Gruppo Banca Leonardo

Consolidated Financial Statements at 31 December 2009

This is a translation of the Italian Consolidated Financial Statements at 31 December 2009 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*
IAN GALLIENNE	*Director*
GIOACCHINO PAOLO LIGRESTI	*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.

Contents

CONSOLIDATED REPORT ON OPERATIONS

Results

Reclassified consolidated income statement

The consolidated 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.

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

- *interest, fees and commissions are shown net (note that the fee and commission expense on securities lending transactions have been reallocated to "net trading income");*
- *dividends on shares have been reallocated to "net trading income";*
- *the share of profit (loss) of equity investments, excluding those measured in accordance with IFRS 5, which are shown under net operating 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 effect of discounting financial liabilities on application of IAS 32, paragraph 23 to the put options on the minority interests in subsidiaries is shown separately in a specific item before the net profit (loss) before impairment. The existence of put options on all of the shares held by minorities, under IFRS, entails that they can no longer be shown as part of the profit pertaining to minority interests. The positive effect of this on the net profit pertaining to the Group is then offset by the discounting charges. For this reason, it was thought more suitable to show this cost in the reclassified income statement in a specific item prior to the net profits (losses) before impairment;*

- *the impairment losses on goodwill following the impairment test and the losses on equity investments measured in accordance with IFRS 5, which have been grouped in one item before profits (losses) pertaining to the Group.*

Reclassified income statement

(amounts in thousands of Euro)

Description	***2009***	***2008***	***Change***	***Change %***
Net Interest	*28 530*	*18 611*	*9 919*	*53%*
Net fee and commission income	*136 159*	*149 278*	*(13 119)*	*(9)%*
Net trading income	*9 649*	*18 312*	*(8 663)*	*(47)%*
Share of profit (loss) of investments	*0*	*1 702*	*(1 702)*	*(100)%*
Gains (losses) on financial assets	*1 717*	*(10 180)*	*11 897*	*(117)%*
Other operating income (expenses)	*410*	*8 741*	*(8 331)*	*(95)%*
Net operating income	***176 465***	***186 464***	***(9 999)***	***(5)%***
Payroll	*(72 877)*	*(78 135)*	*5 258*	*(7)%*
Other administration expenses	*(40 892)*	*(47 075)*	*6 183*	*(13)%*
Adjustments to non-current assets	*(2 724)*	*(2 273)*	*(451)*	*20%*
Operating costs	***(116 493)***	***(127 483)***	***10 990***	***(9)%***
Result of operating activities	***59 972***	***58 981***	***991***	***2%***
Allowances for risks and charges	*(8 124)*	*(1 217)*	*(6 907)*	*n.s.*
Writedowns for impairment of loans, net of writebacks	*(2 946)*	*(1 593)*	*(1 353)*	*85%*
Gross profit (*)	***48 902***	***56 171***	***(7 269)***	***(13)%***
Income taxes	*(17 448)*	*(20 697)*	*3 249*	*(16)%*
Effect of discounting financial liabilities (**)	*(4 956)*	*(5 805)*	*849*	*(15)%*
Net profit (loss) before impairment	***26 498***	***29 669***	***(3 171)***	***(11)%***
Impairment losses on goodwill and losses of investements measured in accordance with IFRS 5	*(83 723)*	*0*	*(83 723)*	*n.s.*
Net profit (loss) pertaining to the Group	***(57 225)***	***29 669***	***(86 894)***	***n.s.***

(*) The operating costs used for the calculation of the Gross profit include non-recurring charges of € 12.3 million (€ 1.1 million in 2008). Without these charges, gross profit would have amounted to approximately € 61 million.
(**) For commitments to buy back own financial instruments (put options on shares of DNCA Finance S.A. and Banque Leonardo S.A.) – IAS 32 paragraph 23.

The Banca Leonardo Group closes 2009 with a consolidated net loss of € 57.2 million (net profit of € 29.7 million in 2008) after provisions for taxes of € 17.4 million and adjustments to goodwill and losses on equity investments measured in accordance with IFRS 5 (non-current assets held for sale and discontinued operations) of € 83.7 million.

Net operating income

Net operating income amount to € 176.5 million (€ 186.5 million in 2008) of which around 49 % were generated abroad; the slight decrease in net operating income (-5%) was due to a reduction in net fee and commission income (-9%) and in net trading income (-47%), partially offset by higher net interest income (+53%) and in the positive result on financial assets of € 1.7 million (negative for € 10.2 million in 2008).

In particular, positive results have been achieved in net interest income thanks to the increase in lending in support of the private banking business and to the investment in fixed-interest securities, despite the strong decline in interest rates.

The decrease in net fee and commission income involved the advisory activity mainly in Germany, where the company Leonardo & Co. GmbH & Co. KG operates (which joined the Group at the end of December 2007), and the Asset Management activity, while the net fee and commission income of the Parent Bank has increased during 2009 thanks to the positive trend in Private banking deposits.

The reduction in net trading income of € 8.7 million (€ 9.6 million in 2009 versus € 18.3 million in 2008) is a consequence of the reduction on trading activity and of switching the Parent Bank's investments to the bond portfolio, which contributed to the significant growth in net interest (interest income on securities of € 24 million in 2009 and € 17 million in 2008).

The positive net results earned on financial assets amount to € 1.7 million, mainly consisting of € 2.3 million of gains realised on the sale of part of the investment in Vita S.p.A. (the vehicle used for the merchant banking investment in Valvitalia S.p.A.) and € 0.3 million from the sale of the investment in a real estate fund at the beginning of 2009, partially offset by the writedown made to the investment in Eurazeo Sicar (€ 1.2 million).

Other operating income (expenses) of € 0.4 million compares with the substantial amount earned in 2008 (€ 8.7 million) thanks to non-recurring income mainly connected to the change in the Parent Bank's shareholder structure which took place in 2006.

Operating costs

During 2009, the Group achieved significant results in its policy of containing operating costs, which decreased from € 127.5 million in 2008 to € 116.5 million in 2009 (-9%), mainly affecting payroll costs and other administration expenses.

The reduction in payroll costs from € 78.1 million in 2008 to € 72.9 million in 2009 (-7%), which was partly due to the payment of lower bonuses and gratuities, is even more significant if we consider that the company continued to hire personnel for its strategic areas (private banking and advisory) and the fact that there were non-recurring personnel charges of about € 4 million.

Other administration expenses have fallen considerably (-13%) thanks to this careful policy of cost containment. In particular, professional fees for consultancy, legal and support expenses, and telephone and data transmission expenses have been significantly reduced.

The increase in adjustments to non-current assets (+20%) is a consequence of the decision to raise the level of process automation, which led to investments in hardware and software.

Effect of discounting financial liabilities

The impact of discounting financial liabilities for the commitments to buy back own financial instruments (because of the put options on the shares in DNCA Finance S.A. and Banque Leonardo S.A.) amounts to € 5.0 million (€ 5.8 million in 2008); this cost is shown in the consolidated financial statements under interest expense.

Impairment losses on goodwill and losses from investments valued in accordance with IFRS 5

The impairment losses on goodwill, amounting to € 40.2 million, are entirely attributable to the German subsidiary, Leonardo & Co GmbH & Co KG, which suffered a significant reduction in revenues. The consequent profound restructuring plan generated a loss of € 3 million in 2009. As a result, a new prudential plan with future prospective earnings has been prepared that generated an impairment loss on goodwill, which also involved determining a lowest company's value in use based on DCF analysis. The writedown mentioned above impacted the Group's income statement.

The losses on equity investments measured in accordance with IFRS 5 on non-current assets held for sale and discontinued operations of € 43.5 million are attributable to the fair value measurement, net of costs to sell, of the associate Euraleo S.r.l.. Following the decision by the Parent Bank to sell this investment as part of its strategy to pull out of the Private Equity business, it was reclassified from equity investments to non-current assets and disposal groups held for sale and, as a result, measured at the lower of carrying amount and fair value less costs to sell. This process generated the reduction of Euraleo's carrying amount from € 47.3 million to € 3.8 million with a consequent impact on the Group's income statements.

Balance sheet aggregates

Reclassified consolidated balance sheet

Balance sheet:

Assets

(amounts in thousands of Euro)

Description	*12/31/2009*	*12/31/2008*	*Change*	*Change %*
Financial assets held for trading	*1 176 208*	*852 501*	*323 707*	*38%*
Financial assets at fair value	*3 048*	*34 033*	*(30 985)*	*(91)%*
Financial assets avalaible for sale	*90 032*	*59 518*	*30 514*	*51%*
Loans and receivables to banks	*197 630*	*481 147*	*(283 517)*	*(59)%*
Loans and receivables to customers	*402 783*	*269 926*	*132 857*	*49%*
Investments	*0*	*45 112*	*(45 112)*	*(100)%*
Property, plant and equipment and intangible assets	*343 199*	*383 242*	*(40 043)*	*(10)%*
Tax assets	*31 272*	*38 304*	*(7 032)*	*(18)%*
Non current assets held for sale and discontinued operations	*3 827*	*0*	*3 827*	*n.s.*
Other assets	*15 685*	*16 020*	*(335)*	*(2)%*
Total Assets	***2 263 684***	***2 179 803***	***83 881***	***4%***

Equity and liabilities

(amounts in thousands of Euro)

Description	*12/31/2009*	*12/31/2008*	*Change*	*Change %*
Deposit from banks	*636 427*	*408 284*	*228 143*	*56%*
Due to customers	*428 415*	*490 382*	*(61 967)*	*(13)%*
Debt securities in issue	*25 007*	*25 034*	*(27)*	*n.s.*
Financial liabilities held for trading	*273 411*	*279 227*	*(5 816)*	*(2)%*
Tax liabilities	*5 073*	*16 273*	*(11 200)*	*(69)%*
Provision made for a specific purpose	*12 272*	*4 916*	*7 356*	*150%*
Other liabilities	*71 686*	*71 576*	*110*	*n.s.*
Share capital	*303 632*	*303 202*	*430*	*n.s.*
Reserves	*567 286*	*551 240*	*16 046*	*3%*
Treasury shares	*(2 300)*	*0*	*(2 300)*	*n.s.*
Net profit (loss) for the year	*(57 225)*	*29 669*	*(86 894)*	*n.s.*
Total Equity and liabilities	***2 263 684***	***2 179 803***	***83 881***	***4%***

The Group's evolution and business combinations

During the year, the scope of consolidation did not change significantly compared with the situation at 31 December 2008; except for the reclassification of the associated company Euraleo s.r.l. in the non-current assets held for sale and discontinued operations, the following events are worthy of mention:

- the Parent Bank took note that there was no longer interest in continuing the activity of Euraleo s.r.l. and that the underlying assumptions were no longer valid, so the Joint Venture Agreement was wound up. Following the decision not to consider the private equity business carried on through Euraleo S.r.l. as a strategic activity any more and therefore to sell the interest in Euraleo S.r.l., the investment was reclassified to "non-current assets held for sale" and measured at the lower of the carrying amount and the fair value net of costs to sell in accordance with IFRS 5;

- Leonardo SIM S.p.A. merged with the Parent Bank in May 2009;

- Leonardo & Co. S.A.S. acquired 10% of a French advisory start-up (Leonardo MIDCAP CF S.A.S.) operating in the field of medium-sized companies, it is consolidated on a proportional basis because of the shareholder agreement which regulates the company's governance; also worth noting is the possibility that Leonardo & Co. S.A.S. has to acquire 100% over the next three years, as the buyers and sellers have given each other put&call options to buy or sell the rest of the company. 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.

Over the last 3 years the Parent 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.

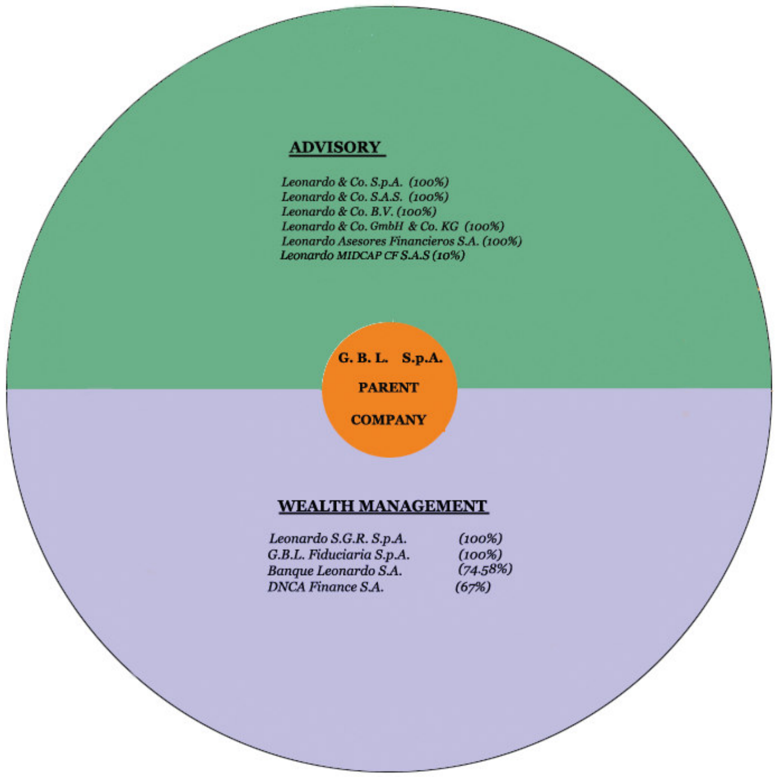
GmbH & Co. KG), the acquisition of a start-up through subsidiaries (Leonardo MIDCAP CF S.A.S.) and the incorporation of new companies (Leonardo & Co. B.V., Leonardo Asesores Financieros S.A. and, in 2010, Leonardo & Co. N.V.).

Given that the direct acquisitions relate to companies operating in a single business area, they have been considered as individual cash generating units (CGU) for Purchase Price Allocation purposes, so the goodwill arising at the acquisition date has been attributed to these companies in accordance with IAS 36.

The newly incorporated companies in Spain, the Netherlands and Belgium, which are coordinated by the subsidiary Leonardo & Co. S.A.S., have been considered as a single "operating segment" (as defined by IFRS 8) and treated as a single CGU.

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; based on the fair value estimates carried out for the impairment test, the overall value of the advisory companies comes to around € 350 million, which is considerably higher than the amounts of goodwill on the books at 31/12/2009, namely € 63 million (which takes the € 40.2 million writedown into account), as well as the amounts of goodwill recognised at the time of the acquisition (€ 103 million).

The scope of consolidation is shown below in graphic form with an indication of the business segment.



The following is a summary of the accounting policies used for business combinations involving minority shareholders with put options.

<u>DNCA Finance S.A.</u> - The acquisition of control over DNCA Finance S.A. at the end of June 2007 and the existence of minority shareholders with put options meant that we were required by IAS 32, paragraph 23 to book a financial liability (in "Due to customers") for the estimated current value of the cost of buying the residual 33% interest at 31/12/2009 (same residual interest at 31/12/2008). This financial liability, recorded at its present value of € 102 million (€ 106 million at 31/12/2008), was calculated on the basis of:

- *the foreseeable trend in DNCA Finance S.A.'s future profits (contractually, the strike price of the option is a multiple of the profit made in the year before it is exercised),*

- *the period when the put options will most likely be exercised by the minority shareholders,*
- *the discount rate, equivalent to the rate applicable to a risk-free investment at the acquisition date.*

This calculation also takes account of the contractual obligations to pay dividends to the minority shareholders.

Note that upward revision of the estimates of the company's profit growth following the improvement in the situation on financial markets led to a slight increase in the financial liability (€ 1,9 million) and consequently in the amount of goodwill (in accordance with IFRS 3, paragraph 34), previously shown in the 2008 financial statements at € 249 million, raising it to a total of € 251 million at the end of 2009. The discounting charge booked in the 2009 consolidated income statement amounts to € 4.7 million (€ 5.5 million at 31/12/2008).

Banque Leonardo S.A. *- The same accounting policy was adopted to record the put options held by the minority shareholders of Banque Leonardo S.A.; for this company, the financial liability for the acquisition of the residual interest in the hands of minorities (25.42%) at 31 December 2009 comes to € 7.4 million (€ 7.1 million at 31 December 2008). The discounting charge booked in the 2009 consolidated income statement amounts to € 0.3 million (€ 0.3 million at 31/12/2008).*

Analysis of the balance sheet

Comparing the figures with those of the previous year reveals a significant increase in financial assets held for trading. These have risen from € 853 million at 31 December 2008 to € 1,176 million at the end of 2009 (+ 38%); this increase is reflected in the growth of the Parent Bank's bond portfolio (represented by government securities and bank and corporate bonds of the Euro-zone); Total bonds outstanding at the end of the year amount to € 908 million (€ 544 million at 31 December 2008). Financial assets held for trading also include the Parent Bank's financial and credit derivatives of € 257 million at the end of the year, offset by derivatives payable of € 269 million, which are the main component of "Financial liabilities held for trading". We would also point out that at year-end the share portfolio amounts to € 11 million (€ 8 million at the end of 2008).

Financial assets at fair value, which are held in the Parent Bank's portfolio, amount to € 3 million (€ 34 million at 31 December 2008) and include residual units of the hedge funds sold by Leonardo SGR S.p.A. to the Parent Bank following the liquidation of the Fondo Alchimia.

Financial assets available for sale, amounting to € 90 million, mainly include the merchant banking investments made directly by the Parent Bank for € 31 million, the Parent Bank's investment in Eurazeo Sicar for € 8 million and in a real estate fund for € 5 million, as well as the holdings in UCITS (mainly monetary funds) made by certain Group companies as a temporary investment of liquidity for € 46 million. At the end of the year, the fair value of the investment in Vita S.p.A. (the vehicle used for the Parent Bank's investment in Valvitalia S.p.A.) has been revalued by € 6.6 million, gross of the tax effect, which impacts Group equity in accordance with IAS 39.

The increase in this item compared with the prior year is principally due to the temporary investments of liquidity made in 2009 by DNCA Finance S.A., previously these amounts were classified as financial assets held for trading.

Loans and advances to banks, which relate to the Parent Bank for € 165 million and to subsidiaries for € 33 million, have decreased by € 284 million compared with the previous year; this decrease (-59% compared with 31 December 2008) went to finance part of the growth in the Parent Bank's bond portfolio.

Loans and advances to customers have gone from € 270 million at the end of 2008 to € 403 million at the end of 2009; the increase in this item of € 133 million (+49% compared with 31 December 2008) is due to higher lending to the Parent Bank's private banking customers with a view to developing direct and indirect deposits.

Loans and advances to customers are principally made up of:

- *a € 99 million loan to a corporate customer of the Parent Bank. On the basis of agreements with this corporate customer, the Parent Bank has subscribed a structured security and signed a related swap contract which is reflected in this year financial statements under loans and advances to this customer, as required by IFRS; the security and the related derivative were sold at the end of February 2010 for their fair value, without any impact on the Parent Bank's 2010 income statement;*
- *loans to customers in the Private Banking area, € 251 million (€ 125 million at 31 December 2008), of which:*
    - *loans granted by the Parent Bank in the form of short- or medium/long-term loans, which at 31 December 2009 are outstanding for € 72 million, of which € 28 million in the form of mortgage loans;*

- *loans granted by the Parent Bank in the form of bank overdrafts, drawn down at the end of the year by € 177 million, almost entirely guaranteed by mortgages or by pledges or, to a lesser extent, by personal guarantees. These loans have increased considerably as part of the Private Banking activity compared with the figure of € 63 million that was outstanding at 31 December 2008;*
- *loans granted by Banque Leonardo S.A., also for customers in the Private Banking area, drawn down at the end of the year by € 2 million;*

- *trade receivables of the Group's advisory and asset management companies for a total of € 36 million.*

Property, plant and equipment and intangible assets amounting to € 343 million at 31 December 2009 (€ 383 million at 31 December 2008), mainly include goodwill of € 335 million at the end of 2009 (€ 373 million at the end of 2008); the considerable reduction in this item is entirely due to the € 40.2 million writedown of the goodwill attributed during the Purchase Price Allocation to the German subsidiary Leonardo & Co GmbH & Co KG.

Non-current assets held for sale of € 3.8 million at 31 December 2009, relate entirely to the associate Euraleo s.r.l., which has been reclassified from "Equity investments" to "Non-current assets held for sale" following the decision of the Parent Bank to sell this investment in line with a new strategy to pull out of the Private Equity business.

The measurement at fair value net of costs to sell, which is lower than the carrying amount of this investment (the vehicle used for the private equity investments in Sirti and Intercos) takes account of the following elements:

- the 100% writedown of the investment in Sirti (Parent Bank's share € 22 million), given the state of deep crisis in which this company finds itself, which has led to the complete write-off of the carrying value of this investment);

- the 86% writedown of the investment in Intercos (Parent Bank's share of the writedown around € 21 million);

- share of the company's operating loss (prior to valuation of the investments) of around € 0.5 million.

For further information on the valuation of Euraleo s.r.l., reference should be made to the paragraph on "Impairment tests".

As regards the liability items, interbank funding has risen considerably (from € 408 million at 31 December 2008 to € 636 million at 31 December 2009); the growth derives principally from repo transactions outstanding at 31 December 2009 for € 580 million (of which € 454 million with the European Central Bank). This increase in funding was mainly used to finance the growth in the Parent Bank's proprietary bond portfolio.

There has been a decrease in "Due to customers" (from € 490 million at 31 December 2008 to € 428 million at 31 December 2009); this was mainly caused by a reduction in the Parent Bank's direct funding in the form of repos, only partially offset by the growth in deposits at the end of the year in connection with the "scudo fiscale" ("fiscal shield", a sort of tax amnesty for assets held abroad). Note that "Due to customers" also includes the estimated financial liability of the Parent Bank to acquire the minority interests in DNCA Finance S.A. and Banque Leonardo S.A., namely € 109 million (€ 113 million at the end of 2008).

