



**Financial Statements
at 31 December 2010**

**This is a translation of the Italian Financial Statements at 31 December 2010
prepared solely for the convenience of international readers.
In the event of any ambiguity the Italian text will prevail.**

BOARD OF DIRECTORS

GIUSEPPE VITA

Chairman

GERARDO BRAGGIOTTI

Managing Director

CRISTIAN GAMAZO ABELLO'

Director

CESARE CASTELBARCO ALBANI

Director

CARLO D'URSO

Director

JOHN ELKANN

Director

LUCA FERRERO DE GUBERNATIS VENTIMIGLIA

Director

IAN GALLIENNE

Director

CARLO MICHELI

Director

MICHEL DAVID-WEILL

Director

GILLES SAMYN

Director

PATRICK SAYER

Director

BOARD OF STATUTORY AUDITORS

PIETRO MANZONETTO

Chairman

PIETRO MAZZOLA

Auditor

LUCIO PASQUINI

Auditor

DANIELA DELFRATE

Alternate auditor

MICHELA ZEME

Alternate auditor

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

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REPORT ON OPERATIONS

Significant events during the year and investment trends

Significant events during the year

Following the decision not to consider the Private Equity business carried on through Euraleo s.r.l. as a strategic activity any more, the Shareholders' Meeting held at the end of April 2010 decided an extraordinary distribution of reserves of € 280.8 million (€ 1.08 per share). This distribution improved returns while still maintaining an adequate level of liquidity to carry on strategic activities. In fact, the consolidated Core Tier 1 ratio came to 17.63% at the end of 2010 (61.43% for the Bank), higher than the average for the main Italian banking groups, as well as the lower limit set as a target by the Supervisory Authorities and the limits set by Basel 3, which will take effect over the coming years.

Leonardo & Co. N.V. was set up as an Advisory company in January 2010 with head office in Brussels. This move forms part of the European development plan for the Advisory business aimed at strengthening the Group's presence on the Continent.

In April 2010, with a limited investment of € 0.2 million and with three other partners with equal shares, the Bank created an investment holding company, Aiming S.p.A., whose main objectives include investing in real estate hedge funds and distressed assets.

In the first half of 2010, the sale of the last tranche of Vita S.p.A. (the vehicle used for the Bank's merchant banking investment in Valvitalia S.p.A.) was recorded, with a gross capital gain of € 6.6 million impacting the income statement for the year.

During the first half of 2010, agreements have been reached to settle certain contingent liabilities that existed at the date that the shareholder structure changed.

The agreements reached have made it possible to eliminate these potential liabilities without any cost to the Bank. Subsequent to these agreements, new lawsuits were notified, again relating to events that took place prior to 2006, which are currently being evaluated to see if they might be a source of contingent liabilities.

During the second half of the year, the Bank started negotiations for the sale of the Brokerage and Research business to another specialist operator in this sector, which carries on this activity at an international level. No binding agreements were signed during the year for the contribution of this business and negotiations are still underway.

Euraleo s.r.l. was cancelled from the general and special lists arts. 106 and 107 of D.Lgs. 385/93 during the second half of 2010; the company does not carry on reserved activities and will limit itself to managing the only investment left (Intercos with minority interests through special purpose entities), given that it is not planning to make any new investments.

Also worth mentioning is the fact that in September the Tax Authorities began a tax audit on the Bank's direct taxes for the year 2007. The audit was completed in November and did not lead to any observations regarding the banking activity. The audit report suggested that the deductibility of certain charges for tax purposes might be contested; the Bank filed its rebuttals but has not yet received any reply.

At the beginning of December 2010, following the decision of the Bank's Board of Directors, a non-binding agreement was stipulated to sell 100% of Leonardo SGR S.p.A.; a contract was then signed in January 2011 for the sale of the SGR, subject to the transfer within the Group of the mandated activities currently performed on the Bank's individual portfolio management schemes and on certain segments of the Sicavs run by the subsidiary Leonardo Asset Management S.A. and to approval, for the buyer, from the supervisory authorities.

An additional stake in Banque Leonardo S.A. was acquired towards the end of the year, bringing the Bank's interest to 90.15%; there are still reciprocal put and call options on the residual quotas held by the minority shareholders. These options will allow the Bank to obtain full control over the company in the coming years. The Bank's outlay amounted to € 7.2 million.

Investment trends

During the year the Bank's equity investments underwent the following changes with respect to 31 December 2009:

- the creation of a new Advisory company, Leonardo & Co. N.V., based in Belgium, in January 2010;*
- the creation in April 2010, together with other shareholders with equal stakes of 25%, of Aiming S.p.A., an investment holding company whose main objectives include investing in real estate hedge funds and distressed assets (consolidated with the equity method);*
- acquisition at the end of December 2010 of an additional stake in Banque Leonardo S.A., bringing the Bank's interest from 74.58% to 90.15%.*

Over the last 4-5 years the Bank has developed its Advisory business through a combination of direct acquisitions (Leonardo & Co. S.p.A., Leonardo & Co. S.A.S. and Leonardo & Co. GmbH & Co. KG), the acquisition of a start-up company through subsidiaries (Leonardo MIDCAP CF S.A.S.) and the incorporation of new companies (Leonardo & Co. B.V., Leonardo Asesores Financieros S.A. and, in 2010, as already mentioned, Leonardo & Co. N.V.).

However, our advisory activities have maintained a good level of profitability on the whole, also during the current year, so their value is considerably higher than the prices at which they were acquired.

Results

Reclassified income statement

The result for the year is shown in the following summary table with certain income statement items suitably regrouped and reclassified and with comparative figures from the previous year, presented in the best possible way to show the content of each item on a consistent basis.

It is worth stressing that the 2010 results have been obtained with a lower capital base for most of the year as a consequence of the extraordinary distribution of reserves.

The reclassifications made in the reclassified consolidated income statement compared with the income statement shown in the financial statements concern the following:

- *interest, fees and commissions are shown on a net basis;*
- *dividends on shares have been reallocated to “net trading income”;*
- *the net change in value of financial assets at fair value and gains and losses on disposal of investments and of financial assets available for sale have been reallocated to “gains (losses) on financial assets”;*
- *the share of profit (loss) of equity investments, excluding those from impairment or measured in accordance with IFRS 5, which is shown under net operating income;*
- *losses on equity investments following the impairment test and the share of losses on equity investments measured in accordance with IFRS 5, which have been grouped together in one item prior to the profit (loss) for the year.*

Reclassified income statement

(amounts in thousands of Euro)

Description	2010	2009	Change	Change %
Net interest	31 187	28 508	2 679	9%
Net fee and commission income	27 736	18 841	8 895	47%
Dividend	29 093	34 678	(5 585)	(16)%
Net trading income	2 128	7 406	(5 278)	(71)%
Share of profit (loss) of investments		(81)	81	(100)%
Gains (losses) on financial assets	6 869	1 513	5 356	354%
Other operating income (expenses)	1 187	1 037	150	14%
Net operating income	98 200	91 902	6 298	7%
Payroll	(34 444)	(33 020)	(1 424)	4%
Other administration expenses	(19 504)	(19 645)	141	(1)%
Adjustments to non-current assets	(1 611)	(1 792)	181	(10)%
Operating costs	(55 559)	(54 457)	(1 102)	2%
Result of operating activities	42 641	37 445	5 196	14%
Allowances for risks and charges (*)	(1 485)	(7 424)	5 939	(80)%
Writedowns for impairment of loans, net of writebacks	(6)	(5)	(1)	20%
Gross profit	41 150	30 016	11 134	37%
Income taxes	(2 345)	1 535	(3 880)	(253)%
Net profit (loss) before impairment	38 805	31 551	7 254	23%
Impairment losses on investments and losses of investments measured in accordance with IFRS 5		(87 435)	87 435	n.s.
Net profit (loss) of the year	38 805	(55 884)	94 689	n.s.

(*) Part of the amount released from the provision for risks and charges was used to reduce the losses incurred on financial assets held for trading, to which the provision was linked.

Gruppo Banca Leonardo S.p.A. closes 2010 with a net profit of € 38.8 million (versus a loss of € 55.9 million in 2009) after charging taxes of € 2.3 million.

Net operating income

Net revenues amount to € 98.2 million (€ 91.9 million in 2009); the main items that contributed to the increase in net operating income (7%) include the growth in net fee and commission income (+47%), in net gains on financial assets (+354%) and in net interest income (+9%), only partially offset by the decrease in net trading income (-71%), from which extraordinary items have been excluded.

As can be seen from the reclassified income statement, there have been positive results in net interest income, thanks to growth in lending as part of the Private Banking business and in investments in the Bank's bond portfolio, despite the fact that interest rates are still at all-time lows.

The increase in net fee and commission income, up from € 18.8 million in 2009 to € 27.7 million in 2010, mainly involved the Private Banking business, thanks to the contribution made by the significant rise in funds under individual management; a lower contribution to this positive result came from the Bank's trading on behalf of third parties, while the contribution made by dividends from the Advisory business was lower than the previous year.

The reduction in net trading income, from € 7.4 million in 2009 to € 2.1 million in 2010, has to be read in conjunction with the rise in interest income to which it is linked.

The positive net results earned on financial assets amount to € 6.9 million, mainly consisting of € 6.6 million of gains realised by the Bank on the sale of part of the investment in Vita S.p.A. (the vehicle used for the Private Equity investment in Valvitalia S.p.A.). This was booked at the end of the first half of the year on the basis of agreements stipulated in June 2010.

Other operating income (charges) of € 1.2 million compares with € 1.0 million earned in 2009.

Operating costs

During the course of 2010 operating costs suffered a slight increase (+2%) from € 54.5 million in 2009 to € 55.6 million in 2010, because of an increase in the variable element of salaries (approx. + € 2 million); fixed administrative costs went down thanks to the policy of holding down operating costs launched in 2008.

The increase in payroll costs from € 33.0 million in 2009 to € 34.4 million in 2010 (+4%), is partly due to higher bonuses and gratuities following an improvement in the results and partly to the limited increase in personnel in strategic areas (Wealth Management).

Overall, other administration expenses are stable, going from € 19.6 million in 2009 to € 19.5 million in 2010.

Adjustments to non-current assets have fallen (-10%) as the initial investments following the change in the shareholder structure have now been fully depreciated, even though management's policy has been to continue investing in hardware and software to maximise process automation.

Balance sheet aggregates

Reclassified balance sheet

Balance sheet:

Assets

(amounts in thousands of Euro)

Description	12/31/2010	12/31/2009	Change	Change %
Financial assets held for trading	974 542	1 176 207	(201 665)	(17)%
Financial assets at fair value	333	3 048	(2 715)	(89)%
Financial assets available for sale	26 657	44 460	(17 803)	(40)%
Loans and receivables to banks	389 234	166 856	222 378	133%
Loans and receivables to customers	401 577	367 632	33 945	9%
Investments	269 033	265 733	3 300	1%
Property, plant and equipment and intangible assets	3 679	4 708	(1 029)	(22)%
Tax assets	9 902	12 308	(2 406)	(20)%
Non current assets held for sale and discontinued operations	8 708	3 827	4 881	128%
Other assets	11 548	15 944	(4 396)	(28)%
Total Assets	2 095 213	2 060 723	34 490	2%

Equity and liabilities

(amounts in thousands of Euro)

Description	12/31/2010	12/31/2009	Change	Change %
Deposits from banks	251 273	636 352	(385 079)	(61)%
Due to customers	746 922	313 275	433 647	138%
Debt securities in issue	25 011	25 007	4	n.s.
Financial liabilities held for trading	511 061	273 411	237 650	87%
Tax liabilities	1 135	626	509	81%
Provision made for a specific purpose	4 689	10 519	(5 830)	(55)%
Other liabilities	29 819	34 522	(4 703)	(14)%
Share capital	304 446	303 632	814	n.s.
Reserves	182 052	521 563	(339 511)	(65)%
Treasury shares		(2 300)	2 300	(100)%
Net profit (loss) for the year	38 805	(55 884)	94 689	n.s.
Total Equity and liabilities	2 095 213	2 060 723	34 490	2%

Analysis of the balance sheet

Comparing the figures with those of the previous year reveals a decrease in financial assets held for trading. These have gone from € 1,176 million at 31 December 2009 to € 975 million at the end of 2010 (-17%); this decrease is reflected in the decline of the Bank's bond portfolio (represented by government securities and bank and corporate bonds of the Euro-zone); total bonds at the end of the year amount to € 481 million (€ 908 million at 31 December 2009), while the equities portfolio comes to € 12 million (€ 11 million at the end of 2009).

Financial assets held for trading also include the Bank's financial and credit derivatives of € 482 million at the end of the year (€ 257 million at the end of 2009); these are offset by derivatives payable of € 500 million (€ 269 million at the end of 2009), which are the main component of "Financial liabilities held for trading". The value of derivatives relates principally to intermediated transactions for which market trends raise or lower symmetrically the fair values of the assets and liabilities, without any relation to their level of risk which is in fact extremely low. The positions are completely collateralised and margined on a daily basis and are included in legally binding netting agreements; the exposure by counterparty for derivatives is considerably mitigated by the presence of opposite-sign derivatives versus the same counterparties (shown under financial liabilities held for trading), which helps to eliminate this type of risk almost entirely. These considerations with regard to reducing the risk inherent in the Bank's own portfolio are confirmed by the VaR calculation at the end of 2010, which amounts to € 0.3 million (€ 1.1 million at the end of 2009).

Financial assets at fair value amount to € 0.3 million (€ 3 million at 31 December 2009) and include residual units of the hedge funds sold by Leonardo SGR S.p.A. to the Bank following the liquidation of the Fondo Alchimia.

Financial assets available for sale, amounting to € 26.7 million (€ 44.5 million at the end of 2009), mainly include the merchant banking investments made directly for € 11.5 million, the investment in Eurazeo Sicar for € 8.9 million and in a real estate fund for € 6.2 million. The increase in the value of this investment, net of the tax effect, generated a positive change in the equity reserve of € 1.6 million. The decrease in this item compared with the end of 2009 is principally due to the sale of the investment in Vita S.p.A. (the vehicle for the Bank's investment in Valvitalia S.p.A.), which generated a gross capital gain of € 6.6 million (on a selling price of € 19.3 million); this income has been booked to the income statement in line item 100 "Gains on sale of financial assets available for sale" against a reduction in valuation reserves.

The item loans and advances to banks, amounting to € 389 million, increased by € 222 million compared with the previous year; this rise (+133% compared with 31 December 2009) is mainly attributable to the decline in investments in the Bank's bond portfolio and to the development of the repo intermediation business.

Loans and advances to customers have gone from € 368 million at the end of 2009 to € 402 million at the end of 2010; the increase in this item of € 33.9 million (+9% compared with 31 December 2009) is mainly due the growth in lending to the Bank's private banking customers and is designed to raise the level of direct and indirect funding to offset the decline in repo activity.

Loans and advances to customers are principally made up of:

- *loans to customers in the Private Banking area, € 358 million (€ 249 million at 31 December 2009), of which:
 - o *short- and medium/long-term loans granted by the Bank, which at 31 December 2010 amount to € 60 million, of which € 29.1 million in the form of mortgage loans;**

- *loans granted in the form of bank overdrafts, drawn down at the end of the year by € 298 million, almost entirely guaranteed by mortgages or by pledges or, to a lesser extent, by unsecured guarantees. These loans have increased considerably as part of the Private Banking activity compared with the figure of € 177 million that was outstanding at 31 December 2009;*
- *loans to subsidiaries drawn down for € 3 million;*
- *loans and advances related to collateral on derivatives and securities of the Bank of € 36 million (€ 12 million at 31 December 2009);*
- *there is no receivable for repo activities at 31/12/2010 (€ 103 million at the end of December 2009).*

Investments have gone up by € 3 million compared with the previous year (€ 269 million at the end of 2010, € 266 million at the end of 2009), mainly due to the acquisition of an additional stake in Banque Leonardo S.A. (raising the Bank's interest to 90.15%) with an overall outlay of € 7.2 million, partially offset by the reclassification of the investment in Leonardo SGR S.p.A. in “non- current held for sale and discontinued operations”.

The balance of non-current assets held for sale of € 8.7 million at 31 December 2010 is attributable to Euraleo s.r.l., which was already classified under this heading in the 2009 financial statements, and to the reclassification of the investment in Leonardo SGR S.p.A. as reported above.

As regards the liability items, interbank funding has fallen considerably (from € 636 million at 31 December 2009 to € 251 million at 31 December 2010); the reduction derives principally from the closure of funding transactions with Central Banks (€ 454 million at the end of December 2009, € 80

million at the end of 2010) replaced at 31/12/2010 by € 457 million of repurchase agreements with the Clearing House (CC&G) on the MTS Repo market and shown under funding from customers.

There has been an increase in amounts "due to customers" (from € 313 million at 31 December 2009 to € 747 million at 31 December 2010); the increase is mainly the result of direct funding on the part of the Bank in the form of repurchase agreements, which have gone up from € 5 million at the end of 2009 to € 457 million at 31 December 2010. As mentioned previously, these repo transactions were carried out with the Clearing House on the MTS Repo market and are fully collateralised by paying daily variation margins for the value of the guarantee.

The Bank's direct customer deposits in the form of current accounts have fallen slightly to € 276 million at 31/12/2010 (€ 303 million at the end of 2009).

At the end of the year, loans and advances to private customers (€ 360 million) exceeded the amount of deposits from the same customers by some € 52 million.

As regards "Other liabilities", there is still the € 25 million bond issued by the Bank during the second half of 2008, which is linked to a guaranteed loan for the same amount, (both the loan and the bond were extinguished at the beginning of 2011); there has been an increase in financial liabilities held for trading, generated almost exclusively by the derivatives portfolio (from € 273 million at 31 December 2009 to € 511 million at 31 December 2010) linked to the hedging of similar derivative financial assets, as mentioned previously, and for the rest to hedging the Bank's bond loan.

Less significant are the changes in the other liability items, which are explained in the notes.

Disclosure on trading in structured credit products

In June 2008, the Bank of Italy issued a circular regarding the additional disclosures on the risks taken on by trading in structured credit products.

This circular was based on a report published on 7 April 2008 by the Financial Stability Forum on "Enhancing Market and Institutional Resilience".

As regards the type of risk exposures mentioned in this report (CDO, RMBS, CMBS, SPE and leveraged finance), we would like to point out that the Bank does not hold any positions of this kind, whether on or off its balance sheet.

The Bank began to operate in credit derivatives during the first half of 2008; such derivatives are all stipulated with primary financial institutions with investment grade registered underlyings; the sole purpose of these transactions are to hedge bond positions relating to banking and corporate issuers. The instruments traded are limited to single name credit default swaps and credit default swaps on indices (I-Traxx).

The positions outstanding at 31 December 2010 are as follows:

(Figures in Euro/000)

<i>Credit derivatives</i>	<i>Notional value</i>	<i>Fair value</i>
<i>Purchases of protection</i>		
<i>Credit Default Swaps with exchange of capital</i>	87,500	63
<i>Credit Default Swap without exchange of capital</i>	11,573	(119)
<i>Index Credit Default Swaps without exchange of capital</i>	184,240	(595)
<i>Sales of protection</i>		
<i>Credit Default Swaps with exchange of capital</i>	77,500	39
<i>Credit Default Swaps without exchange of capital</i>	16,753	87
<i>Index Credit Default Swaps without exchange of capital</i>	179,240	595

As explained in Part E of the Notes to the financial statements - Information on risks and hedging policies - these transactions, like all operations in OTC derivatives, are guaranteed by deposits ("CSA collateral").

Disclosures on going concern, financial risks, impairment tests and uncertainties in the use of estimates

Going concern

Since 2006, the year of the change in the shareholder structure, the Bank has carried out two large increases in capital, which raised consolidated equity from € 62 million at 31 December 2005 to € 811 million at 31 December 2009. This capital growth made it possible to implement a policy of expansion in the Advisory and Asset Management activities, with the acquisition and formation of companies in Italy and other European countries, as well as in Private Banking and Advanced Treasury with investments in human and IT resources based on the guidelines laid down in the three-year plan.

As a result of this plan, the Bank's profitability grew steadily during the first three years of activity, generating very positive results (€ 0.3 million in 2006, € 35.6 million in 2007, € 28.8 million in 2008) with a constant distribution of dividends (€ 0.10 per share in 2007, € 0.11 in 2008 and € 0.08 in 2009) even with a low level of leverage (ratio of total assets to equity of 1.7 in 2006, 1.8 in 2007, 2.6 in 2008). In 2009, the Group maintained a reasonable level of operating profitability, making a "pre-impairment" profit of € 26.5 million (more than € 60 million pre-tax if we exclude non-recurring charges for the year); this positive result was entirely absorbed by the € 83.7 million writedown of goodwill and equity investments measured in accordance with IFRS 5, which turned the 2009 consolidated result into a loss of € 57.2 million (the Bank's separate result was a loss of € 55.9 million). In 2010 the Group turned in positive results with all sectors of activity contributing towards a net profit of € 44.6 million (separate result of € 38.8 million).

The planned distribution and reimbursement of reserves to the shareholders (of € 280.8 million or € 1.08 per share) took place in the second quarter of 2010, following the strategic decision taken in 2009 to pull out of the Private Equity business; this distribution, which brought consolidated equity to € 576 million at 31 December 2010 (including the result for the year), will make it possible to improve

profitability without jeopardising the maintenance of adequate liquidity needed to perform strategic activities.

It has to be considered that, despite the investments made over the years, the writedowns made in 2009 and the distribution of reserves mentioned previously, liquidity has remained high, also recording a consolidated Core Tier 1 ratio of 141.8% in 2006, 71.3% in 2007, 32.8% in 2008, 30.1% in 2009 and 17.6% in 2010, falling steadily, but with figures that are still high for the banking sector in general.

In addition to maintaining positive financial and economic indicators during the four years, it is also worth mentioning the growth in the number of staff, principally among managers and officials, which has enabled the Bank to expand its range of technical skills, part of which were already present in the key personnel maintained from the previous management team, as well as to strengthen the organisational and operational controls over the various activities carried on.

This reinforcement has allowed us to cope with the subsequent reductions in overheads during 2008-2009, without affecting the level of technical skills that we have reached.

There are no elements that could raise doubts about the Group's ability to continue as a going concern in the foreseeable future, taking account of its policies of risk mitigation and management in connection with the activities carried on by the Bank and by the other Group companies; also taking account of the Group's liquidity and its liquidity management policy, and of its generally positive economic and financial indicators, which are expected to remain that way even if the scope of consolidation is reduced, given that all areas of the Group are making positive results.

For this reason, the financial statements have been prepared on a going-concern basis.

Financial risks

During 2010, Gruppo Banca Leonardo S.p.A. accentuated its prudent approach to the management of financial risks, even in the situation of high volatility in the spreads of the Italian government bonds held. More specifically, the trading book had a daily average VaR during the year of € 1.3 million and a daily maximum VaR of € 2.38 million; the financial risk operating limit of € 2 million was exceeded on four occasions. The VaR at the end of the year came to € 0.35 million.

The various books consisted almost entirely of cash and plain vanilla products.

The more significant positions were mainly in bonds of government and supranational issuers (63% of the total) and corporate issuers (37% of the total), the latter prevalently banks. The overall book at the end of the year amounted to € 481 million with an average duration of 0.9 years and a high credit standing (88% with an AA rating). 89% of the securities in portfolio were eligible for financing by the European Central Bank and all of the securities have been marked to market.

The activity in derivatives mainly consists of hedging and arbitrage transactions, with very few directional positions. Derivative instruments traded and held in portfolio are made up exclusively of plain vanilla options (e.g. put and call options on equities/indices/interest rates) or linear instruments (e.g. equity/dividend/interest rate swaps). Most of these instruments are traded and therefore lead to a financial exposure that is close to zero. The related counterparty risk is mitigated by means of daily margin payments. There are no so-called "exotic" derivatives in portfolio.

Limited positions in credit derivatives (exclusively CDS and CDI, no correlation products) have been taken solely for hedging purposes (so excluding any carry trade activity).

As regards control over financial risks, they are monitored on a daily basis and are subject to operating limits in terms of VaR (Value at Risk), ES (Expected Shortfall) and stress testing. These indicators are calculated considering all of the main categories of risk (price, interest rate, exchange rate, volatility, credit spread, dividend level).

Similarly, credit risk (in the form of counterparty risk) is closely monitored and is subject to operating limits on the mark to market value of all exposures set by individual counterparty. Gruppo Banca Leonardo S.p.A. did not suffer any losses involving counterparty risk during the year.

In 2011 Gruppo Banca Leonardo S.p.A. will continue to take a prudent approach to financial risks, preferably investing in securities with a high credit standing and a short duration, limiting its activity in derivatives essentially to plain vanilla products for short-term arbitrage and dealing purposes, as well as daily margining. 2010 saw the start of transactions involving the securities of government issuers and the foreign exchange of certain emerging nations. This extension, which is designed to diversify the trading area's sources of income, has also been planned in compliance with the strict operating limits for financial and credit risk.

As regards liquidity risk in 2010, Gruppo Banca Leonardo S.p.A. again showed that it did not have any problems worthy of note in this area as it structurally has a long position. Surplus liquidity was invested mainly in short-term deposits, with preference being given to the interbank market, principally with Italian counterparties with a high credit standing or with our own custodian bank. Even in this case, counterparty risk is measured daily and is subject to stringent operating limits, according to the “liquidity policy” of the Group, issued in 2008. This policy also defines stress scenarios and a contingency liquidity plan in the event of a crisis, as required by the supervisory authorities.

Impairment tests

In application of International Accounting Standards (IAS 36), the Bank has checked that its key assets are shown in the balance sheet at an amount that does not exceed their recoverable value.

The following is an analysis of the methods used to determine the recoverable value of each asset category and the results achieved.

A) Investments

- 1. Methodology - The recoverable value of the goodwill is defined by the accounting standard as the higher of the fair value of an asset or cash generating unit, after deducting costs to sell, and its value in use. The Bank has therefore created a model for the determination of fair value based on 12-month market multiples applicable to comparable companies (source: Bloomberg) for all of the CGUs mentioned previously; this method has also been applied to the German Advisory company, Leonardo & Co. GmbH & Co. KG, in 2010 as it is now making profits again, in line with the other advisory companies (at fair value net of costs to sell), whereas in 2009 the impairment test was carried out by calculating the value in use on a DCF basis. The fair value was calculated taking into consideration the multiples and net results of the years 2010 (actual) and 2011 (budget approved by the Bank's Board of Directors). The average result obtained by applying the 2010 and 2011 multiples to the companies' net results was then compared with the individual carrying amounts of equity investments net of their respective equities; for Banque Leonardo S.A., on the other hand, the fair value was calculated using the multiples of assets under management of comparable companies. The sample of comparable companies was chosen during the course of previous years taking into consideration the sectors of activity in which the companies being valued operate; the sample of comparables has remained the same as in previous years. In application of paragraph 19 of IAS 36, if the fair value was higher than the book value, the*

Bank did not carry out any further analyses as the minimum condition required by the impairment test had already been satisfied.

