



Banca Popolare di Sondrio



ANNUAL REPORT 2009



**Banca Popolare
di Sondrio**

2009 FINANCIAL
STATEMENTS
139TH YEAR

From the BPS art collection

The eighteenth and nineteenth centuries

A century is not necessarily synonymous with a single style. When we talk about the eighteenth century or nineteenth century, we are not indicating a particular stylistic school or a family of styles, but rather we are defining a time period within which totally contrasting styles a times succeed one another.

Let's take the example of the eighteenth century. It began with Late Baroque, developed into Rococo, and ended with Neoclassicism, which is the total antithesis of Baroque and Rococo. Not to mention that the entire century was marked by an academic classicism in total contrast to the excesses of Baroque and Rococo. The same can be said of the nineteenth century that began with realism and ended with the Post-Impressionism of Van Gogh and Gauguin. It reveals the painting of history, but is mostly characterised by the discovery of the natural landscape, or of nature in contrast to history. The artist strives to describe nature through the utmost realism, but soon realises that what is represented is none other than the artist's own intimate and subjective vision of nature or, in other words, his own impression.

And this very impression is what the artist always attempts to transfer to the canvas, in a process that from external reality leads him little by little to his own inner self and subconscious, until the early twentieth century, following cubism, when reality did not dissolve and, as Kandinsky said, only its pure, abstract, and "spiritual" form remained on the canvas.

And yet, when faced with a work of art, there is something that spontaneously spurs us to say that it is a work of the eighteenth or nineteenth century, as if there were a spiritual hallmark of the century underlying all the stylistic changes. During the eighteenth century, for example, even the most classic artists gave in to that aristocratic theatricalism of representation, typical of the Baroque and Rococo, that imbues even the most rigid forms of Neo-Classicism, while in the nineteenth century, a bourgeois sentiment of reality prevails, persisting even when its representation becomes, towards the end of the century, increasingly subjective and problematic.

All in all, centuries-long overviews put art in relation to the evolution of all of society, giving a historical sense to the evolution of styles. Baroque, Rococo, or Romanticism did not constitute something uniform and compact, but rather developed according to national peculiarities and, within these, according to regional diversities, often of great impact, that became essential in understanding the contribution of individual artists and local schools to the elaboration of a style and the significance of the role it played in different cultural contexts. Today we know, for example, to what extent eighteenth century Lombard painting was characterised by a diverse sentiment of reality compared to that of other regions and how this characteristic continued uninterrupted in Lombard painting from Caravaggio onwards.

In the Collection of the Banca Popolare di Sondrio, this can be seen in many eighteenth century Lombard works where this naturalistic realism prevails, leading to a disdain for Baroque and Rococo excesses and holding the artists to a self-regulating classicism, even if through the persistent theatrical dimensions of the representation. Painters of reality include Giacomo Ceruti, "il Pitocchetto", and the Austrian-Lombard Cipper Todeschini, as well as Pietro and Vittoria Ligari and Giuseppe Petrini, a son of Lombardy-Ticino, who added that "speculative" nature to Lombard realism that even Ligari recognised.

Even the two eighteenth century landscapes from the Veneto area (which could certainly not be attributed to Zais, as was previously believed) offer the viewer a glimpse of a different artistic world, that of a typically Venetian culture, of "vivere in villa" – or "villa living" – while the large sketch by Solimena, *L'arrivo delle ceneri di san Giovanni Battista a Genova* (The arrival of the ashes of St. John the Baptist in Genoa) evokes an early eighteenth century Neapolitan style and a naturalist thread that, beyond the classicist mould, imitates currents of modern European rationalism. This small nucleus of nineteenth century works opens, instead, in the Collections of the Banca Popolare with the masterful historic sketch of the *Carica di carabinieri nella battaglia di Pastrengo* (Charge of the Carabinieri in the Battle of Pastrengo) by Sebastiano DeAlbertis, but finds its equilibrium in the three previously unpublished works by Silvio Poma and in the panoramic *Ritorno al piano* (Return to the plains) by Achille Befani Formis.

Both of these artists belong to the period of late nineteenth century Lombard landscapes and to that realism related to the Lombard artistic tradition, just as the two delightful paintings by Edwin Henry Boddington belong to the aristocratic Romantic school of English landscape painting.

Franco Monteforte



Unknown painter from the 18th century
Portrait of a nun
Oil on canvas, 96.5 x 71cm (oval)

More than a nun or an abbess, this oval painting by an unknown 18th century master seems to portray a "guastallina", as the boarders and "governesses" at the Milanese boarding school known as Guastalla were called. The clues are the prim frock, the chin-strap of aristocratic elegance, the transparent veil under her headcloth, and the general bearing of the figure, marked by a simple and worldly austerity rather than monastic seclusion. This is an exquisitely painted portrait, beginning with the luminous expression of naturally graceful purity of the face, to the veil, to the hands that are gently turning the pages of the book, to the details of the rosary (or necklace) with the gold pendant peeking from behind her habit, of the precious upholstered chair, and of the paintings on the walls. All in all, it should be noticed that this is a young woman of noble blood who has been momentarily distracted from her studies or prayer.



Francesco Solimena also known as l'Abate Ciccio
The arrival of the ashes of St. John the Baptist in Genoa
 Oil on canvas, 136 x 279 cm

FRANCESCO SOLIMENA also known as L'ABATE CICCIO

(Canale di Serino, Avellino 1657 - Barra, Naples 1747)

Following his artistic training in the workshop of his father Angelo, a well-known exponent of Neapolitan naturalism, Solimena was soon drawn towards the scenographic and luminous painting of Luca Giordano, from whom he acquired a monumental sense of composition, but whose hyperbolic idiom, inclined towards fantasy, would always be second to his strong tendency for solidity of form, the naturalistic concreteness of the images, and the clarity of the composition. These very characteristics strongly evoke the influence of the vibrant gloom of Mattia Preti, making Solimena, between the late seventeenth century and early eighteenth century, the artistic interpreter of more rational religious currents of the Neapolitan context by tending to filter the superstitious component from popular devotion in order to give a realistic and anti-miraculous interpretation to sanctity and religion.

These were the years during which his school and its clear yet tenebrous Baroque naturalism, in contrast to Luca Giordano's fantastic and visionary school, become more deeply rooted in Naples. Also in this time, Solimena (or Abate Ciccio), gained renown throughout Europe, working for the most powerful Italian and European courts without ever leaving Naples.

He died in 1747 in his villa in Barra, near Naples, after having given some of his greatest masterpieces to the Late Italian Baroque period.

Between 1715 and 1717, Solimena painted three large canvases for the Sala del Minor Consiglio di Genova depicting, The Massacre of the Giustiniani at Chios, The arrival of the ashes of St. John the Baptist in Genoa, and The Landing of Christopher Columbus in the Indies. These three major works were destroyed in a fire in 1777, but luckily the three large preparatory sketches remain, including this one in the Collection of the Banca Popolare di Sondrio

The arrival of the ashes of St. John the Baptist in Genoa was, chronologically speaking, the second canvas created in 1717 by Solimena, intended to be hung on the wall in the foyer of the Sala del Minor Consiglio, opposite the doge's throne.

Two processions meet at the centre of the painting; the one on the left solemnly bears the ashes of St. John the Baptist recently unloaded from the ship, and the procession of townspeople, led by the bishop, kneeling in wait. Both processions are set against the background of the port and the city of Genoa, while the foreground is animated by the port activity, breathing life into the entire composition. Each group is easily identifiable in the composition; each person is perfectly described with meticulous and delicate detail in chiaroscuro, bringing this bustling scene to life.

As Ferdinando Bologna observed, in Solimena everything is on the move and yet at the same time standing still. And it is this internal fusion of dynamism and immobility, of light and darkness, which grants this work its vibrant and expressive intensity.

Banca Popolare di Sondrio

Founded 1871

ORDINARY ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD ON 27 MARCH 2010

Società cooperativa per azioni

Head Office: Piazza Garibaldi 16, 23100 Sondrio, Italy

Tel. +390 342 528.111 - Fax +390 342 528.204

Website: <http://www.popso.it> - E-mail: info@popso.it

Sondrio Companies Register no. 00053810149 - Official List of Banks no. 842

Official List of Cooperative Banks no. A160536

Parent Bank of the Banca Popolare di Sondrio Group - Official List of Banking Groups no. 5696.0 - Member of the Interbank Deposit Protection Fund

Fiscal code and VAT number: 00053810149

Share capital: € 924,443,955 - Reserves: € 557,982,800 (figures approved by the shareholders' meeting of 27/3/2010)

Rating issued to Banca Popolare di Sondrio scpa by Fitch Ratings on 30 October 2009:

- long term issuer default rating: A
- short-term issuer default rating: F1
- individual rating: B

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MAURIZIO BERTOLETTI

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** Secretary to the Board of Directors and member of the Chairman's Committee



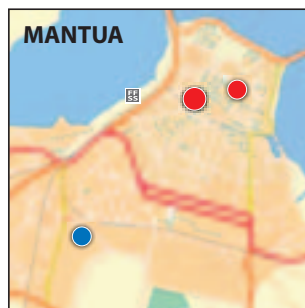
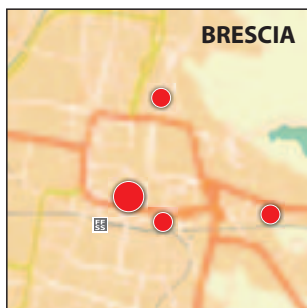
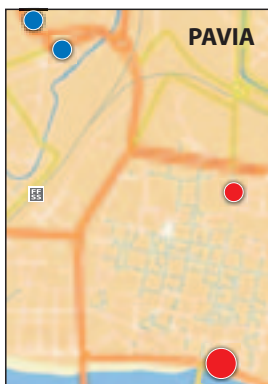
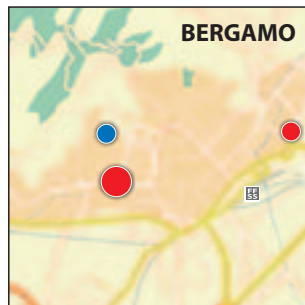
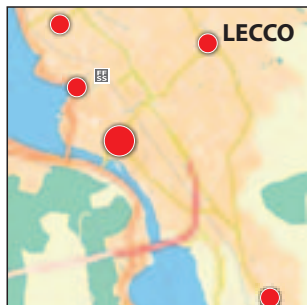
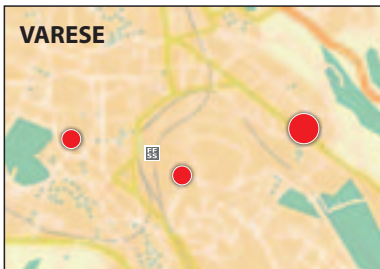
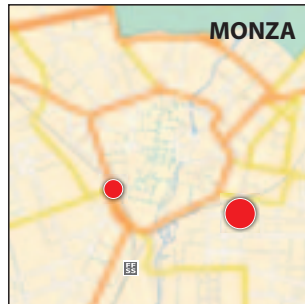
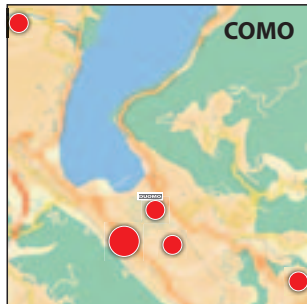
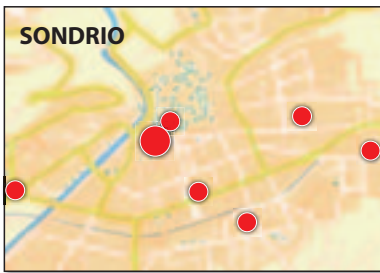
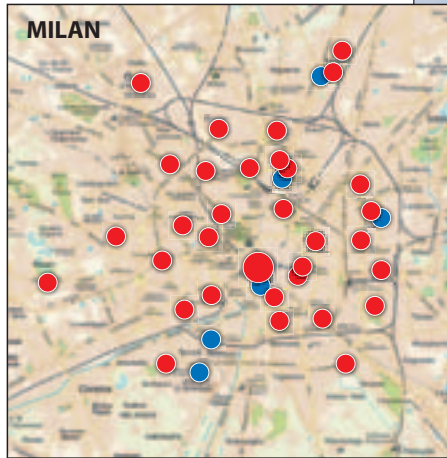
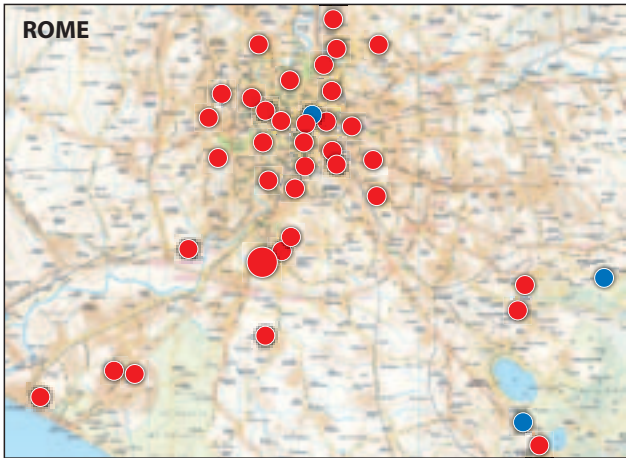
BPS (SUISSE)

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- LUGANO Cassarate
- LUGANO Paradiso
- BASEL Greifengasse
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Banca Popolare di Sondrio

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- 12 in the province of BERGAMO
- 2 in the province of BOLZANO
- 26 in the province of BRESCIA
- 30 in the province of COMO
- 4 in the province of CREMONA
- 1 in GENOA
- 20 in the province of LECCO
- 2 in the province of LODI
- 5 in the province of MANTUA
- 32 in MILAN
- 6 in the province of MILAN
- 16 in the province of MONZA E BRIANZA
- 2 in the province of NOVARA
- 2 in the province of PAVIA
- 1 in PARMA
- 7 in the province of PAVIA
- 2 in PIACENZA

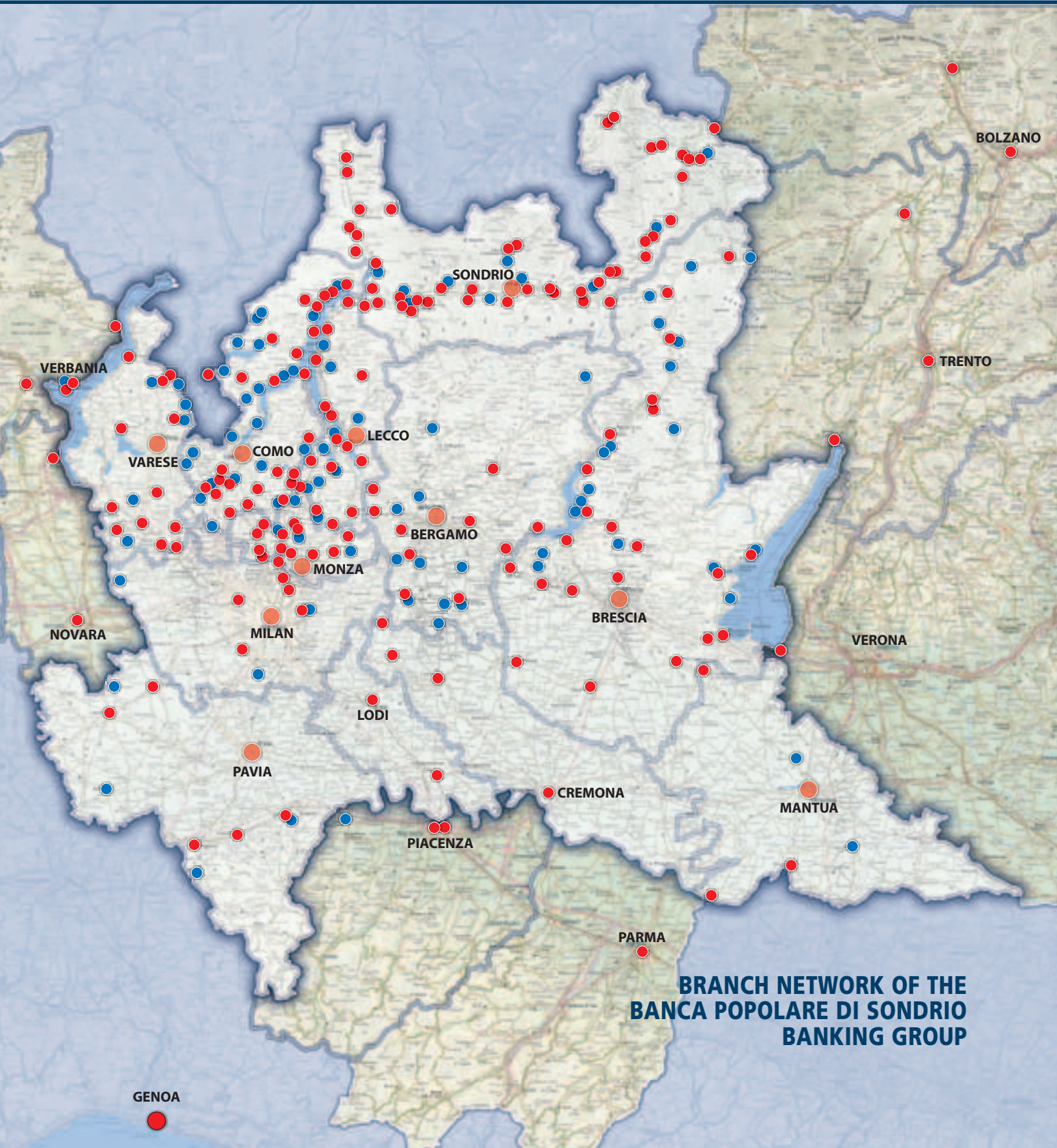
- 33 in ROME
- 3 in the province of ROME
- 2 in the province of TRENTO
- 1 in TURIN
- 15 in the province of VARESE
- 4 in the province of VERBANO CUSIO OSSOLA
- 1 in the province of VERONA

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BRANCH NETWORK OF THE BANCA POPOLARE DI SONDRIO BANKING GROUP

BRANCH NETWORK

BANCA POPOLARE DI SONDRIO

Società cooperativa per azioni - Founded in 1871
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Member of the Interbank Deposit Protection Fund
Fiscal code and VAT number: 00053810149

MANAGEMENT AND HEAD OFFICE

Piazza Garibaldi 16, Sondrio, Italy
Tel. +39 0342 528111 - Fax +39 0342 528204
www.popso.it - info@popso.it

BRANCH OFFICES

ORGANISATION AND IT SYSTEMS:

"F. Morani" Service Centre - via Ranée 511/1
frazione S. Pietro, Berbenno di Valtellina (So)
INTERNATIONAL UNIT: lungo Mallero Cadorna 24, Sondrio
COMMERCIAL BANKING, PUBLIC ENTITIES AND TREASURIES,
SUPPLY OFFICE, TECHNICAL OFFICE, SAFETY AND SECURITY:
corso Vittorio Veneto 7, Sondrio

BRANCHES

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APRICA corso Roma 140	tel. 0342	746098
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BORMIO		
via Roma 131 - ang. via don Peccedi	tel. 0342	910019
BORMIO: Branch no. 1 , via Roma 64	tel. 0342	913071
CAMPODOLCINO via Corti 67	tel. 0343	50544
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MONTAGNA IN VALTELLINA		
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via Vittore Ghislandi 4	tel. 035	234075
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Duca D'Aosta Allee 88	tel. 0471	402400
MERANO corso della Libertà 16		
Freiheitsstrasse 16	tel. 0473	239895

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BRESCIA via Benedetto Croce 22	tel. 030	2911411
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MONTECHIARI		
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ORZINUOVI piazza Garibaldi 19	tel. 030	9941518
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CANZO via Verza 39	tel. 031	681252
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c/o ACSM - via Vittorio Emanuele 93	tel. 031	242542
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MENAGGIO via Lusardi 62	tel. 0344	34128
MERONE via San Girolamo Emiliani 5/C	tel. 031	650817
MONTEFANO via Brianza 6/B	tel. 031	200859
SALA COMACINA via Statale 14/B	tel. 0344	57056
SAN FEDELE INTELVI via Provinciale 79	tel. 031	831944
SAN SIRO		
loc. Santa Maria - via Statale Regina	tel. 0344	50425
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PANDINO via Umberto I 1/3	tel. 0373	91016
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PROVINCE OF GENOA

GENOVA via XXV Aprile 7	tel. 010	5535127
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PROVINCE OF LECCO

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CASATENOVINO via Roma 23	tel. 039	9207454
COLICO via Nazionale - ang. via Sacco	tel. 0341	941260
DERVIO via Don Invernizzi 2	tel. 0341	804447
LECCO corso Martiri della Liberazione 65	tel. 0341	471111
LECCO: Branch no. 1 ,		
viale Filippo Turati 59	tel. 0341	361919
Branch no. 2 , piazza XX Settembre 11	tel. 0341	282520
Branch no. 3 , corso Emanuele Filiberto	104 - fraz. Maggianico	tel. 0341
		422748
Branch no. 4 , viale Montegrappa 18	tel. 0341	495608
LOMAGNA via Milano 24	tel. 039	9278080
MANDELLO DEL LARIO piazza Sacro Cuore 8	tel. 0341	732878
MERATE via Don Cesare Cazzaniga 5	tel. 039	5983013
NIBIONNO via Montello 1 - fraz. Cibrone	tel. 031	692045
OGGIONO via Papa Giovanni XXIII 45	tel. 0341	263061
PESCATO via Roma 98/E	tel. 0341	283964
PRIMALUNA via Provinciale 66	tel. 0341	981151
VALMADRERA via San Rocco 31/33	tel. 0341	582972
VARENNA via Venini 53	tel. 0341	815239

PROVINCE OF LODI

CODOGNO via Verdi 18/C	tel. 0377	436381
LODI via Gabba 5	tel. 0371	421436

PROVINCE OF MANTUA

CASTIGLIONE DELLE STIVIERE		
piazza Dallò 25	tel. 0376	672306
MANTUA corso Vittorio Emanuele II 154	tel. 0376	326095
MANTUA: Branch no. 1 ,		
piazza Boretto 7	tel. 0376	288139
SUZZARA piazza Giuseppe Garibaldi 4	tel. 0376	508465
VIADANA		
piazza Matteotti 4/A	tel. 0375	780877

PROVINCE OF MILAN

BUCCINASCO via Aldo Moro 9	tel. 02	45716239
CINISELLO BALSAMO via Garibaldi 86	tel. 02	66047602
MILAN Head Office ,		
via Santa Maria Fulcorina 1	tel. 02	85541
MILAN: Branch no. 1 , Porpora,		
via Porpora 104	tel. 02	70630941
Branch no. 2 , Barona, viale Faenza 22	tel. 02	8911115
Branch no. 3 , a2a, corso Porta Vittoria 4	tel. 02	76005333
Branch no. 4 , Regione Lombardia,		
via Taramelli 20	tel. 02	603238
Branch no. 5 , Bovisa,		
via degli Imbriani 54	tel. 02	39311498
Branch no. 6 , Corvetto,		
via Marco d'Agate 11	tel. 02	55212294
Branch no. 7 , Caneva, via Cenisio 50	tel. 02	33606260
Branch no. 8 , Quarto Oggiaro,		
via Lessona - ang. via Trilussa 2	tel. 02	39001760
Branch no. 9 , c/o A.L.E.R.,		
viale Romagna 24	tel. 02	70128148
Branch no. 10 , Solari, via Solari 15	tel. 02	89404235
Branch no. 11 , Università Bocconi,		
via Ferdinando Bocconi 8	tel. 02	58301984
Branch no. 12 , Baggio,		
via delle Forze Armate 260	tel. 02	48915910
Branch no. 13 , Repubblica,		
viale Monte Santo 8	tel. 02	29003075
Branch no. 14 , Palazzo di Giustizia,		
via Cesare Battisti 1	tel. 02	76390159
Branch no. 15 , Murat,		
via Gioacchino Murat 76	tel. 02	6682823
Branch no. 16 , Ortometcato,		
via Cesare Lombroso 54	tel. 02	5453131
Branch no. 17 , Pirelli/Bicocca,		
viale Sarca 222 - stabile n. 143	tel. 02	6438400
Branch no. 18 , Fiera, viale Belisario 1	tel. 02	43995155
Branch no. 19 , Giambellino,		
via Giambellino 39	tel. 02	428047
Branch no. 20 , Sempione		

Banca Popolare di Sondrio

Branch no. 27, Don Gnocchi,
via Capeclatro 66 tel. 02 48714408
Branch no. 28, Corsica,
via privata Sanremo - ang. viale Corsica 81 tel. 02 70006638
Branch no. 29, Bicocca,
piazza della Trivulziana 6 - edificio 6 tel. 02 66107314
Branch no. 30, De Angeli,
piazza Ernesto De Angeli 9 tel. 02 48029994
Branch no. 31, Isola, via Farini 47 tel. 02 66809662
PERO via Greppi 13 tel. 02 33912478
SEGRATE via Morandi 25 tel. 02 26921747
SESTO SAN GIOVANNI Branch no. 1,
piazza Martiri di via Fani 93 tel. 02 24417034
SESTO SAN GIOVANNI Branch no. 2,
piazza della Resistenza 52 tel. 02 24839443

PROVINCE OF MONZA E BRIANZA

ALBIATE via Trento 35 tel. 0362 930277
BERNAREGGIO
via Michelangelo Buonarroti 6 tel. 039 6093934
BOVISIO MASIAGO
via Guglielmo Marconi 7/A tel. 0362 559006
CARATE BRIANZA via Cusani 10 tel. 0362 901072
DESIO via Portichetto - ang. via Pio XI tel. 0362 301573
GIUSSANO via Cavour 19 tel. 0362 852171
LISSONE via Trieste 33 tel. 039 2456568
MEDA
via Gagarin - ang. corso della Resistenza tel. 0362 347832
MONZA via Galileo Galilei 1 tel. 039 28285111
MONZA: Branch no. 1,
via Manzoni 33/A tel. 039 3902553
NOVA MILANESE via Locatelli tel. 0362 451559
SEREGNO
via Formenti 1 tel. 0362 26521
Servizio Titoli e Borsa, via Formenti 5 tel. 0362 26521
SEVESO via San Martino 22 tel. 0362 640129
VAREDO corso Vittorio Emanuele II 53 tel. 0362 544035
VILLASANTA
via Sciesa 7/9 - fraz. San Fiorano tel. 039 2051581
VIMERCATE
piazza Papa Giovanni Paolo II 9 tel. 039 6084991

PROVINCE OF NOVARA

ARONA via Gramsci 19 tel. 0322 231958
NOVARA via Andrea Costa 7 tel. 0321 442113

PROVINCE OF PARMA

PARMA viale Mentana 91/A tel. 0521 386695

PROVINCE OF PAVIA

BRONI via Mazzini 1 tel. 0385 250654
CASTEGGIO piazza Cavour 4 tel. 0383 892968
PAVIA piazzale Ponte Coperto Ticino 11 tel. 0382 301759
PAVIA: Branch no. 1,
corso Strada Nuova 75 tel. 0382 539815
MORTARA via Roma 23 tel. 0384 295744
VIGEVANO piazza IV Novembre 8 tel. 0381 692684
VOGHERA via Emilia 70 tel. 0383 369046

PROVINCE OF PIACENZA

PIACENZA via Palmerio 11 tel. 0523 320179
PIACENZA: Branch no. 1,
via Colombo 18 tel. 0523 616601

PROVINCE OF ROME

FRASCATI via Cairoli 1 tel. 06 9417071
GENZANO DI ROMA via G. Matteotti 14 tel. 06 93953195
GROTTAFERRATA via XXV Luglio tel. 06 9412168
ROME Head Office, Eur,
viale Cesare Pavese 336 tel. 06 5099731
ROME: Branch no. 1, Monte Sacro,
viale Val Padana 2 tel. 06 8863213
Branch no. 2, Ponte Marconi,
via Silvestro Gherardi 45 tel. 06 5573685
Branch no. 3, Prati Trionfale,
via Trionfale 22 tel. 06 39742382
Branch no. 4, Bravetta,
piazza Biagio Pace 1 tel. 06 66165408
Branch no. 5, Portonaccio,
piazza S. Maria Consolatrice 16/B tel. 06 4394001
Branch no. 6, Appio Latino,
via Cesare Baronio 12 tel. 06 78347500