As regards "Other liabilities", there is still the bond issue made by the Parent Bank during the second half of 2008 for € 25 million, linked to a guaranteed loan for the same amount; there has *been a slight decline in "Financial liabilities held for trading" (from € 279 million at 31 December 2008 to € 273 million at 31 December 2009) linked to the hedging of a similar amount of derivative financial assets and part of the Parent Bank's bond portfolio.*

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 Parent Bank does not hold any positions of this kind, whether on or off its balance sheet.

The Parent 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 2009 are as follows:

(Figures in Euro/000)

Credit derivatives	***Notional value***	***Fair value***
Purchases of protection		
Credit Default Swaps with exchange of capital	92,500	913
Index Credit Default Swaps without exchange of capital	94,600	1,518
Sales of protection		
Credit Default Swaps with exchange of capital	77,500	(930)
Credit Default Swaps without exchange of capital	5,000	(103)
Index Credit Default Swaps without exchange of capital	70,000	(1,194)

As explained in Part E of the notes, in the section entitled "Information on risks and hedging policies", these transactions, like all of those carried out 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 Parent Bank has carried out two large increases in capital, which raised equity from € 62 million at 31 December 2005 to the current level of € 811 million. 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 2007-2009 three-year plan.

As a result of this plan, the Parent 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 at consolidated level (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.

It also has to be taken into consideration that, despite the investments made over the year and the impairment adjustments made in 2009, Group liquidity remained at a high level with a consolidated Core Tier 1 ratio of 141.8% in 2006, 71.3% in 2007, 32.8% in 2008 and 30.1% in 2009.

In addition to maintaining generally positive financial and economic indicators over the last four years, it is also worth mentioning the rising number of staff, principally among managers and officials; this 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.

Taking account of the risk management policies (shown in Part E of the notes), in relation to the activities carried on by the Parent Bank and the other Group companies, the high level of corporate liquidity and the way in which it is managed, as well as the decision to pull out of the Private Equity business, which generated significant losses in 2009, there are no reasons to doubt that Banca Leonardo can continue to operate in the foreseeable future.

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

The strategy of pulling out of the Private Equity business, accompanies in 2010 by the planned distribution and reimbursement of reserves to the shareholders(equal to € 279 million, based on the number of shares in circulation at 31 December 2009), will make it possible to improve profitability without reducing the level of liquidity needed to carry on our strategic activities. In fact, the Core Tier 1 ratio is expected to remain around 14-15% higher than the average for the main Italian banking groups, as well as the lower limit set as a target by the Supervisory Authorities (6%).

Financial risks

During 2009, the Banca Leonardo Group continued to take a prudent approach to the way that it manages financial risks. The trading book, in particular, had an average daily VaR during the year of € 1.1 million and a maximum daily VaR of € 1.7 million (always below the operating limit of € 2 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 (71% of the total) and corporate issuers (28% of the total), the latter prevalently banks. This portfolio at the end of the year amounted to € 908 million with an average duration of 1.6 years and a high credit standing (90% with an AA rating). 98% 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. On the other hand, 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. During the year, the Banca Leonardo Group did not suffer any losses involving counterparty risk.

In 2010 The Banca Leonardo Group 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. Note that between the end of 2009 and the beginning of 2010, the trading room extended its range of activities to the purchase of structured bonds, dealing in government securities and in 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 2009, the Banca Leonardo Group 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.
In order to further improve liquidity management and its monitoring and control, at the end of 2009 we released a new IT cash management tool that has advanced liquidity ladder functions;

this will allow us to keep a constant eye on the Group's financial flows with a view to higher security and profitability.

At the same time that this new tool was released, we extended the field of application of the Group's liquidity policy issued in 2008. This policy sets additional operating limits for significant liquidity aggregates and defines stress scenarios and a liquidity contingency plan to be applied in the event of a crisis, in line with the requests of the Supervisory Authorities.

Note that in 2009 the Banca Leonardo Group substantially reduced its exposure to financial risks linked to investment in the Group's own mutual funds (including the total return funds and funds of hedge funds). This exposure served to facilitate the start-up of the Group's new "seed capital" investment funds and was in part hedged with short positions on the equity market. At the end of 2009, these positions amounted to only € 3 million in funds of hedge funds, compared with the € 34 million invested at the end of 2008.

Lastly, we would emphasise the Group's complete lack of investment positions on subprime securities or other kinds of securitised products.

Impairment tests

In application of International Accounting Standards, the Parent Bank has checked that the key assets of the Group 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) Goodwill

1. *The amounts of goodwill shown in the Group's consolidated financial statements were those attributed to the individual subsidiaries acquired during the process of Purchase Price Allocation, as they operate in a single business sector, with the result that each company coincides with a CGU. The only exception concerns the advisory companies operating in Holland and Spain, which together with Leonardo & Co. S.A.S., an advisory company based in Paris (coordinator), are considered as an "operating segment" (in accordance with IFRS 8) and treated as a single CGU. Leonardo & Co. N.V., the advisory start-up based in Belgium which was launched in January 2010, will be added to this CGU during the current year.*

   The following is a summary of the CGUs to which the goodwill shown in the consolidated financial statements at 31 December 2009 has been attributed, as well as the method used for impairment testing:

   - *DNCA Finance S.A. – goodwill of € 251.3 million (impairment test - fair value net of costs to sell);*
   - *Leonardo & Co. Paris/Amsterdam/Madrid (operating segment) – goodwill of € 33.4 million (impairment test - fair value net of costs to sell);*

- *Leonardo & Co GmbH & Co KG – goodwill of € 27.8 million after writedown (impairment test – value in use);*
- *Banque Leonardo S.A.– goodwill of € 19.4 million (impairment test – fair value net of costs to sell);*
- *Leonardo & Co. S.p.A.– goodwill of € 1.9 million (impairment test – fair value net of costs to sell);*
- *Leonardo SGR S.p.A. – goodwill of € 0.9 million (fair value net of costs to sell).*

The total amount of goodwill at 31 December 2009 comes to € 335 million.

As mentioned previously in the notes to the balance sheet and income statement, the goodwill attributed to Leonardo & Co GmbH & Co KG was written down during 2009 by € 40.2 million, so the value went from € 68 million at the end of 2008 to € 27.8 million at the end of 2009.

2. *Methodology - The recoverable value of the goodwill is defined by the accounting standard IAS 36 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 Parent Bank has therefore created a model for determining fair value based on 12-month market multiples for comparable companies (source: Bloomberg) for all of the CGUs mentioned above, excluding the German advisory company, Leonardo & Co. GmbH & Co. KG, which was impairment tested, again last year, by calculating the value based on a Discounted Cash flow (DCF) methodology, as explained below. The fair value was calculated taking into consideration the multiples and net results of the years 2009 (actual) and 2010 (budget approved by the Parent Bank's Board of Directors). The average result obtained by applying the 2009 and 2010 multiples to the companies' net results was then compared with the individual carrying amounts of goodwill; 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 in previous year taking into consideration the business sectors in which the companies being valued operate. The sample is the same as that used last year. Both these methods of calculating the companies' fair values are substantially the same as those used at the end of 2008, except for the use of a time horizon for calculating the averages of two years instead of three (the year prior to that of the valuation gets excluded). In application of paragraph 19 of IAS 36, if the fair value was higher than the book value, the Parent Bank did not carry out any further analyses as the minimum condition required by the impairment test had already been satisfied. On the other hand, if the fair value was lower than the book value, the Parent Bank estimated the value in use according to the DCF method, based on its three-year business plan, a discount rate that took account of investment risk and a growth rate after the third year in line with market practice.

3. *Result of the comparison between the fair value and carrying amount of goodwill for each CGU - The fair value of the subsidiaries DNCA Finance S.A., Leonardo & Co. S.A.S. (which together with the advisory companies Leonardo & Co. BV, Leonardo Asesores Financieros S.A. and the recently incorporated Leonardo & Co. N.V., is considered part of a single operating segment, as mentioned earlier), Banque Leonardo S.A., Leonardo & Co. S.p.A. and Leonardo SGR S.p.A. is higher than the amount of goodwill shown in the financial statements. Note that these companies do not have significant selling costs, so they have not been taken into account in this calculation. The impairment test for these companies gave a positive result, so the Parent Bank did not make any writedowns. As in the previous year, the investment in*

Leonardo & Co GmbH & Co KG, acquired at the end of 2007, was impairment tested by calculating the value in use on a DCF basis.

4. *Results and assumptions for the calculation of value in use – The value in use calculated on a DCF basis turned out to be lower than the carrying amount of the goodwill of Leonardo & Co GmbH & Co KG, so goodwill was written down by € 40.2 million, which was booked to item 260 of the consolidated income statement "Adjustments to goodwill". The DCF parameters used were as follows:*

   - *Business plan – The three-year business plan 2010-2012 was prepared taking account of the average cash flows expected during the period under consideration. These are expected to be significantly lower than was estimated at the end of 2008, which assumed that after three years revenues would have returned to the same level they were at prior to the acquisition at the end of 2007. In particular, the profit forecasts for 2010 are particularly conservative until it is possible to see the results of the restructuring plan launched at the end of 2009. The revenues forecast for subsequent years are also prudent (incoming cash flows are expected to be more than 50% less than those of the plan drawn up last year, which assumed that after three years the results would be only slightly lower than in the two years prior to the acquisition), while fixed costs are expected to fall slightly following the company's reorganisation, compared with the figures in the 2010 budget, while variables costs are expected to mirror the growth in revenues;*
   - *Duration – As specified in paragraph 33 of IAS 36, financial projections have been made in the calculation of value in use based on the three-year plan and projected cash flows have been estimated for subsequent periods based on a*

growth rate of the terminal value of 2% (ECB's inflation target), which in real terms is equal to a rate of growth of practically zero;

- *Terminal value – The terminal value has been calculated as the present value of a perpetual source of income based on the last flow of the plan (considering a 2% rate of growth in the terminal value);*
- *Net discount rate – The rate used of 9.5% (10.1% at the end of 2008) takes into account the risk-free rate of return of a 30-year German government bond, a specific risk premium for the same market and expected volatility in relation to the main comparable companies. We would also point out that this year's calculation of the discount rate includes an additional risk premium of 0.5% because of the problems involved in determining the reliability of the company's plan, as witnessed by the fact that the actual results for 2008 and 2009 show variances from budget.*

The CGUs to which goodwill has been attributed have also been impairment tested, analysing their value in use on a DCF basis, using estimated three-year plans. In all these cases, the values in use deriving from application of the methods explained above turned out to be higher than the carrying amount of goodwill. This further analysis reinforces the reliability of the results of the impairment test, supported by calculations of fair value using the market multiples method.

5. *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 €160 million;*
    - *Leonardo & Co. Paris/Amsterdam/Madrid (operating segment) – excess of more than €65 million;*
    - *Banque Leonardo S.A. – excess of around €3 million;*

- *Leonardo & Co. S.p.A. – excess of more than €230 million;*
- *Leonardo SGR S.p.A. – excess of more than €2 million.*

Note that any application of market multiples at 3 and 6 months 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.

On the other hand, as regards the value in use calculated on a DCF basis for Leonardo & Co. GmbH & Co. KG, any increase or decrease of 0.5% in the growth rate of the terminal value would generate an increase or decrease in the value in use of around €2 million.

Moreover, any increase or decrease of 0.5% in the net discount rate would generate an increase or decrease in the value in use of around €2 million.

B) Non-current assets held for sale

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

Following this decision, the company, which in 2008 was shown under "Equity investments" and therefore valued according to the equity method in accordance with international accounting standards, was reclassified to "Non-current assets held for sale" and therefore measured at the lower of its carrying amount and its fair value net of costs to sell, in accordance with IFRS 5.

As a result of this reclassification and consequent change in accounting principle, from 2009 the valuation of Euraleo S.r.l. will no longer be at equity, but will depend on an estimate of its fair value (if lower than the carrying amount of the investment). Given that this is an unlisted company which has in turn made two private equity investments (in Sirti and Intercos), the company's value has been calculated by estimating the fair value of Sirti and Intercos, using the *method of market multiples for comparable companies; the results of calculations made internally by the Parent Bank were compared with those resulting at 31 December 2009 from a calculation of the NAV of Sicar Eurazeo Co-Invest (a private equity fund that invests directly in Sirti and Intercos). Based on the Parent Bank's internal valuations, in line with the approach taken by the Sicar, the investment in Sirti has been written down 100%, while the investment in Intercos has been written down by 86%. As a consequence of these valuations and the operating loss incurred in 2009 by Euraleo S.r.l., the company's fair value comes to € 3.8 million, leading to the recognition of a loss in the consolidated income statement of € 43.5 million, booked to item "240. Losses on equity investments". We would also point out that in the 2009 draft financial statements of Euraleo S.r.l., the investment in Sirti was written down by 100%, whereas Intercos was written down by approximately 40%, based on a calculation of the value in use estimated on a DCF basis applied to the latest plans prepared by the company.*

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 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 merchant banking investments was estimated based on the method that involves applying multiples to a sample of comparable companies or a fair value based on the price paid in the latest transactions involving the same investment, 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. *listed financial assets have not shown any need for their value to be written down, in particular, the Parent Bank's investment in LSE (€ 0.8 million at 31 December 2009), has shown an increase in value since the end of last year of € 0.3 million, which has been booked to equity, note that at the end of 2008, this investment had been written down by € 1.9 million, which was reflected in last year's consolidated income statement;*

ii. *unlisted financial assets (merchant banking 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 used for the investment in Valvitalia, an unlisted company), taking into account of the partial sale during the second half of 2009 (realising a pre-tax capital gain of € 2.3 million), the fair value was determined on the basis of this sale price, which is undoubtedly more representative of the company's value, considering the difficulties involved in such calculations.

As a consequence, the investment has been revalued by € 6.6 million compared with its carrying amount; this revaluation did not generate any impact on the income statement, only on the balance sheet, as the positive *change in fair value, net of the tax effect, of € 0.4 million was booked to item 140 of equity "Valuation reserve" (€ 6.2 million), in accordance with IAS 39;*

iii. *the investments in UCITS and Sicars needed a further impairment adjustment of € 1.2 million, for the Parent Bank's investment in Eurazeo Sicar, on top of the € 3 million booked to the 2008 income statement; this writedown was needed to show the value of the investment to that of the Sicar's NAV published in April 2009 (as of 31 December 2008, as the figure at the end of 2008 had been calculated on the basis of an estimate of the NAV at 31 December 2008). This valuation takes into account a reduction in the value of certain investments made by the Sicar that took place in the latter part of 2008 and early 2009; we would also point out that following the improvement in financial markets during 2009, the definitive NAV at 31 December 2009 values the investment at € 7.7 million; as a result, the Parent Bank booked a positive equity reserve of € 0.3 million, in accordance with IAS 39.*

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. *Financial assets held for trading – Group companies have measured these assets at fair value, booking the differences against book value to the income statement, without adopting the alternative treatment permitted by the Amendment to IAS 39 and IFRS 7 issued by the IASB in October 2008. The valuation method used provides - in the presence of an active market - that the fair value of these assets is determined on the basis of the market price at the end of the year; note that, unlike at the end of 2008, we have not used particular methods for estimating fair value, which had to be used because of the turbulence on financial markets that characterised the end of 2008 and first few months of 2009;*
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 only change made to the fair value model since last year relates to the time horizon used for the estimates instead of two years, it has been reduced to two years (the current year and the subsequent year). In the case of the investment in Leonardo & Co. GmbH & Co. KG the calculation of value in use required the preparation of a three-year plan used for DCF purposes; this plan is consistent with the one currently being prepared and which will be presented to the Board of Directors of the Parent Bank by the end of the first half of 2010. The three-year business plan 2010-2012 was prepared taking account of average forecast cash flows, which are expected to be significantly lower than was estimated at the end of 2008*

(more than 50% lower). The calculation of value in use based on DCF led to a writedown of €40.2 million which impacted the Group's income statement in 2009;

3. *<u>Valuation of non-current assets held for sale and discontinued operations</u> - Also for the investment in Euraleo S.r.l., following its reclassification from "Equity investments" to "Non-current assets held for sale and discontinued operations", given Parent Bank's intention to sell the investment, it became necessary to estimate a fair value which in essence consists of valuing the two private equity investments in unlisted companies (Sirti and Intercos) in which Euraleo s.r.l. invested through a series of vehicle companies. This fair value was measured internally by the Parent Bank using the market multiples for comparable companies method, taking as an additional point of reference the calculation of fair value carried out by Sicar Eurazeo Co-Invest (a closed-end private equity fund) which has invested directly in these companies and which estimates the fair values of its various investments each quarter in order to calculate its own NAV. Starting from the fair value of Sirti and Intercos and from the NAV of Euraleo S.r.l., the Parent Bank has been able to estimate the latter's fair value; costs to sell were considered negligible for the purposes of this calculation. Based on this method, the measurement of the fair value of Euraleo S.r.l. led to a negative impact on the consolidated income statement of € 43.5 million, which was booked to "Losses on equity investments"; as a result, the value of the investment in Euraleo S.r.l. went from € 47.3 million to € 3.8 million at 31 December 2009, as shown in the balance sheet item "Non-current assets held for sale";*

4. *<u>Accounting treatment of goodwill and of the financial liability connected with the put options</u> – Following the acquisition of control of DNCA Finance S.A. and Banque Leonardo S.A. and given the put options in the hands of the minority shareholders, the*

conditions were created for the application of the accounting rules laid down in paragraph 23 of IAS 32 in the consolidated financial statements: these involve transferring the portion of equity pertaining to minority interests to financial liabilities and then consolidating the company on a line-by-line basis. Given that the exercise countervalue of the put options is based on a multiple of future earnings, the amount of the liability was calculated on the basis of the foreseeable trend in future earnings and the period when the options were likely to be exercised, using a discount rate equivalent to a risk-free investment and taking account of the contractual obligations to pay dividends.

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 Parent Bank on behalf of third parties decreased in terms of market share (-39%) from 1.20% in 2008 to 0.73% in 2009.

Despite this decline, gross fees and commissions from dealing and order collection remained substantially the same (€ 12.4 million in 2008, € 12.4 million in 2009).

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

The Parent Bank's Research Department follows the main listed companies on the Italian market and in 2009 began covering three companies in detail. The number of publications came to 477 (compared with 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

Following the launch in June 2007 of the new area involving advanced treasury, trading on own account and capital market, the Parent Bank's own account trading generated higher net interest income on deposits and the bond portfolio during the year (about € 7 million compared with 2008, € 24 million at the end of 2009, € 17 million at the end of 2008) as the result of adopting a different investment strategy; net trading income (including the dividends received on financial assets) was also positive, € 9.6 million. The amount invested in the Parent Bank's portfolio, which has gone up from € 820 million at 31 December 2008 to € 1,176 million at 31 December 2009, was financed partly out of higher interbank funding, which is up from € 408 million at 31 December 2008 to € 636 million at 31 December 2009, and partly through lower loans and *advances to banks, which went from € 425 million at the end of 2008 to € 167 million at the end of 2009.*

Indirect deposits

Individual and collective portfolio management schemes have gone from € 6,085 million at 31 December 2008 to € 7,755 million at 31 December 2009 (including Group funds); the increase during 2009 (+28%) was achieved thanks to the positive effect of various factors, the more important being the arrival of new deposits, the effect of the "scudo fiscale" and the recovery in financial markets.

The number of the Parent Bank's financial consultants remained more or less steady (27 at the end of the year), whereas the number of private bankers increased compared with the previous year (31 at 31 December 2009 versus 25 at 31 December 2008).

The sector generated gross fee and commission income of € 109.7 million, a decline of 6.6% compared with € 117.4 million in the previous year, mainly because of the negative trend in financial markets in the first few months of 2009, which was not completely offset by the growth in deposits.

Fees on individual portfolio management schemes rose from € 10.7 million to € 14.8 million, whereas those on collective schemes went from € 104.4 million to € 93.5 million. Fees and commissions earned on the placement of mutual funds are down from € 2.3 million to € 1.5 million.

Securities held for custody and administration, valued at market prices, totalled € 2,288 million (of which € 818 million in the Parent Bank's own shares and € 183 million of securities in custody), down from € 2,967 million in December 2008. The decrease is primarily due to the departure of an institutional customer during the first half of 2009.

In addition, financial instruments placed by the Bank totalling a further € 333 million, of which € 240 million in Group funds, (€ 167 million in 2008) have been deposited with third parties.

The total amount of new net inflows came to € 0.9 billion (including direct deposits).

Direct deposits and lines of credit

The Group's direct customer deposits, excluding those relating to managed accounts, have gone from € 329 million at the start of the year to € 288 million, mainly because of the decline in repurchase agreements (-€ 79 million compared with the end of 2008), which was only partially offset by the growth in direct deposits in connection with the "scudo fiscale", prior to being reinvested.

The Parent 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 Parent Bank had cash lines of credit for a total of € 308 million (€ 163 million at 31 December 2008) drawn down for € 251 million (€ 137 million at 31 December 2008) and made up of:

- *3 mortgage loans for a total of € 28 million;*
- *12 short- and medium/long-term loans for a total of € 44 million;*
- *overdraft facilities drawn down for € 179 million (€ 53 million in 2008).*

In addition to these cash transactions, there are endorsement credits for a total of € 63.5 million at the year-end (€ 4.4 million at 31 December 2008).

Advisory, private equity and merchant banking

During 2009, the Advisory Division worked on 23 deals worth a total of more than € 14 billion. The total fee and commission income generated by this sector came to € 51.7 million, 15% down on the previous year (€ 60.9 million at 31 December 2008).

