through profit or loss		557,152			541,488	
3. Hedging derivatives						64
<b>Total</b>	<b>-</b>	<b>557,165</b>	<b>2,506</b>	<b>-</b>	<b>541,502</b>	<b>15,635</b>

##### A.3.2.2 Financial assets at fair value (level 3): annual changes

(Euro/1,000)

	Financial assets			
	Held for trading	At fair value through profit or loss	Available-for-sale	Hedging
<b>1. Opening balance</b>	29,232	-	7,440	31
<b>2. Increases</b>	<b>23,437</b>	<b>-</b>	<b>1,954</b>	<b>63</b>
2.1 Purchases	1,419		150	
2.2 Profits charged to:				
2.2.1 Income Statement	4,953		526	
- of which Capital Gains	4,953			
2.2.2 Equity			780	
2.3 Transfers from other levels				-
2.4 Other increases	17,065		498	63
<b>3. Decreases</b>	<b>25,107</b>	<b>-</b>	<b>1,237</b>	<b>94</b>
3.1 Sales			1,237	-
3.2 Redemptions				
3.3 Losses charged to:				
3.3.1 Income Statement	15,394			46
- of which Capital Losses	15,394			46
3.3.2 Equity				-
3.4 Transfers to other levels				
3.5 Other decreases	9,711			48
<b>4. Closing balance</b>	<b>27,564</b>	<b>-</b>	<b>8,157</b>	<b>-</b>

Profits and losses charged to the income statement (items 2.2.1 and 3.3.1) include capital gains and losses for the period, as well as profits and losses on disposal, while accruals are reported under other increases and decreases (items 2.4 and 3.5).

Financial assets held for trading of Level 3 outstanding at the end of the financial year generated profits for accruals and differentials collected for Euro 19,304 thousand, charged to item 10 in the income statement and for Euro 2,242 thousand to item 80 in the income statement. Losses for accruals and differentials paid amount to Euro 10,489 thousand, charged to item 10, and Euro 1,559 thousand to item 80 in the income statement. Item 80

in the income statement recognises capital gains for Euro 633 thousand and capital losses for Euro 166 thousand. Finally, item 110 in the income statement recognises capital gains for Euro 4,288 thousand and capital losses for Euro 488 thousand. Financial assets available for sale outstanding at the end of the financial year determined an increase in valuation reserves for Euro 780 thousand.

**A.3.2.3** *Financial liabilities at fair value (level 3): annual changes*

(Euro/1000)

	Financial liabilities		
	Held for trading	At fair value through profit or loss	Hedging
<b>1. Opening balance</b>	15,571	-	64
<b>2. Increases</b>	<b>3,531</b>	-	<b>21</b>
2.1 Issues	1,417		
2.2 Losses charged to:			
2.2.1 Income Statement	1,197		
- of which Capital Losses	1,197		
2.2.2 Equity			
2.3 Transfers from other levels			
2.4 Other increases	917		21
<b>3. Decreases</b>	<b>16,596</b>	-	<b>85</b>
3.1 Redemptions			-
3.2 Repurchases	-		
3.3 Profits charged to:			
3.3.1 Income Statement	15,169		53
- of which Capital Gains	15,169		53
3.3.2 Equity			
3.4 Transfers to other levels			
3.5 Other decreases	1,427		32
<b>4. Closing balance</b>	<b>2,506</b>	-	-

Profits and losses charged to the income statement (items 2.2.1 and 3.3.1) recognise capital gains and losses, as well as profits and losses on disposal, while accruals are reported under other increases and decreases (items 2.4 and 3.5)

Financial liabilities outstanding at the end of the financial year generated profits for accruals and differentials collected for Euro 39 thousand charged to item 10 in the income statement and for Euro 241 thousand to item 80 in the income statement, and losses for accruals and differentials paid for Euro 14 thousand charged to item 10 and for Euro 461 thousand to item 80. Item 80 also recognises capital gains for Euro 177 thousand and capital losses for Euro 358 thousand, while item 110 recognises capital gains for Euro 385 thousand and capital losses for Euro 875 thousand.

**A.3.3** *Information on the so-called "day one profit/loss"*

In relation to the Group's operations and on the basis of the internal valuation methods which are currently in use, no differences have been recognized between the price of the transactions and the initial measurement of financial assets and liabilities entered in the accounts (the so-called "day one profit/loss").



## Part B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

### ASSETS

#### Section 1 – Cash and cash equivalents (caption 10)

##### 1.1 Cash and cash equivalents: breakdown

(Euro/1,000)		
	Total 31.12.2009	Total 31.12.2008
a) Cash	25,566	32,165
b) On demand deposits with Central Banks	749	408
<b>Total</b>	<b>26,315</b>	<b>32,573</b>

#### Section 2 – Financial assets held for trading (caption 20)

##### 2.1 Financial assets held for trading: breakdown by type

(Euro/1,000)						
Caption/Amount	Total 31.12.2009			Total 31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash equivalents</b>						
1. Debt securities	44,069	3,132	-	245,768	2,235	-
1.1 Structured securities		654				
1.2 Other debt securities	44,069	2,478	-	245,768	2,235	
2. Equity securities	-			5,241		
3. UCITS units	-			343		
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
<b>Total (A)</b>	<b>44,069</b>	<b>3,132</b>	<b>-</b>	<b>251,352</b>	<b>2,235</b>	<b>-</b>
<b>B. Derivative instruments:</b>						
1. Financial derivatives:	-	13	27,564	20	-	29,232
1.1 trading	-	13	3,140	20		12,363
1.2 connected with the fair value			24,424			13,930
1.3 other						2,939
2. Credit derivatives						
2.1 trading						
2.2 connected with the fair value						
2.3 other						
<b>Total (B)</b>	<b>-</b>	<b>13</b>	<b>27,564</b>	<b>20</b>	<b>-</b>	<b>29,232</b>
<b>Total (A+B)</b>	<b>44,069</b>	<b>3,145</b>	<b>27,564</b>	<b>251,372</b>	<b>2,235</b>	<b>29,232</b>

2.2 Financial assets held for trading: breakdown by debtor/issuer

(Euro/1,000)

Caption / Amount	Total 31.12.2009	Total 31.12.2008
<b>A. CASH EQUIVALENTS</b>		
<b>1. Debt securities</b>	<b>47,201</b>	<b>248,003</b>
a) Governments and central banks	42,190	230,840
b) Other public entities	-	-
c) Banks	5,011	10,672
d) Other issuers	-	6,491
<b>2. Equity securities</b>	<b>-</b>	<b>5,241</b>
a) Banks	-	1,085
b) Other issuers	-	4,156
- insurance companies	-	96
- financial institutions	-	274
- non-financial companies	-	3,786
- other	-	-
<b>3. UCITS units</b>	<b>-</b>	<b>343</b>
<b>4. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total A</b>	<b>47,201</b>	<b>253,587</b>
<b>B. DERIVATIVE INSTRUMENTS</b>		
a) Banks		
- fair value	25,981	26,618
b) Customers:		
- fair value	1,596	2,634
<b>Total B</b>	<b>27,577</b>	<b>29,252</b>
<b>Total (A+B)</b>	<b>74,778</b>	<b>282,839</b>

2.3 Cash financial assets held for trading: annual changes

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Loans	<b>Total 2009</b>
<b>A. Opening balance</b>	<b>115,495</b>	<b>5,241</b>	<b>343</b>	-	<b>121,079</b>
<b>B. Increases</b>	<b>1,230,986</b>	<b>286,451</b>	<b>708,813</b>	-	<b>2,226,250</b>
B1 Purchases	1,096,562	285,279	708,729		<b>2,090,570</b>
B2 Positive fair value changes	323				<b>323</b>
B3 Other changes	134,101	1,172	84		<b>135,357</b>
<b>C. Decreases</b>	<b>1,299,280</b>	<b>291,692</b>	<b>709,156</b>	-	<b>2,300,128</b>
C1 Sales	1,037,111	291,404	709,114		<b>2,037,629</b>
C2 Redemptions	259,619				<b>259,619</b>
C3 Negative fair value changes	22				<b>22</b>
C4. Trasfer to other portfolios					
C5 Other changes	2,528	288	42		<b>2,858</b>
<b>D. Closing balance</b>	<b>47,201</b>	<b>-</b>	<b>-</b>	-	<b>47,201</b>

Last year the closing balance of the item also included the amount of securities involved in repo transactions for Euro 132,507 thousand, which on the other hand had not been recognised in the table commented on. For the sole purposes of balancing the statement, this balance is conventionally included under item "B.3 Other changes".

**Section 3 – Financial assets at fair value through profit or loss** (caption 30)

This item did not report any balances at the end of the last two years, while, in the current year, it underwent the changes detailed below.

3.3 *Financial assets at fair value through profit or loss: annual changes*

(Euro/1,000)

Changes / Underlying asset	Debt securities	Equity securities	UCITS units	Loans	Total 2009
<b>A. Opening balance</b>					-
<b>B. Increases</b>	<b>50,281</b>	-	-	-	<b>50,281</b>
B1 Purchases	50,146				50,146
B2 Positive fair value changes					-
B3 Other increases	135				135
<b>C. Decreases</b>	<b>50,281</b>	-	-	-	<b>50,281</b>
C1 Sales	50,281				50,281
C2 Redemptions					-
C3 Negative fair value changes					-
C4 Other decreases					-
<b>D. Closing balance</b>	-	-	-	-	-

**Section 4 – Available-for-sale financial assets** (caption 40)

4.1 *Available-for-sale financial assets: breakdown by type*

(Euro/1,000)

Caption/Amount	Total 31.12.2009			Total 31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	439,778	347,077	110	408,086	31,506	-
1.1 Structured securities	863	1,601	-	1,428		
1.2 Other debt securities	438,915	345,476	110	406,658	31,506	
2. Equity securities	101	-	8,047	-	-	7330
2.1 Measured at fair value	101	-	7,964			7247
2.2 Measured at cost	-	-	83			83
3. UCITS units	70,600	-	-	60,269		
4. Loans	-	-	-			
<b>Total</b>	<b>510,479</b>	<b>347,077</b>	<b>8,157</b>	<b>468,355</b>	<b>31,506</b>	<b>7,330</b>

The item "Equity securities – measured at cost" includes only the investments other than those held in associate companies, all represented by unlisted securities

The component attributable to the insurance company, which is represented almost exclusively by Level 1-securities, amounts to a total of Euro 22,115 thousand, of which debt securities for a total of Euro 20,919 thousand (compared to a total of Euro 13,259 thousand, of which Euro 13,150 thousand of debt securities last year).

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

(Euro/1,000)		
Caption / Amount	Total 31.12.2009	Total 31.12.2008
<b>1. Debt securities</b>	<b>786,965</b>	<b>439,592</b>
a) Governments and central banks	373,316	197,206
b) Other public entities	-	-
c) Banks	368,909	217,984
d) Other issuers	44,740	24,402
<b>2. Equity securities</b>	<b>8,148</b>	<b>7,330</b>
a) Banks	1,562	-
b) Other issuers	6,586	7,330
- insurance companies	-	-
- financial institutions	136	98
- non-financial companies	6,450	7,232
- other	-	-
<b>3. UCITS units</b>	<b>70,600</b>	<b>60,269</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>865,713</b>	<b>507,191</b>

4.4 Available-for-sale financial assets: annual changes

(Euro/1,000)					
	Debt securities	Equity securities	UCITS units	Loans	Total 2009
<b>A. Opening balance</b>	<b>328,264</b>	<b>7,266</b>	<b>60,269</b>	-	<b>395,799</b>
<b>B. Increases</b>	<b>915,670</b>	<b>2,056</b>	<b>65,597</b>	-	<b>983,323</b>
B1. Purchases	761,735	150	61,781	-	823,666
B2. Positive fair value changes	21,555	882	2,466	-	24,903
B3. Write-backs	-	-	-	-	-
- charged to statement of income	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B4. Transfer from other portfolios	-	-	-	-	-
- financial assets held for trading	-	-	-	-	-
- held-to-maturity investments	-	-	-	-	-
B5. Other increases	132,380	1,024	1,350	-	134,754
<b>C. Decreases</b>	<b>456,970</b>	<b>1,174</b>	<b>55,265</b>	-	<b>513,409</b>
C1. Sales	261,352	1,174	54,924	-	317,450
C2. Redemptions	190,471	-	-	-	190,471
C3. Negative fair value changes	1,020	-	-	-	1,020
C4. Impairment write-downs	-	-	-	-	-
- charged to statement of income	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other decreases	4,127	-	341	-	4,468
<b>D. Closing balance</b>	<b>786,964</b>	<b>8,148</b>	<b>70,601</b>	-	<b>865,713</b>

Items "B.2" and "C.3" represent gains and losses, respectively, inclusive of the relevant tax effect, recognised under Shareholders' equity under item 130 "Valuation reserves".

**Section 5 – Held-to-maturity investments** (caption 50)

5.1 *Held-to-maturity investments: breakdown by type*

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009				Total 31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	3,089	3,189	-	-	8,103	8,067	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	3,089	3,189	-	-	8,103	8,067	-	-
2. Loans	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,089</b>	<b>3,189</b>	<b>-</b>	<b>-</b>	<b>8,103</b>	<b>8,067</b>	<b>-</b>	<b>-</b>

5.2 *Held-to-maturity investments: breakdown by debtor/issuer*

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009	Total 31.12.2008
	<b>1. Debt securities</b>	<b>3,089</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	8,103
d) Other issuers	3,089	-
<b>2. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>3,089</b>	<b>8,103</b>
<b>Total fair value</b>	<b>3,201</b>	<b>8,067</b>

5.4 *Held-to-maturity investments: annual changes*

(Euro/1,000)

	Debt securities	Loans	<b>Total</b>
<b>A. Opening balance</b>	<b>8,103</b>		<b>8,103</b>
<b>B. Increases</b>	<b>3,116</b>	-	<b>3,116</b>
B1. Purchases	3,089	-	3,089
B2. Write-backs	-	-	-
B3. Transfer from other portfolios	-	-	-
B4. Other increases	27	-	27
<b>C. Decreases</b>	<b>8,130</b>	-	<b>8,130</b>
C1. Sales	-	-	-
C2. Redemptions	8,000	-	8,000
C3. Value adjustments	-	-	-
C4. Transfers to other portfolios	-	-	-
C5. Other decreases	130	-	130
<b>D. Closing balance</b>	<b>3,089</b>	-	<b>3,089</b>

**Section 6 – Amounts due from banks** (caption 60)

6.1 Amounts due from banks: breakdown by type

(Euro/1,000)

Transaction type / Amount	Total	
	31.12.2009	31.12.2008
<b>A. Amounts due from Central banks</b>	<b>189,383</b>	<b>443,438</b>
1. Restricted deposits	-	360,000
2. Compulsory reserve	189,383	83,438
3. Repurchase agreements	-	-
4. Other	-	-
<b>B. Amounts due from banks</b>	<b>603,600</b>	<b>143,585</b>
deposits	168,361	77,231
2. Restricted deposits	318,675	65,585
3. Other loans	116,564	769
3.1 repurchase agreements	116,478	-
3.2 finance leases	-	-
3.3 other	86	769
<b>4. Debt securities</b>	-	-
4.1 structured	-	-
4.2 other debt securities	-	-
<b>Total (book value)</b>	<b>792,983</b>	<b>587,023</b>
<b>Total (fair value)</b>	<b>793,510</b>	<b>587,023</b>

Amounts due from banks claimed by the insurance company, net of intra-group accounts, amount to Euro 3,312 thousand (Euro 501 thousand at the end of the previous year).

The figure as at 31 December 2008 increased by Euro 661 thousand as a result of reclassifications of items previously included under "Other assets".

**Section 7 – Amounts due from customers** (caption 70)

7.1 Amounts due from customers: breakdown by type

(Euro/1,000)

Transaction type / Amount	Total		Total	
	31.12.2009		31.12.2008	
	Performing	Impaired	Performing	Impaired
1. Current account	1,529,566	67,475	1,655,089	52,350
2. Repurchase agreements	465	-	3,961	-
3. Mortgage loans	2,823,190	85,799	2,267,932	51,775
4. Credit cards, personal loans and loans on salary	161,813	3,500	134,037	2,374
5. Financial leases	599,511	14,982	599,318	9,251
6. Factoring	7,532	40	10,319	76
7. Other transactions	809,939	2,493	890,501	1,516
8. Debt securities	53,846	-	32,267	-
8.1 Structured	-	-	-	-
8.2 Other debt securities	53,846	-	32,267	-
<b>Total (book value)</b>	<b>5,985,862</b>	<b>174,289</b>	<b>5,593,424</b>	<b>117,342</b>
<b>Total (fair value)</b>	<b>6,253,721</b>	<b>174,289</b>	<b>5,793,508</b>	<b>116,550</b>

The 2008 year-end balance increased by Euro 4,089 thousand as a result of the reclassification of items previously included under "Other assets".

7.2 Amounts due from customers: breakdown by debtor/issuer

(Euro/1,000)

Transaction type / Amount	31.12.2009		31.12.2008	
	Performing	Impaired	Performing	Impaired
<b>1. Debt securities:</b>	<b>53,846</b>	<b>-</b>	<b>32,267</b>	<b>-</b>
a) Governments				
b) Other public entities				
c) Other issuers	53,846	-	32,267	-
- non-financial companies				
- financial companies				
- insurance companies	53,846		32,267	
- other			-	-
<b>2. Loans to:</b>	<b>5,932,016</b>	<b>174,289</b>	<b>5,561,157</b>	<b>117,342</b>
a) Governments				
b) Other public entities	93	-	158	
c) Other entities	5,931,923	174,289	5,560,999	117,342
- non-financial companies	4,022,780	108,489	3,881,888	74,295
- financial companies	75,029	-	104,193	
- insurance companies	1,934	-	1,518	
- other	1,832,180	65,800	1,573,400	43,047
<b>Total</b>	<b>5,985,862</b>	<b>174,289</b>	<b>5,593,424</b>	<b>117,342</b>

7.4 Finance lease

Reconciliation between the gross leasing investment and the present value of the minimum payments due for leasing and unsecured residual values due to the lessor:

(Euro/1,000)

Type of transactions	Gross Investment	Deferred Profit	Net Investment	Unsecured residual values (redemption)
Finance lease	762,242	157,248	604,994	92,303
- of which leaseback agreements	57,020	14,937	42,083	8,437
<b>Total 31.12.2009</b>	<b>762,242</b>	<b>157,248</b>	<b>604,994</b>	<b>92,303</b>

(Euro/1,000)

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Within 1 year	12,477	249	12,228
- Between 1 and 5 years	250,747	20,624	230,123
- Beyond 5 years	499,018	136,375	362,643
<b>Total 31.12.2009</b>	<b>762,242</b>	<b>157,248</b>	<b>604,994</b>

The net investment exclusively corresponds to the capital falling due for the contracts existing at the year-end.

**Section 8 – Hedging derivatives** (caption 80)

8.1 Hedging derivatives: breakdown by type of hedging and by level

(Euro/1,000)

Captions/Values	Total				Total			
	31.12.2009			Total NV	31.12.2008			Total NV
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>A. Financial derivatives</b>	-	-	-	-	-	31	-	20,000
1) Fair value		-				31	-	20,000
2) Cash flow s								
3) Foreign investments								
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value								
2) Cash flow s								
<b>Total</b>	-	-	-	-	-	31	-	20,000

Legend

NV = notional value

**Section 10 – Equity investments** (caption 100)

10.1 Equity investments in companies subject to joint control (carried at equity) and companies subject to significant influence: information on ownership relationships

Company name	Registered offices	Type of relationship	Ownership relationship		Availability of votes %
			Investing company	% share	
Chiara Vita S.p.A.	Milan	significant influence	Banco Desio Brianza	30.000	
Istifid S.p.A.	Milan	significant influence	Banco Desio Brianza	28.961	

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

(Euro/1,000)

Company name	Total assets	Total revenues	Profit (loss)	Net		
				Shareholders' equity	Book value	Fair value
<b>A. Companies valued at equity</b>						
A.2 subject to significant influence						
Chiara Vita S.p.A.	1,616,475	454,292	- 233	41,791	19,751	41,750
Istifid S.p.A.	4,986	4,599	352	3,426	1,213	2,456
<b>Total C</b>	<b>1,621,461</b>	<b>458,891</b>	<b>119</b>	<b>45,217</b>	<b>20,964</b>	<b>44,206</b>



10.3 Equity investments: annual changes

(Euro/1,000)

	Total 2009	Total 2008
<b>A. Opening balance</b>	<b>16,558</b>	<b>12,194</b>
<b>B. Increases</b>	<b>36,671</b>	<b>15,794</b>
B.1 Purchases	383	
B.2 Write-backs	-	-
B.3 Revaluations	3,643	2,297
B.4 Other increases	32,645	13,497
<b>C. Decreases</b>	<b>32,265</b>	<b>11,430</b>
C.1 Sales	32,265	
C.2 Value adjustments		
C.3 Other decreases	-	11,430
<b>D. Closing balance</b>	<b>20,964</b>	<b>16,558</b>
<b>E Total revaluations</b>	<b>6,584</b>	<b>2,561</b>
<b>F. Total adjustments</b>		

**Section 11 – Technical insurance reserves carried by reinsurers** (caption 110)

11.1 Technical insurance reserves carried by reinsurers: breakdown

(Euro/1,000)

	Total 31.12.2009	Total 31.12.2008
<b>A. Non-Life branch</b>	<b>5,529</b>	<b>4,858</b>
A.1 premiums reserves	4,600	3,743
A.2 claims reserves	929	1,115
A.3 other reserves		
<b>B. Life branch</b>	-	-
B.1 mathematical reserves		
B.2 reserves for amounts to be disbursed		
B.3 other reserves		
<b>C. Technical reserves for investment risks to be borne by the insured</b>	-	-
C.1 reserves for contracts with disbursements connected with investment funds and market indices		
C.2 reserves from pension fund management		
<b>D. Total technical insurance reserves carried by reinsurers</b>	<b>5,529</b>	<b>4,858</b>

11.2 Change in caption 110 “Technical insurance reserves carried by reinsurers”

The item Non-Life branch shows a total increase of Euro 671 thousand.

**Section 12 – Tangible assets** (caption 120)

12.1 *Tangible assets: breakdown of assets valued at cost*

(Euro/1,000)

Asset/Value	Total 31.12.2009	Total 31.12.2008
<b>A. Functional assets</b>		
<b>1.1 owned by the Bank</b>	<b>148,204</b>	<b>147,539</b>
a) land	40,323	39,244
b) buildings	83,740	81,316
c) fixtures and fittings	10,136	10,803
d) electrical equipment	3,690	4,956
e) other	10,315	11,220
<b>1.2 acquired under finance lease</b>	-	-
a) land		
b) buildings		
c) fixtures and fittings		
d) electrical equipment		
e) other		
<b>Total A</b>	<b>148,204</b>	<b>147,539</b>
<b>B. Tangible assets held for investment</b>		
<b>2.1 owned by the Bank</b>	<b>6</b>	<b>6</b>
a) land	6	6
b) buildings		
<b>2.2 acquired under finance lease</b>	-	-
a) land		
b) buildings		
<b>Total B</b>	<b>6</b>	<b>6</b>
<b>Total (A + B)</b>	<b>148,210</b>	<b>147,545</b>

The insurance component amounts to Euro 181 thousand (Euro 155 thousand last year).