Branch no. 7, Aurelio,
viale di Valle Aurelia 59 tel. 06 39749875
Branch no. 8, Africano Vescovio,
viale Somalia 255 tel. 06 86207268
Branch no. 9, Casal Palocco,
piazzale Filippo il Macedone 70/75 tel. 06 50930508
Branch no. 10, Laurentina,
via Laurentina 617/619 tel. 06 5921466
Branch no. 11, Esquilino - Sportello Multietnico -
via Carlo Alberto 6/A tel. 06 444801
Branch no. 12, Boccea,
circonvallazione Cornelia 295 tel. 06 66017239
Branch no. 13, Tuscolano,
via Foligno 51/A tel. 06 70305677
Branch no. 14, Garbatella,
largo delle Sette Chiese 6 tel. 06 5136727
Branch no. 15, Farnesina,
via della Farnesina 154 tel. 06 36301544
Branch no. 16, Nomentana/Monte Sacro Alto,
via Nomentana 925/A tel. 06 8277629
Branch no. 17, San Lorenzo,
piazza dei Sanniti 10/11 tel. 06 4465490
Branch no. 18, Infernetto,
via Wolf Ferrari 348 tel. 06 50918143
Branch no. 19, Nuovo Salario,
piazza Filattiera 24 tel. 06 88643496
Branch no. 20, Tuscolano/Appio Claudio,
via Caio Canuleio 29 tel. 06 71077105
Branch no. 21, Piazza Bologna,
via Famiano Nardini 25 tel. 06 86202734
Branch no. 22,
c/o World Food Programme - Sportello Interno -,
via Cesare Giulio Viola 31 tel. 06 65192014
Branch no. 23, Lido di Ostia,
via Carlo Del Greco 1 tel. 06 56368510
Branch no. 24, San Giovanni/Colosseo,
via di S. Giovanni in Laterano 51/A tel. 06 70495943
Branch no. 25, Parioli,
viale dei Parioli 39/B tel. 06 8088899
Branch no. 26, Tritone,
via del Tritone 207 tel. 06 69797092
Branch no. 27, Prati, piazza Cavour 7 tel. 06 6878020
Branch no. 28, Casilino,
piazza della Marranella 9 tel. 06 24400032
Branch no. 29, c/o FAO - Sportello Interno -,
viale delle Terme di Caracalla 1 tel. 06 5741006
Branch no. 30, c/o IFAD - Sportello Interno -,
via Paolo Di Dono 44 tel. 06 51530238
Branch no. 31,
c/o Campus Bio-Medico di Roma - Policlinico - Sportello Interno -,
via Alvaro del Portillo 200 tel. 06 5061954
Branch no. 32, Gianicolense - Monteverde Vecchio,
via Barrilli 50/H tel. 06 58303646

PROVINCE OF TRENTO

CLES piazza Navarino 5 tel. 0463 420301
TRENTO piazza Di Centa 14 tel. 0461 421645

PROVINCE OF TURIN

TURIN via XX Settembre 5 tel. 011 5178754

PROVINCE OF VARESE

BISUSCHIO via Mazzini 80 tel. 0332 474991
BUSTO ARSIZIO via Carlo Cattaneo 5 tel. 0331 632394
CARNAGO via Marconi 2 tel. 0331 993137
CASTELLANZA corso Matteotti 2 tel. 0331 502934
GALLARATE via Torino 15 tel. 0331 784793
GAVIRATE via Marconi 13/A tel. 0332 732429
LAVENA PONTE TRESA via Colombo 19 tel. 0332 523378
LUINO via XXV Aprile 31 tel. 0332 511963

MALPENSA 2000

Ferno c/o aeroporto di Malpensa tel. 02 58580083

MARCHIROLO

via Cavalier Emilio Busetti 7/A tel. 0332 997395
SOLBIATE OLONA via Vittorio Veneto 5 tel. 0331 376736
SOMMA LOMBARDO via Milano 13 tel. 0331 254973
VARESE viale Belforte 151 tel. 0332 336022
VARESE: Branch no. 1,
piazza Monte Grappa 6 tel. 0332 242103
Branch no. 2,
via San Giusto - ang. via Malta tel. 0332 238149

PROVINCE OF VERBANO-CUSIO-OSSOLA

CANNOBIO viale Vittorio Veneto 2/bis tel. 0323 739787
GRAVELLONA TOCE corso Marconi 95 tel. 0323 840673
VERBANIA
frazione Intra, piazza Ranzoni 27 tel. 0323 408064
VERBANIA
frazione Pallanza, largo Tonolli 34 tel. 0323 502198

PROVINCE OF VERONA

PESCHIERA DEL GARDA via Venezia 40/A tel. 045 7552711

TEMPORARY BRANCH

NEW TRADE FAIR DISTRICT - Corso Italia Est
Strada Statale del Sempione 38 - Rho/Però tel. 02 4812910
tel. 02 4812815

MOBILE BRANCH

Autobanca

REPRESENTATIVE OFFICES OUTSIDE ITALY

HONG KONG* - SHANGHAI* (* with other banking partners)

DESKS OUTSIDE ITALY

ABU DHABI - ATHENS - BRUSSELS - BUENOS AIRES -
CASABLANCA - CHICAGO - MEXICO CITY - CAIRO - ISTANBUL
- LIMA - LISBON - MONTREAL - MOSCOW - MUMBAI - PARIS -
SAO PAULO - SEOUL - SHANGHAI - TEL AVIV - TOKYO - TUNIS
- WARSAW - VIENNA (c/o other partners)

BANCA POPOLARE DI SONDRIO (SUISSE) SA

SWITZERLAND

www.bps-suisse.ch - contact@bps-suisse.ch

HEAD OFFICE

LUGANO via Giacomo Luveni 2/A tel. 0041 58 8553000
fax 0041 58 8553015

OPERATIONAL OFFICE

LUGANO via Maggio 1 tel. 0041 58 8553100

BRANCHES AND AGENCIES

LUGANO via Giacomo Luveni 2/A tel. 0041 58 8553200
LUGANO Cassarate, piazza E. Bossi 2 tel. 0041 58 8553250
LUGANO Paradiso,
Riva Paradiso 2 - Palazzo Mantegazza tel. 0041 58 8554500
BASEL Greifengasse 18 tel. 0041 58 8553900
BASEL Münsterberg 2 tel. 0041 58 8554400
BELLINZONA viale Stazione 26 tel. 0041 58 8553500
BERNA 7 Casinoplatz 2 tel. 0041 58 8554450
BIASCA piazza Centrale 1 tel. 0041 58 8554250
CASTASEGNA località Farzett tel. 0041 58 8553750
CELERINA via Maistra 104 tel. 0041 58 8553700
CHIASSO piazza Indipendenza 2 tel. 0041 58 8554000
CHUR Bahnhofstrasse 9 tel. 0041 58 8553850
DAVOS DORF Promenade 154 tel. 0041 58 8554350
LOCARNO piazza Muraccio tel. 0041 58 8553550
MENDRISIO piazzetta Borella 1 tel. 0041 58 8554200
PONTRESINA via Maistra 85 tel. 0041 58 8554300
POSCHIAVO strada San Bartolomeo tel. 0041 58 8553650
ST. GALLEN Schmiedgasse 2
- Haus zum Rosenstock tel. 0041 58 8553800
ST. MORITZ via dal Bagn 9 tel. 0041 58 8553600
ZURICH Uraniastrasse 14 tel. 0041 58 8553950

Principality of Monaco

MONACO 3 rue Princesse Florestine tel. 00377 99996464

PIROVANO STELVIO SPA - The ski university

Albergo Quarto - Stelvio Pass (2.760-3.450 m)
Sondrio, via Delle Prese 8 - tel. 0342 210040 - fax 0342 514685
www.pirovano.it - pirovano@popso.it

"LUIGI CREDARO" LIBRARY

Sondrio, lungo Mallero Armando Diaz, 18
tel. 0342 562 270 - fax 0342 510 825
www.popso.bibliotecacredaro.it - info@popso.bibliotecacredaro.it

SUMMARY OF THE BANK'S GROWTH

(1999/2009)

(in millions of euro)	1999	2004	2009
Customer deposits:			
direct	4,074	9,330	17,519
indirect	10,460	13,709	20,644
Equity (excluding net profit for the year)	559	1,027	1,493
Customer loans:			
cash loans	3,725	8,101	16,711
overdraft facilities	1,055	1,783	2,899
Financial assets	1,295	2,247	3,354
Income from banking activities	228	381	760
Operating profit (loss)	69	129	309
Net profit for the year	31	77	191
Number of branches	139	203	278
Personnel (number)	1,607	2,074	2,454



BANCA POPOLARE DI SONDRIO

Società cooperativa per azioni – Founded in 1871 - Official List of Banks no. 842,
Official List of Cooperative Banks no. A160536,
Official List of Banking Groups no. 5696.0, Sondrio Companies Register no. 00053810149
Share capital € 924,443,955, made up of 308,147,985 ordinary shares with a par value of € 3 each
Reserves € 557,982,800

NOTICE OF CALLING TO THE SHAREHOLDERS' MEETING

The shareholders of Banca Popolare di Sondrio are called to the ordinary annual general meeting at the head office in Piazza Garibaldi 16, Sondrio, at 10.00 a.m. on Friday, 26 March 2010 and, if necessary, on second calling in Bormio (So) at the Centro Polifunzionale Pentagono, via Alessandro Manzoni 22, at 10.30 a.m. on Saturday, 27 March 2010 to discuss the following

AGENDA

- 1) Presentation of the financial statements as of 31 December 2009: report of the Board of Directors and proposed allocation of net profit; report of the Board of Statutory Auditors; related resolutions;
- 2) Mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association;
- 3) Approval of the document «Compensation Policies of Banca Popolare di Sondrio»;
- 4) Determination of directors' emoluments;
- 5) Appointment of directors;
- 6) Appointment of advisors and alternate advisors.

Pursuant to arts. 13.2 and 27 of the articles of association, shareholders are entitled to attend shareholders' meetings and exercise their voting rights if they have been recorded on the shareholders' register for at least ninety days and providing they have delivered to the bank's head office the declaration that the appointed intermediary that holds the shares on deposit has to make to the issuer at least two working days prior to the date of the meeting at first calling. Shareholders have to produce a copy of this declaration.

This declaration is not required from shareholders who have deposited their shares with the bank or with Banca Popolare di Sondrio (Suisse) SA.

Each shareholder has the right to only one vote, however many shares they hold.

Shareholders may be represented at the meeting by another shareholder, by means of a proxy ballot prepared in compliance with Italian law. No shareholder

can be a proxy for more than two other shareholders. Proxy forms are available at all branches of the Bank and at intermediaries with BPS shares on deposit.

Shareholders who are minors can be represented by whoever is their legal representative.

The documentation required under current legislation will be published and filed at the head office of the Bank and at the offices of Borsa Italiana SpA according to the terms and methods laid down in the related legal and regulatory provisions.

Shareholders have a right to look at this documentation and to obtain a copy of it at their own expense.

With reference to point 5) of the agenda of the shareholders' meeting, the text of art. 35 of the articles of association is as follows:

Presentation of lists of candidates

Directors are appointed on the basis of lists with the same number of candidates as the number of candidates that have to be appointed; on these lists, the candidates are progressively numbered and listed in that order.

The lists have to be deposited at head office at least fifteen days prior to the date set for the Shareholders' Meeting at first calling.

Individual shareholders can only contribute to the presentation of one list and each candidate can only be present on one list.

Lists have to be presented by at least 500 shareholders, with the requisites laid down in art. 13.2.

One or more shareholders with the requisites laid down in art. 13.2 and who have a total interest of not less than 0.50% in the share capital can also present lists. Shareholders have to declare the number of shares that they own in total and certify their ownership of this shareholding.

The signature of each shareholder presenting a list has to be authenticated as required by law or by the employees of the Bank delegated for this purpose by the Board of Directors.

By the deadline for depositing these voting lists, there also has to be filed at head office the curriculum vitae of each candidate and the declarations by which the candidates accept their candidature and attest, under their own responsibility, that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites prescribed by law and by the Articles of Association for holding office as a director.

Candidates should also declare if they have the requisites of independence as per art. 33.2 and, if they do, this is mentioned in the lists.

Any lists that are deposited without complying with the methods and deadlines laid down in these instructions are considered as though they had not been presented.

Sondrio, 25 February 2010

FOR THE BOARD OF DIRECTORS
The Chairman
(Piero Melazzini)

This notice of calling was published as required by law in the Official Gazette of the Republic of Italy - part IIa, insert no. 26 of 2 March 2010, pages 2-5, notice no. TS10AAA2197.

Note. The figures in this report are in euro; all changes expressed as percentages refer to comparable data from the end of 2008, unless otherwise specified.

Because most of the figures in the text and tables are rounded to the nearest million or thousand euro, the percentages may differ marginally from those that would result from a comparison of amounts expressed in different units.

DIRECTORS' REPORT ON OPERATIONS

SUMMARY OF RESULTS

Shareholders,

The results of this difficult, not to say horrible, year for the world economy are now part of history. All interest is now focused on the present, in the hope that it is leading us out of the recession.

This is understandable: ever since the beginning of time, people have looked to the future confident that it will be better than the present. However, the price that the world economy has paid – and the price that many unemployed workers are still paying – must force us to learn the lesson that we have been given. New rules and strategies have to be identified to avoid making the same errors again.

This has to be done by the international authorities and the main world players in this field, overcoming divisions and contrasts that undoubtedly make the task of coming to a meaningful agreement harder but no less indispensable.

There was no way that Italy could escape the impact of this global crisis. However, the Italian banking system managed to hold firm, not throwing small investors into a panic and, to the extent possible, supporting production, sorely tried by the plunge in demand, especially from abroad.

Our bank kept faith with its institutional mission: receiving credit so as to give credit has always been at the heart of our business. On the solid base of adequate capitalisation, we managed to increase our overall volumes.

Our work revolves around the territories where we operate, intensifying and enhancing our relationships with households and enterprises. We have been a point of reference for small investors.

Detailed knowledge of our counterparties, which supplements the technical analysis, has allowed us to establish the point of equilibrium between not abandoning worthy entrepreneurs and protecting the quality of credit.

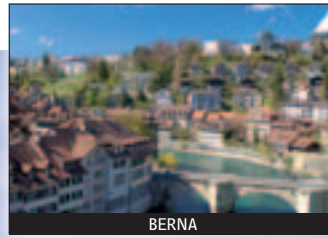
The recovery in financial markets has made it possible to mark up the value of securities, compared with the losses booked the previous year when markets were suffering from exceptional circumstances.

All of this has benefited net profit for the year, which has risen to 190.674 million, compared with 13.735 million the previous year. This is a very important result, because even if the financial side of the business has made a contribution that is unlikely to be repeated in the future, it also reflects the solidity of the Bank's fundamentals and earning capacity, even under such difficult economic conditions.

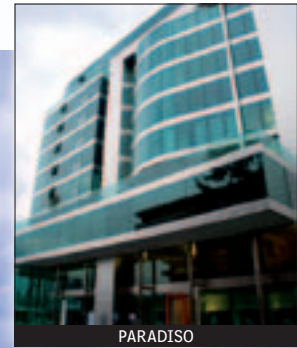
Our shares, which since 22 June 2009 have been listed in the Blue Chips segment of Borsa Italiana's Mercato Telematico Azionario (MTA), rose by 9.57% during the year. The number of shareholders has continued to rise (to 163,033) reflecting the climate of renewed confidence.



LUGANO, via G. Luvini



BERNA



PARADISO



BPS (SUISSE)

www.popso.ch

Head office:

CH - 6900 Lugano - Via Giacomo Luvini 2/A
Tel. 0041 58 8553000 - Fax 0041 58 8553015

Operational office:

CH - 6900 Lugano - Via Maggio 1
Tel. 0041 58 8553100 - Fax 0041 58 8553115

BANCA POPOLARE DI SONDRIO (SUISSE)

As part of a banking system that traditionally has always been very solid, but which has inevitably felt the impact of the financial and economic crisis and of Italy's so-called "Scudo Fiscale" (a tax amnesty to bring illegally exported capital back into Italy), the "Suisse" has increased its share of the market, raising its balance sheet aggregates: Direct deposits +33%; Loans +18%. This confirms the subsidiary's ability, within the ambit of the mission given to it as part of

the Group, to steadily build up a reputation for itself as a territorial bank, providing retail services to households and businesses.

The business has in fact been built up by gradually expanding the branch network in carefully targeted locations.

Two new branches were opened in 2009 – Berne, Switzerland's capital city, and Paradiso, in the Canton Ticino – for a total of 22.



PIROVANO PASSO
DELLO
STELVIO
L'UNIVERSITÀ DELLO SCI m. 2.760-3.450

I - 23100 Sondrio SO - Via Delle Prese, 8
Tel. 0342 210040 - 515450 - Fax 0342 514685 - www.pirovano.it

PIROVANO STELVIO

During the last season, which saw a great deal of snow both in the winter and in the spring, Pirovano – the Ski and Mountain University – substantially maintained the positions it held the previous year in terms of the number of days people stayed there. This can be considered a good result given the drop in tourist flows due to the economic crisis and the ongoing decline of certain destinations. The company continues to play an active role to the benefit of the entire Stelvio complex, and hence of the Upper Valtellina, confirming the close relationship that it has with the territory through the enhancement of environmental and cultural factors, alongside those purely to do with sport: not only skiing, but

also cycling, hill-walking and camping. We mention the 5th edition of “Mapei Day” on 12 July 2009, which recorded a record participation by about 3,200 sportsmen and women that went from Bormio to the Stelvio Pass on cycles, on foot and, for the first time, on roller skis.

Of course Pirovano guarantees quality in both hospitality and food.

The subsidiary continues to be a distinctive vehicle for promoting the Bank’s image. Pirovano successfully carried out a number of events against the incomparable backdrop of the Stelvio. We receive a number of indirect benefits from this subsidiary, so it is worth our while to cover its losses.



RESULTS IN BRIEF

(in millions of euro)	2009	2008	Change %
Balance sheet			
Customer loans	16,711	14,936	11.88
Due from other banks	1,294	1,178	9.82
Financial assets	3,354	3,955	-15.20
Equity investments	147	128	14.88
Total assets	22,120	20,750	6.60
Direct customer deposits	17,519	16,612	5.46
Indirect customer deposits	20,644	16,742	23.31
Insurance premiums	524	462	13.48
Customer assets under administration	38,687	33,816	14.41
Other direct and indirect funding	5,081	3,291	54.39
Equity (excluding net profit for the year)	1,493	1,478	1.00
Income statement			
Net interest income	446	423	5.49
Income from banking activities	760	438	73.79
Operating profit (loss)	309	49	532.08
Net profit for the year	191	14	1288.23
Key ratios (%)			
Net interest income/Total assets	2.02	2.04	
Balance of financial management/Total assets	2.78	1.77	
Net interest income/Income from banking activities	58.70	96.71	
Administrative expenses/Income from banking activities	41.87	67.46	
Net profit/Total assets	0.86	0.07	
Profit/Average equity (excluding net profit for the year)	12.83	0.93	
Non-performing loans/Customer loans	0.91	0.74	
Capital ratios (%)			
Tier 1 capital/Risk-weighted assets (Tier I)	12.55%	11.67%	
Total capital/Risk-weighted assets (Total capital ratio)	12.06%	11.22%	
Excess capital	481	405	
Other information			
Number of employees	2,454	2,376	
Number of branches	278	262	

Let's now take a look at the figures, which are the fruit of the intense efforts of our excellent staff, which consists of 2,454 people. Total assets have increased to 22,120 million, +6.60%. Customer deposits and loans, which are the primary indicators of the banking business, have risen to 17,519 million, +5.46%, and 16,711 million, +11.88%, respectively.

The growth in net interest income, 446.362 million, +5.49%, is to be considered more than satisfactory given the general context. There has been a good increase in net commission income, while income from banking activities has gone up by 73.79% to 760.356 million, largely due to the capital gains earned or realised on securities during the year, compared with the previous year's losses.

The rise in expenses is in line with that of the business, above all the expanding branch network.

Despite the difficulties of the general situation, the quality of credit remained good, except for certain positions that were already precarious.

Our subsidiary Banca Popolare di Sondrio (Suisse) SA has turned in positive results, though lower than in the previous year. Thanks to the opening of the Bern and Paradiso branches, our presence in Switzerland has gone through a moderate expansion in line with the Swiss banking system.

Based on these positive results, the Board of Directors is of the opinion that an increase in the dividend to 0.33 euro (+1.000%) should reconcile the company's financing requirements with the need to offer the shareholders a reasonably generous pay-out.

TERRITORIAL EXPANSION

Our status as a cooperative bank is reflected above all in our commitment to developing and reinforcing our branch network. Branches are in fact the roots that link us to the territory, giving our work solidity and fuel, allowing us to offer the economies that we serve the financial resources that they need to grow. In this way, the branches tie our efforts to the values of hard work, savings, and economic and social development, a fundamental part of the cooperative banking movement's heritage of ideals.

It has always been that way ever since our Bank was born, way back in 1871. That is the way it has been over the years and the decades that we have grown in the province of Sondrio and then throughout Lombardy. And that is still the way now when we operate in most of the regions of northern Italy and in Lazio; as well as tomorrow in all those areas where we will progressively offer our services.

Indeed, we believe that a direct presence on the territory is, at the same time, congenial to and indispensable for the way that we operate as a bank. It is on this deep-rooted conviction that we have modelled our organisational structure, given people the necessary professional skills and, above all, affirmed and confirmed our willingness to serve local communities. This has required investment and a commitment to support the Bank's autonomous growth, being careful to protect the aims and characteristics of a cooperative.

Now that many – having experienced the ruinous fate of innovative finance – seem to have rediscovered the importance of sustaining local initiatives once again, it is fundamental for us to assert our institutional model and the experience that we have accumulated over the years, enhancing as much as possible the advantages that come from having a branch network that is solid, compact, attentive and commercially dynamic.

Thanks to it, we are able to count on the immediacy and personalisation of our work relationships, on our detailed knowledge of the wide variety of economic trends and on our ability to select those entrepreneurial projects that are worthy of merit.

Being a local bank does in fact mean all of this; it also means promoting and sustaining local resources and characteristics, offering our contribution – not only in terms of financial resources, but also in terms of specialist services – towards the market success of all those small and medium-sized enterprises which represent our most natural counterparty.

Based on these considerations, during the year we opened 16 new branches in Lombardy, Trentino, Piedmont, Emilia Romagna, Veneto and Lazio; a sort of tour of the regions, but we have taken care to give preference to the intensity of our presence rather than expanding geographically just for the sake of it.

We have opened our 31st branch in Milan, in the northern part of the city, via Farini to be precise, an important artery road with numerous shops of a good level. The district is also involved in an important process of redevelopment, especially in the Goods Customs area. The new branch bears witness to the attention being paid to Milan, which is preparing to become the city of the 2015 Expo.

In the province of Milan, we have opened a second branch in Sesto San Giovanni, the heart of Italy's initial phase of industrialisation. Thanks to an impressive process of reconversion, Sesto has transformed itself into a modern city where services, by now the predominant sector, operate alongside production plants betting on technological innovation.

In the green Brianza, a hard-working area by definition, this time it was the turn of Giussano, a town of almost 22,000 inhabitants on the border between the province of Monza and Brianza and that of Como. This is a very interesting marketplace, where the driving sector is the production of furniture and furnishings, backed by a myriad of firms, most of them artisans operating in a wide variety of fields. Castiglione delle Stiviere, located on the morainic hills to the north of Mantua with a view of Lake Garda, has a population of around 24,000 people. This is the city where the Red Cross was born, with a historical centre full of monuments and antique palaces in memory of the role that it has played over the centuries. Its economy, once farming-based, can now boast a strong presence of companies, a number of them quite large industries of national importance.

From one production centre to another: in the province of Lecco, we have opened a branch in Calolziocorte, a marketplace of more than 14,000 inhabitants where numerous companies have set up because of its strategic

location and good railway links. This town, whose territory extends to the San Martino Valley, enjoys a good commercial network and adequate public services, which makes it a hub of attraction for the people of neighbouring towns and villages.

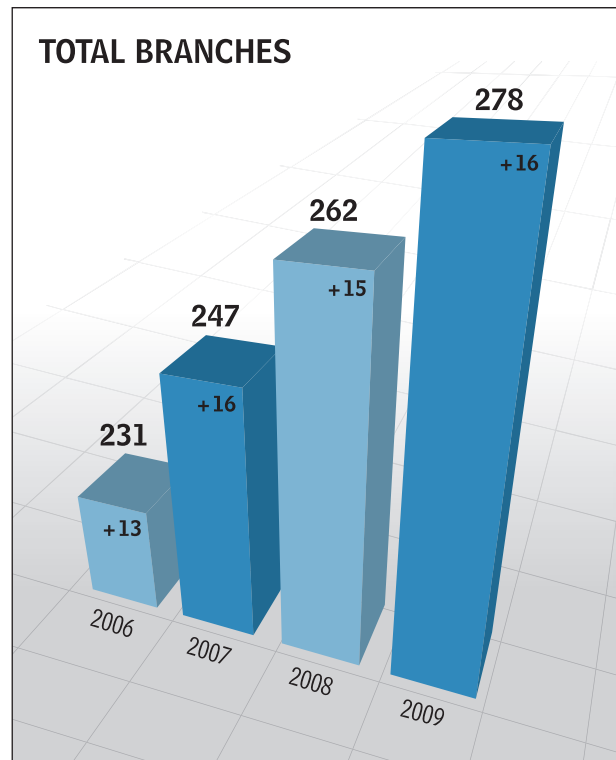
Mortara, with around 15,000 inhabitants, is the capital of the Lomellina, a vast area marked by long lines of poplars planted along the edges of the rice fields. A watery countryside transformed and organised by man's labours over the centuries, thanks to which the province of Pavia is today the largest producer of rice in the country.

Guanzate and Montorfano in the province of Como complete the list of our new branches in Lombardy. The first is a small town some fifteen kilometres south of Como, whose population of around 5,500 has developed well in recent years following the construction of various new houses. It has numerous industrial enterprises, many of them still in textiles, this area's traditional sector. Montorfano, with its 2,500 inhabitants, is located in a very attractive area, made even prettier by a small lake. This, together with the fact that it is well served by road and rail, has made it a lovely place to live. Business activities mainly involve artisans, while many of the residents work in nearby Como.

On the western bank of Lake Maggiore, we have gone to Arona, which has always been the crossroads between Lombardy, Piedmont and Switzerland. This is a town of more than 14,000 inhabitants, which is famous for tourism and shopping. The lovely scenery of Lake Maggiore is an attraction for large numbers of visitors from Italy and abroad, attracted among other things by the statue of San Carlo Borromeo, known affectionately as San Carlone because of its size.

In Emilia Romagna it was the turn of Parma. This city, which has more than 180,000 inhabitants, is rich in history, art and culture and is known throughout the whole world for its excellent food. Parma heads up the first food hub of the Po Valley, which since 2003 has allowed it to host the headquarters of the EFSA (European Food Safety Authority).

Trent crowns our presence in Trentino Alto Adige, where we already have branches in Bolzano, Merano and Cles. This city, with a population of around 112,000, has always been an extremely important trading post and transit station on the road to the Brenner Pass. Its rich historical and artistic heritage, from the Castle of Good Council to the splendid Cathedral which hosted the Council of Trent, makes it a favourite tourist destination. The city's pride and joy is the local University of Studies, which enjoys considerable prestige and a strong international vocation.