As mentioned previously in connection with the investment in Euraleo S.r.l., the Parent Bank has decided to pull out of the non-core private equity business. Considering the investments made since 2006, the Parent Bank participates directly or indirectly, through Euraleo S.r.l. (held 50%), in four private equity/merchant banking deals for a total of € 35 million; this figure is substantially lower than the previous year, mainly because of the writedown made to the investments held by the affiliate Euraleo S.r.l. in Sirti and Intercos (€ 43 million, of which € 22 million for Sirti and € 21 million for Intercos). The Parent Bank's investment in Vita S.p.A. (the vehicle used for the investment in Valvitalia) was revalued by € 6.6 million pre-tax, booked to consolidated equity in accordance with international accounting standards, whereas there were no changes in the value of the investment in Capitolotre S.p.A. (the vehicle used for the investment in IVRI) during 2009.

Other information on the results of Group operations

Treasury shares

The Parent Bank carried out a number of transactions to buy back its own shares during 2009 for a total of € 2.300 thousand (n. 715,000 shares). The subsidiaries did not carry out any transactions in their own shares nor in shares of the Parent Bank during the year.

Personnel

The personnel breakdown has changed as follows:

Level	***31/12/2009***	***31/12/2008***	***% Changes***
Managers	*99*	*101*	*(2)%*
Officials	*199*	*205*	*(3)%*
Clerical staff	*100*	*101*	*(1)%*
Employees	***398***	***407***	***(2)%***
Other personnel (contract staff, interns)	*37*	*24*	*54%*
Total personnel	***435***	***431***	***1%***

Total payroll cost (€72.9 million) is 7% lower than last year (€78.1 million).

Research and Development

Group companies did not carry out any research and development during 2009.

Reconciliation between the equity and net profit of the Parent Bank and the consolidated figures

This schedule provides a reconciliation between the equity and net profit of the Parent Bank and the equivalent line items in the consolidated financial statements.

(figures in €/000)	*31 Dec 2009*		*31 Dec 2008*	
	Equity	*of which: Net profit*	*Equity*	*of which: Net profit*
Parent bank's balances	***767 011***	***(55 884)***	***840 652***	***28 826***
Dividends received from subsidiaries		*(34 678)*		*(33 875)*
Cost of discounting the strike price of put options on subsidiaries' shares (IAS 32 paragraph 23)	*(14 886)*	*(4 956)*	*(10 068)*	*(5 805)*
Valuation reserves of investments	*(30)*		*(8)*	
Results of investments, net of minority interest:				
Consolidated	*34 397*	*34 540*	*42 426*	*42 432*
Carried at equity	*(11)*		*(11)*	*(209)*
Consolidation reserves for retained earnings (losses)	*(1 327)*		*2 843*	
Application of IFRIC 11 to the cost of the stock option on subsidiaires	*3 514*		*1 749*	
Backlog amortisation of Leonardo & Co. GmbH & Co. KG and lowest effect of impairment losses on consolidated level	*1 853*	*3 553*	*(1 700)*	*(1 700)*
Application of IAS 32 para. 23 to dividends distributed to minority shareholders of consolidated companies	*20 724*		*8 227*	
Other changes	*148*	*200*		
Consolidated balances	***811 393***	***(57 225)***	***884 110***	***29 669***

Subsequent events and the outlook for operations

Following the decision not to consider the private equity business carried on through Euraleo S.r.l. (held 50%) as a strategic activity any more, the Parent Bank intends to propose to the Shareholders' Meeting planned for the end of April an extraordinary distribution of € 1.00 per share, in addition to a distribution of reserves of a further € 0.08 per share, for a total distribution of € 279 million (€ 1.08 per share) based on the number of shares in circulation at 31 December 2009.

The policy of cost containment adopted during 2009 will continue in 2010 and this is reflected in the 2010 budget approved in January. The budget envisages growth mainly in the two strategic activities, Advisory and Wealth Management, whereas fixed costs will tend to fall.

A new advisory company, Leonardo & Co. N.V., was set up in Belgium (Brussels) in January 2010.

****

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

We hereby submit the consolidated financial statements at 31 December 2009 to your attention, thanking you for your confidence in us.

Milan, 18 March 2010 *for the Board of Directors*

(signed on the original)

CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Euro)

CONSOLIDATED BALANCE SHEET

ASSETS

Assets	12/31/2009	12/31/2008
10. Cash and cash equivalent	320	249
20. Financial assets held for trading	1 176 208	852 501
30. Financial assets designated at Fair Value through profit and loss	3 048	34 033
40. Financial assets available for sale	90 032	59 518
60. Loans and advances to banks	197 630	481 147
70. Loans and advances to customers	402 783	269 926
100. Equity investments		45 112
120. Property, plant and equipment	5 379	6 629
130. Intangible assets	337 820	376 613
of which:		
- Goodwill	334 881	373 169
140. Tax assets	31 272	38 304
a) current	1 804	10 029
b) deferred	29 468	28 275
150. Non-current assets held for sale and discontinued operations	3 827	
160. Other assets	15 365	15 771
Total Assets	**2 263 684**	**2 179 803**

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES

Shareholders' Equity and liabilities	12/31/2009	12/31/2008
10. Deposits from banks	636 427	408 284
20. Customers deposits	428 415	490 382
30. Securities issued	25 007	25 034
40. Financial liabilities held for trading	273 411	279 227
80. Tax liabilities	5 073	16 273
a) current	729	12 463
b) deferred	4 344	3 810
100. Other liabilities	71 686	71 577
110. Employee severance indemnities provisions	3 074	3 153
120. Provisions for risk and charges	9 198	1 763
b) other provisions	9 198	1 763
140. Revaluation reserves	6 722	64
170. Reserves	74 622	66 213
180. Share premium reserves	485 942	484 962
190. Share capital	303 632	303 202
200. Treasury shares (-)	(2 300)	
220. Net profit (loss) for the year	(57 225)	29 669
Total Equity and liabilities	**2 263 684**	**2 179 803**

CONSOLIDATED INCOME STATEMENT

Line items	12/31/2009	12/31/2008
10. Interest and similar income	38 571	48 795
20. Interest expenses and similar charges	(14 997)	(35 989)
30. Net interest income	**23 574**	**12 806**
40. Fee and commission income	178 310	192 508
50. Fee and commission expense	(42 151)	(58 430)
60. Net fee and commission income	**136 159**	**134 078**
70. Dividend and similar income	145 447	151 093
80. Net trading income	(135 798)	(117 581)
90. Net hedging gains (losses)		
100. Gains (losses) on disposal of:	2 825	4 224
a) loans		
b) financial assets available for sale	2 825	4 224
c) financial assets held to maturity		
d) financial liabilities		
110. Net change in value of financial assets and liabilities at fair value	112	(9 555)
120. Net interest and other banking income	**172 319**	**175 065**
130. Net adjustments for impairment of:	(4 163)	(6 448)
a) loans	(2 946)	(1 593)
b) financial assets available for sale	(1 217)	(4 855)
c) financial assets held to maturity		
d) other financial transations		
140. Net income from financial activities	**168 156**	**168 617**
150. Net insurance premiums		
160. Other insurance income / charges, net		
170. Net income from financial and insurance activities	**168 156**	**168 617**
180. Administrative expenses:	(113 769)	(125 210)
a) payroll	(72 877)	(78 135)
b) other administrative expenses	(40 892)	(47 075)
190. Net provisions for risks and charges	(8 124)	(1 217)
200. Net adjustment to property, plant and equipment	(1 559)	(1 313)
210. Net adjustment to intangible assets	(1 165)	(960)
220. Other operating charges/income	410	8 741
230. Operating costs	**(124 207)**	**(119 959)**
240. Share of profit (loss) of equity investments	(43 523)	1 702
250. Net gains (losses) on fair value adjustment of property, plant and equipment		
260. Adjustment to goodwill	(40 200)	
270. Gains (losses) on disposal of investments	(3)	6
280. Profit (loss) before tax from continuing operations	**(39 777)**	**50 366**
290. Taxes on income from continuing operations	(17 448)	(20 697)
300. Profit (loss) after tax from continuing operations	**(57 225)**	**29 669**
310. Profit (loss) after tax from discontinued operations		
320. Net profit (loss) for the period	**(57 225)**	**29 669**
330. Profit (loss) pertaining to minority interests		
340. Net profit (loss) for the period pertaining to the parent bank	**(57 225)**	**29 669**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	12/31/2009	12/31/2008
10.	**Profit (loss) for the year**	**(57 225)**	**29 669**
	Other comprehensive income after tax		
20.	Financial assets avalaible for sale	6 658	(454)
110.	**Total of other comprehensive income after tax**	**6 658**	**(454)**
120.	**Comprehensive income after taxes (Item 10+110)**	**(50 567)**	**29 215**
140.	**Consolidated comprehensive income attributable to the Parent Bank**	**(50 567)**	**29 215**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

2008

	Balance at 12/31/2007		Change in opening balances	Balance at 01/01/2008		Allocation of prior year results			Change in the period												Equity at 12/31/2008	
						Reserves		Dividends and other allocations	Changes in reserves		Equity transactions								Comprehensive Income at 12/31/2008			
											Issue of new shares		Purchase of treasury shares		Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options				
	Group	Minority interests		Group	Minority interests	Group	Minority interests		Group	Minority interests	Group	Minority interests	Group	Minority interests					Group	Minority interests	Group	Minority interests
Share capital																						
a) ordinary shares	288 624			288 624							1 550										290 174	
b) other shares	13 028			13 028																	13 028	
Share premium	481 426			481 426							3 536										484 962	
Reserves																						
a) from earnings	32 737			32 737		21 829			2 073												56 639	
b) other	6 760			6 760														2 814			9 574	
Revaluation reserves	518			518															(454)		64	
Equity instruments																						
Treasury shares																						
Net profit (loss) for the period	54 803			54 803		(21 829)		(32 974)											29 669		29 669	
Equity	877 896			877 896				(32 974)	2 073		5 086							2 814	29 215		884 110	

2009

	Balance at 12/312008		Modifica saldi apertura	Balance at 12/312009		Allocation of prior year results			Change in the period												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	Stock options				
	Group	Minority interests		Group	Minority interests	Group	Minority interests		Group	Minority interests	Group	Minority interests	Group	Minority interests					Group	Minority interests	Group	Minority interests
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							980										485 942	
Reserves																						
a) from earnings	56 639			56 639		5 092															61 731	
b) other	9 574			9 574					513									2 804			12 891	
Revaluation reserves	64			64															6 658		6 722	
Equity instruments																						
Treasury shares													(2 300)								(2 300)	
Net profit (loss) for the period	29 669			29 669		(5 092)		(24 577)											(57 225)		(57 225)	
Equity	884 110			884 110				(24 577)	513		1 410		(2 300)					2 804	(50 567)		811 393	

CONSOLIDATED CASH FLOW STATEMENT
Indirect method

A. OPERATING ACTIVITIES	12/31/2009	12/31/2008
1. Operating activities	**66 974**	**87 667**
net income	(57 255)	29 669
gain/losses or financial assets held for trading and assets/liabilities designated at fair value through profit and loss	(901)	19 573
gain/losses on hedging activities		
net losses/recoveries on impairment	87 886	6 902
adjustements to/net recoveries on property, equipment and intangible assets	2 724	2 273
net provisions for risks and charges and other costs/revenues	17 072	8 553
net insurance premiums to be collected		
other insurance revenues/charges to be collected		
taxes and duties to be settled	17 448	20 697
net adjustements/recoveries on disposal groups net of tax effect		
other adjustments		
2. Cash flow generated/absorbed by financial assets	**(162 720)**	**(768 786)**
financial assets held for trading	(322 918)	(696 062)
financial assets at fair value	31 097	24 938
financial assets available for sale	(25 073)	(5 672)
loans and advances to banks: on demand	26 745	378 680
loans and advances to banks: other receivables	256 772	(307 899)
loans and advances to customers	(135 803)	(209 672)
other assets	6 460	46 901
3. Cash flow generated/absorbed by financial liabilities	**122 290**	**771 535**
deposits from banks: on demand	(1 876)	54 256
deposits from banks: other payables	230 019	347 965
due to customers	(68 835)	149 233
debt securities in issue	(27)	25 034
financial liabilities held for trading	(5 816)	275 441
financial liabilities at fair value		
other liabilities	(31 175)	(80 394)
Net cash flow generated/absorbed by operating activities	**26 544**	**90 416**

B. INVESTMENTS ACTIVITIES		
1. Liquidity generated by:	**5**	
sale of equity investments		
dividends collected on equity investments		
sale/redemption of financial assets held to maturity		
sale of property, plant and equipment	5	
sale of intangible assets		
sale of subsidiary companies and business divisions		
2. Liquidity absorbed by:	**(1 011)**	**(64 065)**
purchase of equity investments		(61 095)
purchase of financial assets held to maturity		
purchase of property, plant and equipment	(337)	(1 903)
purchase of intangible assets	(674)	(1 067)
purchase of subsidiary companies and business divisions		
Net cash flow generated/absorbed by investing activities	**(1 006)**	**(64 065)**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	(2 300)	
issue/purchase of equity instruments	1 410	5 086
dividends distributed and other allocations	(24 577)	(32 975)
Net cash flow generated/absorbed by financing activities	**(25 467)**	**(27 889)**
CASH FLOW GENERATED/ABSORBED IN THE YEAR	**71**	**(1 538)**

RECONCILIATION		
Cash and balances with central banks at the beginning of the year	249	1 787
Total net cash flow genereted/absorbed during the year	71	(1 538)
Cash and balances with central banks: effect of change in exchange rates		
Cash and balances with central banks at the end of the year	**320**	**249**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 - Declaration of conformity with IFRS

These consolidated 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, updated on 18 November 2009.

The above decree, under a mandate received from Parliament, extended the application of IAS/IFRS to the consolidated financial statements of banking groups from 2005.

In particular, the update of the Bank of Italy's Instructions (circular n. 262/2005) is applicable starting from the Financial Statements ended at 31 December 2009 and it follows the purpose of:

- adopting the changes of international standards IAS/IFRS, i.e.: the whole review of IAS 1 "*Presentation of Financial Statements"*, that introduced the "Statement of comprehensive income"; the review of IFRS 8 "*Segment Reporting"*, that changed the information requested; the changes of IAS 39 "*Financial instruments: Recognition and Measurement"* and of IFRS 7 "*Financial instruments: Disclosures"* with regard to financial instruments;
- aligning and simplifying the structure and the content of the Notes with the purpose of addressing the banking schemes to the supervisory ones, as requested from the new international report rules (FinRep);
- adopting additional information already requested by the Supervisory Board.

The consolidated financial statements have been prepared on the basis of the "Instructions for the preparation of company financial statements and the consolidated 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, updated on 18 November 2009, and on the basis of the instructions contained in International Financial Reporting Standards, in particular IFRS 7 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 consolidated 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:

- Consolidated balance sheet;
- Consolidated income statement;
- Consolidated statement of comprehensive income;
- Statement of changes in consolidated equity;
- Consolidated cash flow statement;
- Explanatory notes to the consolidated financial statements.

The consolidated balance sheet and income statement and the statement of consolidated comprehensive income are presented with comparative figures from the previous year. The consolidated statement of changes in consolidated equity and the consolidated cash flow statement are presented with comparative figures from the previous year and expressed in thousands of Euro.

The consolidated 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.

In application of IAS 1 and the Bank of Italy's regulatory update, a new statement of comprehensive income has been added to the financial statements at 31 December 2009.

EC Regulation 1274/2008 has incorporated the new version of IAS 1 "Presentation of Financial Statements" to be applied from the start of the first financial year commencing after 31 December 2008.
In particular, IAS 1 requires that the financial statements include the new statement of comprehensive income. This statement is included in the schedules of the consolidated financial statements and, starting from the net profit (loss) for the period, it has to show any cost or revenue items that are not reflected in the net profit (loss) for the period, as required by IFRS.

These items consist of any changes in value booked during the period to the valuation reserves (net of tax) and relate to: financial assets available for sale; property, plant and equipment; intangible assets; hedging of foreign investments; cash flow hedges; exchange differences; actuarial gains (losses) on defined benefit pension plans.

They also include reclassification adjustments, namely any amounts that have been reclassified in the net profit (loss) for the current year that appeared in the statement of comprehensive income of the same year or of previous years.
Where considered opportune, we have also provided detailed information in addition to that required by current regulations.

The consolidated explanatory notes consist of:

Part A - Accounting policies

Part B – Information on the consolidated balance sheet

Part C – Information on the consolidated income statement

Part D – Consolidated comprehensive income

Part E – Information on hedging risks and policies

Part F – Information on Group equity

Part G – Business combinations

Part H – Related-party transactions

Part I – Share-based payments

Part L – Segment reporting

Section 3 - Scope of consolidation and consolidation procedures

3.1 Investments in subsidiaries and joint ventures (proportionally consolidated)

Company name	Location	Nature of holding	Investment details		% voting rights
			Holder	% held	
A. Companies A.1 Consolidated line-by-line					
1. Leonardo SGR S.p.A.	Via Broletto, 46 Milan	1	Gruppo Banca Leonardo S.p.A.	100%	100%
2. G.B.L. Fiduciaria S.p.A.	Via del Lauro, 14 Milan	1	Gruppo Banca Leonardo S.p.A.	100%	100%
3. Leonardo & Co S.p.A. (*)	Via Broletto, 46 Milan	1	Gruppo Banca Leonardo S.p.A.	100%	100%
4. Leonardo & Co. S.A.S. (**)	73 rue d'Anjou Paris	1	Gruppo Banca Leonardo S.p.A.	100%	100%
5. Leonardo & Co. GmbH & Co. KG (***)	Bockenheimer Landstrasse 98-100, Frankfurt am Main	1	Gruppo Banca Leonardo S.p.A.	100%	100%
6. DNCA Finance S.A. (****)	18-20 Rue de la Paix Paris	1	Gruppo Banca Leonardo S.p.A.	67%	67%
7. Banque Leonardo S.A. (*****)	68 Rue de Faubourg de Saint-Honoré Paris	1	Gruppo Banca Leonardo S.p.A.	74.58%	74.58%
8. Leonardo & Co. B.V.	Roemer Visscherstraat 43-45 Amsterdam	1	Gruppo Banca Leonardo S.p.A.	100%	100%
9. Leonardo Asesores Financieros S.A.	Plaza de la Independencia 8, Madrid	1	Gruppo Banca Leonardo S.p.A.	100%	100%

Key
Nature of holding:
1 = Majority of voting rights at shareholders' meetings

(*)Leonardo & Co. S.p.A. holds 100% of GB & Co. S.r.l.
(**) In 2009 Leonardo & Co. S.A.S. acquired 10% of Leonardo MIDCAP CF S.A.S., a start-up advisory company.
(***) Leonardo & Co. GmbH & Co. KG holds 100% of D&C Beteiligungs GmbH i. L. and of Leonardo & Co. Verwaltungs GmbH.
(****) DNCA Finance S.A. holds 100% of DNCA Courtage (France) and of Leonardo Asset Management (Luxembourg).
(*****) Banque Leonardo S.A.. holds 100% of VP Finance Géstion S.A.S., VP Immobilier Sarl, VP Assurance Sarl, Selected Strategies Advisory Corporation, European Capital Advisory Corporation and Advanced Multimanagement Advisory Corporation.

In accordance with IAS 27, the Parent Bank's scope of consolidation includes Leonardo SGR S.p.A., G.B.L. Fiduciaria S.p.A., Leonardo & Co. S.p.A., Leonardo & Co. S.A.S., Leonardo & Co. GmbH & Co. KG, DNCA Finance S.A., Banque Leonardo S.A., Leonardo & Co. B.V. and Leonardo Asesores Financieros S.A., all of which are consolidated line-by-line. Leonardo MIDCAP CF S.A.S., on the other hand, is consolidated on a proportional basis (10%) with Leonardo & Co. S.A.S.

The scope of consolidation underwent the following changes during the course of the year:

- the merger of Leonardo SIM S.p.A. with the Parent Bank which means that it no longer features separately in the scope of consolidation;
- the inclusion of Leonardo MIDCAP CF S.A.S., held 10% by Leonardo & Co. S.A.S. and proportionally consolidated in accordance with the shareholder agreement which regulates its corporate governance.

Full consolidation involves combining the balance sheets and income statements of subsidiary companies on a line-by-line basis. After allocating the minority interests in equity and net profit to separate line items, the value of the investment is eliminated against the residual value of the subsidiary's equity. Proportional consolidation involves allocating the Group's share of each asset, liability, revenues and costs of the joint venture to the respective items in the financial statements.

On first-time consolidation, any positive differences arising from this process – after suitable allocations to the subsidiary's assets and liabilities – are recorded as goodwill among Intangible assets, while subsequent differences are classified among the equity reserves. Negative differences are charged to the income statement.

Assets, liabilities, income and expenses arising between consolidated companies are eliminated in full.

Goodwill is subjected to an annual impairment test to see if there have been any permanent losses in value.

The minority interests in the equity and profits of the subsidiary are classified separately in the consolidated balance sheet and income statement, to reflect minority interests.

The Group's investments in associates, according to IAS 28, paragraph 6, are carried at equity as recommended and to this end the associates' financial statements are prepared, where possible, as of the same date as the consolidated financial statements using the same accounting policies.

Investments in associates are initially recognised at cost and then increased or decreased by the Parent Company's share of profits or losses made after the acquisition date, as well as by any impairment losses. The income statement reflects the Group's share of the results of the company subject to significant influence, whereas dividends received reduce the book value of the investment. Other adjustments to the book value may prove necessary as a result of changes in the percentage shareholding or changes in the company's net equity not reflected in the income statement. The investing company's percentage shareholding is reflected directly in its equity.

This method therefore consists of attributing to the investments a value equal to the Group's share of their net equity as shown in the latest set of accounts prepared by the company.

The holding company ceases to use the net equity method from the date on which it no longer has a significant influence over the associate and the investment is accounted for according to IAS 39, providing the company in question does not become a subsidiary or a JV under joint control.