2. *Results of the comparison between fair value and book value of the individual investments, net of their respective equities - The fair value of the subsidiaries DNCA Finance S.A., Leonardo & Co. S.A.S. (which together with the advisory companies Leonardo & Co. B.V., Leonardo Asesores Financieros S.A. and Leonardo & Co. N.V., incorporated in 2010, is considered part of a single operating segment, as mentioned previously), Leonardo & Co. GmbH & Co. KG., Banque Leonardo S.A. and Leonardo & Co. S.p.A. is higher than the amount of goodwill shown in the financial statements. Note that these companies do not have significant costs to sell, so they have not been taken into account in this calculation. The impairment test for these companies gave a positive result, so the Bank did not make any writedowns. Considering that in 2010 all of the fair values are higher than the amounts of goodwill, the Bank did not calculate their values in use on a DCF basis.*

3. *Sensitivity analysis - The following is a summary by CGU of the excess values recoverable compared with the book values:*
 - *DNCA Finance S.A. – excess of more than € 80 million;*
 - *Leonardo & Co. Paris / Amsterdam / Madrid / Brussels (operating segment) – excess of more than € 50 million;*
 - *Leonardo & Co. GmbH & Co. KG – excess of more than € 20 million;*
 - *Banque Leonardo S.A. – excess of more than € 2 million;*
 - *Leonardo & Co. S.p.A. – excess of more than € 65 million.*

Note that any application of market multiples at 3 and 6 months needed for the calculation of the fair value of the above companies would generate higher fair values than those obtained

applying multiples at 12 months and, as a result, also higher than the carrying amounts of goodwill.

B) Non-current assets held for sale and discontinued operations

The investment in Euraleo s.r.l. has been reclassified to this category following the Bank's decision taken in 2009 to sell this investment and pull out of the Private Equity business.

In accordance with IFRS 5, the company will continue to be measured at the lower of book value and fair value net of costs to sell.

The fair value of Euraleo s.r.l., which is significantly lower than its original book value, depends principally on the estimate of the fair value of the only Private Equity investment remaining, which the Company carried out in previous years (Intercos, through special purpose entities or SPEs). The estimate of the fair value of Intercos, a minority target investment held by Euraleo s.r.l. through the company Broletto 1, was carried out by the Bank using the method of market multiples applied to comparable companies; the results of applying this method have been compared with those at 31 December 2010 based on the calculation of the NAV of the Sicar Eurazeo Co-Invest (a Private Equity fund that invests directly in Intercos). According to the Bank's in-house calculations, the investment in Intercos has maintained a valuation equal to 14% of its original book value, in line with the calculation made last year (an 86% write-down was applied in 2009). There was no impact on the Bank's income statement in 2010 as a result of these valuations. The value of Euraleo s.r.l. shown in the 2010 financial statements is equal to € 3.8 million, the same as in 2009. Lastly, we would point out that the other investment made by Euraleo s.r.l. in previous years (Sirti) was cancelled as a result of increases in capital by the other shareholders that were not subscribed by Euraleo s.r.l.; this cancellation has not had any impact on the valuation of Euraleo s.r.l. as the investment in Sirti was written down to zero in 2009.

It should also be noted that in the draft 2010 financial statements of Euraleo s.r.l. Intercos has been written down by another 31% of its original value, bringing its valuation to € 14.4 million (based on its value in use calculated on a DCF basis); this value comes to 29% of the purchase cost incurred by Euraleo s.r.l. in previous years. In 2010, Euraleo s.r.l. was cancelled from the general and special lists arts. 106 and 107 of D.Lgs. 385/93; the company does not carry on reserved activities and will limit itself to managing the only investment left, given that it is not planning to make any new investments.

The meeting of the Bank's Board of Directors on 21 October 2010 decided to analyse the feasibility of selling the subsidiary Leonardo SGR S.p.A.; following this decision, the Bank signed a non-binding preliminary sale agreement which envisages the transfer of the entire activity concerning mutual funds, while the portfolio management activities will in any case be retained and carried on within the Group. As a result of this decision, at the end of the year, the investment in this company was reclassified to "non-current assets held for sale and discontinued operations".

A contract was signed in January 2011 for the sale of Leonardo SGR S.p.A., this contract is in any case subject to approval from the buyer's supervisory authorities and to the transfer within the Group of the mandated activities currently performed on the Bank's individual portfolio management schemes and on certain segments of the Sicavs run by the subsidiary LAM. The selling price has been defined on the basis that the sale will only concern the management of mutual funds; it also takes into account a foreseeable decline in funds as a result of the Group's withdrawal. This operation ought to be completed by the end of the first half of 2011.

The overall value of "non-current assets held for sale and discontinued operations" is not lower than the book value.

C) Financial assets available for sale

The following is an analysis of the methods used to determine the recoverable value of each asset category and the results achieved.

1) Methodology - The recoverable value of the financial assets in question was determined by individual investment, taking into account of the low number of assets classified in this category. In the case of securities listed on an active market, the fair value was determined on the basis of their market quote; in the case of unlisted assets, a fair value for private equity investments was estimated based on the method that involves applying multiples to a sample of comparable companies, whereas for collective investments (UCITS and Sicars), a fair value was calculated on the basis of their NAV.

2) Results - The valuations of financial assets, category by category, are summarised below:

i. unlisted financial assets (private equity investments) have not shown any need for a writedown. The determination of fair value calculated according to the multiples method resulted in values that are higher than the carrying amount. The valuation of the investment in Capitolotre S.p.A. (the vehicle used for the investment in IVRI, an unlisted company), which is showing a fair value that is higher than its carrying amount, has been maintained at cost, taking into account the problems involved in producing reliable figures for fair value in a market situation with a very high level of uncertainty.

As regards the investment in Vita S.p.A. (the vehicle for the investment in Valvitalia, an unlisted company), as mentioned previously the Group has booked a pre-tax gain of € 6.6 million made on the sale of the investment during the first half of the year, this figure was already included in the valuation reserve at the end of 2009;

- ii. the investment in the Sicar Eurazeo has not shown any signs of impairment; the valuation of NAV at 31 December 2010 involved a positive change in fair value, compared with the end of 2009, which generated an increase in the positive equity reserve of € 0.8 million, in accordance with IAS 39.*
- iii. The remeasurement of the real estate fund in which the Bank has invested also generated a positive change in fair value compared with 31 December 2009, raising the positive equity reserve by € 0.8 million.*

Uncertainties in the use of estimates

The items in the financial statements that are most affected by the uncertainties involved in the use of estimates are summarised below. In certain cases, more detailed information is provided in the notes to the consolidated financial statements.

- 1. Valuation of non-current assets held for sale and discontinued operations - For the investment in Euraleo S.r.l., following its reclassification in 2009 from "Equity investments" to "Non-current assets held for sale", given the Bank's intention to sell the investment, it became necessary to estimate a fair value which in essence consists of valuing the private equity investment that it holds in an unlisted company (Intercos) in which Euraleo s.r.l. invested through a series of SPEs. For more details, please read the paragraph on "Non-current assets held for sale and discontinued operations".*

At the end of 2010 the investment in Leonardo SGR S.p.A. were reclassified to non-current assets held for sale and discontinued operations as a result of the decision taken by the Bank's Board of Directors in October 2010 to sell this investment. For more details, please read the paragraph on "Non-current assets held for sale and discontinued operations".

- 2. Estimate of fair value and value in use of equity investments/goodwill - As already pointed out in the previous paragraph, for impairment testing of each investment with significant goodwill we used a model for estimating fair value based on the method of 12-month market multiples for comparable companies. The fair value model provides for a time horizon used for the estimates of two years (the current year and the subsequent year).*

Results by business sector

Dealing on behalf of third parties

Based on Assosim's statistics of securities traded on the Italian market, the volume of equities handled by the Bank on behalf of third parties results in a market share of 0.74% in 2010, in line with its 0.73% share in 2009.

Gross fees and commissions from dealing and order collection have gone up from € 12.4 million in 2009 to € 15.5 million in 2010.

The work performed by the Bank's Research Department continues to be much appreciated by our customers.

The Bank's Research Department follows the main listed companies on the Italian market and in 2010 began covering 7 companies in detail. The number of publications came to 468 (compared with 477 in 2009, 543 in 2008 and 482 in 2007). We also continued to organise events specially for institutional clients, as well as road shows in various locations both in Italy and in international marketplaces, and conferences on various industry topics.

Trading on own account

The level of profitability of the Treasury and Trading on Own Account activities is similar to that of the previous year (based on management figures marked to market, the net revenues of the Bank have remained above € 23 million, in line with the previous year), despite a significant reduction in the risks taken on (VaR of € 0.3 million at the end of the year versus € 1.1 million the previous year), while maintaining the assets' high level of liquidity; the area has also ensured a good overall liquidity position for the Bank in line with the liquidity management policies explained earlier.

The result of this activity is accounted for in various items of the reclassified income statement (interest, commission, profits and losses from financial transactions).

In particular, 2010 also saw a further increase in net interest income of around € 1 million compared with the same period of 2009 (€ 25 million at the end of 2010, € 24 million at the end of 2009). Operating conditions for trading in government bonds deteriorated considerably from the second quarter, leading to a lower result than in 2009. Total net trading income (including the dividends received on financial assets) was also positive, € 2.1 million, compared with € 7.4 million the previous year. During the year the Bank adopted a particularly prudent risk management policy, which involved reducing the risks that could be taken on and a significant reduction in the bond portfolio from halfway through the year. The investment in the Bank's portfolio has gone down from € 1,176 million at 31 December 2009 to € 975 million at 31 December 2010. The reduction in the portfolio is particularly accentuated in the case of bonds (government securities and corporate bonds), falling from € 908 million at the end of 2009 to € 481 million at the end of 2010, while derivatives have grown (from € 257 million at the end of 2009 to € 482 million at the end of 2010). Note that the asset positions in derivatives are more or less offset by equivalent liability positions in derivatives, as they come from arbitrage deals that are generally closed with other counterparties. This increase in volumes is reflected in a better result by the flow business and intermediation, principally in equity derivatives, also linked to the erratic trend in the markets and to the increase in volatility in the second and third quarters, which made it possible to offset at area level the lower result made by the trading activity.

Indirect deposits

Individual and collective portfolio management schemes have gone from € 1,570 million at 31 December 2009 to € 1,828 million at 31 December 2010 (including Group funds); the increase during 2010 (+16%) was achieved thanks to the positive effect of various factors, the more important being the arrival of new deposits thanks to the investments made in 2009 that increased the number of private bankers.

The number of the Bank's financial consultants has remained stable (27 at the end of the year), as has the number of private bankers (31 at the end of both 2010 and 2009).

The sector generated gross fee and commission income of € 18.3 million (of which € 14.6 million of management fees and € 3.7 million of placement and distribution fee retrocessions), with an increase of 55% on the previous year's € 11.8 million (of which € 9.5 million of management fees and € 2.3 million of placement and distribution fee retrocessions). Securities held for custody and administration (excluding portfolio management schemes), valued at market prices, totalled € 307 million (of which € 551 million in the Parent Bank's own shares and € 221 million of securities in custody), slightly down from € 2,288 million in December 2009, but up considering the distribution of reserves by the Parent Bank, which led to a € 307 million reduction in such funds under administration.

In addition, financial instruments placed by the Bank totalling a further € 447 million, of which € 252 million in Group funds, (€ 240 million in 2009) have been deposited with third parties.

Direct deposits and lines of credit

Direct customer deposits, excluding those relating to managed accounts, have gone from € 282 million at the start of the year to € 205 million (-€ 77 million compared with the end of 2009).

The Bank's lending activity, which is considered an ancillary service in support of the Group's core businesses, has expanded considerably, accentuating a trend that was already visible last year. In addition to the traditional overdraft facility guaranteed by pledge, since 2008 short- and medium/long-term loans and lines of credit with mortgage backing have been granted in order to attract private customers with an entrepreneurial activity.

At the year-end, the Bank had cash lines of credit for a total of € 426 million (€ 316 million at 31 December 2009) drawn down for € 361 million (€ 253 million at 31 December 2009) and made up of:

- 5 mortgage loans for a total of € 29.1 million;*
- 9 short- and medium/long-term loans for a total of € 32.3 million;*

- overdraft facilities drawn down for about € 300 million (€ 179 million in 2009).

In addition to these cash transactions, there are endorsement credits for a total of € 70 million at the year-end (€ 63.2 million at 31 December 2009).

Private Equity and Merchant Banking

As mentioned previously in connection with the investment in Euraleo s.r.l., the Bank decided in 2009 to pull out of the Private Equity business as it is not considered a core activity. Considering the investments made since 2006, the Bank participates directly or indirectly, through Euraleo s.r.l. (held 50%), in two private equity/merchant banking deals for a total of € 15.3 million; this figure is substantially lower than the previous year, mainly because of the sale of the Bank's investment in Vita S.p.A. (the vehicle for the investment in Valvitalia) during the first half of the year, which generated proceeds of € 19.3 million and a positive effect on the consolidated income statement of € 6.6 million, pre-tax.

Lastly, the investment in Capitolotre S.p.A. (the vehicle for the investment in IVRI) did not incur any adjustments during 2010 (worth € 11.5 million at 31 December 2010).

Other information on the results of operations

Treasury shares

During the first half of 2010 the Bank sold all of its treasury shares purchased in 2009, for € 2,346 thousand (715,000 shares).

Personnel

The personnel breakdown has changed as follows:

<i>Level</i>	<i>12/31/2010</i>	<i>12/31/2009</i>	<i>% Change</i>
<i>Managers</i>	47	44	7%
<i>Officials</i>	111	112	(1)%
<i>Clerical staff</i>	64	62	3%
<i>Employees</i>	222	218	2%
<i>Other personnel</i> <i>(contract staff, interns)</i>	20	13	54%
<i>Total personnel</i>	242	231	5%

Related party transactions

Transactions between Group companies and with associates are summarised in the following table.

(in thousands of Euro)

<i>Company</i>	<i>Assets</i>	<i>Liabilities and equity</i>	<i>Income statement</i>			
			<i>Fee and commission income (expense)</i>	<i>Interest income (expense)</i>	<i>Other income (charges)</i>	<i>Admin.ve expenses</i>
<i>Leonardo SGR S.p.A.</i>	142	771	(2 266)		9	456
<i>Leonardo & Co. S.p.A.</i>	3 530	5 568			1 000	(1 809)
<i>G.B.L. Fiduciaria S.p.A.</i>	85	748	(75)			437
<i>DNCA Finance S.A.</i>	1 440		2 212			
<i>Leonardo & Co. B.V.</i>	1 018			36		
<i>Leonardo Asesores Financieros S.A.</i>	585			3		
<i>Leonardo & Co. S.A.S.</i>						
<i>Leonardo & Co. GmbH & Co. KG</i>	67	3 009		(5)		67
<i>Banque Leonardo S.A.</i>	1 504			31		
<i>Leonardo & Co. N.V.</i>	20					

Transactions with subsidiaries and associates form part of the normal operations of a diversified group based on the multifunctional model, mainly involving correspondent relationships for services rendered and deposits.

As part of normal group synergies, the balances resulting from these relationships are generally settled at market conditions or with a view to recovering specific costs and related overheads with a minimal margin.

Research and Development

The Bank did not carry out any R&D during 2010.

Subsequent events and the outlook for operations

The meeting of the Bank's Board of Directors in January 2011 approved the review of the investment in DNCA Finance S.A.; negotiations with counterparties were still underway at the time this report was being prepared.

If the transfer of the Brokerage & Research activities goes ahead, this will require organisational changes that will be carried out according to the terms of the deal.

In February 2011 the Bank acquired 30% of Leonardo MIDCAP C.F. S.A.S., as foreseen in the original purchase contract signed in 2009. The Group now holds 40%; the outlay amounted to € 7 million.

The Group has continued its efforts to build a European Advisory network; in this connection, we would mention the acquisition in January 2011 of Sal Oppenheim jr. & Cie. Corporate Finance Ltd. Zurich, one of the main Swiss companies operating in the field of corporate financial consulting; the deal is subject to approval by the supervisory authorities.

After a tax audit by the Tax Authorities between 13 September and 18 November 2010, as mentioned previously, in early February 2011 the Bank received an inspection by the Fiscal Police who are still carrying out an audit on the tax periods 2006-2009.

The Bank's and the Group's results for the current year could be positively and quite significantly affected if the extraordinary operations mentioned in this paragraph are carried out.

SECURITY PLANNING DOCUMENT

Art. 19 of Attachment B (Technical Regulations concerning minimum security measures) of Decree 196 of 30 June 2003, the Privacy Code on the protection of personal data, establishes that by 31 March of each year all organisations handling personal data should prepare or update a security planning document containing information on:

- *a list of the ways in which the organisation handles personal data;*
- *a breakdown of the tasks and responsibilities within the structures in charge of handling data;*
- *an analysis of the risks affecting the data being handled;*
- *a description of the measures to be adopted to protect the integrity and availability of the data, as well as protection for the areas and offices, for the purpose of ensuring their safekeeping and accessibility;*
- *a description of the disaster recovery plan;*
- *the training programme for those in charge of handling data;*
- *a description of the criteria to be adopted to ensure minimum security measures in the case of personal data being entrusted to external structures for handling in accordance with the Code;*
- *in the case of personal data that might reveal details of an individual's state of health or sex life, the identification of criteria to be adopted for the encryption or separation of such data from the other personal data of the person concerned.*

Art. 26 of the Technical Regulations says that once the Security Planning Document has been prepared or updated, mention has to be made in the directors' report accompanying the financial statements, if required.

We can therefore state that the Security Planning Document prepared in 2004 with the help of specialist consultants and certified BS7799-compliant by the British Standards Institute is currently

being updated by in-house staff. This work will be completed and the updated document issued by the Person in charge of Data Handling by the legal deadline (30 March 2011).

** * **

Our thanks go to all employees, contract staff and financial consultants for all their efforts.

PROPOSED ALLOCATION OF THE 2010 NET PROFIT

Shareholders,

We would like to propose allocating the 2010 net profit of Euro 38,804,975 in the following way:

✓	<i>to the legal reserve</i>	€	15,990
✓	<i>to dividends</i>	€	37,221,828
✓	<i>the balance to reserves</i>	€	1,567,157

We would propose that the dividend to be distributed, of Euro 37,221,828 should be split as follows, also taking into account in the share calculation the ordinary shares and the category "B" shares coming, respectively, from the options under the stock option plan approved by the Shareholders' Meeting on 11 April 2006 exercised as of today's date and from the warrants similarly already exercised as of today's date out of a total of 1 million warrants approved by the Shareholders' Meeting on 11 April 2006:

✓	<i>to the 13,062,769 category "B" special shares</i>	€	7,444,366
✓	<i>to the 248,145,517 ordinary shares with full dividend rights (of € 0.12 each)</i>	€	29,777,462
<hr/> <i>Total dividend</i>		€	37,221,828
<hr/>			

The proposal is to make this dividend available for payment from 2 May 2011.

We hereby submit the financial statements at 31 December 2010 for your approval, thanking you for your confidence in us.

Milan, 17 March 2011

for the Board of Directors

FINANCIAL STATEMENTS
(Amounts in Euro)

BALANCE SHEET

ASSETS

Assets	12/31/2010	12/31/2009
10. Cash and cash equivalents	281 653	277 847
20. Financial assets held for trading	974 542 273	1 176 206 745
30. Financial assets designated at Fair Value through profit and loss	332 718	3 047 551
40. Financial assets available for sale	26 656 889	44 460 054
60. Loans and advances to banks	389 234 002	166 856 046
70. Loans and advances to customers	401 576 758	367 631 751
100. Equity investments	269 033 264	265 732 848
110. Property, plant and equipment	3 219 651	3 734 032
120. Intangible assets	459 143	973 790
130. Tax assets	9 901 993	12 308 598
a) current		946 199
b) deferred	9 901 993	11 362 399
140. Non-current assets held for sale	8 707 772	3 826 895
150. Other assets	11 267 298	15 667 101
Total assets	2 095 213 414	2 060 723 258

BALANCE SHEET

EQUITY AND LIABILITIES

Shareholders' Equity and liabilities	12/31/2010	12/31/2009
10. Deposit from banks	251 273 085	636 352 072
20. Customer deposits	746 921 737	313 274 765
30. Securities issued	25 010 667	25 007 433
40. Financial liabilities held for trading	511 060 604	273 410 662
80. Tax liabilities	1 135 172	626 033
a) current	154 303	
b) deferred	980 869	626 033
100. Other liabilities	29 819 687	34 522 792
110. Employee severance indemnities provisions	1 846 922	2 022 994
120. Provisions for risk and charges	2 842 035	8 495 710
b) other provisions	2 842 035	8 495 710
130. Valuation reserves	1 909 740	6 752 263
160. Reserves	66 088 626	28 868 843
170. Share premium reserve	114 053 688	485 941 837
180. Share capital	304 446 476	303 631 527
190 Treasury shares (-)		(2 299 970)
200. Net profit (loss) for the year (+/-)	38 804 975	(55 883 703)
Total equity and liabilities	2 095 213 414	2 060 723 258

INCOME STATEMENT

Line items	12/31/2010	12/31/2009
10. Interest and similar income	39 710 042	38 532 659
20. Interest expenses and similar charges	(8 523 039)	(10 025 435)
30. Net interest income	31 187 003	28 507 224
40. Fee and commission income	38 798 620	26 775 334
50. Fee and commission expense	(11 062 885)	(7 933 849)
60. Net fee and commission income	27 735 735	18 841 485
70. Dividend and similar income	166 687 217	180 124 918
80. Net trading income	(142 065 767)	(138 040 662)
90. Net hedging gains (losses)		
100. Gains (losses) on disposal of:	6 839 406	2 621 364
a) loans		
b) financial assets available for sale	6 839 406	2 621 364
c) financial assets held to maturity		
d) financial liabilities		
110. Net change in value of financial assets and liabilities at fair value	29 931	112 049
120. Net interest and other banking income	90 413 525	92 166 378
130. Net adjustments for impairment of:	(5 569)	(1 221 279)
a) loans	(5 569)	(4 650)
b) financial assets available for sale		(1 216 629)
c) financial assets held to maturity		
d) other financial transactions		
140. Net income from financial activities	90 407 956	90 945 099
150. Administrative expenses	(53 947 447)	(52 664 918)
a) payroll	(34 443 596)	(33 020 234)
b) other administrative expenses	(19 503 851)	(19 644 684)
160. Net provisions for risks and charges	4 514 647	(7 423 528)
170. Net adjustment to property, plant and equipment	(896 301)	(922 761)
180. Net adjustment to intangible assets	(714 579)	(869 053)
190. Other operating charges/income	1 785 671	1 035 572
200. Operating costs	(49 258 009)	(60 844 688)
210. Share of profit (loss) of equity investments		(87 515 890)
220. Net gains (losses) on fair value adjustment of property, plant and equipment and intangible assets		
230. Adjustment to goodwill		
240. Gains (losses) on disposal of investments		(3 155)
250. Profit (loss) before tax from continuing operations	41 149 947	(57 418 634)
260. Taxes on income from continuing operations	(2 344 972)	1 534 931
270. Profit (loss) after tax from continuing operations	38 804 975	(55 883 703)
280. Profit (loss) after tax from discontinued operations		
290. Net profit (loss) for the year	38 804 975	(55 883 703)

STATEMENT OF COMPREHENSIVE INCOME

	Items	12/31/2010	12/31/2009
10.	Profit (loss) for the year	38 804 975	(55 883 703)
	Other comprehensive income after tax		
20.	Financial assets available for sale	(4 842 523)	6 679 745
110.	Total of other comprehensive income after tax	(4 842 523)	6 679 745
120.	Comprehensive income after taxes (Item 10+110)	33 962 452	(49 203 958)

STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)

2009

	Balance at 12/31/2008	Change in opening balances	Balance at 01/01/2009	Allocation of prior year results		Change in the year							Equity at 12/31/2009
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions					Comprehensive Income at 12/31/2009	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares		
Share capital													
a) ordinary shares	290 174		290 174				430						290 604
b) other shares	13 028		13 028										13 028
Share premium	484 962		484 962				380						485 342
Reserves													
a) from earnings	15 764		15 764	4 249									20 013
b) other	7 826		7 826								1 030		8 856
Revaluation reserves	72		72									6 680	6 752
Equity instruments													
Treasury shares								(2 300)					(2 300)
Net profit (loss) for the year	28 826		28 826	(4 249)	(24 577)							(55 884)	(55 884)
Equity	840 652		840 652		(24 577)		1 410	(2 300)			1 030	(49 204)	767 011

2010

	Balance at 12/31/2009	Change in opening balances	Balance at 01/01/2010	Allocation of prior year results		Change in the year							Equity at 12/31/2010
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions					Comprehensive Income at 12/31/2010	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares		
Share capital													
a) ordinary shares	290 604		290 604				814						291 418
b) other shares	13 028		13 028										13 028
Share premium	485 342		485 342	(38 509)		(335 102)	1 723						114 054
Reserves													
a) from earnings	20 013		20 013	(13 563)									6 450
b) other	8 856		8 856	(3 812)		54 344					250		59 638
Revaluation reserves	6 752		6 752									(4 842)	1 910
Equity instruments													
Treasury shares	(2 300)		(2 300)				2 300						
Net profit (loss) for the year	(55 884)		(55 884)	55 884								38 805	38 805
Equity	767 011		767 011			(280 758)	4 837				250	33 963	525 303

CASH FLOW STATEMENT

Indirect method

(Amounts in thousands of Euro)

A. OPERATING ACTIVITIES	12/31/2010	12/31/2009
1. Operating activities	40 624	41 030
net profit (loss)	38 805	(55 884)
gain/losses or financial assets held for trading and assets/liabilities designated at fair value through profit and loss	1 903	(901)
gain/losses on hedging activities		
net losses/recoveries on impairment	6	88 738
adjustments to/net recoveries on property, equipment and intangible assets	1 611	1 792
net provisions for risks and charges and other costs/revenues	(4 046)	8 820
taxes and duties to be settled	2 345	(1 535)
net adjustments/recoveries on disposal groups net of tax effect		
other adjustments		
2. Cash flow generated/absorbed by financial assets	(64 074)	(207 531)
financial assets held for trading	199 762	(355 698)
financial assets at fair value	2 715	31 097
financial assets available for sale	13 712	13 779
loans and advances to banks: on demand	23 780	4 376
loans and advances to banks: other receivables	(275 251)	218 913
loans and advances to customers	(33 951)	(128 482)
other assets	5 159	8 484
3. Cash flow generated/absorbed by financial liabilities	278 680	157 826
deposits from banks: on demand	3 969	(54 102)
deposits from banks: other payables	(389 048)	282 226
due to customers	433 467	(65 014)
debt securities in issue	4	(27)
financial liabilities held for trading	237 650	(5 816)
financial liabilities at fair value		
other liabilities	(7 362)	559
Net cash flow generated/absorbed by operating activities	255 230	(8 675)
B. INVESTMENTS ACTIVITIES		
1. Liquidity generated by:	29 093	34 678
sale of equity investments		
dividends collected on equity investments	29 093	34 678
sale/redemption of financial assets held to maturity		
sale of property, plant and equipment		
sale of intangible assets		
sale of subsidiary companies and business divisions		
2. Liquidity absorbed by:	(8 398)	(506)
purchase of equity investments	(7 816)	
purchase of financial assets held to maturity		
purchase of property, plant and equipment	(382)	(181)
purchase of intangible assets	(200)	(325)
purchase of subsidiary companies and business divisions		
Net cash flow generated/absorbed by investing activities	20 695	34 172
C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	2 346	(2 300)
issue/purchase of equity instruments	2 491	1 410
dividends distributed and other allocations	(280 758)	(24 577)
Net cash flow generated/absorbed by financing activities	(275 921)	(25 467)
CASH FLOW GENERATED/ABSORBED IN THE YEAR	4	30

RECONCILIATION

Cash and balances with central banks at the beginning of the year	278	248
Total net cash flow generated/absorbed during the year	4	30
Cash and balances with central banks: effect of change in exchange rates		
Cash and balances with central banks at the end of the year	282	278

**EXPLANATORY NOTES TO
THE FINANCIAL STATEMENTS**

PART A - ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 - Declaration of conformity with IFRS

These financial statements have been prepared in accordance with the requirements of Decree 38 dated 28 February 2005, which adopted EC Regulation 1606/02 dated 19 July 2002 concerning the introduction of IAS/IFRS, and are presented in the technical form prescribed in the communication from the Bank of Italy dated 22 December 2005.