The gates of the Veneto were opened up to us by Peschiera del Garda, located on the southern bank of the Benaco, the other name for Lake Garda, where – as Dante reminds us – the lake gives rise to the River Mincio. This was our first step in the province of Verona, though not a very big one considering that Peschiera is right on the border with Lombardy. It is a town of 10,000 inhabitants that lives mainly on tourism. The historical centre, full of shops and restaurants serving local products and entirely contained within by Venetian walls surrounded by water, attracts numerous visitors who appreciate not only the beauties of the lake, but also the products of the land, starting with the prestigious local wines.

Closing the list are the four new branches in Lazio. Rome has seen the inauguration of branches nos. 31 and 32. The former is in the district of Trigoria near the Bio-Medical Campus of the University Polytechnic, which is not far from EUR where our Rome head office is located. The Trigoria campus, which is made up of the university and a high level hospital structure, employs a total of around one thousand people; there are also two thousand students registered for degree courses, mainly in branches of science involved in healthcare and training in professional skills needed in hospitals.

Branch no. 32 serves the Monte Verde area, just south of Trastevere. This is an upmarket residential area with prestigious buildings and a significant presence of villas large and small. We chose to locate it near to the local market and Piazza Rosolino Pilo, which boosts its commercial role.

In the province of Rome, we have opened in Frascati and Genzano. The former has around 21,000 inhabitants and rises on the Colli Albani, to the south-east of the capital. Because of its mild, healthy climate, it has long been the country residence and holiday destination of Rome's aristocratic families. Tourism and agriculture, with prestigious cultivations of olives and grapes, form the basis of the local economy.

Frascati also has laboratories of the National Institute of Nuclear Physics, ENEA (National Agency for New Technologies, Energy and Sustainable Economic Development), CNR (National Research Council) and ESA (European Space Agency).

Genzano di Roma is a flourishing town of more than 23,000 inhabitants located on the slopes of Lake Nemi's crater, along the Via Appia, about 30 kilometres south east of the capital. Its natural beauties, important historical remains and favourable climate make it the destination for a continuous flow of tourists. This is also thanks to the area's well-known farming and gourmet traditions, which have made the Castelli Romani famous beyond the regional confines.

With the opening of these branches, the Bank's territorial network has now risen to a total of 278.

BPS is also represented by its 419 ATMs, which increased in number by 17 during the year. And our treasury offices, which service local entities and communities, have in turn increased in number by 4.

Banca Popolare di Sondrio (Suisse) SA, which with its 22 branches, brings the Group total to 300, is described in the section of this report dedicated to the subsidiary.

A rule that we have always applied is to follow the twists and turns of the market, ready to intervene at short notice as new situations arise, this being the only way to be really useful and effective. This is also true of our local branches.

DEPOSITS

Looking back, now that we are safe from a world financial catastrophe that at certain times seemed to be imminent, it is fair to say that the main worry of small investors in 2009 was to protect their capital. The crisis has in fact generated and generalised what in the jargon we call «risk aversion», which put simply is just the fear of losing your money.

A sentiment that is widely shared on international markets, which on various occasions has seen a dash towards those stocks of public issuers that are considered safe, even if the real returns on them were negative in some cases. A sort of upside-down world where, instead of receiving interest, you are prepared to pay to ensure that your money is safe.

Of course, these were events that arose from situations of exceptional uncertainty, which gave us all a chance to reflect on the importance of trust, an asset that is intangible, but one that is indispensable if we want to build solid economic and financial relationships.

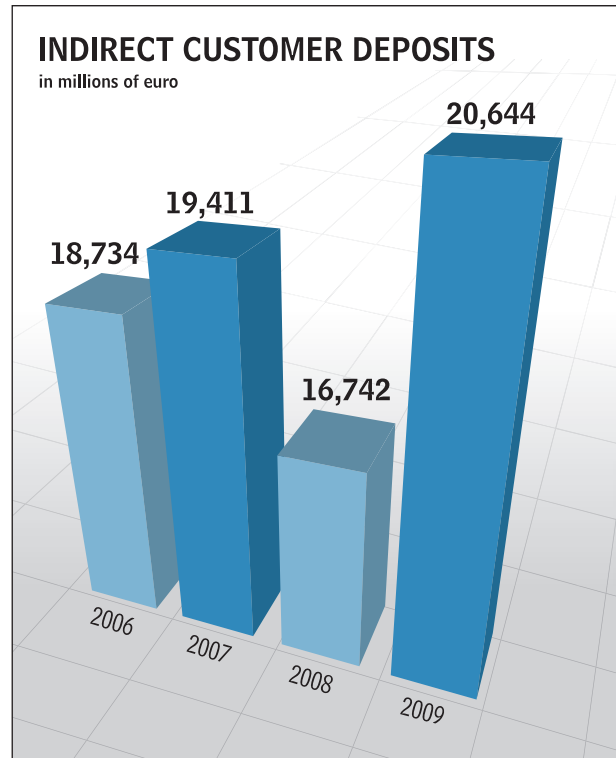
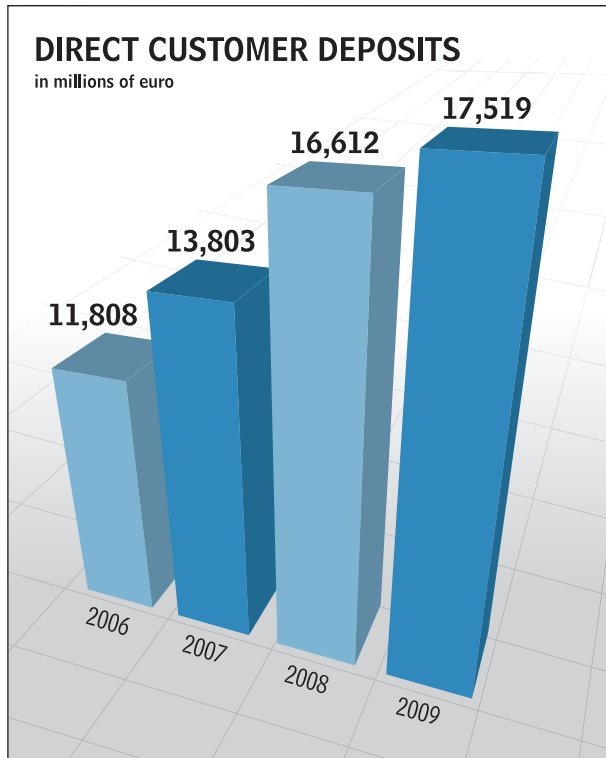
As we will never tire of repeating, trust is the number one value for banks: we can only raise money if we are able to give investors an adequate return on it and, above all, reasonable certainty that they will get their money back.

The security that we offer customers lies in prudent and profitable management, guaranteed by our people through diligent and rigorous observance of those regulatory, ethical and professional principles that underlie the way that all bankers should operate.

These are reflected, on the one hand, in the quality of the loans made by the bank, a fundamental guarantee for depositors; and on the other, in a balanced choice of investment instruments, always giving priority to the effective needs of each counterparty and respecting their individual propensity for risk.

We have always maintained our distance from any products that are purely speculative or difficult for small investors to understand, perhaps ones that offered high fees to whoever placed them, giving preference to a range of products that is clear and transparent. This way we protected savings, an asset of constitutional importance, in a down-to-earth way, not just in words.

Based on these assumptions, our customers confirmed their trust in us, not only in our more traditional territories, where the Bank's name was



already well-known, but also in those areas where we arrived more recently, with our branches achieving positive results immediately.

A trust that is merited, judging from the favourable views about the Bank expressed by Fitch Ratings, a leading rating agency; it confirmed its previous opinions, underlining, above all, our prudent approach to risk, the healthy level of our capitalisation and our stable earnings.

What we have said up to now is reflected in the numbers that follow, which show above all the growth in direct deposits to 17,519 million, +5.46%.

Indirect customer deposits, at market value, totalled 20,644 million, +23.31%, while insurance premium income came in at 524 million, +13.48%.

Deposits from banks amounted to 2,260 million, + 21.72%, while securities under administration totalled 2,821 million, +96.71%.

Total deposits have therefore gone up to 43,769 million, an increase of 17.95%. The following table of «Direct customer deposits» shows the various elements in greater detail than table 2.1 in Section 2 Part B of the notes to the financial statements.

As regards the individual elements, current accounts have gone up by 17.20% to 14,431 million, thereby representing 82.37% of total direct deposits. The reasons for this are easy to explain: a preference for liquidity and aversion to risk, as well as an interest rate structure that heavily penalised other short-term investment instruments. This is the case with repo transactions, which fell to 908 million, -59.74%.

Savings deposits have increased to 558 million, +6.02%, while certificates of deposit, at 34 million, -33.08%, are by now a residual item.

Bonds have grown considerably, to 1,499 million, +12.41%, and now represent 8.55% of total direct deposits.

Bank drafts and others amounted to 91 million, -32.19%.

Customers' trust and the consequent increase in business is also reflected in the constant rise in the number of creditor accounts. A fact that is already of considerable importance, but even more so considering the moments of severe tension that markets have experienced.

As mentioned previously, indirect customer deposits have risen to 20,644 million, +23.31%, benefiting significantly from the positive trend in financial markets.

As regards asset management, please see the chapter on treasury and trading activities.

The interest in these figures and percentages is not merely illustrative; it is the best evidence of the intrinsic solidity of the Bank's capital structure.

Our satisfaction for what we have achieved is tempered by a sense of responsibility that is becoming more and more acute and vigilant as the number of customers increases, with tasks of such a size that sooner or later they translate into a greater need for further credit.

DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2009	% of total	2008	% of total	Change %
Savings deposits	557,547	3.18	525,896	3.17	6.02
Certificates of deposit	33,746	0.19	50,425	0.30	-33.08
Bonds	1,498,595	8.55	1,333,185	8.03	12.41
Repo transactions	908,367	5.19	2,256,362	13.58	-59.74
Bank drafts and similar	90,635	0.52	133,654	0.80	-32.19
Current accounts overdrafts	13,939,490	79.57	10,911,565	65.69	27.75
Current accounts in foreign currency	491,101	2.80	1,400,969	8.43	-64.95
Total	17,519,481	100.00	16,612,056	100.00	5.46

TOTAL DEPOSITS

(in thousands of euro)	2009	% of total	2008	% of total	Change %
Total direct customer deposits	17,519,481	40.03	16,612,056	44.77	5.46
Total indirect customer deposits	20,644,083	47.16	16,741,967	45.12	23.31
Total insurance-related deposits	524,259	1.20	461,985	1.24	13.48
Total	38,687,823	88.39	33,816,008	91.13	14.41
Due to other banks	2,260,274	5.16	1,857,018	5.00	21.72
Indirect funding from banks	2,820,992	6.45	1,434,109	3.87	96.71
Grand total	43,769,089	100.00	37,107,135	100.00	17.95

LENDING

We have already spoken about trust, namely the trust that small investors have to have in banks, when talking about deposits, but this topic is just as important when we are talking about lending. In fact, it is precisely when putting their trust in the validity of customers' business initiatives – not to mention customers' human qualities and professional abilities – that banks grant loans and fulfil their function as an intermediary.

So the key word for the entire credit business is trust, based on the morality, capacity and goodwill of borrowers, even before their financial and economic possibilities.

Of course, when assessing whether to grant credit, banks use professional skills, tools, procedures and controls that are being constantly refined, even more so in a situation like the one we experienced during the year under review when the difficult state of the economy made the protection of loan quality an absolute imperative.

And it is worth emphasising that all of this is in the interest of the entire economy.

In fact, there would be no sense in asking banks to forget about prudence and measure in granting credit; that would simply mean endangering depositors' money. On the other hand, what can be asked – and what we, in our small way, have undertaken to do – is to evaluate credit merit in even further detail, examining the organisational, management, financial and production structure of companies with a view to the medium term in relation to the situation of their reference markets.

Being fully conscious of how critical the times were and how important it was to sustain the country's unique production fabric, the Italian banking system took a number of important initiatives designed to provide support. For example, there was the whole-hearted signing of the Common Notice signed on 3 August 2009 by the Economy and Finance Minister, ABI and the Association of Entrepreneurs for the suspension of SME's loan repayments.

The purpose of this was to ensure financial support for companies with reasonable prospects, but weighed down by the crisis.

Households in difficulty, on the other hand, were offered the chance to suspend their mortgage repayments. Lastly, on the initiative of ABI and the Italian Episcopal Conference, a project entitled «Hope Loan» was launched with a view to providing small loans to large families or households suffering from illness or disability. Concrete interventions in favour of those put into difficulty by the adverse state of the economy.

Our support for these initiatives reflects our willingness to offer a real contribution towards overcoming the current difficult situation. A commitment that we intensified during the year by increasing our lending activity. Loans have in fact risen to 16,711 million, for an increase of 11.88%.

These are important figures that reflect the amount of work that we have performed, thanks to which we have guaranteed adequate support for

our customers, given the right conditions. This ability to communicate with businesses promptly and effectively has, we believe, won the day over the widespread economic slowdown.

Put simply – but let's not forget that words are always less adequate than facts – we have continued to fulfil our mission as a cooperative bank, granting loans preferably to households and SMEs, which are the main protagonists of the social and economic fabric in the territories where we operate. Our whole history is directed towards them and it is with them that we can interact in such a way that our role is not merely that of a financial interlocutor, but as an entity that offers a much wider contribution in terms of market assistance and specialist services.

We would add that the granting of credit, used purely in a commercial sense, is a fundamental tool for enriching work relationships, also with a view to diversifying our sources of income.

In a year that was anything but easy, caught between the desire to provide businesses and households with adequate support and the need to preserve loan quality, we based ourselves on the principles that have always guided us: direct contact with local situations; in-depth knowledge of our counterparties; the ability to integrate the data provided by our technical analysis with all the other types of input that form the local knowledge base of a bank that operates in the territory and for the territory.

Substantial amounts were also invested to make our control procedures more effective and to refine the professional skills of the staff working in this area, with particular attention being paid to better coordination between the specialist structures that operate centrally and those in the branches who handle customer relations directly.

CUSTOMER LOANS

(in thousands of euro)	2009	% of total	2008	% of total	Change %
Current account overdrafts	5,847,211	35.00	5,301,933	35.51	10.28
Foreign currency loans	1,819,694	10.89	2,118,304	14.18	-14.10
Advances	297,542	1.78	395,155	2.65	-24.70
Advances with recourse	229,708	1.37	227,214	1.52	1.10
Discounted portfolio	10,584	0.06	8,980	0.06	17.86
Artisan loans	27,071	0.16	31,716	0.21	-14.65
Agricultural loans	32,201	0.19	32,082	0.21	0.37
Personal loans	86,228	0.52	84,126	0.56	2.50
Other unsecured loans	3,308,348	19.80	2,492,626	16.69	32.73
Mortgage loans	4,899,837	29.32	4,133,464	27.67	18.54
Non-performing loans	152,657	0.91	110,503	0.74	38.15
Total	16,711,081	100.00	14,936,103	100.00	11.88

**Giuseppe Antonio Petrini
(Attributed)
St. Peter**
Oil on canvas, 97 x 87 cm



Pietro Ligari classified Petrini among the “speculative” painters to emphasise the introspective force that emanates from his paintings and, in particular, from the typical half-figures of saints, astronomers, prophets, and philosophers, most of which were created upon commission for private patrons. The attribution of this work to Petrini is highly plausible. The darkness that envelops St. Peter concentrates all the expressive power of the image on the moment of divine illumination.

St. Peter is immersed in reading and in meditating the Creed and turns towards the light, not so much as one who is responding to an outside calling, but with the bearing of one who obeys an inner need for illumination, reflected in the ray of light that floods the page of the book lying open in front of him. The light that shines brightly on his forehead and the half-light that looms over the book tell us that the mind alone, without the intervention of divine illumination, is incapable of penetrating the mysteries of the faith, of which the Creed is the fullest and most complete expression.

Note the extremely natural expression of the face, the turning of the figure, and the striking contrast of light and shadow on the sleeve of his robe covering his arm.

GIUSEPPE ANTONIO PETRINI

(Carona, Canton Ticino 1677 – Carona c.1755/1759)

Born in Carona, in Ticino, on 23 October 1677, Petrini initially trained in the Genoa school of Bartolomeo Guidobono and then, perhaps, in Piedmont, coming into contact with the work of Solimena and the strict pictorial rationalism of Andrea Pozzo who, together with the Lombards Cerano, Morazzone, and Paolo Pagani, with the doom-laden Venetian naturalists of the second half of the seventeenth century, with the realism of the school of Caravaggio, and the enlightenment of the Piazzetta, can all be found in his “severe and introspective painting, that is wont to contain simplified compositions centred on a few figures bearing strong impact” (Simonetta Coppa).

Many of his canvases and frescoes created during his stay in Valtellina during the first decade of the eighteenth century have reached us today, thanks to his relationship with the Perogalli di Delebio family, whose patronage was due perhaps, in the opinion of Simonetta Coppa, also to the cycle of the *Allegory of the Seasons*, today at the Canton Museum of Lugano, which marked a turning point towards the Rococo tendencies of Pittoni and Innocenzo Carloni.

Even within this new stylistic orientation, Petrini succeeds in applying his gift for clarity and simple narration, which renders his painting alien to the theatrical, capricious and worldly nature of international Rococo and more in favour of a more profound inner spirituality inspired by Borromean religiosity.

This is the type of spirituality underlying the last works of Petrini, like the large altar piece with the *Death of St. Joseph* (dated 1755) in the Collegiata di Sondrio, his greatest masterpiece.

He died in Carona between 1755 and 1759.

PIETRO LIGARI

(Ardenno, Sondrio 1686 – Sondrio 1752)

Son of a wealthy, bourgeois family of Sondrio, the Del Pelo family, who had taken the name of the small quarter of his birthplace – Ligari – in the outskirts of the city. At the age of 12 Pietro was sent to Rome, which at that time was the site of a large community of Valtellina emigrants, where he became the student of Lazzaro Baldi, a follower of Pietro da Cortona.

Upon their deaths in 1703, he set out on a long journey, training in various Italian cities and stopping a few years in Venice before finally settling in Milan in 1720, where his two children, Vittoria and Cesare, were born and where he worked for several churches and palaces, creating a considerable number of works, now mostly lost.

The massive demand for paintings that he received from his own lands, together with health complications, convinced him to return to Valtellina in 1727, where he continued to enjoy a vast clientele from both the lay and ecclesiastic worlds. Far from the Baroque and Rococo schools of his times, Ligari remained faithful to an «austere and severe style of painting, of a profoundly academic influence» (Simonetta Coppa) that could mostly be traced to the lessons of Pietro da Cortona and Bolognese classicism, and the influences of Pietro Maratta and Giuseppe Antonio Petrini. Another important feature is his numerous portraits, inspired by a rigorous naturalism that blends perfectly with the tradition of Lombard realism.

In addition to being a painter, Ligari was also an expert architect and agronomist. He died in Sondrio on 6 April 1752.

Pietro Ligari

St. Francis Saverio baptises an Indian princess, 1717

Oil on canvas, 185 x 320 cm

Signed and dated on the lower right "Pietro Ligari 1717"

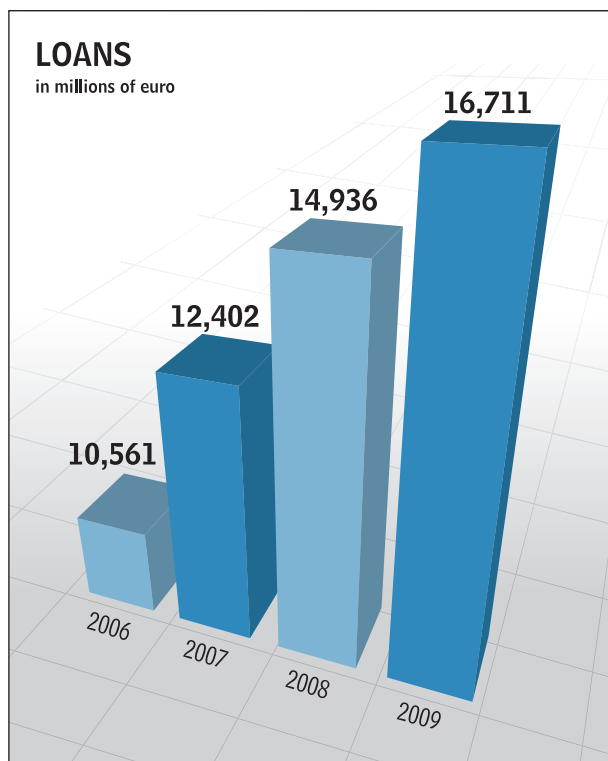
This is the first painting dated and signed by Pietro Ligari and one of his first works for which the date is certain, without considering his Self-Portrait as a Young Man created when he was 29 years old in 1715.

The work was painted in Milan in 1717 and intended to be hung on a side wall of the Oratorio of Palazzo Sertoli in Piazza Quadrivio in the town of Sondrio. It was dedicated to Saint Francis Saverio, which was also the name of the client who commissioned the painting, the canon Francesco Saverio Sertoli, who was also the subject of a portrait by Ligari. The episode of the conversion and baptism of the Indian princess of the Muslim faith at the hands of Saint Francis Saverio is adapted by Ligari from Daniello Bartoli's chronicle of the event in his monumental History of Jesus's Companions.

The Saint pours water on the head of the princess while a ray of light penetrates from above on the right, directly illuminating her gown, drawing the figure from the shadows at the precise moment that the water sanctifies her soul.

The scenographic composition, the perfection of the drawing and colouring techniques, the masterful distribution of light and shadow, the rich details, and the enormous variety of references to the most important contemporary artistic experiences of Lombard painting make this a youthful masterpiece and one of the most important works in his entire career.





The figures on non-performing loans reflect the effectiveness of the measures that we adopted in what was a very difficult economic context. Net non-performing loans, i.e. after deducting writedowns, amounted to 153 million (+38.15%) corresponding to 0.91% of total customer loans, compared with 0.74% at 31 December 2008. The increase is linked to the ongoing recession.

Write-downs made to cover estimated losses on existing non-performing loans increased by 17.30% to 183 million. As always, we have taken an extremely prudent approach in analysing and evaluating non-performing loans.

Watchlist loans, namely, loans to borrowers in temporary difficulty that is expected to be resolved, amounted to 170 million, +93.34%, accounting for 1% of total loans to customers compared with 0.59% last year. The reasons are the same as those mentioned for non-performing loans.

Restructured loans have gone up from 4 to 40 million.

Impaired past-due loans calculated according to the new rules issued by the Bank of Italy come to 197 million versus 126 million, the increase being largely due to the more rigorous approach taken compared with last year.

Several different technical forms have contributed in varying degrees to the positive trend in loans. These items are shown in greater detail based on other criteria compared with table 7.1 of the Explanatory Notes in Section 7, Part B.

Mortgage loans have continued to increase rapidly, rising to 4,900 million, +18.54%. The decline in interest rates to all-time lows undoubtedly acted as a strong stimulus, though we also made a considerable effort to make available to customers products and instruments that were more up-to-date and suitable for their needs. This allowed us to achieve positive results at a time when the property market shrank more than once, with a significant drop in the number of real estate transactions.

Current account overdrafts have also grown substantially. They now total to 5,847 million, +10.28%, which is 35.00% of total customer loans. The trend in other unsecured loans was also very positive, coming in at 3,308 million, +32.73%. Foreign currency loans, on the other hand, have fallen back considerably, to 1,820 million, -14.10%, for a number of reasons including the impact of the crisis on international trade.

The excellent relationship that we have always had with the loan guarantee consortiums allowed us to respond positively to the needs of SMEs. Thanks to this privileged channel and the guarantees that these consortiums provide, we were able to meet the needs of entrepreneurs who were having

to cope with the tighter credit policies applied by many other banks, including certain large groups.

Our fruitful collaboration with the European Investment Bank continued. There were two important new aspects that helped increase the chance of using the funds made available by this supranational entity: extending the possibility of loans to all SMEs, quite apart from the sector that they belong to; increasing the funding limit for investments based on convincing development plans from 50% to 100%.

Effective collaboration with our affiliate, Banca della Nuova Terra, allowed us to intensify our help to the farming sector, to the benefit in particular of our new branches in the Po Valley.

TREASURY AND TRADING OPERATIONS

After a disastrous 2008, which will long remain in the minds of investors, in 2009 financial markets acted like two-headed Janus. Having hit a low in March, when we saw situations of genuine panic with volatility at an all-time high, the first timid signs of financial normalisation and the massive government interventions to support banking systems made it possible for operators to find a little bit of confidence again. This was followed by a real bounce in stock prices, helped by expansive monetary policies.

The main sectors to benefit were finance and manufacturing industry; as well as technology and commodities, the latter boosted by strong increases in the price of raw materials.

The MSCI World Index, which reflects the trend in international stock markets, turned in a considerable +26.98% by the end of the year. America's Standard & Poor's 500, +23.45%, just beat Europe's Dow Jones Eurostoxx 500, +21.14%, followed by Japan's Nikkei with +19.04%. In Milan, the FTSE Mib filed away 2009 with a satisfactory +19.47%, which pulled back at least part of the -49.53% posted in 2008.

On government bond markets, there was a substantial widening in the differential between short-term and long-term interest rates (a so-called «steepening» of the curve); this, among other things, was the result of monetary policies designed to hold down official interest rates at a particularly low level and of extraordinary transactions to stabilise the financial system.

In this situation, there was a great deal of interest in Italian government securities, as there was a substantial drop in the yield differential between Italy's 10-year BTPs and Germany's 10-year Bunds, which fell to 70 basis points at the end of 2009 compared with 140 at the end of 2008. As for floating-rate securities, CCT prices gradually returned to normal: after the high tensions during 2008, in the first half of 2009 prices on the medium/long-term maturities were already back close to par.

The recovery in corporate bond issues was truly remarkable, revitalising this particular segment of the market.

This recovery in financial markets was promptly reflected in trading activities on behalf of customers, which rose significantly, especially in the

Stock markets

second half of the year. In this scenario, our finance department and commercial network acted – as always – with professionalism and balance, with a view to helping investors make sensible decisions that reflected their propensity for risk.

A sense of proportion – which is the regulator of all banking activities – is also fundamental in the following sectors of the Bank's financial operations: the interbank market and corporate liquidity; the proprietary portfolio and its components.

As regards the first topic, particularly expansive monetary policies on the part of central banks and the adoption of unconventional measures (such as substantial refinancing transactions and the direct purchase of securities) improved the system's level of liquidity. At present, it is comforting to see that expectations of central banks having to apply their exit strategy, backing out of these various extraordinary initiatives, have only had a marginal impact.

At 31 December 2009 our net interbank position showed a creditor balance of 966 million; at the end of 2008 we had a creditor balance of 679 million.

The change is the result of the following elements: a high level of liquidity in euro; foreign currency borrowings from banks to finance loans to customers given the decline in direct foreign currency deposits from customers because of the particularly low level of interest rates.

Our domestic liquidity is reflected in the Bank's activity on the interbank deposit market. Lending operations have expanded considerably, both in terms of number and in terms of value, while funding has suffered a distinct reduction. An important aspect in terms of risk containment and the functionality of our treasury activity is the high number of counterparties who find us efficient and competitive. As regards the specific operating structures, we promptly joined the new Collateralized Interbank Market (MIC) proposed by the Bank of Italy.

Together, the portfolios of financial assets at 31 December 2009 come to a total of 3,354 million, a decrease of 15.20%. The following table summarises the various amounts:

FINANCIAL ASSETS

(in thousands of euro)	31-12-2009	31-12-2008	Change %
Financial assets held for trading (HFT - Held For Trading)	2,877,646	3,494,714	-17.66%
<i>of which, derivatives</i>	76,723	258,584	-70.33%
Financial assets carried at fair value (CFV - Carried at Fair Value)	98,822	105,217	-6.08%
Financial assets available for sale (AFS - Available For Sale)	113,409	90,495	25.32%
Financial assets held to maturity (HTM - Held to Maturity)	263,654	264,105	-0.17%
Hedging derivatives	-	-	-
Total	3,353,531	3,954,531	-15.20%

The overall decrease is mainly due to the reduction in government securities, especially fixed-rate securities which were sold to realise substantial capital gains, and in derivatives.