This method of consolidation was applied to Euraleo S.r.l. (held 50%, but not considered a joint venture because of the shareholder agreement) up to the date on which this company was reclassified to non-current assets held for sale following the decision to dispose of this asset, and therefore valued at the lower of the carrying amount and fair value net of costs to sell in accordance with IFRS 5. Note that the valuation at equity before the reclassification to non-current assets held for sale did not generate significant effects on the 2009 financial statements, so the company has been valued in accordance with IFRS 5 since the beginning of 2009.

The consolidated financial statements are prepared using the draft financial statements of the individual companies at the reference date, approved by the respective boards of directors and reclassified for consistency with the current regulations described above.

Section 4 – Subsequent events

Following the decision not to consider the private equity business carried on through Euraleo S.r.l. as a strategic activity any more, the Parent Bank intends to propose to the Shareholders' Meeting planned for the end of April an extraordinary distribution of € 1.00 per share, in addition to a distribution of reserves of a further € 0.08 per share, for a total distribution of € 279 million (€ 1.08 per share) based on the number of shares in circulation at 31 December 2009.

The policy of cost containment adopted during 2009 will continue in 2010 and this is reflected in the 2010 budget approved in January. The budget envisages growth mainly in the two strategic activities, Advisory and Wealth Management, whereas fixed costs will tend to fall.

A new advisory company, Leonardo & Co. N.V., was set up in Belgium (Brussels) in January 2010.

Section 5 – Other aspects

The following accounting standards and interpretations came into effect during 2009:
- IAS 1: Presentation of Financial Statements (incorporated into European legislation by EC Reg. 1274/2008);
- IAS 23: Borrowing Costs (EC Reg. 1260/2008);
- Amendments to IAS 32: Financial Instruments: Presentation and Disclosures and IAS 1: Presentation of Financial Statements – Puttable instruments and obligations arising on liquidation (EC Reg. 53/2009);
- Amendments to IFRS 1: First-Time Adoption of International Financial Reporting Standards and to IAS 27: Consolidated and Separate Financial Statements - Cost of investments in subsidiaries, joint ventures and associates (EC Reg. 69/2009);
- Amendments to IFRS 2: Share-based payments (EC Reg. 1261/2008);
- IFRS 8: Segment Reporting (EC Reg. 1358/2007);
- IFRIC 13: Customer Loyalty Programmes (EC Reg. 1262/2008);
- IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (EC Reg. 1263/2008).

As regards the new version of IAS 1 "Presentation of Financial Statements" and adoption of the statement of comprehensive income, see Section 2 - General method of preparation. The adoption of these standards or interpretations did not have any impact on the balance sheet or income statement in the half-year financial statements.

The European Commission has also endorsed the following accounting standards, which come into effect during 2009, with the possibility of early application;
- Improvements in International Financial Reporting Standards (EC Reg. 70/2009);
- Amendments to IAS 27: Consolidated and Separate Financial Statements (EC Reg. 494/2009);
- IFRS 3: Business Combinations (EC Reg. 495/2009);
- IFRIC 12: Service Concession Arrangements (EC Reg. 254/2009);
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (EC Reg. 460/2009).

As at 31 December 2009, the IASB has issued the following accounting standards or revisions:
- Improvement to IAS 16 – Property, Plant and Equipment;
- Improvement to IAS 19 – Employee Benefits;
- Improvement to IAS 20 – Accounting for Government Grant and Disclosure of Government Assistance;
- Improvement to IAS 28 – Investments in Associates and consequent amendments to IAS 31, IAS 32 and IFRS 7;
- Improvement to IAS 29 – Financial Reporting in Hyperinflationary Economies;
- Improvement to IAS 36 – Impairment of Assets;
- Improvement to IAS 38 – Intangible Assets;
- Amendments to IAS 39: Financial instruments – Recognition and Measurement - Eligible Hedged Items;
- Amendments to IAS 39: Reclassification of Financial Assets – Effective Date;
- Improvement to IAS 40 – Investment property;
- Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations;
- Amendments to IFRS 7: Improved Disclosures on Financial Instruments;
- Amendments to IFRIC 9 and IAS 39: Embedded Derivatives;
- IFRIC 15: Agreements for the Construction of Real Estate;
- IFRIC 17: Distributions of Non-Cash Assets to Owners;

- IFRIC 18: Transfers of Assets from Customers.

During 2009 the IASB also issued the following standards or amendments to existing standards that will be applicable in future years; for those standards the endorsement process at European Commission is still ongoing.

- New version of IAS 24 – Related Party Disclosure – applicable from 1 January 2011;
- Amendment to IFRS 2 – Share-based Payment – applicable from 1 January 2010;
- IFRS 9 – Financial Instruments – applicable from 1 January 2013;
- Amendment to IFRIC14 - The limit on a Defined Benefit Asset, Minimum Funding Requirements – applicable from 1 January 2011;
- IFRIC19 – Extinguishing Financial Liabilities with Equity Instruments – applicable from 1 January 2011.

Finally, prior to the approval date of these financial statements, a joint document was issued by the supervisory authorities (Bank of Italy, Consob and Isvap), which summarises the disclosures that have to be made in financial reports on impairment tests, contractual clauses of financial liabilities, debt restructurings and fair value hierarchies. This information is contained both in the report on operations and in the notes to the financial statements.

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 - 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.

10 - 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.

11 - 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***.**

12 – 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.

13 - 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. Treasury shares are recorded at cost and they are not revaluated. 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

The Group 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

	12/31/2009			12/31/2008		
Financial assets/liabilities valued at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for Trading	904 490	251 290	20 428	260 894	263 078	328 529
2. Financial assets at fair value through P&L		3 048			34 033	
3. Available for sale financial assets	43 930	10 206	35 896	4 382	11 379	43 757
4. Hedging derivative assets						
Total	948 420	264 544	56 324	265 276	308 490	372 286
1. Financial liabilities held for Trading	4 626	268 785		358	278 869	
2. Financial liabilities at fair value through P&L						
3. Hedging derivative Liabilities						
Total	4 626	268 785		358	278 869	

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	**328 529**		**43 757**	
2. Increases	**51 873**		**14 137**	
2.1 Purchases	34 010		5 000	
2.2 Gains recognized in:				
2.2.1 Income Statement	1 452		2 577	
- Unrealized losses				
2.2.2 Equity			6 560	
2.3 Transfer from/to other levels (+)	16 246			
2.4 Other increases	165			
Decreases	**359 974**		**21 998**	
3.1 Sales	186 985		21 998	
3.2 Redemptions	169 231			
3.3 Losses recognized in:				
3.3.1 Income Statement	870			
- Unrealized gains				
3.3.2 Equity				
3.4 Transfer from/to other levels (-)				
3.5 Other decreases	2 888			
4. Closing balances	**20 428**		**35 896**	

<u>Trading portfolio</u>

In general, there has been a significant transfer of financial assets (in particular securities) from levels 3 and 2 to level 1 at the end of previous years.
At 31 December 2008 around € 330 million of bonds were classified as level 3 because of the particular financial crisis at the time: many securities in portfolio were no longer listed on an active market as the following factors objectively existed:

- a significant contraction of trading volumes or the presence of only bids prices;
- inconstant availability of price contributions;
- inconstant reliability of price contributions;
- the extent of the bid-ask spread;
- volatility between contributors of price contributions for the same instrument;
- the extent of the difference, if positive, between the spreads built into market prices and the spreads built into synthetic products (such as CDSs) for a particular issuer.

For these securities, the Parent Bank estimated their fair value on the basis of market quotes expressed by the contributors considered most reliable. The reliability of the individual contributors was assessed on the basis of the presence of purchase and sale volumes, limited bid/offer spreads, and the stability/continuity of the contributor's quotes for the specific security.
At the end of the year, the securities classified level 3 amount to € 20 million, which is 2.2% of the total portfolio compared with 59.5% last year. The increase in this portfolio's price quality is even more significant if we consider that the portfolio has also grown by 67%.

The principal factors which led to the decrease in the securities classified fair value level 3 are as follows:
1) from a general point of view, the changed context of the bond market, which resumed the characteristics of a liquid market;
2) more specifically, the duration of the portfolio in 2008 was short-term and many securities have either been reimbursed in the meantime (€ 169 million) or sold in any case (€ 187 million);
3) new investments gave preference to government securities (above all Italian), which have a high degree of liquidity.
Positions classified level 3 at the year-end relate to only seven bonds of primary Italian banking issuers; of these seven bonds, two were also in this position at the end of 2008 with a countervalue of € 45 million.

Available for sale portfolio

The breakdown of the portfolio between the two years for the portion in fair value level 3 has remained substantially unchanged. This category includes the Parent Bank's merchant banking investments. As already explained in detail in the "Impairment test" section of the report on operations, the investment in Vita S.p.A. (the vehicle used for the investment in Valvitalia) was revalued at the end of 2009 by € 6.6 million pre-tax, using as the fair value the selling price established on the partial disposal of the investment which took place in the second half of the year.
As already explained in the "Impairment test" section of the report on operations, the investment in Eurazeo Sicar carried out by the Parent Bank, was written down by € 1.2 million to adjust the NAV estimates at 31 December 2008 used in the 2008 financial statements, to those published in April 2009 (based on the actual figures at 31 December 2008). At the end of 2009, on the other hand, there was an increase in the value of NAV which was booked to equity (net of tax effects), in accordance with IAS 39.

Portfolio measured at fair value

This portfolio is made up entirely of mutual funds, almost all of which were sold during the year; the figure shown in the financial statements relates to the residual units of a Group fund which is being liquidated.

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

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

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and balances with central banks – Item 10

1.1 Cash and cash balances: breakdown

	12/31/2009	12/31/2008
a) Cash	320	249
Total	**320**	**249**

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by sector

Items/Values	12/31/2009			12/31/2008		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debts securities	888 013		20 423	215 943		328 524
1.1 Structured securities	23 681					
1.2 Other debts securities	864 332		20 423	215 943		328 524
2. Equity securities	10 792		5	7 568		5
3. UCIS shares	42			32 820		
4. Loans						
4.1 REPO						
4.2 Other						
Total A	**898 847**		**20 428**	**256 331**		**328 529**
B. Derivatives instruments						
1. Financial derivatives:	5 643	248 504		4 563	256 655	
1.1 held for trading	5 643	248 504		4 563	256 655	
1.2 FV hedges						
1.3 Others						
2. Credit derivatives:		2 786			6 423	
2.1 trading		2 786			6 423	
2.2 FV hedges						
2.3 Others						
Total B	**5 643**	**251 290**		**4 563**	**263 078**	
Total (A+B)	**904 490**	**251 290**	**20 428**	**260 894**	**263 078**	**328 529**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

Line items / amounts	12/31/2009	12/31/2008
A. CASH ASSETS		
1. Debt securities	**908 436**	**544 467**
a) Governments and central banks	495 992	71 549
b) Other public entities		
c) Banks	354 795	382 193
d) Other issuers	57 649	90 725
2. Equities	**10 797**	**7 573**
a) Banks	2 970	6 054
b) Others issuers:	7 827	1 519
- Insurance companies	136	26
- Financial companies	8	1
- Non-financial companies	7 683	1 492
- Other		
3. U.C.I.S.	**42**	**32 820**
4. Loans		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other issuers		
Total A	**919 275**	**584 860**
B. DERIVATIVE INSTRUMENTS		
a) Banks		
- fair value	220 892	243 396
b) Customers		
- fair value	36 041	24 245
Total B	**256 933**	**267 641**
Total (A + B)	**1 176 208**	**852 501**

2.3 Financial assets held for trading: annual changes

Changes/Underlying assets	Debt securities	Equities	UCIS	Loans	**12/31/2009**
A. Opening balance	**544 467**	**7 573**	**32 820**		**584 860**
B. Increases	4 286 953	5 108 820	1 720		9 397 493
B.1 Purchases	4 260 070	5 097 628	1 704		9 359 402
B.2 Positive changes in fair value	2 300	1 285	1		3 586
B.3 Other changes	24 583	9 907	15		34 505
C. Decreases	**(3 922 984)**	**(5 105 596)**	**(34 498)**		**(9 063 078)**
C.1 Sales	(3 394 501)	(3 898 993)	(34 440)		(7 327 934)
C.2 Reimbursements	(515 603)		(40)		(515 643)
C.3 Negative changes in fair value	(2 336)	(790)	(1)		(3 127)
C.4 Transfers to other portfolios					
C.5 Other changes	(10 544)	(1 205 813)	(17)		(1 216 374)
D. Closing balances	**908 436**	**10 797**	**42**		**919 275**

Section 3 – Financial assets at fair value – Item 30

3.1 Financial assets at fair value: breakdown by sector

Items/Values	12/31/2009			12/31/2008		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. UCIS shares		3 048			34 033	
4. Loans						
4.1 Structured						
4.2 Others						
Total		**3 048**			**34 033**	
Cost		**2 946**			**39 500**	

Sub-item *3. Ucis shares* includes the residual quotas of funds of hedge funds held by the Parent Bank, which are currently being run down.

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

Type of derivatives/Underlying asset	12/31/2009	12/31/2008
1. Debt securities		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
2. Equity securities		
a) Banks		
b) Others		
- Insurance companies		
- Financial companies		
- No-financial institutions		
- Others		
3. UCIS shares	**3 048**	**34 033**
4. Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total	**3 048**	**34 033**

3.3 Financial assets at fair value: annual changes

Changes/underlying assets	Debt securities	Equity investments	Unit investments funds	Loans	12/31/2009
A. Opening balance			**34 033**		**34 033**
B. Increase			2 333		2 333
B.1 Purchases			2 053		2 053
B.2 Positive changes in fair value			114		114
B.3 Other changes			166		166
C. Reductions			**(33 318)**		**(33 318)**
C.1 Sales			(1 207)		(1 207)
C.2 Redemptions			(31 943)		(31 943)
C.3 Negative changes in fair value			(168)		(168)
C.4 Other changes					
D. Closing balance			**3 048**		**3 048**

Section 4 – Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown by sector

Items/Values	12/31/2009			12/31/2008		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities	828		30 896	548		28 757
2.1 Valued at fair value	828		19 300	548		94
2.2 Valued at cost			11 596			28 663
3. UCIS shares	43 102	10 206	5 000	3 834	11 379	15 000
4. Loans						
Total	**43 930**	**10 206**	**35 896**	**4 382**	**11 379**	**43 757**

Sub-item *2.1 Equities securities valued at fair value – L3* includes the Parent Bank's investment in Vita S.p.A. (vehicle for the investment in Valvitalia) for € 19.3 million, which was revalued at the year-end by € 6.6 million, using as fair value the price of the partial sale of the investment which took place in the second half of the year (realising a pre-tax capital gain of € 2.3 million, booked to the income statement).

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

Sub-item *3. Ucis shares – L1* includes temporary investments of certain Group companies (the main one is DNCA Finance S.A. with a securities portfolio of € 40 million). This item includes, for level L2, the Parent Bank's investment in the Eurazeo Partners B Sicar. This investment (worth € 7.7 million at 31 December 2009) was impairment tested in 2008 and written down by € 3 million; it has now been written down by a further € 1.2 million in the first semester 2009 with effect on the income statement.
We would also point out that this investment was revalued at the year-end by € 0.3 million with effect on equity in accordance with IAS 39.

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

Line items /amounts	12/31/2009	12/31/2008
1. Debt securities		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other		
2. Equities	**31 724**	**29 305**
a) Banks		
b) Other issuers:	31 724	29 305
- Insurance companies		
- Financial companies	20 128	548
- Non-financial companies	11 596	28 757
- Others		
3. UCIS	**58 308**	**30 213**
4. Loans		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other		
Total	**90 032**	**59 518**

Analysis of equities - Other issuers

Description		12/31/2009	12/31/2008
Merchant banking			
Capitolotre S.p.A.		11,500	11,500
Vita S.p.A.		19,300	17,162
	total	30,800	28,663
Other			
LSE Group Shs		828	548
SIA / SSB S.p.A.		94	94
Other minor items		2	1
	total	924	642
Total		**31,724**	**29,305**

4.4 Financial assets available for sale: annual changes

	Debt securities	Equities	Mutual funds	Loans	**12/31/2009**
A. Opening balances		**29 305**	**30 213**		**59 518**
B. Increases		**9 119**	**54 568**		**63 687**
B.1 Purchases			53 561		53 561
B.2 Positive changes in fair value			123		123
B.3 Writebacks		6 811	396		7 207
- booked to income statement					
- booked to equity		6 811	396		7 207
B.4 Transfers from other portfolios					
B.5 Other changes		2 308	488		2 796
C. Decreases		**(6 700)**	**(26 473)**		**(33 173)**
C.1 Sales		(6 700)	(25 223)		(31 923)
C.2 Reimbursements					
C.3 Negative changes in fair value			(22)		(22)
C.4 Writedowns for impairment			(1 217)		(1 217)
- booked to income statement			(1 217)		(1 217)
- booked to equity					
C.5 Transfers to other portfolios					
C.6 Other changes			(11)		(11)
D. Closing balances		**31 724**	**58 308**		**90 032**

Section 6 – Loans and advances to banks – Item 60

6.1 Loans and advances to banks: breakdown by sector

Type of transactions/amounts	12/31/2009	12/31/2008
A. Loans and advances to Central Banks		
1. Time deposits		
2. Compulsory reserves		
3. Repurchase agreements		
4. Other		
B. Loans and advances to Banks	**197 630**	**481 147**
1. Current accounts and free deposits	89 271	116 016
2. Time deposits	101 191	362 199
3. Other loans	7 168	2 932
3.1 Repurchase agreements	1 416	
3.2 Financial leases		
3.3 Other	5 752	2 932
4. Debt securities		
4.1 Structured securities		
4.2 Other debt securities		
Total (book value)	**197 630**	**481 147**
Total (fair value)	**197 630**	**481 147**

Sub-item 2. *Time deposits* mainly includes the collateral given to other banks for the Parent Bank's activity in derivatives for a total of € 65.5 million. Time deposits include also a deposit with Istituto Centrale delle Banche Popolari Italiane for the maintenance of the Parent Bank's compulsory reserve of € 5 million (€ 7.3 million at 31 December 2008).

Section 7 – Loans and advances to customers – Item 70

7.1 Loans and advances to customers: breakdown by sector

Operations type/Values	12/31/2009		12/31/2008	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Current accounts	179 708	5	63 887	251
2. REPO	102 696		99 150	
3. Mortgages	29 059		23 776	
4. Credit cards, personal loans and wage ass losses				
5. Financial Lease				
6. Factoring				
7. Other transactions	91 315		82 828	34
8. Debt securities				
8.1 Structured securities				
8.2 Other debt securities				
Total (book value)	**402 778**	**5**	**269 641**	**285**
Total (fair value)	**402 778**	**5**	**269 641**	**285**

Sub-item *2. Repurchase agreements* mainly consists of a structured security purchased by the Parent Bank (€ 99 million), linked to a swap contract, which, in accordance with IAS/IFRS, has been booked under loans and advances to customers.
These financial assets were sold at the end of February 2010.

At the year-end, the Parent Bank had loans for € 72 million, of which € 44 million short- and medium/long-term (classified in sub-item *7. Other transactions*) and € 28 million of mortgage loans. Overdraft facilities at the year-end were drawn down for € 179 million (including € 2.2 million of Banque Leonardo S.A.).

In addition to the above, sub-item *7. Other transactions* mainly includes trade receivables of the Group's advisory companies for € 25.8 million, the trade receivables of the Group's asset management companies for € 10.2 million and € 12.2 million of collateral paid for trading in OTC derivatives of the Parent Bank.

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

Operation type/Values	12/31/2009		12/31/2008	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Debt securities				
a) Governments				
b) Other public entities				
c) Other issuers				
- no financial istitutions				
- financial istitutions				
- insurances				
- others				
2. Loans	**402 778**	**5**	**269 641**	**285**
a) Governments				
b) Other public entities				
c) Other issuers	402 778	5	269 641	285
- no financial istitutions	165 981		84 553	
- financial istitutions	119 451		118 175	
- insurances	579		180	
- others	116 767	5	66 733	285
Total	**402 778**	**5**	**269 641**	**285**

Section 10 – Investments – Item 100

10.1 Investments in joint ventures (carried at equity) and associates: disclosures

Name	Location	Nature of holding	Investment details		% voting rights
			Holder	% held %	
Euraleo s.r.l.	Italy – Milan	3		50%	50%

Nature of holding:
3 = agreements with other shareholders

Because of shareholder syndicate agreements, Euraleo s.r.l. is not considered a joint venture.
We point out that at 31 December 2009 Euraleo s.r.l. has been booked under non-current assets held for sale. The reasons for this classification has been already discussed in the Report on operations.

10.3 Investments: annual changes

	12/31/2009	12/31/2008
A. Opening balance	**45 112**	**39 830**
B. Increases	**2 238**	**9 956**
B.1 Purchases		2 553
B.2 Writebacks		
B.3 Revaluations		
B.4 Other changes	2 238	7 403
C. Decreases	**(47 350)**	**(4 674)**
C.1 Sales		
C.2 Writedowns	(43 523)	
C.3 Other changes	(3 827)	(4 674)
Closing balance		**45 112**
E. Total revaluations		
F. Total adjustments	**(43 523)**	

Sub-item *C.2 Writedowns* includes the effect of the measurement at fair value net of costs to sell of Euraleo s.r.l. in application of IFRS 5, following the decision by the Parent Bank's to sell it. For further information, reference should be made to the Report on Operations.
Sub-item *C.3 Other changes* includes the transfer of the investment in Euraleo s.r.l. (€ 3.8 million) after the writedown, in the item “Non-current assets held for sale”.