12.3 Tangible assets for business use: annual changes

(Euro/1,000)

	Land	Buildings	Furniture	Electronic equipment	Other	Total 2009
<b>A. Gross opening balance</b>	<b>39,245</b>	<b>88,762</b>	<b>30,291</b>	<b>18,537</b>	<b>37,212</b>	<b>214,047</b>
A.1 Total net decreases in value		7,444	19,486	13,582	25,988	66,500
<b>A.2 Net opening balance</b>	<b>39,245</b>	<b>81,318</b>	<b>10,805</b>	<b>4,955</b>	<b>11,224</b>	<b>147,547</b>
<b>B. Increases:</b>	<b>1,078</b>	<b>4,230</b>	<b>995</b>	<b>530</b>	<b>1,454</b>	<b>8,287</b>
B.1 Purchases	1,078	4,222	995	530	1,454	8,279
B.2 Capitalized improvement expenses		-				-
B.3 Write-backs						
B.4 Positive fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
B.5 Positive exchange differences						
B.6 Transfers from assets held for investment						-
B.7 Other changes	-	8			-	8
<b>C. Decreases:</b>	<b>-</b>	<b>1,808</b>	<b>1,664</b>	<b>1,795</b>	<b>2,363</b>	<b>7,630</b>
C.1 Sales			8	18	199	225
C.2 Amortization/depreciation		1,801	1,654	1,775	2,162	7,392
C.3 Value adjustments due to deterioration charged to:						
a) shareholders' equity						
b) statement of income						
C.4 Negative fair value changes charged to:						
a) shareholders' equity						
b) statement of income						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets being disposed of						
C.7 Other changes		7	2	2	2	13
<b>D. Net closing balance</b>	<b>40,323</b>	<b>83,740</b>	<b>10,136</b>	<b>3,690</b>	<b>10,315</b>	<b>148,204</b>
D.1 Total net decreases in value		9,245	21,040	15,182	27,481	72,948
<b>D.2 Gross closing balance</b>	<b>40,323</b>	<b>92,985</b>	<b>31,176</b>	<b>18,872</b>	<b>37,796</b>	<b>221,152</b>
E. Measurement at cost						

12.4 Tangible assets held for investment: annual changes

(Euro/1,000)		
	2009	
	Land	Buildings
<b>A. Opening balance</b>	<b>6</b>	
<b>B. Increases:</b>	-	-
B.1 Purchases		
B.2 Capitalized improvement expenses		
B.3 Positive fair value changes		
B.4 Write-backs		
B.5 Positive exchange differences		
B.6 Transfer from property held for own use		
B.7 Other increases		
<b>C. Decreases:</b>	-	-
C.1 Sales		
C.2 Amortization/depreciation		
C.3 Negative fair value changes		
C.4 Value adjustments for impairment		
C.5 Negative exchange differences		
C.6 Transfers to other portfolios of assets:		
a) property held for own use		
b) non-current assets held for sale and discontinued operations		
C.7 Other decreases		
<b>D. Closing balance</b>	<b>6</b>	-
E. Measurement at fair value		

**Section 13 – Intangible assets** (caption 130)

13.1 Intangible assets: breakdown by type of assets

Caption/Value	Total		Total	
	31.12.2009		31.12.2008	
	Definite life	Indefinite life	Definite life	Indefinite life
<b>A.1 Goodwill:</b>	x	43,186	x	39,182
A.1.1 attributable to the Group	x	43,186	x	39,182
A.1.2 attributable to minority interests	x		x	
<b>A.2 Other intangible assets</b>	2,191	-	2,106	-
A.2.1 Assets valued at cost:	2,191	-	2,106	-
a) Intangible assets generated internally				
b) Other assets	2,191		2,106	
A.2.2 Assets at fair value through profit or loss:	-	-	-	-
a) Intangible assets generated internally				
b) Other assets				
<b>Total</b>	<b>2,191</b>	<b>43,186</b>	<b>2,106</b>	<b>39,182</b>

No impairment losses were recorded for goodwill entered in the accounts (including positive consolidation differences) compared to the previous year and, given the indefinite useful life, no amortization was calculated. The insurance component, which only refers to intangible assets, amounts to Euro 539 thousand (Euro 573 thousand last year)

13.2 Intangible assets: annual changes

(Euro/1,000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total 2009
		Definite life	Indefinite life	Definite life	Indefinite life	
<b>A. Opening balance</b>	<b>39,182</b>	-	-	<b>5,962</b>	-	<b>45,144</b>
A.1 Total net decreases in value				3,856		3,856
<b>A.2 Net opening balance</b>	<b>39,182</b>	-	-	<b>2,106</b>	-	<b>41,288</b>
<b>B. Increases</b>	<b>4,172</b>	-	-	<b>985</b>	-	<b>5,157</b>
B.1 Purchases	2,478			985		3,463
B.2 Increases in internal intangible assets	x					-
B.3 Write-backs	x					-
B.4 Increases in fair value charged to:						-
- shareholders' equity	x					-
- statement of income	x					-
B.5 Positive exchange differences						-
B.6 Other changes	1,694					1,694
<b>C. Decreases</b>	<b>168</b>	-	-	<b>900</b>	-	<b>1,068</b>
C.1 Sales	168					168
C.2 Adjustments	-	-		896		896
- Amortization	x			896		896
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	x					-
+ statement of income						-
C.3 Decreases in fair value charged to:						-
- shareholders' equity	x					-
- statement of income	x					-
C.4 Transfers to non-current assets held for sale and discontinued operations						-
C.5 Negative exchange differences						-
C.6 Other changes				4		4
<b>D. Net closing balance</b>	<b>43,186</b>	-	-	<b>2,191</b>	-	<b>45,377</b>
D.1 Total net adjustments				4,753		4,753
<b>E. Gross closing balance</b>	<b>43,186</b>	-	-	<b>6,944</b>	-	<b>50,130</b>
F. Measurement at cost						

**Section 14 – Tax assets and liabilities** (caption 140 under assets and caption 80 under liabilities)

14.1 *Deferred tax assets: breakdown*

(Euro/1,000)

Temporary Differences	ires	irap	Total 31.12.2009	Total 31.12.2008
<b>a) against Profit and Loss</b>				
tax losses	185		185	229
goodwill deductible for tax purposes	578	101	679	
written-downs of loans to customers deductible on a straight-line basis	19,916		19,916	12,919
lump-sum provision for bad debts	329		329	305
written-down of loans to customers outstanding as at 31.12.1994	12		12	135
provisions for risks from implicit loan losses	1		1	3
written-downs of shares classified under FVPL securities			-	251
statutory amortisation on properties	1		1	
statutory depreciation on tangible assets	106		106	
provisions for guarantees and commitments/country risk	345		345	385
provisions for personnel charges	2,255		2,255	3,006
provisions for legal disputes	2,080		2,080	1,839
provisions for revocatory actions	911		911	788
provision for sundry charges	354		354	857
tax provision for employee termination indemnities	99		99	
entertainment expenses, within the limit of one third deductible in the following four financial years	27	4	31	61
other general expenses deductible in the following accounting period	30		30	24
other	1	1	2	8
<b>Total a)</b>	<b>27,230</b>	<b>106</b>	<b>27,336</b>	<b>20,810</b>
<b>b) against Equity</b>				
tax provision for employee termination indemnities	515		515	71
written-down of securities classified AFS	1,358	304	1,662	7,948
written-down of equity investments			-	2
<b>Total b)</b>	<b>1,873</b>	<b>304</b>	<b>2,177</b>	<b>8,021</b>
<b>Total</b>	<b>29,103</b>	<b>410</b>	<b>29,513</b>	<b>28,831</b>

Deferred tax assets attributable to the insurance company amount to Euro 81 thousand (Euro 80 thousand as at 31 December 2008).

14.2 Deferred tax liabilities: breakdown

(Euro/1,000)

Temporary Differences	ires	irap	Total 31.12.2009	Total 31.12.2008
<b>a) against Profit and Loss</b>				
gains on disposal of tangible assets	67	1	68	96
tax amortization of properties	7,067	1,102	8,169	8,232
tax amortization of intangible assets	1	31	32	3,031
tax amortization of goodwill	438	77	515	781
tax amortization on long-term charges (software)	2	7	9	140
tax amortization on long-term charges (other)			-	1,016
tax amortization under article 106, par. 3	470		470	827
assets and liabilities result, fair value option			-	697
assets and liabilities result, hedge accounting			-	17
tax provision for employee termination indemnities	9	24	33	569
other	12	2	14	14
<b>Total a)</b>	<b>8,066</b>	<b>1,244</b>	<b>9,310</b>	<b>15,420</b>
<b>b) against Equity</b>				
revaluation of AFS securities	1,853	324	2,177	488
revaluation of equity investments	46	162	208	160
tax provision for employee termination indemnities	67	1	68	14
<b>Total b)</b>	<b>1,966</b>	<b>487</b>	<b>2,453</b>	<b>662</b>
<b>Total</b>	<b>10,032</b>	<b>1,731</b>	<b>11,763</b>	<b>16,082</b>

The item includes Euro 245 thousand attributable to the insurance company (Euro 28 thousand last year).

14.3 Change in deferred tax assets (against profit and loss)

(Euro/1,000)

	Total 2009	Total 2008
<b>1. Initial amount</b>	<b>20,810</b>	<b>14,197</b>
<b>2. Increases</b>	<b>11,515</b>	<b>11,499</b>
2.1 Deferred tax assets recognized during the year	10,787	11,499
a) from previous years		
b) due to adoption of different accounting		
c) write-backs		
d) other	10,787	11,499
2.2 New taxes or increases in fiscal rates		
2.3 Other increases	728	
<b>3. Decreases</b>	<b>4,989</b>	<b>4,886</b>
3.1 Deferred tax assets cancelled during the year	4,395	3,895
a) reallocation	4,395	3,895
b) write-downs due to irrecoverability		
c) adoption of different accounting standards		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases	594	991
<b>4. Final amount</b>	<b>27,336</b>	<b>20,810</b>

14.4 Change in deferred tax liabilities (against profit and loss)

(Euro/1,000)

	Total 2009	Total 2008
<b>1. Initial amount</b>	<b>15,420</b>	<b>16,863</b>
<b>2. Increases</b>	<b>183</b>	<b>414</b>
2.1 Deferred tax assets recognized during	183	414
a) from previous years		
b) due to adoption of different		
c) other	183	414
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>6,293</b>	<b>1,857</b>
3.1 Deferred tax liabilities cancelled during	433	1,300
a) reallocation	433	1,300
b) due to adoption of different		
c) other	-	
3.2 Decreases in fiscal rates		
3.3 Other decreases	5,860	557
<b>4. Final amount</b>	<b>9,310</b>	<b>15,420</b>

14.5 Change in deferred tax asset (against equity)

(Euro/1,000)

	Total 2009	Total 2008
<b>1. Initial amount</b>	<b>8,021</b>	<b>797</b>
<b>2. Increases</b>	<b>730</b>	<b>7,291</b>
2.1 Deferred tax assets recognized during	315	7,291
a) from previous years		
b) due to adoption of different		
c) other	315	7,291
2.2 New taxes or increases in fiscal rates		
2.3 Other increases	415	
<b>3. Decreases</b>	<b>6,574</b>	<b>67</b>
3.1 Deferred tax assets cancelled during the	6,571	67
a) reallocation	6,571	67
b) write-downs due to irrecoverability		
c) adoption of different accounting		
d) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases	3	
<b>4. Final amount</b>	<b>2,177</b>	<b>8,021</b>



14.6 Change in deferred tax liabilities (against equity)

(Euro/1,000)

	Total 2009	Total 2008
<b>1. Initial amount</b>	<b>662</b>	<b>982</b>
<b>2. Increases</b>	2,262	417
2.1 Deferred tax liabilities recognized during	2,262	417
a) from previous years		
b) due to adoption of different accounting standards		
c) other	2,262	417
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		
<b>3. Decreases</b>	471	737
3.1 Deferred tax assets cancelled during the	458	737
a) reallocation	458	737
b) due to adoption of different accounting standards		
c) other		
3.2 Decreases in fiscal rates		
3.3 Other decreases	13	
<b>4. Final amount</b>	<b>2,453</b>	<b>662</b>

**Section 15 – Non-current assets and discontinued operations and associated liabilities – Caption 150**

15.1 Non-current assets and discontinued operations: breakdown by type of asset

Euro/1,000	<b>Total 31.12.2009</b>	<b>Total 31.12.2008</b>
<b>A. Individual assets</b>		
A.1 Financial assets		
A.2 Equity investments		10,394
A.3 Tangible assets		
A.4 Intangible assets		
A.5 Other non-current assets		
<b>Total A</b>	-	10,394
<b>B. Groups of assets (discontinued operating units)</b>		
B.1 Financial assets held for trading		
B.2 Financial assets designated at fair value		
B.3 Available-for-sale investments		498
B.4 Held-to-maturity investments		
B.5 Amounts due from banks		
B.6 Amounts due from customers		
B.7 Equity investments		
B.8 Tangible assets		
B.9 Intangible assets		
B.10 Other assets		
<b>Total B</b>	-	498
<b>C Liabilities on non-current discontinued operations</b>		
C.1 Debts		
C.2 Securities		
C.3 Other liabilities		
<b>Total C</b>	-	-
<b>D Liabilities on discontinued operations</b>		
D.1 Amounts due to banks		
D.2 Amounts due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities at fair value through profit or loss		
D.6 Reserves		
D.7 Other liabilities		
<b>Total D</b>	-	-

**Section 16 – Other assets – Caption 160**

*16.1 Other assets: breakdown*

(Euro/1,000)

	<b>Total</b>	<b>Total</b>
	<b>31.12.2009</b>	<b>31.12.2008</b>
Tax credits		
- principal	4,630	5,265
- interests	-	250
Amounts due from tax authorities	15,951	261
Taxes withheld	14	-
Traded cheques to be settled	22,859	42,820
Guarantee deposits	-	2
Invoices issued to be collected	140	4,989
Accounts receivable for third-party securities and coupons to be collected	1	2,000
Print-outs and stationery stock	-	393
Unprocessed transactions and amounts in transit with bank branches	37,536	21,663
Currency spreads on portfolio transactions	300	122
Investments in supplementary termination indemnities for personnel	854	925
Leasehold improvements	23,054	23,476
Accrued income and prepaid expenses	472	1,627
Other items	16,786	31,619
<b>Total</b>	<b>122,597</b>	<b>135,412</b>

The amount attributable to the insurance company amounts to Euro 4,350 thousand (Euro 3,731 thousand last year).

The figure relating to the previous year decreased by Euro 4,750 thousand as a result of reclassifications of items previously classified under this item to items "Amounts due from banks" and "Amounts due from customers".

## LIABILITIES

### Section 1 – Amounts due to banks (caption 10)

#### 1.1 Amounts due to banks: breakdown by type

(Euro/1,000)

Transaction type/Group component	Total 31.12.2009	Total 31.12.2008
<b>1. Amounts due to central banks</b>	-	-
<b>2. Amounts due to banks</b>	<b>36,658</b>	<b>37,636</b>
2.1 Current accounts and unrestricted	13,675	15,653
2.2 Restricted deposits	18,597	19,976
2.3 Loans	-	-
2.3.1 Reverse repurchase agreements		
2.3.2 Other		-
2.4 Commitments for repurchases of own equity instruments	-	-
2.5 Other amounts due	4,386	2,007
<b>Total</b>	<b>36,658</b>	<b>37,636</b>
<b>Fair value</b>	<b>36,658</b>	<b>37,636</b>

### Section 2 – Amounts due to customers (caption 20)

#### 2.1 Amounts due to customers: breakdown by type

(Euro/1,000)

Transaction type / Group components	Total 31.12.2009	Total 31.12.2008
1. Current accounts and unrestricted	4,771,056	3,660,983
2. Restricted deposits	3,740	118,223
3. Losses	72,106	254,488
3.1 Reverse repurchase agreements	37,043	231,403
3.2 Other	35,063	23,085
4. Commitments for repurchases of own equity instruments		
5. Other amounts due	21,374	28,676
<b>Total</b>	<b>4,868,276</b>	<b>4,062,370</b>
<b>Fair value</b>	<b>4,868,276</b>	<b>4,062,379</b>

The balance as at 31 December 2008 increased as a result of reclassifications of items previously classified under item "Other liabilities".

**Section 3 – Securities issued** (caption 30)

3.1 *Securities issued: breakdown by type*

(Euro/1,000)

Security type / Amount	Total 31.12.2009				Total 31.12.2008			
	Book value	fair value			Book value	fair value		
		level 1	level 2	level 3		level 1	level 2	level 3
<b>A. Securities</b>								
1. Bonds	1,569,830	-	1,617,418	-	1,684,650	199,265	1,504,274	-
1.1 structured					-	-	-	-
1.2 other	1,569,830		1,617,418		1,684,650	199,265	1,504,274	
2. Other securities	238,740	-	238,740	-	178,446	-	178,446	-
2.1 structured					-	-	-	-
2.2 other	238,740		238,740		178,446		178,446	
<b>Total</b>	<b>1,808,570</b>	<b>-</b>	<b>1,856,158</b>	<b>-</b>	<b>1,863,096</b>	<b>199,265</b>	<b>1,682,720</b>	<b>-</b>

3.2 *Breakdown of caption 30 “Securities issued”: subordinated securities*

(Euro/1,000)

Debt security loans	31.12.2009	31.12.2008
BDB tv due 03.05.2009		30,237
BDB tv due 15.12.2009		30,042
BDT tv due 01.11.2009		5,042
BDB tv due 01.12.2010	13,013	13,049
BDB tv due 29.12.2011	12,999	13,002
BDB tv due 01.06.2012	13,003	13,044
BDB tv due 03.06.2013	13,009	13,040
BDB tv due 04.05.2014	30,052	
BDB tv due 15.12.2014	30,016	
<b>Total</b>	<b>112,092</b>	<b>117,456</b>

All securities issued have similar characteristics:

- duration: 5 years;
- interest rate: variable rate with coupons payable every six months on a deferred basis;
- redemption: in one single solution upon maturity;
- early redemption clause: not provided;
- possession: the issuer may not hold more than 10% of its own subordinated loans; repurchase for higher amounts is subject to the prior approval of the Bank of Italy;
- subordination: the subordination clauses provide that in the event that the issuer is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been paid off.

3.3 *Breakdown of caption 30 “Securities issued”: securities subject to specific hedging*

(Euro/1,000)

Security type / Amount	Total 31.12.2009	Total 31.12.2008
1. Debt securities subject to fair value hedging	-	30,207
a) interest rate risk		30,207
b) exchange rate risk		
c) other risks		
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk		
b) exchange rate risk		
c) other risks		
<b>Total</b>	<b>-</b>	<b>30,207</b>

**Section 4 – Financial liabilities held for trading – Caption 40**

4.1 Financial liabilities held for trading: breakdown by type

(Euro/1,000)

Transaction type/Group components	Total 31.12.2009					Total 31.12.2008				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
<b>A. Liabilities for cash</b>										
1. Amounts due to banks										
2. Amounts due to customers										
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
<b>Total A</b>	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives instruments</b>										
1. Financial derivatives		-	13	2,506		-	14	15,571		
1.1 Trading	x	-	13	2,065	x	x	14	12,631	x	
1.2 Connected with the fair value option	x	-		441	x	x		16	x	
1.3 Other	x				x	x		2,924	x	
2. Credit derivatives		-		-						
2.1 Trading	x				x	x			x	
2.2 Connected with the fair value option	x				x	x			x	
2.3 Other	x				x	x			x	
<b>Total B</b>	x	-	13	2,506	x	x	-	14	15,571	x
<b>Total (A + B)</b>	x	-	13	2,506	x	x	-	14	15,571	x

**Legend**

FV = fair value

FV\* = fair value calculated excluding value variations due to the changed rating

of the issuer with respect to the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

**Section 5 – Financial liabilities at fair value through profit or loss - Caption 50**

5.1 Financial liabilities at fair value through profit or loss: breakdown by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2009					Total 31.12.2008				
	nominal value	fair value			FV*	nominal value	fair value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Amounts due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured					x					x
1.2 Other					x					x
2. Amounts due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured					x					x
2.2 Other					x					x
3. Debt securities	545,740	-	557,152	-	559,787	528,661	-	541,488	-	543,995
3.1 Structured	20,000		19,872		x	15,000		14,942		x
3.2 Other	525,740		537,280		x	513,661		526,546		x
<b>Total</b>	<b>545,740</b>	<b>-</b>	<b>557,152</b>	<b>-</b>	<b>559,787</b>	<b>528,661</b>	<b>-</b>	<b>541,488</b>	<b>-</b>	<b>543,995</b>

FV\* = fair value calculated excluding variations due to the changed rating of the issuer with respect to the issue date.

5.3 Financial liabilities at fair value through profit or loss: annual changes

(Euro/1,000)

	Amounts due to banks	Amounts due to customers	Securities issued	<b>Total 2009</b>
<b>A. Opening balance</b>			<b>541,488</b>	<b>541,488</b>
<b>B. Increases</b>	-	-	<b>73,149</b>	<b>73,149</b>
B1. Issues			59,500	59,500
B2. Sales			2,672	2,672
B3. Increases in fair value			3,888	3,888
B4. Other increases			7,089	7,089
<b>C. Decreases</b>	-	-	<b>57,485</b>	<b>57,485</b>
C1. Purchases			7,839	7,839
C2. Redemptions			45,000	45,000
C3. Decreases in fair value			321	
C4. Other decreases			4,325	4,325
<b>D. Closing balance</b>	-	-	<b>557,152</b>	<b>557,152</b>

**Section 6 – Hedging derivatives** (caption 60)

6.1 Hedging derivatives: breakdown by type of hedging and by level

(Euro/1,000)

	31.12.2009				31.12.2008			
	Fair value			NV	Fair value			NV
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>A) Financial derivatives:</b>	-	-	-	-	-	-	64	-
1) Fair value							64	
2) Cash flow s								
3) Foreign investments								
<b>2) Credit derivatives:</b>	-	-	-	-	-	-	-	-
1) Fair value								
2) Cash flow s								
<b>Total A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>-</b>

**Section 8 – Tax liabilities** (caption 80)

The composition and breakdown of tax liabilities are provided under Section 14 of Assets, together with information on deferred tax assets.