A brief comment on each of these portfolios follows.

Financial assets held for trading

Financial assets held for trading (HFT), amounting to 2,878 million as shown in the following table, have decreased by 17.66%:

(in thousands of euro)	31-12-2009	31-12-2008	Change %
Floating-rate Italian government securities	2,312,247	2,607,847	-11.34%
Fixed-rate Italian government securities	131,559	290,417	-54.70%
Bank bonds	177,869	128,934	37.95%
Bonds of other issuers	24,447	28,967	-15.61%
Securitisation	104,656	130,899	-20.05%
Variable-yield securities and shares of collective investment undertakings	50,145	49,066	2.20%
Net book value of derivative contracts	76,723	258,584	-70.33%
Total	2,877,646	3,494,714	-17.66%

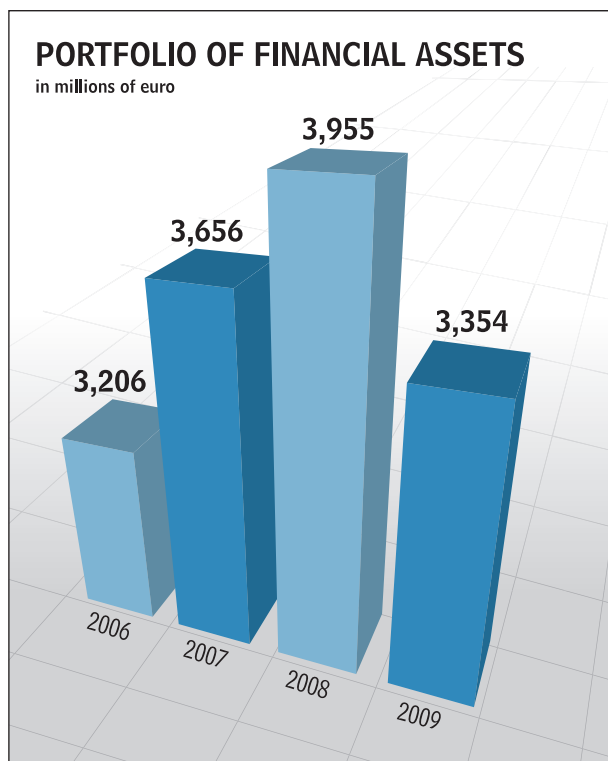
The HFT portfolio, which continued to be made up principally of CCTs, has fallen by 17.66% due to: the decision to realise accrued capital gains; a contraction in repo transactions with customers which involved the CCTs; a decrease in derivatives. These CCTs, which in 2008 turned in losses of 74 million, are now showing write-backs of 54 million and realized gains on disposal of 31 million. This performance confirms what we said in the 2008 report regarding the anomalous and excessively penalising trend in CCT prices at the time.

In the interests of full disclosure, the write-backs and capital gains, trading profits and capital losses booked to the income statement under «net trading income» with reference to total debt securities amount to 62, 48 and 4 million respectively, compared with capital gains of 5, trading profits of 10 and capital losses of 114 million booked at the end of 2008.

Floating-rate bank bonds amount to 162 million. The securities representing securitisations have fallen to 105 million, all classified as senior based on their repayment terms. Fixed-rate securities, for a total of 158 million including 131 million of BTPs, have declined, mainly because it was worth selling them to realise the capital gains. Equities have gone up to 42 million, though this is marginal (1.45%) compared with the entire portfolio.

Financial assets carried at fair value

Financial assets carried at fair value (CFV) come to 99 million, -6.08%, mainly because of the disposal of units in a mutual fund.



They are made up of mutual funds and sicavs of various kinds for 55 million and CCTs for 44 million.

Financial assets available for sale

The portfolio of financial assets available for sale (AFS) amount to 113 million, an increase of 23 million, +25.32%. The main changes concern: subscription of a 6.118% interest in Release spa, for 24.6 million, as part of the Italease settlement; the purchase of an interest in Aedes spa, for 7.3 million, as part of the group's restructuring agreement. On the other hand, we sold our interest in Meliorbanca spa for its carrying value of 11.7 million as part of the takeover bid launched by its parent, Banca Popolare dell'Emilia Romagna.

Financial assets held to maturity

At the end of 2009 the HTM portfolio amounted to 264 million, more or less the same as last year.

As regards HTM financial assets, first of all it is worth mentioning again the fact that in 2008 the particularly negative performance of equity and bond markets induced the Bank to take advantage of the amendment to IAS 39 issued by the International Accounting Standards Board (IASB) on 13 October 2008 and ratified by the European Commission with EC Regulation 1004/2008 of 15 October 2008, which modified Regulation 1725/2003. This made it possible to derogate, in exceptional circumstances, from the ban on transferring financial assets (except for derivatives) from the category of those carried at fair value through profit and loss to another where they are accounted for at amortised cost. As a result, we transferred from the HFT portfolio to the HTM portfolio unlisted bonds that were illiquid and not expected to be sold. These had a par value of 243 million and were carried at 233 million, whereas their fair value at 31 December 2008 was 193 million, generating a theoretical loss, prior to the tax effect, of 40 million.

These securities which were transferred from the HFT portfolio in 2008 are now held on the books at 226 million with a fair value of 220 million. The theoretical loss, prior to the tax effect, has therefore been reduced to 6 million.

Performance of the BPS stock

The renewed trust in equity markets was promptly reflected in the price of our own stock, which at the end of 2009 turned in a satisfactory performance of +9.57%. Bear in mind that the decline in price suffered by our stock in 2008 was around 13 percentage points less than that of the Mibtel Index.

Of considerable importance was the transfer of trading in BPS shares from the Expandi Market to the blue chips segment of the MTA (Borsa

Italiana's Electronic Equities Market) as the Expandi was absorbed by the MTA on 22 June 2009. Subsequently, the characteristics of the BPS stock – particularly the extent of its capitalisation – allowed it to join the main stock market indices; namely the DJ Euro Stoxx 600, FTSE Italia All Share and the FTSE Italia Mid Cap. This transfer of our listing to the main board brought our stock to the attention of a much larger public, which led to a considerable increase in daily trades.

Appreciation of the Bank's solidity and the effectiveness of its strategies on the part of shareholders and the market in general has also been confirmed by a constant increase in our shareholder base, which at the end of 2009 consisted of 163,033 members, an increase of all of 5,020 during the year.

Other information relating to our stock is provided in the chapter of this report on equity.

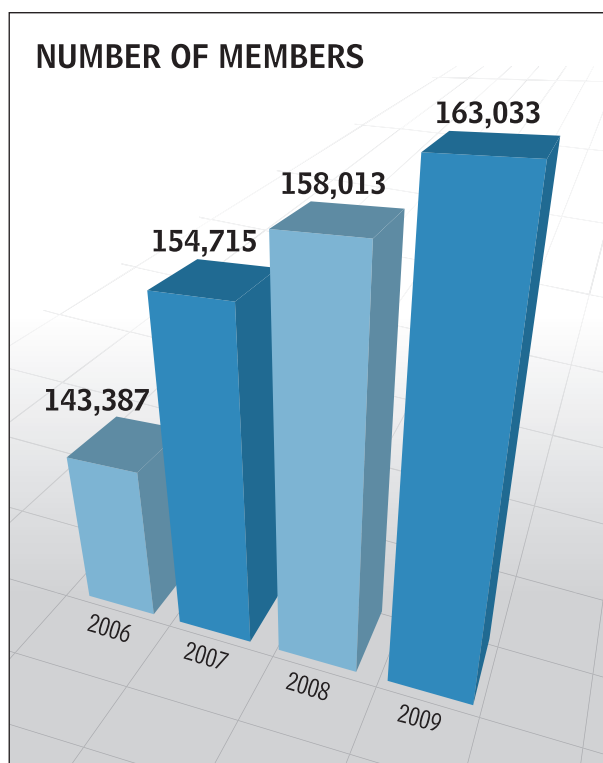
Applications for admission as a shareholder received during the year were examined by the Board of Directors in accordance with the law and the articles of association (as per art. 2528, last para., of the Italian Civil Code). In particular, art. 9 of the articles of association states that: «the Board of Directors decides on applications for admission as a member by adopting a suitably-reasoned resolution, having regard for the interests of the bank, the spirit of the cooperative movement and the requirements of the articles of association», taking into account the guidelines laid down by the Board.

Lastly, we would like to talk about the asset management sector, which system-wide is beginning to see the light at the end of a long tunnel. This is a trend that with us has been even stronger, thanks to the professionalism of our staff and the balanced range of products that we offer. This has allowed us to develop volumes at a faster rate than the system. Volumes have been sustained by the prevalence of new inflows over redemptions and by the appreciation of the underlying values.

At the end of December the various forms of asset management amounted to 3,390 million, +17.40%.

For example, the Arca funds are showing an increase of 22.44% to 1,516 million, helped by the affirmation of new lines of investment that feature a periodic coupon. Good growth in net inflows also for the Responsible Values System funds run by Etica and for the Group's sicav, Popso (Suisse) Investment Fund.

The portfolio management schemes run directly by the Bank also turned in more than satisfactory results. The strong professional skills of our staff, who benefit from efficient technology supports – above all the new fund



management trading platform – are also confirmed by the relationships that we have with leading institutions.

To close this important and delicate sector, we would like to acknowledge the sense of balance, knowledge and preparation with which our personnel operate in this area, which means they avoid giving advice without being fully aware of the implications. There have a very strong sense of responsibility towards our customers and towards the Bank. And this is yet another reason why the relationships with our customers continue to grow and consolidate, translating into trust and confidence.

EQUITY INVESTMENTS

In this and the following chapter we discuss, respectively, equity investments, the balance sheet aggregate that only includes the Bank's shareholdings in subsidiaries and associated companies, and the principal minority interests held for operational purposes. These minority interests essentially involve companies that provide products and services to complete the Bank's commercial range and make it more competitive. They are therefore held permanently.

In line with tradition, our approach is one of loyal and intense collaboration, both in terms of the work that we contribute and in terms of financial support if the results are considered positive. In this connection, we would like to confirm our willingness to strengthen the ownership structures of these common affiliates, in agreement principally with our fellow cooperatives, with a view to raising their level of cohesion, operational independence and market competitiveness.

At the end of 2009 the equity investments shown in this specific line item amounted to 147 million, an increase of 19 million. The changes analysed below relate to:

- decreases: the transfer to non-current assets and disposal groups held for sale of part of the interest in Arca Vita spa, equal to 25% of its share capital, and of the whole stake in Arca Assicurazioni spa. The sale of the entire 3.902% interest in Banca Italease spa as part of the agreement to reorganise it, above all the takeover bid launched by Banco Popolare to buy 100% of this company; this resulted in us bringing the carrying value of the investment into line with the bid price offered. Adjustment of the carrying value of the investment in Pirovano Stelvio spa to its net equity value;
- increases: acceptance of the proposed increase in share capital of Arca Vita spa; the subscription, on incorporation, of Alba Leasing spa's shares and of subsequent capital increases, transactions foreseen in the Banca Italease's reorganisation plan; transfer out of the AFS portfolio of the investment in B. & A. Broker spa following an increase in the percentage held.

Subsidiaries:

Banca Popolare di Sondrio (Suisse) SA (100%). A Swiss bank based in Lugano, set up in 1995.

As part of a banking system that traditionally has always been very solid, but which has inevitably felt the impact of the financial and economic crisis and of Italy's so-called «Scudo Fiscale» (a tax amnesty to bring illegally exported capital back into Italy), the «Suisse» has increased its share of the market, raising its balance sheet aggregates: Direct deposits +33%; Loans +18%. This confirms the subsidiary's ability, within the ambit of the mission given to it as part of the Group, to steadily build up a reputation for itself as a territorial bank, providing retail services to households and businesses.

The business has in fact been built up by gradually expanding the branch network in carefully targeted locations. Two new branches were opened in 2009 – Berne, Switzerland's capital city, and Paradiso, in the Canton Ticino – for a total of 22.

As regards the economic result, which in the past has always been positive, the decline in the net interest income, due to interest rates near zero, affected the net profit, which after depreciation, amortisation and provisions, came to 9,596,770 Swiss francs, -24.24%. The contribution made by security and currency trading has increased; commission and service activities remained stable; costs, which are kept under constant control, have gone up in line with turnover.

The allocation to reserves of the entire net profit for the year increases its equity to Swiss Francs 172,652,005 including Swiss Francs 50,000,000 of share capital.

A solidity that is sustained by the professionalism of the staff, which at the end of the year consists of 349 people, +18; by an up-to-date and secure technology infrastructure; by the competitiveness of its products and services, with the Go-Banking internet channel becoming more and more popular with customers. Lastly, Popso (Suisse) Investment Fund Sicav and Sofipo Fiduciaire SA also play a positive role in this operational context.

Pirovano Stelvio SpA (100%). This company manages its own hotel facilities in the Stelvio Pass, dedicated above all to summer skiing in its various forms.

During the last season, which saw a great deal of snow both in the winter and in the spring, Pirovano – the Ski and Mountain University – substantially maintained the positions it held the previous year in terms of the number of days people stayed there. This can be considered a good result given the drop in tourist flows due to the economic crisis and the ongoing decline of certain destinations.

The company continues to play an active role to the benefit of the entire Stelvio complex, and hence of the Upper Valtellina, confirming the close relationship that it has with the territory through the enhancement of environmental and cultural factors, alongside those purely to do with sport: not only skiing, but also cycling, hill-walking and camping. Of course Pirovano guarantees quality in both hospitality and food.

The subsidiary continues to be a distinctive vehicle for promoting the Bank's image. In the chapter that follows, devoted to «Promotional and Cultural Activities», we mention, among other things, the numerous initiatives successfully organised by Pirovano in the Stelvio's incomparable surroundings.

Giacomo Ceruti
also known as **Il Pitocchetto (?)**
Portrait of a girl
Oil on canvas, 103.4 x 76.5 cm

Standing out against a dark background, the figure of a girl in a black dress, a peasant girl, glows solely with the luminosity of her face and white apron tied tightly around the black bodice that outlines her bust and elegantly highlights her bosom. Her young face, turned three-quarters, has an expression of thoughtful sadness, accentuated by the slight inclination of her head, to which her white snood, almost a halo of earthly goodness, adds a touch of peasant charm.

Although this work comes from the collection of an expert like Giovanni Testori, the attribution of the painting to Giacomo Ceruti today seems to be somewhat doubtful and is even excluded by Mina Gregori, who in her monograph on the Milanese artist (M. Gregori, Giacomo Ceruti, Cinisello Balsamo, Silvana Editoriale, 1982) does not include it among his works.

We are not confronted with a subject of poverty nor a portrait of a noblewoman, but something between one and the other that, thanks to the measured elegance of the garb and the delicate humanity of her posture, shines light on the spiritual attributes of aristocratic nobility of a common woman.



GIACOMO CERUTI also known as IL PITOCCHETTO

(Milan 1698 – Milan 1767)

The twentieth century critical reevaluation of Ceruti as one of the great protagonists of eighteenth century European naturalism is to be credited to Roberto Longhi, Giovanni Testori and, lastly, to Mina Gregori, who considered Ceruti representative of those “painters of reality” that, beginning with Caravaggio, characterised the Lombard figurative culture.

Born in Milan on 31 October 1698, Ceruti moved, probably around 1720, to Brescia, where he began to work for the more important families of the city, creating portraits and scenes of poverty that earned him the epithet of “Pitocchetto” (or “little beggar”). These works earned him his place in the history of art and stand witness to his humane participation in the peasant world, which he skilfully captured with subtle chromatics and disenchanting naturalism. In 1736 he settled first in Venice, where he created still life paintings, portraits, and scenes of poverty for the Maresciallo Matthias von Schulenburg, and later in Padua, where he created some altar pieces that marked his artistic coming-of-age towards a livelier chromatics and a more sophisticated formal elaboration that combined his own expression of naturalism with the Rococo aspects of Pittoni, Tiepolo, and Sebastiano Ricci.

During the last years of Ceruti’s career, in the cultural climate of the pre-Enlightenment Arcadia, he veered toward pastoral themes, while his style, even in portrait painting, became more precious and sophisticated in relation to the subjects themselves, who were no longer paupers, but lords.

GIACOMO FRANCESCO CIPPER also known as IL TODESCHINI

(Feldkirch, Austria 1664 – Milan 1736)

Very little is known about this artist whose catalogue of works was reconstructed only from the second half of the nineteenth century and whose scanty biography was completed only following the serendipitous discovery of his birth certificate in 1986, thanks to Vittorio Caprara.

Born in Austria in Feldkirch, in the Voralberg, on 15 July 1664, we find him in 1696 as a resident in Milan, where he married the daughter of a notary public, Giulia Francesca Galdone, and where he died on 18 October 1736.

His early career as a painter in Austria seem to be linked to still life paintings, and only following his arrival in Italy did he dedicate himself to painting the scenes for which today he is famous. While his early works were marked by lively colours in outdoor scenes, Todeschini gradually tended to prefer indoor compositions that were more subtle in colour, but always theatrical and comical. However, in contrast to other contemporary painters of genre scenes (like Ceruti, for example) and in spite of his undeniable technical virtuosity, Todeschini accurately banished all thoughtful or melancholic attitude as well as any psychological and social message from his paintings, while continuing to maintain, thanks to his personal character and, perhaps, to satisfy his client's taste, an appealing if superficial sense of humour. It is precisely for this reason that his still life paintings today seem more convincing than his genre scenes and are held by critics to be more in keeping with his artistic temperament.



This is the classic scene on the recurring theme of card players painted by Todeschini in his typically theatrical and slightly burlesque style for the purpose of entertaining the viewer and coaxing a smile to his lips.

The figures of the two players are painted with a masterful distribution of light and shadow and extraordinary realistic ability in the creased and patched dress and the complexions, achieved with a brownish tone on a white background enlivened by shades of red, which is something of a stylistic signature found in the best works of this Austrian painter who lived in Milan.

This humoristic depiction of the two players on the theme of alternating luck, however, lacks true compositional unity. The child with the bouquet of onions next to the two hens, for example, stands alone as a compositional pretext to a still life with animals. In the same way, the central group of the two players is overwhelmed by the figure of the musician playing the long-necked Neapolitan lute, which also lacks any relation to the theme of this scene. In reality, even in the best scene of this type, as this undoubtedly is, Todeschini deals with figures as if they were fruit or animals in a still life, revealing his truly innate artistic inclination.

The interior setting of this painting would place it during the second decade of the eighteenth century, indicating that it is one of Todeschini's later works.

**Giacomo Francesco Cipper
also known as Il Todeschini
Card players**

Oil on canvas, 110.4 x 90.4 cm

We receive a number of indirect benefits from this subsidiary, so it is worth our while to cover its losses.

In accordance with current accounting standards we have determined the impairment loss on this investment, based on its net equity. This shareholding, which was on the books at 4.4 million, was then valued on the basis of its net equity at 31 December 2008, charging the consequent writedown of 2.5 million to the income statement. The new carrying value is therefore 1.9 million.

Sinergia Seconda srl (100%). This is a real estate company.

The subsidiary acts in the interest of the Bank by handling certain property investments in the best way possible. It also buys premises of proven commercial interest that it rents to the Parent Bank as branch offices. No sales took place during the period.

The company's bottom line is positive.

Rajna Immobiliare srl (50%). A real estate company that is jointly owned together with Credito Valtellinese.

It owns part of a building in downtown Sondrio which is leased to Equitalia Esatri spa, the tax collection company controlled by Equitalia spa. The shape and size of the building, which has sizeable premises on the ground floor, add to the value of this property.

The company's results are positive.

Associated companies:

Arca Vita spa (39.927% in total, of which 25% is currently being sold off).

This is the parent company of the insurance group with the same name. It operates in the life business, also through Arca Vita International, and in the non-life business with Arca Assicurazioni, both subsidiaries.

In a national scenario that was signs of a recovery in 2009, the associate's balance between premiums received and liquidations paid for maturities and redemptions was positive. This reflects the marketing efforts of the shareholder banks, as well as the quality of the products on offer, which are promptly updated.

Together with the other shareholders, we took part in the company's increase in capital, subscribing 10.2 million of new shares, of which 5.1 million were called up during the year.

With a view to improving competitiveness for the benefit of customers, as well as to realise a considerable capital gain, on 24 December 2009 we joined forces with the absolute majority shareholder, Banca Popolare dell'Emilia Romagna, in signing a strategic agreement with Unipol Gruppo Finanziario; in addition to various commercial arrangements, this envisages selling 60% di Arca Vita and all of our interests in Arca Assicurazioni to Unipol, subject to obtaining the necessary authorisations, which are yet to be received. This means that we have agreed to sell 25% of Arca Vita and 9.90% of Arca Assicurazioni for a total of 109 million, which net of tax will generate a capital gain of close to 59 million.

These amounts may change over time, albeit within set limits, depending on the achievement of specific sales objectives.

The results are expected to be positive.

Arca Assicurazioni spa (9.90%, currently being sold). We think it is still worth commenting on this shareholding, even if it has been transferred from equity investments to non-current assets and disposal groups held for sale.

This company is in the accident (non-life) insurance sector.

A recently developed range of dynamic products for the car, home, family and health, particularly suitable for the banking channel, but also for selling through agencies, has made it possible to boost the number of policies sold.

The innovative «Ti indennizzo» policy updated and broadened health protection. The company took part in the initiative called «Pact with the young on matters of road safety and third-party motor insurance» promoted by the Highway Police, ANIA and Consumer Associations with a product called «Pact with the Young» The placement of «non-standard» accident policies was also commenced through agents with the right prerequisites.

The claims rate in the third-party motor sector have weighed down the results for the year, which are expected to come in at a loss.

As regards the agreement with Unipol Gruppo Finanziario, reference should be made to what we said above about Arca Vita spa.

B. & A. Broker spa (28.571% formerly 14.571%). This company operates as an insurance broker and consultant.

The services provided by this associate complete the Bank's range of insurance products, with particular reference to accident insurance.

The identification of personalised and inexpensive solutions, proposed by professionals who are able to survey in depth the specific market, integrates the products of the Arca Insurance Group, which in terms of simplicity and dynamism are highly suitable for the banking channel. This naturally benefits companies and institutions, but also private individuals with substantial property holdings and diversified wealth.

The increase in the stake held is the result of a change in the ownership structure, during which the company also changed its name back to the original one of B. & A. Broker spa (formerly Janua B. & A. Broker spa). The demerger made it possible for the non-banking shareholders to leave, buying back the business division previously spun-off, as it is not considered strategic.

The financial statements ought to show a profit.

Alba Leasing SpA (20.95% new). This is a company that grants loans, mainly in connection with leasing transactions. The other shareholders include Banco Popolare, Banca Popolare dell'Emilia Romagna and Banca Popolare di Milano.

This investment, acquired as part of the reorganisation of Banca Italease spa, in which our 3.902% shareholding has been completely sold, as mentioned above, is intended to provide competitive leasing products and services to the commercial networks of its shareholder banks and others with special arrangements, with a view to giving support to SMEs. Operations commenced during the current year.

The company has been endowed, as a contribution in kind, with a business division that consists of the receivables of Banca Italease and its subsidiary Mercantile Leasing resulting from lease transactions and performing loans originated by the banking channel. Liabilities of an equivalent amount, legal relationships, personnel and structures to carry on the business have also been conferred. The capital endowment, which required the bank to subscribe share capital of 75.4 million, is designed to give Alba Leasing SpA a total capital ratio of 7%.

Lastly, it should be said that this sale of the affiliate Banca Italease by accepting the 100% takeover bid launched by Banco Popolare, generated proceeds of 9.801 million. The sale of this interest at the price offered in the takeover bid led to a writedown of 4.688 million.

Servizi Internazionali e Strutture Integrate 2000 srl (33.333%).

This is a service company which operates internationally; it is jointly owned together with Banca Popolare dell'Emilia Romagna and Veneto Banca.

Advisory services and assistance to companies and institutions wanting to develop relations in Asia are provided through the shareholder banks and others with special arrangements through the representative offices in Hong Kong and Shanghai, which have added to their professional skills and experience.

Also much appreciated are the studies carried out in Milan into topics such as country risk analysis, especially of emerging nations, credit systems and banks.

Its operations should break even.

MINORITY INTERESTS HELD FOR OPERATIONAL PURPOSES

The following are our comments of the main minority interests held for operational purposes booked to financial assets available for sale. These are permanent investments in companies that supply the Bank with products and services that are then offered to customers by the Bank.

Centrobanca spa (1.60%). This is a bank that belongs to the UBI Banca Group.

This company specialises in financial services for medium-sized enterprises. It stands out in Italy for its operating professionalism and for its range of commercial products and services, which is one of most complete and integrated of the entire sector.

The affiliate's interim results are expected to be positive.

Unione Fiduciaria spa (18.309%). Company founded and owned by cooperative banks, acting as a trustee and the provision of fiduciary services to banks, financial intermediaries and other businesses.

The affiliate, which was founded in 1958, reaffirms and consolidates over time its leading position in this sector on the domestic market. Operational independence and a constant willingness to open up to new know-how and innovation are the bases that allow it to be increasingly reliable, thereby

attracting new customers. This is reflected in the popularity that it gained during the third round of the «Scudo Fiscale».

It also collaborates with a number of foreign service companies in which it has an interest, including Sofipo Fiduciaire SA, based in Lugano; it also takes part in conferences and contributes to specialist publications in the regulatory field.

The company is expected to make a profit.

Polis Fondi Immobiliari di Banche Popolari S.G.R.p.A. (9.80%).

This company promotes and manages real estate investment trusts.

In a reflexive market, the company's consolidated professionalism allowed it to manage the Polis fund, its main activity, with satisfactory results.

The fund's historical yield, based on the value of the units calculated by independent experts – Euro 2,228 at 31 December 2009 – and on the income paid out, comes to a net annual compound rate of 4.33%. The market valuation of the units – up 20.6% in 2009 – tends to appreciate the long-term view of real estate investment.

The results are expected to be positive.

Banca della Nuova Terra spa (6%). This is a bank that specialises in lending to farmers and businesses in agro-industry, environmental protection and alternative energy sources.

Along with its subsidiaries Agripart (advances on EC grants) and BNT Consulting (advisory services), this affiliate integrates our product range with particular reference to the areas of the Po Valley where we have just opened branches, where farming and the agro-industry form a significant part of the local economies.

The results are expected to be positive.

Centrosim spa (3.176%). This is a securities house which is mainly involved in trading on behalf of third parties.

Comprehensible prudence on the part of small investors, who after the recent reverses are observing the recovery in financial markets in 2009 with caution, is reflected in the company's operations, which are still below its potential.

On our part, we have passed on almost all our business in this field to them, being satisfied with the services that we receive in exchange.

But however well known Centrosim may be, the tricky circumstances over this last year make it almost inevitable that it will turn in a loss.

Arca SGR spa (5.872%). This is an asset management company which handles mutual funds, pension funds and institutional investment portfolios.

Based on its strong fundamentals of consolidated quality and genetic independence, this affiliate promptly took advantage of the first signs of a change in trend that affected the asset management industry, especially in the second half of 2009. This is reflected in the fact that new inflows are higher than redemptions – the difference is small but significant – and the growth in assets under management, helped by the recovery in stock prices.

A contribution also came from Arca SGR's ability to adjust its products to delicate changes in market conditions. An example is the success of its new bond funds, Arca Cedola Governativo Euro Bond and Arca Cedola Corporate

Bond, issues I and II. There has also been a substantial increase in the volumes managed by Arca Previdenza, the company's open-ended pension fund, which leads this sector's rankings in Italy.

Arca is currently evaluating a new phase of development so as to strengthen its competitive capacity and positioning on the asset management market.

The effectiveness of this company's management ought to produce positive results, as usual.

Etica SGR spa (11.10%). An asset management company controlled by the Banca Popolare Etica Group, Etica SGR creates and promotes mutual funds with an ethical content, called «Sistema Valori Responsabili» (Responsible Values System).

Our whole-hearted support for this company and, more generally, the fact that we share the values of ethical finance, find concrete expression in the fact that we market these funds. The Bank's contribution to the growth in the funds under management is constant and considerable, to the benefit of our customers.