Under a mandate from Parliament, this decree extended the area of obligatory application of IFRS to individual financial statements from 2006.

The financial statements have been prepared on the basis of the "Instructions for the preparation of company financial statements and the financial statements of banks and finance companies heading up banking groups" issued by the Bank of Italy in the exercise of its powers established by art. 9 of Decree 38/2005 with a resolution of 22 December 2005, and on the basis of the instructions contained in International Financial Reporting Standards, in particular IAS 7 (Disclosure requirements in the financial statements of banks and financial institutions), and IAS 32 & 39 regarding financial instruments. The financial statements also comply with IFRS.

The Bank of Italy's Instructions lay down obligatory formats for the financial statements and ways in which they are to be filled in, including the contents of the explanatory notes.

IAS/IFRS have been applied taking into account the “framework for the preparation and presentation of financial statements”.

Note that the explanatory notes exclude the tables with zero balances.

Section 2 - General method of preparation

The financial statements have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Union and in force at the accounting reference date.

The accounting documents, accompanied by the Report on operations, comprise:

- Balance sheet;
- Income statement;
- Statement of comprehensive income;
- Statement of changes in equity;
- Cash flow statement;
- Explanatory notes.

The balance sheet, income statement and statement of comprehensive income (in Euro), statement of changes in equity, cash flow statement and explanatory notes (in thousands of Euro) are presented with comparative figures from the previous year.

All items in the financial statements have been valued in accordance with the general principles of prudence and accruals and on a going-concern basis, also taking into account the "economic function" of the asset or liability as required by both the Italian Civil Code and by international accounting standards.

The financial statements give a clear and reliable picture of the Bank's assets and liabilities, results and changes in the financial structure. They have also been prepared taking into consideration the principles of comprehensibility, materiality, reliability, comparability, prudence and neutrality.

Where considered opportune, we have also provided detailed information in addition to that required by current regulations.

The explanatory notes consist of:

Part A – Accounting policies

Part B – Information on the balance sheet

Part C – Information on the income statement

Part D – Comprehensive income

Part E – Information on risks and hedging policies

Part F – Information on the Bank's equity

Part G – Business combinations

Part H – Related-party transactions

Part I – Share-based payments

Part L – Segment reporting

Section 3 - Subsequent events

See Report on Operations

Section 4 - Other aspects

The following accounting standards and interpretations came into effect during 2010:

- Improvements to International Financial Reporting Standards (EC Reg. 70/2009) (just for the changes to IFRS 1 and 5);
- IAS 27: consolidated and separate financial statements (EC Reg 494/2009);
- IFRS 1: First-Time Adoption of International Financial Reporting Standards (EC Reg 1136/2009);
- Amendments to IFRS 1: Additional exemptions for entities which adopt IFRS for the first time (EC Reg 550/2010)
- IFRS 3: Business Combinations (EC Reg. 495/2009);
- IFRIC 12: Service Concession Arrangements (EC Reg. 254/2009);
- IFRIC 15: Agreements for the Construction of Real Estate (EC Reg. 636/2009);
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (EC Reg 460/2009);
- IFRIC 17: Distributions of Non-Cash Assets to Owners (EC Reg 1142/2009);
- IFRIC 18: Transfers of Assets from Customers (EC Reg 1164/2009);
- Amendments to IAS 39: Financial instruments – Recognition and Measurement - Eligible Hedged Items (EC Reg 839/2009);
- Improvements to IFRS (EC Reg 243/2010);
- Amendments to IFRS 2: Share-based payments (EC Reg. 1261/2008), with which this standard recognises the explanations on payment arrangements based on shares settled by cash within the group, as per the IAS document issued in June 2009, at the same time eliminating IFRIC 8 and IFRIC 11;

IFRS 3 “Business combinations” introduces the option of measuring minority interests at fair value, leading to the recognition of the entire goodwill of the business acquired.

In addition, the standard:

- envisages that in the event of an acquisition of control by stages, the various investments have to be valued at fair value at the date that control is acquired, booking any valuation difference to the income statement;
- points out that the transaction costs incurred during business combinations have to be booked to the income statement;
- provides further instructions with regard to the valuation at the acquisition date of the assets and liabilities acquired;
- introduces the obligation to measure at fair value any amounts that the buyer has to pay to the seller in the event that predetermined circumstances take place after the acquisition date.

In line with the process of revising IFRS 3, the IASB also modified IAS 27, pointing out among other things that:

- purchases of minority interests or the sale of part of the shares held, which do not lead to a loss of control over the affiliate have to be booked to equity;
- in the event of a loss of control over a subsidiary, the seller has to measure any residual interest at fair value, booking any differences to the income statement.

These amendments, as well as those required by the other principles and interpretations mentioned here, did not have any impact on the current figures in the balance sheet and income statement. The amendments to IFRS 3 and IAS 27 will be applied if the transactions in question take place in the future.

Lastly, as of 31 December 2010, the IASB has issued the following accounting standards or revisions:

- Improvements to IFRS;
- Revision of IAS 24 – Related-party transactions;
- IFRIC 14: Prepayment of a Minimum Funding Requirement;
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments;
- IFRS 9: Financial instruments.

However, application of these standards by the Group is subject to their homologation by the European Union.

Lastly, on 18 May 2010 the Bank of Italy issued supervisory instructions on the treatment of revaluation reserves relating to debt securities held in the "financial assets available for sale" portfolio for the purposes of calculating regulatory capital (prudent filters).

In particular, as an alternative to deducting all of the net loss from Tier 1 and including 50% of the net gain in Tier 2 according to the asymmetrical approach currently in force, the possibility was given to neutralise all of the gains and losses recognised in these reserves after 31 December 2009, but only for debt securities issued by the governments of countries belonging to the European Union.

The Bank chose not to take advantage of this opportunity when calculating regulatory capital at 31 December 2010.

A.2 – PART RELATING TO THE PRINCIPAL REPORTING LINE ITEMS

1 - Financial assets held for trading

Classification

This category includes debt securities and equities, together with the positive value of derivative contracts held for trading. Derivatives include those embedded in hybrid financial instruments which have been recognised separately.

Recognition

The initial recognition of financial assets takes place on the settlement date for debt securities and equities, and on the subscription date for derivative contracts.

Financial assets held for trading are initially recognised at cost, which is the instrument's fair value. The transaction costs and revenues directly attributable to the instrument are not taken into consideration.

Valuation

Subsequent to initial recognition, financial assets held for trading are stated at fair value; changes in fair value are booked to the income statement.

The fair value of financial instruments listed in active markets is determined with reference to market prices on the last day of the period. In the absence of an active market, the estimates and valuation methodologies applied take account of all the risk factors associated with the instruments, making reference to market information: methods based on the valuation of listed instruments with similar characteristics, DCF calculations, values deriving from recent comparable transactions.

Equities and related derivative instruments are stated at cost, if their fair value cannot be determined reliably with reference to the above guidelines.

Derecognition

Financial assets are cancelled on expiry of the contractual rights to the related financial flows, or when they are sold with the transfer to the purchaser of substantially all the risks/benefits of ownership.

2 - Financial assets at fair value

The IFRS approved by the European Commission classify under this heading of financial assets at fair value through profit and loss any financial asset so defined at the time it is purchased, in compliance with the various examples given in the standard.

Classification

The Group has put in this category mainly the investments in Sicavs realised for the launch of new segments that form part of a portfolio that includes derivatives bought to offset price

fluctuations during the start-up phase of the investment.

Recognition

The initial recognition of financial assets takes place on the settlement date for debt securities and equities, and on the subscription date for derivative contracts.

Financial assets at fair value are initially recognised at cost, which is deemed to be the instrument's fair value. The transaction costs and revenues directly attributable to the instrument are not taken into consideration.

Valuation

Subsequent to initial recognition, financial assets at fair value are stated at fair value; changes in fair value are booked to the income statement.

The fair value of financial instruments listed in active markets is determined with reference to market prices on the last day of the period. In the absence of an active market, the estimates and valuation methodologies applied take account of all the risk factors associated with the instruments, making reference to market information: methods based on the valuation of listed instruments with similar characteristics, DCF calculations, values deriving from recent comparable transactions.

Equities and related derivative instruments are stated at cost, if their fair value cannot be determined reliably with reference to the above guidelines.

Derecognition

Financial assets are cancelled on expiry of the contractual rights to the related financial flows, or when they are sold with the transfer to the purchaser of substantially all the risks/benefits of ownership.

3 - Financial assets available for sale

Classification

This category includes the non-derivative financial assets that are not classified as loans, assets held for trading or assets held to maturity.

It also includes the investments not held for trading that are holdings in subsidiary, joint venture or associated companies.

Recognition

The initial recognition of financial assets takes place at the settlement date for debt securities and equities, and at the pay-out date in the case of loans.

Financial assets available for sale are initially recognised at cost, which is deemed to be the instrument's fair value. Cost includes the transaction costs and revenues directly attributable to the instrument.

Valuation

Subsequent to initial recognition, financial assets available for sale are stated at fair value. Gains or losses deriving from changes in fair value are classified in a specific equity reserve, net of the tax effect, until the asset is cancelled or a loss of value is recorded. On disposal or the recognition of a loss in value, the accumulated gains or losses are released

to the income statement.

A review for objective evidence of an impairment in value is performed at every annual and interim balance sheet date.

If the reasons for a loss in value cease to apply due to an event that occurs subsequent to the recognition of such loss, the write-back is credited to the income statement in relation to loans and debt instruments and to equity in the case of equities. The amount of this write-back may not be greater than the amortised cost that the instrument would have had in the absence of the impairment losses previously recognised.

If the fair value of equities cannot be determined on a reliable basis, they are stated at cost.

Derecognition

Financial assets are cancelled on expiry of the contractual rights to the related financial flows, or when they are sold with the transfer to the purchaser of substantially all the risks/benefits of ownership.

4 - Loans and receivables

Classification

Loans and receivables include loans to customers and deposits with banks, whether granted directly or acquired from third parties, with fixed or determinable repayments, which are not listed in an active market and were not initially classified as financial assets available for sale.

This caption also includes trade receivables, repurchase agreements and securities acquired on subscription or via private placements, with known or determinable repayments, that are not listed in active markets.

Recognition

Initial recognition of a loan takes place when it is granted or, in the event of a debt security, at the settlement date, on the basis of the fair value of the financial instrument, equal to the amount granted, or the subscription price, inclusive of costs/income directly attributable to the individual receivable and determinable from the start of the operation, even if settled at a later date. Costs refunded by the debtor and those that are considered normal internal administrative costs are excluded, even if they have the above characteristics.

Repurchase agreements involving a commitment to repurchase or resell assets at a future date are recorded in the financial statements as funding or lending transactions. In particular, spot sales for future repurchase are recorded as payables for the spot amount received, while spot purchases for future resale are recorded as receivables for the spot amount paid.

Valuation

Loans are valued at amortised cost, represented by their initially-recorded value as reduced/uplifted by repayments of principal, write-downs/write-backs and the amortisation – determined using the effective interest method – of the difference between the amount paid out and that to be collected on maturity, associated with the costs/revenues directly

related to each loan. The effective interest rate is the discount rate which aligns the present value of future flows of principal and interest deriving from the loan with the amount paid out, inclusive of costs and revenues. This method of accounting, which applies financial logic, allocates the economic effect of costs/revenues over the expected residual life of the loan.

The amortised cost method is not used to value short-term loans (12-18 months), since the effect of discounting would be negligible. These loans are valued at historical cost and the related cost/revenues are allocated to the income statement on a straight-line basis over the loan contract period. A similar approach is adopted to loans without a fixed maturity date and those repayable on demand.

At each balance sheet date, loans and receivables are reviewed to identify those displaying objective evidence of impairment as a result of events subsequent to their initial recognition. This review includes non-performing, watchlist and restructured loans, as defined by current Bank of Italy rules, consistent with IAS.

These loans are analysed in detail and adjusted to reflect the difference between their book value and the present value of expected cash flows, determined using the original effective interest rate.

Expected cash flows take account of forecast recovery times, the estimated realisable value of any guarantees, and the likely costs to be incurred to recover the loans concerned. The cash flows associated with loans that are likely to be recovered in the short term are not discounted.

The adjustments in value deriving from application of the above criteria are reflected in the income statement.

The original value is reinstated in subsequent years, to the extent that the reasons for the adjustment have ceased to apply, on condition that such reasons can be objectively associated with events that occurred subsequent to making the original adjustment. The write-back is credited to the income statement and cannot exceed the value that the loan would have had if the earlier adjustments had not been recorded.

Derecognition

Loans that have been sold are derecognised only if the sale involved the transfer of substantially all the risks and benefits of ownership.

5 - Investments

Recognition, classification and valuation

This item includes the equity interests for which there is a situation of significant influence and close association (associates).

Companies are considered associates, in other words subject to significant influence, when the Parent Bank, directly or indirectly, owns at least 20% of the voting rights or where - even if it has a lower percentage of voting rights - it has the power to be involved in deciding the financial and operating policies of the affiliate because of particular legal connections.

Initial recognition is at cost.

If there is evidence that the value of an investment may have suffered an impairment, its realisable value has to be estimated, taking into account the present value of the future financial flows that the investment will be able to generate, including the final disposal value of the investment. If the estimated realisable value is lower than the book value, the difference is charged to the income statement.

If the reasons for a loss in value cease to apply due to an event that occurs subsequent to the recognition of such loss, the write-back is credited to the income statement.

Derecognition

Investments are derecognised when they are sold and all of the related risks and benefits have been transferred.

6 - Property, plant and equipment

Classification

Property, plant and equipment include technical installations, furniture, furnishings and all kinds of equipment.

These tangible assets are used, for more than one accounting period, for the production of business, for the supply of goods and services, or for administrative purposes.

Recognition

Property, plant and equipment are initially recognised at cost, which includes the purchase price, as well as any directly-related purchasing costs and the costs incurred bring assets to working condition.

Non-routine maintenance costs that enhance the future economic benefits are recorded as an increase in asset value, whereas routine maintenance costs are booked to the income statement.

Valuation

Property, plant and equipment are stated at cost, net of accumulated depreciation and any write-downs.

Property, plant and equipment are systematically depreciated over their useful lives on a straight-line basis.

If an asset suffers a loss in value, its book value is compared with its recoverable value, represented by the greater of its fair value or its value in use. Any adjustments are recorded in the income statement.

Derecognition

Property, plant and equipment are derecognised on disposal, or when they are permanently retired from use and no further economic benefits are expected from their disposal.

7 - Intangible assets

Classification

Intangible assets include goodwill, the trademark and applications software that will be used over a number of years.

Goodwill is the positive difference between purchase cost and the fair value of the assets and liabilities acquired.

Recognition and valuation

An intangible asset is recognised as goodwill when the positive difference between the fair value of the net assets acquired and the purchase cost of the investment represents that company's ability to generate additional income.

If this difference is negative (i.e. badwill) or if the goodwill is not justified by the acquired company's ability to generate future earnings, the difference is recorded directly in the income statement.

The trademark is booked at cost.

The fairness of the value of goodwill and the trademark is tested for impairment each year. Any adjustments are recorded in the income statement.

Other intangible assets are recorded at cost, as adjusted for any related charges, only if it is probable that the future economic benefits attributable to the asset will be realised and the cost of the asset can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed to income in the period incurred.

The cost of intangible assets is amortised on a straight-line basis over their useful lives. No amortisation is recorded if the intangible assets concerned have an indefinite useful life; in this case, their book value is subjected to periodic impairment testing.

In the event of impairment, the recoverable value of the assets concerned is estimated at the balance sheet date. The loss charged to the income statement reflects the difference between the book value of the asset and its recoverable value.

Derecognition

Intangible assets are derecognised on retirement and if they are not expected to generate any further economic benefits.

8 - Current and deferred taxation

Recognition and classification

Income taxes are recorded to take account of both current and future tax effects.

To the extent not paid, current and prior-period taxes are recorded as liabilities. Current taxes are recorded in the income statement, except for those relating to items credited or debited directly to equity.

The provision for income taxes reflects a prudent estimate of the current and deferred tax charges.

Deferred tax assets and liabilities represent temporary differences between the book value of assets and liabilities and the corresponding values recognised for fiscal purposes.

Deferred tax assets are recorded in the financial statements to the extent that their recovery is deemed likely, having regard for the ability to generate taxable income on an ongoing basis.

Valuation

Current tax liabilities relating to the current and prior years reflect the expected amounts payable, determined using current tax rates.

Deferred tax assets and liabilities are determined using the tax rates that are expected to apply in the years when the tax assets are realised and the tax liabilities are settled; these rates are established with reference to the tax legislation in force at the balance sheet date.

9 - Non-current assets held for sale and liabilities associated with non-current assets held for sale

These line items include non-current assets/liabilities held for sale.

In particular, these assets are valued at the lower of book value and their net fair value, net of costs to sell. Income and expenses relating to such assets and associated liabilities are shown in a separate item in the income statement, net of the tax effect.

10 - Provisions for risks and charges

Classification

The provisions for risks and charges cover current obligations arising from past events for which an outflow of economic resources to settle such obligations is probable.

Recognition and valuation

Provisions are recorded if the outflow of economic resources is likely and the amount can be estimated reliably. The provisions reflect the best estimate of the costs or charges to be incurred to settle the obligations outstanding at the balance sheet date.

The provisions are discounted using current market rates if the time factor is significant.

Provisions are charged to the income statement.

The provisions are reviewed at each accounting reference date and adjusted to reflect the latest best estimate of the amounts required.

Derecognition

Provisions are released if the outflow of economic resources to settle an obligation is no longer deemed likely, or if the obligation ceases to exist.

11 - Payables and debt securities in issue

Classification

Deposits from banks, due to customers and debt securities in issue include the various forms of interbank and customer funding.

Recognition

Initial recognition of such liabilities takes place on receipt of the sums raised or on issuance of the debt securities.

Initial recognition takes place based on the fair value of the liabilities, which is usually the same as the amount received or the issue price, including any additional costs or revenues directly attributable to the individual funding transaction and not reimbursed by the counterparty. Internal administrative costs are excluded.

Valuation

Following initial recognition, liabilities are valued at amortised cost using the effective interest method.

As an exception, since the time factor is insignificant, short-term liabilities are valued at the amount collected and any related costs are charged to income on a straight-line basis over the contractual duration of the liability.

Derecognition

Financial liabilities are derecognised when they expire or are settled.

12 - Financial liabilities held for trading

This caption includes the liabilities stated at fair value that reflect technical exposures deriving from trading in securities, as well as the negative value of the trading derivatives that are also stated at fair value.

For the part relating to classification, recognition, valuation and derecognition See item 1 - Financial assets held for trading.

13 - Foreign currency transactions

Recognition

On initial recognition, foreign currency transactions are recorded in the functional currency, applying the exchange rate ruling on the transaction date to the amount in foreign currency.

Valuation

Financial statement items denominated in foreign currencies are valued as follows:

- monetary items are translated using the closing rates of exchange;
- non-monetary items measured at historical cost are translated using the exchange rates ruling at the transaction dates;
- non-monetary items measured at fair value are translated using the exchange rates ruling at the closing date.

Exchange differences arising from monetary items are recorded in the income statement for the period in which they arise.

If a gain or loss on a non-monetary item is recognised directly in equity, any exchange differences arising in relation to that gain or loss are also recognised directly in equity.

On the other hand, if a gain or loss is recognised in the income statement, the related exchange difference is also recognised in profit and loss.

14 - Other information

a) Employee benefits – Severance indemnities

In application of IAS 19 “Employee benefits”, up until 31 December 2006 employee severance indemnities were considered a "post-retirement benefit" classified as a "defined-benefit plan". They therefore had to be shown in the financial statements on the basis of their discounted value established by using the Projected Unit Credit Method.

Following the introduction of the Budget Law 2007, which brought forward to 1 January 2007 the reform of supplementary pensions (as per Decree 252 of 5 December 2005), the quotas of employee severance indemnities accruing from 1 January 2007 onwards have to be either sent to a supplementary pension fund or, if the employee prefers, maintained within the firm and transferred by it to a special fund managed by INPS.

The introduction of this reform involved a change in accounting principle regarding the fund, both for the quotas accruing up to 31 December 2006, and for those accruing from 1 January 2007 onwards.

In particular:

- the quotas of employee severance indemnities accruing from 1 January 2007 onwards are

considered to be a “defined-contribution plan”, whether the employee chooses to send them to a supplementary pension fund or opts to transfer them to the treasury fund at INPS. The amount of the quotas therefore has to be determined on the basis of the contributions due without having to apply actuarial calculations;

- the provision for employee severance indemnities that accrued up to 31 December 2006 continues to be considered a “defined-benefit plan”, which means that an actuarial calculation still has to be made; however, compared with the treatment applied up to 31 December 2006, it no longer involves allocating part of the benefit on a proportional basis to the period in which the employee performed the work.

This is because the work to be assessed is considered wholly accrued as a result of the change in the accounting nature of the quotas accruing from 1 January 2007.

b) Employee benefits – Issue of stock options

Share-based payments made via the issue of stock options are stated at the fair value of the options granted, with the charge of a matching amount to the income statement as a payroll cost.

Share-based payments are booked to the income statement with a corresponding increase in equity, based on the fair value of the financial instruments allocated at the assignment date, splitting the charge over the expected or foreseeable period of the plan.

The fair value of the options assigned is calculated using a model that takes into consideration the strike price, the foreseeable duration of the option, an estimate of the present value of the shares at the assignment date, the volatility and expected dividends, the risk-free interest rate and the characteristics of the plan. In the model used to determine the value, the option is valued separately, together with the probability of the conditions under which the assigned options will be exercised being fulfilled.

Any reductions in the number of financial instruments assigned are accounted for as a cancellation of part of them.

This standard applies to issues made after 7 November 2002, as foreseen by IFRS 2.

c) Treasury shares

Any treasury shares acquired by the Parent Bank are recorded in a specific caption and classified as a reduction of equity.

Any gains or losses on subsequent sale are booked to equity.

d) Revenue recognition

Revenues are recognised at the time that they are earned or when future income becomes probable and the amount can be quantified with reasonable accuracy. In particular:

- interest is recognised on a time accrual basis at the effective interest rate;
- past due interest, better if foreseen in the contract, is booked to the income statement, but only once it has been collected;
- dividends are recognised in the period in which shareholders acquire the right to

- receive payment;
- fee and commission income on service revenues are booked on the basis of contractual agreements during the period in which the services are rendered;
 - revenues deriving from the intermediation of trading financial instruments are represented by the difference between the selling price and the purchase cost.

A.3 – INFORMATION ON FAIR VALUE

A.3.1 Transfers from other portfolios

Gruppo Banca Leonardo S.p.A. did not carry out transfers from other portfolios.

A.3.2 Fair value hierarchy

A.3.2.1 Accounting portfolios: breakdown by levels of fair value

Financial assets/liabilities valued at fair value	12/31/2010			12/31/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for Trading	491 565	482 926	51	904 489	251 290	20 428
2. Financial assets at fair value through P&L		333			3 048	
3. Available for sale financial assets		15 062	11 595	828	7 736	35 896
4. Hedging derivative assets						
Total	491 565	498 321	11 646	905 317	262 074	56 324
1. Financial liabilities held for Trading	13 683	497 378		4 626	268 785	
2. Financial liabilities at fair value through P&L						
3. Hedging derivative Liabilities						
Total	13 683	497 378		4 626	268 785	

A.3.2.2 Changes during the year in financial assets measured at fair value (level 3)

	FINANCIAL ASSETS			
	held for Trading	at fair value through P&L	available for sale	hedging derivatives
1. Opening Balance	20 428		35 896	
2. Increases	13 270			
2.1 Purchases	13 202			
2.2 Gains recognized in:				
2.2.1 Income Statement				
- Unrealized losses				
2.2.2 Equity				
2.3 Transfer from/to other levels (+)	51			
2.4 Other increases	17			
Decreases	33 647		24 301	
3.1 Sales	15 027		19 300	
3.2 Redemptions	18 501			
3.3 Losses recognized in:				
3.3.1 Income Statement				
- Unrealized gains				
3.3.2 Equity				
3.4 Transfer from/to other levels (-)			5 000	
3.5 Other decreases	119		1	
4. Closing balances	51		11 595	

Trading book

Within the trading book, one has to distinguish between the securities portfolio on the one hand (above all bonds) and the derivatives portfolio on the other, as they showed completely different trends during the year.

The bond portfolio was reduced substantially, going from € 908 million to € 481 million (-47%), concentrating mainly on securities that are listed on active markets (level 1). The equity positions have remained more or less the same (€ 11.7 million in 2010 compared with € 10.8 million in 2009) and are all classified level 1 as well.

As regards the derivatives portfolio, over-the-counter (financial and credit) derivatives in particular, they are mainly classified level 2 as they are not listed on official markets. The overall amount of the derivatives portfolio has gone up considerably (from € 257 million in 2009 to € 482 million at the end of 2010) as explained in the report on operations.