Section 12 – Property, plant and equipment – Item 120

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

Assets/ Amounts	12/31/2009	12/31/2008
A. Functional assets		
1.1 Owned	**5 379**	**6 629**
a) land		
b) buildings		
c) furniture	1 296	1 662
d) electronic systems	1 205	1 503
e) other	2 878	3 464
1.2 Acquired under financial lease		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
Total A	**5 379**	**6 629**
B. Assets held for investment purposes		
2.1 Owned		
a) land		
b) buildings		
2.2 acquired under financial lease		
a) land		
b) buildings		
Total B		
Total (A+B)	**5 379**	**6 629**

12.3 Functional property, plant and equipment: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	**Total**
A. Gross opening balance			**3 409**	**3 556**	**12 043**	**19 008**
A.1 Total net writedowns			(1 747)	(2 053)	(8 579)	(12 379)
A.2 Net opening balance			**1 662**	**1 503**	**3 464**	**6 629**
B.Increases			**16**	**156**	**165**	**337**
B.1 Purchases			16	156	165	337
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 gaings						
B.6 Transfers from buildings held for investment purposes						
B.7 Other changes						
C. Decreases			**(382)**	**(454)**	**(751)**	**(1 587)**
C.1 Sales				(5)		(5)
C.2 Depreciation			(250)	(446)	(742)	(1 438)
C.3 Writedowns for impairment booked to:			(120)			(120)
a) equity						
b) income statement			(120)			(120)
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			(12)	(3)	(9)	(24)
D. Net closing balances			**1 296**	**1 205**	**2 878**	**5 379**
D.1 total net writedowns			(2 037)	(2 216)	(9 309)	(13 562)
D.2 Gross closing balance			**3 333**	**3 421**	**12 187**	**18 941**
E. Valuation at cost			1 296	1 205	2 878	5 379

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by type of assets

Asset/Amounts	12/31/2009 Finite life	12/31/2009 Indefinite life	12/31/2008 Finite life	12/31/2008 Indefinite life
A.1 Goodwill				
A.1.1 pertaining to the banking group		334 881		373 169
A.1.2 pertaining to minority interests				
A.2 Other intangible assets:				
A.2.1 Assets carried at cost	1 303	1 636	1 996	1 448
a) Intangible assets internally generated				
b) Other assets	1 303	1 636	1 996	1 448
A.2.2 Assets at fair value:				
a) Intangible assets internally generated				
b) Other assets				
Total	**1 303**	**336 517**	**1 996**	**374 617**

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		**Total**
		LIMITED	UNLIMITED	LIMITED	UNLIMITED	
A. Opening balance	**451 199**			**9 645**	**1 449**	**462 293**
A.1 Total net writedowns	(78 030)			(7 649)	(1)	(85 680)
A.2 Net opening balance	**373 169**			**1 996**	**1 448**	**376 613**
B Increases	**1 912**			**486**	**188**	**2 586**
B.1 Purchases				486	188	674
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	1 912					1 912
C. Decreases	**(40 200)**			**(1 179)**		**(41 379)**
C.1 Sales						
C.2 Writedowns	(40 200)			(1 165)		(41 365)
- amortisation				(1 089)		(1 089)
- writedowns	(40 200)			(76)		(40 276)
+ equity						
+ income statement	(40 200)			(76)		(40 276)
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				(14)		(14)
D. Net closing balance	**334 881**			**1 303**	**1 636**	**337 820**
D.1 Total net adjustments	(118 230)			(8 193)		(126 423)
E. Gross closing balance	**453 111**			**9 496**	**1 636**	**464 243**
Valuation at cost				1 303	1 636	2 939

Sub-item *C.2 Decreases – writedowns* includes the impairment adjustment to the goodwill of the German subsidiary Leonardo & Co. GmbH & Co. KG.
For further information on this matter, please refer to the Report on Operations.

13.3 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.

With regard to the carrying amount of goodwill allocated to the cash generating unit (group of units), IAS 36, please refer to the Consolidated Report on Operations paragraph "Impairment tests".

Section 14 – Tax assets and tax liabilities - Item 140 of assets and Item 80 of liabilities

14.1 Deferred tax assets: breakdown

Deferred tax assets with contra-entry to income statement

	Total 12/31/2009		Total 12/31/2008	
Description	Temporary differences	Tax effect	Temporary differences	Tax effect
Writedown of investments				
Employee incentives	778	214	1 032	284
Other administrative expenses	329	191	2 664	908
Employee severance indemnities		43	130	43
charges	8 543	2 352	2 425	732
Goodwill	76 921	24 145	75 027	23 702
Losses on securities				46
Amortisation of intangible assets			11	11
Writedowns of customer loans	1 887	520	20	5
Losses carried forward	200	1 891	8 444	2 322
Total	**88 658**	**29 356**	**89 753**	**28 053**

The sub-items *Goodwill* and *Losses carried forward* include the future tax benefits booked by the Parent Bank and by the subsidiary Leonardo & Co. GmbH & Co. KG for € 19 million and the allocation of the combination cost of the same company by the Parent Bank for € 6 million.

Deferred tax assets with contra-entry to equity

	Total 12/31/2009		Total 12/31/2008	
Description	Temporary differences	Tax effect	Temporary differences	Tax effect
Writedown of investments				
Employee incentives				
Other administrative expenses				
Employee severance indemnities	129		688	222
charges				
Goodwill				
Losses on securities	2	1		
Amortisation of intangible assets	344	111		
Writedowns of customer loans				
Losses carried forward				
Total	**475**	**112**	**688**	**222**

Total deferred tax assets	29,468	28,275

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities with contra-entry to income statement

	Total 12/31/2009		Total 12/31/2008	
Description	Temporary differences	Tax effect	Temporary differences	Tax effect
Capital gains on securities				
Employee severance indemnities	234	64	110	31
Eliminating the effects of fiscal interference	85	23	89	25
Goodwill	11 281	3 602	11 281	3 602
Other	356	99	467	148
Total	**11 956**	**3 788**	**11 947**	**3 806**

The sub-item *goodwill* includes allocation of the business combination cost of Leonardo & Co. GmbH & Co. KG by the Parent Bank for € 3.6 million.

Deferred tax liabilities with contra-entry to equity

	Total 12/31/2009		Total 12/31/2008	
Description	Temporary differences	Tax effect	Temporary differences	Tax effect
Capital gains on securities	7 307	556	15	4
Employee severance indemnities				
Eliminating the effects of fiscal interference				
Goodwill				
Other				
Total	**7 307**	**556**	**15**	**4**

Total deferred tax liabilities	**4,344**	**3,810**

14.3 Change in deferred tax assets (with contra-entry to the income statement)

	Total 12/31/2009	Total 12/31/2008
1. Brought forward	**28 053**	**25 328**
2. Increases	**5 193**	**13 602**
2.1 Deferred tax assets recognized during the period	4 564	4 547
a) Related to previous periods	672	30
b) Due to changes in accounting policies		
c) Write-backs		
d) Other	3 892	4 517
2.2 New taxes or increases in tax rates		
2.3 Other increases	629	9 055
3. Decreases	**(3 890)**	**(10 877)**
3.1 Deferred tax assets cancelled during the year	(3 805)	(2 146)
a) Reversals	(3 511)	(2 146)
b) Written down as now considered unrecoverable		
c) Change in accounting policies		
d) Other	(294)	
3.2 Reductions in tax rates		(5)
3.3 Other decreases	(85)	(8 726)
4.Carried forward	**29 356**	**28 053**

14.4 Changes in deferred tax liabilities (with contra-entry to the income statement)

	Total 12/31/2009	Total 12/31/2008
1. Brought forward	**3 806**	**3 860**
2. Increases	**63**	**117**
2.1 Deferred tax liabilities recognized during the period	63	108
a) related to previous periods		14
b) due to changes in accounting policies		
c) other	63	94
2.2 New taxes or increase in tax rates		
2.3 Other increases		9
3. Decreases	**(81)**	**(171)**
3.1 Deferred tax liabilities cancelled during the year	(57)	(171)
a) reversals	(57)	(169)
b) due to changes in accounting policies		
c) other		(2)
3.2 Reductions in tax rates		
3.3 Other decreases	(24)	
4. Carried forward	**3 788**	**3 806**

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

	Total 12/31/2009	Total 12/31/2008
1. Brought forward	**222**	**475**
2. Increases	**1**	
2.1 Deferred tax assets recognized during the period	1	
a) related to previous periods		
b) due to changes in accounting policies		
c) other	1	
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**(111)**	**(253)**
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) altre		
3.2 Reduction in tax rates		
3.3 Other decreases		(142)
4. Carried forward	**112**	**222**

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

	Total 12/31/2009	Total 12/31/2008
1. Brought forward	**4**	**24**
2. Increases	**555**	**3**
2.1 Deferred tax liabilities recognized during the year	555	3
a) Related to previous periods		
b) Due to changes in accounting policies		
c) Other	555	3
2.2 New taxes or increase in tax rates		
2.3 Other increases		
3. Decreases	**(3)**	**(23)**
3.1 Deferred tax liabilities cancelled during the year	(3)	(23)
a) Reversals	(3)	(23)
b) Due to changes in accounting policies		
c) Other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Carried forward	**556**	**4**

Section 15 - Non-current assets held for sale and liabilities associated with non-current assets held for sale - Item 150 of assets and item 90 of liabilities

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

	12/31/2009	12/31/2008
A. Individual assets		
A.1 Financial assets		
A.2 Equity investments	3 827	
A.3 Tangible Assets		
A.4 Intangible assets		
A.5 Other non-current assets		
Total A	**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 investmments		
B.5 Loans and receivables with banks		
B.6 Loans and receivables with customers		
B.7 Equity investments		
B.8 Tangible assets		
B.9 Intangibles 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 Deposit 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 Reserves		
D.7 Other liabilities		
Total D		

Section 16 – Other assets - Item 160

16.1 Other assets: breakdown

Description	12/31/2009	12/31/2008
Guarantee deposits	1 086	598
Receivables for invoices	757	2 514
Other	13 522	12 659
Total	**15 365**	**15 771**

The sub-item *Other* mainly includes tax assets for € 5.6 million and credit for invoices for € 3 million related to the Parent Bank.

EQUITY AND LIABILITIES

Section 1 – Deposits from banks – Item 10

1.1 Due to banks: breakdown by sector

Type of transaction/amounts	12/31/2009	12/31/2008
1. Deposits from Central Banks	**454 334**	**244 330**
2. Deposits from banks	**182 093**	**163 954**
2.1 Current accounts and free deposits	4 103	7 133
2.2 Time deposits	52 220	51 066
2.3 Borrowing	125 702	101 725
2.3.1 Repos	125 702	51 186
2.3.2 other		50 539
2.4 Payables for commitment to repurchase own equity instruments		
2.5 Other	68	4 030
Total	**636 427**	**408 284**
Fair value	**636 427**	**408 284**

Sub-item *1. Deposits from Central Banks* consists of repurchase agreements with the European Central Bank carried out mainly in June 2009 with a duration of 12 months.

Sub-item *2.2 Time deposits* include the collateral guarantees received from other banks for the Parent Bank's activity in derivatives.

Section 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by sector

Type of transaction/amounts	12/31/2009	12/31/2008
1. Current accounts and free deposits	308 632	277 496
2. Time deposits	5 193	
3. Borrowing	4 988	84 320
3.1 Repos	4 988	84 320
4. Payables for commitment to repurchase own capital instruments	109 448	113 355
5. Other	154	15 211
Total	**428 415**	**490 382**
Fair value	**428 415**	**490 382**

Sub-item 4. *Payables for commitment to repurchase own capital instruments* include the financial liability linked to the possible exercise of the put options given to the minority shareholders of DNCA Finance S.A. and Banque Leonardo S.A. for the sale of their residual holdings in these Group companies (33% of DNCA Finance S.A. and 25.42% of Banque Leonardo S.A.) for a estimated total of € 109 million (€ 113 million at 31 December 2008), which has been booked in accordance with paragraph 23 of IAS 32.

Section 3 – Debt securities in issue – Item 30

3.1 Debt securities in issue: breakdown by sector

Type of securities/Values	Total 12/31/2009				Total 12/31/2008			
	Balance value	Fair Value			Balance value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	25 007		25 007		25 034		25 034	
1.1 structured								
1.2 other	25 007		25 007		25 034		25 034	
2. other securities								
2.1 structured								
2.2 other								
Total	**25 007**		**25 007**		**25 034**		**25 034**	

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of securities/Values	12/31/2009					12/31/2008				
	VN	FV			FV*	VN	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Bank debts	29		29		29	2 000		2 195		2 195
2. Customers debts	2 960	4 538			4 538	1				
3. Securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other obbligations										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A	**2 989**	**4 538**	**29**		**4 567**	**2 001**		**2 195**		**2 195**
B. Derivative instruments										
1. Financial derivatives		88	265 766				358	269 393		
1.1 HFT		88	265 766				358	269 393		
1.2 Related with fair value option										
1.3 Other										
2. Credit derivatives			2 990					7 281		
2.1 HFT			2 990					7 281		
2.2 Related with fair value option										
2.3 Other										
Total B		**88**	**268 756**				**358**	**276 674**		
Total (A+B)		**4 626**	**268 785**				**358**	**278 869**		

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 14 of assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

Description	12/31/2009	12/31/2008
Payables to employees	15 885	16 678
Due to social security institutions	4 070	4 342
Due to suppliers	23 008	21 557
Due to the National Guarantee Fund	25	25
Other payables	28 698	28 975
Total	**71 686**	**71 577**

Due to suppliers also includes payables for fee and commission expense to be retroceded to placers of the funds of the subsidiary DNCA Finance S.A. for € 12 million.

The item *Other payables* mainly includes the variable part of the purchase price of Leonardo & Co. GmbH & Co. KG of € 11.6 million, payables of the Parent Bank to Group companies which signed the tax consolidation agreement for € 5 million and amounts due to the tax authorities by the Parent Bank of € 2.6 million.

Section 11 – Employee severance indemnities – Item 110

11.1 Employee severance indemnities: annual changes

	12/31/2009	12/31/2008
A. Opening balance	**3 153**	**3 622**
B. Increases	**680**	**444**
B.1 Provisions for the year	675	436
B.2 Other increases	5	8
C. Decreases	**(759)**	**(913)**
C.1 Indemnities paid	(757)	(833)
C.2 Other decreases	(2)	(80)
D. Closing balance	**3 074**	**3 153**

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.
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 (4.88%);
• 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 Provisions for risks and charges: breakdown

Line items/Amounts	12/31/2009	12/31/2008
1. Post retirement benefit obligations		
2. Other previsions for risks and charges	9 198	1 763
2.1 legal disputes	6 211	305
2.2 personnel expenses	1 965	917
2.3 other	1 022	541
Total	**9 198**	**1 763**

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 (€ 6,211 thousand), to probable personnel charges relating to Group companies (€ 1,965 thousand) and to charges linked to the Parent Bank's provision for agents' termination indemnities (€ 320 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 period has been calculated bearing in mind the guarantees received.

12.2 Provisions for risks and charges: annual changes

	Post retirement benefit obligations	Other provisions	12/31/2009
A. Opening balance		**1 763**	**1 763**
B. Increases		**8 126**	**8 126**
B.1 Provisions for the year		8 124	8 124
B.2 Changes due to the passing of time			
B.3 Changes due to changes in the discount rate			
B.4 Other changes		2	2
C. Decreases		**(691)**	**(691)**
C.1 Utilizations of the year		(661)	(661)
C.2 Changes due to changes in the discount rate			
C.3 Other changes		(30)	(30)
D. Closing balance		**9 198**	**9 198**

Section 15 – Equity of the group – Line items 140, 160, 170, 180, 190, 200 and 220

15.1 "Share capital" and "Treasury shares”: breakdown

	Shares issued	Shares subscribed but not yet paid	12/31/2009	12/31/2008
A. Share Capital				
A.1 ordinary shares	290 604		290 604	290 174
A.2 preference shares				
A.3 other shares	13 028		13 028	13 028
Total	**303 632**		**303 632**	**303 202**
B. Treasury shares				
B.1 ordinary shares	(2 300)		(2 300)	
B.2 preference shares				
B.3 other shares				
Total	**(2 300)**		**(2 300)**	

The "category B" shares foreseen in the Parent 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.

15.2 Share capital – Number of shares of the parent bank: annual changes

Line items/Type	Ordinary	Other
A. Shares in issue at the beginning of the year	**245 768 865**	**13 027 769**
- fully paid	245 768 865	13 027 769
- not fully paid		
A.1 Treasury shares (-)		
A.2 Shares in circulation: opening balance	**245 768 865**	**13 027 769**
B. Increases	**429 600**	
B.1 New issues	429 600	
- for payment	429 600	
- business combinations		
- on conversion of bonds		
- exercise of warrant		
- other	429 600	
- bonus issues		
- in favour of employees		
- in favour of directors		
- other		
B.2 Sale of tresaury shares		
B.3 Other changes		
C. Decreases	**(715 000)**	
C.1 Cancellation		
C.2 Purchase of treasury shares	(715 000)	
C.3 Business transfers		
C.4 Other changes		
D. Shares in circulation: closing balance	**245 483 465**	**13 027 769**
D.1 Treasury shares (+)	715 000	
D.2 Shares in issue at the end of the year	245 483 465	13 027 769
- fully paid	245 483 465	13 027 769
- not fully paid		

15.3 Share capital: other information

The share capital at 31 December 2009 amounts to Euro 303,631,527 represented by 259,226,234 shares of which 246,198,465 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.

15.4 Retained earnings: other information

	12/31/2009	12/31/2008
Legal reserve	6,529	5,088
Other (*)	68,093	61,125
Total	74,622	66,213

(*) Includes also reserves different from retained earnings.

OTHER INFORMATION

1. Guarantees given and commitments

Transactions	12/31/2009	12/31/2008
1) Guarantees of a financial nature given	71 797	12 009
a) Banks	8 307	7 242
b) Customers	63 490	4 767
2) Guarantees of a commercial nature given		
a) Banks		
b) Customers		
3) Irrevocable commitments to disburse funds	41 530	12 789
a) Banks	23 389	4 172
i) certain to be called on	23 389	4 003
ii) uncertain to be called on		169
b) Customers	18 141	8 617
i) certain to be called on	17 714	1 211
ii) uncertain to be called on	427	7 406
4) Commitments underlying credit derivatives: sales of protection	152 500	286 500
5) Assets pledged to guarantee third-party obligations		
6) Other commitments	514 374	365 874
Total	**780 201**	**677 172**

Sub-item *6. Other commitments* includes the notional value of put options issued with exchange of capital relating to derivative activity by the Parent Bank.

2. Assets pledged to guarantee own liabilities and commitments

Portfolio	12/31/2009	12/31/2008
1. Financial assets held for trading	604 899	387 263
2. Financial assets at fair value		
3. Financial assets available for sale		
4. Financial assets held to maturity		
5. Loans and advances to banks		141
6. Loans and advances to customers		
7. Property, plant and equipment		

5. Administration and dealing on behalf of third parties: banking group

Type of services	12/31/2009
1. Execution of orders on behalf of clients	**11 803 000**
a) Purchases	5 007 918
1. settled	4 965 629
2. not settled	42 289
3. number of derivative contracts - options	1 084
4. number of derivative contracts - futures	1 134
b) Sales	6 787 670
1. settled	6 761 968
2. not settled	25 702
3. number of derivative contracts - options	4 108
4. number of derivative contracts - futures	1 086
2. Portfolio management	**7 010 743**
a) Individual	2 320 186
b) Collective	4 690 557
3. Custody and administration of securities	**2 846 787**
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	1 859 564
1. securities issued by the bank preparing the financial statements	273 335
2. other securities	1 586 229
c) Third-party securities on deposit with third parties	1 613 237
d) Own securities on deposit with third parties	987 223
4. Other transactions	

The Parent Bank's individual portfolio management schemes worth € 1,493 million (excluding accrued interest and cash) include € 411 million invested in Group mutual funds (€ 198 million at 31 December 2008).

Collective portfolio management mainly includes the mutual funds of the subsidiary DNCA Finance S.A. that amount to € 4.4 billion.

Securities in custody and administration are shown at their nominal value. Their market value comes to € 2,288 million (€ 2,967 million at 31/12/2008).

Securities in custody include € 818 million of Bank's shares in deposit (€ 817 million at 31/12/2008).

The mutual funds 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 € 333 million at market prices (€ 167 million at 31 December 2008).

PART C –INFORMATION ON THE CONSOLIDATED 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	**12/31/2009**	**12/31/2008**
1. Financial assets held for trading	24 086			24 086	16 862
2. Financial assets at fair value					
3. Financial assets available for sale					358
4. Financial assets held to maturity					
5. Loans and advances to banks	1	4 580	17	4 598	17 211
6. Loans and advances to customers		9 872		9 872	14 364
7. Hedging derivatives					
8. Other assets			15	15	
Total	**24 087**	**14 452**	**32**	**38 571**	**48 795**

1.4 Interest expense and similar charges: breakdown

Line items/Technical forms	Payables	Securities	Other operations	**12/31/2009**	**12/31/2008**
1. Deposits from central banks	3 424			3 424	1 305
2. Deposits from banks	3 196		176	3 372	10 469
3. Customers deposits	2 444		4 956	7 400	24 121
4. Debt securities in issue		414		414	34
5. Financial liabilities held for trading		386		386	60
6. Financial liabilities at fair value	1			1	
Total	**9 065**	**800**	**5 132**	**14 997**	**35 989**

The sub-item *3.Customers deposits* includes the discounting charge on the financial liability in connection with the put options held by the minority shareholders of DNCA Finance S.A. and Banque Leonardo S.A..