**Section 10 – Other liabilities** (caption 100)

*10.1 Other liabilities: breakdown*

(Euro/1,000)		
	Total 31.12.2009	Total 31.12.2008
Due to tax authorities	1,520	405
Amounts due to tax authorities on account of third parties	12,246	16,221
Social security contributions to be reversed	4,748	3,936
Due to shareholders on account of dividends	13	14
Suppliers	16,248	15,030
Amounts available for customers	11,563	24,784
Interest and fees to be credited	365	209
Payments against disposals on bills	483	357
Advance payments on expiring loans	126	21
Unprocessed transactions and amounts in transit with branches	16,548	55,415
Currency spreads on portfolio transactions	22,754	25,090
Due to personnel	2,956	2,240
Other accounts payable	48,631	20,331
Provisions for guarantees and commitments	1,237	1,377
Accrued liabilities and deferred income	2,196	5,183
Other items	11,774	7,844
<b>Total</b>	<b>153,408</b>	<b>178,457</b>

The 2008 year-end figure increased by a total of Euro 1,552 thousand as a result of the reclassification to the amounts due to personnel, for untaken holidays and public holidays, previously classified under item "Provisions for risks and charges", while the other items were reclassified to the item "Amounts due to customers".

**Section 11 – Provisions for employee termination indemnities** (caption 110)

*11.1 Provisions for employee termination indemnities: annual changes*

(Euro/1,000)		
	Total 2009	Total 2008
<b>A. Opening balance</b>	<b>26,490</b>	<b>26,287</b>
<b>B. Increases</b>	<b>1,137</b>	<b>3,515</b>
B.1 Provisions during the year	1,088	1,636
B.2 Other increases	49	1,879
<b>C. Decreases</b>	<b>1,931</b>	<b>3,312</b>
C.1 Amounts paid	1,629	3,202
C.2 Other decreases	302	110
<b>D. Closing balance</b>	<b>25,696</b>	<b>26,490</b>

The year-end balance includes Euro 62 thousand attributable to the insurance company (Euro 34 thousand at the end of 2008).



**Section 12 – Provisions for risks and charges** (caption 120)

12.1 *Provisions for risks and charges: breakdown*

(Euro/1,000)

Caption / Components	Total	Total
	31.12.2009	31.12.2008
1. Company pension funds	164	112
2. Other provisions for risks and charges	60,935	64,522
2.1 <i>legal disputes</i>	11,960	10,559
2.2 <i>personnel charges</i>	9,658	15,453
2.3 <i>other</i>	39,317	38,510
<b>Total</b>	<b>61,099</b>	<b>64,634</b>

The 2008 year-end figure decreased by Euro 2,440 thousand as a result of the reclassification of the payable accrued against subordinate employees for untaken holidays and public holidays to “Other liabilities”.

12.2. *Provisions for risks and charges: annual changes*

(Euro/1,000)

Caption / Components	Pension funds	Other funds	Total 2009
	<b>A. Opening balance</b>	<b>112</b>	<b>64,522</b>
<b>B. Increases</b>	<b>52</b>	<b>8,748</b>	<b>8,800</b>
B.1 Provisions during the year	52	8,517	8,569
B.2 Changes due to the elapsing of time		227	227
B.3 Changes due to discount rate adjustments			-
B.4 Other increases		4	4
<b>C. Decreases</b>	<b>-</b>	<b>12,335</b>	<b>12,335</b>
C.1 Use during the year		12,315	12,315
C.2 Changes due to discount rate adjustments			-
C.3 Other decreases		20	20
<b>D. Closing balance</b>	<b>164</b>	<b>60,935</b>	<b>61,099</b>

12.3 *Defined benefit company pension funds*

The amount of Euro 164 thousand entered in the accounts refers to the subsidiary C.P.C. S.A. - Lugano.

12.4 *Provisions for risks and charges – Other provisions*

(Euro/1,000)

	31.12.2009	31.12.2008
legal disputes	11,960	10,683
personnel charges	9,658	15,347
other	39,317	38,492
<b>Total</b>	<b>60,935</b>	<b>64,522</b>

**Section 13 – Technical reserves** (caption 130)

13.1 *Technical reserves: breakdown*

(Euro/1,000)

	Direct work	Indirect work	<b>Total 2009</b>	<b>Total 2008</b>
<b>A. Non-life branch</b>	<b>20,512</b>	-	<b>20,512</b>	<b>11,769</b>
A1. premiums fund	16,381	-	16,381	9,290
A2. claims fund	3,870	-	3,870	2,323
A3. other reserves	261	-	261	156
<b>B. Life branch</b>	-	-	-	-
B1. Mathematical reserves	-	-	-	-
B2. Funds for amounts to be disbursed	-	-	-	-
B3. Other reserves	-	-	-	-
<b>C. Technical reserves for investment risks to be borne by the insured</b>	-	-	-	-
C1: funds for contracts with disbursements connected with pension funds and market indices	-	-	-	-
C2: funds from pension fund management	-	-	-	-
<b>D. Total technical reserves</b>	<b>20,512</b>	-	<b>20,512</b>	<b>11,769</b>

13.2 *Technical reserves: annual changes*

(Euro/1,000)

	Direct work	Indirect work	<b>Total 2009</b>
<b>A. Opening balance</b>	<b>11,769</b>	-	<b>17,486</b>
<b>B. Increases</b>	<b>8,743</b>	-	<b>8,743</b>
B.1 Provisions during the year	8,743	-	8,743
B.2 Other increases	-	-	-
<b>C. Decreases</b>	-	-	-
C.1 Use during the year	-	-	-
C.2 Other decreases	-	-	-
<b>D. Closing balance</b>	<b>20,512</b>	-	<b>20,512</b>

**Section 15 – Group's shareholders' equity** (captions 140, 160, 170, 180, 190, 200 and 220)

15.1 *"Share capital" and "Treasury shares": breakdown*

(Euro/1,000)

Caption / Amount	31.12.2009	31.12.2008
Share capital	67,705	67,705
Treasury shares	-	-
<b>Total</b>	<b>67,705</b>	<b>67,705</b>

The share capital of the Parent Company Banco Desio, fully subscribed and paid up, is made up of:

- no. 117,000,000 ordinary shares, with a nominal value of Euro 0.52 each;
- no. 13,202,000 savings shares, with a nominal value of Euro 0.52 each.

No Group company has been in possession of its own shares at any time during the accounting period

15.2 Capital – Number of parent company shares: annual changes

(Euro/1,000)

Caption/Type	Ordinary	Other
<b>A. Number of shares at the beginning of the year</b>	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		
A.1 Treasury shares (-)		
<b>B.2 Shares in circulation: opening balance</b>	117,000,000	13,202,000
<b>B. Increases</b>	-	-
B.1 New issues		
- on a payment basis:	-	-
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- on a free basis:	-	-
- in favor of employees		
- in favor of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
<b>C. Decreases</b>	-	-
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Sale of companies		
C.4 Other changes		
<b>D. Shares in circulation: closing balance</b>	117,000,000	13,202,000
D.1 Treasury shares (+)		
D.2 Number of shares at the end of the	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		

15.4 Revenue reserves: other information

(Euro/1,000)

Caption	31.12.2009	31.12.2008
Legal reserve	64,303	57,752
Statutory reserves	367,277	322,266
Profits (losses) carried forward (F.T.A.) Reserve	23,571	23,571
Other reserves	99,785	99,785
	36,067	38,634
<b>Total</b>	<b>591,003</b>	<b>542,008</b>

**Section 16 – Minority interests** (caption 210)

Shareholders' equity attributable to minority interests: breakdown

(Euro/1,000)				
Caption/Value	Banking Group	Insurance Company	31.12.2009	31.12.2008
1. Share Capital	181	2,681	<b>2,862</b>	2,867
2. Share premium reserve	169	77	<b>246</b>	-
3. Reserves	93	509	<b>602</b>	1,068
4. Treasury shares	-	-	-	-
5. Valuation reserves	-	87	<b>87</b>	(58)
6. Equity instruments	-	-	-	-
7. Profit (loss) attributable to minority interests				
	(11)	161	150	(156)
<b>Total</b>	<b>432</b>	<b>3,515</b>	<b>3,947</b>	<b>3,721</b>

**OTHER INFORMATION**

1 Guarantees granted and commitments

(Euro/1,000)		
Transactions	31.12.2009	31.12.2008
<b>1) Financial guarantees granted</b>	<b>88,651</b>	<b>107,826</b>
a) Banks	63,716	85,163
b) Customers	24,935	22,663
<b>2) Commercial guarantees granted</b>	<b>217,702</b>	<b>219,185</b>
a) Banks	3,088	2,760
b) Customers	214,614	216,425
<b>3) Irrevocable commitments to grant</b>	<b>433,778</b>	<b>278,538</b>
a) Banks	235,580	16,128
i) certain to be called on	235,122	15,751
ii) not certain to be called on	458	377
b) Customers	198,198	262,410
i) certain to be called on	12,776	23,493
ii) not certain to be called on	185,422	238,917
<b>4) Underlying commitments to credit derivatives: hedging sales</b>	-	-
<b>5) Assets lodged to guarantee minority interest</b>	-	-
<b>6) Other commitments</b>	-	<b>1,847</b>
<b>Total</b>	<b>740,131</b>	<b>607,396</b>

2. Assets lodged to guarantee own liabilities and commitments

(Euro/1,000)

Portfolios	31.12.2009	31.12.2008
1. Financial assets held for trading	4,353	132,507
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	131,635	198,507
4. Held-to-maturity investments		
5. Amounts due from banks		
6. Amounts due from customers		
7. Tangible assets		

5. Administration and dealing on behalf of third parties

(Euro/1,000)

Type of services	Amount
<b>1. Executions of orders on behalf of customers</b>	<b>2,070,537</b>
a) Purchase	1,045,080
1. Settled	1,041,227
2. not settled	3,853
b) Sale	1,025,457
1. Settled	1,019,104
2. not settled	6,353
<b>2. Portfolio management</b>	<b>1,003,900</b>
a) individual	462,430
b) collective	541,470
<b>3. Custody and administration of securities</b>	
a) Third-party securities held on deposit in connection with depositary bank's services (excluding asset management)	13,630,633
1. securities issued by the companies included in the scope of consolidation	
2. Other	13,630,633
b) other third-party securities held on deposit (excluding asset management): other	13,268,597
1. securities issued by the companies included in the scope of consolidation	1,830,238
2. Other	11,438,359
c) third-party securities deposited with third parties	21,662,396
d) own securities deposited with third parties	928,202
<b>4. Other transactions</b>	-

## Part C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

### Section 1 – Interest (captions 10 and 20)

#### 1.1 Interest income and similar revenues: breakdown

(Euro/1,000)

Caption / Technical forms	Debt securities	Loans	Other transactions	Total	Total
				31.12.2009	31.12.2008
1. Financial assets held for trading	3,589		8,862	<b>12,451</b>	17,606
2. Financial assets at fair value through profit or loss	134			<b>134</b>	
3. Available-for-sale financial assets	13,346			<b>13,346</b>	19,303
4. Held-to-maturity investments	301			<b>301</b>	455
5. Amounts due from banks		6,572	15	<b>6,587</b>	19,524
6. Amounts due from customers	1,580	267,232		<b>268,812</b>	375,036
7. Hedging derivatives	x	x		-	-
8. Other assets	x	x	118	<b>118</b>	284
<b>Total</b>	<b>18,950</b>	<b>273,804</b>	<b>8,995</b>	<b>301,749</b>	<b>432,208</b>

The insurance component amounts to a total of Euro 614 thousand (Euro 524 thousand last year).

The 2008 year-end total figure reported for the items “10 Interest income and similar revenues” and “20 Interest expense and similar charges” decreased by Euro 15,005 thousand, as a result of a reporting of the differentials on hedging derivatives valued based on the fair value option other than reporting based on pre-closing balances.

#### 1.2 Interest income and similar revenues: differentials on hedging transactions

In this financial year the differentials on hedging transactions showed a negative balance and are thus included in the table “1.5 Interest expense and similar charges: differentials on hedging transactions”.

#### 1.3 Interest income and similar revenues: other information

##### 1.3.1 Interest income on foreign currency financial assets

Interest income on currency financial assets accounted for under “Interest income and similar revenues” as of 31.12.2009 amount to Euro 1 million (Euro 2.2 million in the previous year).

##### 1.3.2 Interest income on finance lease transactions

The total interest income recognised as revenues for the period and which are entered under “Amounts due from customers - loans”, amount to Euro 21.3 million, including Euro 15.4 million relate to indexed contracts, of which Euro 1.1 million relating to leaseback agreements (in 2008 Euro 32.8 million on indexed contracts, of which Euro 1.8 million relating to leaseback agreements).

Financial profits pertaining to subsequent years amount to Euro 157.25 million, of which Euro 14.9 million relating to leaseback agreements (respectively Euro 153.5 million and Euro 14.7 million at the end of 2008).

1.4 *Interest expense and similar charges: breakdown*

(Euro/1,000)

Captions/Technical types	Debts	Securities	Other transactions	Total	
				31.12.2009	31.12.2008
1. Amounts due to central banks				-	-
2. Amounts due to banks	(1,990)	x	(143)	<b>(2,133)</b>	(7,441)
3. Amounts due to customers	(31,307)	x	(17)	<b>(31,324)</b>	(104,684)
4. Securities issued	x	(43,571)		<b>(43,571)</b>	(70,067)
5. Financial liabilities held for trading				-	(2,325)
6. Financial liabilities at fair value through profit or loss		(20,972)		<b>(20,972)</b>	(17,547)
7. Other liabilities and reserves	x	x		-	(1)
8. Hedging derivatives	x	x	(54)	<b>(54)</b>	(693)
<b>Total</b>	<b>(33,297)</b>	<b>(64,543)</b>	<b>(214)</b>	<b>(98,054)</b>	<b>(202,758)</b>

1.5 *Interest expense and similar charges: differentials on hedging transactions*

(Euro/1,000)

Caption	31.12.2009	31.12.2008
A. Positive differentials on hedging transactions	106	1,890
B. Negative differentials on hedging transactions	(160)	(2,583)
<b>C. Balance (A-B)</b>	<b>(54)</b>	<b>(693)</b>

1.6 *Interest expense and similar charges: other information*

As of 31.12.2008, interest expense on currency liabilities accounted for under "Interest expense and similar charges" amounted to Euro 176 thousand (Euro 994 thousand last year).

**Section 2 – Net fee and commission income** (captions 40 and 50)

*2.1 Fee and commission income: breakdown*

(Euro/1,000)

Type of service / Amount	31.12.2009	31.12.2008
a) Guarantees given	2,169	2,158
b) Credit derivatives	-	-
c) Management, trading and consultancy services:	48,982	52,136
1. trading of financial instruments	4,246	3,543
2. currency trading	1,152	1,417
3. portfolio management	6,726	6,696
3.1. individual	5,673	5,247
3.2. collective	1,053	1,449
4. securities safekeeping and	4,002	4,638
5. depositary bank	4,807	6,054
6. securities placement	6,755	8,152
7. receipt and transmission of orders	10,361	7,619
8. consultancy services	-	-
8.1 on investments	-	-
8.2 on financial structures	-	-
9. distribution of third party services	10,933	14,017
9.1. portfolio management	369	577
9.1.1. individual	369	577
9.1.2. collective	-	-
9.2. insurance products	6,182	11,524
9.3. other products	4,382	1,916
d) Collection and payment services	19,284	18,829
e) Servicing for securitization transactions	11	17
f) Factoring transaction services	32	36
g) Tax collection services	-	-
h) management of multilateral trading systems	-	-
i) holding and managing current accounts	45,025	27,910
j) Other services	6,885	4,823
<b>Total</b>	<b>122,388</b>	<b>105,909</b>

The figure reported in the previous year increased by a total of Euro 15,754 thousand as a result of reclassifications, which affected the sub-items “i) keeping and managing current accounts” (up by Euro 27,910 thousand) and “j) other services (down by Euro 12,156 thousand, with the consequent decrease in item “220 Other operating income and expenses”.



2.2 Fee and commission expense: breakdown

(Euro/1,000)		
Type of service / Amount	31.12.2009	31.12.2008
a) Guarantees received	(34)	(29)
b) Credit derivatives		
c) Management, dealing and consultancy	(6,078)	(3,615)
1. Trading of financial instruments	(373)	(394)
2. Currency trading	(28)	
3. Portfolio management:	-	-
3.1 own customers		
3.2 delegated		
4. Securities safekeeping and	(1,926)	(2,009)
5. Placement of financial instruments		
6. Door-to-door sale of financial instruments, products and services	(3,751)	(1,212)
d) Collection and payment services	(3,188)	(3,041)
e) Other services	(3,602)	(3,280)
<b>Total</b>	<b>(12,902)</b>	<b>(9,965)</b>

**Section 3 – Dividends and similar revenues** (caption 70)

3.1 Dividends and similar revenues: breakdown

(Euro/1,000)				
Caption / Revenues	31.12.2009		31.12.2008	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	167		277	
B. Available-for-sale financial assets	250		108	4
C. Financial assets at fair value through profit or loss			-	
D. Equity investments		x		x
<b>Total</b>	<b>417</b>	<b>-</b>	<b>385</b>	<b>4</b>

**Section 4 – Profits (losses) on trading** (caption 80)

4.1 Profits (losses) on trading: breakdown

(Euro/1,000)

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income	
					31.12.2009	
<b>1. Financial assets held for trading</b>	<b>323</b>	<b>2,784</b>	<b>(22)</b>	<b>(1,911)</b>	<b>1,174</b>	
1.1 Debt securities	323	1,411	(22)	(1,581)	131	
1.2 Equity securities		1,171		(288)	883	
1.3 UCITS units		84		(42)	42	
1.4 Loans					-	
1.5 Other		118			118	
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
2.1 Debt securities					-	
2.2 Debt					-	
2.3 Other					-	
<b>3. Financial assets and liabilities: foreign exchange differences</b>		x	x	x	x	<b>2,254</b>
<b>4. Derivative instruments</b>	<b>1,008</b>	<b>5,700</b>	<b>(388)</b>	<b>(4,902)</b>	<b>1,335</b>	
4.1 Financial derivatives:					-	
- on debt securities and interest rates	1,004	4,990	(384)	(4,179)	1,431	
- on equity securities and stock indexes	3	710	(3)	(723)	(13)	
- on currencies and gold	x	x	x	x	(83)	
- other	1		(1)		-	
4.2 Credit derivatives					-	
<b>Total</b>	<b>1,331</b>	<b>8,484</b>	<b>(410)</b>	<b>(6,813)</b>	<b>4,763</b>	

**Section 5 – Fair value adjustments in hedge accounting** (caption 90)

5.1 Fair value adjustments in hedge accounting: breakdown

(Euro/1,000)

Income component/Value	31.12.2009	31.12.2008
<b>A. Income relating to:</b>		
A.1 Fair value hedging derivatives	53	1,038
A.2 Hedged financial assets (fair value)		
A.3 Hedged financial liabilities (fair value)		209
A.4 Cash flow hedge financial derivatives		
A.5 Currency assets and liabilities		
<b>Total income from hedging activities (A)</b>	<b>53</b>	<b>1,247</b>
<b>B. Charges relating to:</b>		
B.1 Fair value hedging derivatives	(46)	(30)
B.2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)	(20)	(1,125)
B.4 Cash flow hedge financial derivatives		
B.5 Currency assets and liabilities		
<b>Total charges from hedging activities (B)</b>	<b>(66)</b>	<b>(1,155)</b>
<b>C. Net hedging income (A – B)</b>	<b>(13)</b>	<b>92</b>

**Section 6 – Profits (losses) on disposal/repurchase** (caption 100)

6.1 Profits (losses) on disposals/repurchase: breakdown

(Euro/1,000)

Caption/Income component	31.12.2009			31.12.2008		
	Profits	Losses	Net income	Profits	Losses	Net income
<b>Financial assets</b>						
1. Amounts due from banks			-			
2. Amounts due from customers	20	(313)	(293)	16	(1,072)	(1,056)
3. Available-for-sale financial assets	8,838	(4,072)	4,766	2,673	(950)	1,723
3.1 Debt securities	5,595	(873)	4,722	174	(413)	(239)
3.2 Equity securities	978	(360)	618	1,502	(34)	1,468
3.3 UCITS units	2,265	(2,839)	(574)	997	(503)	494
3.4 Loans			-			
4. Held-to-maturity investments			-			-
<b>Total assets</b>	<b>8,858</b>	<b>(4,385)</b>	<b>4,473</b>	<b>2,689</b>	<b>(2,022)</b>	<b>667</b>
<b>Financial liabilities</b>						
1. Amounts due to banks			-			
2. Amounts due to customers			-			
3. Securities issued	1,216	(46)	1,170	30	(1)	29
<b>Total liabilities</b>	<b>1,216</b>	<b>(46)</b>	<b>1,170</b>	<b>30</b>	<b>(1)</b>	<b>29</b>

The result for the period includes charges for Euro 59 thousand referred to the insurance component (charges for Euro 6 thousand in the previous year).