Available for sale portfolio

As in previous years, the Bank's merchant banking portfolio has been classified level 3. At this stage it only contains one investment (Capitolotre S.p.A., the vehicle for the investment in IVRI S.p.A.), following the sale during the year of the shares in Vita S.p.A. (the vehicle for the investment in Valvitalia S.p.A.).

On the other hand, the Bank's investments in closed-end equity funds (Eurazeo Sicar) and real estate funds (Fondo Rho), which are measured at fair value based on the NAV provided by the respective management companies, are classified level 2.

Portfolio measured at fair value

The amount in the this portfolio is not really significant, being made up of residual units in hedge funds which are currently being liquidated.

A.3.2.3 Changes during the year in financial liabilities measured at fair value (level 3)

The Bank does not have any financial liabilities measured at fair value (level 3).

PART B – INFORMATION ON BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents– Item 10

1.1 Cash and cash equivalents: breakdown

	12/31/2010	12/31/2009
a) Cash	282	278
Total	282	278

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: product breakdown

Items/Values	12/31/2010			12/31/2009		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	478 028	2 946		888 012		20 423
1.1 Structured securities	83 189			23 681		
1.2 Other debts securities	394 839	2 946		864 331		20 423
2. Equities	11 595		51	10 792		5
3. U.C.I.T.S.	23			42		
4. Loans						
4.1 REPO						
4.2 Other						
Total A	489 646	2 946	51	898 846		20 428
B. Derivatives instruments						
1. Financial derivatives:	1 919	475 417		5 643	248 504	
1.1 Held for trading	1 919	475 417		5 643	248 504	
1.2 FV hedges						
1.3 Others						
2. Credit derivatives:		4 563			2 786	
2.1 Held for trading		4 563			2 786	
2.2 FV hedges						
2.3 Others						
Total B	1 919	479 980		5 643	251 290	
Total (A+B)	491 565	482 926	51	904 489	251 290	20 428

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

Line items / amounts	12/31/2010	12/31/2009
A. CASH ASSETS		
1. Debt securities	480 974	908 435
a) Governments and central banks	263 802	495 991
b) Other public entities		
c) Banks	186 460	354 795
d) Other issuers	30 712	57 649
2. Equities	11 646	10 797
a) Banks	1 029	2 970
b) Others issuers:	10 617	7 827
- Insurance companies	446	136
- Financial companies	102	8
- Non-financial companies	10 069	7 683
- Other		
3. U.C.I.T.S.	23	42
4. Loans		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other issuers		
Total A	492 643	919 274
B. DERIVATIVE INSTRUMENTS		
a) Banks		
- fair value	389 439	220 892
b) Customers		
- fair value	92 460	36 041
Total B	481 899	256 933
Total (A + B)	974 542	1 176 207

2.3 Financial assets held for trading: annual changes

Changes/Underlying assets	Debt securities	Equities	U.C.I.T.S.	Loans	12/31/2010
A. Opening balance	908 435	10 797	42		919 274
B. Increases	13 311 406	6 328 417	9 966		19 649 789
B.1 Purchases	13 289 346	6 307 487	9 964		19 606 797
B.2 Positive changes in fair value	780	1 479			2 259
B.3 Other changes	21 280	19 451	2		40 733
C. Decreases	(13 738 867)	(6 327 568)	(9 985)		(20 076 420)
C.1 Sales	(12 352 915)	(4 283 794)	(9 959)		(16 646 668)
C.2 Reimbursements	(1 356 964)	(12)			(1 356 976)
C.3 Negative changes in fair value	(3 766)	(1 079)	(1)		(4 846)
C.4 Transfers to other portfolios					
C.5 Other changes	(25 222)	(2 042 683)	(25)		(2 067 930)
D. Closing balances	480 974	11 646	23		492 643

Section 3 – Financial assets at fair value – Item 30

3.1 Financial assets at fair value: product breakdown

Items/Values	12/31/2010			12/31/2009		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. U.C.I.T.S.		333			3 048	
4. Loans						
4.1 Structured						
4.2 Others						
Total		333			3 048	
Cost		333			2 946	

Sub-item 3. *U.C.I.T.S.* includes the residual quotas of funds of hedge funds, which are currently being run down.

3.2 Financial assets at fair value: breakdown by debtor/issuer

Type of derivatives/Underlying asset	12/31/2010	12/31/2009
1. Debt securities		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
2. Equities		
a) Banks		
b) Others		
- Insurance companies		
- Financial companies		
- No-financial institutions		
- Others		
3. U.C.I.T.S.	333	3 048
4. Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total	333	3 048

3.3 Financial assets at fair value: annual changes

Changes/underlying assets	Debt securities	Equities	U.C.I.T.S.	Loans	12/31/2010
A. Opening balance			3 048		3 048
B. Increases			340		340
B.1 Purchases			80		80
B.2 Positive changes in fair value					
B.3 Other changes			260		260
C. Reductions			(3 055)		(3 055)
C.1 Sales			(4)		(4)
C.2 Redemptions			(2 820)		(2 820)
C.3 Negative changes in fair value					
C.4 Other changes			(231)		(231)
D. Closing balance			333		333

Section 4 – Financial assets available for sale – Item 40

4.1 Financial assets available for sale: product breakdown

Items/Values	12/31/2010			12/31/2009		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equities			11 595	828		30 896
2.1 Valued at fair value				828		19 300
2.2 Valued at cost			11 595			11 596
3. U.C.I.T.S.		15 062			7 736	5 000
4. Loans						
Total		15 062	11 595	828	7 736	35 896

Sub-item 2.2 *Equities securities valued at cost – L3* includes the Bank's investment in Capitolotre S.p.A. (the vehicle for the investment in IVRI).

Sub-item 3. *U.C.I.T.S.* mainly includes the Bank's investments in the Eurazeo Partners B Sicar (€ 8.9 million) and in a real estate fund (€ 6.2 million). The value of these investments at 31 December 2010 has been revalued by € 2.3 million (€ 1.6 million net of the tax charge, generating a corresponding positive change in the equity reserve in accordance with IAS 39).

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

Line items /amounts	12/31/2010	12/31/2009
1. Debt securities		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other		
2. Equities	11 595	31 724
a) Banks		
b) Other issuers:	11 595	31 724
- Insurance companies		
- Financial companies	1	20 128
- Non-financial companies	11 594	11 596
- Others		
3. U.C.I.T.S.	15 062	12 736
4. Loans		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other		
Total	26 657	44 460

Analysis of equities - Other issuers

Description	12/31/2010	12/31/2009
Merchant Banking		
Capitolotre S.p.A.	11,500	11,500
Vita S.p.A.	-	19,300
total	11,500	30,800
Other		
LSE Group Shs	-	828
SIA-SSB S.p.A.	94	94
Other minor items	1	2
total	95	924
Total	11,595	31,724

4.4 Financial assets available for sale: annual changes

	Debt securities	Equities	U.C.I.T.S.	Loans	12/31/2010
A. Opening balances		31 724	12 736		44 460
B. Increases			2 326		2 326
B.1 Purchases					
B.2 Positive changes in fair value			2 326		2 326
B.3 Writebacks					
- booked to income statement					
- booked to equity					
B.4 Transfers from other portfolios					
B.5 Other changes					
C. Decreases		(20 129)			(20 129)
C.1 Sales		(20 128)			(20 128)
C.2 Reimbursements					
C.3 Negative changes in fair value					
C.4 Writedowns for impairment					
- booked to income statement					
- booked to equity					
C.5 Transfers to other portfolios					
C.6 Other changes		(1)			(1)
D. Closing balances		11 595	15 062		26 657

Section 6 – Loans and advances to banks – Item 60

6.1 Loans and advances to banks: product breakdown

Type of transactions/amounts	12/31/2010	12/31/2009
A. Loans and advances to Central Banks		
1. Time deposits		
2. Compulsory reserves		
3. Repurchase agreements		
4. Other		
B. Loans and advances to Banks	389 234	166 856
1. Current accounts and free deposits	34 142	57 912
2. Time deposits	100 311	101 190
3. Other loans	254 781	7 754
3.1 Repurchase agreements	237 176	1 416
3.2 Financial leases		
3.3 Other	17 605	6 338
4. Debt securities		
4.1 Structured securities		
4.2 Other debt securities		
Total (book value)	389 234	166 856
Total (fair value)	389 234	166 856

Sub-item 2. *Time deposits* mainly includes the collateral given to other banks for the Bank's activity in derivatives for a total of € 95 million. *Time deposits* include a deposit with Istituto Centrale delle Banche Popolari Italiane for the maintenance of the compulsory reserve of € 6 million (€ 5 million at 31 December 2009).

Sub-item 3. *Other loans - Repurchase agreements* relate to the dealing activity that the Bank started up during 2010. The balance on this account is offset by the same number of opposite-sign transactions included in due to customers.

Section 7 – Loans and advances to customers – Item 70

7.1 Loans and advances to customers: product breakdown

Operations type/Values	12/31/2010		12/31/2009	
	Performing	Impaired	Performing	Impaired
1. Current accounts	299 899	21	179 986	3
2. Repos	380		102 696	
3. Mortgages	29 890		29 059	
4. Credit cards, personal loans and wage ass losses				
5. Finance leases				
6. Factoring				
7. Other transactions	71 387		55 888	
8. Debt securities				
8.1 Structured securities				
8.2 Other debt securities				
Total (book value)	401 556	21	367 629	3
Total (fair value)	401 556	21	367 629	3

The Bank granted loans for about € 61 million of which € 29 million as mortgage loans and € 32 million as short and medium/long-term loans (classified under sub-item 7. *Other transactions*). At the year end, the overdraft facilities were drawn down for € 300 million.

Sub-item 7. *Other transactions* includes, among other things, € 36 million of collateral paid for trading in OTC derivatives and securities.

7.2 Loans and advances to customers: breakdown by debtor/issuer

Operation type/Values	12/31/2010		12/31/2009	
	Performing	Impaired	Performing	Impaired
1. Debt securities				
a) Governments				
b) Other public entities				
c) Other issuers				
- no financial institutions				
- financial institutions				
- insurances				
- others				
2. Loans	401 556	21	367 629	3
a) Governments				
b) Other public entities				
c) Other issuers	401 556	21	367 629	3
- no financial institutions	216 512	2	164 349	
- financial institutions	48 829		116 795	
- insurances				
- others	136 215	19	86 485	3
Total	401 556	21	367 629	3

Section 10 – Equity Investments – Item 100

10.1 Investments in subsidiaries, jointly controlled and associates: disclosures

Name	Location	% held %	Voting rights %
A) Subsidiaries			
1) G.B.L. Fiduciaria S.p.A.	Italy - Milan	100%	100%
2) Leonardo SGR S.p.A.	Italy - Milan	100%	100%
3) DNCA Finance S.A. (a)	France - Paris	67%	67%
4) Banque Leonardo S.A. (b)	France - Paris	90.15%	90.15%
5) Leonardo & Co. S.p.A. (c)	Italy - Milan	100%	100%
6) Leonardo & Co. S.A.S. (d)	France - Paris	100%	100%
7) Leonardo & Co. GmbH & Co. KG	Germany - Frankfurt	100%	100%
8) Leonardo & Co. B.V.	Holland - Amsterdam	100%	100%
9) Leonardo Asesores Financieros S.A.	Spain - Madrid	100%	100%
10) Leonardo & Co. N.V.	Belgium - Brussels	100%	100%
11) Leonardo Asset Management S.A. (e)	Luxembourg - Luxembourg	10%	10%
B) Jointly controlled			
1) Aiming S.p.A. (f)	Italy - Milan	25%	9%
C) Associates			
1) Euraleo s.r.l. (g)	Italy - Milan	50%	50%

- (a) DNCA Finance S.A. holds 100% of DNCA Courtage (France) and of Leonardo Asset Management S.A. (Luxembourg). These companies are fully consolidated by DNCA Finance S.A.. In the consolidated financial statements of the Banca Leonardo Group, DNCA Finance SA is consolidated 100% as required by IAS 32 paragraph 23 because of the put options in the hands of the minority shareholders.
- (b) Banque Leonardo S.A. controls VP Finance Gestión S.A.S. (100%), VP Immobilier Sarl (100%), VP Assurance Sarl (al 100%), Selected Strategies Advisory Corporation (100%), European Capital Advisory Corporation (100%) and Advanced Multimangement Advisory Corporation (100%). These companies are fully consolidated in Banque Leonardo S.A. In the consolidated financial statements of the Banca Leonardo Group, Banque Leonardo S.A. is consolidated 100% as required by IAS 32 paragraph 23 because of the put options in the hands of the minority shareholders.
- (c) Leonardo & Co. S.p.A. holds 100% of GB & Co. s.r.l., with capital of € 10 thousand. This indirect investment has been consolidated on a line-by-line basis in the consolidated financial statements.
- (d) During the year, Leonardo & Co. S.A.S. acquired 10% of a French Advisory start-up (Leonardo MIDCAP CF S.A.S.) which is consolidated on a proportional basis.
- (e) The 10% was acquired by the Bank at the end of 2010, while the other 90% is held by the subsidiary DNCA Finance S.A.
- (f) Set up by the Bank together with three other shareholders with equal stakes of 25% in April 2010, an initial investment of € 30 thousand and a shareholders' loan of € 213 thousand.
- (g) Because of shareholder syndicate agreements, Euraleo s.r.l. is not considered a joint venture. Note that at 31 December 2009 Euraleo s.r.l. has been reclassified to non-current assets held for sale. The reasons for this classification has been already discussed in the report on operations.

The accounting principles and valuation methods used are contained in Part A - Accounting policies of the individual financial statements, to which reference should be made, whereas the way in which the scope of consolidation has been determined is explained in Part A – Accounting policies in Consolidated Financial Statements.

10.2 Investments in subsidiaries, jointly controlled and associates: accounting information

(The amounts in thousands of Euro refer to the financial statements/ IFRS reporting packages at 31 December 2010)

Name	Total assets	Total revenues (*)	Net profit (loss)	Equity (***)	Book values	Fair value
A) Subsidiaries						
1) G.B.L. Fiduciaria S.p.A.	956	900	13	782	1,277	X
2) DNCA Finance S.A. (**)	64,580	65,080	31,930	10,211	149,935	X
3) Banque Leonardo S.A. (**)	44,003	10,576	853	5,572	27,668	X
4) Leonardo & Co. S.p.A.	18,033	13,895	2,135	5,465	6,760	X
5) Leonardo & Co. S.A.S.	15,339	11,137	1,748	8,682	40,376	X
6) Leonardo & Co. GmbH & Co. KG (**)	16,524	11,683	2,190	11,811	41,995	X
7) Leonardo & Co. B.V.	2,060	3,339	446	(525)	18	X
8) Leonardo Asesores Financieros S.A.	517	57	(345)	60	388	X
9) Leonardo & Co. N.V.	3,929	4,732	1,139	61	61	X
10) Leonardo Asset Management S.A. (****)					312	X
B) Jointly controlled						
1) Aiming S.p.A.	606	-	(717)	970	243	X
C) Associates						
Total	269,033					

(*) The figures show the net revenues or net interest and other banking income for the financial intermediaries.

(**) Consolidated figures.

(***) Net of the net profit/loss for the year.

(****) The results of Leonardo Asset Management S.A. are included in the consolidated figures of DNCA Finance S.A. reported above.

Leonardo SGR S.p.A. and Euraleo s.r.l. have been included into the item “non current assets held for sale and discontinued operations”, as already mentioned in the Report on operations.

10.3 Equity Investments: annual changes

	12/31/2010	12/31/2009
A. Opening balance	265 733	356 717
B. Increases	9 143	3 238
B.1 Purchases	7 816	
B.2 Writebacks		
B.3 Revaluations		
B.4 Other changes	1 327	3 238
C. Decreases	(5 842)	(94 222)
C.1 Sales		(1 100)
C.2 Writedowns		(87 435)
C.3 Other changes	(5 842)	(5 687)
Closing balance	269 034	265 733
E. Total revaluations		
F. Total adjustments	(43 753)	(87 435)

Sub-item *B.1 Purchases* includes the following transactions:

- the acquisition of an additional stake in the subsidiary Banque Leonardo S.A. at the end of December 2010 with an overall outlay for the Bank of € 7.2 million. The Bank's interest has now reached 90.15%;
- the acquisition of 10% of Leonardo Asset Management S.A. (controlled for the other 90% by DNCA Finance S.A.) and of instruments called "*parts beneficiaries*", again relating to the same company, with an outlay of € 312 thousand;
- the setting up of Aiming S.p.A. together with three other shareholders with equal stakes, which involved an overall outlay during the year of € 243 thousand;
- the setting up of Leonardo & Co. N.V., based in Brussels, for € 61 thousand.

Sub-item *B.4 Other changes* includes the Bank's payment to reserves of the subsidiary Leonardo & Co. GmbH & Co. KG of € 1 million and coverage of the losses of the subsidiary Leonardo Asesores Financieros S.A. of € 0.3 million.

Sub-item *C.3 Other changes* mainly includes the repayment of reserves for € 850 thousand by the subsidiary Leonardo SGR S.p.A. in December 2010 and the reclassification of this company to the category "non-current assets held for sale" for € 4,881 thousand, as already mentioned in the report on operations.

10.4 Commitments related to investment securities in subsidiaries

The agreements with the minority shareholders of DNCA Finance S.A. provide for a final *tranche* of 33%, which will give the Bank 100% of DNCA Finance S.A., to be carried out by the Bank exercising its call option or DNCA's minority shareholders exercising their put options in pre-defined periods between 2010 and 2014 for an amount based on a multiple of the net profit for the financial year prior to the date that the option is exercised.

As already mentioned in the report on operations of Banque Leonardo S.A., the minority shareholders and the Bank have put and call options that give the Bank the right to acquire the residual 9.85% of the company (bringing its interest to 100%).

In accordance with IAS 39, the put and call options mentioned previously have to be shown at fair value. Given that these are options on shares of unlisted companies acquired free of charge with a strike price that is a multiple of the future earnings of DNCA Finance SA and Banque Leonardo S.A., it is impossible to make a reliable estimate of their fair value (bearing in mind that the net effect on the income statement would in any case be zero). The impact of these options are reflected in the consolidated financial statements in accordance with IAS 32 paragraph 23.

Section 11 – Property, plant and equipment – Item 110

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

Assets/ Amounts	12/31/2010	12/31/2009
A. Functional assets		
1.1 Owned	3 220	3 734
a) land		
b) buildings		
c) furniture	741	882
d) electronic systems	558	736
e) other	1 921	2 116
1.2 Acquired under finance leases		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
Total A	3 220	3 734
B. Assets held for investment purposes		
2.1 Owned		
a) land		
b) buildings		
2.2 Acquired under finance leases		
a) land		
b) buildings		
Total B		
Total (A+B)	3 220	3 734

11.3 Functional property, plant and equipment: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance			2 626	2 551	10 818	15 995
A.1 Total net writedowns			(1 744)	(1 815)	(8 702)	(12 261)
A.2 Net opening balance			882	736	2 116	3 734
B. Increases			12	25	345	382
B.1 Purchases			12	25	345	382
B.2 Capitalised leasehold improvements						
B.3 Writebacks						
B.4 Positive changes in fair value booked to:						
a) equity						
b) income statement						
B.5 Exchange gains						
B.6 Transfers from buildings held for investment purposes						
B.7 Other changes						
C. Decreases			(153)	(203)	(540)	(896)
C.1 Sales						
C.2 Depreciation			(153)	(203)	(540)	(896)
C.3 Writedowns for impairment booked to:						
a) equity						
b) income statement						
C.4 Negative changes in fair value booked to:						
a) equity						
b) income statement						
C.5 Exchange losses						
C.6 Transfers to:						
a) property, plant and equipment held for investment purposes						
b) assets due for disposal						
C.7 Other changes						
D. Net closing balances			741	558	1 921	3 220
D.1 Total net writedowns			(651)	(788)	(1 999)	(3 438)
D.2 Gross closing balance			1 392	1 346	3 920	6 658
E. Valuation at cost			741	558	1 921	3 220

Hereafter are shown the depreciation rates applied to different classes of assets:

Description	Depreciation rate
Furnitures	12%
Cars and motorcycles	25%
Alarm system	30%
Electronic systems	20%
Others	15%

Section 12 – Intangible assets – Item 120

12.1 Intangible assets: breakdown by type of assets

Asset/Amounts	12/31/2010		12/31/2009	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets:				
A.2.1 Assets carried at cost	459		974	
a) Intangible assets internally generated				
b) Other assets	459		974	
A.2.2 Assets at fair value:				
a) Intangible assets internally generated				
b) Other assets				
Total	459		974	

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		LIMITED	UNLIMITED	LIMITED	UNLIMITED	
A. Opening balance				9 138		9 138
A.1 Total net writedowns				(8 164)		(8 164)
A.2 Net opening balance				974		974
B Increases				200		200
B.1 Purchases				200		200
B.2 Increase in internal intangible assets						
B.3 Writebacks						
B.4 Positive changes in fair value						
- booked to shareholders' equity						
- booked to income statement						
B.5 Exchange gains						
B.6 Other changes						
C. Decreases				(715)		(715)
C.1 Sales						
C.2 Writedowns				(715)		(715)
- amortisation				(715)		(715)
- writedowns						
+ equity						
+ income statement						
C.3 Negative changes in fair value						
- booked to shareholders' equity						
- booked to income statement						
C.4 Transfers to non-current assets held for sale						
C.5 Exchange losses						
C.6 Other changes						
D. Net closing balance				459		459
D.1 Total net adjustments				(2 588)		(2 588)
E. Gross closing balance				3 047		3 047
Valuation at cost				459		459

Hereafter are shown the depreciation rates applied to different classes of assets:

Description	Depreciation rate
Licenses	33%
Software	20%

12.3 Other information

With reference to IAS 38, we would point out that:

- there are no intangible assets that have been revalued nor are there any obstacles to the related capital gains being distributed to the shareholders;
- there are no intangible assets acquired under a government concession;
- there are no intangible assets pledged to guarantee the company's own payables nor commitments for the purchase of such assets;
- there are no lease agreements involving intangible assets.

Section 13 – Tax assets and tax liabilities – Item 130 of assets and Item 80 of liabilities

The Bank and three Group companies, Leonardo & Co. S.p.A., GBL Fiduciaria S.p.A. and Leonardo SGR S.p.A., have agreed to file for tax on a consolidated basis for the years 2010 – 2012.

13.1 Deferred tax assets: breakdown

Deferred tax assets with contra-entry to income statement

Description	Total 12/31/2010		Total 12/31/2009	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Writedown of investments				
Employee incentives	705	194		
Other administrative expenses	42	11	72	20
Employee severance indemnities				
Allowances for contingencies and other charges	2 916	799	8 485	2 333
Goodwill	56 192	8 893	56 192	8 893
Losses on securities				
Writedowns of customer loans	17	5	18	5
Total	59 872	9 902	64 767	11 251

The sub-item *Goodwill* includes part of the future tax benefit linked to the acquisition of Leonardo & Co GmbH & Co KG which has had to be attributed directly to the Bank. This benefit amounts to € 8.9 million.

Deferred tax assets with contra-entry to equity

Description	Total 12/31/2010		Total 12/31/2009	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Writedown of investments				
Employee incentives				
Other administrative expenses				
Employee severance indemnities				
Allowances for contingencies and other charges				
Goodwill				
Losses on securities				
Amortisation of intangible assets			344	111
Writedowns of customer loans				
Losses carried forward				
Total			344	111
Total deferred tax assets		9,902		11,362

13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities with contra-entry to income statement

Description	Total 12/31/2010		Total 12/31/2009	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Capital gains on securities				
Employee severance indemnities	215	59	164	45
Eliminating the effects of fiscal interference	79	22	85	23
Goodwill				
Other	50	16	5	2
Total	344	97	254	70

Deferred tax liabilities with contra-entry to equity

Description	Total 12/31/2010		Total 12/31/2009	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Capital gains on securities	2 651	884	7 307	556
Employee severance indemnities				
Eliminating the effects of fiscal interference				
Goodwill				
Other				
Total	2 651	884	7 307	556

Total deferred tax liabilities	981	626
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13.3 Change in deferred tax assets (with contra-entry to income statement)

	Total 12/31/2010	Total 12/31/2009
1. Brought forward	11 251	11 537
2. Increases	623	2 090
2.1 Deferred tax assets recognized during the period	623	2 090
a) Related to previous periods		
b) Due to changes in accounting policies		
c) Write-backs		
d) Other	623	2 090
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	(1 972)	(2 376)
3.1 Deferred tax assets cancelled during the year	(1 972)	(2 376)
a) Reversals		(2 376)
b) Written down as now considered unrecoverable		
c) Change in accounting policies		
d) Other	(1 972)	
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Carried forward	9 902	11 251

13.4 Change in deferred tax liabilities (with contra-entry to the income statement)

	Total 12/31/2010	Total 12/31/2009
1. Brought forward	70	82
2. Increases	30	38
2.1 Deferred tax liabilities recognized during the period	30	38
a) related to previous periods		
b) due to changes in accounting policies		
c) other	30	38
2.2 New taxes or increase in tax rates		
2.3 Other increases		
3. Decreases	(3)	(50)
3.1 Deferred tax liabilities cancelled during the year	(3)	(50)
a) reversals	(3)	(50)
b) due to changes in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Carried forward	97	70

13.5 Change in deferred tax assets (with contra-entry to equity)

	Total 12/31/2010	Total 12/31/2009
1. Brought forward	111	222
2. Increases		
2.1 Deferred tax assets recognized during the period		
a) related to previous periods		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	(111)	(111)
3.1 Deferred tax assets cancelled during the year	(111)	(111)
a) reversals	(111)	(111)
b) written down as now considered unrecoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Carried forward		111

13.6 Change in deferred tax liabilities (with contra-entry to equity)

	Total 12/31/2010	Total 12/31/2009
1. Brought forward	556	1
2. Increases	752	555
2.1 Deferred tax liabilities recognized during the year	752	555
a) Related to previous periods		
b) Due to changes in accounting policies		
c) Other	752	555
2.2 New taxes or increase in tax rates		
2.3 Other increases		
3. Decreases	(424)	
3.1 Deferred tax liabilities cancelled during the year	(424)	
a) Reversals	(424)	
b) Due to changes in accounting policies		
c) Other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Carried forward	884	556

Section 14 - Non-current assets held for sale and liabilities associated with non-current assets held for sale - Item 140 of assets and item 90 of liabilities

14.1 Non-current assets held for sale: breakdown by type of assets

	12/31/2010	12/31/2009
A. Individual assets		
A.1 Financial assets		
A.2 Equity investments	8 708	3 827
A.3 Tangible Assets		
A.4 Intangible assets		
A.5 Other non-current assets		
Total A	8 708	3 827
B. Assets groups		
B.1 Financial assets held for trading		
B.2 Financial asset designated at fair value through profit or loss		
B.3 Available for sale financial assets		
B.4 Held to maturity investments		
B.5 Loans and receivables with banks		
B.6 Loans and receivables with customers		
B.7 Equity investments		
B.8 Tangible assets		
B.9 Intangible assets		
B.10 Other assets		
Total B		
C. Liabilities associated with assets classified as held for sale		
C.1 Debts		
C.2 Securities		
C.3 Other liabilities		
Total C		
D. Liabilities included in disposal groups classified as held for sale		
D.1 Deposits from banks		
D.2 Deposits from customers		
D.3 Debt certificates including bonds		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities designated at fair value through profit or loss		
D.6 Provisions		
D.7 Other liabilities		
Total D		

The increase in the sub-item *A.2 Equity investments* is related to the subsidiary Leonardo SGR S.p.A., which was reclassified in this category (€ 4,881 thousand), as already mentioned in the report on operations.