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

2.1 Fee and commission income: breakdown

Type of service/Sectors	**12/31/2009**	**12/31/2008**
a) guarantees given	282	78
b) credit derivatives		
c) management, brokerage and advisory services:	176 754	191 946
1. trading in financial instruments	4 649	12 439
2. trading in foreign exchange	71	128
3. portfolio management	108 248	115 077
3.1 individual	14 766	10 720
3.2. collective	93 482	104 357
4. custody and administration of securities	82	59
5. custodian bank	1 297	882
6. security placement	1 491	2 294
7. activities receiving and transmitting orders	7 718	
8. consulting	53 052	60 871
8.1 For investment	1 318	3 614
8.2 For financial structure	51 734	57 257
9. distribution of third-party services	146	196
9.1. portfolio management		
9.1.1. individual		
9.1.2. collective		
9.2 insurance products	146	196
9.3. other products		
d) collection and payment services	40	25
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		
j) other services	1 234	459
Total	**178 310**	**192 508**

The sub-item *3.2 Collective portfolio management* includes the fees and commissions of the subsidiary DNCA Finance S.A. for € 86.3 million.

The sub-item *8. Consulting* includes the fees and commissions generated by the advisory companies for € 51.7 million.

2.2 Fee and commission income: product and service distribution channels

Channels/Sectors	**12/31/2009**	**12/31/2008**
a) own branches:	**17 199**	**12 842**
1. portfolio management	16 256	11 082
2. security placement	797	1 564
3. third-party products and services	146	196
b) door-to-door:	**4 254**	**3 556**
1. portfolio management	3 560	2 826
2. security placement	694	730
3. third-party products and services		
c) other distribution channels:	**88 432**	**101 169**
1. portfolio management	88 432	101 169
2. security placement		
3. third-party products and services		

2.3 Fee and commission expense: breakdown

Services/Sectors	**12/31/2009**	**12/31/2008**
a) guarantees given		
b) credit derivatives		
c) management, brokerage and advisory services:	40 799	41 893
1. trading in financial instruments	863	17
3. portfolio management	35 253	38 741
4. custody and admministration of securities	556	502
6. door-to-door offer of financial instruments, products and services	4 127	2 633
d) collection and payment services	84	151
e) other services	1 268	16 386
Total	**42 151**	**58 430**

The fee and commission expense on the *portfolio management schemes "own portfolio"* relate for € 31 million to the retrocessions made to those who distribute the products of DNCA Finance S.A..

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

3.1 Dividend and similar income: breakdown

Line items/Income	12/31/2009		12/31/2008	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	145 417		151 060	
B. Financial assets available for sale	30		33	
C. Financial assets at fair value				
D. Investments				
Total	**145 447**		**151 093**	

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	**3 928**	**24 623**	**(3 502)**	**(1 218 998)**	**(1 193 949)**
1.1 Debt securities	2 464	7 671	(2 560)	(4 502)	3 073
1.2 Equities	1 464	14 709	(942)	(1 214 496)	(1 199 265)
1.3 Mutual funds		2 243			2 243
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					**638**
4. Derivative instruments	**230 491**	**2 188 312**	**(231 706)**	**(1 129 663)**	**1 057 434**
4.1 Financial derivatives:	220 486	2 174 260	(222 164)	(1 116 006)	1 056 576
- On debt securities and interest rates	114 593	117 190	(119 201)	(71 051)	41 531
- On equities and equity indices	105 893	2 057 070	(102 963)	(1 044 955)	1 015 045
- On currencies and gold					79
- Other					
4.2 Credit derivatives	10 005	14 052	(9 542)	(13 657)	858
TOTAL	**234 419**	**2 212 935**	**(235 208)**	**(2 348 661)**	**(135 798)**

Section 6 – Profit (loss) on disposals/repurchase - Item 100

6.1 Profit (loss) on disposals or repurchase: breakdown

	12/31/2009			12/31/2008		
Line items/Income elements	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	2 827	(2)	2 825	4 349	(125)	4 224
3.1 Debt securities				3		3
3.2 Equities	2 277		2 277	4 110		4 110
3.3 Mutual funds	550	(2)	548	236	(125)	111
3.4 Loans						
4. Financial assets held to maturity						
Total assets	**2 827**	**(2)**	**2 825**	**4 349**	**(125)**	**4 224**
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	114	149	(2)	(166)	95
1.1 Debt securities					
1.2 Equities					
1.3 Unit in investments funds	114	149	(2)	(166)	95
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					17
4. Total derivatives					
TOTAL	**114**	**149**	**(2)**	**(166)**	**112**

Section 8 – Net value adjustments for impairment - Item 130

8.1 Net value adjustments for the impairment of loans: breakdown

Operations/Redditual components	Writedowns (1)			Writebacks (2)				Total 12/31/2009	Total 12/31/2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Interest	Other writebacks	Interest	Other writebacks		
A. Loans with banks									
- Loans									
- Debt securities									
B. Loans with customers	(5)	(2 941)						(2 946)	(1 593)
- Loans	(5)	(2 941)						(2 946)	(1 593)
- Debt securities									
C. Total	**(5)**	**(2 941)**						**(2 946)**	**(1 593)**

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

Transactions/Income-linked components	Writedowns (1)		Write-backs (2)		12/31/2009	12/31/2008
	Specific		Specific			
	Write-offs	Others	interest	other companies		
A. Debt securities						
B. Equity securities						(1 864)
C. UCIS shares		(1 217)			(1 217)	(2 991)
D. Loans with banks						
E. Loans with customers						
Total		**(1 217)**			**(1 217)**	**(4 855)**

The sub-item *C. UCIS shares* (mutual funds) includes the impairment adjustment made to the Parent Bank's investment in *Eurazeo Partners B* Sicar for an amount of € 1.2 million as already explained in part B of the balance sheet in the breakdown of financial assets available for sale.

Section 11 – Administrative expenses – Item 180

11.1 Payroll: breakdown

Type of expense/Sectors	12/31/2009	12/31/2008
1) Employees	59 466	61 746
a) Salaries and wages	41 379	45 091
b) Social contributions	10 246	11 627
c) Employee severance indemnities	659	
d) Pension costs	63	14
e) Provision for employee severance indemnities	675	436
f) Provision for pensions and similar obligations commitments:		
- defined-contribution		
- defined-benefit		
g) Payments to external supplementary pension funds:	1 889	1 512
- defined-contribution	1 889	1 481
- defined-benefit		31
h) Costs deriving from payment agreements based on own capital instruments	1 347	1 201
i) Other personnel benefits	3 208	1 865
2) Other staff in activities	800	937
3) Directors and auditors	12 611	15 452
4) Staff retirement		
Total	**72 877**	**78 135**

Sub-items *h) Costs deriving from payment agreements based on own capital instruments* and *3) Directors and auditors* include the charges relating to 2009 for the services rendered by the personnel and Directors, valued on the basis of the equity instruments assigned to them; the corresponding value of € 2,804 thousand (€ 2,814 thousand in 2008) has been credited to an equity reserve, in accordance with IFRS 2.

11.2 Average number of employees by category

	12/31/2009	12/31/2008
a) Managers	79	70
b) Middle managers	211	209
c) Other employees	111	115
Total employees	**401**	**394**
Other personnel	**25**	**24**

11.4 Other personnel benefits

The balance of € 3,208 thousand is made up principally of redundancy incentives (€ 1,288 thousand), personnel insurance cover (€ 455 thousand) and luncheon vouchers (€ 231 thousand), all relating to the Parent Bank.

11.5 Other administration expenses: breakdown

Type of expense/Sectors	**12/31/2009**	**12/31/2008**
- Telephone, post office and data transmission	5 142	5 780
- Security and cash counting	299	297
- Legal, information and search expenses	2 885	2 671
- Professional fees	7 859	13 216
- Power, heating and water	1 586	2 114
- Advertising, entertainment and charity	1 514	1 986
- Insurance premiums	728	792
- Transport	1 841	1 765
- Maintenance and rent	5 025	4 355
- Hardware and software hire and maintenance	4 855	4 648
- Newspapers and magazine subscriptions	307	306
- Stationery and printed matter	579	821
- Membership fees	252	292
- Machine hire	408	371
- External data procession	498	387
- Office cleaning	384	328
- Indirect taxes	2 105	2 517
- Other expenses	4 625	4 429
Total	**40 892**	**47 075**

The sub-item *"Telephone, post office and data transmission expenses"* includes € 4,046 thousand incurred by the Parent Bank for connections to databases (Reuters, Bloomberg and Borsa Italiana) and € 271 thousand for telephone connections and expenses.
The sub-item *"Hardware and software hire and maintenance"* mainly includes expenses incurred by the Parent Bank: € 751 thousand for the Murex system, € 1,116 thousand for Cedacri, the IT outsourcer, and € 624 thousand for software user licences.

Section 12 – Net provisions for risks and charges – Item 190

12.1 Net provisions for risks and charges: breakdown

Line items	12/31/2009	12/31/2008
Extra commission for financial consultants		82
Agents' severance indemnities	59	(31)
Other	8 065	1 166
Total	**8 124**	**1 217**

Section 13 – Net adjustments to property, plant and equipment - Item 200

13.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income elements	Depreciation (a)	Net adjustments for impairment of (b)	Write-backs (c)	**Net result (a+b-c)**
A. Property, plant and equipment				
A.1 Owned	(1 439)	(120)		**(1 559)**
- for use in the business	(1 439)	(120)		**(1 559)**
- for investment purposes				
A.2 Acquired under financial lease				
- for use in the business				
- for investment purposes				
Total	**(1 439)**	**(120)**		**(1 559)**

Section 14 – Net adjustments to intangible assets – Item 210

14.1 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	(1 089)	(76)		**(1 165)**
- Generated internally				
- Other	(1 089)	(76)		**(1 165)**
A.2 Acquired under financial lease				
Totale	**(1 089)**	**(76)**		**(1 165)**

Section 15 – Other operating charges/income - Item 220

15.1 Other operating charges: breakdown

Line items	**12/31/2009**	**12/31/2008**
Other	546	428
Total	**546**	**428**

15.2 Other operating income: breakdown

Line items	**12/31/2009**	**12/31/2008**
1) Expense recovery	196	985
2) Other	760	8 184
Total	**956**	**9 169**

Other operating charges/income – net balance	**410**	**8,741**

Section 16 – Share of profit (loss) of investments – Item 240

16.1 Share of profit (loss) of investments: breakdown

Income elements/Sectors	12/31/2009	12/31/2008
1) Joint ventures		
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	(43 523)	(209)
2. Writedowns for impairment		
3. Losses on sale		
4. Other charges		
Net change in value	**(43 523)**	**(209)**
3) Subsidiary companies		
A. Income		
1. Revaluations		
2. Gains on sale		
3. Writebacks		
4. Other income		1 911
B. Charges		
1. Writedowns		
2. Writedowns for impairment		
3. Losses on sale		
4. Other charges		
Net change in value		**1 911**
Total	**(43 523)**	**1 702**

Sub-item *B. Charges – 1. writedowns* includes the valuation at fair value net of sale costs of Euraleo S.r.l. following the decision to dispose of this investment. For further information on this matter, please refer to the Report on Operations.

Section 18 - Adjustments to goodwill – Item 260

18.1 - Adjustments to goodwill: breakdown

Description	12/31/2009	12/31/2008
Impairment losses	(40 200)	
Total	**(40 200)**	

The *Impairment losses* relate entirely to Leonardo & Co. GmbH & Co. KG.. For further information on this matter, please refer to the Report on Operations.

Section 19 – Gains (losses) on disposal of investments - Item 270

19.1 Gains (losses) on disposal of investments: breakdown

Income elements/Sectors	12/31/2009	12/31/2008
A. Buildings		
- Gains on sale		
- Losses on sale		
B. Other assets	(3)	6
- Gains on sale		6
- Losses on sale	(3)	
Net result	**(3)**	**6**

Section 20 – Income taxes on current operations – Item 290

20.1 Income taxes on current operations: breakdown

Income element/Sectors	12/31/2009	12/31/2008
1. Current taxes	20 611	23 937
2. Change in current taxes from previous years	(448)	(26)
3. Reduction in current taxes for the years		
4. Change in deferred tax assets	(2 724)	(2 979)
5. Change in deferred tax liabilities	9	(235)
6. Income taxes for the year	17 448	20 697

20.2 Reconciliation between theoretical tax charge and effective tax charge

Description	12/31/2009	12/31/2008
Standard rate of income tax IRES (Italian tax)	27.50%	27.50%
Exempt income	(0.18)%	(1.85)%
Change of rate		
Non-deductible costs	0.63%	1.14%
Stock options		
Other permanent differences		
Consolidation entries	0.44%	4.97%
Difference with foreign companies	6.06%	6.60%
Actual rate	34.45%	38.36%

The reconciliation has been prepared without considering the impairment losses and the losses on investments measured in accordance with IFRS 5 (total amount € 83.7 million) because not relevant for fiscal purposes.

PART D - CONSOLIDATED COMPREHENSIVE INCOME

ANALITYCAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Taxes on revenue	Net amount
10.	**Net income (loss)**	**X**	**X**	**(57 225)**
	Other components of income			
20.	Available for sale assets:	7 202	(544)	6 658
	a) changes in fair value	7 191	(551)	6 640
	b) reclassification through profit or loss	(11)	3	(8)
	- value adjustment for impairment			
	- profit (loss) following disposall	(11)	3	(8)
	c) other changes	22	4	26
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**	**7 202**	**(544)**	**6 658**
120.	**Total profitability (Item 10+110)**	**X**	**X**	**(50 567)**
130.	Total consolidated profitability minority's portion	X	X	
140.	**Total consolidated profitability pertaining to the Parent Bank**	**X**	**X**	**(50 567)**

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

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 Parent Bank.

According to the nature of these obligations, the Banca Leonardo Group'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. The amount of the lending is € 251 million at 31 December 2009, of which € 72 million of loans (without any changes compared to previous year) and € 179 million of drawn-down overdrafts (compared with € 63 million in 2008). Note that these loans are almost entirely secured by pledges on securities or by mortgages.

Credit risk management policies

- *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.

- *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 Banca Leonardo Group 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 Parent 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.

- *Credit risk mitigation techniques*

The Parent 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 or real estate mortgages.

- *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 Impaired and performing loans: balances, writedowns, changes, economic and geographical breakdown

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

Portfolio / Quality	Banking Group					Other enterprises		Total
	Non performing	Difficult loans	Restructured exposures	Expired exposure	Other assets	Impaired	Other enterprises	
1. Financial assets held for trading					1 165 369			1 165 369
2. Financial assets available for sale								
3. Financial assets held to maturity								
4. Loans and advances to banks					197 630			197 630
5. Loans and advances to customers	3			2	402 778			402 783
6. Financial assets at fair value								
7. Financial assets being sold								
8. Hedging derivatives								
Total 12/31/2009	**3**			**2**	**1 765 777**			**1 765 782**
Total 12/31/2008	**29**			**256**	**1 562 896**			**1 563 181**

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	
A. Banking Group							
1. Financial assets held for trading				1 165 369		1 165 369	1 165 369
2. Financial assets available for sale							
3. Financial assets held to maturity							
4. Loans and advances to banks				197 630		197 630	197 630
5. Loans and advances to customers	2 444	(2 439)	5	403 847	(1 069)	402 778	402 783
6. Financial assets at fair value							
7. Financial assets being sold							
8. Hedging derivatives							
Total A	**2 444**	**(2 439)**	**5**	**1 766 846**	**(1 069)**	**1 765 777**	**1 765 782**
Total 12/31/2009	**2 444**	**(2 439)**	**5**	**1 766 846**	**(1 069)**	**1 765 777**	**1 765 782**
Total 12/31/2008	**1 971**	**(1 686)**	**285**	**1 562 991**	**(95)**	**1 562 896**	**1 563 181**

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

Type of exposure/Amounts	Gross Exposure	Specific Writedowns	Portfolio Writedowns	Net Exposure
Cash exposures				
a) Non performing				
b) Difficult loans				
c) Restructured exposures				
d) Expired exposure				
e) Other assets	552 425			552 425
Total A	**552 425**			**552 425**
Off-balance sheet exposures				
a) Impaired				
b) Other	229 200			229 200
Total B	**229 200**			**229 200**

A.1.6 Banking group - 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
Cash exposures				
a) Non performing	2 442	(2 439)		3
b) Difficult loans				
c) Restructured exposures				
d) Expired exposure	2			2
e) Other assets	957 488		(1 069)	956 419
Total A	**959 932**	**(2 439)**	**(1 069)**	**956 424**
Off-balance sheet exposures				
a) Impaired				
b) Other	99 938			99 938
Total B	**99 938**			**99 938**

A.1.7 Banking group - Cash exposures to customers: trend in impaired exposures (gross)

Description/Category	Non performing	Difficult loans	Restructured exposures	Expired exposures
A. Opening gross exposure	**1 715**			**256**
- of which: exposures sold but not derecognised				
B. Increases	**1 941**			**2**
B.1 Transfers from performing loans	1 941			2
B.2 Transfers from other categories of impaired exposures				
B.3 Other increases				
C.Decreases	**(1 214)**			**(256)**
C.1 Transfers to performing loans				(256)
C.2 Derecognitions	(974)			
C.3 Amounts recovered	(240)			
C.4 Realised on sale				
C.5 Transfers to other categories of impaired exposures				
C.6 Other decreases				
D. Closing gross exposure	**2 442**			**2**
- of which: exposures sold but not derecognised				

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

Description/Category	Non performing	Difficult loans	Restructured exposures	Expired exposures
A. Opening total writedowns	**1 686**			
- of which: exposures sold but not derecognised				
B. Increases	**1 967**			
B.1 Writedowns	1 967			
B.2 Transfers from other categories of impaired exposures				
B.3 Other increases				
C. Decreases	**(1 214)**			
C.1 Write-backs on valuation				
C.2 Write-backs on amounts recovered	(240)			
C.3 Derecognitions	(974)			
C.4 Transfers to other categories of impaired exposures				
C.5 Other decreases				
D. Closing total writedowns	**2 439**			
- of which: exposures sold but not derecognised				

A.2 Exposures classification based on external and internal rating

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

Exposures	External rating classes						Without rating	Total 12/31/2009
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash Exposures	**789 758**	**39 624**	**14 137**	**101**			**665 229**	**1 508 849**
B. Derivatives							**256 934**	**256 934**
B.1 Financial detivatives							254 148	**254 148**
B.2 Credit derivatives							2 786	**2 786**
C. Guarantees issued							**71 797**	**71 797**
D. Other commitments to disburse funds							**407**	**407**
Total 12/31/2009	**789 758**	**39 624**	**14 137**	**101**			**994 367**	**1 837 987**

The distribution refers to Moody's rating and the class of risk are those reported in the mapping of Bank of Italy (Circular 263, Credit risk – standard approach).

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.2 Banking Group - Guaranteed credit exposures to customers

	Amount of the exposure	Secured guarantees (1)			Unsecured guarantees (2)									Total (1)+(2)
					Credit derivatives					Guarantees issued				
						Other derivatives								
		Buildings	Securities	Other collateral	CLN	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	244 835	107 442	118 981	5 686								4 878	3 816	**240 803**
- of which impaired														
1.2 partially guaranteed	7 326		2 720	896									525	**4 141**
- of which impaired														
2. Credit exposure off-balance-guaranteed:														
2.1 totally guaranteed	61 626		60 626	1 000										**61 626**
- of which impaired														
2.2 partially guaranteed	2 210		2 168											**2 168**
- of which impaired														

B. Credit distribution and concentration

B.1 Banking group - Distribution by sector of cash and off-balance sheet exposures to customers (balance sheet figures)

	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																3	(2 439)	
A.2 Difficult loans																		
A.3 Restructured exposures																		
A.4 Expired exposures																2		
A.5 Other exposures	501 117						154 707			11 217			178 183			111 195		(1 069)
Total	**501 117**						**154 707**			**11 217**			**178 183**			**111 200**	**(2 439)**	**(1 069)**
B. Off-balance sheet exposures																		
B.1 Non performing																		
B.2 Difficult loans																		
B.3 Other impaired assets																		
B.4 Other exposures							32 721						63 891			3 326		
Total							**32 721**						**63 891**			**3 326**		
Total 2009	**501 117**						**187 428**			**11 217**			**242 074**			**114 526**	**(2 439)**	**(1 069)**
Total 2008	**71 549**						**200 141**	**(204)**		**180**			**120 593**			**70 074**	**(1 482)**	**(95)**

B.2 Banking group - Geographical distribution of cash and off-balance sheet credit exposures to customers (balance sheet figures)

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	3	(2 235)		(204)						
A.2 Difficult loans										
A.3 Restructured exposures										
A.4 Expired exposures			2							
A.5 Other exposures	856 111	(69)	100 207	(1 000)	101					
TOTAL	**856 114**	**(2 304)**	**100 209**	**(1 204)**	**101**					
B. Off-balance sheet exposures										
B.1 Non performing										
B.2 Difficult loans										
B.3 Other impaired assets										
B.4 Other exposures	66 489		33 449							
TOTAL	**66 489**		**33 449**							
TOTAL 2009	**922 603**	**(2 304)**	**133 658**	**(1 204)**	**101**					
TOTAL 2008	**393 315**		**148 705**		**5 400**		**1**		**4 973**	

B.3 Banking group - Geographical distribution of cash and off-balance sheet credit exposures to banks (balance sheet figures)

Exposure/Gographical 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	318 667		232 928		830					
TOTAL	**318 667**		**232 928**		**830**					
B. Off-balance sheet exposures										
B.1 Non performing										
B.2 Difficult loans										
B.3 Other impaired assets										
B.4 Other exposures	14 032		215 168							
TOTAL	**14 032**		**215 168**							
TOTAL 2009	**332 699**		**448 096**		**830**					
TOTAL 2008	**529 684**		**614 756**		**12 471**					

B.3.1 Geographical distribution of cash and off-balance sheet credit exposures to Italian banks (balance sheet figures)

Exposure/Gographical areas	NORTH WEST ITALY		NORTH EAST ITALY		MID 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	194 667		63 165		50 807		10 000	
TOTAL	**194 667**		**63 165**		**50 807**		**10 000**	
B. Off-balance sheet exposures								
B.1 Non performing								
B.2 Difficult loans								
B.3 Other impaired assets								
B.4 Other exposures	13 847				183			
TOTAL	**13 847**				**183**			
TOTAL 2009	**208 514**		**63 165**		**50 990**		**10 000**	

B.4 Significant exposures

Description	Total 2009	Total 2008
a) Amount	-	99,149
b) Number	-	1

C. Securitisations and asset assignments

C.2 Business transfers

C.2.1 Banking group - 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)	**12/31/2009**	**12/31/2008**
A. Balance-sheet assets																				
1. Debt securities	604 899																		**604 899**	**387 263**
2. Equity instruments																				
3. Investment funds																				
4. Loans																				
B. Derivatives																				
Total 12/31/2009	**604 899**																		**604 899**	**387 263**
in which impaired																				
Total 12/31/2008	**387 263**																		**387 263**	
in which impaired																				

C.2.2 Banking group - Financial liabilities for assets sold but not eliminated

	Financial assets held for trading	Financial assets at fair value	Financial assets available-for-sale	Finanacial assets Held-to-maturity	Loans and receivables with banks	Loans and receivables with customers	**Total**
1. Deposits from customers							
a) Relating to assets shown in full	4 988						**4 988**
b) Relating to assets shown in part							
2. Deposits from banks							
a) Relating to assets shown in full	580 037						**580 037**
b) Relating to assets shown in part							
3. Titoli in circolazione							
a) Relating to assets shown in full							
b) Relating to assets shown in part							
Total 12/31/2009	**585 025**						**585 025**
Total 12/31/2008	**379 538**	**257**				**42**	**379 837**

1.2 Banking group - Market risk

Considering the Group structure, market risk is largely with the Parent Bank

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
Banca Leonardo'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 Parent 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 Parent Bank is willing to incur in the event of the VaR being exceeded.
- stress tests are defined as the loss that the Parent 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.