**Section 7 – Profits (losses) on financial assets and liabilities at fair value through profit or loss** (caption 110)

7.1 Profits (losses) on financial assets and liabilities at fair value through profit or loss: breakdown

(Euro/1,000)

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income
					31.12.2009
<b>1. Financial assets</b>	-	135	-	-	135
1.1 Debt securities		135			
1.2 Equity securities					
1.3 UCITS units					
1.4 Loans					
<b>2. Financial liabilities</b>	321	190	(3,888)	(55)	(3,432)
2.1 Debt securities	321	190	(3,888)	(55)	(3,432)
2.2 Amounts due to banks					
2.3 Amounts due to customers					
<b>3. Other financial assets and liabilities: foreign exchange differences</b>	x	x	x	x	
<b>4. Credit and financial derivatives</b>	4,379		(1,374)	(38)	2,967
<b>Total</b>	<b>4,700</b>	<b>325</b>	<b>(5,262)</b>	<b>(93)</b>	<b>(330)</b>

**Section 8 – Net losses/recoveries on impairment** (caption 130)

**8.1 Net impairment losses on loans: breakdown**

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total 31.12.2009	Total 31.12.2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from banks	-	-	-	-	-	-	-	-	
- loans	-	-	-	-	-	-	-	(16)	
- debt securities	-	-	-	-	-	-	-	-	
B. Amounts due from customers	(18,809)	(57,570)	(88)	3,569	11,756	-	1,574	(59,568)	
- loans	(18,809)	(57,570)	(88)	3,569	11,756	-	1,574	(59,568)	
- debt securities	-	-	-	-	-	-	-	-	
<b>C. Total</b>	<b>(18,809)</b>	<b>(57,570)</b>	<b>(88)</b>	<b>3,569</b>	<b>11,756</b>	<b>-</b>	<b>1,574</b>	<b>(59,568)</b>	

**8.2. Net impairment losses on financial assets available for sale: breakdown**

(Euro/1,000)

Transaction/Income component	Impairment losses		Recoveries		Total 31.12.2009	Total 31.12.2008
	Specific		Specific			
	Write-offs	Other	Due to interests	Other recoveries		
A. Debt securities	-	-	-	-	-	(889)
B. Equity securities	-	-	x	x	-	-
C. UCITS units	-	-	x	-	-	11
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
<b>F. Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(878)</b>

**8.4 Net impairment losses on other financial transactions: breakdown**

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total 31.12.2009	Total 31.12.2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted	-	(290)	(12)	332	-	-	109	139	
B. Credit derivatives	-	-	-	-	-	-	-	(570)	
C. Commitments to grant	-	-	-	-	-	-	-	-	
D. Other transactions	-	-	-	-	-	-	-	-	
<b>E Total</b>	<b>-</b>	<b>(290)</b>	<b>(12)</b>	<b>332</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>139</b>	

**Section 9 – Net insurance premiums** (caption 150)

9.1 *Net insurance premiums: breakdown*

Euro/1,000				
Net insurance premiums	Direct work	Indirect work	Total 31.12.2009	Total 31.12.2008
<b>A. Life branch</b>				
A.1 Gross premiums accounted for (+)				
A.2 Premiums ceded for reinsurance (-)				
A.3 Total	-	-	-	-
<b>B. Non-life branch</b>				
B.1 Gross premiums accounted for (+)	23,343		23,343	16,141
B.2 Premiums ceded for reinsurance (-)	(3,166)		(3,166)	(6,299)
B.3 Changes in the gross amount of premium reserve (+/-)			-	
B.4 Changes in premium reserves reassured with third parties (-/+)			-	2,300
B.5 Total	20,177	-	20,177	12,142
<b>C. Total net insurance premiums</b>	<b>20,177</b>	<b>-</b>	<b>20,177</b>	<b>12,142</b>

**Section 10 – Other net insurance income/expenses** (caption 160)

10.1 *Other net insurance income/expenses: breakdown*

Euro/1,000		
Captions	31.12.2009	31.12.2008
1. Net change in technical reserves	(7,196)	(5,813)
2. Claims accrued and paid during the period	(2,687)	(1,396)
3. Other income/charges arising from insurance activities	(3,267)	(612)
<b>Total</b>	<b>(13,150)</b>	<b>(7,821)</b>

10.2 *Breakdown of sub-caption Net change in technical reserves"*

Euro/1,000		
Net change in technical reserves	31.12.2009	31.12.2008
<b>1. Life branch</b>		
A. Mathematical reserves		
A.1 Gross annual amount		
A.2 Amount reassured with third parties		
B. Other technical reserves		
B.1 Gross annual amount		
B.2 Amount reassured with third parties		
C. Technical reserves for investment risks to be borne by the insured		
C.1 Gross annual amount		
C.2 Amount reassured with third parties		
<b>Total "life branch reserves "</b>	<b>-</b>	<b>-</b>
<b>2. Non-Life branch</b>		
Changes in other technical reserves of non-life branch other than claims fund net of ceded insurance	(7,196)	(5,813)

10.3 Breakdown of sub-caption "Claims accrued and paid during the year"

Euro/1,000		
Charges associated to claims	31.12.2008	31.12.2008
<b>Life branch: charges associated to claims, net of reinsurance ceded</b>		
A. Amounts paid		
A.1 Gross annual amount		
A.2 (-) Amount reassured with third parties		
B. Changes in funds for amounts to be disbursed		
B.1 Gross annual amount		
B.2 (-) Amount reassured with third parties		
<b>Total life branch claims</b>	-	-
<b>Non-Life branch: charges associated to claims, net of recoveries and reinsurance ceded</b>		
C. Amounts paid:	(942)	(383)
C.1 Gross annual amount	(2,004)	(927)
C.2 (-) Amount reassured with third parties	1,062	544
D. Changes in recoveries, net of amounts reassured with third parties		
E. Changes in claims fund	(1,745)	(1,013)
E.1 Gross annual amount	(1,745)	(1,925)
E.2 (-) Amount reassured with third parties		912
<b>Total non-life branch claims</b>	<b>(2,687)</b>	<b>(1,396)</b>

10.4 Breakdown of sub-caption "Other net insurance income/expense"

10.4.2 Non-Life Branch

(euro/1,000)		
Captions/Components	Total 31.12.2009	Total 31.12.2008
Other income arising from insurance activities	3,163	4,552
Other charges arising from insurance activities	(6,430)	(5,164)
<b>Total</b>	<b>(3,267)</b>	<b>(612)</b>

**Section 11 – Administrative costs** (caption 180)

11.1 *Personnel costs: breakdown*

(Euro/1,000)		
Type of costs / Sectors	31.12.2009	31.12.2008
1) Employees	(138,158)	(130,590)
a) wages and salaries	(94,985)	(87,980)
b) social security charges	(23,580)	(21,804)
c) provision for employee termination indemnities		(6)
d) social security costs	(33)	(21)
e) provisions for termination indemnities del personale	(1,083)	(1,638)
f) accruals to pension funds and similar funds:	-	(9)
- defined contribution		
- defined benefit		(9)
g) amounts paid to external complementary social security funds:	(10,456)	(9,791)
- defined contribution	(10,456)	(9,791)
- defined benefit		
h) costs arising from payment agreements based on own financial instruments	(201)	(174)
i) other benefits in favor of employees	(7,820)	(9,167)
2) Other personnel in active employment	(2,711)	(2,114)
3) Directors and statutory auditors	(6,367)	(6,116)
4) Staff pensioned off		
<b>Total</b>	<b>(147,236)</b>	<b>(138,820)</b>

The insurance component amounts to Euro 2,475 thousand (Euro 1,762 thousand last year).

11.2 *Average number of employees by category: banking group*

	31.12.2009	31.12.2008
<b>Employees</b>	<b>1,752</b>	<b>1,712</b>
a) executives	39	39
b) managers	868	821
c) other employees	845	852
<b>Other personnel</b>	<b>36</b>	<b>37</b>

11.4 *Other employee benefits*

(Euro/1,000)		
	31.12.2009	31.12.2008
provision for sundry costs	(4,572)	(6,179)
social security contribution	(954)	(919)
training and education expenses	(699)	(392)
leases on buildings dedicated to the use by employees	(191)	(257)
refund of travel expenses	(211)	(125)
other	(1,193)	(1,295)
<b>Total</b>	<b>(7,820)</b>	<b>(9,167)</b>

11.5 Other administrative costs: breakdown

(Euro/1,000)	31.12.2009	31.12.2008
indirect taxes and duties		
- stamp duties	(9,094)	(8,749)
- other	(4,635)	(3,788)
other costs		
- information technology charges	(12,289)	(10,950)
- property/equipment lease	(11,028)	(9,993)
- maintenance of property/furniture and equipment	(4,358)	(5,163)
- postal and telegraphic charges	(2,752)	(2,795)
- telephone, data transmission charges	(4,645)	(4,678)
- electric power, heating, water	(3,135)	(2,992)
- cleaning services	(1,203)	(1,121)
- printing, stationery and consumables expenses	(1,765)	(1,784)
- transport costs	(916)	(1,065)
- surveillance and security	(1,818)	(1,818)
- advertising	(2,980)	(2,076)
- information and certificates	(1,732)	(1,639)
- insurance premiums	(947)	(975)
- costs for provision of sundry services	-	-
- legal expenses	(4,010)	(3,538)
- professional consulting expenses	(5,017)	(5,740)
- expenses for collective bodies	-	-
- contributions and donations	(188)	(188)
- other expenses	(7,746)	(6,573)
<b>Total</b>	<b>(80,258)</b>	<b>(75,625)</b>

The total amount of administrative expenses attributable to the insurance company amounts to Euro 1,889 thousand (Euro 1,387 thousand last year).

This item includes the fees paid to the audit firm PriceWaterHouseCoopers for the different types of services rendered to the Group.

Euro/1,000			
Type of services	Service Supplier	Beneficiary	Remuneration 2009
Audit	PriceWaterHouseCoopers	Group	422
Certification services	PriceWaterHouseCoopers	Group	9
Tax advisory services	PriceWaterHouseCoopers	Group	-
Other services: agreed procedures	PriceWaterHouseCoopers	Group	21

**Section 12 – Net provisions for risks and charges** (caption 190)

12.1 Net provisions for risks and charges: breakdown

(Euro/1,000)	31.12.2009	31.12.2008
Type of costs / Amount		
charges for legal disputes	(2,247)	861
sundry charges	(68)	(37,884)
<b>Total</b>	<b>(2,315)</b>	<b>(37,023)</b>



**Section 13 – Net adjustments to/recoveries on tangible assets** (caption 200)

13.1 Net adjustments to/recoveries on tangible assets: breakdown

(Euro/1,000)

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income
	(a)	(b)	(c)	31.12.2009
A. Tangible assets				
A.1 owned by the Bank	7,389	-	-	7,389
- for business use	(7,389)			(7,389)
- for investment				-
A.2 leased	-	-	-	-
- for business use				-
- for investment				-
<b>Total</b>	<b>7,389</b>	<b>-</b>	<b>-</b>	<b>7,389</b>

This item includes adjustments attributable to the insurance company for Euro 50 thousand (Euro 38 thousand as at 31.12.2008).

**Section 14 – Net adjustments to/recoveries on intangible assets** (caption 210)

14.1 Net adjustments to/recoveries on intangible assets: breakdown

(Euro/1,000)

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income
	(a)	(b)	(c)	31.12.2009
A. Intangible assets				-
A.1 owned by the Bank	(894)	-	-	(894)
- generated internally	-			-
- other	(894)			(894)
A.2 leased				-
<b>Total</b>	<b>(894)</b>	<b>-</b>	<b>-</b>	<b>(894)</b>

The insurance component amounts to Euro 275 thousand (Euro 246 thousand last year).

**Section 15 – Other operating income (expenses)** (caption 220)

15.1 Other operating expenses: breakdown

(Euro/1,000)

Type of costs / Amount	31.12.2009	31.12.2008
amortization of costs for leasehold improvements	(2,424)	(2,245)
charges on non-banking services	(1,922)	(3,826)
<b>Total</b>	<b>(4,346)</b>	<b>(6,071)</b>

15.2 Other operating income: breakdown

(Euro/1,000)		
Type of income/Amount	31.12.2009	31.12.2008
recovery of taxes from third parties	11,726	10,891
cost recoveries	9,495	13,870
other income	1,769	1,333
<b>Total</b>	<b>22,990</b>	<b>26,094</b>

**Section 16 – Profits (losses) on equity investments** (caption 240)

16.1 Profits (losses) on equity investments: breakdown

(Euro/1,000)		
Income component/Amount	Total 31.12.2009	Total 31.12.2008
<b>Companies subject to significant influence</b>		
A. Revenues	25,514	52,100
1. Revaluations	3,643	2,771
2. Profits on disposal	21,871	49,329
3. Write-backs		
4. Other		
B. Charges	-	-
1. Write-downs		
2. Impairment losses		
3. Losses on disposal		
4. Other		
<b>Net result</b>	<b>25,514</b>	<b>52,100</b>

Profits on disposal represent the consolidated profit referred to the disposal of the equity investment in ANIMA S.G.R.p.A. following the take-over bid.

**Section 19 – Profits (losses) on disposal of investments** (caption 270)

19.1 Profits (losses) on disposals of investments: breakdown

(Euro/1,000)		
Income component/Amount	Total 31.12.2009	Total 31.12.2008
A. Real estate assets	-	853
- Profits on disposal		853
- Losses on disposal		
B. Other assets	(8)	2
- Profits on disposal		2
- Losses on disposal	(8)	
<b>Net result</b>	<b>(8)</b>	<b>855</b>

**Section 20 – Taxes on income from continuing operations: breakdown** (caption 290)

20.1 Taxes on income from continuing operations: breakdown

(Euro/1,000)		
Income component/Amount	Total	Total
	31.12.2009	31.12.2008
1. Current taxes (-)	(36,227)	(43,983)
2. Changes in current taxes of previous years (+/-)	(44)	707
3. Decrease in current taxes of the year (+)		
4. Changes in deferred tax assets (+/-)	6,526	6,613
5. Changes in deferred tax liabilities (+/-)	6,110	1,443
<b>6. Taxes for the year (-)</b>	<b>(23,635)</b>	<b>(35,220)</b>

The negative component attributable to the insurance company amounts to Euro 452 thousand, compared to a positive component of Euro 40 thousand reported in the previous year.

20.2 Reconciliation of theoretical and effective tax charges in the financial statements

(Euro/1,000)		
	IRES	IRAP
Profit before taxes	83,899	83,899
Non-deductible costs for IRAP purposes		230,145
Non-taxable revenues for IRAP purposes		(59,152)
<b>Sub-Total</b>	<b>83,899</b>	<b>254,892</b>
<b>Theoretical tax charge</b>		
<b>27.5% Ires - 4.82% Irap</b>	<b>(23,072)</b>	<b>(12,287)</b>
Temporary taxable differences over subsequent years	(751)	(671)
Temporary deductible differences over subsequent years	39,184	
Reallocation of temporary differences from previous financial years	(14,341)	521
Differences not to be reversed in subsequent years	(25,711)	(35,394)
<b>Taxable income</b>	<b>82,280</b>	<b>219,348</b>
<b>Current taxes for the period</b>		
<b>27.5% Ires - 4.82% Irap</b>	<b>(22,627)</b>	<b>(10,573)</b>

Reconciliation is made for the sole consolidated companies which are resident in Italy, since no substantial differences between the theoretical tax charge and the effective charge shown in the accounts are recognised for foreign companies

**Section 22 – Profit (Loss) for the period attributable to minority interests – Caption 330**

22.1 Breakdown of caption 330 “Profit for the period attributable to minority interests”

The component of Euro 198 thousand refers to Chiara Assicurazioni S.p.A. for Euro 161 thousand (Euro 156 thousand in the previous year) and to Rovere S.A. for Euro 37 thousand.

22.2 Breakdown of caption 330 “Losses for the period attributable to minority interests”

The balance of Euro 48 thousand refers to FIDES S.p.A.

**Section 24 – Earnings per share**

24.2 Other information

(amounts per unit)

	<b>Categories of shares</b>		<b>Profit for the period</b>
	<b>Ordinary shares</b>	<b>Savings shares</b>	
Proposed allocation of dividends	12,285	1,663	
Retained earnings	34,863	4,721	
	47,148	6,384	53,532
Average number of ordinary shares in circulation:			
Categories:			
Ordinary shares	117.000.000		
Savings shares	13.202.000		
<b>Earnings per share - Basic :</b>	<b>0.403</b>	<b>0.484</b>	

The Parent Company Banco Desio does not hold equity instruments which could potentially dilute basic earnings per share; therefore, diluted earnings per share corresponds to basic earnings per share.

## PART D - CONSOLIDATED COMPREHENSIVE INCOME

### Statement of consolidated comprehensive income

(Euro/1000)

Captions	Gross amount	Income tax	Net amount
<b>10 Profit (Loss) for the period</b>	X	X	53,682
<b>Other income components</b>			
20 Available-for-sale financial assets	25,290	(8,019)	17,271
a) fair value changes	9,149	(2,753)	6,396
b) reversal to the income statement	1,444	(513)	931
- value adjustments due to deterioration			
- profits/losses on disposal	1,444	(513)	931
c) other changes	14,697	(4,753)	9,944
30 Tangible assets			
40 Intangible assets			
50 Foreign investment hedge:	0	0	0
a) fair value changes			
b) reversal to the income statement			
c) other changes			
60 Cash flow hedge:	0	0	0
a) fair value changes			
b) reversal to the income statement			
c) other changes			
70 Exchange differences:	(74)	0	(74)
a) fair value changes			
b) reversal to the income statement			
c) other changes	(74)		(74)
Non-current assets held for sale and discontinued operations	0	0	0
a) fair value changes			
b) reversal to the income statement			
c) other changes			
90 Actuarial profits (losses) on defined benefit plans	166	165	331
100 Share of valuation reserve of equity investments carried at equity:	1,354	(437)	917
a) fair value changes	1,354	(437)	917
b) reversal to the income statement	0	0	0
- value adjustments due to deterioration			
- profits/losses on disposal			
c) other changes			
<b>110 Total other income components</b>	<b>26,736</b>	<b>(8,291)</b>	<b>18,445</b>
<b>120 Comprehensive income (10+110)</b>	<b>26,736</b>	<b>(8,291)</b>	<b>72,127</b>
130 Consolidated comprehensive income attributable to minority interests	(436)	141	(295)
<b>140 Consolidated comprehensive income attributable to the parent company</b>	<b>26,300</b>	<b>(8,150)</b>	<b>71,832</b>

## **PART E – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES**

### **SECTION 1 – THE BANKING GROUP RISK**

#### **1.1 Credit risk**

##### **Qualitative information**

##### **1. General aspects**

The Group's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to-medium enterprises markets. Lending is directed at the corporate market to a lesser extent.

The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.

The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.

Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Group has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.

For some specific products (loans, targeted personal loans, leasing), activities are also conducted by means of authorised operators.

The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.

##### **2. Policies for the management of credit risks**

##### **2.1. Organisational aspects**

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.

The Group's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions.

The Board of Directors is assigned, on an exclusive basis, the tasks and powers related to the determination of the policies which affect the general operation of the company. As regards internal controls, the Board of Directors approves the strategic direction and risk management policies, as well as the organisational structure of the bank.

In the exercise of its responsibilities concerning direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific control regulations for the different levels in banking Group companies.

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

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.

The organisational structure and the risk management, measurement and control systems of the Italian banks in the Group are the same as those of the Parent Company, in which the outsourcing functions for subsidiaries are concentrated.

The Banco Desio Group adopts, for management purposes in view of the Risk Management, an internal rating model (C.R.S. Credit Rating System), developed within the Group, capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory). The application of this model allows a rating to be assigned based on the sources of information used and the segment of the borrower (retail/corporate); in particular, the segmentation criteria of the counterparties are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty. There are eight rating classes for performing counterparties (from AAA to CC), while there are four classes representing non-performing loans (expired, restructured, problem and non-performing loans).

With effect from 1 January 2008, the Group followed the rules laid down in the new legislation regarding the standardised method for the calculation of regulatory capital requirements to meet credit risk.

### **2.3. Credit risk mitigation techniques**

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Group obtains additional real and/or personal securities in order to mitigate risk.

Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash are also to be found to a lesser extent, although still at significant levels.

The guarantees received by the Group are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks.

During 2009 a project was completed, aimed at reorganising the activities involved in the guarantee management process, in compliance with the requirements in the new regulations, paying particular attention to internal monitoring with a view to the verification of eligibility.

To date, the Group has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

### **2.4. Impaired financial assets**

The transfer to the *non-performing* loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.

Loans to customers are classified as *problem* loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to take timely legal action in order to safeguard the credit effectively. In any case problem loans include exposures with specific characteristics described by the supervisory provisions.

As to the classification under restructured loans, either cash or "off-balance sheet", the Group complies with the supervisory provisions, analytically assessing the presence of the requirements prescribed by the regulations.

Positions which are overdue for more than 90 and/or 180 days are kept under constant review by the Risk Control Area with the help of specific computerised procedures.

Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent. In fact, loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop. The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out by outside legal counsels operating in various court districts.

**Quantitative information**

**A. Credit quality**

**A.1 Performing and impaired loans: amounts, value adjustments, changes, break-down by type and geographical area**

*A.1.1 Loans: break-down by portfolio and credit quality (book values)*

(Euro/1,000)

Portfolio / Quality	Banking Group					Other Companies		Total
	Non-performing loans	Problem loans	Restructured loans	Expired loans	Other assets	Impaired	Other	
1. Financial assets held for trading					74,778			<b>74,778</b>
2. Available-for-sale financial assets	110				765,073		21,782	<b>786,965</b>
3. Held-to-maturity investments					3,089			<b>3,089</b>
4. Amount due from banks					789,671		3,312	<b>792,983</b>
5. Amounts due from customers	66,930	74,894	284	32,181	5,985,862			<b>6,160,151</b>
6. Financial assets at fair value through profit or loss								-
7. Financial assets held for sale and disposed operations								-
8. Hedging derivatives								-
<b>Total 31.12.2009</b>	<b>67,040</b>	<b>74,894</b>	<b>284</b>	<b>32,181</b>	<b>7,618,473</b>		<b>25,094</b>	<b>7,817,966</b>
<b>Total 31.12.2008</b>	<b>38,940</b>	<b>50,372</b>	<b>-</b>	<b>28,141</b>	<b>6,965,237</b>	<b>-</b>	<b>13,761</b>	<b>7,096,451</b>



A.1.2 Loans: break-down by portfolio and credit quality (gross and net values)

(Euro/1,000)

Portfolio / Quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
<b>A. Banking Group</b>							
1. Financial assets held for trading	-	-	-	x	x	74,778	<b>74,778</b>
2. Available-for-sale financial assets	110	-	110	765,073	-	765,073	<b>765,183</b>
3. Held-to-maturity investments	-	-	-	3,089	-	3,089	<b>3,089</b>
4. Amount due from banks	-	-	-	789,692	21	789,671	<b>789,671</b>
5. Amounts due from customers	269,376	95,087	174,289	6,016,131	30,269	5,985,862	<b>6,160,151</b>
6. Financial assets at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale and disposed operations	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	-	-
<b>Total A</b>	<b>269,486</b>	<b>95,087</b>	<b>174,399</b>	<b>7,573,985</b>	<b>30,290</b>	<b>7,618,473</b>	<b>7,792,872</b>
<b>B. Other companies included in the scope of consolidation</b>							
1. Financial assets held for trading	-	-	-	x	x	-	-
2. Available-for-sale financial assets	-	-	-	21,782	-	21,782	<b>21,782</b>
3. Held-to-maturity investments	-	-	-	-	-	-	-
4. Amount due from banks	-	-	-	3,312	-	3,312	<b>3,312</b>
5. Amounts due from customers	-	-	-	-	-	-	-
6. Financial assets at fair value through profit or loss	-	-	-	x	x	-	-
7. Financial assets held for sale and disposed operations	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	-	-
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,094</b>	<b>-</b>	<b>25,094</b>	<b>25,094</b>
<b>Total 31.12.2009</b>	<b>269,486</b>	<b>95,087</b>	<b>174,399</b>	<b>7,599,079</b>	<b>30,290</b>	<b>7,643,567</b>	<b>7,817,966</b>
<b>Total 31.12.2008</b>	<b>191,113</b>	<b>73,660</b>	<b>117,453</b>	<b>6,659,926</b>	<b>31,895</b>	<b>6,905,317</b>	<b>7,022,770</b>

**A.1.3 Banking group - Cash and off-balance sheet loans to banks: gross and net values**

(Euro/1,000)