Section 15 – Other assets – Item 150

15.1 Other assets: breakdown

Description	12/31/2010	12/31/2009
Guarantee deposits	66	66
Receivables for invoices	2 759	3 347
Other	8 442	12 254
Total	11 267	15 667

Sub-items *Receivable for invoices* and *Other* mainly include tax credits of € 2.9 million and receivables versus Group companies of € 6 million.

LIABILITIES AND EQUITY

Section 1 – Deposits from banks – Item 10

1.1 Deposits from banks: product breakdown

Type of transaction/amounts	12/31/2010	12/31/2009
1. Deposits from Central Banks	80 000	454 335
2. Deposits from banks	171 273	182 017
2.1 Current accounts and free deposits	8 064	4 095
2.2 Time deposits	69 040	52 220
2.3 Borrowing	86 507	125 702
2.3.1 Repos	86 507	125 702
2.3.2 other		
2.4 Payables for commitment to repurchase own equity instruments		
2.5 Other	7 662	
Total	251 273	636 352
Fair value	251 273	636 352

Sub-item 1. *Deposits from Central Banks* consists of funding transactions with the Central Bank guaranteed by securities held in the Bank's trading book.

Sub-item 2.2 *Time deposits* includes the collateral received from other banks for operating in derivatives.

Section 2 – Due to customers – Item 20

2.1 Due to customers: product breakdown

Type of transaction/amounts	12/31/2010	12/31/2009
1. Current accounts and free deposits	275 718	303 094
2. Time deposits	13 890	5 193
3. Borrowing	457 147	4 988
3.1 Repos	457 147	4 988
5. Other	167	
Total	746 922	313 275
Fair value	746 922	313 275

Sub-item 3.1. *Repurchase agreements* includes the Bank's activity on the MTS Repo market. These operations began during the first half of 2010.

Section 3 – Debt securities in issue – Item 30

3.1 Debt securities in issue: product breakdown

Type of securities/Values	Total 12/31/2010				Total 12/31/2009			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	25 011		25 011		25 007		25 007	
1.1 structured								
1.2 other	25 011		25 011		25 007		25 007	
2. other securities								
2.1 structured								
2.2 other								
Total	25 011		25 011		25 007		25 007	

The € 25 million bond issued by the Bank during the second half of 2008, which is linked to a guaranteed loan for the same amount, was reimbursed, together with the loan, at the beginning of 2011.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: product breakdown

Type of securities/Values	12/31/2010				12/31/2009					
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	96	134			134	29		29		29
2. Due to customers	28 966	11 289			11 289	2 960	4 538			4 538
3. Securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other bonds										
3.2.1 Structured										
3.2.2 Other										
Total A	29 062	11 423			11 423	2 989	4 538	29		4 567
B. Derivative instruments										
1. Financial derivatives		2 260	492 885				88	265 766		
1.1 HFT		2 260	492 885				88	265 766		
1.2 Related with fair value option										
1.3 Other										
2. Credit derivatives			4 493					2 990		
2.1 HFT			4 493					2 990		
2.2 Related with fair value option										
2.3 Other										
Total B		2 260	497 378				88	268 756		
Total (A+B)		13 683	497 378				4 626	268 785		

Key:

FV = fair value

FV* = fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Section 8 – Tax liabilities – Item 80

See section 13 of assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

Description	12/31/2010	12/31/2009
Payables to employees	5 223	5 034
Due to social security institutions	2 027	1 389
Due to suppliers	6 362	5 658
Due to the National Guarantee Fund	25	25
Other payables	16 183	22 417
Total	29 820	34 523

The item *Other payables* mainly includes the variable part of the purchase price of Leonardo & Co. GmbH & Co. KG of € 12 million.

Section 11 – Employee severance indemnities – Item 110

11.1 Employee severance indemnities: annual changes

	12/31/2010	12/31/2009
A. Opening balance	2 023	2 341
B. Increases	218	366
B.1 Provisions for the year	218	366
B.2 Other increases		
C. Decreases	(394)	(684)
C.1 Indemnities paid	(394)	(684)
C.2 Other decreases		
D. Closing balance	1 847	2 023

11.2 Other information

The provision for employee severance indemnities is calculated according to the actuarial method as required by IAS 19.

The calculation of the provision for employee severance indemnities has been carried out by a registered actuary on the basis of a series of assumptions regarding the annual discount rate, the annual inflation rate, the annual growth rate in severance indemnities, the annual growth rate in wages and salaries, as well as demographic assumptions regarding mortality, disability and the retirement age of employees.

The methods of accounting used are explained in Part A - Accounting policies.

Two types of variables are considered for measuring employee benefits according to IAS 19:

1. those of the personnel working for the company;
2. those of the Company's reference market:
 - probability of survival;
 - probability of disability/invalidity;
 - probability of early exit due to resignation/dismissal, as well as the likelihood of asking for advances;
 - discount rate (5.42%);
 - average future rate of inflation (2%);
 - taxes/charges.

These variables are then split between those that are:

- demographic;
- economic-financial.

As regards the demographic variables, a probability analysis has to be performed to determine and quantify the so-called "transitions", which lead to payment of the benefit; in other words, the transition from being an active employee to being an old-age pensioner or to being a total or partial invalid.

A lot more complex, given the lack of historical figures, are the probabilistic calculations to determine early exits due to resignation/dismissal and those relating to the payment of termination indemnity advances based on the situations mentioned in art. 2120 C.C.

As regards the economic and financial variables, on the other hand, the discount rate is determined according to the guidelines given in paragraph 78 of IAS 19, i.e. taking as a point of reference the market yields on the securities of leading companies at the measurement date or, in the case of markets that are not "significant", based on the yields of government securities.

Also of importance are paragraphs 80 and 81 that provide for the correlation between the discount rate and the time horizon for benefit payments.

Lastly, as regards the future inflation rate, reference has been made to ISTAT's projections and to the DPEF (the Government's Economic and Financial Planning Document).

Section 12 – Provisions for risks and charges – Item 120

12.1 Allowances for contingencies and other charges: breakdown

Line items/Amounts	12/31/2010	12/31/2009
1. Post retirement benefit obligations		
2. Other provisions for risks and charges	2 842	8 496
2.1 legal disputes	845	6 211
2.2 personnel expenses	1 000	1 965
2.3 other	997	320
Total	2 842	8 496

The provisions for risks and charges have been calculated on the basis of the best estimate of the amount needed to extinguish the obligations at the balance sheet date, bearing in mind the actuarial component for liabilities due to be paid in more than 12-18 months.

These provisions mainly relate to an estimate of the probable losses resulting from court cases currently underway (€ 845 thousand), to probable personnel charges (€ 1,000 thousand).

The sub-item 2.3 *other* includes charges linked to provision for agents' termination indemnities (€ 373 thousand), which represents an estimate of the indemnities due to financial consultants if their contractual relationship comes to an end due to long service or revocation by the Company, calculated on an actuarial basis according to each consultant's period of service, accrued indemnity and probability of this liability being paid.

The charge for the year has been calculated bearing in mind the guarantees received.

The reduction compared with the previous year is mainly attributable to the freeing up of part of a risk provision set aside for a dispute involving the Bank, which was settled during the 2010.

12.2 Provisions for risks and charges: annual changes

	Post retirement benefit obligations	Other provisions	12/31/2010
A. Opening balance		8 496	8 496
B. Increases		1 485	1 485
B.1 Provisions for the year		1 485	1 485
B.2 Changes due to the passing of time			
B.3 Changes due to changes in the discount rate			
B.4 Other changes			
C. Decreases		(7 139)	(7 139)
C.1 Utilizations of the year		(7 139)	(7 139)
C.2 Changes due to changes in the discount rate			
C.3 Other changes			
D. Closing balance		2 842	2 842

Section 14 – Equity – Items 130, 150, 160, 170, 180, 190 and 200

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

	Shares issued	Shares subscribed but not yet paid	12/31/2010	12/31/2009
A. Share Capital				
A.1 ordinary shares	291 418		291 418	290 604
A.2 preference shares				
A.3 other shares	13 028		13 028	13 028
Total	304 446		304 446	303 632
B. Treasury shares				
B.1 ordinary shares				(2 300)
B.2 preference shares				
B.3 other shares				
Total				(2 300)

The "category B" shares foreseen in the Bank's Articles of Association have been classified in sub-item *A.3 Other shares*.

These are special shares that give the holder additional rights, including the right to receive a higher portion of the profits compared with ordinary shares.

Nature/description	Amount	Possible uses	Portion available for distribution	Summary of uses made in the three previous years	
				To cover losses	For other reasons
Share capital	304,446				
Equity reserves					
Share premium reserve	114,054	A, B, C(*)	114,038	38,509	335,102
Legal reserve	54,344	B	54,344		
Other				3,812	
Retained earning:					
Legal reserve	6,529	B	6,529	13,563	
Reserve linked to equity-settled payment plans and the reserve for the transition to IFRS (F.T.A.)	5,215				
Valuation reserves	1,910				
Total	486,498		174,911	55,884	335,102
Restricted portion			60,873		
Residual unrestricted portion			114,038		

Key:

A: for increase in capital

B: to cover losses

C: for distribution to shareholders

() The share premium reserve cannot be distributed until the legal reserve has reached 1/5th of the share capital (art. 2431 of the Civil Code).*

The share premium reserve was used during 2010 to increase the legal reserve up to the limit of one-fifth of the share capital (€ 54.3 million) and for distribution to the shareholders (€ 280.8 million).

14.2 Share capital – Number of shares of the Bank: changes during the year

Line items/Type	Ordinary	Other
A. Shares in issue at the beginning of the year	245 483 465	13 027 769
- fully paid	245 483 465	13 027 769
- not fully paid		
A.1 Treasury shares (-)	715 000	
A.2 Shares in circulation: opening balance	245 483 465	13 027 769
B. Increases	1 470 395	
B.1 New issues	755 395	
- for payment	755 395	
- business combinations		
- on conversion of bonds		
- exercise of warrant		
- other	755 395	
- bonus issues		
- in favour of employees		
- in favour of directors		
- other		
B.2 Sale of treasury shares	715 000	
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Business transfers		
C.4 Other changes		
D. Shares in circulation: closing balance	246 953 860	13 027 769
D.1 Treasury shares (+)		
D.2 Shares in issue at the end of the year	246 953 860	13 027 769
- fully paid	246 953 860	13 027 769
- not fully paid		

14.3 Share capital: other information

The share capital at 31 December 2010 amounts to Euro 304,446,476 represented by 259,981,629 shares of which 246,953,860 ordinary shares and 13,027,769 "category B" special shares that have the characteristics and rights laid down in the Articles of Association.

The ordinary shares and the "category B" shares do not have a par value. This means that the rules referring to the par value contained in laws and/or the articles of association are applied to their number in proportion to the total number of shares issued.

14.4 Retained earnings: other information

	12/31/2010	12/31/2009
Legal reserve (*)	60,873	6,529
Other (*)	5,215	22,340
Total	66,088	28,869

(*) It also includes reserves other than retained earnings.

14.5 Equity instruments: breakdown and annual changes

1,639,605 warrants on the Bank's shares issued at 31 December 2010, of which 730,000 issued during 2010.

OTHER INFORMATION

1. Guarantees given and commitments

Transactions	12/31/2010	12/31/2009
1) Guarantees of a financial nature given	87 043	71 494
a) Banks	6 944	8 307
b) Customers	80 099	63 187
2) Guarantees of a commercial nature given		
a) Banks		
b) Customers		
3) Irrevocable commitments to disburse funds	353 241	41 103
a) Banks	303 346	23 389
i) certain to be called on	303 346	23 389
ii) uncertain to be called on		
b) Customers	49 895	17 714
i) certain to be called on	23 483	17 714
ii) uncertain to be called on	26 412	
4) Commitments underlying credit derivatives: sales of protection	278 313	152 500
5) Assets pledged to guarantee third-party obligations		
6) Other commitments	897 851	514 374
Total	1616 448	779 471

Sub-item 6. *Other commitments* includes the notional value of put options with exchange of capital relating to the derivatives business.

2. Assets pledged to guarantee own liabilities and commitments

Portfolio	12/31/2010	12/31/2009
1. Financial assets held for trading	418 889	604 899
2. Financial assets at fair value		
3. Financial assets available for sale		
4. Financial assets held to maturity		
5. Loans and advances to banks		
6. Loans and advances to customers		
7. Property, plant and equipment		

4. Administration and dealing on behalf of third parties

Type of services	12/31/2010
1. Execution of orders on behalf of clients	9 599 978
a) Purchases	5 196 212
1. settled	5 178 129
2. not settled	18 083
3. number of derivative contracts - options	242
4. number of derivative contracts - futures	489
b) Sales	4 403 766
1. settled	4 364 618
2. not settled	39 148
3. number of derivative contracts - options	7 697
4. number of derivative contracts - futures	418
2. Portfolio management	1 719 876
a) Individual	1 719 876
b) Collective	
3. Custody and administration of securities	2 631 441
a) Third-party securities on deposit: related to role of custodian bank (excluding portfolio management schemes)	
1. securities issued by the bank preparing the financial statements	
2. other securities	
b) Other third-party securities on deposit (excluding portfolio management schemes): other	2 081 911
1. securities issued by the bank preparing the financial statements	277 406
2. other securities	1 804 505
c) Third-party securities on deposit with third parties	1 828 410
d) Own securities on deposit with third parties	549 530
4. Other transactions	

The Bank's individual portfolio management schemes worth € 1,720 million (excluding accrued interest and cash) include € 360 million invested in Group U.C.I.T.S. (€ 411 million at 31 December 2009).

Securities in custody and administration are shown at their nominal value. Their market value comes to € 2,251 million (€ 2,288 million at 31/12/2009).

Securities in custody include € 551 million of Bank's shares in deposit (€ 818 million at 31/12/2009). The U.C.I.T.S. subscribed by customers within the placement service - so not included in securities in custody and administration - and held by the custodian banks of the product companies at the end of the year amount to € 447 million at market prices (€ 333 million at 31 December 2009).

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest - Line items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	12/31/2010	12/31/2009
1. Financial assets held for trading	30 867			30 867	24 086
2. Financial assets at fair value					
3. Financial assets available for sale					
4. Financial assets held to maturity					
5. Loans and advances to banks		1 456		1 456	4 546
6. Loans and advances to customers		7 387		7 387	9 901
7. Hedging derivatives					
8. Other assets					
Total	30 867	8 843		39 710	38 533

1.3 Interest and similar income: other information

1.3.1 Interest income from financial assets denominated in currency other than Euro

	12/31/2010	12/31/2009
- on foreign currency assets	1 279	54

1.4 Interest expense and similar charges: breakdown

Line items/Technical forms	Payables	Securities	Other operations	12/31/2010	12/31/2009
1. Deposits from central banks	2 328			2 328	3 424
2. Deposits from banks	3 720			3 720	3 191
3. Customer deposits	1 903			1 903	2 610
4. Debt securities in issue		191		191	414
5. Financial liabilities held for trading		381		381	386
Total	7 951	572		8 523	10 025

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in currency other than Euro

	12/31/2010	12/31/2009
on liabilities denominated in currencies different from Euro	26	34

Section 2 – Fees and commissions – Line items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Sectors	12/31/2010	12/31/2009
a) guarantees given	647	282
b) credit derivatives		
c) management, brokerage and advisory services:	37 364	25 641
1. trading in financial instruments	6 506	4 649
2. trading in foreign exchange		
3. portfolio management	14 614	9 549
3.1 individual	14 614	9 549
3.2 collective		
4. custody and administration of securities	109	82
5. custodian bank		
6. security placement	2 467	1 358
7. activities receiving and transmitting orders	9 025	7 718
8. consulting	3 411	1 318
8.1 on investment	3 401	1 318
8.2 on financial structure	10	
9. distribution of third-party services	1 232	967
9.1 portfolio management	1 232	967
9.1.1. individual		
9.1.2. collective	1 232	967
9.2 insurance products		
9.3 other products		
d) collection and payment services	29	20
e) servicing for securitisations		
f) factoring services		
g) tax collection and treasury services		
h) management activities of the multilateral trading system		
i) keeping and management of current accounts	28	
j) other services	731	832
Total	38 799	26 775

2.2 Fee and commission income: product and service distribution channels

Channels/Sectors	12/31/2010	12/31/2009
a) own branches:	12 051	7 620
1. portfolio management	9 874	5 989
2. security placement	1 461	1 631
3. third-party products and services	716	
b) door-to-door:	6 262	4 254
1. portfolio management	4 740	3 560
2. security placement	1 006	694
3. third-party products and services	516	
c) other distribution channels:		
1. portfolio management		
2. security placement		
3. third-party products and services		

2.3 Fee and commission expense: breakdown

Services/Sectors	12/31/2010	12/31/2009
a) guarantees given	4	
b) credit derivatives		
c) management, brokerage and advisory services:	10 473	7 589
1. trading in financial instruments	885	863
2. trading in foreign exchange		
3. portfolio management	2 572	2 300
3.1 own	2 572	2 300
3.2 of third parties		
4. custody and administration of securities	1 064	289
5. placement of financial instruments		
6. door-to-door offer of financial instruments, products and services	5 952	4 137
d) collection and payment services	130	70
e) other services	456	275
Total	11 063	7 934

Section 3 – Dividend and similar income: breakdown – Item 70

3.1 Dividend and similar income: breakdown

Line items/Income	12/31/2010		12/31/2009	
	Dividends	Income from U.C.I.T.S.	Dividends	Income from U.C.I.T.S.
A. Financial assets held for trading	137 584		145 417	
B. Financial assets available for sale	10		30	
C. Financial assets at fair value				
D. Investments	29 093		34 678	
Total	166 687		180 125	

Section 4 - Net trading income – Item 80

4.1 Net trading income: breakdown

Transactions/Income elements	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net Result (A+B)-(C+D)
1. Financial assets held for trading	4 054	29 403	(6 353)	(2070 248)	(2043 144)
1.1 Debt securities	968	12 925	(3 790)	(13 684)	(3 581)
1.2 Equities	3 086	16 385	(2 563)	(2056 471)	(2039 563)
1.3 U.C.I.T.S.		93		(93)	
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange differences					(699)
4. Derivative instruments	275 793	2892 947	(275 397)	(995 816)	1901 777
4.1 Financial derivatives:	273 888	2881 240	(273 894)	(984 048)	1901 436
- On debt securities and interest rates	98 609	331 559	(100 291)	(331 076)	(1 199)
- On equities and equity indices	175 279	2549 681	(173 603)	(652 972)	1898 385
- On currencies and gold					4 250
- Other					
4.2 Credit derivatives	1 905	11 707	(1 503)	(11 768)	341
TOTAL	279 847	2922 350	(281 750)	(3066 064)	(142 066)

Section 6 – Profit (loss) from disposals or repurchase - Item 100

6.1 Profit (loss) from disposal or repurchase: breakdown

Line items/Income elements	12/31/2010			12/31/2009		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Loans and advances to banks						
2. Loans and advances to customers						
3. Financial assets available for sale	6 839		6 839	2 621		2 621
3.1 Debt securities						
3.2 Equities	6 839		6 839	2 277		2 277
3.3 U.C.I.T.S.				344		344
3.4 Loans						
4. Financial assets held to maturity						
Total assets	6 839		6 839	2 621		2 621
Financial liabilities						
1. Deposits from banks						
2. Due to customers						
3. Debt securities in issue						
Total liabilities						

Section 7 – Net change in value of financial assets and liabilities at fair value – Item 110

7.1 Net change in value of financial assets and liabilities at fair value: breakdown

	Capital gains (A)	Realised capital gains (B)	Capital losses (C)	Realised capital losses (D)	Net result (A+B)-(C+D)
1. Financial assets			26	(17)	9
1.1 Debt securities					
1.2 Equities					
1.3 Unit in investments funds			26	(17)	9
1.4 Borrowing					
2. Financial liabilities					
2.1 Debt securities					
2.2 Deposits from banks					
2.3 Customers deposits					
3. Financial assets and liabilities denominated in foreign currency: exchange differences					21
4. Total derivatives					
TOTAL			26	(17)	30

Section 8 – Net value adjustments for impairment - Item 130

8.1 Net value adjustments for the impairment of loans: breakdown

Operations/Redditudal components	Writedowns (1)			Writebacks (2)			Total 12/31/2010	Total 12/31/2009	
	Write-offs	Other	Portfolio	Specific		Portfolio			
				Interest	Other writebacks	Interest			Other writebacks
A. Loans to banks									
- Loans									
- Debt securities									
B. Loans to customers	(6)						(6)	(5)	
- Loans	(6)						(6)	(5)	
- Debt securities									
C. Total	(6)						(6)	(5)	

8.2 Net adjustments for impairment of financial assets available for sale: breakdown

Transactions/Income-linked components	Writedowns (1)		Write-backs (2)		12/31/2010	12/31/2009
	Specific		Specific			
	Write-offs	Others	Interest	other write-backs		
A. Debt securities						
B. Equity securities						
C. U.C.I.T.S.						(1 217)
D. Loans to banks						
E. Loans to customers						
Total						(1 217)

Section 9 – Administrative expenses – Item 150

9.1 Payroll: breakdown

Type of expense/Amounts	12/31/2010	12/31/2009
1) Employees	32 838	31 372
a) Salaries and wages	23 450	21 649
b) Social contributions	5 177	4 480
c) Employee severance indemnities	720	
d) Pension costs		
e) Provision for employee severance indemnities	218	366
f) Provision for pensions and similar obligations commitments:		
- defined-contribution		
- defined-benefit		
g) Payments to external supplementary pension funds:		
- defined-contribution	971	1 811
- defined-benefit	971	1 811
h) Costs deriving from payment agreements based on own capital instruments	251	1 030
i) Other personnel benefits	2 051	2 036
2) Other staff in activities	887	725
3) Directors and auditors	1 826	1 852
4) Staff retirement		
5) Recovery of costs for employees seconded to other companies	(1 114)	(959)
6) Reimbursement of expenses for employees at the company posted third	7	30
Total	34 444	33 020

Sub-item *h*) *Cost deriving from payment agreements based on own capital instruments* includes the charges relating to 2010 for the services rendered by the personnel, valued on the basis of the equity instruments assigned to them. the corresponding value of € 251 thousand (€ 1,030 thousand in 2009) has been credited to an equity reserve, in accordance with IFRS 2.

9.2 Average number of employees, by level

	12/31/2010	12/31/2009
a) Managers	46	44
b) Middle managers	112	116
c) Other employees	63	64
Total employees	221	224
Other personnel	17	13

9.4 Other personnel benefits

The balance of € 2,051 thousand is made up principally of redundancy incentives (€ 1,281 thousand), personnel insurance cover (€ 487 thousand) and luncheon vouchers (€ 237 thousand).

9.5 Other administrative expenses: breakdown

Type of expense/Sectors	12/31/2010	12/31/2009
- Telephone, post office and data transmission	4 077	4 393
- Security and cash counting	180	196
- Legal, information and search expenses	1 312	1 838
- Professional fees	2 698	2 292
- Power, heating and water	182	43
- Advertising, entertainment and charity	214	215
- Insurance premiums	399	383
- Transport	1 037	1 052
- Maintenance and rent	2 721	3 462
- Hardware and software hire and maintenance	4 985	4 253
- Newspapers and magazine subscriptions	90	93
- Stationery and printed matter	227	270
- Membership fees	130	130
- Office cleaning	227	215
- Indirect taxes	50	40
- Other expenses	975	770
Total	19 504	19 645

The sub-item *Telephone, post office and data transmission* includes € 3,510 thousand for connections to databases (Reuters, Bloomberg and Borsa Italiana) and € 567 thousand for telephone connections and expenses.

The sub-item *Hardware and software hire and maintenance* mainly includes expenses incurred by the Bank: € 1,881 thousand for the Murex system, € 1,408 thousand for the IT outsourcer Cedacri and € 686 thousand for software user licences.

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

10.1 Net provisions for risks and charges: breakdown

Line items	12/31/2010	12/31/2009
Agents' severance indemnities	(114)	(59)
Other	4 629	(7 365)
Total	4 515	(7 424)

Section 11 – Net value adjustments to property, plant and equipment - Item 170

11.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income elements	Amortisation (a)	Net adjustments for impairment of (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	(896)			(896)
- for use in the business	(896)			(896)
- for investment purposes				
A.2 Acquired under finance leases				
- for use in the business				
- for investment purposes				
Total	(896)			(896)

Section 12 – Net adjustments to intangible assets – Item 180

12.1 Net adjustments to intangible assets: breakdown

Assets/Income elements	Amortisation (a)	Net adjustments for impairment (b)	Write-backs (c)	Net result (a + b – c)
A. Intangible assets				
A.1 Owned		(715)		(715)
- Generated internally				
- Other		(715)		(715)
A.2 Acquired under finance leases				
Totale		(715)		(715)

Section 13 – Other operating charges/income - Item 190

13.1 Other operating charges: breakdown

Line items	12/31/2010	12/31/2009
Other	148	304
Total	148	304

13.2 Other operating income: breakdown

Line items	12/31/2010	12/31/2009
1) Expense recovery	1 088	1 056
2) Other	846	284
Total	1 934	1 340
Other operating charges/income – net balance	1,786	1,036

Section 14 – Share of profit (loss) of investments – Item 210

14.1 Share of profit (loss) of investments: breakdown

Income elements/Sectors	12/31/2010	12/31/2009
1) Joint controlled		
A. Income		
1. Revaluations		
2. Gains on sale		
3. Writebacks		
4. Other income		
B. Charges		
1. Writedowns		
2. Writedowns for impairment		
3. Losses on sale		
4 Other charges		
Net change in value		
2) Associates		
A. Income		
1. Revaluations		
2. Gains on sale		
3. Writebacks		
4. Other income		
B. Charges		
1. Writedowns		(43 682)
2. Writedowns for impairment		
3. Losses on sale		
4 Other charges		
Net change in value		
(43 682)		
3) Subsidiary companies		
A. Income		
1. Revaluations		
2. Gains on sale		
3. Writebacks		
4. Other income		
B. Charges		
1. Writedowns		
2. Writedowns for impairment		(43 753)
3. Losses on sale		
4 Other charges		(81)
Net change in value		
(43 834)		
Total		
(87 516)		

Section 17 – Gains (losses) on disposal of investments - Item 240

17.1 Gains (losses) on disposal of investments: breakdown

Income elements/Sectors	12/31/2010	12/31/2009
A. Buildings		
- Gains on sale		
- Losses on sale		
B. Other assets		(3)
- Gains on sale		
- Losses on sale		(3)
Net result		(3)

Section 18 – Income taxes on current operations – Item 260

18.1 Income taxes on current operations: breakdown

Income element/Sectors	12/31/2010	12/31/2009
1. Current taxes	832	591
2. Change in current taxes from previous years	26	(448)
3. Reduction in current taxes for the years		
4. Change in deferred tax assets	1 460	(1 666)
5. Change in deferred tax liabilities	27	(12)
6. Income taxes for the year	2 345	(1 535)

18.2 Reconciliation between theoretical tax charge and effective tax charge

Description	12/31/2010	12/31/2009
Standard rate of income tax IRES (Italian tax)	27.50%	27.50%
Effect of increases (decreases) with respect to the ordinary rate:		
Exempt income	(4.34)%	
Dividends	(18.60)%	
Non-deductible costs	0.64%	
Rate change on reversal of deferred tax assets/liabilities	0.03%	
Effective rate of income tax (IRES)	5.23%	

The table above was not completed for 2009 because the fiscal charges result positive (€ 1,535 thousand).