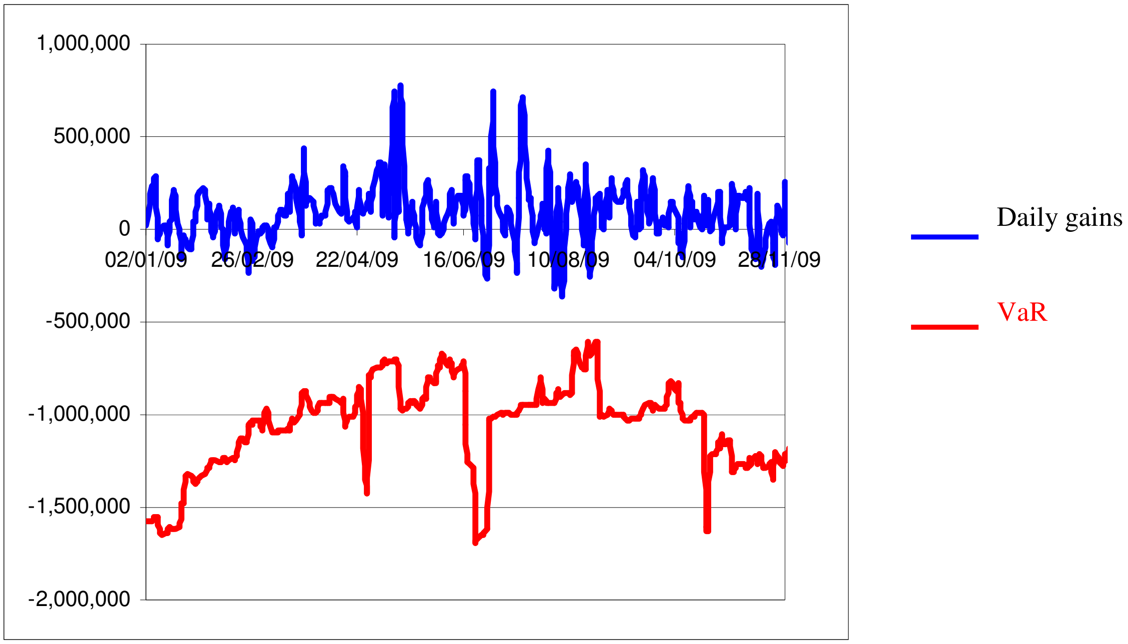
In the event of operating limit overruns, there is a procedure for highlighting them and, if needs be, authorising them. Risk Management reports overruns on a timely basis to Top Management and the Managing Director decides how to proceed.

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 Parent 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.

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.
Backtesting has shown that the measurement models that have been adopted tend to be prudent. In fact, only on two occasions were the daily losses effectively incurred during 2009 higher than the risk measured in advance in terms of daily VaR.

The following chart shows the trend in VaR for the trading activity during the reference period (2009), comparing it with the trend in P&L.



VaR fell gradually during the course of the year, increasing again in the last quarter. The rise in the last few months of the year was mainly due to the gradual increase in the size of the portfolio, which by the end of the year amounted to Euro 908 million.

There were no operating limit overruns during the period. VaR at 31 December 2009 amounted to Euro 1.1 million. The average daily VaR during the course of the year was € 1.06 million with a high of € 1.7 million.

The following chart shows the results of backtesting on the model, with the daily gains made on the proprietary books during the course of 2009 compared with the level of VaR.
Unlike in 2008, when the level of VaR was reached four times, backtesting did not reveal any situations in which the daily loss exceeded the level of VaR. This is due to the general decline in volatility that affected markets during the year (which is only gradually reflected in the VaR calculation).
The same applies to WCL, which has never been exceeded.

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 Euro 0.2 million.

1.2.1 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 Parent 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 Parent 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 consistent parallel shifts in the curve (+/- 100 bps).
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 +150% and the level of dividends with variations from -30% to +30%.

This daily testing of the Parent 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 factor making up interest rate risk.

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		***96 763***	***27 974***	***177 408***	***578 473***	***16 886***	***162***	
1.1 Debt securities		*96 763*	*27 974*	*177 408*	*578 473*	*16 886*	*162*	
- with early repayment option								
- other		96 763	27 974	177 408	578 473	16 886	162	
1.2 Other assets								
2. Cash liabilities		***130 690***		***454 335***	***29***	***2 963***		
2.1 Repurchase agreements		130 690		454 335				
2.2 Other liabilities					29	2 963		
3. Financial derivatives		***377 273***	***125 684***	***7 582 062***	***8 207 233***	***910 869***	***369 272***	
3.1 With underlying security		*236 409*	*85 114*	*430 144*	*473 041*	*93 439*	*5 068*	
- Options		*6 646*	*43 742*	*347 818*	*431 455*			
+ Long positions		3 614	24 860	173 730	213 829			
+ Short positions		3 032	18 882	174 088	217 626			
- Other derivatives		*229 763*	*41 372*	*82 326*	*41 586*	*93 439*	*5 068*	
+ Long positions		163 965	41 060	79 031	41 180		2 534	
+ Short positions		65 798	312	3 295	406	93 439	2 534	
security		*140 864*	*40 570*	*7 151 918*	*7 734 192*	*817 430*	*364 204*	
- Options								
+ Long positions								
+ Short positions								
- Other derivatives		*140 864*	*40 570*	*7 151 918*	*7 734 192*	*817 430*	*364 204*	
+ Long positions		139 521	2 000	3 560 959	3 836 296	404 375	182 952	
+ Short positions		1 343	38 570	3 590 959	3 897 896	413 055	181 252	

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 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
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		1 302						
+ Short positions		4 313						

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

In thousands of Euro

Parallel rate shock	Impact on the result for the year
- 100 p.b.	+ 1,752
+ 100 p.b.	(1,740)

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

	Listed Italy	United States	Other counties	Unlisted
A. Equities				
- long positions	10 732		64	1
- short positions	1 464			
B. Equity transactions not yet regulated				
- long positions	3 857		986	
- short positions	713		870	
C. Other equity derivatives				
- long positions	8 274			
- short positions	11 572			
D. Equity index derivatives				
- long positions			3 904	558 376
- short positions	1 497		167 750	557 482

It is reported below a sensitivity analysis, we have simulated a parallel shock of the shares market value of +/- 10%.

In thousands of Euro

Parallel risk shock	Impact on the result for the year
+ 10 %	+ 340
- 10 %	(322)

1.2.2 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 2009 is exposed as follows:

a) merchant banking investments for an amount of € 38.5 million;
b) hedge funds, for € 3 million.

The main investments mentioned in point a) include Capitolotre S.p.A. (€ 11.5 million), Vita S.p.A. (€ 19.3 million) and Eurazeo Coinvest Sicar (€ 7.7 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, for a relatively limited amount (€ 3 million) compared with the € 34 million of seed capital invested in the Group's funds at the end of 2008, split between funds of hedge funds and total return funds.

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 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	84 961	103 610					1 416	
1.3 Loans to customers								
- overdraft facilities	179 700							
- other loans								
- with early repayment option	1 671	71 106						
- other	11 820	20 321	8 891				99 616	
2. Cash liabilities								
2.1 Due to customers								
- current accounts	301 404							
- other deposits								
- with early repayment option		9 174	7 359		92 915			
- other		10 336						
2.2 Deposits from banks								
- current accounts	2 195							
- other deposits		52 301						
2.3 Debt securities								
- with early repayment option								
- other	7	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								
+ Short positions								

Currency: Others

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	7 275							
1.3 Loans to customers								
- overdraft facilities	12							
- other loans								
- with early repayment option								
- other								
2. Cash liabilities								
2.1 Due to customers								
- current accounts	7 226							
- other deposits								
- with early repayment option								
- other								
2.2 Deposits from banks								
- current accounts	1 895							
- 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								

1.2.3 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	Pounds sterling	Yen	Canadian dollars	Swiss francs	Other
A. Financial assets	**7 425**	**1 119**	**24**	**3**	**364**	**370**
A.1 Debt securities						
A.2 Equities	820	828				
A.3 Borrowing to banks	6 593	291	24	3	364	369
A.4 Borrowing to customers	12					1
A.5 Other financial assets						
B. Other assets	**2**	**4**	**2**	**2**	**4**	
C. Financial liabilities	**6 359**	**402**	**3**	**3**	**320**	**2 050**
C.1 Deposits from banks				3	188	1 718
C.2 Customers deposits	6 356	402	3		132	332
C.3 Debt securities						
C.4 Other financial liabilities	3					
D. Other liabilities	**963**	**6**	**1**	**3**	**251**	
E. Financial derivatives	**3 415**	**966**	**41**	**7**	**1 186**	**104**
- Options						
+ Long positions						
+ Short positions						
- Others	3 415	966	41	7	1 186	104
+ Long positions	208	483	11	7	593	46
+ Short positions	3 207	483	30		593	58
Total assets	**7 635**	**1 606**	**37**	**12**	**961**	**416**
Total liabilities	**10 529**	**891**	**34**	**6**	**1 164**	**2 108**
Difference	**(2 894)**	**715**	**3**	**6**	**(203)**	**(1 692)**

It is reported below a sensitivity analysis, we have simulated a parallel shock of the Euro currency compared to other currencies.

In thousands of Euro

Parallel Exchange shock (Euro vs. other currencies)	Impact on the resultat of the year
- 10%	+ 365
+ 10%	(367)

1.2.4 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 12/31/2009		Total 12/31/2008	
	Over the counter	**Central counterparts**	**Over the counter**	**Central counterparts**
1. Debt securities and interest rates	8 121 732	182 696	4 980 723	36 489
a) Options		84 000	220 960	
b) Swap	8 121 732		4 759 747	
c) Forward		5 357	16	527
d) Futures		93 339		35 962
e) Others				
2. Equity securities and shares index	2 535 694	472 983	1 908 001	26 132
a) Options	2 535 694	296 587	1 907 996	11 535
b) Swap				
c) Forward		3 448	5	9 240
d) Futures		172 948		5 357
e) Others				
3. Currency and gold	25 672		612	59
a) Options	20 131			
b) Swap				
c) Forward	5 541		612	
d) Futures				59
e) Others				
4. Goods				
5. Other underlyings				
Total	**10 683 098**	**655 679**	**6 889 336**	**62 680**
Average amounts	**4 406 784**	**12 246 059**	**2 810 309**	**570 208**

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

Underlyings assets/Derivatives type	Positive fair value			
	Total 12/31/2009		**Total 12/31/2008**	
	Over the counter	**Central counterparts**	**Over the counter**	**Central counterparts**
A. Trading book to solvency purposes	248 504	5 643	256 655	4 563
a) Options	202 426	5 606	196 246	4 510
b) Interest rate swap	46 068		60 409	
c) Cross currency swap				
d) Equity swap				
e) Forward	10	37		53
f) Futures				
g) Others				
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	**248 504**	**5 643**	**256 655**	**4 563**

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

Underlyings assets/Derivatives type	*Negative fair value*			
	Total 12/31/2009		**Total 12/31/2008**	
	Over the counter	**Central counterparts**	**Over the counter**	**Central counterparts**
A. Trading book	265 766		269 393	358
a) Options	207 049		200 754	302
b) Interest rate swap	58 698		68 639	
c) Cross currency swap				
d) Equity swap				
e) Forward	19			56
f) Futures				
g) Others				
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	**265 766**		**269 393**	**358**

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			6 120 956	2 000 776			
- positive fair value			38 270	7 798			
- negative fair value			49 162	9 535			458
- future exposure			20 817	7 029			
2) Equity securities and shares index							
- notional value			2 094 375	441 319			
- positive fair value			178 646	23 476			
- negative fair value			177 651	28 813			
- future exposure			69 059	13 050			
3) Currency and gold							
- notional value			25 672				
- positive fair value			313				
- negative fair value			145				
- future exposure			132				
4) Other values							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

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	**5 129 203**	**4 956 668**	**597 227**	**10 683 098**
A.1 Financial derivatives on debt securities and interest rates	3 626 609	3 897 896	597 227	8 121 732
A.2 Financial derivatives on equities and equity indices	1 476 922	1 058 772		2 535 694
A.3 Financial derivatives on exchange rates and gold	25 672			25 672
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 12/31/2009	**5 129 203**	**4 956 668**	**597 227**	**10 683 098**
Total 12/31/2008	**3 845 685**	**3 685 935**	**314 565**	**7 846 185**

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	92 500	94 600		
b) Credit spread products				
c) Total return swap				
d) Others				
TOTAL 12/31/2009	**92 500**	**94 600**		
AVERAGE AMOUNTS	**4 263**	**35 524**		
TOTAL 12/31/2008	**139 000**	**55 000**		
2. Sales of protection				
a) Credit default products	82 500	70 000		
b) Credit spread products				
c) Total return swap				
d) Others				
TOTAL 12/31/2009	**82 500**	**70 000**		
AVERAGE AMOUNTS	**15 247**	**30 329**		
TOTAL 12/31/2008	**216 500**	**70 000**		

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

portfolios/Derivatives type	***Positive fair value***	
	Total 12/31/2009	**Total 12/31/2008**
	Total	**Total**
A. Trading book	2 786	6 423
a) Credit default products	2 786	6 423
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	**2 786**	**6 423**

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

Underlyings assets/Derivatives type	Negative fair value	
	Total 12/31/2009	Total 12/31/2008
	Total	Total
A. Trading book	2 990	7 281
a) Credit default products	2 990	7 281
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	**2 990**	**7 281**

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			142 100	45 000			
- positive fair value			24	198			
- negative fair value			2 434	219			
- future exposure			25	825			
2) Sales of protection							
- notional value			90 000	62 500			
- positive fair value			1 325	1 240			
- negative fair value			217	121			
- future exposure			4 326	1 438			
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		**339 600**		**339 600**
A.1 Credit derivatives with "qualified reference obligation"				
A.2 Credit derivatives with "not qualified reference obligation"		339 600		339 600
B. Banking book				
B.1 Credit derivatives with "qualified reference obligation"				
B.2 Credit derivatives with "not qualified reference obligation"				
Total 12/31/2009		**339 600**		**339 600**
Total 12/31/2008	**120 000**	**333 500**	**27 000**	**480 500**

1.3 – Banking group - liquidity risk

Information of a qualitative nature

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

Liquidity risk is the possibility that the Parent 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 Parent 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 Parent 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 Parent 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 2009 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 (98% of total);
b) the adoption of a conservative liquidity policy (maintaining overnight liquidity positions always considerably higher than the Group's cash requirements).

In view of further expansion in the Group's activities and with the launch of new lines of business that absorb a higher amount of capital, Banca Leonardo has made significant investments in developing an aggregate liquidity management tool able to forecast certain and probable financial flows. This was released to the Parent Bank's Treasury Desk in 2009. It has also formalised 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.

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	*348 773*	*20 005*	*13 080*	*93 112*	*33 924*	*15 214*	*232 806*	*666 872*	*131 114*	
A.1 Government securities					439	915	50 334	405 264	788	
A.2 Other debt securities				15 530		10 389	181 197	216 199	16 654	
A.3 Mutual funds	60 958									
A.4 Loans	*287 815*	*20 005*	*13 080*	*77 582*	*33 485*	*3 910*	*1 275*	*45 409*	*113 672*	
- Banks	86 463	20 005	10 000	71 184	918				2 920	
- Customers	201 352		3 080	6 398	32 567	3 910	1 275	45 409	110 752	
Cash liabilities	*319 195*	*101 351*	*24 599*	*57 413*	*4 740*	*16 008*	*453 624*	*59 852*	*71 098*	
B.1 Deposits	*318 483*			*57 413*						
- Banks	18 552			52 220						
- Customers	299 931			5 193						
B.2 Debt securities								25 007		
B.3 Other liabilities	712	101 351	24 599		4 740	16 008	453 624	34 845	71 098	
Off-balance sheet transactions	*290 631*		*34 577*	*329*	*111 458*	*87 308*	*532 499*	*877 334*	*171 594*	
C.1 Financial derivatives with exchange of capital	*75 935*		*34 471*	*329*	*110 264*	*83 962*	*431 767*	*473 925*	*118 928*	
- Long positions	36 885		17 460	277	106 697	64 885	255 524	255 819	12 440	
- Short positions	39 050		17 011	52	3 567	19 077	176 243	218 106	106 488	
C.2 Financial derivatives - With no underlying asset exchange	*147 206*		*106*		*1 074*	*3 346*	*99 671*	*169 856*	*52 666*	
- Long positions	76 271		106		1 074	3 346	99 671	169 856	52 666	
- Short positions	70 935									
C.3 Deposits and loans receivable										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to disburse funds	*427*							*230 000*		
- Long positions	427							77 500		
- Short positions								152 500		
C.5 Financial guarantees issued	*67 063*				*120*		*1 061*	*3 553*		

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									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 Mutual funds									
A.5 Loans	786								
- Banks									
- Customers	7 644								
Cash liabilities	13								
B.1 Deposits									
- Banks									
- Customers	1 908								
B.2 Debt securities	7 226								
B.3 Other liabilities									
Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions									
- Short positions	1 349								
C.2 Deposits and loans to be received	1 375				2 997				
- Long positions									
- Short positions									
C.3 Irrevocable commitments to disburse funds									
- Long positions									
- Short positions									

1.4 Banking group - operational risks

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 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 Parent 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

60 operational risk events were recorded during 2009 (down from 80 in 2008), 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 and human errors. For the most part, these events were managed and resolved without the Parent Bank incurring significant losses (losses that can be associated with operating events in 2009 can be quantified at only € 173 thousand).

PART F – INFORMATION ON GROUP EQUITY

SECTION 1 - CONSOLIDATED CAPITAL

A. *Information of a qualitative nature*

The Group's capital consists of its share capital, reserves, share premiums, valuation reserves, treasury shares and the net profit or loss for the year; it represents a pool of financial resources that can be used to achieve the Company's purpose and to cover enterprise risk.
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	12/31/2009	12/31/2008
Share capital	303,632	303,202
Share premium reserve	485,942	484,962
Legal reserve	6,529	5,088
Other reserves	68,093	61,125
Treasury shares	(2,300)	0
Revaluation reserves	6,722	64
Net profit (loss) for the year	(57,225)	29,669
Total	**811,393**	**884,110**

B.1 Consolidated equity: breakdown by type of company

Equity items	Banking group	Insurance companies	Other companies	Total	Elimination and consolidation adjustment
Share capital	303 632				303 632
Share premium reserves	485 942				485 942
Reserves	74 622				74 622
Equity instruments					
Treasury shares (-)	(2 300)				(2 300)
Valuation reserve					
- Financial assets available for sale	6 722				6 722
- Property, plant and equipment					
- Intagible assets					
- Hedging of foreign investments					
- Hedging of financial flows					
- Exchange differences discontinue operations					
- Non-current assets held for sale and discontinue operations					
- Actuarial gain (loss) on plan assets of defined-benefit					
- Changes in valuation reserve pertaining to equity method investments					
- Special revaluation laws					
Net profit (loss) for the period pertaining to the group and minority interests	(57 225)				(57 225)
Equity	**811 393**				**811 393**

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

Assets/Amounts	Banking Group		Insurance companies		Other enterprises		Consolidation adjustments		**Total 12/31/2009**	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt securities										
2. Equities	6 484								6 484	
3. Units of units in investment funds	268	(30)							268	(30)
4. Borrowings										
Total	**6 752**	**(30)**							**6 752**	**(30)**
Total 12/31/2008	**82**	**(18)**							**82**	**(18)**

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

	Debt securities	Equities	Mutual funds	Loans
A. Opening balance		**72**	**(8)**	
B. Positive changes		**6 412**	**268**	
2.1 Increase in fair value		6 375	268	
2.2 Transfer of negative reserves to income statement				
- for impairment				
- from sales				
2.3 Other changes		37		
3. Negative changes			**(22)**	
3.1 Decreases in fair value			(14)	
3.2 Writedowns from impairment				
3.3 Reversal of positive reserves to income statement: on realisation				
3.4 Other changes			(8)	
4. Closing balance		**6 484**	**238**	

SECTION 2 – CAPITAL RATIOS FOR BANKS

2.1 Area of application of the rules

Note that there is no difference between the scope of consolidation used in the financial statements and the scope of consolidation for supervisory purposes.