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH LOANS</b>				
a) Non-performing loans			x	-
b) Problem loans			x	-
c) Restructured loans			x	-
d) Expired loans			x	-
e) Other assets	1,159,045	x	21	1,159,024
<b>Total A</b>	<b>1,159,045</b>	<b>-</b>	<b>21</b>	<b>1,159,024</b>
<b>B. OFF-BALANCE SHEET LOANS</b>				
a) Impaired			x	-
b) Other	321,118	x	140	320,978
<b>Total B</b>	<b>321,118</b>	<b>-</b>	<b>140</b>	<b>320,978</b>
<b>Total A+B</b>	<b>1,480,163</b>		<b>161</b>	<b>1,480,002</b>

**A.1.6 Banking group - Cash and off-balance sheet loans to customers: gross and net values**

(Euro/1,000)

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH LOANS</b>				
a) Non-performing loans	124,175	57,135	x	67,040
b) Problem loans	111,205	36,311	x	74,894
c) Restructured loans	316	32	x	284
d) Expired loans	33,790	1,609	x	32,181
e) Other assets	6,462,895	x	30,269	6,432,626
<b>Total A</b>	<b>6,732,381</b>	<b>95,087</b>	<b>30,269</b>	<b>6,607,025</b>
<b>B. OFF-BALANCE SHEET LOANS</b>				
a) Impaired	1,400	312	x	1,088
b) Other	440,456	x	930	439,526
<b>Total B</b>	<b>441,856</b>	<b>312</b>	<b>930</b>	<b>440,614</b>
<b>Total A+B</b>	<b>7,174,237</b>	<b>95,399</b>	<b>31,199</b>	<b>7,047,639</b>

**A.1.7 Banking group – Cash loans to customers: changes in impaired loans– gross**

(Euro/1,000)

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
<b>A. Opening gross exposure</b> <i>of which: loans sold but not written off</i>	<b>84,562</b>	<b>78,666</b>		<b>28,774</b>
<b>B. Increases</b>	<b>103,035</b>	<b>147,926</b>	<b>316</b>	<b>98,017</b>
b.1 from performing loans	20,574	89,255	-	89,510
b.2 transfer from other categories of impaired loans	78,350	26,881	308	1,296
b.3 other increases	4,111	31,790	8	7,211
<b>C. Decreases</b>	<b>63,422</b>	<b>115,387</b>	<b>-</b>	<b>93,003</b>
c.1 to performing loans		7,410		43,576
c.2 write-offs	41,196	839		
c.3 collections	21,503	28,951		21,451
c.4 arising from sales	51			
c.5 transfer to other categories of impaired loans	672	78,187		27,976
c.6 other decreases				
<b>D. Closing gross exposure</b> <i>of which: loans sold but not written off</i>	<b>124,175</b>	<b>111,205</b>	<b>316</b>	<b>33,788</b>

**A.1.8 Banking group – Cash loans to customers: changes in total value adjustments**

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans
<b>A. Total opening adjustments</b> <i>of which: loans sold but not written off</i>	<b>45,622</b>	<b>28,294</b>		<b>633</b>
<b>B. Increases</b>	<b>62,509</b>	<b>32,337</b>	<b>32</b>	<b>1,870</b>
b.1 adjustments	42,903	32,252		1,550
b.2 transfer from other categories of impaired loans	19,606	85	32	320
b.3 other increases				
<b>C. Decreases</b>	<b>50,996</b>	<b>24,320</b>	<b>-</b>	<b>894</b>
c.1 write-backs due to valuation	5,433	1,848		411
c.2 write-backs due to collection	3,454	1,840		233
c.3 write-offs	41,220	839		
c.4 transfer to other categories of impaired loans		19,793		250
c.5 other decreases	889			
<b>D. Total closing adjustments</b> <i>of which: loans sold but not written off</i>	<b>57,135</b>	<b>36,311</b>	<b>32</b>	<b>1,609</b>

**A.2 Break-down of exposures based on external ratings**
**A.2.1 Banking group - Break-down of cash and off-balance sheet loans by classes of external ratings**

In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is modest.

**A.2.2 Banking group – Break-down of cash and off-balance sheet loans by classes of internal ratings**

The Bank does not use internal rating models for the determination of capital requirements. As outlined in the section dedicated to qualitative information (paragraph 2.2), the Bank started a testing process some time ago, focused on the determination of internal ratings of loans to customers. Project activities are in progress which are aimed at implementing a model specifically aimed at assessing retail clients (private

consumers and micro enterprises), while in the course of the financial year the section dedicated to Corporate clients (enterprises with a turnover of over Euro 1million) was the object of actions aimed at improving the discriminatory power of the model.

The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate.

Loans as at 31.12.2009	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	31.3%	48.9%	19.8%	100%
Off-balance sheet loans	61.5%	29.6%	8.9%	100%

### A.3 Breakdown of guaranteed loans by type of guarantee

#### A.3.1 Banking group - Secured loans to banks

(Euro/1,000)

	Net exposure	Real Guarantees			Personal Guarantees									Total 2009
					Credit derivatives					Endorsements				
		Property	Securities	Other real guarantees	C L N	Other derivatives				Governments and central banks	Other public entities	Banks	Other entities	
						Governments and central banks	Other public entities	Banks	Other entities					
<b>1. Secured cash loans</b>	<b>160,131</b>													<b>160,000</b>
1.1 fully secured	15,000													15,000
of which impaired														
1.2 partially secured	145,131													145,000
of which impaired														-
<b>2. Secured off-balance sheet loans</b>														
2.1 fully secured														-
of which impaired														
2.2 partially secured														-
of which impaired														

#### A.3.2 Banking group – Secured loans to customers

(Euro/1,000)

	Net exposure	Real Guarantees			Personal Guarantees									Total 2009	
					Credit derivatives					Endorsements					
		Property	Securities	Other real guarantees	C L N	Other derivatives				Governments and central banks	Other public entities	Banks	Other entities		
						Governments and central banks	Other public entities	Banks	Other entities						
<b>1. Secured cash loans</b>	<b>4,240,318</b>	<b>2,505,913</b>	<b>189,730</b>	<b>75,760</b>											<b>4,115,299</b>
1.1 fully secured	3,972,128	2,505,553	147,537	59,257											3,961,976
of which impaired	130,062	78,689	1,455	2,137											130,003
1.2 partially secured	268,190	360	42,193	16,503											153,323
of which impaired	8,742	10	512	461											6,098
<b>2. Secured off-balance sheet loans</b>	<b>114,231</b>	<b>-</b>	<b>31,911</b>	<b>14,738</b>											<b>104,663</b>
2.1 fully secured	92,156		24,835	12,035											91,709
of which impaired	583		222	75											583
2.2 partially secured	22,075		7,076	2,703											12,954
of which impaired	1		1												1

**B. Break-down and concentration of loans**

*B.1 Banking group – Cash and off-balance sheet loans to customers: break-down by sector (book value)*

(Euro/1,000)

Loan/Counterparty	Governments and central banks			Other public entities			Financial institutions		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
<b>A. Cash loans</b>									
A.1 Non-performing loans			x			x	110		x
A.2 Problem loans			x			x			x
A.3 Restructured loans			x			x			x
A.4 Expired loans	-		x			x	-		x
A.5 Other loans	414,974	x		32,827	x	86	98,524	x	410
<b>Total A</b>	<b>414,974</b>	<b>-</b>	<b>-</b>	<b>32,827</b>	<b>-</b>	<b>86</b>	<b>98,634</b>	<b>-</b>	<b>410</b>
<b>B. Off-balance sheet loans</b>									
B.1 Non-performing loans			x			x			x
B.2 Problem loans			x			x			x
B.3 Other impaired assets			x			x			x
B.4 Other loans		x			x		24,611	x	52
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,611</b>	<b>-</b>	<b>52</b>
<b>Total (A+B) 2009</b>	<b>414,974</b>	<b>-</b>	<b>-</b>	<b>32,827</b>	<b>-</b>	<b>86</b>	<b>123,245</b>	<b>-</b>	<b>462</b>
<b>Total 2008</b>	<b>417,128</b>			<b>158</b>			<b>203,322</b>	<b>-</b>	<b>328</b>

(Euro/1,000)

Loan/Counterparty	Insurance companies			Non financial companies			Other entities		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
<b>A. Cash loans</b>									
A.1 Non-performing loans			x	43,025	41,396	x	23,904	15,739	x
A.2 Problem loans			x	46,898	27,177	x	27,995	9,133	x
A.3 Restructured loans			x	284	32	x			x
A.4 Expired loans			x	18,279	949	x	13,900	662	x
A.5 Other loans	57,603	x	2	4,041,081	x	24,134	1,787,518	x	5,637
<b>Total A</b>	<b>57,603</b>	<b>-</b>	<b>2</b>	<b>4,149,567</b>	<b>69,554</b>	<b>24,134</b>	<b>1,853,317</b>	<b>25,534</b>	<b>5,637</b>
<b>B. Off-balance sheet loans</b>									
B.1 Non-performing loans			x	252	200	x	12	15	x
B.2 Problem loans			x	284	94	x	252	1	x
B.3 Other impaired assets			x	252		x	38		x
B.4 Other loans	405	x		367,179	x	796	47,329	x	82
<b>Total B</b>	<b>405</b>	<b>-</b>	<b>-</b>	<b>367,967</b>	<b>294</b>	<b>796</b>	<b>47,631</b>	<b>16</b>	<b>82</b>
<b>Total (A+B) 2009</b>	<b>58,008</b>	<b>-</b>	<b>2</b>	<b>4,517,534</b>	<b>69,848</b>	<b>24,930</b>	<b>1,900,948</b>	<b>25,550</b>	<b>5,719</b>
<b>Total 2008</b>	<b>33,881</b>		<b>4</b>	<b>4,410,815</b>	<b>53,936</b>	<b>27,218</b>	<b>1,671,120</b>	<b>20,077</b>	<b>5,346</b>

**B.2 Banking group - Cash and off-balance sheet loans to customers: break-down by geographical area (book value)**

(Euro/1,000)

Loans/ Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
<b>A. Cash loans</b>										
A.1 Non-performing loans	66,930	57,135			110					
A.2 Problem loans	74,894	36,311								
A.3 Restructured loans	284	32								
A.4 Expired loans	32,179	1,611								
A.5 Other loans	6,415,480	29,980	14,070	86	2,412	26	565	177		
<b>Total A</b>	<b>6,589,767</b>	<b>125,069</b>	<b>14,070</b>	<b>86</b>	<b>2,522</b>	<b>26</b>	<b>565</b>	<b>177</b>	-	-
<b>B. Off-balance sheet loans</b>										
B.1 Non-performing loans	264	216								
B.2 Problem loans	536	96								
B.3 Other impaired assets	290									
B.4 Other loans	432,582	926	3,709	4	3,210		14		10	
<b>Total B</b>	<b>433,672</b>	<b>1,238</b>	<b>3,709</b>	<b>4</b>	<b>3,210</b>	-	<b>14</b>	-	<b>10</b>	-
<b>Total (A+B) 2009</b>	<b>7,023,439</b>	<b>126,307</b>	<b>17,779</b>	<b>90</b>	<b>5,732</b>	<b>26</b>	<b>579</b>	<b>177</b>	<b>10</b>	-
<b>Total 2008</b>	<b>6,637,913</b>	<b>102,347</b>	<b>79,969</b>	<b>156</b>	<b>17,915</b>	<b>973</b>	<b>627</b>	<b>233</b>	<b>1</b>	

**B.3 Banking group - Cash and off-balance sheet loans to banks: break-down by geographical area (book value)**

(Euro/1,000)

Loans/ Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
<b>A. Cash loans</b>										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	1,019,075		139,203		670		95	16	81	5
<b>Total A</b>	<b>1,019,075</b>	-	<b>139,203</b>	-	<b>670</b>	-	<b>95</b>	<b>16</b>	<b>81</b>	<b>5</b>
<b>B. Off-balance sheet loans</b>										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	303,930	29	17,089	108	1		637	1	27	1
<b>Total B</b>	<b>303,930</b>	<b>29</b>	<b>17,089</b>	<b>108</b>	<b>1</b>	-	<b>637</b>	<b>1</b>	<b>27</b>	<b>1</b>
<b>Total (A+B) 2009</b>	<b>1,323,005</b>	<b>29</b>	<b>156,292</b>	<b>108</b>	<b>671</b>	-	<b>732</b>	<b>17</b>	<b>108</b>	<b>6</b>
<b>Total 2008</b>	<b>488,856</b>		<b>446,588</b>		<b>2,134</b>		<b>157</b>	<b>21</b>	<b>52</b>	<b>1</b>

**B.4 Large risks**

At 31 December 2009 there were no risk positions constituting “Large risks” on the basis of the regulator’s rules.

**C. SECURITIZATION TRANSACTIONS AND ASSET DISPOSAL**

**C.1 Securitization transactions**

**Quantitative information**

**C.1.1 Banking group - Loans arising from securitization transactions divided by quality of the underlying assets**

(Euro/1,000)

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. With own underlying assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired																		
b) other																		
<b>B. With third party underlying assets</b>	<b>1,807</b>	<b>1,807</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired																		
b) other	1,807	1,807																

**C.1.3 Banking group - Loans arising from main “third party” securitization transactions divided by type of securitized assets and of loan**

(Euro/1,000)

Underlying asset type/Loan	Cash Loan						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/Writ e-backs	Book value	Adjustments/Writ e-backs	Book value	Adjustments/Writ e-backs	Book value	Adjustments/Writ e-backs	Book value	Adjustments/Writ e-backs	Book value	Adjustments/Writ e-backs	Book value	Adjustments/Writ e-backs	Book value	Adjustments/Writ e-backs	Book value	Adjustments / Write-backs
A.1 F.I.P.F. 10/01/23 - property	1,807	198																

**C.1.4 Banking group - C.1.4 Exposures arising from securitizations broken down by portfolio and by type**

(Euro/1,000)

Exposure/portfolio	Financial assets held for trading	Financial assets - fair value option	Available-for-sale financial assets	Held-to-maturity investments	Loans	<b>Total 2009</b>	<b>Total 2008</b>
<b>1.Cash loans</b>	-	-	<b>1,807</b>	-	-	<b>1,807</b>	<b>2,707</b>
- senior			1,807		-	1,807	2,707
- mezzanine					-		
- junior					-		
<b>2. Off-balance sheet loans</b>	-	-	-	-	-	-	-
- senior					-		
- mezzanine					-		
- junior					-		

**C.1.7 Banking group – Servicing activity – Collection of securitized loans and repayment of securities issued by special purpose Vehicle**

(Euro/1,000)

Servicer	Special purpose vehicle	Securitized assets (end of period)		Loans collected for the year		As a percentage of repaid securities (end of period)					
						senior		mezzanine		junior	
		impaired	performing	impaired	performing	impaired assets	performing assets	impaired assets	performing assets	impaired assets	performing assets
Banco Desio Brianza S.p.A.	S.C.C. S.r.l. Via Ildebrando Vivanti,4 ROMA					358					100

**C.2 Asset disposals**

**C.2.1 Banking group - Financial assets sold but not written off**

(Euro/1,000)

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit and loss			Available-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total 2009
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C				
<b>A. Cash assets</b>																			
1. Debt securities	4,353						33,194												37,547
2. Equity securities																			
3. U.C.I.T.S																			
4. Loans																			
<b>B. Derivative instruments</b>																			
<b>Total 31.12.2009</b>	<b>4,353</b>						<b>33,194</b>												<b>37,547</b>
<i>of which impaired</i>																			
<b>Total 31.12.2008</b>	<b>132,507</b>						<b>118,234</b>												<b>250,741</b>
<i>of which impaired</i>																			

**C.2.2 Banking group - Financial liabilities against financial assets sold but not written off**

(Euro/1,000)

Liabilities / Assets portfolio	Financial assets held for trading	at fair value through profit and loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total 31.12.2009
<b>1. Due to customers</b>	<b>4,319</b>	-	<b>32,724</b>	-	-	-	<b>37,043</b>
a) corresponding to fully recorded assets	4,319		32,724				37,043
b) corresponding to partially recorded assets							
<b>2. Due to banks</b>	-	-	-	-	-	-	-
a) corresponding to fully recorded assets							
b) corresponding to partially recorded assets							
<b>Total 31.12.2009</b>	<b>4,319</b>	-	<b>32,724</b>	-	-	-	<b>37,043</b>
<b>Total 31.12.2008</b>	<b>130,466</b>		<b>100,938</b>				<b>231,404</b>



**D. Banking Group - Credit risk measurement models****1.2 Banking group - market risks****1.2.1 Interest rate risk and price risk – Regulatory trading portfolio****Qualitative information****A. General aspects**

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.

The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.

The Group adopted, in the financial year just ended, a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile through a low portfolio duration.

**B. Interest rate risk and price risk management processes and measurement methods**

In exercising its responsibilities of direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific rules for controls at the various levels of all the banking Group companies.

The operational activity of the Parent Company's Finance Department is only directed at the Group's Italian banks: the internal control system monitors both operating limits (in terms of amount and composition by type of securities) and interest rate risk and price risk. Specifically, duration limits are laid down in order to limit interest rate risk. On a daily basis, the Head Office is informed with operations and amounts in portfolios, as well as when operating limits have been reached. Together with the abovementioned controls, the Group has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk and price risk to the risk management unit of the Parent Company, which operates completely independently with respect to both operational offices and subsidiaries.

This activity only involves the Group's Italian banks, which account for nearly all the regulatory trading portfolio.

In order to quantify generic risks, the Group has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.

This is a parametric model of a variance-covariance type for "linear" instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.

The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in a period corresponding to 250 observations. The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.

To date, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis. The VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).

Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary research activities are being performed which will lead to the implementation of "backtesting" analysis".

Trading activity is subject to operating limits laid down by the Board of Directors of the Parent Company and expressed for each delegation level in terms of VaR. Considering the composition of the portfolio, no VaR operating limits are laid down for subsidiaries. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each party in the process. The overall V.a.R limits related to the "managed portfolio", if any, were never exceeded in the period of reference.

The internal model is not used in the calculation of the capital requirement on market risks.

**Quantitative information**

**1. Regulatory trading portfolio: break-down by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives**

*Currency of denomination*  
(euro/1,000)

EURO

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>2,136</b>	<b>9,610</b>	<b>27,588</b>	<b>3,542</b>	<b>1,241</b>	<b>1,865</b>	<b>80</b>	<b>-</b>
1.1 Government securities	2,136	9,610	27,588	3,542	1,241	1,865	80	-
- with an option for early redemption				499				
- other	2,136	9,610	27,588	3,043	1,241	1,865	80	
1.2 Other assets								
<b>2. Cash liabilities</b>	<b>-</b>	<b>1,168</b>	<b>3,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Reverse repos		1,168	3,151					
2.2 Other liabilities								
<b>3. Financial derivatives</b>	<b>6,113</b>	<b>91,543</b>	<b>70,543</b>	<b>20,217</b>	<b>15,308</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 With underlying security	5,278	6,568	115	-	87	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	5,278	6,568	115	-	87	-	-	-
+ long positions	5,278	652	45		50			
+ short positions		5,916	70		37			
3.2 With no underlying security	835	84,975	70,428	20,217	15,221	-	-	-
- Options	-	-	400	178	220	-	-	-
+ long positions			200	89	110			
+ short positions			200	89	110			
- Other	835	84,975	70,028	20,039	15,001	-	-	-
+ long positions	808	41,663	30,477	10,115	12,501			
+ short positions	27	43,312	39,551	9,924	2,500			

*Currency of denomination*  
(euro/1,000)

US Dollar

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	<b>1,165</b>	<b>14,461</b>	<b>10,269</b>	<b>2,059</b>	<b>2,082</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	1,165	14,461	10,269	2,059	2,082	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	1,165	14,461	10,269	2,059	2,082	-	-	-
+ long positions	36	8,090	4,972	934	1,041			
+ short positions	1,129	6,371	5,297	1,125	1,041			

Currency of denomination  
(euro/1,000)

POUND STERLING

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	-	<b>808</b>	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 With no underlying security	-	808	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	808	-	-	-	-	-	-
+ long positions	-	401	-	-	-	-	-	-
+ short positions	-	407	-	-	-	-	-	-

Currency of denomination  
(euro/1,000)

SWISS FRANC

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	<b>237</b>	<b>897</b>	-	-	-	-	-	-
3.1 With underlying security	154	-	-	-	-	-	-	-
- Options	154	-	-	-	-	-	-	-
+ long positions	154	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 With no underlying security	83	897	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	83	897	-	-	-	-	-	-
+ long positions	25	553	-	-	-	-	-	-
+ short positions	58	344	-	-	-	-	-	-

Currency of denomination  
(euro/1,000)

CANADIAN DOLLAR

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	-	22	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	-	22	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	22	-	-	-	-	-	-
+ long positions								
+ short positions		22						

Currency of denomination  
(euro/1,000)

JAPANESE YEN

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	489	255	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	489	255	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	489	255	-	-	-	-	-	-
+ long positions	339	238						
+ short positions	150	17						

*Currency of denomination*  
(euro/1,000)

Type/Residual maturity	Other currencies							
	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	-	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Other assets								
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-
2.1 Reverse repos								
2.2 Other liabilities								
<b>3. Financial derivatives</b>	-	<b>894</b>	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 With no underlying security	-	894	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	894	-	-	-	-	-	-
+ long positions		452						
+ short positions		442						

### 3. *Regulatory trading portfolio - internal models and other methods for sensitivity analyses*

Monitoring of the Parent Company's portfolio and the Italian banks during the 2009 financial year showed a structure with limited market risks. The Parent Company takes on almost the whole interest rate and price risk, the Italian subsidiaries making a completely negligible contribution.

Given the policy implemented by the Group to underestimate price risks, specifically in the last part of the year, the "regulatory trading portfolio" is almost entirely exposed to the interest rate risk. During the year, in terms of VaR, the absorption from the interest rate risk has been lower than that of the price risk.

VaR at 31 December 2009 is Euro 54 thousand with a percentage of less than 0.1% of the portfolio and a duration of 0.79, evidence of the low-risk profile.

The scenario analyses carried out in terms of parallel shifts in the rate curve, assumed variations of +/- 100 basis points only for the positions that are sensitive to interest rates. As at 31.12.2009, considering the positive variation in rates and the economic data on an annual basis, there was a negative impact of Euro 338 thousand, equal to:

- 0.76% of trading portfolio;
- 0.10% of business margin;
- 1.16% of net income for the period;
- 0.05% of shareholders' equity, net of the result for the period.

As at 31.12.2009 there were no positions exposed to the price risk.

#### 1.2.2 Interest rate risk and price risk – banking portfolio

##### Qualitative information

##### A. *General aspects, management procedures and methods of measuring interest rate risk and price risk*

It is the responsibility of the Parent Company' risk management unit to measure interest rate risk. This activity is only directed at the Group's Italian banks, which account for almost the entire banking portfolio. The system of the Group's commercial activities consisting of balance sheet asset and liability maturity transformation, the securities portfolio, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; an analysis of the application is being concluded which will allow a dynamic assessment to be made. The studies being carried out at the moment allow the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin.

The model covers the assets and liabilities exposed to interest rate risk, included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.

Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by gap analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.

The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods.