By its very nature based on rigorous operating transparency, this affiliate is the only asset management company in Italy that offers exclusively ethical funds. It invests in issuers, enterprises and states that pay attention to social and environmental aspects. The choice of investments, and the company's professionalism, benefits from the contribution made by Eiris, a UK company that specialises in analysing the social responsibility of issuers. Also of importance in this light is the fact that Etica SGR has adhered to the UN's Principles for Responsible Investment.

The company's results are positive.

Group srl (10%). This is a service company that coordinates and assists the cooperative banks that own it, as well as their groups, during the placement of financial instruments that are of proven interest for the quality and size of the issuer.

Retail and institutional investors in the securities being placed benefit from this in terms of competitiveness. The activity performed during the year reflects the limited opportunities available on the primary market.

The financial statements ought to come close to breakeven.

«Available-for-sale financial assets» at 31 December 2009 amounted to 113 million, an increase of 23 million.

As regards the shareholdings that we discussed in this section in previous years, worth mentioning is the sale of our entire investment in Meliorbanca spa, at a loss of 1.1 million, following acceptance of the takeover bid made successfully by Banca Popolare dell'Emilia Romagna for all of the shares.

Of the others that were not mentioned here, there was the acquisition as part of the reorganisation of the Banca Italease Group of 6.118% of Release spa for 24.6 million. Once related operations have been defined, this stake will end up at 6.24%, as planned. This company, which is a subsidiary of Banco Popolare, looks after the recovery of problem loans transferred from Banca Italease spa.

INVESTMENTS HELD BY THE DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

Company	No. shares held at 31/12/2008		Changes in 2009				No. shares held at 31/12/2009		
	direct	indirect	No. of shares assigned and purchased		No. of shares sold		direct	indirect	
			direct	indirect	direct	indirect			
Directors									
PIERO MELAZZINI	Banca Popolare di Sondrio scpa	235,200	80,144	-	-	-	-	235,200	80,144
MILES EMILIO NEGRI	Banca Popolare di Sondrio scpa	74,000	74,000	-	-	-	-	74,000	74,000
CLAUDIO BENEDETTI	Banca Popolare di Sondrio scpa	3,000	2,750	-	-	-	-	3,000	2,750
PAOLO BIGLIOLI	Banca Popolare di Sondrio scpa	25,300	46,292	2,000	2,000	-	-	27,300	48,292
GIANLUIGI BONISOLO	Banca Popolare di Sondrio scpa	3,679	1,456	-	-	-	-	3,679	1,456
FEDERICO FALCK	Banca Popolare di Sondrio scpa	5,000	-	-	-	-	-	5,000	-
ATTILIO PIERO FERRARI	Banca Popolare di Sondrio scpa	17,000	-	3,000	-	-	-	20,000	-
GIUSEPPE FONTANA	Banca Popolare di Sondrio scpa	448,000	-	-	-	-	-	448,000	-
MARIO GALBUSERA	Banca Popolare di Sondrio scpa	4,970	10,280	-	-	-	-	4,970	10,280
NICOLÒ MELZI DI CUSANO	Banca Popolare di Sondrio scpa	105,000	3,000	-	-	-	-	105,000	3,000
ADRIANO PROPERSI**	Banca Popolare di Sondrio scpa	14,000	10,000	-	-	-	-	14,000	10,000
RENATO SOZZANI	Banca Popolare di Sondrio scpa	25,000	25,000	-	-	-	-	25,000	25,000
LINO ENRICO STOPPANI	Banca Popolare di Sondrio scpa	50,000	50,000	-	-	-	-	50,000	50,000
BRUNO VANOSI	Banca Popolare di Sondrio scpa	55,658	54,083	-	-	-	-	55,658	54,083
FRANCESCO VENOSTA	Banca Popolare di Sondrio scpa	32,424	15,277	-	-	-	-	32,424	15,277
Board of Statutory Auditors									
EGIDIO ALESSANDRI	Banca Popolare di Sondrio scpa	2,037	1,528	-	-	-	-	2,037	1,528
PIO BERSANI	Banca Popolare di Sondrio scpa	1,120	10,000	-	-	-	-	1,120	10,000
PIERGIUSEPPE FORNI	Banca Popolare di Sondrio scpa	7,120	27,734	-	-	-	-	7,120	27,734
MARCO ANTONIO DELL'ACQUA	Banca Popolare di Sondrio scpa	7,940	2,075	1,160	115	-	-	9,100	2,190
MARIO VITALI	Banca Popolare di Sondrio scpa	21,000	4,896	-	-	-	-	21,000	4,896
General Manager									
MARIO ALBERTO PEDRANZINI	Banca Popolare di Sondrio scpa	33,000	-	-	-	-	-	33,000	-
MANAGERS WITH STRATEGIC RESPONS.	Banca Popolare di Sondrio scpa	28,772	48,000	-	1,114 *	-	-	28,772	49,114

* inherited

** in office since 28 March 2009

Related party transactions

Related party transactions, as identified in accordance with IAS 24, form part of the bank's ordinary operations and are settled on market terms or, in the absence of suitable parameters, on the basis of the costs incurred. These transactions amount to 3.68% of total loans to customers and banks and financial assets and 3.27% of direct deposits from customers and banks and financial liabilities.

With regard to the contents of Consob Circular DEM/6064293 of 28 July 2006, transactions or positions with related parties, as classified in accordance with IAS 24, are a very small proportion of the Bank's balance sheet, financial position, income and cash flow. In the notes to the financial statements, the paragraph entitled «Related party transactions» includes a table that summarises these figures. During 2009 and the current year, there have not been any positions or transactions deriving from atypical or unusual operations.

According to Consob Circulars DAC/98015375 of 27 February 1998 and DEM/1025564 of 6 April 2001, atypical and/or unusual transactions are any that may raise doubts concerning the accuracy of the disclosures in the financial statements, conflicts of interests, the protection of the corporate assets or the safeguarding of the shareholders, by virtue of their magnitude, the nature of the counterparties, the subject of the transaction, the methods in which the transfer price is set or the time at which the transaction is carried out.

The notes to the financial statements (Part H, «Transactions with related parties») also report the emoluments paid to Directors, Auditors, the General Manager and key executives as well as the credit facilities and guarantees issued, in compliance with Article 136 of Legislative Decree 385 of 1 September 1993.

In accordance with Article 79 of Consob Regulations 11971 of 14 May 1999, as amended, we have prepared a separate table reporting the shares of the Bank and its subsidiaries held by Directors, Statutory Auditors, the General Manager and key executives (or by their spouses, unless legally separated, and their minor children), whether directly or through subsidiaries, trust companies or third parties.

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE

The «Report on Corporate Governance and the Ownership Structure» required by art. 123-bis of Decree 58/98 (Finance Consolidation Act) is available (in Italian) in the Corporate Information («Informativa Societaria») section of the Bank's website (www.popso.it). This document relates, among other things, the fact that BPS has not adopted the Code of Conduct approved by the Committee for Corporate Governance.

INTERNATIONAL UNIT

The crisis has rocked the foundations of world finance and the world economy, to the extent that for a moment there were fears that the globe might slip from the shoulders of Atlas and plunge into a bottomless recession.

The impact on world trade was immediate and there were serious consequences on all those countries, like our own, that have a strong, export-led manufacturing sector. On the other hand, if it is true that the slowdown has affected more or less all economies, it has to be said that Asia turned out to be the least hit and the first to recover. Which is leading to the risk of another redistribution of the shares of industrial output in favour of the Chinese giant.

If we add the fact that the crisis has increased the risk of possible insolvencies on the part of trading partners, not to mention uncertainties about the stability of the foreign exchange situation, what emerges is a very complex scenario for export-oriented firms.

Our International Unit, which constantly monitors foreign markets and the problems relating to overseas payments, has focused its attention on the needs of businesses, guaranteeing, to the extent possible, their security when operating abroad. This is a wide-reaching commitment, which involves various operating sectors: ranging from credit insurance-related services to instruments to neutralise exchange risk; from local assistance thanks to our representative offices to the organisation of trade missions and meetings with selected operators; from state-of-the-art payments systems that ensure maximum secure to full use of the services made available to companies by the chamber of commerce network.

So if markets are becoming increasingly difficult, we are making even more of an effort to help entrepreneurs. An expression of that sense of responsibility that permeates our work in favour of local economies in the areas that we serve and which prompts us to foster development by helping operators move beyond the domestic confines.

We have developed specific skills in this field, which are known and recognised by the market, thanks to the effort that our staff make both to act and to communicate. Based on the saying «Do, do well and let it be known», we have revised and improved our newsletter «Business Class», an information monthly distributed by e-mail to numerous companies so that they are kept up-to-date on all our initiatives.

We have created a section on our website (in Italian) entitled «Mondo estero» (foreign world) with more than 100 pages written by our specialists that are visited by thousands of interested people every month.

Having talked about our communication tools, let's now talk about the internationalisation services that we offer customers. In this area, we have the support of qualified and carefully selected partners with whom, over time, we have developed long-standing collaboration agreements.

Worth mentioning above all is Promos, a special agency of the Milan Chamber of Commerce for overseas activities, with which we have continued to organise initiatives in favour of businesses. Trade missions for entrepreneurs,

The Abbot Francesco Saverio Quadrio wrote about Vittoria Ligari in his *Critical-historical Dissertations* while in Rezia (1755), commenting that «two of her paintings can be seen in the Odescalchi home in Olmo, one depicting Moses being rescued from the Nile, while the other depicts Moses scorning the Pharaoh». It is possible that the two canvases mentioned by Quadrio are the same now found in the Collection of the Banca Popolare di Sondrio, but it cannot be excluded, as Laura Meli Bassi sustains, that they are «with all probability, sketches or even models carried out with particularly rich chromatics» of the two paintings created by Ligari for the Abbot Giovanni Simone Paravicini, Canon of the Como Cathedral.

This canvas depicts the episode narrated in the Bible (Exodus, 2, 1-10) in which the daughter of the Pharaoh, after having collected the basket with the infant Moses from the Nile, orders the mother, found thanks to the child's sister who had witnessed the scene, to nurse the child for her in exchange for a salary. The mother's bare breast alludes precisely to these words.

The detail of the hungry infant crying and turning away from the woman's breast, would lead the viewer to think that the source of the episode, rather than the biblical account, is (just like the episode of the scorning of the Pharaoh) the *Flos Sanctorum* by A. De Villegas (found in the Ligari library), which is based on the story rather than the episode according to Giuseppe Flavio in *Jewish Antiquities*. In this case, it would be the moment just prior to the arrival of Moses's mother, during which the Pharaoh's daughter orders a woman to nurse the babe and that "instead of nursing, the babe turned away; he did this with many women", until his sister Miriam (perhaps the girl to the far right of the Pharaoh's daughter), called for her mother's presence.

This second interpretation would give the canvas, as well as the successive one with the episode of scorning the Pharaoh, which is the follow up to the same theme, that of Moses's refusal first of milk that was not his mother's and then of the Pharaoh's crown, in direct relation with his destiny to free the people of Israel from slavery in Egypt.



Vittoria Ligari
Moses rescued from the waters
 Oil on canvas, 42 x 60 cm

VITTORIA LIGARI

(Milano 1713 - Sondrio 1783)

Daughter of Pietro Ligari, the greatest painter of the eighteenth century in Valtellina, she was «educated in Painting and Music by her father», wrote the Abbot Francesco Saverio Quadrio, who was a friend of the Ligari family, in his *Critical-historical Dissertations*. But even if her father was the sole teacher of painting, Vittoria Ligari began studying music with Giovanni Zappello, who between 1721 and 1722 taught her to play the spinet and in 1730 gave her and her brother Cesare violin lessons. She also played the organ, and her talent "in singing is truly marvellous", observes Quadrio. Quadrio's chronicle also informs us that she was very pretty - as is also confirmed by the portrait painted by her father, who used his daughter's face as a model for some *Virgins* and *Allegories of Music* found in canvases on the ceiling of Palazzo Salis in Coira - but she chose to remain unmarried, «having refused several suitors, thinking that she would rather enter a convent». In the end, however,



Vittoria Ligari
Moses Scorns the Pharaoh
 Oil on canvas, 42 x 60 cm

her passion for art prevailed, and Vittoria, in addition to music, dedicated herself totally to painting, following in her father's footsteps, becoming his student and close collaborator. Of her numerous works, documented by both her father and brother, few have survived. As Laura Meli Bassi noted in her monograph dedicated to the Ligari dynasty entitled "I Ligari, una famiglia di artisti valtellinesi del Settecento" (*The Ligari: a Family of Artists of the Valtellina in the Eighteenth Century*, published in Sondrio by the Banca Piccolo Credito Valtellinese, 1974), Vittoria was always faithful to the aesthetic tenets of her father and his style, of which she was a diligent interpreter, to the point of not being able to distinguish them except for her stroke, which was «less vigorous and incisive and, at times, somewhat affected».

In spite of being somewhat frail, Vittoria Ligari outlived both her father and brother Cesare, having died in Sondrio at the age of seventy on 9 December 1783.

The child Moses, in the arms of the Pharaoh's daughter, treads on the royal crown that the Pharaoh has just attempted to place on his head. An elderly man escorting the Pharaoh unsheathes a dagger to vindicate the offence, but the Pharaoh's daughter stops him with a decisive gesture.

The episode is not narrated in the Bible and its certain literary source, traced by Laura Meli Bassi, is the Flos Sanctorum by A. De Villegas, found in the Ligari library, which contains the episode narrated by Giuseppe Flavio in the Jewish Antiquities: «[Moses] Being in the presence of the king and his daughter – writes De Villegas – [...] and the

king being very pleased with the beauty and presence of the child, being just three years of age, while playing with him he placed his own crown on the child's head and [...] Moses, profoundly angered, took it and threw it to the ground", a gesture interpreted by all and by the Pharaoh himself as an evil omen.

Vittoria Ligari's interpretation of the incident, however, the dramatic and prophetic significance of the episode is almost lost and the overall tone, noted Laura Meli Bassi, is more similar to a family anecdote by which Moses's scornful gesture would be of secondary importance if not for the Pharaoh's left hand pointing it out. The Pharaoh, on the other hand, seems more like a saint in a sacred conversion than a desecrating ruler. For the rest, the composition is very simple and the hues of ochre and blue in the Pharaoh's robe are very similar to those that Pietro Ligari was wont to use.

Even this canvas is probably the same one that was originally hanging in the Odescalchi home in Olmo di Como, as Quadrio mentions, together with the one depicting Moses rescued from the waters.

The two paintings depict two episodes with a single theme, that of Moses as a child confirming his Hebrew origins and disdaining Egyptian symbols of power, foreshadowing his destiny as the liberator of his people from slavery and, in turn, foreshadowing another liberation – the spiritual redemption from original sin – by another Redeemer, the very son of God.

participation in international trade fairs, meetings with foreign delegations, organising seminars and round tables: these are some of the activities that have been attended by a large number of companies. We would also like to mention the first trade mission that is entirely reserved for our customers, with destination Moscow.

Our presence in foreign markets can also count on representative offices in Hong Kong and Shanghai and on 21 desks in the most important marketplaces around the world. They offer a secure point of reference in highly dynamic economies.

Working together with the chamber of commerce network has also led to new achievements in the province of Sondrio, where we have collaborated with the local chamber to organise five technical seminars on exporting, also contributing a number of speakers.

We have mutually satisfying interaction with SACE, thanks to which we have further developed «Impresa senza confini» (Business without frontiers), a type of loan aimed at SMEs that want to internationalise.

Our collaboration with Invitalia, which started in 2008, has continued. Invitalia is a government agency for promoting foreign investment in Italy.

Servizi Internazionali e Strutture Integrate 2000 srl, which was discussed in the section on our equity investments, broadens and enhances our ability to offer assistance and advisory services to companies. CBE-GEIE, a Brussels-based European economic interest grouping in which we have a stake, has extended the list of entities that we have assisted. It operates in the following areas: highlighting domestic and international calls for competitive bids on a selective basis; information and assistance on EC and international project financing programmes; training programmes and activities; advice on the drafting and presentation of EC projects and tenders.

An important environment in which we have been moving for several years now with prestigious results, essentially on behalf of institutional customers. New, high-quality acquisitions also took place during 2009.

Following a competitive tender in which we took part together with 22 leading banks in nine countries, the European Commission chose us and three other banks to make payments in 27 EU countries according to the standards laid down for the Single Euro Payments Area (SEPA). Under a previous tender, we also maintain the only active centralising account in Europe for collecting various payments to the Commission coming from all over the world.

These are important appointments, which, with the many others that we have been awarded in recent years, confirm the consideration that we enjoy with national and international institutions, reflecting yet again our key characteristics of precision, punctuality and reliability.

In this connection, we renewed our commitment to Quality Certification. The ends that we pursue are: to improve the services provided; to standardise the way that services are rendered; to optimise human resources and enhance their professional skills. All of this is also to seek new business opportunities and expand our sources of revenue. The new certifications, together with those acquired in past years, concern important areas of activity and constitute a point of strength for the range of products and services that we offer.

The work performed during the year by the staff of the International Unit has allowed us to increase the Bank's market shares at a domestic level. Despite the crisis, we have in fact grown compared with our competitors, giving continuity to a process that has been going on for years. In this connection, it is a pleasure for us to point out that in the latest six-monthly survey issued by the Bank of Italy on foreign work carried out on behalf of customers within the ambit of current trade items, we have improved our domestic position from 9th to 7th position. Without false modesty, our ranking in our areas is also excellent. These results are the fruit of an intense effort that had the merit of preparing an effective and complete range of products and services for us to offer customers. Indeed, we are proud to say that nowadays there is no product or service in the international arena that BPS is unable to provide. In the same way, there are no geographical areas that we do not cover, thanks to a widespread network of quality correspondents.

Lastly, in 2009 we were again involved in the United Nations' project entitled Global Compact, whose aim is for businesses to sustain ten universally accepted principles. Since 2005 we have been involved in promoting initiatives in support of human rights, the protection of work and the environment and the fight against corruption. We have presented to the United Nations our report for the year under review, highlighting the activities that we have carried out, including: the Conto Corrente Solidarietà (an ethical current account); participation in the «Hope Loan» initiative; the «Rid-anch'io» service to facilitate donations to non-profit organisations;

Global Compact

To summarise, it is fair to say that our International Unit does its best to reconcile the limited size of our home base with our efforts to serve customers in international markets. Global and local – which has given rise to the neologism «glocalisation» – are in fact called upon to cohabit and compare with each other; our task is to offer customers financial services and solutions that are able to live up to new circumstances that are in constant evolution.

We realise that we have dedicated quite a lot of space to this area of the business, but we have done so deliberately, as we would like to emphasise, yet again, the pre-eminence of the human element with all its capabilities. A cultural and humane function that we are very proud of.

SERVICES, PROJECTS AND STRUCTURE

Sales and Marketing

The growth in the Bank's operations is based on the good name that we have earned over the years, as reflected in the general consideration that the market has for BPS.

An excellent reputation built up over time thanks to respect for customers and long-term work relationships based on professionalism and reliability. We have always approached our territory in a spirit of service, so



as to satisfy the needs of our counterparties, whether they are small investors, businesses or public-sector entities. In other words, our first priority is towards our customers, avoiding the idea of «making savings» at all costs.

An approach that pays off in the long term; the proof of this was the reaction of many during the financial crisis. Just when lack of trust appeared to be taking over, we managed to increase our work relationships, thanks to the appreciation of a growing number of customers. This was helped by a full catalogue of quality products and services, which our people have prepared together with our affiliates and partners. We would now like to tell you about our main initiatives during the year.

Arca SGR adjusts in lines of investment to delicate market conditions with its usual professionalism; the new Arca Funds Cedola Governativo Euro Bond and Arca Cedola Corporate Bond (1st and 2nd issue) are an example of this.

The diversified products of Arca Vita are updated regularly. During the year, InvestiDOC Free 2008 – Reserved Issue and InvestiDOC Free Reinvestment – Reserved Issues of 22 June 2009 and 23 November 2009, with guaranteed capital and minimum yield. In addition, ARCA TOP Garantito Reserved, aimed at the investment of capital involved in the «Scudo Fiscale».

In non-life insurance, Arca Assicurazioni joined the «Pact for young people on road safety and motor insurance» promoted by the Highway Police, ANIA and various Consumer Associations, with its «Patto Giovani», a product whose advantages are linked to compliance with 10 rules of conduct. The policy called «Ti indennizzo» has extended the offer in the field of healthcare. The company has also started selling «non-standard» accident policies through consultants that satisfy certain legal prerequisites.

A collaboration agreement with the Italian branch of Ing Direct N.V. has boosted, on a complementary basis, our offer of mortgage loans to households, while a second agreement of the same kind, with Agos spa, is designed to reinforce and diversify funding opportunities for private individuals in the field of consumer credit. «Presto & Leggero» is the new instalment loan developed by Compass spa, with which we have an arrangement.

We took part in the «Prestito della Speranza» initiative promoted by ABI and the Italian Episcopal Conference to provide small loans to large families with no source of income.

The innovative mobile version of SCRIGNO allows customers to access our internet banking service from their cellphone. Together with SITEBA, we have also developed an innovative payment instrument – called WiW Mobile – which allows you to make payments through your cellphone which are then settled through your credit card, a solution that is potentially applicable to any payment to BPS clients who sign up for the system.

The new «Comunicazioni» function of the SCRIGNO aims to facilitate on-line communication between customers and their branch. SCRIGNO *TradingOnLine* has been extended to allow trading in shares of large-cap issuers listed on the main European stock exchanges.

Close cooperation with leading universities has led to the development of the innovative «Carta Ateneo», which simultaneously acts as an ID card,

Arca Cedola
Governativo Euro
Bond and Arca Cedola
Corporate Bond

InvestiDOC,
ARCA TOP Garantito
Reserved

Patto Giovani,
Ti indennizzo

Presto & Leggero

«Prestito della
Speranza»
(Hope Loan)

SCRIGNO

access card and payment card (both traditional and contactless). The first ones to adopt it are the Milan Polytechnic and the Università degli Studi di Milano Bicocca.

The security of our on-line customer services will be protected by «PHIL, the anti-phishing fish», an innovative tool developed by the laboratories of a prestigious US university, which is designed to identify the internet addresses that could give rise to fraud.

The numerous information and transaction services offered by SCRIGNO InternetBanking and its related security systems are explained in a practical booklet.

Our project entitled «Process management and digitalisation of specimen signatures» received an important award at the Golden Circle Prize for Financial Innovation.

Central offices

The following comments relate to the Bank's central offices, which help enhance the quality of the products and services offered to customers.

SOSI is the Bank's Organisation and IT Systems Department, which combines complex major software updates and innumerable minor interventions. The former include the new teller procedure, which by its nature has to interface with the other key operating procedures; the introduction of all of the matters foreseen by the European Payment Services Directive (PSD); upgrading to the new rules on banking transparency.

The interventions relating to legislative innovations also concerned sensitive topics like anti-money laundering, usury, processing personal data and investment services. On the question of business continuity, the positive outcome of the annual global test, which successfully concluded the related three-year plan, was of considerable importance.

SOSI's activities also include the innovative systems sector, development of SCRIGNO internet banking and the related security measures.

This department handles with consolidated dedication and professionalism the work relationships in the interests of public and private institutions; indeed, for decades it has been in the front line of development of this important area. We would point out, among other things, the long-standing and prestigious arrangements that we have with national pension funds for professions and universities.

An intense activity that is fruitful and appreciated, facilitated by operating on a remote basis with the help of the Virtual Unit.

This offers on-line current accounts, credit cards and loans and has been consolidating its positions and popularity. The structure is assisted by the effectiveness of the technology supports, which are kept constantly up-to-date, and the efficiency of the staff employed in the related call centre.

The Corporate Finance Department has raised the level of its support to branches in analysing extraordinary finance deals and in corporate debt restructurings. The management of syndicated loans has benefited from organised updates.

SOSI

Public Entities and
Treasury Offices

Virtual Unit

Corporate Finance



Our collaboration with leading sector operators has made it possible to develop advisory services to companies interested in questions of corporate continuity and generational transfer. We have intensified relations with institutional investors, such as closed-end mutual funds. It was very interesting to take part in organising a seminar called «Impresa 4.0 - Nuovo Web e Marketing a 4 direzioni» together with the Sondrio Chamber of Commerce.

**Planning and Control
Department**

The Planning and Control Department extended the perimeter of its risk measurements, also to include aspects of a management nature. Among other things, the elements regarding capital adequacy have been refined so as to assess with greater awareness and foresight the measures to be taken to ensure that the Group maintains a satisfactory level of capital over time.

Operating liquidity, based on the items falling due within the next three months, is kept under close observation; we are committed to extending our attention to structural liquidity, including sight items and term items without time limits.

Our credit rating system now takes into consideration a longer list of qualitative information. The calculation models of the so-called «Loss Given Default» (LGD) have been brought completely into line with Basel 2.

In the field of management accounting, the greatest effort is reserved for the project designed to integrate the same logic used in forecasting into the budget procedures, having regard to the balance sheet items and related sub-aggregates, rates, costs and commission.

Lastly, we have made available to certain central structures and to the coordination areas a procedure that is able to assess the consistency of the profitability of customer relations based on the risk that they involve.

**Technical, Health and
Safety Department**

The Bank's territorial expansion is effectively supported by the Technical, Health and Safety Department, which is always busy preparing new offices premises and modernising those that exist already.

Their purpose is to ensure good quality work and tight cost control, as well as timely compliance with the rules on health and safety in the workplace. In this regard, the department guaranteed application of Decree 106 of 3 August 2009, as amended by Decree 81 of 9 April 2008.

A round-up of the past year is impressive: 40 new branches and treasury offices fitted out, including transfers to more suitable premises and extensions; 9 building sites initiated; 6 works planned, for which the town planning procedures and calls for tender are currently in progress; 12 projects under development.

The total floor area of property owned by the Bank covers 135,708 sq.m., of which 17,020 sq.m. held under finance leases, with a total volume of 411,247 cu.m. The land area covered measures 78,773 sq.m.

The total book value of these properties, net of depreciation, amounts to 80.943 million for those owned and 42.853 million for those being bought under finance leases.

Additions to owned property for purchases and restructurings in 2009 amounted to 0.704 million, while decreases for depreciation came to 2.703 million; as regards those being bought under finance leases, there are additions of 2.011 million and reductions for depreciation and redemptions of 9.317

million. The market value of the Bank's property reflects significant unrealised capital gains. We own 39 buildings and 44 units in condominiums. Banking operations are carried on in 58 properties owned by the Bank and in 339 leased premises, including 14 held under finance leases.

«Furniture and fittings», a sub-category of property, plant and equipment, totals 19.567 million. The increase of 0.136 million reflects additions net of the depreciation charge for the year.

The task of the Security Department is to look after physical, logical and IT security for the protection of the Bank's personnel, assets and operations, working together with the other corporate structures.

Two particularly sensitive areas are phishing and bank robberies at branches. While in the former area, the effective steps taken by this department – close monitoring and targeted preventive countermeasures – guarantees high levels of security, we are almost impotent, like the rest of the system, with regard to bank robberies, where Italy has the highest rate in Europe.

The Supply Office supports our operations and development by handling all of the supply and logistics processes for the benefit of the branches and central offices, also with a view to holding down costs. In this connection, the purchases that we make through the Interbank Purchase Network are important as they permit significant savings. Of the technology and organisational innovations introduced, one of the most important for this area is a procedure for centralised active management of properties, which is shared with the Technical Department, while other structures of the Bank that are interested can consult it.

Their hard work during 2009 is borne out by the fact they booked more than 30,000 invoices and carried out more than 98,000 accounting transactions.

The main work that the Legal Department had to perform during this past year was credit protection and debt collection, unfortunately, because of the crisis. Yet again, bankruptcy procedures in court have proved to be far too long and therefore ineffective.

The Legal Department also acts in an advisory capacity for the benefit of the branches and central offices. It also collaborates with the pertinent Authorities whenever there are requests for information or inspections. Last but not least, it works to ensure correct application of the anti-money laundering rules.