2.2 Minimum capital requirements for banks

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 2009, 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 treasury shares, the net loss for the current period, the goodwill deriving from the purchase of equity investments and intangible assets.
The calculation of Tier 1 capital takes account of an estimate of the Parent Bank's dividends for the current year.
The resources committed for the future purchase of the residual 90% of Leonardo MIDCAP CF S.A.S., of which Leonardo & Co. S.A.S bought 10% during 2009, have been deducted from Tier 1 capital.
The elements to be deducted are an investment in a Core Tier 1 subordinated hybrid instrument and the investments in sicavs and finance companies.

2. Tier 2 capital
Tier 2 capital consists of equities that give their owners a permanent right to a higher dividend compared with ordinary shareholders. Tier 2 capital also includes the positive valuation reserves on equities classified as "Financial assets available for sale", net of the portion not to be taken into consideration (50%).

3. Tier 3 capital
Tier 3 capital cannot be quantified for lack of suitable elements.

B. Information of a quantitative nature

	12/31/2009	12/31/2008
A. Tier 1 capital prior to the application of prudential filters	**453 823**	**469 821**
B. Tier 1 prudent filters		
B.1 Positive prudent filters for IFRS (+)		
B.2 Negative prudent filters for IFRS (-)	**(9 900)**	
C. Tier 1 gross of deductions (A + B)	**443 923**	**469 821**
D. Tier 1 deductions	**(46 956)**	**(53 162)**
E. Total Tier 1 (C - D)	**396 966**	**416 659**
F. Tier 2 capital prior to the application of prudential filters	**13 028**	**13 028**
G. Tier 2 capital prudent filters		
G.1 Positive prudent filters for IFRS (+)	**6 722**	**82**
G.2 Negative filters for IFRS (-)	**(3 361)**	**(41)**
H. Tier 2 gross of deductions (F + G)	**16 389**	**13 069**
I. Tier 2 deductions	**(16 389)**	
L. Total Tier 2 (H - I)		**13 069**
M. Items to be deducted from total Tier 1 and 2 capital		
N. Total regulatory capital	**396 966**	**429 728**
O. Total Tier 3		
P. Regulatory capital including TIER 3 (N + O)	**396 966**	**429 728**

The reduction in consolidated regulatory capital was caused by the following main elements:

- a higher impact of the elements to be deducted; compared with the previous year, the increase in negative elements is related to the investment in a Core Tier 1 hybrid capital instrument issued by a primary Italian bank;
- the commitment to buy Leonardo MIDCAP CF S.A.S. in the future;
- the net loss for the year.

2.3 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.
The higher absorption of regulatory capital by credit risk is essentially due to a further increase in loans granted to Private Banking clients during the year; market risks are down by around 20%, thanks above all to a shift in investments to less risky assets (e.g. European government securities); the increase in operational risk compared with the previous year is due to the continuous improvement in the Company's performance in terms of net interest and other banking income.
The Tier 1 ratio (Tier 1 capital/Risk-weighted assets) has changed as a result from 32.75% to 30.14%; similarly, the Total capital ratio has gone from 33.78% to 30.14%.

B. Information of a quantitative nature

Line items/amounts	Unweighted amounts		Weighted/required	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
A.RISK ASSETS				
A.1 Credit risk and counterparty risk	**1 904 854**	**1 434 768**	**765 739**	**772 813**
1. Standardized approach	1 904 854	1 434 768	765 739	772 813
2. IRB approaches				
2.1 Foundation				
2.2 Advanced				
3. Securitization				
B. Capital requirements				
B.1 Credit risk and counterparty risk			**61 259**	**61 825**
B.2 Market risk			**17 984**	**18 075**
1. Standardized approach			17 984	18 075
2. Internal models				
3. Concentration risk				
B.3 Operational risk			**26 120**	**21 873**
1. Basic Indicator Approach (BIA)			26 120	21 873
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			**105 363**	**101 773**
C. WEIGHTED RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1 317 040	1 272 161
C.2 Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)			30,14%	32,75%
C.3 Tier 1 and 2 capital/risk-weighted assets (total capital ratio)			30,14%	33,78%

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	
				Whole year	From date of combination (**)	Whole year	From date of combination (**)
A) Subsidiaries							
➢ Leonardo SIM S.p.A. (*)	May 2009	-	100%	-	-	-	n.s.
B) Joint ventures							
➢ Leonardo MIDCAP CF S.A.S. (***)	September 2009	10	10%	33	33	(19)	(19)
C) Associates							

(*) The Company was absorbed by the Parent Bank in May 2009.
(**) These refer to revenues and profits(losses) attributed to the Parent Bank in 2009.
(***) Acquired by the subsidiary Leonardo & Co. S.A.S..

Details of acquisition method and charges

Name	Activity carried on	Acquisition method and cost (in €/000)				
		Exchange		Other Charges	Contractual obligations	**Total**
		Monetary	Equity			
A) Subsidiaries ➢ Leonardo SIM S.p.A.	Not operating company					**-**
B) Joint ventures ➢ Leonardo MIDCAP CF S.A.S.	Advisory	10				**10**
C) Associates						
Business combinations carried out during the year		**10**				**10**

1.2 Other information on business combinations

1.2.1 Annual changes in goodwill

	Goodwill before allocation (PPA)	*IAS 32 paragraph 23*	*Allocation of fair value and other changes*	***Goodwill***
Goodwill at 31.12.2008				**373,169**
- G.B.L. Fiduciaria S.p.A.	79			79
- Leonardo SGR S.p.A.	940			940
- DNCA Finance S.A.	96,397	153,027		249,424
- Banque Leonardo S.A.	14,631	4,762		19,393
- Leonardo & Co. S.p.A.	1,910			1,910
- Leonardo & Co. S.A.S.	33,405			33,405
- Leonardo & Co. GmbH & Co. KG	72,821		(4,803)	68,018
Increases				
Allocation of cost of combination to Goodwill				
A) Subsidiaries				
o DNCA Finance S.A. (*)		1,912		
B) Joint ventures				
Decreases				
A) Subsidiaries				
o Leonardo & Co. GmbH & Co. KG (**)			(40,200)	(40,200)
Goodwill at 31.12.2009				**334,881**
- G.B.L. Fiduciaria S.p.A.	79			79
- Leonardo SGR S.p.A.	940			940
- DNCA Finance S.A.	96,397	154,939		251,336
- Banque Leonardo S.A.	14,631	4,762		19,393
- Leonardo & Co. S.p.A.	1,910			1,910
- Leonardo & Co. S.A.S.	33,405			33,405
- Leonardo & Co. GmbH & Co. KG	72,821		(45,003)	27,818

(*) As explained below, based on the requirements of paragraph 23 of IAS 32, we have booked the liability for the obligation to buy the shares of minority interests in the subsidiary as the contra-entry to the increase in goodwill. The increase of the year is related to the revised growth forecasts, that led to an increase in the financial liability and hence in the goodwill recognised on the shares currently held by the minority shareholders (€ 1.9 million), as required by IFRS 3, paragraph 34.

(**) Impairment losses on goodwill.

1.2.2 Other information

Description of transactions

The only business combinations that took place during the year concerned the merger of *Leonardo SIM S.p.A.,* non operating company, with the Parent Bank and the acquisition by *Leonardo & Co. S.A.S.* of 10% of *Leonardo MIDCAP CF S.A.S.*, a French advisory start-up. *Leonardo & Co. S.A.S.* has the chance to buy 100% of this company over the next three years as the buyers and sellers have given each other put&call options to buy or sell the rest of the company. 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.

Leonardo & Co. GmbH & Co. KG – On 21 December 2007 the Parent 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 Parent Bank at a price of € 5 per share and € 10.4 million as a variable element to be paid to the shareholders once certain benefits have been realised (known as "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, attributing an amount of € 6.1 million to "Deferred tax assets", € 3.6 million to "Deferred tax liabilities", € 1.7 million to the contract backlog at the acquisition date, with the residual difference between the purchase price and the fair value of *Leonardo & Co. GmbH & Co. KG* was allocated to "Intangible assets - sub-item goodwill for an amount of € 68 million. The portion of goodwill that was allocated to the contract backlog at the acquisition date was written off entirely during the course of the year 2008.
In December 2008, the Parent Bank made 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 Parent Bank made 2 different payment to reserve of € 1 million each, 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 goodwill had to be written down by € 40.2 million.

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 Parent Bank joint control over the company in 2006 (*Consolidation using the proportional method).*
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 Parent 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 Parent Bank or by DNCA's minority shareholders) between 2010 and 2014.

During the course of 2007 the Parent 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 Parent 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 Parent 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 Parent 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 held by the minority shareholders, the conditions for the application of the accounting rules laid down in paragraph 23 of IAS 32 were already fulfilled in 2007 and this involved booking a liability for the estimated exercise value of the put options.
Given that the exercise countervalue of the put options is based on a multiple of future earnings, the amount of the liability was calculated on the basis of the foreseeable trend in future earnings and the period when the options were likely to be exercised, using a discount rate equivalent to a risk-free investment and taking account of the contractual obligations to pay dividends. The overall liability of € 102 million at 31 December 2009, which was booked as due to customers, takes account of the revised growth prospects of the company in 2008 and 2009, which entailed drawing up a new three-year business plan. This liability currently reflects the value expected to be paid to buy the residual share of 33%, estimated at € 75 million, and the dividends due to the minority shareholders during the period from 2010 to 2012, put at € 27 million. The revised growth forecasts have led to an increase in the financial liability and hence in the goodwill recognised on the shares currently held by the minority shareholders of € 1.9 million as required by IFRS 3, paragraph 34. Goodwill at the end of 2009 amounts to € 251 million.
According to the consolidation method chosen, the income statement is included 100% in the Group's consolidated result from the date of acquisition of control (end-June 2007), whereas for the preceding periods it is included according to the percentage held, as required by IFRS.
Discounting the strike prices of the put options has an impact on the income statement of the period of € 4.7 million as the contra-entry to the financial liability.

Banque Leonardo S.A. On 21 November 2007 the Parent 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 Parent 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.
Discounting the strike prices of the put options has an impact on the income statement of the period of € 0.3 million as the contra-entry to the financial liability.
Given that the minority shareholders have put options with different maturities over a period of 4-5 years, we booked a financial liability that takes account of the present value of the acquisition prices, as required by paragraph 23 of IAS 32. The amount of the liability was calculated on the basis of the foreseeable trend in future earnings and the period when the options were likely to be exercised, using a discount rate equivalent to a risk-free investment for a period of 4 years. The total liability has been booked under financial liabilities at the current value at the end of 2009 of € 7.4 million. Goodwill at the end of 2009 amounts to € 19 million, unchanged compared with the prior year.
Following acquisition of control over the company at the end of 2007, allocation of the cost of combination was commenced and will be completed during 2008, attributing the entire amount to "intangible assets - sub-item goodwill".
In December 2008, the Parent Bank subscribed 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 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 Parent 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.

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

As regards retrospective adjustments, the only change made during the year was the adjustment of goodwill and the financial liability relating to the subsidiary DNCA Finance S.A. for € 1.9 million, as already explained in section 1.2.2. "Other information”.

PART H – RELATED-PARTY TRANSACTIONS

1. Information on the compensation of managers with strategic responsibilities

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

Amounts in thousands of Euro	**Managers with strategic responsibilities**
Emoluments and social contributions	13,538
Bonuses and other incentives	1,154
Non-monetary benefits	102
Share-based payments	2,804
Total	**17,597**

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.

The following table summarises related party transactions and balances at 31 December 2009:

Amounts in thousands of Euro	**Financial assets available for sale**	**Due to customers**	**Assets under management and in custody and administration**
Directors, statutory auditors and managers with strategic responsibilities and other related parties.	5,000	501	8,062

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 exercised 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.

B. Information of a quantitative nature

1. Annual changes

Line items/Number of options and strike prices	Banking Group			Other enterprises			12/31/2009			12/31/2008		
	Number of options	Average strike prices	Average maturity	Number of options	Average strike prices	Average maturity	Number of options	Average strike prices	Average maturity	Number of options	Average strike prices	Average maturity
A. Opening balance	**16 645 000**	**3,281**	**1,251**				**16 645 000**	**3,281**	**1,251**	**14 875 000**	**3,000**	**4,000**
B. Increases	**595 000**	**3,281**					**595 000**	**3,281**		**1 770 000**	**3,281**	
B.1 New issues	595 000	3,281	4,000				595 000	3,281	4,000	1 770 000	3,281	4,000
B.2 Other changes												
C. Decreases												
C.1 Cancelled												
C.2 Exercised												
C.3 Expired												
C.4 Other changes												
D. Closing balance	**17 240 000**	**3,281**	**1,746**				**17 240 000**	**3,281**	**1,746**	**16 645 000**	**3,281**	**1,251**
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 2009 income statement was € 2,804 thousand (€ 2,814 thousand in 2008).

PART L – SEGMENT REPORTING

The following schedules give a breakdown of the results by business sector (primary segment) and by geographical area (secondary segment) in accordance with IFRS 8.
The information on balance sheet aggregates is not considered significant.

A. PRIMARY SEGMENT

A.1 Breakdown by business sector Income statement figures

LINE ITEMS	Trading division	Wealth management division	Advisory division	Private equity division	Central structures	Total
Net interest income	21 105	5 364	90		1 971	28 530
Net fee and commission income	6 474	78 759	50 558		368	136 159
Net change in value of financial assets	5 381	2 309	(27)	2 281	1 422	11 366
Other operating charges/income	(971)	1 217	498		(334)	410
Net revenues	**31 989**	**87 649**	**51 119**	**2 281**	**3 427**	**176 465**
Payroll	(10 564)	(28 571)	(22 872)	(953)	(9 917)	(72 877)
Administrative expenses	(8 056)	(16 309)	(8 753)	(365)	(7 409)	(40 892)
Depreciation and amortisation	(372)	(618)	(969)	(20)	(745)	(2 724)
Provisions and adjustments			(2 941)		(8 129)	(11 070)
Operating costs	**(18 992)**	**(45 498)**	**(35 535)**	**(1 338)**	**(26 200)**	**(127 563)**
Result of current operating activities before taxes	**12 997**	**42 151**	**15 584**	**943**	**(22 773)**	**48 902**
Financial charge on financial liabilities (purchase commitments - put options)		(4 956)				(4 956)
Impairment losses on goodwill and losses of investements measured in accordance with IFRS 5			(40 200)	(43 523)		(83 723)
Result of current operating activities before taxes pertaining to the Parent Bank	**12 997**	**37 195**	**(24 616)**	**(42 580)**	**(22 773)**	**(39 777)**

B. SECONDARY SEGMENT

B.1 Breakdown by geographical area: Income statement figures

Items	Italy	France	Other European Countries	Total
Net interest income	28 582	40	(92)	28 530
Net fee and commission income	52 519	74 430	9 210	136 159
Net change in value of financial assets	9 064	2 302		11 366
Other operating charges/income	143	10	257	410
Net revenues	**90 308**	**76 782**	**9 375**	**176 465**
Payroll	(47 289)	(18 468)	(7 120)	(72 877)
Administrative expenses	(22 774)	(14 583)	(3 535)	(40 892)
Depreciation and amortisation	(1 828)	(317)	(579)	(2 724)
Provisions and adjustments	(10 070)	(1 000)		(11 070)
Operating costs	**(81 961)**	**(34 368)**	**(11 234)**	**(127 563)**
Result of current operating activities before taxes	**8 347**	**42 414**	**(1 859)**	**48 902**
Financial charge on financial liabilities (purchase commitments - put options)		(4 956)		(4 956)
Impairment losses on goodwill and losses of investements measured in accordance with IFRS 5	(43 523)		(40 200)	(83 723)
Result of current operating activities before taxes pertaining to the Parent Bank	**(35 176)**	**37 458**	**(42 059)**	**(39 777)**

REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors
to the Shareholders' Meeting of Gruppo Banca Leonardo SpA

To the Shareholders' Meeting of
Gruppo Banca Leonardo SpA

To start with, we would like to acknowledge that on 30 June 2009 the Shareholders' Meeting updated the Bank's Articles of Association and approved the remuneration and incentive policies of the Bank and of the Group, bearing in mind the Supervisory Instructions on the Organisation and Corporate Governance of Banks issued by the Bank of Italy on 4 March 2008 and subsequently integrated by its Clarification Note of 19 February 2009.

During 2009, we carried out the supervisory activity provided for under current laws and regulations governing companies and the banking industry in particular, taking into account the Standards of Conduct of Statutory Auditors recommended by the Italian Accounting Profession (as represented by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), to which we make reference in this report.

We monitored compliance with the law and the articles of association, as well as respect for the principles of a correct management. In particular, with the support of the functions dedicated to internal control, we monitored compliance with the rules and regulations that govern banking from an organisational and procedural point of view, as well as for the purposes of reporting to the Supervisory Authorities. Our work also covered implementation of the Internal Capital Adequacy Assessment Process (ICAAP) and of the Anti-Money Laundering (AML) rules. No matters worth of mention emerged.

We took part in the Shareholders' Meetings and in all meetings of the Board of Directors and of the Internal Control Committee, which were held in accordance with the rules laid down in the articles of association, the law and other regulations governing how they function. We obtained adequate information on transactions with related parties, as well as on major transactions from an economic, financial and capital point of view carried out by the Company and its subsidiaries. We can therefore reasonably assure you that they are in compliance with the law and the articles of association and that they do not appear to be excessively imprudent or risky, nor are they such as to compromise the integrity of the Company's equity.

We attended periodic meetings with the independent auditors, for a reciprocal exchange of important data and information for the performance of our respective duties. During these meetings no matters emerged that would need to be highlighted in this report.

During this last year, the Bank continued the process of reorganising and strengthening its corporate structures, accompanied by updates of internal procedures, particularly as a result of the changes in the scope of consolidation of the Banca Leonardo Group and the various developments in its operations. This process was subject to an important check at the time of the Bank of Italy inspection carried out during the year. Thanks to this intervention by the Supervisory Authority, important elements were acquired which helped further strengthen the management and business model, as well as the internal control and risk management systems.

On the basis of our checks as well as the information obtained from the Group's Internal Audit Department, with whom we have been in constant contact, this process of reorganisation and strengthening of the corporate structures appeared to us to be adequate to ensure suitable risk management and control consistent with the expansion and complexity of the operations carried on by the Parent Bank, Gruppo Banca Leonardo SpA, and by the other companies in the Group.

We examined and monitored the adequacy of the administration and accounting systems, as well as the latter's reliability to give a true and fair view of operations. On the basis of our checks, obtaining information also from the Independent Auditors, the administrative and accounting systems appeared to us to be reliable and sufficient to satisfy the Bank's operating requirements.

We received no complaints during the year under art. 2408 of the Civil Code.

During 2009 we issued our opinion on the adequacy of the issue price of the shares serving the increase in capital with exclusion of option rights, pursuant to art. 2441.6 of the Civil Code.

Detailed checking of the contents of the financial statements at 31 December 2009 is not up to us, but we can say that we supervised the way in which they were prepared and can assure you as to their general compliance with the law in terms of their format and structure.

We verified compliance with legal and regulatory requirements concerning the preparation and presentation of the statutory and consolidated financial statements drawn up by the Directors which, as far as we are aware, explain clearly and in full detail the situation of the Company and of the Group, as well as the results of operations in 2009 and the outlook for the future. For example, we acknowledge that the directors' reports and notes to the separate and consolidated financial statements provide adequate disclosure on the proposed distribution and reimbursement of reserves to the Shareholders for a total of Euro 279 million, highlighting the effect on Core Tier 1, which is expected to remain around 14-15%; this is higher than the lower limit set as an objective by the Supervisory Authority (6%) and higher than the average Core Tier 1 ratio of the main Italian banking groups. These documents also provide information on the impairment tests performed on assets, the contractual clauses governing financial liabilities and the fair value hierarchies, in line with the recommendations contained in Document 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap.

We checked that the separate and consolidated financial statements reflected the facts and other information of which we are aware after carrying out our duties and do not have any comments to make.

Having completed our supervisory activity during the year, taking account of the fact that the Reports of the Independent Auditors on both the separate and consolidated financial statements were issued on 6 April 2010 without qualifications, we would like to express our agreement with the proposal made by the Directors with regard to you approving the separate financial statements at 31 December 2009, as well as the proposed coverage of the net loss for the year.

Milan, 9 April 2010

The Board of Statutory Auditors

Pietro Manzonetto

Pietro Mazzola

Lucio Pasquini

REPORT OF THE INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

AUDITORS' REPORT
PURSUANT TO ARTICLE 2409 - ter OF THE CIVIL CODE

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

1. We have audited the consolidated financial statements of GRUPPO BANCA LEONARDO S.p.A. and subsidiaries (the "Banca Leonardo Group"), which comprise the balance sheet as of December 31, 2009, the income statement, statement of comprehensive income, statement of changes in net equity, cash flow statement for the year then ended and the explanatory notes. These consolidated 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 consolidated financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, 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 consolidated financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1, reference should be made to our auditors' report issued on March 30, 2009.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Banca Leonardo Group as of December 31, 2009, 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 law 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). In our opinion the report on operations is consistent with the consolidated financial statements of Banca Leonardo Group as of December 31, 2009.

DELOITTE & TOUCHE S.p.A.

Signed by
Ezio Bonatto
Partner

Milan, Italy
April 6, 2010

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