The analyses are performed using parallel shifts in the yield curve and specific scenarios of market rate changes. In the banking portfolio the assets subject to price risks are represented exclusively by equity investments and mutual fund units. The latter represent a marginal share and are measured through VaR techniques described in paragraph 2.1..

## **B. *Fair Value hedge***

The Group's primary objective is to manage the risks associated with its operations prudently and actively. The Group only takes out Fair Value type hedges for the Group's Italian banks, in order to protect the profit and loss account from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. To date, only liabilities have been hedged, and of these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.

**C. Cash flow hedge**

No cash flow hedge transactions have been effected by the Group.

**Quantitative information**

**1. Banking portfolio: distribution by outstanding maturity (repricing date) of financial assets and liabilities**

*Currency of denomination*  
(euro/1,000)

EURO

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>1,917,473</b>	<b>4,044,743</b>	<b>334,585</b>	<b>111,935</b>	<b>617,316</b>	<b>490,471</b>	<b>28,490</b>	<b>70</b>
1.1 Government securities	77,396	376,621	166,270	4,958	123,826	24,742	24,231	-
- with an option for early redemption	6,624	48,909						
- other	70,772	327,712	166,270	4,958	123,826	24,742	24,231	
1.2 Financing to banks	124,115	577,861						
1.3 Financing to customers	1,715,962	3,090,261	168,315	106,977	493,490	465,729	4,259	70
- Current account	1,570,257							
- other loans								
redemption	17,138	2,499,206	97,988	48,135	206,490	142,715	3,415	
- other	128,567	591,055	70,327	58,842	287,000	323,014	844	70
<b>2. Cash liabilities</b>	<b>4,784,663</b>	<b>1,205,787</b>	<b>548,810</b>	<b>151,769</b>	<b>486,319</b>	<b>18,155</b>	-	-
2.1 Due to customers	4,619,914	70,054	659	21	52	-	-	-
- Current account	4,558,151	2,930						
- other								
- with an option for early redemption								
- other	61,763	67,124	659	21	52			
2.2 Due to banks	138,623							
- Current account	134,109							
- other	4,514							
2.3 Debt securities	25,667	1,135,733	548,151	151,748	486,267	18,155		
- with an option for early redemption								
- other	25,667	1,135,733	548,151	151,748	486,267	18,155		
2.4 Other liabilities	459	-	-	-	-	-	-	-
- with an option for early redemption								
- other	459							
<b>3. Financial derivatives</b>	<b>5,995</b>	<b>720,568</b>	<b>305,820</b>	<b>136,613</b>	<b>299,176</b>	<b>2,718</b>	-	-
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	5,995	720,568	305,820	136,613	299,176	2,718	-	-
- Options	-	-	3,895	6,613	-	2,718		
+ long positions				3,895		2,718		
+ short positions			3,895	2,718		-		
- Other	5,995	720,568	301,925	130,000	299,176			
+ long positions		269,656	35,000	125,000	299,176			
+ short positions	5,995	450,912	266,925	5,000				

Currency of denomination  
(euro/1,000)

US DOLLAR

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>5,426</b>	<b>68,034</b>	<b>102</b>	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	5,102	54,075						
1.3 Financing to customers	324	13,959	102	-	-	-	-	
- Current account	306							
- other loans								
- with an option for early redemption								
- other	18	13,959	102					
<b>2. Cash liabilities</b>	<b>75,553</b>	<b>6,941</b>	-	-	<b>100</b>	-	-	-
2.1 Due to customers	65,648	-	-	-	100			
- Current account	65,648							
- other								
- with an option for early redemption								
- other					100			
2.2 Due to banks	9,905	6,941	-					
- Current account	9,902							
- other	3	6,941						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	<b>248</b>	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	248	-	-	-	-		
- Options	-	-	-	-	-	-		
+ long positions								
+ short positions								
- Other	-	248	-	-	-			
+ long positions		124						
+ short positions		124						



Currency of denomination  
(euro/1,000)

POUND STERLING

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>6,877</b>	<b>1,495</b>	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	6,877	1,320						
1.3 Financing to customers	-	175	-	-	-	-	-	-
- Current account								
- other loans								
- with an option for early redemption								
- other		175						
<b>2. Cash liabilities</b>	<b>7,930</b>	<b>1,319</b>	-	-	-	-	-	-
2.1 Due to customers	6,255	1,319						
- Current account	6,255	1,319						
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	1,675	-	-					
- Current account	1,675							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

Currency of denomination  
(euro/1,000)

SWISS FRANC

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>19,429</b>	<b>14,573</b>	-	<b>6</b>	<b>127</b>	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	18,919	8,292						
1.3 Financing to customers	510	6,281	-	6	127	-	-	
- Current account	507							
- other loans								
- with an option for early redemption								
- other	3	6,281		6	127			
<b>2. Cash liabilities</b>	<b>17,101</b>	<b>4,516</b>	-	-	<b>82</b>	-	-	-
2.1 Due to customers	15,647	-			82			
- Current account	15,647							
- other								
- with an option for early redemption								
- other					82			
2.2 Due to banks	1,454	4,516	-					
- Current account	1,454							
- other		4,516						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

*Currency of denomination*  
(euro/1,000)

CANADIAN DOLLAR

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>1,126</b>	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	1,123							
1.3 Financing to customers	3	-	-	-	-	-	-	-
- Current account	3							
- other loans								
- with an option for early redemption								
- other								
<b>2. Cash liabilities</b>	<b>1,121</b>	-	-	-	-	-	-	-
2.1 Due to customers	1,121	-	-	-	-	-	-	-
- Current account	1,121							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	-	-	-	-	-	-	-	-
- Current account								
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

*Currency of denomination*  
(euro/1,000)

JAPANESE YEN

Type/Residual maturity	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>3,728</b>	<b>6,764</b>	-	<b>196</b>	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	3,677	1						
1.3 Financing to customers	51	6,763	-	196	-	-	-	
- Current account	44							
- other loans								
- with an option for early redemption								
- other	7	6,763		196				
<b>2. Cash liabilities</b>	<b>9,693</b>	<b>7,134</b>	-	-	-	-	-	-
2.1 Due to customers	9,677	-						
- Current account	9,677							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	16	7,134	-					
- Current account	14							
- other	2	7,134						
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

Currency of denomination  
(euro/1,000)

Type/Residual maturity	Other currencies							
	On demand	up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified maturity
<b>1. Cash assets</b>	<b>27,550</b>	-	-	-	-	-	-	-
1.1 Government securities	-	-	-	-	-	-	-	-
- with an option for early redemption								
- other								
1.2 Financing to banks	27,549							
1.3 Financing to customers	1	-	-	-	-	-	-	-
- Current account	1							
- other loans								
- with an option for early redemption								
- other								
<b>2. Cash liabilities</b>	<b>27,393</b>	-	-	-	-	-	-	-
2.1 Due to customers	27,355	-						
- Current account	27,355							
- other								
- with an option for early redemption								
- other								
2.2 Due to banks	38	-	-					
- Current account	38							
- other								
2.3 Debt securities								
- with an option for early redemption								
- other								
2.4 Other liabilities								
- with an option for early redemption								
- other								
<b>3. Financial derivatives</b>	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions								
+ short positions								
- Other								
+ long positions								
+ short positions								
3.2 With no underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								

## 2. Banking portfolio- internal models and other methods for sensitivity analyses

The assessment that emerges from the overall Group position, which again only involves the Italian banks, is that of a limited risk profile throughout 2009. This operational and strategic approach is directed at minimising the volatility of interest margins and of total economic value.

The table below shows the impacts of a change in the interest margin should there be a parallel variation in the interest rate curve and considering the time effect of repricing of the items, from a static perspective and as at 31 December 2009.

Risk indices: parallel shifts of the interest rate curve as of 31 December 2009

	+100 bp	-100 bp
<i>% on the expected margin</i>	9%	-17.96%
<i>% on the business margin</i>	4.25%	-8.49%
<i>% on the result for the period</i>	24.82%	-49.54%
<i>% on equity</i>	1.02%	-2.03%

As regards economic value, in the 2009 financial year risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee, so that there was no significant impact on overall assets. In fact, in the event of significant shifts in the interest rate curve, such changes would lead to negligible changes in the market value of the Group's assets.

The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices: parallel shifts of the rates curve as of 31 December 2009.

	+100 bp	-100 bp
<i>% on the economic value</i>	-1.74%	1.97%

### 1.2.3 Exchange risk

#### Qualitative information

#### A. **General aspects, management procedures and methods of measuring exchange risk**

The Group is exposed to exchange risk because it trades on currency markets and owing to its activities involving investment and savings with instruments denominated in a foreign currency.

The Group is exposed to exchange risks to a marginal extent. As regards the Italian banks only, currency transactions are handled by the Operations Room of the Parent Company's Finance Department.

The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. There are also daily and annual stop-loss operating limits.

#### B. **Exchange rate hedge**

The Group's primary objective is to manage the exchange risk prudently, while always taking the possibility of profiting from market opportunities into consideration. Transactions involving exchange risks, therefore, are managed by means of appropriate hedging strategies.

**Quantitative information**

1. *Break-down of assets, liabilities and derivatives by currency of denomination*  
(Euro/1,000)

Captions	Currency					
	US Dollar	Pound Sterling	Japanese Yen	Canadian Dollar	Swiss Franc	Other currencies
<b>A. Financial assets</b>	<b>68,407</b>	<b>8,297</b>	<b>7,052</b>	<b>1,105</b>	<b>6,830</b>	<b>17,110</b>
A.1 Debt securities						
A.2 Equity securities						
A.3 Financing to banks	54,319	8,122	87	1,105	2,359	17,110
A.4 Financing to customers	14,088	175	6,965		4,471	
A.5 Other financial assets						
<b>B. Other assets</b>	<b>262</b>	<b>205</b>	<b>18</b>	<b>47</b>	<b>289</b>	<b>34</b>
<b>C. Financial assets</b>	<b>67,563</b>	<b>8,079</b>	<b>7,245</b>	<b>1,103</b>	<b>7,018</b>	<b>17,013</b>
C.1 Due to banks	16,845	1,675	7,151	-	5,970	38
C.2 Due to customers	50,718	6,404	94	1,103	1,048	16,975
C.3 Debt securities						
C.4 Other financial liabilities						
<b>D. Other liabilities</b>	<b>760</b>	<b>204</b>	<b>29</b>	<b>-</b>	<b>52</b>	<b>6</b>
<b>E. Financial derivatives</b>	<b>27,663</b>	<b>808</b>	<b>255</b>	<b>22</b>	<b>897</b>	<b>894</b>
- Options	-	-	-	-	-	-
+ long positions						
+ short positions						
- Other	27,663	808	255	22	897	894
+ long positions	13,881	401	238	-	553	452
+ short positions	13,782	407	17	22	344	442
<b>Total assets</b>	<b>82,550</b>	<b>8,903</b>	<b>7,308</b>	<b>1,152</b>	<b>7,672</b>	<b>17,596</b>
<b>Total liabilities</b>	<b>82,105</b>	<b>8,690</b>	<b>7,291</b>	<b>1,125</b>	<b>7,414</b>	<b>17,461</b>
<b>Imbalance (+/-)</b>	<b>445</b>	<b>213</b>	<b>17</b>	<b>27</b>	<b>258</b>	<b>135</b>

2. *Internal models and other methods for sensitivity analysis*

The exchange risk profile assumed by the Group is not significant, in light of the currency exposure of the balance sheet items and the relevant hedging transactions implemented through derivative financial instruments.

**1.2.4 Derivative instruments**

**A. Financial derivatives**

*A.1 Regulatory trading portfolio: average and period-end notional values*

Euro / 1,000

Underlying assets / Type of derivatives	Total 31.12.2009		Total 31.12.2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	<b>82,098</b>		<b>142,951</b>	
a) Options	2,098		13,132	
b) Sw ap	80,000		113,500	
c) Forw ard				
d) Futures				
e) Other			16,319	
2. Equity securities and stock indexes	-	<b>20,044</b>	<b>2,536</b>	
a) Options		20,044	1,847	
b) Sw ap				
c) Forw ard				
d) Futures				
e) Other			689	
3. Currencies and gold	<b>30,801</b>	<b>134,120</b>	<b>647,129</b>	
a) Options				
b) Sw ap				
c) Forw ard	30,801			
d) Futures				
e) Other		134,120	647,129	
4. Commodities				
5. Under underlying items				
<b>Total</b>	<b>112,899</b>	<b>154,164</b>	<b>792,616</b>	
<b>Average values</b>	<b>85,418</b>	<b>17,352</b>	<b>188,091</b>	



*A.2 Banking portfolio: period-end notional values*

*A.2.1 Hedging instruments*

Euro / 1,000		Total 31.12.2009		Total 31.12.2008		
Underlying assets / Type of derivatives			Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates			-		<b>524,485</b>	
a) Options					15,000	
b) Sw ap					509,485	
c) Forw ard						
d) Futures						
e) Other						
2. Equity securities and stock indexes			-		-	
a) Options						
b) Sw ap						
c) Forw ard						
d) Futures						
e) Other						
3. Currencies and gold			-		-	
a) Options						
b) Sw ap						
c) Forw ard						
d) Futures						
e) Other						
4. Commodities						
5. Other underlying items						
<b>Total</b>			-		<b>524,485</b>	
<b>Average values</b>					<b>442,553</b>	

*A.2.2 Other derivatives*

Euro / 1,000		Total 31.12.2009		Total 31.12.2008		
Underlying assets / Type of derivatives			Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates			<b>544,176</b>		-	
a) Options			25,000			
b) Sw ap			519,176			
c) Forw ard						
d) Futures						
e) Other						
2. Equity securities and stock indexes			-		-	
a) Options						
b) Sw ap						
c) Forw ard						
d) Futures						
e) Other						
3. Currencies and gold			-		-	
a) Options						
b) Sw ap						
c) Forw ard						
d) Futures						
e) Other						
4. Commodities						
5. Other underlying items						
<b>Total</b>			<b>544,176</b>		-	
<b>Average values</b>			<b>526,478</b>			

*A.3 Financial derivatives: gross positive fair value - breakdown by products*

(Euro/1,000)

Portfolios / Type of derivatives	Positive Fair value 31.12.2009		Positive Fair 31.12.2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
<b>A. Regulatory trading portfolio</b>	<b>1,721</b>	<b>1,419</b>	<b>12,186</b>	
a) Options	3	155	6	
b) Interest rate sw ap	1,424		749	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard	294			
f) Futures				
g) Other		1264	11,431	
<b>B. Banking portfolio - hedging instruments</b>	<b>-</b>		<b>14,031</b>	
a) Options			86	
b) Interest rate sw ap			13,945	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard				
f) Futures				
g) Other				
<b>C. Banking portfolio - other derivatives</b>	<b>24,424</b>		<b>-</b>	
a) Options	-			
b) Interest rate sw ap	24,424			
c) Cross currency sw ap				
d) Equity sw ap				
e) Forw ard				
f) Futures				
g) Other				
<b>Total</b>	<b>26,145</b>	<b>1,419</b>	<b>26,217</b>	

*A.4 Financial derivatives: gross negative fair value - breakdown by products*

Euro / 1,000

Portfolios / Type of derivatives	Negative Fair value 31.12.2009		Negative Fair value 31.12.2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading portfolio	<b>661</b>	<b>1,417</b>	<b>12,636</b>	
a) Options	3	154	6	
b) Interest rate sw ap	325		1,112	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward	333			
f) Futures				
g) Other		1,263	11,518	
B. Banking portfolio - hedging instruments	-		<b>121</b>	
a) Options				
b) Interest rate sw ap			121	
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward				
f) Futures				
g) Other				
C. Banking portfolio - other derivatives	<b>441</b>		-	
a) Options				
b) Interest rate sw ap	441			
c) Cross currency sw ap				
d) Equity sw ap				
e) Forward				
f) Futures				
g) Other				
<b>Total</b>	<b>1,102</b>	<b>1,417</b>	<b>12,757</b>	

**A.5 OTC financial derivatives – regulatory trading portfolio: notional values,, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements**

Euro / 1,000

Contracts w hich do not fall w ithin offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>							
- notional value			46,049	24,000		12,049	
- positive fair value			600	501		326	
- negative fair value			328				
- future exposure			7	50		10	
<b>2) Equity securities and stock indexes</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>3) Currencies and gold</b>							
- notional value			16,193	5,838		6,488	2,021
- positive fair value			176	101		10	7
- negative fair value			118	25		174	15
- future exposure			176	58		102	16
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

**A.7 OTC financial derivatives – banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts which do not fall within offset agreements**

Euro / 1,000

Contracts w hich do not fall w ithin offset agreements	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
<b>1) Debt securities and interest rates</b>							
- notional value			524,176	20,000			
- positive fair value			23,773	651			
- negative fair value			441				
- future exposure			1,541				
<b>2) Equity securities and stock indexes</b>							
- notional value	-	-	-	-	-	-	-
- positive fair value							
- negative fair value							
- future exposure							
<b>3) Currencies and gold</b>							
- notional value	-	-	-	-	-	-	-
- positive fair value							
- negative fair value							
- future exposure							
<b>4) Other values</b>							
- notional value	-	-	-	-	-	-	-
- positive fair value							
- negative fair value							
- future exposure							

*A.9 Residual maturity of OTC financial derivatives: notional values*

(Euro/1,000)

Underlying instruments / Residual maturity	Up to 1 year	Betw een 1 and 5 years	Beyond 5 years	<b>Total</b>
<b>A. Regulatory trading portfolio</b>				
	<b>96,817</b>	<b>16,082</b>	-	<b>112,899</b>
A.1 Financial derivatives on debt securities and interest rates	68,098	14,000		82,098
A.2 Financial derivatives on equity securities and stock indexes				-
A.3 Financial derivatives on exchange rates and gold	28,719	2,082		30,801
A.4 Financial derivatives on other instruments				-
<b>B. Banking portfolio</b>				
	<b>235,000</b>	<b>299,176</b>	<b>10,000</b>	<b>544,176</b>
B.1 Financial derivatives on debt securities and interest rates	235,000	299,176	10,000	544,176
B.2 Financial derivatives on equity securities and stock indexes				-
B.3 Financial derivatives on exchange rates and gold				-
B.4 Financial derivatives on other instruments				-
<b>Total 31.12.2009</b>	<b>331,817</b>	<b>315,258</b>	<b>10,000</b>	<b>657,075</b>
<b>Total 31.12.2008</b>	<b>794,913</b>	<b>521,464</b>		<b>1,316,377</b>

**1.3 Banking group – liquidity risk**

**Qualitative information**

**A. General aspects, management procedures and methods of measuring liquidity risk**

It is the responsibility of the Parent Company to manage the liquidity risk for the Italian banks through the Finance Department and risk management units, with the aim of verifying the Group's capacity to meet liquidity requirements and avoid being found in the position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates.

Short-term liquidity is supervised by the Parent Company Finance Department Treasury, which manages the liquidity risk on a daily basis by carefully analysing cash flows in order to meet liquidity requirements and maximise profitability.

Monitoring and compliance with operating limits are carried out through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.

Further support to liquidity risk management is provided by the monitoring carried out by the Parent Company risk management unit through an internal model. The objective is to set up a medium- to long-term financing policy and assess the bank's liquidity position by breaking down transactions according to their maturity dates.

Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.

Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a preset period of time.

The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Group from liquidity risks. Special care is taken with the funding policy, coordinated by the Parent Company's Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

**Quantitative information**

*1. Break-down by contractual residual maturity of financial assets and liabilities*

Currency of denomination: *EURO*  
(Euro/1,000)

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>1,605,860</b>	<b>232,366</b>	<b>51,237</b>	<b>312,202</b>	<b>826,792</b>	<b>250,331</b>	<b>295,371</b>	<b>2,067,093</b>	<b>2,017,218</b>	-
A.1 Government securities			131	30	1,211	57,836	28,933	200,703	105,236	-
A.2 Other debt securities				1,472	13,807	8,975	17,128	358,662	127,567	
A.3 UCITS units	67,826									
A.4 Loans	1,538,034	232,366	51,106	310,700	811,774	183,520	249,310	1,507,728	1,784,415	
- banks	76,424	196,478	25,000	67,000	289,383					
- customers	1,461,610	35,888	26,106	243,700	522,391	183,520	249,310	1,507,728	1,784,415	
<b>Cash liabilities</b>	<b>4,736,037</b>	<b>30,989</b>	<b>38,000</b>	<b>87,089</b>	<b>259,032</b>	<b>379,734</b>	<b>381,380</b>	<b>1,216,864</b>	<b>23,155</b>	-
B.1 Deposits and current account										
- banks	87,660									
- customers	4,646,591		-	943	2,016	19	21	76		
B.2 Debt securities	1,718	12,017	33,531	77,697	223,247	375,926	381,359	1,214,188	23,155	
B.3 Other liabilities	68	18,972	4,469	8,449	33,769	3,789		2,600	-	
<b>Off-balance sheet transactions</b>	<b>10,250</b>	<b>429,006</b>	<b>5,387</b>	<b>1,380</b>	<b>8,031</b>	<b>14,492</b>	<b>4,099</b>	<b>18,887</b>	<b>28,382</b>	<b>150</b>
C.1 Financial derivatives with underlying asset exchange										
- long positions	5,260	9,693	5,317	1,225	5,801	10,280	2,225	2,289	-	-
- short positions	4,386	3,033	2,079	379	3,322	5,315	1,130	1,136		
C.2 Financial derivatives without underlying asset exchange										
- long positions	874	6,660	3,238	846	2,479	4,965	1,095	1,153		
- short positions										
C.3 Deposits and loans to be received										
- long positions	3,016	-	-	-	-	-	-	-	-	-
- short positions	2,647									
- short positions	369									
C.4 Irrevocable commitments to grant finance										
- long positions										
- short positions	972	419,312	-	-	4	1,278	4	16,587	28,382	150
- long positions	835	209,656			4	1,278	4	16,587	28,382	75
- short positions	137	209,656								75
C.5 Financial guarantees granted	1,002	1	70	155	2,226	2,934	1,870	11		

Currency of denomination: *US DOLLAR*  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>5,572</b>	<b>23,602</b>	<b>11,886</b>	<b>27,979</b>	<b>4,667</b>	<b>102</b>	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	5,247	23,532	6,941	23,602						
- customers	325	70	4,945	4,377	4,667	102				
<b>Cash liabilities</b>	<b>76,013</b>	-	<b>6,941</b>	-	-	-	-	-	-	-
B.1 Deposits and current										
- banks	9,904		6,941							
- customers	66,109									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactio</b>	<b>1,910</b>	<b>819</b>	<b>5,469</b>	<b>1,072</b>	<b>5,546</b>	<b>10,165</b>	<b>2,059</b>	<b>2,082</b>	-	-
C.1 Financial derivatives with underlying asset exchange	519	750	5,469	1,072	5,546	10,165	2,059	2,082	-	-
- long positions	146	539	3,311	792	2,251	4,868	934	1,041		
- short positions	373	211	2,158	280	3,295	5,297	1,125	1,041		
C.2 Financial derivatives w ithout underlying asset exchange	1,210	-	-	-	-	-	-	-	-	-
- long positions	37									
- short positions	1,173									
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	181	69	-	-	-	-	-	-	-	-
- long positions	56	69	-	-	-	-	-	-	-	-
- short positions	125									
C.5 Financial guarantees granted										