Section 21 – Earnings per share

21.1 Average number of ordinary shares on dilution of the share capital

Earnings per share	Attributable earnings (*)	Weighted average number of ordinary shares	Euro
Basic EPS	31,043,980	246,831,755	0.1258
Diluted EPS	31,043,980	265,175,002	0.1171

(*) The earnings obtained by deducting the earnings attributable to the "B" shares from the result for the year,

21.2 Other information

Earnings attributable to the ordinary shares:

Net profit for the year	38,804,975
less:	
Earnings attributable to the "B" shares	7,760,995
Earnings attributable to the ordinary shares	31,043,980

Weighted average number of ordinary shares on dilution of the share capital:

Weighted average number of ordinary shares in circulation (for basic EPS)	246,831,755
plus:	
weighted dilutive effect of potential exercise of stock options assigned	17,691,877
weighted dilutive effect of potential exercise of stock warrants assigned	651,370
Weighted number of ordinary shares on dilution of the share capital (for diluted EPS)	265,175,002

The "B" shares are entitled to receive a certain percentage of the net profit, as well as of any other reserve that is distributed, other than the share premium reserve; this percentage is higher than the amount due to the ordinary shares as laid down in art. 7.2 of the Articles of Association.

PART D - COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Taxes on revenue	Net amount
10.	Net income (loss)	X	X	38 805
	Other components of income			
20.	Available for sale assets:	(4 515)	(327)	(4 842)
	a) changes in fair value	2 325	(751)	1 574
	b) reclassification through profit or loss	(6 840)	424	(6 416)
	- value adjustment for impairment			
	- profit (loss) following disposall	(6 840)	424	(6 416)
	c) other changes			
30.	Property, plant and equipment			
40.	Intangible assets			
50.	Hedges of foreign investments:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
60.	Cash flow hedges:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
70.	Exchange differences:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
80.	Non-current assets classified as held for sale:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
90.	Actuarial gain (loss) on plan assets of defined-benefit			
100.	Valuation reserves of equity investments - at equity			
	a) changes in fair value			
	b) reclassification through profit or loss			
	- value adjustment for impairment			
	- profit (loss) following disposall			
	c) other changes			
110.	Total other elements	(4 515)	(327)	(4 842)
120.	Total profitability (Item 10+110)	X	X	33 963

PART E – INFORMATION ON RISKS AND HEDGING POLICIES

As foreseen in the Bank of Italy Circular 263 of 27 December 2006, chapter IV), the information for public disclosure (Pillar III) will be published on the Banca Leonardo Group's website (www.bancaleonardo.com).

Section 1 – Risks of the Banking Group

1.1 Credit risk

Information of a qualitative nature

1. General aspects

Credit risk derives from the possibility that a counterparty of the Banca Leonardo Group may not be able to meet its obligations.

Considering the Group structure, credit risk is largely with the Bank.

According to the nature of these obligations, Gruppo Banca Leonardo S.p.A.'s credit risk can be split into two categories:

- a) credit risk deriving from lending to private individuals and businesses: this is carried out principally as a service in support of the private banking activity;
- b) credit risk deriving from trading on own account/treasury activities and dealing on behalf of third parties: this is the risk that the counterparty in a transaction involving financial instruments may not fulfil their contractual obligations on the due date; it can in turn be split into four different types:
 - 1) banking risk (e.g. deposits),
 - 2) issuer risk (e.g. bonds purchased),
 - 3) counterparty risk (e.g. positive mark-to-market of OTC transactions) and
 - 4) settlement risk (generated mainly in activities in Delivery versus Payment).

The first three are generated above all in trading on own account and treasury activities, whereas the fourth arises mainly in dealing on behalf of third parties.

Lending to private individuals and businesses has grown in relative terms compared with the previous year. In absolute terms, the amount of these loans is limited. At 31 December 2010 cash credit lines amount to € 361 million, of which € 61 million of loans (€ 72 million at the end of 2009) and € 300 million of drawn-down overdrafts (€ 176 million in 2009). Note that these loans are almost entirely guaranteed by pledged securities or property mortgages.

2. Credit risk management policies

2.1 Organizational aspects

Control and management of the credit risk deriving from trading and dealing activities, on the other hand, envisage a process of delegation to the operating areas, which are authorised to take on credit risk in compliance with a detailed structure of operating limits. This process of taking on credit risk involves the following persons:

- the Managing Director, who delegates the taking on of credit risk to the operating areas in accordance with predefined limits of amount, type and counterparty;
- the operating areas (Trading on Own Account and Dealing on behalf of Third Parties), which take on credit risk as part of their normal operations within set limits. Taking on credit risks that are over the Areas' set limits requires the approval of the Managing Director;
- the Risk Management and Control Committee, which supports the Managing Director in setting up the system of measuring and monitoring credit risk, defining operating limits, analysing any overruns and evaluating authorisations to exceed limits;
- the Risk Management function which checks compliance with the operating limits on a day-to-day basis, immediately highlighting any unauthorised overruns to Top Management.

In the activities on behalf of third parties, i.e. only for DVP (Delivery Versus Payment) risk and for handling unforeseen temporary needs, there is a temporary authorisation to exceed the limit, for which responsibility has been assigned to the General Manager's office, having heard Risk Management's opinion.

In the process of controlling and managing credit risk deriving from lending activities, the Bank's credit procedures have remained heavily concentrated in the hands of those delegated by the articles of association (Board of Directors or the Managing Director) or in the hands of the collective body set up by the Board of Directors, namely the Credit Committee, limiting the powers delegated to the operating structure to urgent procedures or temporary overruns only.

In particular, the powers for granting credit are held by the Managing Director. For the approval of credit lines below a certain threshold, which can vary depending on the type of guarantee available to lower the risk, lending power is solely in the hands of the Credit Committee.

2.2 Management, measurement and control systems

Monitoring credit risk in the Trading on Own Account and Dealing on behalf of Third Parties Areas, as well as identifying overruns compared with the operating limits is delegated to the Risk Management function.

Risk Management looks after measuring credit risk by applying a specific Group methodology, which has been validated by the Risk Management and Control Committee and approved by the Managing Director.

This methodology envisages, in particular, the definition of:

- a group of approved counterparties with which the operating areas are authorised to do business. For each counterparty there has been defined the type of risk that the Gruppo Banca Leonardo S.p.A. is willing to take on and the maximum amount of exposure that is acceptable;
- methods of quantifying credit risk by type of financial instrument, distinguishing between regulatory risk, counterparty risk, issuer risk and banking risk;

- methods of quantifying any *add-on* to be applied to the nominal value of derivative contracts, differentiating by maturity and margin payments, if any.

For the quantification of the maximum amount of exposure to each counterparty, the method provides for the use of an internal rating, which is defined according to the characteristics of the counterparty, the ratings expressed by international rating agencies (Moody's, S&P and Fitch) and the level of credit spread quoted by the market (spreads on credit defaults swaps), if they exist.

Lending to private individuals and businesses, which is mainly carried out with guarantees and linked mainly to the private banking activity, is monitored by the Administration and Credit Line Control Department of the Bank, which analyses counterparties, checks and monitors guarantees, as well as constant updating for the Private Banking service and periodic updating of the Credit Committee. A second-level control is carried out by the Risk Management function.

2.3 Credit risk mitigation techniques

The Bank has provided for the use of (bilateral) netting agreements which, in the case of default, make it possible to offset receivable and payable balances on transactions in financial instruments with the counterparties that have signed such agreements.

Generally speaking, the Bank uses ISDA protocols (for transactions in derivatives) and ICMA protocols (for transactions involving securities). Both make it possible to mitigate credit risk, particularly on transactions in derivatives and - in certain circumstances and for particular products - they can help reduce the amount of regulatory capital being absorbed.

Lending to private individuals and businesses, on the other hand, is carried out mainly with guarantees in the form of pledges on securities and/or real estate mortgages.

2.4 Impaired financial assets

The nature of the lending business carried out to date, the credit management procedures currently followed and the risk mitigation techniques used have all made it possible to limit the presence of impaired financial assets to a very few exceptional cases.

These few cases of credit impairment have so far been handled with the help of external legal consultants.

Information of a quantitative nature

Credit quality

A.1. Performing credit exposures: balances, writedowns, changes, economic and geographical breakdown

A.1.1 Breakdown of credit exposures by portfolio and credit quality (balance sheet figures)

Portfolio / Quality	Non performing	Difficult loans	Restructured exposures	Expired exposure	Other assets	Total
1. Financial assets held for trading					962 873	962 873
2. Financial assets available for sale						
3. Financial assets held to maturity						
4. Loans and advances to banks					389 234	389 234
5. Loans and advances to customers				21	401 556	401 577
6. Financial assets at fair value						
7. Financial assets being sold						
8. Hedging derivatives						
Total 12/31/2010				21	1 753 663	1 753 684
Total 12/31/2009	3				1 699 853	1 699 856

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

Portfolio / Quality	Impaired assets			Performing			Total (net exposure)
	Gross Exposure	Analytic Writedowns	Net Exposure	Gross Exposure	General Writedowns	Net Exposure	
1. Financial assets held for trading				962 873		962 873	962 873
2. Financial assets available for sale							
3. Financial assets held to maturity							
4. Loans and advances to banks				389 234		389 234	389 234
5. Loans and advances to customers	383	(362)	21	401 625	(69)	401 556	401 577
6. Financial assets at fair value							
7. Financial assets being sold							
8. Hedging derivatives							
Total 12/31/2010	383	(362)	21	1 753 732	(69)	1 753 663	1 753 684
Total 12/31/2009	501	(498)	3	1 699 922	(69)	1 699 853	1 699 856

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

Type of exposure/Amounts	Gross Exposure	Specific Writedowns	Portfolio Writedowns	Net Exposure
A. Cash exposures				
a) Non performing				
b) Difficult loans				
c) Restructured exposures				
d) Expired exposures				
e) Other assets	577 216			577 216
Total A	577 216			577 216
B. Off-balance sheet exposures				
a) Impaired				
b) Other	603 848			603 848
Total B	603 848			603 848
Totale (A+B)	1 181 064			1 181 064

A.1.6 Cash and off-balance sheet credit exposures to customers: gross and net amounts

Type of exposure/Amounts	Gross Exposure	Specific Writedowns	Portfolio Writedowns	Net Exposure
A. Cash exposures				
a) Non performing	362	(362)		
b) Difficult loans				
c) Restructured exposures				
d) Expired exposures	21			21
e) Other assets	694 617		(69)	694 548
Total A	695 000	(362)	(69)	694 569
B. Off-balance sheet exposures				
a) Impaired				
b) Other	170 676			170 676
Total B	170 676			170 676

A.1.7 Cash credit exposures to customers: trend in impaired exposures (gross)

Description/Category	Non performing	Difficult loans	Restructured exposures	Expired exposures
A. Opening gross exposure	501			
- of which: exposures sold but not derecognised				
B. Increases				21
B.1 Transfers from performing loans				21
B.2 transfers from other categories of impaired exposures				
B.3 Other increases				
C. Decreases	(139)			
C.1 Transfers to performing loans				
C.2 Derecognitions	(104)			
C.3 Amounts recovered	(35)			
C.4 Realised on sale				
C.5 Transfers to other categories of impaired exposures				
C.6 Other decreases				
D. Closing gross exposure	362			21
- of which: exposures sold but not derecognised				

A.1.8 Cash exposures to customers: trend in overall writedowns

Description/Category	Non performing	Difficult loans	Restructured exposures	Expired exposures
A. Opening total writedowns	498			
- of which: exposures sold but not derecognised				
B. Increases	3			
B.1 Writedowns	3			
B.2 Transfers from other categories of impaired exposures				
B.3 Other increases				
C. Decreases	(139)			
C.1 Write-backs on valuation				
C.2 Write-backs on amounts recovered	(35)			
C.3 Derecognitions	(104)			
C.4 Transfers to other categories of impaired exposures				
C.5 Other decreases				
D. Closing total writedowns	362			
- of which: exposures sold but not derecognised				

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of cash and off-balance sheet exposures by external rating classes

Exposures	External rating classes						Without rating	Total 12/31/2010
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash Exposures	299 815	55 933	20 893	20 067			875 077	1 271 785
B. Derivatives							292 737	292 737
B.1 Financial derivatives							292 224	292 224
B.2 Credit derivatives							513	513
C. Guarantees issued							87 043	87 043
D. Other commitments to disburse funds		5 000					389 744	394 744
Total 12/31/2010	299 815	60 933	20 893	20 067			1 644 601	2 046 309

The rating agency used for this classification is Moody's and the risk categories coincide with those of the mapping recommended by the Bank of Italy's Circular n. 263 (credit risk - standard approach).

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.2 Guaranteed credit exposures to customers

	Amount of the exposure	Secured guarantees (1)			Unsecured guarantees (2)								Total (1)+(2)		
		Buildings	Securities	Other collateral	CLN	Credit derivatives				Guarantees issued					
						Other derivatives				Governments and central banks	Other public entities	Banks		Others	
						Governments and central banks	Other public entities	Banks	Others						
1. Credit exposures cash guaranteed:															
1.1 totally guaranteed	278 849	117 750	149 381	575										11 720	279 426
- of which impaired															
1.2 partially guaranteed	75 990	30 412	40 791	1 146											72 349
- of which impaired															
2. Credit exposure off-balance-guaranteed:															
2.1 totally guaranteed	80 281	7 088	62 002	442											69 532
- of which impaired															
2.2 partially guaranteed	25 559		6 877												6 877
- of which impaired															

B. Distribution and concentration of credit exposures

B.1 Distribution by sector of cash and off-balance sheet credit exposures to customers (book value)

	Governments			Other public entities			Finance companies			Insurance companies			Non-financial enterprises			Others		
	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns
A. Cash exposures																		
A.1 Non performing								(204)										(158)
A.2 Difficult loans																		
A.3 Restructured exposures																		
A.4 Expired exposures												2					19	
A.5 Other exposures	262 280						76 946					219 107				136 215		(69)
Total	262 280						76 946	(204)				219 109				136 234	(158)	(69)
B. Off-balance sheet exposures																		
B.1 Non performing																		
B.2 Difficult loans																		
B.3 Other impaired assets																		
B.4 Other exposures	11 573						24 282			10 000		122 088			2 733			
Total	11 573						24 282			10 000		122 088			2 733			
Total 2010	273 853						101 228	(204)		10 000		341 197			138 967	(158)	(69)	
Total 2009	501 116						175 882			10 516		243 882			89 104	(498)	(69)	

B.2 Geographical distribution of cash and off-balance sheet credit exposures to customers (book value)

Exposure/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
A. Cash exposures										
A.1 Non performing		(158)		(204)						
A.2 Difficult loans										
A.3 Restructured exposures										
A.4 Expired exposures	21									
A.5 Other exposures	637 684	(69)	29 983		7 828		19 053			
TOTAL	637 705	(227)	29 983	(204)	7 828		19 053			
B. Off-balance sheet exposures										
B.1 Non performing										
B.2 Difficult loans										
B.3 Other impaired assets										
B.4 Other exposures	116 505		50 506		3 658		2		5	
TOTAL	116 505		50 506		3 658		2		5	
TOTAL 2010	754 210	(227)	80 489	(204)	11 486		19 055		5	
TOTAL 2009	911 137	(363)	109 262	(204)	101					

B.3 Geographical distribution of cash and off-balance sheet credit exposures to banks (book value)

Exposure/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
A. Cash exposures										
A.1 Non performing										
A.2 Difficult loans										
A.3 Restructured exposures										
A.4 Expired exposures										
A.5 Other exposures	389 672		174 174		12 934				436	
TOTAL	389 672		174 174		12 934				436	
B. Off-balance sheet exposures										
B.1 Non performing										
B.2 Difficult loans										
B.3 Other impaired assets										
B.4 Other exposures	293 355		309 989		504					
TOTAL	293 355		309 989		504					
TOTAL 2010	683 027		484 163		13 438				436	
TOTAL 2009	331 606		418 415		830					

B.3.1 Distribution by geographical area of cash and off-balance sheet credit exposures to banks resident in Italy (book value)

Exposure/Geographical areas	NORTH WEST ITALY		NORTH EAST ITALY		CENTRAL ITALY		SOUTH ITALY	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash exposures								
A.1 Non performing								
A.2 Difficult loans								
A.3 Restructured exposures								
A.4 Expired exposures								
A.5 Other exposures	184 070		18 045		187 558			
TOTAL	184 070		18 045		187 558			
B. Off-balance sheet exposures								
B.1 Non performing								
B.2 Difficult loans								
B.3 Other impaired assets								
B.4 Other exposures	88 414		199 488		5 004			
TOTAL	88 414		199 488		5 004			
TOTAL 2010	272 484		217 533		192 562			

B.4 Large exposures

The sixth amendment of the Circular 263 “Rules for Prudent Bank Supervision”, issued on 27 December 2010, reviewed the Prudential rules related to “large exposures”. In particular, based on these new rules, the large exposures have to be shown in the financial statements not only for their weighted value, but also at their book value (face value).

At 31 December 2010 Gruppo Banca Leonardo S.p.A. has 5 large exposures as reported below.

Description	Total book value 2010	Total weighted value 2010
a) Amount	522,684	109,780
b) Number	5	5

C. Securitisations and asset assignments

C.2 Business transfers

C.2.1 Financial assets sold but not eliminated

	Financial assets held for trading			Financial assets at fair value			Financial assets available-for-sale			Financial assets Held-to-maturity			Loans and receivables with banks			Loans and receivables with customers			Total	
	fully booked (book value)	partially booked (book value)	partially booked (entire value)	fully booked (book value)	partially booked (book value)	partially booked (entire value)	fully booked (book value)	partially booked (book value)	partially booked (entire value)	fully booked (book value)	partially booked (book value)	partially booked (entire value)	fully booked (book value)	partially booked (book value)	partially booked (entire value)	fully booked (book value)	partially booked (book value)	partially booked (entire value)	12/31/2010	12/31/2009
A. Balance-sheet assets																				
1. Debt securities	326 692																		326 692	604 899
2. Equities																				
3. U.C.I.T.S.																				
4. Loans																				
B. Derivatives																				
Total 12/31/2010	326 692																		326 692	
<i>in which impaired</i>																				
Total 12/31/2009	604 899																		604 899	
<i>in which impaired</i>																				

C.2.2 Financial liabilities for assets sold but not eliminated

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans and receivables to banks	Loans and receivables to customers	Total
1. Deposits from customers							
a) Relating to assets shown in full	236 241						236 241
b) Relating to assets shown in part							
2. Deposits from banks							
a) Relating to assets shown in full	86 507						86 507
b) Relating to assets shown in part							
3. Securities issued							
a) Relating to assets shown in full							
b) Relating to assets shown in part							
Total 12/31/2010	322 748						322 748
Total 12/31/2009	585 025						585 025

Section 2 - Market risks

A. General aspects

Market risk is the risk of portfolio losses caused by negative fluctuations in the value of market variables, such as interest or exchange rates, or the prices of equities or raw materials underlying derivative contracts.

The person responsible for taking on market risk (known internally as "financial risk") is the Managing Director, who takes an active role in this area, issuing directives on risk management and control, in accordance with the guidelines laid down by the Board of Directors. The Managing Director delegates the taking on and management of market risk, within pre-established limits that are constantly monitored, to the Trading on Own Account, Advanced Treasury and Capital Markets Area, which operates independently within the limits assigned to it.

Within this Area, the activities involved in taking on risk (trading) are separated into similar groups according to their financial risk profile, so as to ensure the best possible capacity for identifying and managing risks, as well as measurable feedback in terms of risk/return. This approach is reflected in the breakdown of positions into so-called "risk books": each book is a folder that gathers together similar transactions in terms of the type of risk, which are then managed in the same way.

The taking on and handling of market risk are totally segregated from the confirmation, settlement, checking and execution generally (activities performed by the Middle and Back Offices), as well as from risk management.

Market risk management processes and measurement methods

Gruppo Banca Leonardo S.p.A.'s system of measuring financial risks and the setting of operating limits is based on the use of statistical tools, specifically three ways of measuring potential losses: Value at Risk, Expected Shortfall and stress test. These measurements are defined as follows:

- Value at Risk (**VaR**) is defined as the maximum loss that the Bank is willing to incur, with a probability equal to a set confidence interval, in the event of adverse market movements on the positions taken;
- Expected Shortfall (**ES**) is defined as the average loss that the Bank is willing to incur in the event of the VaR being exceeded.
- Stress tests are defined as the loss that the Bank is willing to incur in the event of particularly negative scenarios for the principal risk factors (share prices and indices, interest rates, exchange rates, volatility, credit spreads, dividends).

VaR and ES are calculated with a historical methodology (at least one year of data with scenarios updated at least once a quarter), a daily time horizon and a confidence interval of 99%.

Stress tests are calculated by simulation on extreme scenarios for the main risk factors, starting from the worst ever movements recorded in the history of world financial markets.

The revaluation of the portfolio based on the individual scenarios is carried out on a "full revaluation" basis (i.e. recalculating the value of the assets), avoiding the risk of approximations when there are derivatives involved.

In addition to VaR, ES and stress tests, an indicator of realised losses is also used: this is called WCL (Weekly Cumulated Loss) and is defined as the sum of the negative results realised on positions already closed and those that are latent in open positions, measured at market value based on the last five working days.

Financial risk limits are set in terms of VaR, ES, stress tests and WCL and the Trading on Own Account, Advanced Treasury and Capital Markets Area is required to comply with them on a daily basis.

Daily monitoring of compliance with the limits is performed by the Risk Management function, which updates Top Management every day with specific reports on the level of risk taken on and compliance with the operating limits.

The monitoring and control of risk is performed by tools that are able to minimise the time needed to calculate risks and to measure changes in the risk positions taken on by the Area on a timely basis. More in detail, the set-up of these control systems permits:

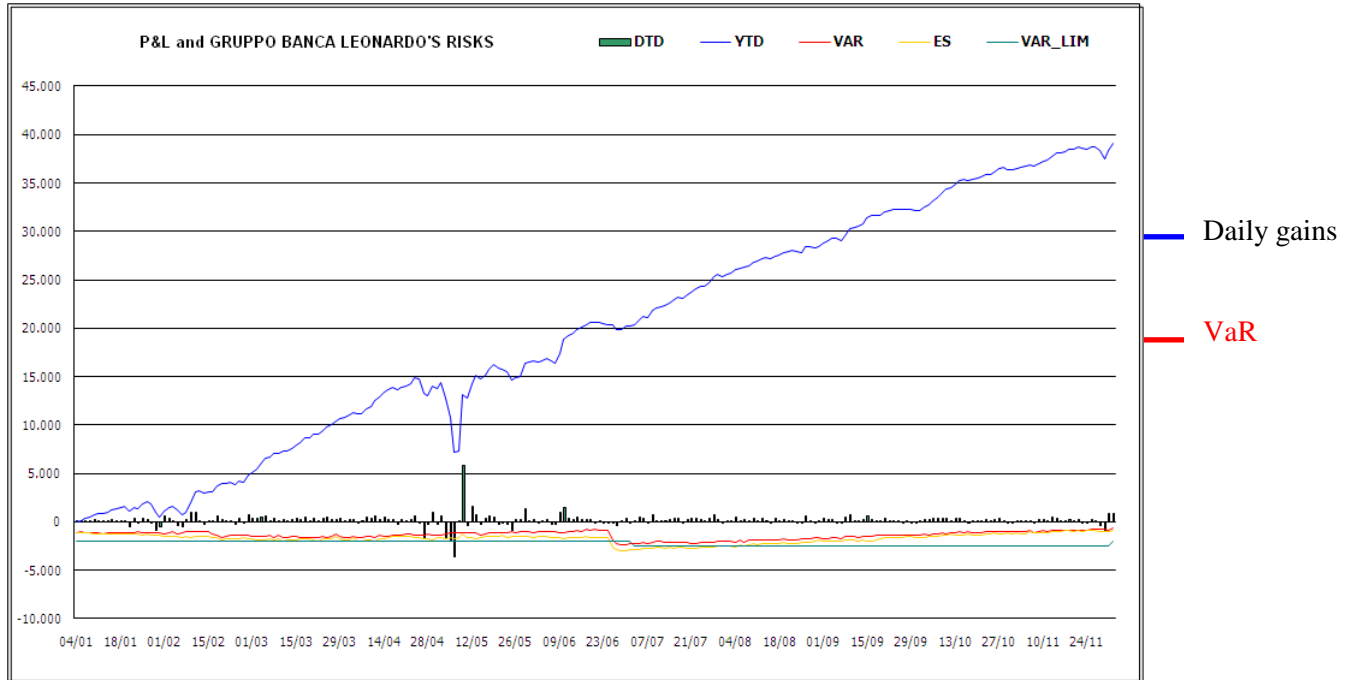
- real time monitoring of exposures, profits and risks (automatic data feed against the risk parameters and continuous revaluation of the position, ability to calculate the VaR of the position at any moment in time);
- monitoring the trend in P&L and risks at different levels of aggregation, from the individual instrument, to the risk book, up to the overall exposure of the Area. The entire exposure to risk is in fact represented in the MXG2000 position keeping system;
- inclusion in the system of new risks generated by the Bank's business, which by its very nature is in continuous, rapid evolution;
- the treatment of derivatives together with the respective underlyings, in terms of both valuation and the calculation of risk.