The Compliance Unit is an active part of the internal control system (2nd level) and it is up to this unit to assess whether the Bank is applying all relevant legislation properly, especially in the field of consumer protection. Its objective is to monitor and mitigate reputational and legal risk.

The areas affected by major regulatory changes included the internal rules on banking transparency and the EU rules on retail payment services. Constant attention has also been paid to the anti-money laundering legislation.

As regards investment services, this function has carried out various controls together with the Internal Audit Department and taken note of the reduced quantity and reasons for complaints received by the Bank, all of which were dealt with promptly.

Security Department

Supply Office

Legal Department

Compliance Unit

It also contributed to the activities to ensure proper application of the MiFID Directive.

Its work also includes the contribution it makes to various offices involved in specific requests by the Supervisory Authorities, giving advice on the Bank's products and services and management of conflicts of interest.

The Internal Audit Department is constantly refining its approach with a view to upgrading controls to the progressive complexity of the regulatory context and to the Bank's growth. It involves gaining an in-depth knowledge of the Bank's procedures and analysing them to check that everything works as it should, thereby containing the Bank's risks. This is reflected in 499 local and remote audit visits to branches and central offices, including 98 together with the Board of Statutory Auditors.

The distinguishing feature of the Internal Audit Department's work is that it carries out third-level controls, which means that it is the apex of the internal control system.

The main tasks that the Internal Audit Department handles with growing professionalism are process analysis based on an evaluation of the related risks – with particular attention to those involving the IT system – and checking the regularity of delicate areas, such as the activity in derivatives and that of the custodian bank.

RISK MANAGEMENT

While the global crisis suggests that risk management needs to be refined – some would say completely rethought – 2009 saw final adoption of the Basel II rules on capital adequacy, which insists on banks holding sufficient capital to cover their risks, which have to be closely monitored.

As regards the obligations introduced by the so-called «third pillar» of Basel II, in March 2009 we made available on our website – for the first time – the document entitled «Information for the General Public». It can be found (in Italian) in the Corporate Information section.

This is a report prepared on a group basis by the parent bank, which the regulators intend as a way for third parties to assess the capital solidity of financial intermediaries, their exposure to risk and related systems of risk management and control. Investors and market operators in particular are expected to benefit from this, as they will be able to supplement their share valuations, also on a comparative basis, with formal measurements of risk. The documentation that we have published, drawn up in accordance with set technical formats, is offered by the Bank as an additional element of transparency versus our shareholders and investors in general.

On the other hand, as foreseen by the «second pillar», in April we sent the Supervisory Authority our annual report on ICAAP (Internal Capital Adequacy Assessment Process), which evaluates the adequacy of our capital, both current and prospective by quantifying, with standard methodologies, the various types of risk to which we are exposed: credit, counterparty, market and operational risk, as well as interest rate risk on the bank book and

the risk of concentration on individual borrowers, and assessing from a qualitative point of view liquidity, residual, reputational and strategic risk.

The main outcome of this analysis is that, based on our development plans, our capital is expected to remain more than adequate compared with the risks that have been and could be taken on - as it always was in the past.

Reinforcing this conclusion was the idea of boosting our capital by issuing debt instruments that could be included in Tier II capital. This then came about in the form of a subordinated Lower Tier II bond loan, as discussed in the chapter on significant subsequent events.

Let's now move from the regulatory scene to discuss, as we usually do, our projects and results in the field of risk analysis carried out from a management point of view, which involve the use of internal models that are more «personalised» compared with those used by the Supervisory Authority.

As regards credit risk, we completed the estimate of the new models for measuring LGD (Loss Given Default) which is the amount that the Bank would probably lose in the event of counterparty insolvency. These models have now been technically transposed ready for their release into production. Given that they have been influenced by the current state of the economy, these models include in their estimates prudential criteria that reflect the impact of the recession on debt recoveries. The new LGD models are applicable to almost all of the Bank's customers. At the same time, we took advantage of this opportunity to make our existing EAD (Exposure At Default) models more efficient, also from an IT point of view.

As for our rating models for forecasting insolvencies, we took steps to expand yet again the amount of qualitative information that we gather on microbusinesses and SMEs with more of them being rated as a result. Similarly, we have refined our modules in the Small Business *segment*.

We developed new software to calculate internal ratings in the Large Enterprises and Public Enterprises segments.

During the year, we launched a complex «data quality» project, with a particular focus on Mid-Corporates, to ensure that the information fed into our internal rating models is of a reasonable quality.

In order to study credit risk concentration in greater detail, in 2009 we took part in a specific ABI work group, which developed a method of evaluating the geo-sectorial profile of concentration risk, seeing as Basel II does not provide any guidelines on this topic.

Given the current market context, which has raised the risk profile of loans in general and accelerated the number of those that are impaired, it is now clear that we have to check whether there is adequate correlation between the return on such positions, major ones in particular, and the risk associated with them.

Moving on now to talk about the various types of market risk (interest rate, exchange rate and equity price risk), the first point we would like to make is that there have not been any real tensions in the use of the operating limit expressed in terms of aggregate daily VaR (Value at Risk). As always, together with VaR, the level of capital absorption is also calculated by converting the daily VaR into a prospective VaR, which takes account of the number of

The episode depicted is that narrated in Genesis 22, 23. Elijah, Abraham's servant, having been sent to his homeland to choose a bride for Isaac, comes upon a well where he finds Rebecca, who has just given him and his camels water to drink, the bride destined by God to become the wife of Abraham's son. Even if the Bible sets this episode towards nightfall, "when the girls go out to draw water from the well", here the atmosphere is instead bright daylight. The water and the well are clearly symbols of life, as is Rebecca herself, who would give birth to Jacob and Esau. The painting, together with that of Jacob and Rachel at the well, acquired in 1997 with an attribution to Pietro Ligari, was instead attributed to an unknown painter, probably from Emilia, not only because a painting with this subject does not appear in the book of Pietro Ligari's family (Mastro N), but because the stylistic characteristics are totally foreign to the utmost artistic quality of Ligarian painting.



Emilian painter (?) from the Eighteenth century
Elijah and Rebecca at the well
 Oil on canvas, 147 x 197.5 cm

The Bible narrates (Genesis 29, 9-12) that Jacob, son of Isaac and Rebecca, in order to flee from the ire of his brother Esau, who had sold to him his birthright for a dish of lentils, was urged by his mother to find refuge in Carran, with his brother Laban. Having come so far, sunset falls in front of the same well where Elijah once met Rebecca, Rachel's cousin. Before revealing his identity, he waters the animals under the admiring glances of the woman who was to become his wife. Once attributed to Pietro Ligari, to whom it is decidedly foreign for its style and overall composition, the painting is instead to be attributed to an artist probably from the Emilia area, like the previous, Elijah and Rebecca at the well, together with which this forms a diptych of Biblical episodes united by the common theme of the well, symbol of life in the Old Testament, and of "true life", or Paradise, in the proto-Christian world where it is transformed into the baptismal font. Jacob's gesture of quenching the sheep's thirst also has a subtle erotic symbolism, allusive to the desire for the cousin Rachel, whose name in fact means "sheep".

Emilian painter (?) from the Eighteenth century
Jacob and Rachel at the well
 Oil on canvas, 147 x 197.5 cm





**Veneto painter from the Eighteenth century
(in the manner of Giuseppe Zais)**
Rural landscape with farmers and fishermen
Oil on canvas, 56 x 80 cm

There is nothing of Giuseppe Zais (1709-1781) in this appealing monochrome arcadian landscape from the eighteenth century with farmers and fishermen, which has always been attributed to the same. In fact, what is missing is that lively and moving narrative realism, that picturesque sense of the hilly Veneto landscape and that warm chromatic brownish made with a brush stroke that is perfectly proportionate and loose, characterising the Arcadian landscape of the Belluno artist who lived in the shadow of the more famous Zuccarelli and died poor in a Venice hospital. What prevails instead is an idyllic rural atmosphere, lacking in any idealising intent and somewhat conventional in its making and in the narrative content (the country girl with the hat playing with the child on the bank of a pond next to two cows and the mother, while the father heads towards the pond with his fishing pole over his shoulder) can be traced to the minor school of Veneto arcadian landscapes of the second half of the eighteenth century, which often makes use of Giuseppe Zaia's methods.

**Veneto painter from the Eighteenth century
(in the manner of Giuseppe Zais)**
Rural landscape with windmill and farmers
Oil on canvas, 56 x 80 cm



Even this arcadian monochromatic landscape, like the Rural landscape with farmers and fishermen of which this is a follow-up, is not stylistically traceable to Giuseppe Zais or to the more modest and lesser known Gaetano Zais, who was perhaps Giuseppe's son and pupil due to the absence of the picturesque vivacity of the first and the raw idyll of the second. The conversation between the two farmers sitting in the shade of the large tree and the passage of the countrywoman with her wide-brimmed hat and basket under her arm takes place with the background of everyday country living that flows peacefully, like the wanderer and the wagoner who pass along the road, like the cows intent on drinking, like life inside the farmhouse where chimneys belch billowing smoke, like the vast landscape of the Veneto hillsides that is lost against the background. The monochromy of the painting therefore finds full response in the relaxed monotony of everyday country living.

working days until the end of the year, and adds to this the absolute value of net losses and any net capital losses incurred on securities since the start of the year. This capital absorption hit a high on 24 March of 44.190 million, so it has always been well under the Maximum Acceptable Loss of 100 million specifically set by the Board of Directors.

Further information is available in section 2, part E of the notes, especially as regards the trading portfolio for supervisory purposes, which since 2008 has been substantially in line with the portfolio that we use for operating purposes. As a further improvement to this alignment, since 31 December 2009 we have been including in the VaR calculation the derivatives taken out by the foreign exchange office (in addition to forward contracts on exchange rates, which were already being monitored). As declared a year ago, the purpose of this is to carry out analyses by type of risk rather than by product.

Inclusion of these derivatives led to a marginal increase in VaR at year-end: from 0.455 to 0.458 million on interest rate risk, from 0.167 to 0.182 million on exchange risk and from 1.650 to 1.662 million on aggregate risk (with price risk staying the same). The entire impact is due to interest rate swaps, as all of the other instruments were perfectly matched for long and short positions at that date.

At the same time, we gained greater confidence in the models used to assess the various instruments and the results that they produce. These are monitored daily on various bases of analysis and compared periodically with those provided by the primary banking counterparties with whom the contracts were stipulated. We have been recording such operations, and many other factors, for some time in connection with the credit risk (counterparty and issuer) involved in the financial activity. This involves us carrying out, as always, daily measurements of capital absorption and maximum capital absorption, which we calculate by weighting drawdowns and lines of credit by means of coefficients linked to the credit worthiness of each counterparty/issuer. The following are also identified: the maximum credit, weighted as above, granted to individual counterparties/issuers or groups of counterparties/issuers (individual counterparty risk); the total weighted lines of credit granted to the top ten individual counterparties/issuers or groups of counterparties/issuers (concentration risk); the total lines of credit granted to counterparties/issuers from the same nation (excluding Italy), weighted by the macroclass to which that nation belongs (country risk).

This information is set out in the following table.

(in thousands of euro)	31/12/2009	Average	Minimum	Maximum	Limit
Capital absorption	63,439	67,958	55,219	86,861	80,000*
Maximum capital absorption	246,018	237,989	231,742	246,989	265,000
Individual counterparty risk	14,370	13,605	12,936	15,786	15,900
Concentration risk	80,094	74,073	69,966	80,247	79,500
Country risk	21,777	21,713	21,027	21,777	26,500

* Not a limit, but rather a threshold of attention.

Another measurement that has been carried out for even longer through the ALM (Asset & Liability Management) procedure is that of interest rate risk on the entire balance sheet. During 2009, a number of changes were made, including realignment to the supervisory matrix as amended from December 2008 and, above all, its application only to the transactions outstanding at the processing date (static analysis), without doing any simulation of future transactions (dynamic analysis) as used to be done. As a result of these profound changes, the figures are not comparable with those published last year. The numbers in brackets are the restated prior year figures. As usual, the figures are shown in total, whereas in the notes they are split between the bank book and the trading book.

The analysis of average financial duration provides a measure of the immediate change in the net value of assets and liabilities in the event of a 1% increase in interest rates: the monthly analyses for 2009 averaged -67.507 million; the latest measurement, at 31 December, showed a figure of -75.840 million (versus -57.554 at 31 December 2008).

The analysis of mismatches measures the potential change in net interest income for the year in the event of a 1% decrease in interest rates: the monthly analyses for 2009 averaged -28.409 million; the measurement at 31 December showed a figure of +6.098 million (versus -36.813).

The scenario analysis provides a measurement of the difference between the future net interest margin for the next twelve months after the calculation date in the best and worst case scenarios: the monthly analyses for 2009 averaged -17.838 million; the measurement at 31 December showed a figure of -30.739 million. (versus -2.952).

A wide-reaching project is currently underway to revamp the entire ALM system, integrating the control of interest rate risk with that of medium/long-term (or so-called «structural») liquidity risk. During the course of 2009, steps were taken to refine the control over short-term (or «operating») liquidity, based on data for the treasury activity and the liquidity reserve made up of securities and other easily marketable assets. Bearing in mind that we have always maintained the trust of our counterparties and have never had any problems with funding, every week we calculate the short-term liquidity position for the next three months and report it to the Supervisory Authority as required. In particular, we calculate the aggregate net liquidity balance foreseen at each maturity band between one day and three months, this being the sum of the accumulated net balance of the positions about to fall due, including all expected cash inflows and outflows, and available cash reserves.

With specific reference to our one-day forecasts, an analysis of the results sent to the Bank of Italy during the year shows a positive trend overall. The average value of this aggregate net liquidity balance came to around 2,215 million, with lower than average figures during the first three months of the year, subsequently rising to considerably higher levels during the last quarter. In essence, based on the transactions already arranged, our cash requirement should not exceed our expected receipts; any unexpected outflows at the measurement date would in any case be amply covered by our cash reserves.

On the topic of operational risk, more than anything else we continued to expand and improve our collection of quantitative loss data, partly from the accounting system and partly from the operating offices on the basis of specific requests.

As regards what might be called the «qualitative» element of operational risk, we have developed a model for analysing processes based on risk and designed to evaluate the related controls. During 2009 this model was definitively placed in a dedicated IT support.

The model that we have adopted is made dynamic by means of information flows on the controls carried out in the field by the Internal Audit Department and the anomalies reported by a system of remote checks developed to assist the work of the Internal Auditors. In essence, the qualitative estimates of impact and frequency initially agreed with those in charge of the processes are periodically associated, more or less automatically, with values that are indicative of the risk variances over time.

The third annual global test of the business continuity plan was carried out successfully in November 2009. During the same period, we also commenced the periodic update of our analyses of the impact on work processes and those caused by implementation of the European Directive on Payment Services (PSD).

On the disaster recovery front, we carried out periodic tests to ensure that the plan functions, both on our central processor and on the departmental systems that are hosted on the server farm that provides us with intranet and internet services.

HUMAN RESOURCES

Put very briefly, the work of the banker is to invest the financial resources entrusted to us by our customers by transforming them into loans. But the first and most important resource that a bank has is its staff and any success story relies on enhancing their skills.

At BPS, the hub of the wheel of efficiency is our staff, who have to maintain contact with our customers and numerous shareholders on a daily basis, guarantee that our products and services are competitive and manage and develop the complex organisational machine.

In our line of work, where reliability and a good reputation are key elements, it is the men and women that achieve the result, who make the difference, incorporating the distinctive traits and virtues of our company. It is up to them to interiorise the ethical values that come from the cooperative banking tradition, making them live in their day-to-day work. Colleagues with a team spirit, who are creative and true to their mission. This is what builds trust.

Based on these particular elements, we can stand out and make ourselves count in a banking market where gigantism on the part of certain operators inevitably leads to depersonalisation, in an industrial logic of mass production that we do not subscribe to. We are exactly the opposite: we want to safeguard

the unique nature of each relationship, so that each and every customer feels special and is able to perceive the quality of what we do. This is a must. In this way, we can take full advantage of our territorial coverage which is ensured by a finely woven network of branches that ensures operational immediacy and speed.

To feed the virtuous circle that up to now has ensured a constant flow of top quality human resources – that certain competitors keep rather too close an eye on – we make sure above all that the selection process is as rigorous as possible, the candidates being almost exclusively high school and university graduates, generally in business studies and other economics-related subjects. This is quite a complex process, for which a formal procedure has been drawn up, structured on various levels, to ensure the best possible assessment of candidates' individual potential and the extent to which they match the Bank's current and future needs.

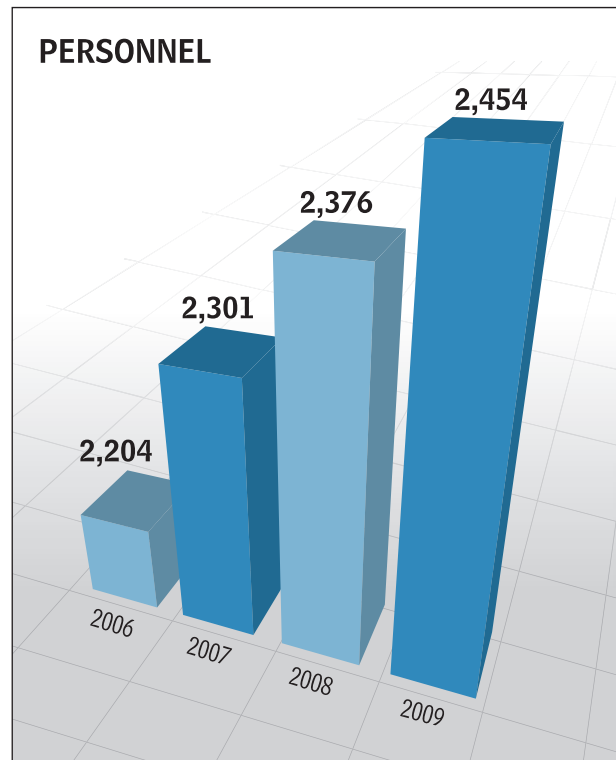
Once they have been hired, there are specific training courses, both in the classroom and on-the-job, which allows them to acquire the necessary professional skills and, above all, to absorb our corporate culture.

Our Personnel Department has effectively pursued the objective of satisfying the HR requirements to open new branches, reinforce the staff and replace leavers through a combination of internal rotation and new hires. All of this also with an eye to the future and the expected development of the Bank. To this end, career paths are plotted, along with the necessary training, in line with our long-term development strategy. This also involves assessing the performance, recording the skills and analysing the potential of each member of staff. During this process of growth, which is certainly professional, but also cultural and human, employees are called upon to fill positions of more and more responsibility within the Bank, also as a result of our territorial and operational expansion.

At the end of the year, the Bank's personnel consisted of 2,454 people, an increase of 78 (+3.28%).

76% of the staff work in the branch network; the other 24% at the central offices. Their average age at the year-end was 36 years 1 month, 6 months more than in 2008, while the average period of service has risen to 11 years 11 months, again 6 months more than last year.

As regards our training activities, it is worth emphasising that the constant, rapid evolution of the banking business – in terms of products, services, technologies and distribution channels – imposes on all of us timely updates and upgrades of our knowledge.



This is the only way that we can hope to dominate change, rather than being engulfed by it.

In addition to this, there are the many training requirements that arise from new legislation and regulatory requirements. As a result, our personnel department had to perform a significant amount of work organising classroom training for 1,829 members of staff for a total of 72,230 hours. The picture is completed by multimedia courses to which a large number of employees have ready access at various levels and on a wide variety of topics.

Particular attention has of course been paid to the large group of new hires, whose insertion in the ranks is a key moment for the company. As mentioned previously, their training is a combination of classroom work, remote multimedia courses and on-the-job tutoring, the last of which is carried out above all at the branches, where new employees have a chance to gain experience in various sectors under the guidance of more expert colleagues. More than 440 people were involved in this process in 2009, handling matters such as: the values of the Bank and, hence, behavioural ethics; banking regulations and technique; branch operations; internal and external communication; the products and services on offer; granting credit; securities markets; international operations.

Our long-standing collaboration with technical institutes and universities made it possible to activate 319 apprenticeships and orientation placements.

On the legislative front, 2009 did not see any major changes in this sector. Efforts were therefore made to implement the simplifications introduced during the previous years and these did effectively reduce the bureaucratic burden.

September saw the start of conversion of the professional apprenticeship contracts stipulated in 2005 into full-time jobs. Use of such «mixed cause» labour contracts, so-called because of their strong training element, has allowed the Bank to manage its staffing requirements, while also permitting those who are entering the world of employment for the first time not to feel «precarious», but an integral part of a process of skill acquisition.

Relations with the Trade Union representatives, with whom negotiations have begun for the renewal of the in-house labour contract, are as always based on mutual respect.

Underlying everything there is a team spirit, given that everyone wants to feel that their efforts are worth something, that they have a value.

PROMOTIONAL AND CULTURAL ACTIVITIES

Promotion and culture: two words that immediately recall another two: bank and territory.

Our identity as a cooperative bank and the intense relationship that binds us to the geographical areas where we operate do in fact get expressed in our cultural and promotional activities. Through them, we give a concrete form to the desire to offer the populations that we serve occasions to meet,

to discuss, to reflect and – why not? – also to play sports and have fun. At the same time, these events give the Bank a lot of feedback on community affairs that can generate growth and stimulate improvement.

These are the reasons behind our promotional efforts.

They are simple forms of motivation, but they are genuine and sincerely felt, and they have always allowed us to stay away from commercial advertising; not because – has someone said ironically – advertising is the unfaithful mirror of the world, but to foster direct contact with our customers, thanks to initiatives that make the Bank live among the people, applying the cooperative spirit that distinguishes it.

A tradition that gets renewed year after year, as demonstrated by the numerous events in 2009, starting with the «Notiziario», our corporate flag-bearer, which has maintained, and if possible increased, in its three annual issues, quality and appreciation, thanks above all to the prestige of those who contribute to it.

It was with particular satisfaction on our part – having been the promoters of the initiative born of an idea of Prof. Marco Vitale – that on 18 October 2009 the Fondazione ProVinea Onlus, with the Province of Sondrio and the Fondazione Cariplo, presented to the Rome International Film Festival, the splendid documentary with the evocative title «Rupi del Vino» (Wine Rocks). This work by the film director Ermanno Olmi forms part of the Bank's commitment to get UNESCO recognition of the Valtellina wine terraces as part of the world heritage of humanity. In the film, Olmi illustrates with great skill the work of the winegrowers in symbiosis with their land. The narrator of this documentary, who reflects the identity of our valley, gives a strong message to those who live or frequent the Province of Sondrio, stimulating profound reflection about its cultural, natural and human heritage.

Illustrious personalities have taken part in the 39th year of conferences held in our Besta Room. On 16 January, Ferruccio de Bortoli, at that time the director of *Il Sole 24 Ore*, handled with knowledge and pragmatism the theme «The Italian Economy between potential and weaknesses, an unconventional look from the pages of *Il Sole 24 Ore*». Livia Pomodoro, President of the Milan Court, on 20 February gave an authoritative talk on «Current difficulties in the art of judging: new projects at the service of citizens». On 17 April Cesare Mirabelli, Honorary President of the Constitutional Court, gave a learned dissertation on «The non-confessional nature of the State and the freedom of church education».

We took part in the 70th birthday celebrations of the well-known writer and germanist Claudio Magris, who on 4 May 2009 held a learned conference on the theme «After Homer: Ulysses in the modern and post-modern world». He also inaugurated a photographic exhibition dedicated to him, organised by Danilo De Marco in our Luigi Credaro Library and subsequently repropoed in the wood-panelled «stue» of our No. 1 Branch in Bormio. The April issue of our *Notiziario* devoted all of 63 pages to him, under the title «Happy Birthday, Claudio», with articles by 14 well-known authors. Crowning the celebrations for this illustrious citizen of Trieste was the poetry and music

event entitled «Il Fiume di Claudio» (The River of Claudio), inspired by the libretto of that name written by Graziano Benelli with original tunes composed by Carlotta Valcepina. This recital was held in Bormio with the help of the City Hall and the Civic Music School of the Province of Sondrio, Bormio Section, directed by Elisa Bellotti. The event was coordinated by Leo Schena, who had the original idea.

After the summer break, on 18 September we had as our guest another fellow citizen of the valley, Giuliano Zuccoli, Chairman of the Management Board of A2A spa, which was born from the merger of ASM spa – Brescia and AEM spa – Milan, the latter forming a significant part of Valtellina's economy. He spoke with considerable vision on a very topical subject: «Energy, yesterday's lessons, today's problems and tomorrow's challenges».

Our public meetings continued with a round table on «Ezio Vanoni and the social market economy», organised on 3 October by Silvio Beretta and Luigi Bernardi together with the Società Economica Valtellinese to present the book «Ezio Vanoni - public economist» by Francesco Forte. In addition to the author and Silvio Beretta, speakers at the meeting on the statesman from the Valtellina included Silvia Cipollina, Claudia Rotondi and Monsignor Sergio Lanza. The moderator was Alberto Quadrio Curzio, a well-known economist who is the professor in charge of the Faculty of Political Science at the Università Cattolica del Sacro Cuore di Milano and Vice President of the Accademia Nazionale dei Lincei.

Our conferences continued on 23 October 2009 with Paolo Scaroni, Managing Director of ENI spa, who was much appreciated by the public for his talk on «Highs and lows of the price of oil», which he could speak on from personal experience. The following 30 October, Lorenzo Ornaghi, Rector of the Università Cattolica del Sacro Cuore di Milano, entertained the audience on the interesting topic of «Internal federalism and intercommunity federalism: the future of the State in the age of globalisation». Lastly, on 27 November, we hosted Fulvio Conti, Managing Director and general manager of ENEL spa, who completed our cycle of conferences by speaking authoritatively on the subject of energy with a panoramic overview dedicated to «Italy's energy system and the role of ENEL».

The year under review saw constant improvements to our Luigi Credaro Library in terms of new books and documents and the number of users, helped by the exchange of texts with the main universities in Lombardy.

The AGM held in Bormio on 28 March was an opportunity for cultural matters as well. Members were given Gigliola Magrini's fine book entitled «Animals over time». An exhibition called «Life by the lake» was also held for the engravings of the Bellano artist Giancarlo Vitali, whose works owned by the Bank illustrated the 2008 financial statements. The introduction was by the well-known writer Andrea Vitali with a commentary by Franco Monteforte. The traditional cultural space given in the annual report of our Swiss subsidiary was devoted to Giorgio Strehler, the unforgettable theatrical director who co-founded the Piccolo Teatro of Milan, one of Italy's leading permanent theatres which now bears his name.

We would also like to mention the thirteenth diary book by Gigliola Magrini, which this year is themed «The city and days of 2010», a genuine book of time.

The eighth edition of «Invito a Palazzo», an initiative promoted by ABI, the Italian Banking Association, to open up banking environments of cultural interest to the general public, was held on 3 October 2009 and was an occasion to receive numerous visitors at our head office – the Bank's paintings being of particular interest – the Luigi Credaro Library in Sondrio and the Carlo Donegani Museum at the Stelvio Pass, which has an exhibition of memorabilia from the Great War.

The 85th World Savings Day was celebrated with an exhibition at the Credaro Library with the curious title of «Notgeld and hyperinflation. Germany 1914-1923». The exhibition showed some rare examples of the «emergency money» (Notgeld) distributed to replace the currency used in Germany during that period of disastrously high inflation. The exhibits are the property of a private collector who we thank once again for making them available.

A wonderfully sunny day for a festival of sport: 12 July saw the celebration of Mapei Day, which benefits from the solid support of Mr and Mrs Squinzi, to whom we are suitably grateful. This event, which was efficiently organised with the help of the Unione Sportiva Bormiese, BPS and our subsidiary Pirovano, saw the participation of around 3,200 athletes who reached the Stelvio Pass from Bormio by bike, on foot and, for the first time, on rollerskis. Many athletes took part in the Re Selvio Cycle Race, now at its 25th edition.