Currency of denomination: *POUND STERLING*  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>6,927</b>	<b>2</b>	<b>2</b>	<b>127</b>	<b>1,365</b>	-	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	6,926				1,320					
- customers	1	2	2	127	45					
<b>Cash liabilities</b>	<b>8,714</b>	-	-	-	<b>1,319</b>	-	-	-	-	-
B.1 Deposits and current account										
- banks	1,675									
- customers	7,039				1,319					
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactions</b>	-	<b>808</b>	-	-	-	-	-	-	-	-
C.1 Financial derivatives w ith underlying asset exchange		808	-	-	-	-	-	-	-	-
- long positions		401								
- short positions		407								
C.2 Financial derivatives w ithout underlying asset exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: **SWISS FRANC**  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>27,506</b>	<b>67</b>	<b>1,194</b>	<b>1,494</b>	<b>3,758</b>	-	<b>5</b>	<b>3,201</b>	-	-
A.1 Government securities										
A.2 Other debt securities					26			3,077		
A.3 UCITS units										
A.4 Loans										
- banks	27,007			202	1					
- customers	499	67	1,194	1,292	3,731		5	124		
<b>Cash liabilities</b>	<b>17,183</b>	-	<b>4,516</b>	-	-	-	-	-	-	-
B.1 Deposits and current										
- banks	1,454		4,516							
- customers	15,729									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactio</b>	<b>360</b>	<b>897</b>	-	-	-	-	-	-	-	-
C.1 Financial derivatives w with underlying asset exchange	-	897	-	-	-	-	-	-	-	-
- long positions		553								
- short positions		344								
C.2 Financial derivatives w ithout underlying asset exchange	360	-	-	-	-	-	-	-	-	-
- long positions	158									
- short positions	202									
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: **CANADIAN DOLLAR**  
(Euro/1,000)

Caption / Time interval	On demand	Betw een 1 and 7 days	Betw een 7 and 15 days	Betw een 15 days and 1 month	Betw een 1 and 3 months	Betw een 3 and 6 months	Betw een 6 months and 1 year	Betw een 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>1,124</b>	-	-	-	-	-	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	1,122									
- customers	2									
<b>Cash liabilities</b>	<b>1,121</b>	-	-	-	-	-	-	-	-	-
B.1 Deposits and current account										
- banks										
- customers	1,121									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactions</b>	-	<b>22</b>	-	-	-	-	-	-	-	-
C.1 Financial derivatives w with underlying asset exchange	-	22	-	-	-	-	-	-	-	-
- long positions										
- short positions		22								
C.2 Financial derivatives w ithout underlying asset exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees granted										



Currency of denomination: JAPANESE YEN  
(Euro/1,000)

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>133</b>	-	<b>74</b>	<b>5,814</b>	<b>906</b>	-	<b>202</b>	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	126									
- customers	7		74	5,814	906		202			
<b>Cash liabilities</b>	<b>202</b>	-	-	<b>7,134</b>	-	-	-	-	-	-
B.1 Deposits and current										
- banks	14			7,134						
- customers	188									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transaction</b>	<b>6</b>	<b>255</b>	-	-	-	-	-	-	-	-
C.1 Financial derivatives with underlying asset exchange	-	255	-	-	-	-	-	-	-	-
- long positions		238								
- short positions		17								
C.2 Financial derivatives without underlying asset exchange	6	-	-	-	-	-	-	-	-	-
- long positions	4									
- short positions	2									
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees granted										

Currency of denomination: Other currencies  
(Euro/1,000)

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Unspecified maturity
<b>Cash assets</b>	<b>27,570</b>	-	-	-	-	-	-	-	-	-
A.1 Government securities										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans										
- banks	27,569									
- customers	1									
<b>Cash liabilities</b>	<b>27,539</b>	-	-	-	-	-	-	-	-	-
B.1 Deposits and current										
- banks	38									
- customers	27,501									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transaction</b>	-	<b>408</b>	-	<b>189</b>	<b>296</b>	-	-	-	-	-
C.1 Financial derivatives with underlying asset exchange	-	408	-	189	296	-	-	-	-	-
- long positions		197		79	176					
- short positions		211		110	120					
C.2 Financial derivatives without underlying asset exchange	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions										
- short positions										
C.5 Financial guarantees granted										

## 1.4 – Banking group – operational risks

### Qualitative information

#### A. *General aspects, management procedures and methods of measuring operational risk*

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation.

The Banco Desio Group, accepting the definition of operational risk given by the Bank of Italy in its circular no. 263 of 27 December 2006, outlines it within the Group's methodological framework of operational risks management: operational risk is a potential event capable of giving rise to an actual economic loss, increased cost or reduced income from external causes, processes, systems, human resources and from all anomalies and elements contributing to output and hence the business value. All events with a direct connection with an event whose occurrence may give rise to a loss are also defined as causes of operational risk (or risk factors).

At Group level, a process is carried out to identify, classify and collect detrimental events. During 2009 a structured process of reporting was started as to operating losses both at Group level and at the level of any individual subsidiary Bank.

In relation to the management of risks having an impact on the Group's operational continuity, consistently with its governance model and in line with banking group supervision regulations, it was decided to adopt a business continuity management plan centralised in the Parent Company, also considering that, on the basis of specific master agreements, the Parent Company provides the subsidiaries Banco Desio Lazio, Banco Desio Toscana and Banco Desio Veneto with operating services, assistance and advice as an outsourcer.

The various Group's corporate Departments guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that most actions brought against the Group at the end of the financial year consisted in claw-back actions in bankruptcy, and other disputes concerning the trading service of financial instruments.

Overall, the lawsuits pending with regard to the four Italian banks of the Group have a value of Euro 88,119 million. These risks are appropriately monitored and hedged by prudential provisions of Euro 10,854 million. The most important lawsuits, almost exclusively brought against the Parent Company, account for about 94.64% of the total amount.

## Quantitative information

The number of adverse events detected by the Group in 2009 totalled 815 events. This figure also includes the potentially harmful events which, however, did not generate any operating loss in the accounts. The result of the process for the gathering of adverse events is summarised in the table below (monetary values are reported in thousands of Euros):

Type of event	No. of Events	% on total	Gross loss	% on total	Net loss	% on total	Recoveries	% on total
INTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the bank	1	0.12%	161	7.18%	161	7.69%	0	0.00%
EXTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	244	29.94%	295	13.19%	153	7.32%	142	94.59%
EMPLOYMENT CONTRACT AND WORKPLACE SAFETY Losses generated by breaches of the employment laws and contracts, health and workplace safety laws, and by any indemnities for accidents or discrimination.	3	0.37%	4	0.19%	1	0.04%	3	2.30%
RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-à-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments).	26	3.19%	855	38.19%	855	40.95%	0	0.00%
DAMAGES TO ASSETS This category includes natural events or those events which might be connected to any actions carried out by external persons which cause damages to the tangible assets of the bank.	5	0.61%	67	3.00%	62	2.99%	5	3.11%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	4	0.49%	1	0.07%	1	0.07%	0	0.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	532	65.28%	855	38.18%	855	40.93%	0	0.00%
<b>GROUP TOTAL</b>	<b>815</b>	<b>100.00%</b>	<b>2,238</b>	<b>100.00%</b>	<b>2,088</b>	<b>100.00%</b>	<b>151</b>	<b>100.00%</b>

The value of the gross operating loss, equal to Euro 2,238 thousand, made of prudential provisions amounting to Euro 1,558 thousand and covered net loss amounting to Euro 2,088 thousand, of which Euro 151 thousand were recovered.

## SECTION 2 – INSURANCE COMPANIES' RISKS

### 2.1 Insurance risks

#### Qualitative information

Insurance risks are analysed in relation to the activity carried out by the insurance company Chiara Assicurazioni, a subsidiary owned by the Parent Company which is active in the non-life branch.

Regulation 20 of 26 March issued by ISVAP, the Italian insurance sector regulator, required insurance enterprises to equip themselves with an appropriate risk management system, proportionate to their size and the nature and complexity of the business that they conduct, which should allow them to identify, measure and monitor the most significant risks, taking these to be risks whose consequences could undermine the solvency of the enterprise or constitute a grave obstacle to the attainment of corporate objectives.

The Company's Risk Management office, in concert with the other control functions, with the operating functions directly concerned and with the Top Management, determined and listed the main risks to which the Company is exposed, as well as defined a risk management system and carried out the analysis activities by type of risk identified.

The significant risks, i.e. the risks whose consequences might weaken the solvency of the Company or seriously hinder the implementation of the corporate objectives, have been classified according to criteria which take

account of the peculiarities of the business in which the Company is active, the best practices present in the market and the regulations in force.

Specific attention is paid to the management of technical risks, i.e. the risks peculiar to the insurance business, with reference to the exposure of the Company to the following factors:

- (a) underwriting risk: the risk deriving from the execution of insurance contracts attached to the events covered, the selection of the risks, a more unfavourable claims trend than that estimated;
- (b) reserves risk: the risk attached to having calculated claims reserves that are not adequate to meet commitments to insured and damaged parties;
- (c) technical-reinsurance risk: the risk associated with inefficiencies of the passive reinsurance strategies.

The risk management process is carried out through the following phases, which are closely connected to each other: definition of the propensity to risk; identification, valuation and measurement of risks; control and reporting; implementation of remedial measures (if any).

Specifically, the Board of Directors is responsible for the definition, approval and review of the guidelines concerning risk management.

In this capacity, the Board of Directors defines and approves the Company's propensity to risk, this being the risk level which can be supported over a certain period of time, which allows to achieve economic and financial objectives.

#### Premium risks

Operating limits relating to premiums, such as for example the maximum exposure per claim and the risks excluded, are fully applied consistently with the contractual term and conditions laid down in insurance contracts. Premium practices are thus applied in full accordance with the reinsurance guidelines, through a range of products complying, in terms of risks assumed and guarantees excluded, with the reinsurance limits assigned to the different types of products.

As to reinsurance, the transfer of risks is aimed at maintaining a constant equilibrium of the technical results of the portfolio with respect to all the dynamics which potentially could jeopardise the expected profit.

In view of the protection of corporate assets and control of venture capital, the plan for transfer to reinsurers helps to increase the Company's underwriting capacity, thus offering protection against anomalous trends in claims, in terms of both frequency and impact.

The business model provides for the marketing of non-life insurance policies at the bank branches through a highly standardised offer.

The Company places insurance products through the offer of two product lines:

- line of products "integrated" with banking services;
- line of "individual" products".

As at 31 December 2009 total premiums were equal to Euro 23,454 thousand, up by 44.3% compared to the previous year. The analysis of the premiums shows a significant impact of the policies integrated with banking services and linked to mortgages and loans which account for about 55.2% of the total premiums.

Therefore, the type of contract term accounts for 55.2% of long-term policies with an advance single premium and 44.8% of annual policies based on tacit renewal.

Specifically: Accident insurance accounts for 39.5% of the premiums issued, Illness insurance accounts for 14.4%, Fire insurance accounts for 16.1%, insurance for Other Damage to Assets accounts for 5.3%, General Liability insurance accounts for 4.4%, Pecuniary Losses insurance accounts for 19.6%, Legal Protection insurance accounts for 0.3% and Assistance insurance accounts for 0.4% again in relation to the premiums issued.

#### Reserve risks

To monitor reserve risks, which are associated with the possible quantification of inadequate technical reserves with respect to the commitments undertaken to insured and damaged parties, formalised procedures are in place which are applied by the relevant functions and are characterised by the following control elements:

- adequate segregation of duties and responsibilities in the reserve quantification process for the staff responsible for assessment and the persons who carry out administrative checks;
- procedures to support the correct determination of technical reserves, including:
  - an organisational process which provides for a constant update of the assumptions underlying the assessment of the technical reserves in the non-life branch before their assessment;
  - an organisational process which provides for the automatic allocation of claims reserves upon filing of any claims;
  - ongoing control procedures which show variances in claims reserves to be subjected to additional checks.

## Quantitative information

A special document, Risk Report, containing risk measurements, points needing attention and proposals (if any) for action based on the qualitative and quantitative factors that indicate that action should be taken. The document provides adequate indications for the calculation of the capital requirements required by the guidelines laid down in the quantitative method QIS 4 - Framework Solvency II.

The following are some KPIs (Key Performance Indicators) measured as at 31 December 2009.

The Loss Ratio of direct business (i.e. the ratio between claims generated in the current year and those generated in previous years on the relevant premiums) is equal to 24.1% in all segments; the improvement with respect to the same figure at 31 December 2008 (28.9%) is in line with the corporate objectives for 2009 which provide for the maintenance of the technical profitability within restricted limits.

The Expense Ratio of direct business (i.e. the ratio between operating expenses and the relevant premiums) on all segments was 75.9%, down compared with 90.9% at the end of the previous period. This represents improved process efficiency.

The Combined Ratio (i.e. the combination of the two indicators referred to above) was therefore 100%. This indicator also reflects a high incidence of overheads and acquisition costs, which, however, is less than 119.8% recorded at 31 December 2008 thanks to the structural and organisational improvements to the Company.

Below is reported the breakdown of claims reserves as at 31 December 2009, in thousands of Euro:

Branches	Total claims reserve	Reserve for claims generated in 2009	Reserve for claims generated in previous years 2008-2007
<b>01 – Accidents</b>	2,302	1,468	833
<b>02 – Illness</b>	354	281	73
<b>08 – Fire</b>	128	120	8
<b>09 – Other damage to assets</b>	125	88	37
<b>13 – General Liability Insurance</b>	286	230	55
<b>16 – Pecuniary losses</b>	669	561	108
<b>17 – Legal protection</b>	n.a.	n.a.	n.a.
<b>18 – Assistance</b>	n.a.	n.a.	n.a.
<b>Total</b>	<b>3,868</b>	<b>2,751</b>	<b>1,116</b>

As at 31 December 2009 total claims reserves amounted to Euro 3,868 thousand, up by 66.5% compared to Euro 2,322 thousand as at 31 December 2008.

## 2.1 Financial risks

### Qualitative and quantitative information

The asset allocation guidelines and the investment operating limits of the assets are approved by the Board of Directors. The monitoring of financial risks is the responsibility of the Investment Committee which is responsible for the operational asset management through investment and disinvestment decisions relating to transferable securities and through the management of the liquidity deriving from operating and financial cash flow.

As at 31 December 2009 equity investments amounted to Euro 21,436 thousand (+65.6% compared to the previous year). Below is reported the breakdown in thousands of Euro

<b>Assets</b>		<b>Carrying amount</b>
<b>Amounts /1000</b>		
<b>Fixed-interest securities</b>	Current assets	13,888
	Fixed assets	7,217
	<b>Total fixed-interest securities</b>	<b>21,105</b>
<b>UCITS units</b>	Current assets	330
	Fixed assets	0
	<b>Total UCITS</b>	<b>330</b>
<b>Total Current assets</b>		14,218
<b>Total Fixed assets</b>		7,217
<b>Total</b>		<b>21,436</b>

<b>Assets</b>	<b>Carrying amount</b>
<b>Amounts /1000</b>	
Government Bonds	15,510
Corporate Bonds	5,594
UCITS	330
<b>TOTAL</b>	<b>21,436</b>

The 2009 investment policy was consistent with the guidelines defined by the Board of Directors. Assets are made up of about 72.4% of Government Bonds, about 26.1% of Corporate Bonds and about 1.5% of UCITS units.

## Part F – INFORMATION ON CONSOLIDATED EQUITY

### Section 1 – Consolidated Shareholders' Equity

#### A Qualitative information

The Banco Desio Group has always paid most attention to shareholders' equity, aware both of its function in guaranteeing the trust of outside financiers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.

In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the Group's stability.

The policy of the Banco Desio Parent Company is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in business growth.

#### B Quantitative information

##### B.1 Consolidated equity: breakdown by type of business

(Euro/1,000)

Equity items	Banking group	Insurance companies	Other companies	Netting and adjustments from consolidation	Total 2009
Shareholders' equity	67,886	2,681			<b>70,567</b>
Share premium reserve	16,314	77			<b>16,391</b>
Reserves	591,281	509			<b>591,790</b>
Equity instruments (Treasury shares)					
Revaluation reserves	28,810	264			<b>29,074</b>
- Available-for-sale financial assets	3,242	262			<b>3,504</b>
- tangible assets					-
- intangible assets					-
- foreign investment hedge					-
- cash-flow hedge					-
- exchange rate differences	753				<b>753</b>
- non-current assets held for sale and discontinued operations					-
- actuarial profits (losses) relating to defined benefit plans	(176)	2			<b>(174)</b>
- shares of valuation reserves relating to investee companies carried at equity	2,095				<b>2,095</b>
- special revaluation law s	22,896				<b>22,896</b>
group and minority interests	53,521	161			<b>53,682</b>
<b>Total</b>	<b>757,812</b>	<b>3,692</b>	-	-	<b>761,504</b>

##### B.2 Valuation reserves of financial assets available for sale: breakdown

(Euro/1,000)

Assets/Values	Banking Group		Insurance companies		Other companies		Netting and adjustments from consolidation		Total 2009	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	3,188	(2,543)	262						3,450	(2,543)
2. Equity securities	3,150								3,150	-
3. UCITS units	945	(1,497)							945	(1,497)
4. Loans										
<b>Total 2009</b>	<b>7,283</b>	<b>(4,040)</b>	<b>262</b>	-	-	-	-	-	<b>7,545</b>	<b>(4,040)</b>
Total 2008	3,693	(17,293)	-	(167)					3,693	(17,460)

**B.3 Valuation reserves of financial assets available for sale: annual changes**

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	<b>(13,013)</b>	<b>2,518</b>	<b>(3,272)</b>	
<b>2. Increases</b>	<b>14,975</b>	<b>767</b>	<b>3,327</b>	-
2.1 Fair value increases	5,336	733	866	
2.2 Reversal of negative reserves				
to the income statement	502	34	1,675	-
- from deterioration				
- from disposal	502	34	1,675	
2.3 Other increases	9,137		786	
<b>3. Decreases</b>	<b>1,055</b>	<b>135</b>	<b>607</b>	-
3.1 Fair value decreases	537	7		
3.2 Adjustments from deterioration				
2.2 Reversal of positive reserves				
to the income statement: from disposal	518	128	607	
3.4 Other decreases				
<b>D. Closing balance</b>	<b>907</b>	<b>3,150</b>	<b>(552)</b>	-

**Section 2 – Banking regulatory capital and ratios**
**2.1 Scope of application of the regulations**

According to the prudential regulations (Bank of Italy's Circular Letters no. 263 and no. 155), the scope of consolidation includes the companies which present the following characteristics:

- banking, financial and functional companies directly or indirectly owned by the Parent Company and to which the method of consolidation on a line-by-line basis is applied;
- businesses, other than banking, financial and functional companies, directly or indirectly owned by the Parent Company on an exclusive or joint basis or subject to significant influence; such companies are consolidated on an equity basis.

Banking and financial companies valued at equity and qualified companies, which are directly or indirectly owned by the Parent Company to an extent exceeding 10%, are deducted from the regulatory capital for 50% from Tier 1 capital and for the remaining 50% from the Tier 2 capital; the difference as at the date of first-time application of equity between the book value of the equity investment and the correspondent portion of equity of the company is entered as a total reduction in Tier 1 capital; equity investments in insurance companies acquired before 20 July 2006 are deducted from the Tier 1 capital and from the Tier 2 capital.

The book value of the companies other than banking and financial companies and of the banking companies owned to an extent equal to or less than 10% is included in weighted risk assets.

The prudential scope of consolidation differs from the scope of consolidation of the annual accounts reported according to the international accounting standards (IAS/IFRS); in the second case, in fact, the subsidiary companies or the companies subject to joint control are consolidated on a line-by-line or proportional basis, even if they are other than banking, financial and functional companies.

Within the Banking Group, there are no restrictions or impediments to the transfer of financial resources between companies in the banking group.

**2.2 Banking regulatory capital**
**A. Qualitative information**

The Banco Desio Group also pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banking Groups. The relevant regulations, in fact, state that "...the most important control tools are based on this, such as the solvency coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size".



As of 31 December 2009 the consolidated regulatory capital of the Banco Desio Group is made up as follows:

(Euro/1,000)

description	Amount
Tier 1 capital	662,906
Tier 2 capital	107,091
Items to be deducted	17,433
<b>Regulatory capital</b>	<b>752,564</b>

### 1. Tier 1 capital

Share capital, share premiums, reserves, undistributable earnings for the period and innovative equity instruments are the most significant elements of the capital. From these positive elements, any negative elements is deducted, mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.

Tier 1 capital accounts for about 88% of the Regulatory Capital.

### 2. Tier 2 capital

Valuation reserves, innovative equity instruments not included in the Tier 1 capital, hybrid equity instruments, subordinated liabilities and net gains on equity investments, represent the key positive elements of Tier 2 capital. To these positive elements, the deductions provided for by the prudential filters are applied.

Tier 2 capital accounts for 14% of the Regulatory Capital. The elements to be deducted account for about 2%.

### 3. Tier 3 capital

It is comprised by the portion of Tier 2 subordinated liabilities not included in Tier 2 since exceeding 50% of Tier 1 capital gross of the elements to be deducted, and by Tier 3 subordinated liabilities. This aggregate may only be used for the purpose of fulfilling the capital requirements on market risks for a maximum amount equal to 71.4% of such risk.

**B. Quantitative information**

(Euro/1000)

	<b>31/12/2009</b>	<b>31/12/2008</b>
<b>A. Tier 1 capital before the application of prudential filters</b>	669,891	631,956
B. Prudential filters of the Tier 1 capital:	-	2,806
B1 - positive las/lfrs prudential filters (+)	-	-
B2 - negative las/lfrs prudential filters (-)	2,806	17,965
C. Tier 1 capital including elements to be deducted (A+B)	667,085	613,991
D. Elements to be deducted from the Tier 1 capital	4,179	17,816
<b>E. Total Tier 1 capital (TIER1) (C-D)</b>	<b>662,906</b>	<b>596,175</b>
<b>F. Tier 2 capital before the application of prudential filters</b>	<b>112,892</b>	<b>72,296</b>
G. Prudential filters of the Tier 2 capital	-	1,622
G1- positive las/lfrs prudential filters (+)	-	-
G2- negative las/lfrs prudential filters (-)	1,622	-
<b>H. Tier 2 capital including elements to be deducted (F+G)</b>	<b>111,270</b>	<b>72,296</b>
I. Elements to be deducted from the Tier 2 capital	4,179	17,816
<b>L. Total Tier 2 capital (TIER2) (H-I)</b>	<b>107,091</b>	<b>54,480</b>
M. Elements to be deducted from the total of Tier 1 and Tier 2 capital	17,433	13,476
<b>N. Regulatory capital (E + L - M)</b>	<b>752,564</b>	<b>637,179</b>
O. 3rd-level capital	-	-
<b>P. Regulatory capital including TIER3 (N + O)</b>	<b>752,564</b>	<b>637,179</b>

**2.3 Capital adequacy**
**A. Qualitative information**

The above equity structure allows the following ratios to be applied:

- Tier 1 capital / weighted risk assets <sup>(1)</sup>	10.40%
- Regulatory capital / weighted risk assets <sup>(1)</sup>	11.81%

The Board of Directors of the Parent Company periodically reviews and approves the aggregates comprising the regulatory capital, in order to verify both their consistency with the risk profile assumed as well as their compliance with the development plans of the bank.