In the event of operating limit overruns, there is a procedure for highlighting them and, if needs be, authorising them. Risk Management reports overruns on a timely basis to Top Management and the Managing Director decides how to proceed.

When setting up market risk measurement systems and defining operating limits, as well as in the monitoring of compliance with such limits, the Managing Director has the support of a specific Risk Management and Control Committee. In particular, the Committee has consultative functions in the following matters:

- the assignment and revision of limits in terms of VaR, ES, stress tests and WCL for the Trading on Own Account, Advanced Treasury and Capital Markets Area;
- the assignment of any additional limits, established in terms of factor sensitivity (i.e. the sensitivity of the portfolio to individual risk factors), nominals, etc.;
- periodic analysis of the Bank's risk exposure and identification of the causes of any anomalous trends;
- monitoring the risks taken on and general compliance with the limits set by management;
- total or partial suspension of activities involving financial instruments;
- analysis of the normal, day-to-day business and any extraordinary events resulting from particular market turbulence, as well as of the macroeconomic scenarios.

The following chart shows the trading activity's daily P&L trend (YTD) during the reference period, the trend in Value at Risk (VaR) and the expected shortfall (ES), with a comparison with the operating limits (VAR_LIM).



During 2010, there were huge fluctuations in the spreads on Italian government securities, which obviously had an impact on the level of risk of the trading portfolio. As a result, VaR kept rising during the first half of the year, above all because of the effect of updating the risk scenarios taking place on the market, subsequently falling progressively in line with the reduction in portfolio positions and as the maturities of the bonds held came closer.

During the period there were four overruns in VaR compared with the operating limits and one overrun of the Expected Shortfall. At the end of the year, VaR amounted to Euro 0.35 million. The average daily VaR during the course of the year was € 1.3 million with a high of € 2.38 million.

In order to verify the robustness of the method used to calculate VaR, the Risk Management function periodically carries out retrospective tests (known as "backtesting"), which involves comparing the effective results of trading after the fact with the measurements of VaR calculated beforehand. In fact, due to the fluctuations, there have been occasions where the daily losses effectively incurred during 2010 higher than the risk measured in advance in terms of daily VaR. The WCL limits were exceeded on three occasions.

Apart from what was originated by the Trading on Own Account Area, Gruppo Banca Leonardo S.p.A. took on limited positions in equities, as decided directly by the Managing Director, with a view to investing in the longer term. The additional VaR of these positions is very low, quantifiable at around € 0.2 million.

2.1 Interest rate risk and price risk - trading book for supervisory purposes

Information of a qualitative nature

A. General aspects

The interest rate risk on the trading book (as on the banking book) arises from trading on own account in simple and complex financial instruments exchanged both on organised markets and over the counter, originated principally by the Interest Rate Trading and Credit Trading Departments in the Trading on Own Account, Advanced Treasury and Capital Markets Area and by the other operating desks in the Area, though to a far lesser extent and in any case within the limits specifically assigned to them.

The Bank's approach to managing interest rate risk is geared to taking on directional risks and looking for arbitrage opportunities on the market, which often depend on financial instruments having different levels of liquidity.

Price risk on the trading book arises principally from trading on own account in equity instruments (directly or through derivative contracts) by the Equity Trading desk of the Trading on Own Account, Advanced Treasury and Capital Markets Area.

The Bank's approach to managing price risk is traditionally averse to taking on significant directional risks; indeed, the Bank prefers looking for arbitrage opportunities depending on different levels of liquidity of financial instruments.

B. Interest rate risk and price risk management processes and measurement methods

Interest rate risk and price risk are measured and managed as part of the system of operating powers for the management and control of market risk. These risks are measured and related in quantitative terms to the wider concept of market risk in order to manage and control it in terms of the operating limits set for different measurements of risk: WCL, VaR, ES and stress tests.

The method used to measure interest rate and price risk, and subsequently to carry out analyses of sensitivity to these risks and to set the related operating limits, is split into various parts so as to take into consideration:

- a) for interest rate risk, changes in the interest rates that make up the market curve, rate volatility risk and correlation risk. Stress test analyses are also carried out every day on the rate curve, assuming parallel shifts in the curve. (+/-20% for EUR/GBP,CHF and JPY and -25% / +50% for USD and other currencies).
- b) for price risk, the different categories of instruments are adequately represented: straightforward equities, equity indices, funds and baskets. When the figures are aggregated, the contribution made by each share to the overall risk of the book is offset against the position that derives from its presence in an index, basket or fund. The Bank calculates not only the spot risk involved in changes in equity prices, but also the volatility and correlation risk. Lastly, a stress test analysis is carried out, applying predefined scenarios consisting of changes in spot prices from -30% to +30%, the entire structure in terms of volatility (with a maximum expected variation of +40% for equity options and +20% for interest rate options) and the level of dividends with variations from -30% to +30%.
- c) For the risk spread over Libor, the stress scenarios foresee rising variances based on the absolute level of the spread: in particular, they are set at -20/+40 bps for securities with spreads below Libor, -50/+100 bps for securities with spreads of between 0 and 100 bps and -50% /+100% of the spread for securities with spreads of more than 100 bps.

- d) For exchange risk there are stress test scenarios of -15%/+15% of all exchange rates against the Euro.

This daily testing of the Bank's trading operations makes it possible to identify the P&L trends of each book, with further details available for the books that have interest rate risk. This testing, the results of which are summarised in a daily report sent to Top Management, makes it possible to identify the impact of each risk factor on the revalued exposures: this means that it is possible to carry out backtesting not only at a general level, but also on each specific risk factor.

Gruppo Banca Leonardo S.p.A. does not use internal models for calculating the minimum capital requirements for market risk. They are calculated on the basis of the standard methodology foreseen in the Bank of Italy's circular no. 155 of 18 December 1991.

Information of a quantitative nature

1. Trading book for supervisory purposes: distribution of financial assets and liabilities and financial derivatives by residual duration (repricing date)

Currency - Euro

Type/Residual duration	Sight	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Unspecified maturity
1. Cash assets		116 538	36 530	225 189	54 924	6 734	1	
1.1 Debt securities		116 538	36 530	225 189	54 924	6 734	1	
- with early repayment option		6 031	3 825	10	2 066	135		
- other		110 507	32 705	225 179	52 858	6 599	1	
1.2 Other assets								
2. Cash liabilities	16	322 732		76				
2.1 Repurchase agreements	16	322 732						
2.2 Other liabilities				76				
3. Financial derivatives	1 289 248	2 512 171	628 312	3 796 672	5 081 643	536 082	4 594	
3.1 With underlying security		498 979	233 043	1 102 236	1 339 763	96 689	4 594	
- Options		179 031	166 452	954 145	1 139 782			
+ Long positions		89 226	81 384	475 407	568 509			
+ Short positions		89 805	85 068	478 738	571 273			
- Other derivatives		319 948	66 591	148 091	199 981	96 689	4 594	
+ Long positions		149 708	51 410	128 201	118 911	62 998	2 297	
+ Short positions		170 240	15 181	19 890	81 070	33 691	2 297	
3.2 Without underlying security	1 289 248	2 013 192	395 269	2 694 436	3 741 880	439 393		
- Options		2	4	2	6			
+ Long positions		1	2	1	3			
+ Short positions		1	2	1	3			
- Other derivatives	1 289 248	2 013 190	395 265	2 694 434	3 741 874	439 393		
+ Long positions	1 087 440	1 119 958	116 384	1 066 442	1 695 635	202 320		
+ Short positions	201 808	893 232	278 881	1 627 992	2 046 239	237 073		

Currency – Other currencies

Type/Residual duration	Sight	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with early repayment option						515		
- other				6 852	27 373		1 349	
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
		83				1		
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions		155 819	71 097	33 678	544 165		7 630	
+ Short positions		153 522	112 134	159 509	565 318		7 691	
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions		604 553	358 346	276 237	648 447		3 618	
+ Short positions		787 042	248 582	178 219	651 121		3 393	

As regards the sensitivity to rate changes of the trading and banking books for supervisory purposes, we have simulated a parallel shock in the rate curve of +/- 100 basis points.

Millions of Euro

Parallel rate shock	Impact on the result for the year
- 100 b.p.	+ 5.57
+ 100 b.p.	(5.57)

2. *Trading book for supervisory purposes: distribution of exposures for equities and equity indices by principal countries where listed*

	Listed			Unlisted
	Italy	United States	Other countries	
A. Equities				
- long positions	10 025		1 200	422
- short positions	3 380		7 883	
B. Equity transactions not yet regulated				
- long positions	3 039		982	5
- short positions	6 212		294	5
C. Other equity derivatives				
- long positions	6 053		1 545	1447 607
- short positions	5 949		4 182	1437 445
D. Equity index derivatives				
- long positions	303		4 420	13 633
- short positions	3 673		5 879	13 633

As regards the sensitivity of the trading book for supervisory purposes to price changes, a simulation has been carried out using changes in equity prices of +/- 10%.

Millions of Euro

Price change	Impact on the result for the year
+ 10 %	+ 0.88
- 10 %	+ 0.20

2.2 Interest rate risk and price risk – banking book

Information of a qualitative nature

A. *General aspects, interest rate risk and price risk management processes and measurement methods*

As regards interest rate risk, the banking book's exposures relate to sight liquidity or, in any case, short-term commitments, current account cash balances, initial margins paid to operate on organised markets and collateral paid to counterparties to guarantee operations in OTC derivatives.

Interest rate risk is therefore extremely limited as the Bank does not invest any money in the medium/long-term, while ensuring that borrowing and lending rates are correlated.

Significant variations in market rates would have a positive or negative impact on the portions of liquidity not being used by customers or divisions of the Bank, but only for limited periods of time.

As regards price risk, the banking book at the end of 2010 is exposed as follows:

- the Bank's merchant banking investments for an amount of around € 26.6 million;
- residual units in hedge funds, for an amount of around € 0.3 million.

The main investments mentioned in point a) include Capitototre S.p.A. (€ 11.5 million), Eurazeo Coinvest Sicar (€ 8.9 million) and RHO fund (€ 6.2 million).

The investments mentioned in point b) originated from the start-up of the funds of hedge funds placed in the Italian asset management company. Banca Leonardo invested in the Group's funds of hedge funds as a form of seed capital to give the funds a minimum amount of capital to allow them to start

up with a view to divesting them once the funds reached a certain level. As a result of the crisis that hit the hedge fund sector over the last year, the funds of hedge funds were liquidated and Banca Leonardo directly acquired the residual positions in hedge funds that were being reimbursed. The total amount at the end of 2010 was of € 0.3 million.

As regards the methodological and procedural aspects, reference should be made to the explanations already given for the trading book.

Information of a quantitative nature

1. The banking book: distribution of financial assets and liabilities and financial derivatives by residual duration (repricing date)

Currency - Euro

Type/Residual duration	Sight	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with early repayment option								
- other								
1.2 Loans to banks	48 283	338 948						
1.3 Loans to customers								
- overdraft facilities	299 878							
- other loans								
- with early repayment option	199	34 932	25 000					
- other	41 145	380						
2. Cash liabilities								
2.1 Due to customers								
- current accounts	273 217							
- other deposits								
- with early repayment option								
- other	167	234 797						
2.2 Deposits from banks								
- current accounts	1 469							
- other deposits	87 662	69 040						
2.3 Debt securities								
- with early repayment option								
- other	11	25 000						
2.4 Other liabilities								
- with early repayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions		366 240						
+ Short positions	66 523	296 472	1 265	1 980				

Currency Other currencies

Type/Residual duration	Sight	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Unspecified maturity
1. Cash assets								
1.1 Debt securities								
- with early repayment option								
- other								
1.2 Loans to banks	2 003							
1.3 Loans to customers								
- overdraft facilities	42							
- other loans								
- with early repayment option								
- other								
2. Cash liabilities								
2.1 Due to customers								
- current accounts	2 500							
- other deposits								
- with early repayment option								
- other								
2.2 Deposits from banks								
- current accounts	6 596							
- other deposits								
2.3 Debt securities								
- with early repayment option								
- other								
2.4 Other liabilities								
- with early repayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								

2.3 Exchange rate risk

Information of a qualitative nature

A. General aspects, exchange rate risk management processes and measurement methods

The management of exchange rate risk for the trading book is based on the existing system of powers for the management of financial risks.

In the same way as for interest rates, predefined scenarios have been created for exchange rates, forming the basis for the determination of the VaR and stress tests both of instruments exposed to exchange rate risk and of derivatives, on which operating limits are set.

Information of a quantitative nature

1. Distribution of assets and liabilities and derivatives by currency

Line items	Currency					
	US Dollars	Turkish lira	Romanian Leu	Brasilian real	Russian ruble	Other
A. Financial assets	297	21 706	7 226	1 771		7 352
A.1 Debt securities						
A.2 Equities	201	21 706	6 841	1 771		5 788
A.3 Loans and receivables banks	59		385			1 559
A.4 Loans and receivables to customers	37					5
A.5 Other financial assets						
B. Other assets	16					37
C. Financial liabilities	3 027	1 861				4 599
C.1 Deposits from banks	1 424	1 860				3 312
C.2 Customers deposits	1 519					1 287
C.3 Debt securities	83	1				
C.4 Other financial liabilities	1					
D. Other liabilities						
E. Financial derivatives	1664 061	941 329	714 999	364 787	213 141	58 975
- Options						
+ Long positions						
+ Short positions						
- Others	1664 061	941 329	714 999	364 787	213 141	58 975
+ Long positions	828 367	464 126	359 316	188 629	106 933	22 379
+ Short positions	835 694	477 203	355 683	176 158	106 208	36 596
Total assets	828 680	485 832	366 542	190 400	106 933	29 768
Total liabilities	838 721	479 064	355 683	176 158	106 208	41 195
Difference	(10 041)	6 768	10 859	14 242	725	(11 427)

The following is a sensitivity analysis assuming fluctuations on the part of the euro of +/-10% against all other currencies.

Millions of Euro

Fluctuation of the euro against other currencies	Impact on the result for the year
- 10%	(1.23)
+ 10%	+ 1.23

2.4 Derivative financial instruments

A. Financial derivatives

A.1 Trading book for supervisory purposes: notional values (end of year and average)

Underlyings assets/Derivatives type	Total 12/31/2010		Total 12/31/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	5216 416	93 462	8121 732	182 696
a) Options	367 624	2 060		84 000
b) Swap	4596 584		8121 732	
c) Forward		1 833		5 357
d) Futures		89 569		93 339
e) Others	252 208			
2. Equities and equity indices	6805 598	80 685	2535 694	472 983
a) Options	6800 280	57 949	2535 694	296 587
b) Swap				
c) Forward	5 318	4 131		3 448
d) Futures		18 605		172 948
e) Others				
3. Currency and gold	2006 599		25 672	
a) Options	24 472		20 131	
b) Swap	1009 061			
c) Forward	742 962		5 541	
d) Futures	27 007			
e) Others	203 097			
4. Commodities				
5. Other underlyings				
Total	14028 613	174 147	10683 098	655 679
Average amounts	8378 765	28761 288	4406 784	12246 059

A.3 Financial derivatives: gross positive fair value – breakdown by product

Underlyings assets/Derivatives type	<i>Positive fair value</i>			
	Total 12/31/2010		Total 12/31/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading book to solvency purposes	475 500	1 701	248 504	5 643
a) Options	376 903	1 684	202 426	5 606
b) Interest rate swap	55 211		46 068	
c) Cross currency swap	19 536			
d) Equity swap				
e) Forward	10 865	17	10	37
f) Futures				
g) Others	12 985			
B. Banking book - hedging				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
C. Banking book - other derivatives				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	475 500	1 701	248 504	5 643

A.4 Financial derivatives: gross negative fair value – breakdown by product

Underlyings assets/Derivatives type	<i>Negative fair value</i>			
	Total 12/31/2010		Total 12/31/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading book	492 861	2 193	265 766	
a) Options	377 124	2 154	207 049	
b) Interest rate swap	67 334		58 698	
c) Cross currency swap	32 213			
d) Equity swap				
e) Forward	3 887	39	19	
f) Futures	929			
g) Others	11 374			
B. Banking book - hedging				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
C. Banking book - other derivatives				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	492 861	2 193	265 766	

A.5 OTC financial derivatives – trading book for supervisory purposes: notional values, gross positive and negative fair values by counterparty - contracts not forming part of netting arrangements

Not settled contracts	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	No financial companies	Other issuers
1) Debt securities and interest rates							
- notional value			1137 055				
- positive fair value			10 916				
- negative fair value			26 963				
- future exposure			4 055				
2) Equities and equity indices							
- notional value			1696 488	1 350			
- positive fair value			98 210	37			
- negative fair value			96 622				
- future exposure			54 871	24			
3) Currency and gold							
- notional value			968 558	50 180			
- positive fair value			12 639	3 802			
- negative fair value			19 771				
- future exposure			21 038	178			
4) Other values							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

A.6 OTC financial derivatives – trading book for supervisory purposes: notional values, gross positive and negative fair values by counterparty - contracts forming part of netting arrangements

Settled contracts	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	No financial companies	Other issuers
1) Debt securities and interest rates							
- notional value			2760 973	1318 388			
- positive fair value			38 363	7 484			
- negative fair value			28 287	13 950			
2) Equities and equity indices							
- notional value			3774 843	1332 917			
- positive fair value			210 552	67 430			
- negative fair value			222 060	57 634			
3) Currency and gold							
- notional value			856 069	450 503			
- positive fair value			15 058	11 010			
- negative fair value			13 290	14 283			
4) Other values							
- notional value							
- positive fair value							
- negative fair value							

A.9 Residual life of over-the-counter financial derivatives: notional values

Underlyings/ Residual life	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	7068 141	6982 994	296 188	14347 323
A.1 Financial derivatives on debt securities and interest rates	2009 160	2918 428	288 828	5216 416
A.2 Financial derivatives on equities and equity indices	3704 321	3101 276		6805 597
A.3 Financial derivatives on exchange rates and gold	1354 660	963 290	7 360	2325 310
A.4 Financial derivatives on other types of asset				
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates				
B.2 Financial derivatives on equities and equity indices				
B.3 Financial derivatives on exchange rates and gold				
B.4 Financial derivatives on other types of asset				
Total 12/31/2010	7068 141	6982 994	296 188	14347 323
Total 12/31/2009	5129 203	4956 668	597 227	10683 098

B. CREDIT DERIVATIVES

B.1 Credit derivatives: notional values (end of year and average)

Transactions categories	Trading book at solvency purposes		Banking book	
	single name	basket	single name	basket
1. Purchases of protection				
a) Credit default products	99 073	184 240		
b) Credit spread products				
c) Total return swap				
d) Others				
TOTAL 12/31/2010	99 073	184 240		
AVERAGE AMOUNTS	11 065	84 342		
TOTAL 12/31/2009	92 500	94 600		
2. Sales of protection				
a) Credit default products	99 073	179 240		
b) Credit spread products				
c) Total return swap				
d) Others				
TOTAL 12/31/2010	99 073	179 240		
AVERAGE AMOUNTS	7 337	83 192		
TOTAL 12/31/2009	82 500	70 000		

B.2 OTC credit derivatives: gross positive fair value – breakdown by product

portfolios/Derivatives type	Positive fair value	
	Total 12/31/2010	Total 12/31/2009
	Total	Total
A. Trading book	4 444	2 786
a) Credit default products	4 444	2 786
b) Credit spread products		
c) Total return swap		
d) Others		
B) Banking book		
a) Credit default products		
b) Credit spread products		
c) Total return swap		
d) Others		
Total	4 444	2 786

B.3 OTC credit derivatives: gross negative fair value – breakdown by product

Underlyings assets/Derivatives type	Negative fair value	
	Total 12/31/2010	Total 12/31/2009
	Total	Total
A. Trading book	4 375	2 990
a) Credit default products	4 375	2 990
b) Credit spread products		
c) Total return swap		
d) Others		
B) Banking book		
a) Credit default products		
b) Credit spread products		
c) Total return swap		
d) Others		
Total	4 375	2 990

B.4 OTC credit derivatives: gross positive and negative fair values by counterparty – contracts not forming part of netting arrangements

Not settled contracts	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	No financial companies	Other issuers
Trading book							
1) Purchases of protection							
- notional value			73 600				
- positive fair value			482				
- negative fair value			428				
- future exposure			368				
2) Sales of protection							
- notional value			39 000				
- positive fair value			32				
- negative fair value			467				
- future exposure			195				
Banking book							
1) Purchases of protection							
- notional value							
- positive fair value							
- negative fair value							
2) Sales of protection							
- notional value							
- positive fair value							
- negative fair value							

B.5 OTC credit derivatives: gross positive and negative fair values by counterparty – contracts forming part of netting arrangements

Settled contracts	Governments and Central Banks	Other public entities	Banks	Financial Companies	Insurance Companies	Not financial Companies	Other issuers
Trading book							
1) Purchases of protection							
- notional value			77 500	120 640			
- positive fair value			121	1 369			
- negative fair value			1 119	956			
2) Sales of protection							
- notional value			114 040	113 700			
- positive fair value			1 262	1 178			
- negative fair value			182	1 222			
Banking book							
1) Purchases of protection							
- notional value							
- positive fair value							
- negative fair value							
2) Sales of protection							
- notional value							
- positive fair value							
- negative fair value							

B.6 Residual life of credit derivative contracts: notional values

Underlyings/ Residual life	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Trading book for supervisory purposes		561 626		561 626
A.1 Credit derivatives with "qualified reference obligation"				
A.2 Credit derivatives with "not qualified reference obligation"		561 626		561 626
B. Banking book				
B.1 Credit derivatives with "qualified reference obligation"				
B.2 Credit derivatives with "not qualified reference obligation"				
Total 12/31/2010		561 626		561 626
Total 12/31/2009		339 600		339 600

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	No financial companies	Other issuers
1) Bilateral agreements financial derivatives							
- positive fair value							
- negative fair value							
- future exposure							
- net CTP risk							
2) Bilateral agreements credit derivatives							
- positive fair value							
- negative fair value							
- future exposure							
- net CTP risk							
3) "Cross product" agreements							
- positive fair value			145 883	19 979		1 581	
- negative fair value							
- future exposure							
- net CTP risk							
Total 12/31/2010			145 883	19 979		1 581	
Total 12/31/2009							

The table does not include balances at 31 december 2009 because, as point out in Part F of the Explanatory notes, the netting exposures on OTC derivatives has been applied from 2010.

Section 3 - Liquidity risk

Information of a qualitative nature

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is the possibility that the Bank could find itself unable to meet its cash or delivery commitments, whether foreseen or unforeseen, jeopardising day-to-day operations or the financial position of the Bank.

In this specific case, the Bank again had considerable liquidity at its disposal as the infrastructure investments and purchases of equity investments only partially absorbed the funds that it had available.

Then, as a further source of liquidity, there were the direct deposits which were almost all sight deposits; part of these were used by customers for their overdraft facilities, though in most cases they could be revoked by the Bank.

Surplus funding, together with the available portion of the Bank's capital and reserves, was used by the dealing division mainly in the following ways:

- a) financing cash & carry positions on securities (mainly equities deriving from arbitrage positions or to hedge derivatives with institutional customers);
- b) on the interbank market or in the form of overnight or short-term (maximum 6 months) deposits);
- c) payment of collateral and guarantee margins in connection with the trading and dealing activities.

From an organisational point of view, liquidity management is mainly centralised in the Bank's Trading on Own Account, Advanced Treasury and Capital Markets Area.

Liquidity and forecast cash flows are managed on a daily basis by a dedicated Treasury desk.

Liquidity risk in 2010 was limited, thanks to the adoption of a particularly prudent strategy involving:

- a) the investment of a significant portion of the Bank's liquid funds in instruments with a high level of liquidity (above all shares forming part of the S&P MIB Index) and bonds that can be traded at the Central Bank; (89% of the total at year-end);
- b) the adoption of a conservative liquidity policy (maintaining overnight liquidity positions suitably higher than the Group's cash requirements).

In 2008, Gruppo Banca Leonardo S.p.A. introduced a Group-wide liquidity policy, with detailed limits by product family and an adequate contingency plan to cope with unexpected situations. This policy, as always based on prudence and maintaining positions in liquid or easily negotiable positions, includes operating limits that establish the maximum levels of monetary aggregates that have been authorised in terms of maturities and level of liquidity.

Monitoring the liquidity situation is the responsibility of the Risk Management unit, which performs the following tasks:

- a) on a daily basis it monitors the availability of liquid funds as well as current and future cash requirements;
- b) it checks compliance with the operating limits and the presence of any positions that appear to be illiquid, informing Top Management on a timely basis.

Monitoring the liquidity situation is the responsibility of the Risk Management unit, which performs the following tasks:

- c) on a daily basis it monitors the availability of liquid funds as well as current and future cash requirements;
- d) it checks compliance with the operating limits and the presence of any positions that appear to be illiquid, informing Top Management on a timely basis.

Information of a quantitative nature

1. Distribution of financial assets and liabilities by contractual residual duration

Currency: Euro

Line items/time bands	On Sight	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Unlimited life
Cash assets	402 350	237 139		107 367	61 174	30 333	236 176	153 963	16 185	
A.1 Government securities					38 840	5 952	193 348	103	2	
A.2 Other debt securities				13 256	14 946	24 291	41 548	105 324	5 465	
A.3 U.C.I.T.S.	12 776									
A.4 Loans	389 574	237 139		94 111	7 388	90	1 280	48 536	10 718	
- Banks	48 283	237 139		94 110	6 199				1 500	
- Customers	341 291			1	1 189	90	1 280	48 536	9 218	
Cash liabilities	362 531	543 638		82 930			76	25 000		
B.1 Deposits and current accounts	274 686			82 930						
- Banks	1 469			69 040						
- Customers	273 217			13 890						
B.2 Debt securities								25 000		
B.3 Other liabilities	87 845	543 638					76			
Off-balance sheet transactions	397 006	841 555	56 142	138 958	147 200	173 178	286 471	567 419	101 260	
C.1 Financial derivatives with exchange of capital		201 057	56 142	138 958	146 548	173 161	277 916	199 275	101 236	
- Long positions		132 220	31 132	55 247	48 964	68 558	128 201	119 119	65 269	
- Short positions		68 837	25 010	83 711	97 584	104 603	149 715	80 156	35 967	
C.2 Financial derivatives - With no underlying asset exchange	239 743									
- Long positions	113 418									
- Short positions	126 325									
C.3 Deposits and loans receivable	91 982	91 982								
- Long positions		91 982								
- Short positions	91 982									
C.4 Irrevocable commitments to disburse funds		548 516						355 813		
- Long positions		274 258						77 500		
- Short positions		274 258						278 313		
C.5 Financial guarantees issued	65 281				652	17	8 555	12 331	24	

Currency: Other currencies

Line items/time bands	Sight	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years
Cash assets									
A.1 Government securities							6 841	17 732	
A.2 Other debt securities								9 996	1 345
A.3 U.C.I.T.S.	317								
A.4 Loans									
- Banks	2 003								
- Customers	42								
Cash liabilities									
B.1 Deposits									
- Banks	6 596								
- Customers	2 500								
B.2 Debt securities									
B.3 Other liabilities				83				1	
Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions		90 945	30 638	148 440	166 728	246 836	189 798	544 165	7 630
- Short positions		141 681	36 677	133 962	134 627	217 965	178 219	565 318	7 690
C.2 Financial derivatives - With no underlying asset exchange									
- Long positions	12 203								
- Short positions	11 231								
C.3 Deposits and loans receivable									
- Long positions									
- Short positions									
C.4 Irrevocable commitments to disburse funds									
- Long positions									
- Short positions									
C.5 Financial guarantees issued									

Section 4 - Operational risk

Information of a qualitative nature

A. General aspects, operational risk management processes and measurement methods

Operational risks are those that could cause losses as a result of inadequate or malfunctioning procedures, human resources and internal systems, or external events.