On 16-17 October 2009, the snows of the Stelvio were the site of the 15th Interbank Triangular Meeting and of the 8th Pirovano Interbank Meeting, the latter with the participation of 136 athletes from 16 different banks. All in the traditional spirit of friendship and conviviality.

The celebration of the Madonna della Neve made it possible to remember that 2009 was dedicated to St Paul. On 9 August, Father Stefano Gorla, the director of *Il Giornalino*, a weekly children's magazine published by Edizioni Paoline, held mass at the Pirovano in the picturesque setting of the Stelvio.

The traditional Snow Festival, now at its 10th edition, closed the skiing season at the Pirovano Stelvio. It was an occasion to give concrete support to the Associazione Sciare per la Vita Onlus, headed up by Deborah Compagnoni, and LILT, Lega Italiana per la Lotta contro i Tumori.

This last activity led to us being awarded a special prize as the «Territorial Bank of the Year 2009» by AIFIn (Associazione Italiana Financial Innovation), above all for our cultural activities. The Luigi Credaro Library won important recognition when it won first prize in the category of initiatives in support of art and culture.

As for our philanthropic activity, in addition to our on-going initiatives, we successfully raised funds for the earthquake-stricken people of Abruzzo. The funds raised – a total of 385,500 euro at 8 February 2010 when subscriptions were closed – are helping to construct a multifunctional centre for university students in the Pile district of L'Aquila, so it will benefit both culture and the young. The centre, which will cost a total of 1.4 million, is being built by the



Sebastiano De Albertis
Charge of the Carabinieri in the Battle of Pastrengo
 Fresh tempera and drypoint on canvas, 150 x 352 cm

«On a white horse, in front of everyone, Captain Conte Morelli di Popolo turns, raising his sword to incite his soldiers to attack. They charge boldly to confront the enemy. Lieutenant Cavagna also raises his sword, inciting his soldiers in battle in imitation of his Captain». This is the description of this large preparatory sketch for the 1880 painting in the Catalogue of works and objects of the painter put up for sale in 1899. The painting of the same subject was displayed in 1882 at the Società Promotrice di Torino, acquired by King Umberto I, and finally donated to the Branch of the Carabinieri where the Museum of Rome is located today.

Like the orchestral conductor's baton, the raised sword of Capitano Morelli di Popolo signals the attack and synthesises a long crescendo that spreads throughout the entire scene to the dizzying hooves of the galloping horses. «Of those horses – wrote Giovanni Robustelli in 1881, in reference to the final painting – you can see the vapour in their nostrils, hear the rhythmic pawing of their hooves, meet the flame in their eyes, and touch the sweat on their beaten side». But what is of the greatest impact is the exceptional dynamism of the group in which each detail is contemporaneously minutely described and perfectly balanced, to the point that the representation transcends the historic episode to become the very quintessence of a military charge. On the right, in the background, in contrast with the dynamism of the composition, we can glimpse the small group of the King sitting high in his saddle while he observes the battle.

SEBASTIANO DE ALBERTIS

(Milan 1828 - Milan 1897)

Born in Milan on 14 January 1828, he trained in the studio of Domenico and Gerolamo Induno, consolidating a deep friendship with the latter. His painting is mostly closely interwoven with his passionate participation in military escapades of the Italian Risorgimento following Garibaldi. Upon his return to Milan in 1860, following the expedition of the "Mille", he joined with Tranquillo Cremona, Vespasiano Bignami, and Eleuterio Pagliano in the "Società de la Confusion" (Confusion Society, later known as "Circolo degli artisti" – or Artist's Circle, orienting himself towards the issues of modern civilian life with that realism of impression attained through the use of a sketch and watercolours, a technique in which De Albertis soon attained extraordinary virtuosity. Following the death in 1874 of his only son, Enrico, De Albertis returned to the subjects he had always favoured, like history and scenes of military life captured on canvas with a descriptive vivacity and the passion of the protagonist, closely emulating Giovanni Fattori.

In this period, he also created numerous oils and sketches dedicated to the Battle of Pastrengo and the entire long series of paintings of the 1880s and 90s with episodes of military life during the Italian Risorgimento, that he continued to work on until his death in Milan on 29 November 1897.

ACHILLE BEFANI FORMIS

(Naples 1832 – Milan 1906)

Born in Naples on 15 September 1832, as a young man Achille Befani was an opera singer before dedicating himself to painting under the pseudonym of Formis, a name that he had already adopted as a singer. A student at the Academy of Naples, he soon moved to Milan, the then capital of Italian melodrama, frequenting artists like Eugenio Gignous, Eleuterio Pagliano, and Giuseppe Bertini, whose naturalistic leanings were fully exploited in portrait painting, in genre scenes, and in landscape painting, where he concentrated almost all of his artistic endeavours. Following a series of voyages in Egypt and Asia Minor during which, riding the wave of popularity of all things Oriental, he painted numerous landscapes that are still admired today. Formis participated regularly in leading national and international exhibitions, always faithful to the stylistic dictates of Lombard naturalism, interpreted with a subtle shadowy and melancholy flair, perceived as being both easy and academic, foreign to the contemporary Italian experience of divisionism and the developments of European painting.

Besides the Lombard lakeside landscapes (above all Canzo and the surrounding area) and mountains, Formis was renowned for his rural scenes in general, for his seascapes, and for his landscapes of Venice and Chioggia. He died in Milan on 28 October 1906.

Presented in 1880 at the Esposizione Nazionale di Torino, this large Alpine landscape with its pastoral subject immediately drew critical acclaim, above all for the structure of the composition and the bucolic autumnal atmosphere.

The apparent descriptive simplicity should not deceive. Formis represents a relatively small corner of an Alpine valley, but thanks to the diagonal perspective and the large format, the dimensions seem to expand panoramically on the canvas. As is typical of late nineteenth century Lombard naturalism, the brush stroke is concise and somewhat sketchy, but the overall composition offers a grandiose realistic effect if observed from the distance that the artist intended.

The light that filters from the low clouds in the sky evokes the dewy and damp melancholy of an autumn afternoon, but the scene of the ford with the two cows in the centre and the agitation of the men and animals in the distance, for an instant break the monotonous sound of the waterfall and the routine of a life that seems to be ideally melded with nature.

Upon the death of Formis in 1906, the authoritative art review Emporium acknowledged Return to the plains as one of the most famous works of the Neapolitan artist.

Achille Befani Formis

Return to the plains, 1880

Oil on canvas, 125 x 250 cm



Civil Protection Department. The fund-raising that we promoted will be immortalised by a plaque saying that the building was erected with the help of the customers of Banca Popolare di Sondrio.

We would also like to remind you of the Solidarity Current Account, which has allowed us to make donations to UNICEF, AIRC, AVIS and ADMO, according to the accountholder's preference.

Also worthy of a mention is our Staff Recreation Club, which offers a wide variety of cultural events, trips, holidays and sports that are much appreciated by the members and their families.

A particular thanks has to go to those colleagues who with considerable altruism devote their time and energy to organising these promotional activities, cultural and other events.

UPDATE OF THE SECURITY PLANNING DOCUMENT

The security policy statement was updated as prescribed in Rule 19 of Annex B to Legislative Decree 196 of 30 June 2003, the Italian Data Protection Law.

This update mentions, among other things, the changes made to implement the provision of the Privacy Watchdog regarding «system administrators», which came definitively into force on 15 December 2009.

The updated security policy statement, with annexes, is kept by the Data Protection Officer at SOSI.

EQUITY

Making sense of the crisis experienced by financial markets and transmitted by contagion to the real economy also lies in the need to recover and revalue concepts and values that have always formed part of the cultural and professional baggage of homo economicus and perhaps for that very reason appeared old and useless to the new wizards of finance.

The sense of limit, correct calculation of all risks, in-depth assessment of long-term economic trends were all put in the shade by blinding anxiety for immediate gain, which guided the actions of leading financial operators.

The almost spasmodic attention that was given to the level of intermediaries' capitalisation immediately after the crisis broke reflects a sudden change of track, an about-turn of 180°. Not that this heals much of the damage already done, but at least it seems to indicate a more prudent and responsible style of management. It will be the months and years to come that will tell us whether this return to common sense will be long-term, if not definitive; or whether the next gold rush, able to subvert rules and all sense of caution, is perhaps already underway.

As far as we are concerned, it is fair to say that we have always adopted risk policies that were firmly linked to prudent criteria, accompanied by constant attention to the correct measurement of our own funds. What

happened when the financial bubble burst merely reinforced our conviction of the need to continue down those routes, being careful to manage as best as possible the risk profiles that are inevitably linked to banking and, on the other, to raise and strengthen our capital defences.

As regards this last aspect, over the years the Bank's directors have always maintained a close and balanced relationship between the rate of growth in our aggregates and the Bank's equity. This we have done by pursuing a policy of self-financing through significant provisions made out of annual earnings, combined with periodic increases in share capital.

The latter have always been made suitably well in advance, in other words well before when they were really needed. This has made it possible for the Bank to carry out its corporate mission with its back covered, allowing it to cope with even the darkest moments of the international financial crisis thanks to the fact that it had adequate reserves.

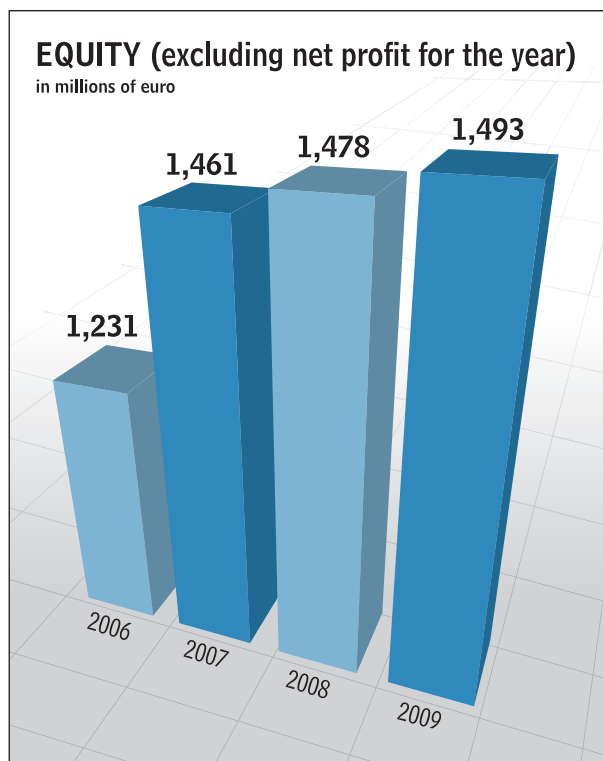
As mentioned in the chapter on significant subsequent events, the Board of Directors followed this trend by approving the issue of a step-up subordinated lower tier II bond loan for a maximum nominal amount of 350 million which went to reinforce a level of capital that was already adequate, thereby guaranteeing further room for growth in lending, especially in support of the economies in the territories that we serve.

At 31 December 2009, our solidity is reflected above all in the figure for equity, which excluding net profit for the year comes to 1,493 million, +1%.

The share capital, made up of 308,147,985 ordinary shares with a par value of 3 euro, remained unchanged at 924.444 million, as did the share premium reserve of 176.085 million. Reserves rose to 433 million (+0.6%) due to the allocation of part of the net profit for 2008. This following the resolutions passed by the Shareholders' Meeting on 28 March 2009, which approved the proposal to distribute a dividend of Euro 0.03 per share. Even though the valuation reserves (which derive from the losses booked on financial assets available for sale) show a negative balance of 0.513 million, this is a considerable improvement on last year's balance of -7.407 million.

As regards treasury shares, at 31 December 2009 the Bank held 4,622,577 shares, for a book value of 40.2 million compared with 45.5 at the end of 2008. Purchases were made using the specific provision of 61 million shown in the financial statements under Reserves.

During the year, trading aimed at favouring the circulation of our shares included purchases of 205,333 shares, for a total of 615,999 euro at par (0.067%





of the share capital) and sales of 746,022 shares, for a total of 2,238,066 euro at par (0.242% of the share capital). The market value of purchases was 1.3 million; that of sales 4.9 million. These trades resulted in a loss of 1.7 million, which was booked to equity.

The fact that we meet the capital adequacy requirements is also borne out by the following elements. Risk-weighted assets total 11,828 million. The Bank's individual solvency ratio (ratio of capital for supervisory purposes to risk-weighted assets) is 12.06%, compared with the minimum of 8% required under current regulations for banks that belong to banking groups.

The relationship between equity and the principal financial parameters is summarised below. These figures show that our capital is adequate according to current norms, though the international trend seems to want to increase the minimum level of banks' capital even more. For our part, we monitor it constantly.

- *capital/direct customer deposits*
8.52% v. 8.90%
- *capital/customer loans*
8.93% v. 9.90%
- *capital/financial assets*
44.52% v. 37.38%
- *capital/total assets*
6.75% v. 7.12%

INCOME STATEMENT

While in 2008 the Bank's income statement was heavily penalised by the collapse of financial markets, which generated substantial losses on securities, this year renders justice to the policy of prudence that we have always pursued in the allocation of our financial investments. As a result, the losses have been reabsorbed and we have been able to book substantial realised and unrealised capital gains on securities.

This has been accompanied by making lending our main priority and loans are up yet again, despite the tricky state of the economy. This has benefited net interest income, which is the main source of revenue for a traditional bank like ours.

The year closed with a net profit of 190.674 million, which compares with last year's figure of 13.735 million, +1,288.23%. A very significant result, both in terms of its size and considering the difficult context in which it was achieved.

Net interest income

Analysing the main items in the income statement shows the trend mentioned earlier in net interest income, which has risen to 446.362 million, +5.49%. The increase is linked to the expansion in volumes handled, accompanied by an improvement in the interest spread, despite the fact that interest rates have been at an exceptionally low level.

Net commission income comes to 173.450 million, + 20.69%, confirming the rise in business volumes with customers and showing above all the effect of the commissions on loans.

Dividends amount to 3.192 million, down by 34.98% because of the general reduction in the earnings being paid out by affiliates.

The results of financial activities, 137.352 million compared with last year's loss of 134.218, have benefited from the recovery in financial markets. In particular, net trading income has increased to 131.333 million compared with a loss of 123.740 million, with the profit on trading in securities up from 1.355 million to 52.482 million and a positive net balance between capital gains and losses of 59.669 million, compared with last year's negative figure of 133.596 million. The result of activities in AFS and HTM assets and own bonds was negative to the tune of 1.459 million, mainly because of the loss of 1.060 million booked on the sale of the interest in Meliorbanca spa. The result of financial assets at fair value, which last year made a loss of 16.087 million, was positive for 7.477 million.

Income from banking activities rose as a result from 437.524 to 760.356 million, +73.79%.

Income from banking activities

SUMMARY INCOME STATEMENT

(in thousands of euro)	2009	2008	(+/-)	% change
Net interest income	446,362	423,115	23,247	5.49%
Dividends	3,192	4,909	-1,717	-34.98%
Net commission income	173,450	143,718	29,732	20.69%
Results of financial activities	137,352	-134,218	271,570	-
Income from banking activities	760,356	437,524	322,832	73.79%
Net adjustments to loans and financial assets	-145,642	-71,056	-74,586	104.97%
Balance of financial management	614,714	366,468	248,246	67.74%
Personnel expenses	-156,858	-148,580	-8,278	5.57%
Other administrative expenses	-161,485	-146,568	-14,917	10.18%
Other operating income/expense	38,336	31,918	6,418	20.11%
Net provisions for risks and charges	-	2,000	-2,000	-
Adjustments to property plant and equipment and intangible assets	-18,524	-17,348	-1,176	6.78%
Operating costs	-298,531	-278,578	-19,953	7.16%
Operating profit (loss)	316,183	87,890	228,293	259.75%
Share of profit (loss) of equity investments and other investments (+/-)	-7,509	-39,055	31,546	-80.77%
Profit (loss) before tax	308,674	48,835	259,839	532.08%
Income taxes on current operations	-118,000	-35,100	-82,900	236.18%
Net result (loss)	190,674	13,735	176,939	1,288.23%

Notes: the results of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement.

Net adjustments to loans, financial assets available for sale and those held to maturity grew from 71.056 to 145.642 million (+104.97%). Of this item, the element relating to customer loans went from 65.016 to 141.276 million, +117.29%, reflecting both the difficulties generated by the ongoing negative cycle in the economy and the prudent valuations made by the Bank's credit committees.

The ratio of net adjustments to customer loans/total customer loans, which is defined as the cost of credit, has therefore gone from 0.44% to 0.85%. The other writedowns of 4.366 million, which relate to financial assets available for sale, concern a number of listed equities and mutual funds for which objective impairment has been established between their original book value and their market value.

The balance of financial management therefore comes to 614.714 million, +67.74%.

Operating costs amount to 298.531 million (+7.16%). The element relating to personnel expenses has risen by 5.57% from 148.580 to 156.858 million.

This increase is essentially linked to social contributions, as well as to the higher number of employees.

Other administrative expenses are up from 146.568 to 161.485 million, +10.18%. Although this increase was general, it was more marked in the area of ICT and data processing costs, as well as indirect taxes.

Adjustments to property, plant and equipment and amortisation of software amounted to 18.524 million (+6.78%).

Other revenues, net of other operating expenses, gave a positive result of 38.336 million, +20.11%. This trend is due to the increase in operating income, +6.42%, against which there was a 58.10% decline in operating charges. The largest item in this caption is tax recoveries, while the related cost is included in other expenses.

Net movements on provisions for risks and charges show a zero balance as the additional provisions made during the year exactly offset the prior year provisions that were released during the year.

The ratio of operating costs/income from banking activities was 39.26%, compared with 63.67%. It has benefited from the positive – and non-recurring – result of trading activities, in the same way that last year was hit by the negative result of trading.

The operating profit therefore came to 316.183 million, +259.75%.

Profits/losses on equity investments show a negative balance of 7.509 million compared with -39.055 million the previous year. It derives for 4.688 million from the residual loss on the sale of the interest in Banca Italease spa when we accepted the takeover bid launched by Banco Popolare; for 2.533 million from the impairment writedowns and the net loss for the year of Pirovano Stelvio spa to bring the carrying value into line with its net equity; for 13 thousand to other minor losses, including those on the disposal of Nuova Janua srl as part of the reorganisation that involved Janua B. & A. Broker spa and for the residual 275 thousand to the loss on disposal of property, plant and equipment.

This led to a profit from ordinary operations of 308.674 million, +532.08%, which after deducting income taxes of 118.00 million, +236.18%, gives a net profit for the year of 190.674 million, compared with 13.735 million the previous year, +1,288.23%.

Based on the good results of the Bank, the Board of Directors would like to propose a dividend of 0.33 euro per share, which takes into account the need to boost capital, on the one hand, and the reasonable expectations of shareholders, on the other, as last year they received a relatively low dividend.

It is fair to say that we are extremely satisfied to have closed the year with a profit of this amount, even if it was affected by income elements that will certainly not be repeated during this coming year.

Our satisfaction is even greater because it is aimed at shareholders who are always close to their Bank.

Net profit for the year

Dividend

CRITERIA FOR MUTUALISTIC ACTIVITIES

In accordance with the provisions of art. 2545 of the Italian Civil Code, the following are the criteria followed by management to achieve the Bank's mutualistic goals.

In this matter, points 1 and 2 of our Articles of Association are fundamental points of reference for us; they read: «The company's activities are based on the principles of mutuality and cooperation» and «As part of institutional work to facilitate the development of all productive activities, the company, in consideration of its specific objectives as a cooperative bank, intends to provide specific support for the smaller enterprises and cooperatives present in the territories served; in addition, it will take all appropriate steps to spread and encourage saving».

The crisis has undoubtedly helped emphasise the importance of the function performed by the cooperative banking movement in support of the local economies. At the time that globalisation showed its limits and the crisis took over, some operators – evidently those who had forgotten – rediscovered the importance of financing above all the enterprises in their own territories.

As far as we are concerned, there was no rediscovery: we have always been faithful to our cooperative mission, which is expressed above all in allocating funds on a preferential basis to households and business in the communities that we serve. This is our contribution to economic and social development: a transversal movement that involves all subjects in the area, safeguarding their identity and fostering their potential.

The proof of what we have just said is in the numbers: loans amount to 16,711 million, with an increase of 11.88% on the previous year, despite the slowdown in the general economic cycle. This means that we have really done our duty as a cooperative bank, without implementing indiscriminate policies of credit rationing; indeed we have always stayed close to businesses, especially small and medium-sized ones, in certain cases helping companies that had been abandoned to face the crisis on their own. This was reflected in our

immediate acceptance of the Common Notice signed on 3 August 2009 by the Economy and Finance Minister, ABI and the Association of Entrepreneurs for the suspension of loan repayments by worthy SMEs being sorely tried by the crisis.

We have give equal attention and commitment to households, which have continued to use the funding sources reserved for them, above all house purchase mortgage loans, which remained high. As we mentioned previously, we took part in the «Prestito della Speranza» initiative promoted by ABI and the Italian Episcopal Conference to provide small loans to large families or households suffering from illness or disability. No less, the honour loans targeted at students to facilitate their studies. Also worth mentioning are the financing instruments to spread the use of renewable energy sources, made available to both private and corporate customers determined to contribute towards protecting our natural environment.

As regards funding, we can confirm what we said in previous years: the products we offer are genuine and transparent, as we are convinced that this is the best way to promote and enhance savings. Especially during the many moments of tension on financial markets during this last year, we have known how to give customers precise points of reference, particularly meeting the demand for investment tools with a low level of risk exposure. Another important step was the promotion of supplementary pension funds to guarantee people – youngsters in particular – an adequate pension, given that the benefits from obligatory state schemes are destined to fall. We would add that what we offer is enhanced by instruments of ethical finance, which are designed, among other things, to encourage an ecosustainable economy.

The users of our products and services include numerous public entities and institutions, a category that ranges from small local entities to bodies of national importance, to which we ensure complete professional assistance to help them carry on their complex activities.

The process of expanding the shareholder body achieved further successes, despite the fact that stock exchanges had to face periods of profound difficulty and prolonged uncertainty. Proof of this is the fact that our stock is perceived and appreciated not only for its contingent market value.

The number of shareholders increased by 5,020, again putting us at the top of our category. It is important to emphasise that most of our shareholders are also customers, which gives concrete form to one of the founding principles of the cooperative movement, while also strengthening their relationship with the Bank. This aspect is also reflected in the fact that a great many shareholders attend general meetings, which we consider very important. There were almost 4,500 registered attendees at the meeting on 28 March 2009. As always, attendance was facilitated by a transport service that we made available, while we also offered shareholders a lunch after the meeting.

The Bank keeps in constant touch with the shareholders by means of the periodic communications that are specifically for them. Again in 2009, halfway through and at the end of the year, they received the traditional letter

from the Chairman, which was also communicated to the market as required by law, updating them on the results for the period. We would add that the report of the Board of Directors that accompanies the financial statements offers the shareholders complete information on the various areas of the Bank, expressed as far as possible in jargon-free language that is accessible to all. The various interim reports also follow the same approach.

Having said how we operate in accordance with the principles of the cooperative movement, it is worth adding that our desire to contribute towards the economic and social development of the communities that we serve also manifests itself in the financial support that we give to a vast range of initiatives on their behalf. During the year, we helped the following, which reflects our acceptance of a long-term responsibility:

- running the library in Sondrio named after Luigi Credaro, illustrious compatriot and former Education Minister from 1910 to 1914. In addition to making available to the general public our significant heritage of books and documents, we have also established fruitful contacts with the world of education;
- support for Pirovano Stelvio spa and through it for the tourist complex of the Stelvio and the Upper Valtellina;
- the ongoing effort to obtain recognition from UNESCO of the terraced vineyards in the Valtellina as a World Heritage Site;
- the cultural events we organise on an ongoing basis such as conferences and seminars, as well as the publications we edit and publish, and the sporting events that involve a large number of participants;
- the traditional celebration of World Savings Day;
- the contributions paid in favour of public and private entities, universities, hospitals and institutions to which we provide treasury services;
- donations – from the amount allocated for this purpose at the shareholders' meeting – to support entities and associations that carry out cultural, sporting or voluntary work.

* * *

The financial crisis, which is gradually abating, and the economic one, which is unfortunately continuing, have demonstrated yet again the importance of the role played by cooperative banks. Households and businesses have found in them a secure point of reference, which has been even more precious in a general context weighed down by fears and uncertainties.

A mission that the cooperative banking movement has exercised in the many countries where it has spread and which, as underlined by our Trade Association, has contributed significantly towards persuading the General Assembly of the United Nations to declare 2012 the International Year of Cooperatives.

Silvio Poma

Bellagio point from the midlake shore

Oil on canvas, 49 x 35 cm, unpublished

The large tree that serves almost as a backdrop in the composition focuses the viewer's attention on the pathway in the foreground where a country girl is wearing a red headscarf and with a basket on her arm walks along with her daughter holding her hand. The opening in the landscape to the right however, immediately sets her in relation to the scene where this takes place, projecting her into the unexpected depth of the landscape.

It is precisely this perfectly reciprocal proportion between foreground and perspective depth that breathes life into the entire composition, making the shoreline of the lake perfectly recognisable in the mid-ground, serving as a curtain on the stage.

This work, never before published, is one of Poma's rare landscapes in which the lake environment sheds its role as protagonist and acquires a merely secondary function in relation to the scene. being narrated.

The artist here seems to have assimilated the typical methods of "macchia lombarda" – or "Lombard greenery" – different from that of the compact blocks of colour of the Tuscan "Macchiaioli", who borrowed from fifteenth century paintings and were more sensitive to the frayed methods of Scapigliatura painting that tended, instead, to blur the contours. The style of this painting is, all in all, a Poma, aimed at updating his style and should be dated, in my opinion, around 1910.



SILVIO POMA

(Trescore Balneario, Bergamo 1840 – Turate, Como 1932)

Following a military career in the Piedmontese infantry during the second and third war of Independence, in 1869 Poma abandoned the army to dedicate himself to the painting of landscapes, following the Verist artistic trends of Giovan Battista Lelli. This is how he began, at the age of 30, a successful career that saw him continually present at the leading national exhibitions in Italy where his lake landscapes – which were so relaxing and picturesquely animated by boats, carriages, ladies strolling with parasols, colourful farmers' daughters and youths in undervests – satisfied the somewhat conservative and traditional taste of private collectors and of a rich aristocratic clientele, including that of Prince Andrea Doria during the 1880s and of the Royal House of Savoy, which continued until 1903.

Poma, on the other hand, strove to continue to be faithful to his lake landscapes and realist modules of landscapes even when new movements in Scapigliatura painting and Divisionism arose, taking their toll on the Verist school. Following 1910, the contours of things in his painting began to fray increasingly and the pictorial material was reduced to the visual effect of purely chromatic contrasts. Beginning in 1924, following the death of his wife, the Bergamo-born artist gradually withdrew from the scene and died on 21 October 1932, shortly after moving to the Casa Veterani (old people's home) "Umberto I" in Turate.



Silvio Poma

Lake Como, Cadenabbia shore

Oil on canvas, 36 x 50 cm, unpublished

Signed on the lower right "S. Poma"

This view of the lake from the Cadenabbia shore stands out for the extraordinary breadth of the landscape. Poma did not conceive of the natural landscape without some human presence to bring it to life and grant it an anecdotal and narrative aspect, as in this case with the group of the mother and daughter strolling, while the son tags along. This is however a discreet human presence, spontaneously absorbed in the vast scenario of nature, which is the true subject of the painting and which stretches from the foreground and rises to the majestic wall of mountains that shuts out the horizon in the background. The rapid and concise touches of colour and brush strokes intended to impart a visual synthesis rather than descriptive details, and the blurred softness of the contours that seem to dissolve into the atmosphere lead one to date this work, thus far unpublished, to a period just after 1910.