(1) Weighted risk assets are determined as the product of the total prudential requirements and the reciprocal of the obligatory minimum coefficient for credit risks.

*B. Quantitative information*

Consolidated prudential ratios

(Euro/1,000)

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
<b>A. RISK ASSETS</b>				
<b>A.1 CREDIT RISK</b>	<b>9,568,181</b>	<b>8,372,117</b>	<b>5,747,776</b>	<b>5,423,010</b>
1. STANDARD METHODOLOGY	9,568,181	8,372,117	5,747,776	5,423,010
2. METHODOLOGY BASED ON INTERNAL RATINGS				
2.1 Base				
2.2 Advanced				
3. SECURITISATIONS				
<b>B. CAPITAL REQUIREMENTS</b>				
<b>B.1 CREDIT AND COUNTERPARTY RISKS</b>			<b>459,822</b>	<b>433,841</b>
<b>B.2 MARKET RISK</b>			<b>3,066</b>	<b>4,862</b>
1. STANDARD METHODOLOGY			3,066	4,862
2. INTERNAL MODELS				
3. CONCENTRATION RISK				
<b>B.3 OPERATIONAL RISK</b>			<b>46,839</b>	<b>46,711</b>
1. BASE METHODOLOGY			46,839	46,711
2. STANDARD METHODOLOGY				
3. ADVANCED METHODOLOGY				
<b>B.4 OTHER CAPITAL REQUIREMENTS</b>			38	578
<b>B.5 TOTAL CAPITAL REQUIREMENTS</b>			<b>509,765</b>	<b>485,992</b>
<b>C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS</b>				
C.1 Risk-weighted assets			<b>6,372,064</b>	<b>6,074,898</b>
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			10.40%	9.81%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			11.81%	10.49%

**Section 3 – Insurance regulatory capital and ratios**

The Group's consolidated financial statements report insurance assets/liabilities arising from the consolidation of Chiara Assicurazioni S.p.A., on a line-by-line basis, the sole Group company subject to insurance supervision (ISVAP).

As at 31 December 2009, the regulatory capital of Chiara Assicurazioni S.p.A. was Euro 6,515 thousand, against a required solvency ratio of Euro 3,500 thousand. The result is a solvency ratio of 1.86.

## **Part H - TRANSACTIONS WITH RELATED PARTIES**

For information regarding the remuneration paid to the members of management and control boards, to general managers and to managers with strategic responsibilities please refer to the statement in the same section of the notes to the financial statements of the separate financial statements of Banco Desio Brianza.

### ***Information on transactions with related parties***

The procedures adopted for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) are outlined in the Annual Report on Corporate Governance of the Parent Company and mentioned in the Report on Operations of the Parent Company. The other companies of the Group follow substantially similar procedures or practices.

Relations with external related parties are settled on market conditions and, where the market is not a satisfactory reference, (as in the instance of the Agreements for outsourcing services provided to subsidiaries), on conditions that are fair and that are valued in compliance with the procedures above.

In this context, as of 31 December 2009, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.

The following paragraphs summarise the relations by categories of related parties (Parent Company, Associates, other Investee Companies, Representatives), distinguishing between transactions carried out (including any transaction made pursuant to article 136 of the Consolidated Banking Act), current accounts and security accounts balances and, finally, any supplier relations of a different type.

### **I - Parent Company**

At the end of the year, current account deposits of the Parent Company Brianza Unione di Luigi Gavazzi e C. S.a.p.A totalled about Euro 3.7 million entirely allocated to Banco Desio. The company has no debt exposure.

During the year, there were no transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph IV below).

The balance of relations with the Parent Company, relating to the securities deposit allocated to Banco Desio amounts to about Euro 255.1 million.

### **II – Associated companies**

As to Banco Desio, at the end of the year there were three associated companies:

- Chiara Vita SpA, in which an interest of 30% is retained within the framework of the agreements with the Helvetia Group entered into in the previous year;

- Istifid S.p.A., in which an additional investment was made during the year, thus reaching a stake of about 28% (relative majority).

Within the framework of the agreements entered into by Banco Desio with the Helvetia Group, the following agreements are still in place with Chiara Vita Spa: i) a five-year contract for the distribution of products in the life insurance branch; ii) a correlated agreement for banking services.

The contractual relations maintained by Banco Desio with Istifid SpA consist essentially in the supply of company services (shareholders registers, assistance at meetings, consultancy regarding corporate compliance etc) which are charged at the usual costs for such services.

The amount of assets/liabilities, as well as revenues/charges, resulting from relations with the aforesaid companies is shown in paragraph 8.4 of the Report of Operations (Table no. 13) under the item “Companies subject to significant influence”.

### **III – Other investee companies**

Following the disposal, in the course of the financial year, of the equity investments held by Banco Desio in the companies Zenit SGR and Zenit Alternative SGR, no investee companies are reported which, as a result of the size of the interests held in them and considering the existing agreements to which they are parties, can be treated as “related parties”.

#### **IV - Transactions with Representatives and subjects referable thereto**

As regards the transactions subject to credit limits approved in 2009 pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of these were ordinary transactions whereby credit was paid out to Representatives of the Group and/or companies referable thereto, with regard to which the Representatives concerned stated that they had interests of various kinds by virtue of significant equity investments, appointments and/or other relationships of a financial or personal nature with these companies. These relations did not affect the application of the normal criteria for appraising creditworthiness. The total amount of the facilities granted by the Group's banks in the 48 positions existing as at 31 December 2009 is equal to about Euro 47 million. The relative uses totalled about Euro 36 million in amounts due from customers. The figures above do not include approved transactions with the associate companies mentioned in point II above (officially resolved pursuant to Article 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).

It should in any case be noted that the position of those working as representatives of only the Banco Desio's subsidiaries are confined to their respective companies, thus excluding their classification as "Managers with strategic responsibilities within the Group" pursuant to IAS24.

As regards deposit relations of the Group Banks with the Representatives (i.e. directors, statutory auditors and managers with strategic responsibilities within the Bank and the companies under control) and subjects related to them pursuant to art. 136 of the Consolidated Banking Act, it is also worth noting that the balances as at 31 December 2009 amount to approximately Euro 147.5 million in amounts due to customers (inclusive of approximately Euro 110.5 million, in securities accounts).

In compliance with CONSOB Resolution no. 15519 of 27 July 2006 and analogously, with the matters highlighted in the six-monthly Report of 30 June 2009, it is noted that the total percentage value of the above balances in terms of the Group's equity, financial and economic situation remains substantially negligible.

### **PART I – PAYMENT AGREEMENTS BASED ON THE GROUP'S EQUITY INSTRUMENTS**

#### **Stock Option Plan relating to the subsidiary Banco Desio Veneto SpA's shares**

The "Banco Desio Veneto" Plan was outlined in details in the financial statements of 2006 (year when such plan was activated) and then appropriately updated in the subsequent financial statements. During 2009 there were no cancellations of or amendments to the stock option plans.

The overall allocations made as at 31 December 2009 concerned an aggregate of no. 6,243,202 shares. Net of a certain quantity, which is deemed to be physiological, of options forfeited following the termination of the employment agreements, there was a residual part, in aggregate, of no. 6,061,202 options (which may be exercised, as is known, in the course of the 2011 financial year).

For no. 3,374,000 allocations made before the start of the operations, the strike price was Euro 1.00 per share.

For the overall no. 637,000 allocations made, in more than one tranches, after the start of the operations and by 31 December 2007, the exercise price was set, on the basis of the accounting positions approved by the Board of Directors from time to time, at Euro 1.05 Euro per share.

For the overall no. 2,232,202 allocations made subsequently (including the additional allocations arising from the share dilution from capital increase described in the previous disclosures), the exercise price was set, on the basis of an expert's valuation, at Euro 1.25 per share.

The aforesaid options granted are generally corroborated in the Notarial resolutions increasing the Company's share capital passed by the Board of Directors of Banco Desio Veneto on 12 September and 20 December 2006, on 29 November 2007, as well as on 18 December 2008, as reported in the Articles of Association themselves.

The Black & Scholes model has been used for the valuation of the options; apart from the vesting periods and the strike price which have already been specified, the basic assumptions adopted for valuation are consistent with those adopted the previous year, except for the update of the market parameters (interest rate, expected volatility, "dividend yield"). The unit value of each option ranges, depending on the different *tranches*, from a minimum of Euro 0.08887 to a maximum of Euro 0.10529. The valuation of the options amounts to Euro 547,593 in aggregate.

For the financial year 2009, the pro-rata cost of the aforesaid no. 6,061,202 options - as determined by the distribution of the overall cost over the term of the different *tranches* - is estimated at Euro 152,941.

Annual changes

Items/Number of options and exercise prices	2009			2008		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
<b>A. Opening balance</b>	<b>6,061,202</b>	<b>1.09</b>	<b>2009/2011</b>	<b>3,857,000</b>	<b>1.00</b>	<b>2009/2011</b>
<b>B. Increases</b>						
B.1 New issues				2,232,202	1.25	2009/2011
B.2 Other changes						
<b>C. Decreases</b>						
C.1 Annulled				28,000	1.25	2009/2011
C.2 Exercised						
C.3 Expired						
C.4 Other changes						
<b>D. Closing balance</b>	<b>6,061,202</b>	<b>1.09</b>	<b>2011</b>	<b>6,061,202</b>	<b>1.09</b>	<b>2009/2011</b>
<b>E. Options exercisable at the end of the period</b>						

**Stock option plan for shares of subsidiary Chiara Assicurazioni SpA**

The “Chiara Assicurazioni” Plan was outlined in details in the financial statements of 2006 (year when such plan was activated) and then appropriately updated in the subsequent Financial Statements. In 2009 there were no cancellations or amendments to the stock option plans.

The overall allocations made as at 20 May 2009 globally concerned all the 2,075,000 shares envisaged in the Plan (the figure remained unchanged compared to the previous financial year). Net of a certain quantity, which is deemed to be physiological, of options forfeited following the termination of the employment agreements, there was a residual part, in aggregate, of no. 1,917,000 options as AT that date.

Since these grants were effected within the period when the Company was in the process of formation and obtaining the necessary authorisations, and in any case, prior to the Company’s commencement of business (1 January 2007) the strike price was set at Euro 1.33 per share (Euro 1.00 representing share capital and Euro 0.33 by reason of the organisation fund) consistently with the normal value criterion at the date of grant, also applicable for tax purposes.

On 20 May 2009 the Board of Directors of Chiara Assicurazioni SpA resolved to extend the final deadline of the first of the three periods for the exercise of the options envisaged in the Plan to 20 July 2009. By 30 June 2009, all the beneficiaries expressed their intention whether to exercise their respective options, so that no. 712,000 options had been globally exercised as at that date, against an aggregate residual number of 1,205,000 options. Accordingly, on 20 July 2009, the subsidiary took steps to implement the first tranche of capital increase serving the Plan (from Euro 7,500,000 to Euro 8,212,000). At the same time as the issue, the Parent Company acquired, by virtue of a board resolution of 28 May 2009, an aggregate number of 656,000 shares resold by the majority of the underwriting beneficiaries. The sale was made at a price of Euro 3.47 per share (a normal value determined on the basis of an appropriate report prepared by an actuary appointed for this purpose). On the other hand, a portion of these shares was made available to the other Shareholders of the Company, in order to substantially maintain the ownership structure unchanged.

As at 31 December 2009, 1,187,000 options were outstanding (which may be exercised, as it known, during the 2010 financial year or, alternatively, in the course of the 2011 financial year), taking account of some other beneficiaries forfeited following the termination of the employment agreements.

The Black and Scholes model has been adopted for option valuation; apart from the vesting period and the strike price, which have already been specified, contractual terms and conditions and basic assumptions taken for valuation are consistent with those adopted the previous year, except for the update of the market parameters (interest rate, expected volatility, “dividend yield”). The unit value of each option amounts to Euro 0.18091. The valuation of the options amounts to Euro 283,700 in aggregate.

The cost of the no. 1,187,000 options pertaining to the financial year, as resulting from the distribution of the aggregate cost over the term of the options – is estimated at Euro 48,056.

Annual changes

Items/Number of options and exercise prices	2009			2008		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
<b>A. Opening balance</b>	<b>1,976,000</b>	<b>1.33</b>	<b>2009/2011</b>	<b>2,026,000</b>	<b>1.33</b>	<b>2009/2011</b>
<b>B. Increases</b>						
B.1 New issues						
B.2 Other changes						
<b>C. Decreases</b>						
C.1 Annulled	77,000	1.33	2009/2011	50,000	1.33	2009/2011
C.2 Exercised	712,000	1.33	2009/2011			
C.3 Expired						
C.4 Other changes						
<b>D. Closing balance</b>	<b>1,187,000</b>	<b>1.33</b>	<b>2010/2011</b>	<b>1,976,000</b>	<b>1.33</b>	<b>2009/2011</b>
<b>E. Options exercisable at the end of the period</b>						

**Stock option plan for shares of subsidiary Fides SpA held by Banco Desio Lazio SpA**

The "Fides" Plan was the object of a detailed disclosure in the annual accounts for the 2008 financial year (the year in which the said Plan was applied).

In 2009 there were no cancellations or amendments to the stock option plans.

As at 30 June 2009, all of the 322,094 options envisaged in the Plan had been allocated. These allocations included an additional number of 102,094 options arising from the share dilution from a capital increase subscribed by the shareholders in the course of the half-year with an increase in the number of outstanding shares equal to about 46.41% (with a consequent increase in the maximum number of shares serving the Plan from 220,000 to 322,094, as per the board resolution of Banco Desio Lazio SpA on 24 June 2009). The strike price of Euro 7.64 per share takes account of the normal value of Euro 7.55 initially set by an appropriate expert's report, as well as of the subsequent appropriations which increased the carrying amount of the Fides shares with the holder Banco Desio Lazio SpA.

As at 31 December 2009, 322,094 options were still outstanding (which may be exercised, as is known, in the course of the 2011 financial year).

The Black & Scholes method was used to value options; the basic assumptions made for valuation are similar to those for the other plans described above. The unit value of each option is included in a range between a minimum of Euro 0.79543 and a maximum of Euro 1.03901. The value of the existing options is Euro 309,596.

The cost accruing in the period for the aforesaid no. 322,094 options, calculated by distributing the total cost over the term of the options - is Euro 92,401.

Annual changes

Items/Number of options and exercise prices	2009			2008		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
<b>A. Opening balance</b>	<b>210,000</b>	<b>7.64</b>	<b>31.10.2011</b>	-	-	-
<b>B. Increases</b>						
B.1 New issues	112,094	7.64	31.10.2011	210,000	7.64	31.10.2011
B.2 Other changes	-	-	-	-	-	-
<b>C. Decreases</b>						
C.1 Annulled						
C.2 Exercised						
C.3 Expired						
C.4 Other changes						
<b>D. Closing balance</b>	<b>322,094</b>	<b>7.64</b>	<b>31.10.2011</b>	<b>210,000</b>	<b>7.64</b>	<b>31.10.2011</b>
<b>E. Options exercisable at the end of the period</b>						

## **PART L – SEGMENT REPORTING**

This disclosure makes reference to the organisational and executive structure of the Group, as well as to the internal reporting system on the basis of which the management monitors the performance of the results and makes operational decisions as to the resources to be allocated.

The Group operates by carrying out the traditional credit brokerage activities, asset management, the offer of bank-insurance products in the life and non-life branches. In this framework, segment reporting takes account of the fact that the operating structure of the commercial banks does not present segment networks and/or divisions.

This section reports the results of the Group's segments described below:

- *commercial bank*: bringing together the activities directed towards retail and corporate customers concerning the traditional credit brokerage activity. Included in this operating segment are products and services related to: any form of loan or deposit; financial, insurance and asset management products; and debit and credit cards.
- *investment banking*: bringing together the activities related to the Bank's own securities portfolio and the Interbank market;
- *asset management*: includes the activities carried out by the subsidiary companies Brianfid Sa, Banca Credito Privato Commerciale Sa e Rovere SA;
- *corporate center*: reports the results of the Group's direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the operations and entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center structure can be identified in the centralized functions at the Parent Company supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.). Furthermore, intra-group adjustments are allocated to the corporate center, except where the intra-group netting are between companies within the same segment.

The financial and economic data by segment correspond to the respective financial statement items and below are reported the criteria for their determination:

- *net interest income*: is calculated by contribution on the basis of internal transfer rates differentiated by product and duration;
- *net income from services*: is obtained by direct allocation of each actual asset and liability commission component;
- *operating costs*: are allocated to each operating segment through a process which provides for the attribution of costs to each organizational unit present in the segment, directly or by driver, in accordance with the full costing method;
- *provisions and adjustments*: are allocated both directly and through allocation criteria.

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.

The data by segment is shown before intra-group balances, except where the intra-group balances are between companies within the same operating segment.



## Segment information: income statement data

(Euro/1,000)

Income statement data	31/12/09	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	349,332	299,103	7,246	11,399	31,584
Structure costs (2)	-235,777	-194,778	-2,109	-10,323	-28,567
Provisions and adjustments (3)	-61,744	-59,586	-9	166	-2,315
Profits/(Losses) on equity investments carried at equity	25,514	0	0	0	25,514
Profits/(Losses) on the disposal of investments	-8	0	0	-8	0
<b>Profits/(Losses) before taxes on continuing operations</b>	<b>77,317</b>	<b>44,739</b>	<b>5,128</b>	<b>1,234</b>	<b>26,216</b>

(1) from the reclassified income statement

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

(Euro/1,000)

Income statement data	31/12/09	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	351,427	294,378	3,051	14,745	39,253
Structure costs (2)	-222,440	-175,509	-2,462	-11,011	-33,458
Provisions and adjustments (3)	-83,818	-46,566	-184	-44	-37,025
Profits/(Losses) on equity investments carried at equity	52,100	0	0	387	51,713
Profits/(Losses) on the disposal of investments	855	762	0	2	91
<b>Profits/(Losses) before taxes on continuing operations</b>	<b>98,124</b>	<b>73,066</b>	<b>405</b>	<b>4,079</b>	<b>20,575</b>

(1) from the reclassified income statement

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

## Segment information: balance sheet data

(Euro/1,000)

Balance sheet data	31/12/09	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	943,580	22,115	914,160	7,872	-567
Amounts due from banks	792,983	0	740,676	144,224	-91,917
Amounts due from customers	6,160,151	6,154,758	0	5,393	0
Amounts due to banks	36,658	0	123,488	0	-86,830
Amounts due to customers	4,868,276	4,735,035	0	136,791	-3,550
Securities issued and Financial liabilities at fair value	2,365,722	2,365,722	0	0	0
<b>INDIRECT DEPOSITS: ADMINISTERED AND MANAGED</b>	<b>18,152,971</b>	<b>9,265,694</b>	<b>0</b>	<b>1,089,261</b>	<b>7,798,016</b>

(Euro/1,000)

Balance sheet data	31/12/08	MERCHANT BANK	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	798,133	0	794,416	16,263	-12,546
Amounts due from banks	587,023	0	548,356	81,920	-43,253
Amounts due from customers	5,710,766	5,695,587	0	15,179	0
Amounts due to banks	37,636	0	63,055	0	-25,419
Amounts due to customers	4,062,370	3,995,090	0	72,888	-5,608
Securities issued and Financial liabilities at fair value	2,404,584	2,416,757	0	0	-12,173
<b>INDIRECT DEPOSITS: ADMINISTERED AND MANAGED</b>	<b>15,915,266</b>	<b>8,607,655</b>	<b>0</b>	<b>859,179</b>	<b>6,448,432</b>

**CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/1998**

1. The undersigned Nereo Dacci, Managing Director, and Piercamillo Secchi, Manager responsible for preparing the Company financial reports, of Banco di Desio e della Brianza S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, do hereby certify to:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures employed to draw up the consolidated financial statements for the 2009 financial year.

2. Evaluation of the adequacy of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2009 was based on methods defined by Banco di Desio e della Brianza S.p.A. consistently with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organization of the Treadway Commission, which is an internationally accepted reference framework.

3. The undersigned also certify that:

3.1 The Consolidated Financial Statements:

- a. were prepared according to the applicable international accounting standards recognised in the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002;
- b. correspond to the results of the books and accounts;
- c. give a true and fair representation of the equity, economic and financial position of the issuer and the whole of the companies included in the scope of consolidation.

3.2 The Report on Operations includes a reliable analysis of the performance and result of operations, as well as of the position of the issuer and the whole of the companies included in the scope of consolidation, together with the description of the main risks and uncertainties to which they are exposed.

*Desio, 25 March 2010*

Managing Director

*Nereo Dacci*

Manager responsible for preparing  
the Company's financial reports

*Piercamillo Secchi*

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF THE LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)**

To the shareholders of  
Banco di Desio e della Brianza SpA

- 1 We have audited the consolidated financial statements of Banco di Desio e della Brianza SpA and its subsidiaries (Banco di Desio e della Brianza Group) as of 31 December 2009, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and related notes. The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
  
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

The audit of the consolidated financial statements as of 31 December 2009 was conducted in compliance with the legislation in force during the year.

For the opinion on the consolidated financial statements of the prior period, which are restated to reflect the changes in the presentation of financial statements introduced by IAS 1 and presented for comparative purposes, reference is made to our report dated 9 April 2009.

- 3 In our opinion, the consolidated financial statements of Banco di Desio e della Brianza SpA as of 31 December 2009 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Banco di Desio e della Brianza Group for the period then ended.
- 4 The directors of Banco di Desio e della Brianza SpA are responsible for the preparation of the Report on Operations and of the Report on the Corporate Governance and Shareholding Structure, published in the Banco Desio – Governance section of Banco di Desio e della Brianza SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and on the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance and Shareholding Structure with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information required by art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the Report on the Corporate Governance Shareholding Structure are consistent with the consolidated financial statements of Banco di Desio e della Brianza SpA as of 31 December 2009.

Milan 12 April 2010

PricewaterhouseCoopers SpA

Signed by  
Lia Lucilla Turri  
(Partner)

*This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.*