Operational risk does not include strategic reputational risk, whereas it does include legal risk, which is the risk of incurring losses deriving from violations of legal rules or regulations, contractual or non-contractual liability, or other disputes.

Among other things, operational risks include administrative risk (for example, due to non-existent or inadequate line controls), human resource risk (for example, due to insufficient training of employees) and IT risk (for example, weaknesses in IT systems that could cause data losses or operational interruptions).

Gruppo Banca Leonardo S.p.A. has defined an overall framework for handling its operational risks, laying down organisational processes for their measurement, management and control. More in general, the monitoring and control of operational risks forms part of the Group's overall system of controls. For example, risk assessment for Group assets envisages quantification of the original operational risk of each process (unmitigated risk), verification of the control tools and mitigation of the risk, and quantification of residual risks (mitigated risk).

We have also implemented a framework for recording operational risk events, which feeds information on operational risk events and the steps taken to mitigate the risk to a corporate database.

Monitoring of the Banca Leonardo Group's operational risks is the responsibility of the Group Operational Risk Management (ORM) unit, which forms part of the Bank's Risk Management department. The ORM is responsible for developing methodologies for the measurement of risks and the treatment of loss data, including the tools for reporting them. In accordance with the requirements of Basel 2, we have taken steps to get the various lines of business and subsidiaries involved in Operational Risk Management by setting up specific decentralised control functions at the operating units. These are responsible for gathering and checking information on events that have generated operating losses, as well as for evaluating the degree of risk involved in the operating context.

Internal operating losses are picked up by the decentralised control functions, reviewed by the Central Structure and processed by a dedicated IT system (known as OER, "Operational Event Report"). Each event is associated with a risk category according to the definitions laid down in the Basel 2 regulations.

The process of gathering information on events involving operational risk leads to an analysis of the causes and the identification of a possible action plan. This analysis of the causes that triggered off an operational risk event and the identification of corrective action is initiated by the Group ORM. It reports and makes proposals to the Head of Risk Management of the company where the incident took place and to the units responsible for internal control and organisation.

This activity is designed to identify any procedural and organisational changes that ought to be made to cope better with similar incidents in the future and, if possible, to prevent them from happening again.

The Group ORM updates Top Management as soon as possible on the more important operating events. Then, on a quarterly basis, it prepares an analytical report on the trend in Group operational risks, events that have taken place and the steps that were taken to resolve any critical situations.

Information of a quantitative nature

Sixty-one operational risk events were recorded during 2010 (in line with the previous year), where operational risk event is understood as meaning any kind of event that could "potentially" generate a loss for the Group, so not only events that led to an effective loss. Normally, these events do not in fact involve losses, but recording them is important to highlight those areas that are subject to a large number of events that require organisational changes (in the case of process problems), technological changes (in the case of technical problems) and/or training (in the case of problems related to human errors). This makes it possible to mitigate the risk of such events generating real losses in the future, should they repeat.

The higher number of events was due to technical problems. For the most part, these events were managed and resolved without the Bank incurring significant losses (losses that can be associated with operating events in 2010 can be quantified at only € 81 thousand).

PART F – INFORMATION ON SHAREHOLDERS’ EQUITY

SECTION 1 - SHAREHOLDERS’ EQUITY

A. Information of a qualitative nature

The Bank's shareholders' equity consists of its share capital, reserves, share premiums and the net profit for the current year.

Compliance with the minimum capital requirements and the capital ratios is guaranteed by the offices to which this task has been delegated and is checked during the course of the year on a quarterly basis.

B. Information of a quantitative nature

Description	12/31/2010	12/31/2009
Share capital	304,446	303,632
Share premium reserve	114,054	485,942
Legal reserve	60,873	6,529
Other reserves	5,215	22,340
Treasury shares	-	(2,300)
Valuation reserves	1,910	6,752
Net profit (loss) for the year	38,805	(55,884)
Total	525,303	767,011

B.1 Equity: breakdown

	12/31/2010	12/31/2009
Share capital	304 446	303 632
Share premium reserves	114 054	485 942
Reserves	66 088	28 869
- of incomes		
a) Legal reserve	6 529	6 529
b) Statutory reserve		
c) Own shares		
d) Other	5 215	22 340
- other	54 344	
Equity instruments		
Treasury shares (-)		(2 300)
Valuation reserve		
- Financial assets available for sale	1 910	6 752
- Property, plant and equipment		
- Intangible assets		
- Hedging of foreign investments		
- Hedging of financial flows		
- Exchange differences discontinued operations		
- Non-current assets held for sale and discontinued operations		
- Actuarial gain (loss) on plan assets of defined-benefit		
- Changes in valuation reserve pertaining to equity method investments		
- Special revaluation laws		
Net income (loss) of the year	38 805	(55 884)
	Total	767 011

The item *Reserves – Other* amounting to € 54.3 million is part of legal reserve, which totally amounts to € 60.8 million

B.2 Valuation reserves of financial assets available for sale: breakdown

Assets/Amounts	Total 12/31/2010		Total 12/31/2009	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt securities				
2. Equities	68		6 484	
3. U.C.I.T.S.	1 842		268	
4. Borrowings				
Total	1 910		6 752	

B.3 Valuation reserves of financial assets available for sale: changes during the year

	Debt securities	Equities	U.C.I.T.S.	Loans
A. Opening balance		6 484	268	
B. Positive changes			1 574	
2.1 Increase in fair value			1 574	
2.2 Transfer of negative reserves to income statement				
- for impairment				
- from sales				
2.3 Other changes				
3. Negative changes		(6 416)		
3.1 Decreases in fair value				
3.2 Writedowns from impairment				
3.3 Reversal of positive reserves to income statement: on realisation		(6 416)		
3.4 Other changes				
4. Closing balance		68	1 842	

Section 2 - Capital ratios

2.1 Minimum capital requirements

A. Information of a qualitative nature

Regulatory capital is the main tool that the Supervisory Authority has for assessing the stability and solidity of a bank vis-à-vis the entire banking and financial system.

It is also the principal way of monitoring the main capital requirements such as for credit risk, market risks and operational risks.

Regulatory capital has been calculated on the basis of the rules in force as of 31 December 2010, above all the "New Rules for Prudent Bank Supervision" issued by the Bank of Italy with Circular no. 263 of 27 December 2006 and subsequent amendments.

1. Tier 1 capital

The positive elements that take part in determining Tier 1 capital are share capital, share premiums and reserves. The negative ones include intangible assets. Note that, the Bank's Shareholders' Meeting held in April 2010 decided an extraordinary distribution of reserves for € 280.8 million, as already discussed in the report on operations.

The calculation of Tier 1 capital takes account of an estimate of the Bank's dividends for the current year.

The elements to be deducted are an investment in sicavs and finance companies

2. Tier 2 capital

Tier 2 capital is represented by the positive valuation reserves on equities classified as "Financial assets available for sale", net of the portion not to be included (50%).

3. Tier 3 capital

Tier 3 cannot be quantified for lack of suitable elements.

B. Information of a quantitative nature

	12/31/2010	12/31/2009
A. Tier 1 capital prior to the application of prudential filters	485 713	746 257
B. Tier 1 prudent filters		
B.1 Positive prudent filters for IFRS (+)		
B.2 Negative prudent filters for IFRS (-)		
C. Tier 1 gross of deductions (A + B)	485 713	746 257
D. Tier 1 deductions	(2 872)	(13 248)
E. Total Tier 1 (C - D)	482 841	733 009
F. Tier 2 capital prior to the application of prudential filters		13 028
G. Tier 2 capital prudent filters		
G.1 Positive prudent filters for IFRS (+)	1 910	6 752
G.2 Negative filters for IFRS (-)	(955)	(3 376)
H. Tier 2 gross of deductions (F + G)	955	16 404
I. Tier 2 deductions	(955)	(13 248)
L. Total Tier 2 (H - I)		3 156
M. Items to be deducted from total Tier 1 and 2 capital		
N. Total regulatory capital	482 841	736 166
O. Total Tier 3		
P. Regulatory capital including TIER 3 (N + O)	482 841	736 166

The decrease in regulatory capital is due to the reduction in equity following the distribution of reserves for € 280.8 million approved by the Bank in April 2010 after it had been decided that the private equity business was no longer to be considered strategic.

On the other hand, the sale during the year of a Core Tier 1-type hybrid capital instrument issued by a primary Italian bank and subscribed in 2008, resulted in the elements to be deducted having a lower impact.

2.2 Capital adequacy

A. *Information of a qualitative nature*

The following table shows the absorption of regulatory capital in terms of credit risk, market risks and operational risk.

Compared with the situation at December 2009, the following changes led to a contraction in the Tier1 capital ratio from 84.05% to 61.43%; similarly, the Total capital ratio has gone from 84.41% to 61.43%.

In line with the provisions of ICAAP 2010, Credit Risk Mitigation has been applied from this report to the following types of exposure:

- credit lines granted by the Parent Bank to customers in the Private Banking area, guaranteed by pledge or revolving pledge (considered “eligible”);
- the net fair value of over-the-counter derivatives (under bilateral netting agreements) stipulated with the main counterparties operating in countries in whose jurisdictions favourable legal opinions have been obtained.

In the calculation of credit risk, we also made an adjustment to exclude from equity investments the amount of the goodwill already deducted directly from regulatory capital.

The positive effect deriving from the amendments to the adopted methods mentioned previously only partially offset the reduction in the Total Capital Ratio following the distribution of reserves (made during the half-year) and the increase in asset items relating principally to loans and advances to customers.

Market and operational risks have not incurred significant changes.

B. Information of a quantitative nature

Line items/amounts	Unweighted amounts		Weighted/required	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
A.RISK ASSETS				
A.1 Crediti risk and counterparty risk	1710 813	1893 388	666 921	771 215
1. Standardized approach	1710 813	1893 388	666 921	771 215
2. IRB approaches				
2.1 Foundation				
2.2 Advanced				
3. Securitization				
B. Capital requirements				
B.1 Crediti risk and counterparty risk			53 354	61 697
B.2 Market risk			17 267	17 925
1. Standardized approach			17 267	17 925
2. Internal models				
3. Concentration risk				
B.3 Operational risk			13 226	13 407
1. Basic Indicator Approach (BIA)			13 226	13 407
2. Traditional Standardized Approach (TSA)				
3. Advanced Measurement Approach (AMA)				
B.4 OTHER PRUDENT REQUIREMENTS				
B.5 Other elements of calculation				
B.6 TOTAL MINIMUM REQUIREMENTS			62 885	69 772
C. WEIGHTED RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			786 061	872 147
C.2 Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)			61,43%	84,05%
C.3 Tier 1 and 2 capital/risk-weighted assets (total capital ratio)			61,43%	84,41%

PART G – BUSINESS COMBINATIONS

Section 1 - Transactions carried out during the year

1.1 Business combinations

Name	Date of transaction (acquisition of control)	Cost of transaction	Interests	Revenues for the year		Net profit/loss for the year (in €/000)	
				Whole year	From date of combination (**)	Whole year	From date of combination (**)
A) Subsidiaries							
B) Jointly controlled ➤ Aiming S.p.A. (*)	April 2010	30	25% (of which 9% with voting rights)			(717)	(179)
C) Associates							

(***) A company set up by the Bank in April 2010 with three other equal shareholders. This company is not yet operative.

(**) These refer to revenues and profits (losses) attributed to the Group in 2009.

Details of acquisition method and charges

Name	Activity carried on	Method and cost of the acquisition (in €/000)				
		Exchange		Other Charges	Contractual obligations	Total
		Cash	Equity			
A) Subsidiaries						
B) Jointly controlled ➤ Aiming S.p.A.	Real estate hedge funds and distressed assets	30		213 of shareholders' loan	Commitment to capitalise the company up to € 1 million	243
C) Associates						
Business combinations carried out during the year		30		213		243

1.2.1 Other information

Description of transactions

In 2010, there were no particular business combinations, except for the creation of Aiming S.p.A. in April 2010, together with three other equal shareholders. This company is expected to develop its activity in the field of real estate hedge funds and distressed assets. The Bank has undertaken to invest up to a maximum of € 1 million in this company. However, it is not yet operative as its development plans have not yet been implemented.

Note in connection with *Leonardo MIDCAP CF S.A.S.*, the French advisory company started up in 2009, that the Parent Bank or its subsidiary *Leonardo & Co. S.a.s.* has the chance to buy 100% of it during the next 2-3 years on the basis of the put and call options that the buyers and sellers have given each other. As a result of this commitment and the system of corporate governance, the new company will be consolidated, as we said, on a proportional basis until such time that a majority of the voting rights is acquired, whereas the estimated cost of acquiring 100% has already been taken into consideration for supervisory purposes. In February 2011 the Bank acquired a 30% stake (for € 7 million), raising the Group's interest to 40%.

Leonardo & Co. GmbH & Co. KG – On 21 December 2007 the Bank bought a German company involved in advisory services, structured finance and industrial strategy, for a total of € 80 million; of this, € 45.1 million was paid by bank transfer at the time of the agreement, € 24.5 million by issuing 4.9 million shares in the Bank at a price of € 5 per share and € 10.4 million as a variable element to be paid to the former shareholders once certain fiscal benefits have been realised (known as the "earn-out"). This last element of the price will be subject to periodic revisions based on available information and circumstances that allow its value to be estimated.

Following acquisition of control over the company at the end of 2007, allocation of the cost of combination (PPA), which was carried out on a preliminary basis at the end of 2007, was completed in 2008. Considering that *Leonardo & Co. GmbH & Co. KG* is a partnership, part of the credit for deferred tax assets is attributable directly to the Bank as a shareholder.

During December 2008, the Bank carried out a payment to reserves of € 12 million in favour of *Leonardo & Co. GmbH & Co. KG* to provide the funds needed to pay the taxes due at the time of the acquisition and an adequate endowment of capital for German accounting purposes, according to the type of company; at the end of 2009 and at the beginning of 2010, the Bank made two more transfers of € 1 million to reserves to finance the Company's current operations, also considering the losses made in 2009.

The impairment test on the goodwill relating to this controlling interest, based on the criteria explained in the section entitled "Disclosures on going concern, financial risks, impairment tests and uncertainties in the use of estimates" showed that the investment had to be written down by € 43.8 million. This reduction is € 3,6 million higher in the separate financial statements compared with the consolidated financial statements because of the higher book value of the investment compared with the goodwill recorded in the consolidated financial statements; this emerged on completion of the Purchase Price Allocation process, which identified additional net tax assets and the fair value of the order backlog at the time of the acquisition. No signs of impairment arose during 2010 as the company is again making profits and this trend is expected to continue over the coming years.

Reference should be made to Part G of the consolidated financial statements for information on the allocation of the cost of the business combination.

DNCA Finance S.A. – Following the agreement with the shareholders of DNCA Finance SA signed on 20 July 2006, that same year the Bank bought 34% of DNCA Finance SA, a French fund management company, for € 50.8 million. The purchase of a significant minority interest and agreements concerning the company's governance requiring unanimous decisions on the part of the Board of Directors in certain key matters effectively gave the Bank joint control over the company in

The agreements with the shareholders provide for the acquisition of a second tranche (33%) of DNCA's capital, to be carried out by exercising call or put options (respectively by the Bank or by DNCA's minority shareholders) by the end of 2009, also in two sub-tranches of not less than 16.5% and a third tranche to buy the residual 33%, to be carried out by exercising call or put options (respectively by the Bank or by DNCA's minority shareholders) between 2010 and 2014.

During the course of 2007 the Bank reached agreement to anticipate the purchase of a further 16.5% interest in DNCA Finance SA, raising its stake to 50.5% (34% at 31 December 2006). During the first half of 2008 the Bank acquired an additional 16.5% with an outlay of € 51 million leading to a 67% interest.

The previous agreement with the shareholders of DNCA France SA dated 20 July 2006 has therefore been amended in two places. The first was a change in governance, raising the number of board members nominated by the Bank to four out of a total of seven, also giving us European-type call options to buy the rest of the shares (49.5%) in set periods from 2008 to 2013; The second extended the period in which the purchase options could be exercised, transforming the European-type options into American-type options. In July 2008 the Bank waived these call options, as with the purchase of the last portion of 16.5%, there are no longer the contractual restrictions that insisted on unanimity for important decisions (clause to protect minority interests).

Following the acquisition of control and given the put options in the hands of the minority shareholders, the conditions were created for the application in the consolidated financial statements of the accounting rules laid down in paragraph 23 of IAS 32: these involve transferring the portion of equity pertaining to minority interests to financial liabilities and consolidating the company on a line-by-line basis.

Please read Part G of the consolidated financial statements for the accounting method and application of IFRS 3.

In accordance with IAS 39, the put and call options mentioned previously have to be shown at fair value. Given that these options were acquired free of charge and are on shares of an unlisted company with a strike price that is a multiple of the future earnings of DNCA Finance SA, it is impossible to make a reliable estimate of their fair value.

Banque Leonardo S.A. On 21 November 2007 the Bank acquired 74.51% of Banque Leonardo S.A., a French company, for € 18.6 million. It provides asset management and portfolio management services either directly or through its subsidiaries. On 6 December 2007 the Bank took part in the company's increase in capital, paying in € 0.7 million, raising its interest to 74.58%.

In December 2007, Banque Leonardo S.A. obtained authorisation from the French Supervisory Authorities to carry on banking activities.

The acquisition contract, which was signed on 12 April 2007, provides for the whole of Banque Leonardo S.A. to be purchased in two different tranches. The first – for a 74.51% interest - was paid for by bank transfer in November 2007; the second - for the balance – will be settled in the event of Gruppo Banca Leonardo S.p.A. exercising its call option or the minority shareholders exercising their put option, respectively 45 and 60 days after approval of the financial statements for the years ending 2007 to 2011 and, in any case, no later than 15 August 2012, at a strike price defined in the contract

as a multiple of earnings for the year prior to the period when the option is exercised, with a minimum of between € 6 million and € 7 million. In December 2010, following a partial amendment of the contract, the Bank bought a further 15.6% of the shares held by the minority shareholders at a price of € 7.2 million, bringing its holding up to 90.15%. The residual interest continues to be subject to put and call options at a price of € 0.7 million, providing there are no further changes to the original purchase contract.

Given that the minority shareholders have put options with different maturities over a period of 4-5 years, we booked only in the consolidated financial statements a financial liability that takes account of the present value of the acquisition prices, as required by paragraph 23 of IAS 32.

In December 2008, the Bank subscribed its share of the increase in capital of Banque Leonardo S.A. of € 1.5 million out of a total of € 2 million, which was needed to re-establish the minimum level of regulatory capital required by the French authorities, given that it had been reduced during the year as a result of the 2008 losses made by the company.

The French Bank also changed its name to Banque Leonardo S.A. at the beginning of 2009 (formerly VP Finance S.A.). We would also point out that in May 2009 the Bank granted the subsidiary a subordinated loan that can be used up to € 3 million, in order to restore the minimum level of capital required by the French supervisory authorities, having fallen below the minimum because of the losses incurred by the company during 2008/2009. At the end of the year, the loan had been drawn down by € 1.5 million.

Please read Part G of the consolidated financial statements for the accounting method and application of IFRS 3.

In accordance with IAS 39, the put and call options mentioned previously have to be shown at fair value. The same considerations made with regard to DNCA Finance SA also apply here.

Section 2 - Transactions carried out after the balance sheet date

2.1 Business combinations

No business combination occurred after the end of the year.

Section 3 – Retrospective adjustments

There is nothing to be reported.

PART H – RELATED-PARTY TRANSACTIONS

1. Information on compensation paid to managers with strategic responsibilities

The following table shows the compensation paid to directors, statutory auditors and managers with strategic responsibilities of the Bank.

Amounts in thousands of Euro	Managers with strategic responsibilities
Emoluments and social contributions	3,521
Bonuses and other incentives	1,039
Non-monetary benefits	77
Share-based payments	51
Total	4,688

Emoluments and social contributions are related to Directors for € 1,645 thousand, to statutory auditors for € 181 thousand and to managers for € 1,695 thousand.

2. Information on related-party transactions

The individuals and legal entities with the characteristics to be considered related parties for the purposes of the Bank's financial statements have been identified according to the rules laid down in IAS 24.

Dealings between the various entities that make up the Group are based on centralised governance and control, considered fundamental activities, integrated by strategic planning and assistance in the form of advice on legal, economic and organisational matters and resource management. Transactions with subsidiaries and associates form part of the normal operations of a diversified group based on the multifunctional model, mainly involving correspondent relationships for services rendered and deposits. As part of normal group synergies, the balances resulting from these relationships are generally settled with a view to recovering specific costs and related overheads with a minimal margin.

Transactions with other related parties are generally settled at market conditions applicable to prime customers.

Any guarantee has been issued to Directors and statutory auditors.

The following table summarises related party transactions and balances at 31 December 2010:

<i>Amounts in thousands of Euro</i>	Loans and advances to customers	Due to customers	Assets under management and in custody and administration
Directors, statutory auditors and managers with strategic responsibilities and other related parties	103	1,874	9,197

PART I – SHARE-BASED PAYMENTS

A. Information of a qualitative nature

1. Description of share-based payment agreements

The shareholders' meeting on 11 April 2006 authorised an increase in share capital to service the stock option plan by issuing up to a maximum of 19 million ordinary shares.

The same meeting approved the Regulations of the stock option plan, giving a mandate to the managing director to identify the beneficiaries of the options; it was also established that if this tranche of the increase in capital is not fully implemented by 11 April 2011, it will remain at the amount of the subscriptions received as of that date.

The regulations state that beneficiaries will be able to exercise their options from the fourth year after the date of assignment. If the shares are not listed on an organised market within four years of the options being assigned, the exercise deadline will be postponed to the end of the sixth year or to the listing date, if this is earlier. It will also be possible to anticipate the deadline if the shares are listed prior to the fourth year.

Each share gives the beneficiary the right to subscribe a new share issued in execution of the increase in capital to service the stock option plan.

The options assigned to beneficiaries who resign on a voluntary basis or who are fired for a just cause or justified for a subjective reason are extinguished and become ineffective at the date on which the person's employment comes to an end.

The value of the payment plan depends on the value of the financial instruments assigned. The fair value of the options has been calculated by using a model that takes into consideration information on the strike price of the option, the duration of the option, the current price of the shares, the expected volatility of the share price, the expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan, which has exercise dates according to the conditions mentioned above. The model considers separately the option and the probability that the conditions under which the options were assigned taking place; the combination of these two values gives the fair value of the instrument assigned.

Note that in January 2010, the Bank's Board of Directors amended the existing stock option plan, extending the deadline for exercising the options to 30 June 2013.

From 15 June to 31 December 2006 and in 2007, 2008 and 2009, 12,600,000, 2,275,000, 1,770,000 and 595,000 options respectively were granted free of charge at a strike price of 3.28125. Following the extraordinary distribution of reserves approved by the shareholders' meeting of the Bank in April 2010, the new strike price was reduced to € 2.10297. 665,000 options were assigned to employees of the Bank during 2010.

B. Information of a quantitative nature

1. Annual changes

Line items/Number of options and strike prices	12/31/2010			12/31/2009		
	Number of options	Average strike prices	Average maturity	Number of options	Average strike prices	Average maturity
A. Opening balance	15 820 000	3,281	1,746	15 295 000	3,281	1,251
B. Increases	665 000	2,103		525 000	3,281	
B.1 New issues	665 000	2,103	2,500	525 000	3,281	4,000
B.2 Other changes						
C. Decreases	(40 000)					
C.1 Cancelled						
C.2 Exercised						
C.3 Expired						
C.4 Other changes	(40 000)					
D. Closing balance	16 445 000			15 820 000	3,281	1,746
E. Options exercisable at the end of the year						

The cost of the stock option plan, equal to the fair value of the financial instruments assigned, has been booked to the income statement over the life of the plan, with a corresponding increase in equity. The amount charged to the 2010 income statement was € 251 thousand (€ 1,030 thousand in 2009).

PART L – SEGMENT REPORTING

This information is provided at a consolidated level.

**REPORT OF
THE INDIPENDENT AUDITORS**

AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010

To the Shareholders of GRUPPO BANCA LEONARDO S.p.A.

1. We have audited the financial statements of GRUPPO BANCA LEONARDO S.p.A., which comprise the balance sheet as of December 31, 2010, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended and the explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. 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 recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 6, 2010.

3. In our opinion, the financial statements give a true and fair view of the financial position of GRUPPO BANCA LEONARDO S.p.A. as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of GRUPPO BANCA LEONARDO S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the 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 is consistent with the financial statements of GRUPPO BANCA LEONARDO S.p.A as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Ezio Bonatto
Partner

Milan, Italy
April 11, 2011

This report has been translated into the English language solely for the convenience of international readers.

Fees for auditing and services other than auditing pursuant to article 2427, paragraph 16 bis) of the Italian Civil Code

Information on fees paid to the independent auditors

As required by art. 2427, para. 16 bis) of the Italian Civil Code, the total fees paid to the independent auditors for the annual audit of the financial statements, including checks during the year that the books of account were kept properly and the Bank's affairs recorded correctly in the accounting entries, signing tax declarations and performing a limited audit of the half-year report amount to € 129 thousand.

No fees have been paid for services other than auditing.

This information is disclosed in accordance with the instructions contained in art. 149-duodecies of Consob's Issuers Regulation no. 11971.

Type of Services	Subject wick supplied the service	Company	Fees (Euro thousands)
Audit fees for the statutory and IFRS Financial Statements Attestation service Fiscal consultancy services performed by auditors Other	Deloitte & Touche S.p.A.	Parent Bank	129