Silvio Poma
Morning in Valmadrera

Oil on canvas, 48 x 63 cm, unpublished

Signed on the lower right "S. Poma"



Poma painted this glimpse of landscape of the Valmadrera with the sun beating on the Corni di Canzo a first time in 1879, presenting it with the title In Valmadrera to the Promotrice di Torino, where it was purchased by the Duchess Victoria, mother of Queen Margaret. The artist returned to the same subject towards the end of his career with a series of significant stylistic variations that gave a general overview of his thirty years of artistic evolution. There was no longer the realistic limpidness of a landscape with clear-cut contours defined in every detail, but rather a visual impression realised with a concise brushstroke that allows the colour to flow more freely and loosely. Things blend into each other without outlines and without interruption. This is a more modern and less academic vision, more pictorial and less photographic, in which the landscape becomes more intimate and personal, and the mountain itself is enhanced and more vigorous. However, the artistic subject still remains bucolic and traditional, appearing totally comprehensible in a landscape artist who belongs entirely to nineteenth century realism.

Let's ensure that these banks continue to work so that others can work; which means that they have to be free from excessive restrictions.

SIGNIFICANT SUBSEQUENT EVENTS

The following information on significant events that have taken place subsequent to year end is provided in accordance with regulatory requirements.

Towards mid-January we offered customers a step-up subordinated lower tier II bond loan with a duration of seven years for a maximum nominal amount of 350 million. The placement was closed in advance on the second day of the offering as it had already been fully subscribed. This renewed manifestation of trust rewarded the simplicity and transparency of the operation, in line with our long-standing management policies. This is the first loan of this kind issued by the Bank. Its purpose is to boost regulatory capital and means, above all, that our lending activity has further support.

Together with the other shareholder cooperative banks, we reviewed the opportunity that arose from a corporate reorganisation and decided in favour of increasing our interest in Banca della Nuova Terra spa from 6 to 19.50%, for an outlay of 10.1 million; this increase was concluded formally – and from an accounting point of view – during the current year after receiving approval as required from the Supervisory Authority.

The Bank accepted the irrevocable and binding takeover bid launched by Istituto Centrale delle Banche Popolari Italiane spa for all of the shares in Centrosim spa not already held by ICBPI. This initiative is designed to ensure the company operating and economic equilibrium by inserting it into that group to create synergies. The price of 39.49 euro per share was established on the basis of Centrosim's net equity according to the preliminary figures at 31 December 2009. Acceptance of this proposal – which was also subject to acceptance by 19 March 2010 on the part of sufficient shareholders to represent at least 67% of the share capital and receipt of the necessary authorisations by the purchaser – for BPS entails proceeds of € 418,120.12 and a capital loss of € 206,113.21.

As regards our subsidiary Banca Popolare di Sondrio (Suisse) SA, on 15 February 2010 its general meeting examined and approved the results for 2009. The year closed with a net profit of 9.6 million Swiss francs, a contraction of 24.24%, though this is still a satisfactory result considering the difficult state of the economy. Steady growth by the subsidiary – balance sheet aggregates and services on the one hand and territorial expansion on the other – and objectives for further development over the coming years in line with its progressive insertion into the economies of the areas served have led to a decision to raise its share capital from the present 50 million to 100 million Swiss francs. The increase will be subscribed entirely by the parent bank, Banca Popolare di Sondrio, thereby maintaining 100% control.

The BPS board meeting on 25 February 2010 decided on the terms of an agreement to acquire control of Factorit spa. This company, which was

founded in 1978 by a number of cooperative banks, has traditionally been efficient and profitable, becoming the fourth largest operator in Italy in this sector. It is currently wholly owned by the Banco Popolare Group, which has decided to sell the majority as part of an internal process of rationalisation. The agreement is for Banca Popolare di Sondrio to buy 60.5% of the share capital, while Banca Popolare di Milano is to take 30%. The other 9.5% will stay within the Banco Popolare Group.

The price has been set by the parties by agreeing that the entire company was worth 170 million, based on Factorit's net equity at 31 December 2009. The Bank's outlay will therefore be around 103 million. To confirm this value, the buyers will carry out a due diligence after signing the contract and before the shares are transferred. Syndicate and commercial agreements will follow. The deal is subject to prior approval by the competent authorities.

The purpose of this initiative – which is based above all on detailed studies leading to the conclusion that Factorit would fit in very well with our Group, comforted by the opinions of qualified consulting companies with regard to the economic, accounting and legal aspects – is to reinforce the commercial services that we can offer companies, with particular regard to the handling of domestic and international collections and related advances. It goes without saying that the company will continue operating with the numerous banks with which it has special arrangements, and obviously with its shareholder banks as well.

OUTLOOK FOR OPERATIONS

Signs of recovery and consolidation of the cycle seem to be appearing with a certain regularity. However, there are still numerous elements of uncertainty, the one certainty being that the beneficial effects on employment are still to be seen. It is also to be expected that this extended period of crisis will have a negative impact for some time on the quality of credit.

As regards our Bank, net interest income is expected to fall slightly, partly because of the low level of interest rates, and partly because of limited growth in balance sheet aggregates.

Net commission income should see a positive trend, while this year's financial profits are not going to be repeated, given that they benefited above all from write-backs to the government bonds (CCTs) in portfolio.

Income from banking activities will therefore see an equivalent decline. While continuing to have a significant impact, net adjustments to loans are expected to fall thanks to the efforts made to monitoring the related risk profile.

Costs are likely to reflect the general trend of the Bank's expansion.

The net result should be in line with that of 2009, helped by the capital gains on disposal of our stakes in Arca Vita spa and Arca Assicurazione spa, as mentioned in the chapter on equity investments.



* * *

Audit of the financial statements

Shareholders,

The 2009 financial statements, comprising the balance sheet, the income statement and the attachments forming an integral part of these documents, are presented for your examination and approval. These financial statements, which show a net profit for the year of € 190,674,454, have been audited by KPMG spa.

BALANCE SHEET

Total assets		€	22,119,941,942
Liabilities	€	20,436,226,061	
Valuation reserves	€	-512,970	
Share capital	€	924,443,955	
Share premium reserve	€	176,084,564	
Treasury shares	€	-40,211,189	
Other reserves	€	433,237,067	
Total liabilities and equity (excluding net profit for the year)		€	21,929,267,488
Net profit for the year		€	190,674,454

ALLOCATION OF NET PROFIT FOR THE YEAR

Consistent with legal requirements and the articles of association, we propose the following allocation of net profit for the year:

- to the legal reserve 10%	€	19,067,445.40
- to the statutory reserve 30%	€	57,202,336.20
- dividend to shareholders of € 0.33 per share	€	101,688,835.05
- to the reserve for treasury shares	€	12,000,000.00
- to the reserve for donations	€	700,000.00
- to the legal reserve, a further	€	15,837.35
Total	€	190,674,454.00

EQUITY

If you concur with our proposals, equity will be made up as follows:

- Valuation reserves	€	-512,970
- Share capital - 308,147,985 shares, par value € 3 each	€	924,443,955
- Share premium reserve	€	176,084,564
- Treasury shares	€	-40,211,189
- Reserves	€	521,522,686
Total	€	1,581,327,046

Shareholders,

As we come to the end of this long line of figures and other information on what happened in 2009, we feel the need to thank those who made it possible to achieve these results.

Firstly, we would like to thank our shareholders and customers for their business and constant presence, prompting us to work well and helping us to grow.

Our appreciation for the efforts of the Board of Statutory Auditors which, valiantly chaired by Egidio Alessandri, has performed its broad and delicate functions with, as ever, dedication and professionalism. Recognition too for the work of the Advisory Committee, which is always on hand, and to the members of the Supervisory and Discount Committees for their experience and knowledge, with a special mention for those based in Milan.

We are grateful to the boards and employees of our group companies, with particular reference to those at Banca Popolare di Sondrio (Suisse) SA; to the Italian Banking Association, to the National Association of Cooperative Banks, to our Italian and foreign correspondents, and to our sister cooperative banks including, in particular, BP di Fondi, with which we have collaborated successfully for many years.

We express our respect and profound gratitude to the staff of the Bank of Italy, from Mario Draghi, the Governor, to the Members of the Directorate, to the Chief of Supervision and his staff, to the general officers and the directors of the main offices and branches located in the provinces where we are present. We also salute Salvatore Messina, Manager of the Milan head office of the Bank of Italy, Giambattista Chiarenza, Manager of the Rome head office, and Luigi Bettoni, Manager of the Sondrio branch.

Many thanks too for the constant collaboration of the directors, managers and staff of Consob, the Italian Exchange Office and Borsa Italiana, which also manages the MTA, the screen-based market where our shares are traded.

Our respect and recognition go to the Federal Commission of the Berne Banks for their supervision of our Swiss subsidiary, and to the Bank of France, which supervises the French banking system and, accordingly, the branch of «Suisse» located in the Principality of Monaco.

Last but not least, our heartfelt thanks to all our staff for their intelligent and loyal collaboration and their spirit of commitment to the Bank. Our best wishes for a long, healthy and serene retirement go to Dante Alessi, Gianpiero Botta, Guglielmo Corvi, Pietro Curti, Walter De Giovanetti, Attilio Del Po, Dario Ghilotti, Giuseppe Ghislandi, Mauro Gusmeroli, Franco Longhini, Giorgio Mitta, Vittorino Negri, Renato Pasini, Emilio Poggi, Claudio Rho and Maurizio Tornadù.

We have received numerous letters during the year; many full of compliments; some – few to tell the truth – with complaints. All of them have been followed up, thanking them even for their criticism which always helps us to improve.

Our final thoughts go to those we may have mistakenly overlooked who, nevertheless, have helped us with their friendly advice, information and whatever.

Shareholders,

In presenting the 2009 financial statements for your approval, the directors invite the Shareholders' Meeting – having read the report of the Board of Statutory Auditors – to adopt the following resolution:

«The ordinary meeting of the shareholders of Banca Popolare di Sondrio, meeting today, having heard the directors' report on operations during 2009 and the proposed allocation of net profit for the year, which includes the payment of a dividend to the shareholders of € 0.33 per share; having noted the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the balance sheet, the income statement, the explanatory notes and, in addition, the financial statements of the subsidiary and associated companies,

approves:

- the directors' report on operations;
- the financial statements at 31 December 2009, comprising the balance sheet, income statement and related explanatory notes; financial statements which report a net profit for the year of € 190,674,454. The Shareholders' Meeting therefore specifically approves the allocation of net profit for the year of € 190,674,454 as proposed by the Board of Directors in accordance with current legislation and the articles of association and, in particular, resolves:

a) to allocate:

- 10% to the legal reserve € 19,067,445.40
- 30% to the statutory reserve € 57,202,336.20

b) to pay a dividend of € 0.33 to each of the 308,147,985 shares in circulation at 31/12/2009 with dividend rights as from 1/1/2009, transferring to the statutory reserve the amount of the dividends due to any treasury shares held by the Bank on the working day prior to going ex-coupon, for a total amount of € 101,688,835.05

c) to allocate to the reserve for treasury shares € 12,000,000.00

d) to allocate the residual net profit:

- to the reserve for donations € 700,000.00
- to the legal reserve, a further € 15,837.35

Point 2) on the agenda: mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association.

Shareholders,

art. 21 of the Articles of Association provides that: «The Board of Directors may acquire the Bank's shares in accordance with art. 2529 of the Italian Civil Code, to the extent of the specific reserve established out of distributable profits allocated for this purpose at the shareholders' meeting. The shares purchased can be re-sold or cancelled».

In implementation of this rule, the Board would like to invite the Meeting to pass the following resolution:

«The Ordinary Meeting of the Shareholders of Banca Popolare di Sondrio, met today, having heard the proposal made by the Board of Directors:

hereby resolves:

to set at Euro 73,000,000 – shown in the financial statements under «Reserves» – as the amount made available to the Board of Directors to make purchases of the Bank's own shares in accordance with art. 21 of the Articles of Association, within the limit of this amount and whatever part of it is made available by subsequent sales of the shares purchased; all as part of an activity that is compliant with current regulations and designed in particular to facilitate circulation of the shares.

Purchases and sales of treasury shares – namely the ordinary shares of Banca Popolare di Sondrio of par value Euro 3 each – will have to be carried out on organised markets according to operating methods that ensure parity of treatment between shareholders and which do not permit direct matching of purchase and sale offers.

Purchases and sales will be possible between the date of this Shareholders' Meeting and the next Shareholders' Meeting called to approve the 2010 financial statements. Purchases will have to take place at a price that is not higher than the closing price posted at the end of the market day immediately prior to each purchase using the above-mentioned «Reserve» of 73,000,000 euro and with a further limit that, depending on the trades carried out, share ownership must not exceed a maximum number of 4% of the shares making up the share capital. Sales will have to take place at a price that is not lower than the closing price posted on the market day immediately prior to each sale, reducing the use of the above-mentioned «Reserve» of Euro 73,000,000.

Any cancellations of treasury shares will have to take place in compliance with the law and the articles of association, using the reserve for treasury shares to cover any differences between their par value and purchase price.

The Board of Directors, and the Chairman and Deputy Chairman, separately, on its behalf, is also granted all powers needed to implement this

resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that run the market.

Point 3) on the agenda: Approval of the document «Compensation Policies of Banca Popolare di Sondrio»

Shareholders,

In implementation of the «Supervisory Instructions on the Organisation and Corporate Governance of Banks» issued by the Bank of Italy on 4 March 2008 and the subsequent explanatory note issued on 27 February 2009, as well as art. 29 of the current Articles of Association, as amended by the Board of Directors at the meeting on 14 May 2009, we would like to submit for your approval the document containing the «Compensation Policies of Banca Popolare di Sondrio» in favour of the directors, employees and contract workers.

According to the Supervisory Instructions, compensation systems must not be in contrast with policies of prudent management and with the long-term strategies followed by the bank, also providing for a reasonable balance between the fixed and variable elements of remuneration. On the other hand, adequate pay mechanisms are vital to ensure that the company can retain the professional skills that it needs to foster its development and remain competitive.

Our «Compensation Policies» are in line with the fundamental values of our Bank, which are referred to in the text of the Documents that is being submitted for your approval and which has been distributed to the Shareholders present.

The Bank's compensation policy has been developed and decided in correlation with its overall expansion. Over time, this expansion has revealed the need for increasingly qualified professional resources to work in both the central and branch offices, partly because of the new areas that we have opened, and partly because of the higher level of competition within the banking system.

While taking general market logic into account, also to be able to attract, maintain and motivate the best human resources, the Bank has remained faithful to certain fundamental principles: attention to the sustainability of compensation policies over the medium to long term, balance, meritocracy, gradualism and the desire to create relationships that will last over time.

As far as we are concerned, we have never used incentives based on financial instruments, such as stock options, and we intend to continue with this approach.

The Compliance Unit was involved in the process of validating the compensation policy and the pay system, concluding that they were perfectly in line with the legal and Supervisory Authorities' requirements.

Point 4) on the agenda: Fixing the remuneration of the directors.

Shareholders,

The Shareholders' Meeting is responsible for fixing the remuneration of the directors.

The directors will propose the amounts concerned.

Point 5) on the agenda: Appointment of directors.

Shareholders,

In accordance with the articles of association, the Shareholders' Meeting is called upon to renew the appointment of directors. The mandates of the following directors have expired: Federico Falck, Mario Galbusera, Nicolò Melzi di Cusano, Bruno Vanossi and Francesco Venosta. To this end, the notice of calling includes the entire text of Article 35 of the Articles of Association, which governs the presentation of lists of candidates.

Point 6) on the agenda: Appointment of the Advisory Committee.

Shareholders,

In accordance with the Articles of Association, the Shareholders' Meeting is called upon to elect the entire Advisory Committee for the three-year period 2010-2012. The terms of office of the following have expired: Alberto Crespi, Giuseppe Guarino and Andrea Monorchio, acting advisors, and Antonio La Torre, alternate advisor. Moreover, Mrs Susanna Agnelli, an alternate advisor, died on 15 May 2009.

Sondrio, 25 February 2010

THE BOARD OF DIRECTORS

Once attributed to the English Romantic landscape artist, Henry John Williams Boddington, the painting is actually by the son of the same, Edwin Henry Boddington, as clearly indicated by the initials EHB.

The entire composition shouts strong contrast between the diffuse luminosity of the warm light at sunset and the deep blue of the lush vegetation - a contrast that exalts the waning light of the sun but ends up reflecting upon the water as well, where the shadow imposes its own dominion on the light. The result is a poetic, sweetly melancholic atmosphere, subtly Pandean, not lacking in some dramatic vibration, underlined by the presence of the hunter on the left, walking into the sun, but with his shoulders in the shadow, a tiny presence in the majestic vastness of nature, splendidly exalted by the very oblong and horizontal dimensions of the composition.

EDWIN HENRY BODDINGTON

(London 1836 - London 1905)

Born in London in 1836, son of Henry John Williams - the most famous exponent of the artistic Williams dynasty, also appreciated by John Ruskin - who in 1832 took the surname of his wife, Boddington, to distinguish himself from his six brothers, all of whom were painters, Edwin Henry Williams Boddington also followed in the artistic footsteps of his father, under whom he studied, and whose unfinished works he completed upon his death.

Even though his works were strongly influenced by his father, particularly in the

Edwin Henry Boddington
Landscape on the river with a hunter
Oil on canvas, 20 x 40 cm, unpublished
Signed on the lower right "EHB"



subject matter, Edwin Henry did however succeed in developing, in the age-old traditions of English landscape painting, his own style of lyrical naturalism that was quite recognisable, especially in the numerous river scenes with solitary fishermen, in which he accentuates the slightly Pandean power of the shadows that the vegetation extends out over the water. Over the course of his life, his works were shown at least 11 times in the prestigious Royal Academy, 45 times in Suffolk Street, and 25 times at the British Institute - three of the most important art galleries of his time. He died in London in 1905.

Even this painting – a follow-up of the previous one on the same theme of hunting and fishing – is to be attributed, as the initials clearly indicate, to Edwin Henry Boddington, son of the better-known Henry John Williams Boddington, to whom it was previously attributed. Even if less dramatic in form, all the contrast still plays itself out between the dark mass of the woods and water in the foreground and the intense luminosity of the sky and the horizon. As is typical of both Boddingtons, father and son, the sun is out of the picture, but diffuses all its warmth and enveloping luminosity, which spreads like a vaporous veil on the mountains and over the plants on the horizon, covering the tree tops in the foreground and filtering through the leaves. The contrast between the descriptive realism of the part in the shadows and the gilded and ethereal distance of the sky seem to almost overshadow a more delicate contrast between reality and dream, accentuated by the dilated horizontal perspective of the composition, by the glance of the fisherman facing the horizon, and the sliver of the moon that rises above him, rising over the dark masses of vegetation. In the tranquil atmosphere of the composition, even here a romantic note of undefined melancholy filters through.

Edwin Henry Boddington

Landscape on the river with a fisherman

Oil on canvas, 20 x 40 cm, unpublished

Signed on the lower right "EHB"



REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Shareholders,

This is our report on the audit work that we carried out during 2009 in accordance with art. 153 of Decree 58/98 and art. 2429 of the Italian Civil Code. In carrying out this work, we have followed the rules of law and the instructions issued in this field by the Supervisory Authorities. Accordingly, we have monitored compliance with the law and the Articles of Association, the observance of correct principles of administration, the adequacy of the organisation structure for the aspects that concern us, the adequacy of the internal control system and accounting system, its reliability in being able to give a true and fair view of the Bank's operations, as well as the adequacy of the instructions given to the subsidiaries in accordance with art. 114 of Decree 58/98.

As regards compliance with the law and the Articles of Association, during 2009 our audit work involved not only attending the shareholders' meeting in March 2009 when the financial statements were approved, but also carrying out direct checks, more or less on a continuous basis, of the directors' conduct by taking part in all of the meetings of the Board of Directors (11 in 2009) and of the Chairman's Committee (93). Note that due to elimination of the role of Chief Executive Officer from the end of June, in addition obviously to the Board of Directors, the Chairman's Committee represents, from that moment, the only body invested with executive powers under the mandates granted by the Board of Directors in accordance with art. 44 of the Articles of Association.

We can confirm that we did not find any transactions in contrast with the principles of correct administration during 2009. More specifically, we can confirm that in 2009 the directors did not carry out any transactions unrelated to the corporate purpose, nor operations that were manifestly imprudent or excessively risky, such as to compromise the integrity of the Bank's capital, nor any atypical or unusual transactions, whether with third parties or with group companies or related parties, such as to have a significant impact on the balance sheet or financial position of the Bank. More in general, we can also attest that from an operating point of view no transactions were carried out in contrast with the resolutions passed by the Shareholders' Meeting, the Board of Directors and the Chairman's Committee.

Still from the point of view of observance of the law and the Articles of Association, we can assure you that all meetings of the Board of Directors held in 2009 and the Shareholders' Meeting in March 2009 were convened and run in accordance with the rules that govern them. The same can be said for the meetings of the Chairman's Committee.

As regards compliance with the regulations that govern the banking business, we do not have any observations to make.

During 2009, amendments were made to the Articles of Association. These were to bring them into line with the Bank of Italy's instructions on the organisation and corporate governance of banks contained in its Circular of 4 March 2008 and the subsequent explanatory Note of 27 February 2009. To implement these amendments, the Board of Directors applied the third paragraph of art. 43 of the Articles, which gives the Board «exclusive power to bring the Articles of Association into line with regulatory requirements». On the subject of corporate governance, we can also confirm that on 25 February 2009 the Board of Directors approved the «Report on Corporate Governance and the Ownership Structure», in accordance with art. 123-bis of the Finance Law. Even though the Bank has not adopted the Code of Conduct promoted by Borsa Italiana because of the Bank's particular characteristics, the model of corporate governance approved by the Board largely reflects this code.

Even if the affirmation may seem banal, it is a fact that, as for all companies, the good functioning of a bank depends not only on the quality of the people working in it, but also on the efficiency of its organisational structure and the validity of its accounting and internal control systems. In accordance with our responsibilities as statutory auditors, we have monitored the adequacy of the organisational structure, paying particular attention to the aspects that concern us, such as the separation and juxtaposition of duties, clarity in the definition of delegated powers and mandates, and the constancy of control by superiors over the work carried out by subordinates. To perform this specific activity, we maintained the necessary contacts with those in charge of the central structures and with the independent auditors, as well as taking advantage of the collaboration of the Organisational Department, the Compliance Unit and the Internal Audit Department. We can assure you that the Bank's organisational structure is consistent with its size, suitable for its operational needs and subject to timely adjustments and refinements depending on how these needs evolve, above all changes in the regulatory rules that govern the activities of financial intermediaries with shares listed on organised markets.

One of our main tasks is to check the adequacy of the accounting system and of the related system of internal control.

We have carried this out by having meetings and exchanges of information with the Independent Auditors and the Finance Reporting Officer and, above all, maintaining close collaboration with the Administration, Planning and Control Department, the Organisational Department and the Internal Audit Department. From all of this we have found evidence, on the one hand, that the accounting system is adequate from the point of view of its functionality and reliability to give a true and fair view of the Bank's affairs; on the other hand, that the system of internal control (including the checks carried out to identify, measure and manage risk) is adequate as an essential instrument for effective governance of the Bank's operations. Last but not least (and this is certainly a reason to be satisfied), we have been able to verify and appreciate in the field the quality of the structures that use these systems and of those whose task it is to maintain and improve them. It is with great

pleasure that we note the high level of professional skill of the staff in all these functions and the fruitful collaboration and interaction that has been created between these functions. To the point that it does not seem out of place to talk about a genuinely pro-active behaviour, especially when it is a matter of identifying and planning the interventions to be made to ensure a timely response; not only to the needs deriving from the continuous changes in the regulatory context, but also all of the possibilities for rendering the organisation more efficient, for updating the operational procedures, for upgrading the technology infrastructures, for improving customer services and for reinforcing security systems.

The supervisory activity that we carry out together with the Internal Audit Department deserves a specific comment. This involves not only ascertaining the observance of operational directives and procedures and the controls over each type of activity, but also a numerous series of checks that we carry out together with the Bank's internal auditors during the course of the year at the various branches throughout the territory (96 audit visits in 2009). This type of check is particularly useful, not only to ascertain that directives and procedures have been applied correctly, but also to identify any points of weakness in the peripheral structures and to pick up any requests for more effective action in the field. These checks gave rise to various suggestions, mainly to do with needs arising as a result of the Bank's growth, promptly reported to the central bodies for them to take suitable action.

Moving on to the question of the adequacy of the instructions given to the subsidiaries,

we would remind you that this essentially concerns Banca Popolare di Sondrio (Suisse) SA (held 100%), given that the other subsidiaries operate entirely in support of the parent bank's activities. As regards the Swiss subsidiary and with reference to the matters explained in the directors' report, we would like to bring the following points to your attention:

- Banca Popolare di Sondrio (Suisse) SA was founded in 1995 with the aim of creating a bank to service local retail customers, including the numerous Italians who are resident in Switzerland for reasons of work. In line with this mission, it is managed according to the same approach and rules as the parent company, compatible with local restrictions and practices. As regards management policy and coordination, this is exercised mainly through the presence of managers from the parent bank and the role they play on the subsidiary's governing bodies;
- as regards audit inspections and checks on the part of the parent bank, this is exercised through its own Internal Audit Department to the extent imposed by FINMA, in its role as the authority that supervises financial activities in Switzerland. As statutory auditors of the parent bank, in accordance with FINMA rules, we review the results of the checks performed, both by the parent's Internal Audit Department and by that of the Swiss subsidiary. We also obviously take note of the audit report on the annual financial statements issued by KPMG SA as the independent auditors.

We can assure you that no serious problems worth mentioning here have emerged from any of the meetings we have held over time, nor from the audit reports. So it is fair to say that the subsidiary always follows its instructions from the parent bank.

As explained in the report on operations in the section dedicated to subsequent events, considering the steady growth achieved by the Swiss subsidiary, but above all in the realistic perspective of further positive developments, on 25 February 2010 the Board of Directors of the parent bank decided to sustain the subsidiary's expansion plans by means of an increase in capital from the current 50 million to 100 million Swiss francs. The increase will obviously be subscribed entirely by Banca Popolare di Sondrio, which will thereby continue to have 100% control.

Even if art. 155 of Decree 58/98 delegates auditing exclusively to the independent auditors, the complexity of the duties allocated to the board of statutory auditors means that we still have the duty to supervise preparation of the financial statements, both formally and in substance, though without overlapping the work of the independent auditors. We have therefore checked that the directors complied with the Civil Code and the instructions issued by the Supervisory Authorities in matters concerning the preparation of the financial statements at 31 December 2009 as regards the adoption of correct accounting principles, agreement between the contents of the financial statements and the company's affairs during the year and the completeness of the directors' report on operations.

In doing this, we complied with the rules of conduct issued by the Italian Accounting Profession (represented by the Ordine dei Dottori Commercialisti e degli Esperti Contabili). In conclusion of the checks that we performed, we can attest that:

- the 2009 financial statements were prepared in accordance with the IFRS adopted by the European Community and applied according to the principles and methods explained in the notes. These principles and methods are consistent with those used when preparing the previous year's financial statements, apart from the amendments that arose on the revision of IAS 1 and the introduction of IFRS 8;
- the financial statements at 31 December 2009 reflect the results of the accounting system and have been independently audited by KPMG spa. They have issued an audit report with a clean opinion that does not contain any qualifications or comments on the matters explained in detail by the directors in their report on operations and in the notes;
- the report on operations can be considered exhaustive and is consistent with the figures and other information provided in the financial statements and explanatory notes; this both with reference to the so-called «financial information» (analysis of the income statement, balance sheet and financial position, indicators of solidity, outlook for operations, etc.), and with reference to the so-called «other information», such as risk management in the Bank's affairs, human resources, the approach to mutualistic activity, the Bank's promotional and cultural activities, etc. It also explains the more

important transactions that took place during the year and during the period immediately after the end of the year.

To complete the above attestations, we can declare that during 2009:

- the Bank received 16 complaints, mainly regarding investment services, of which 14 have already been settled, while the other two are currently being resolved (a review of the individual complaints confirmed that the Bank had acted correctly);
- no petitions under art. 2408 of the Civil Code were received;
- we did not issue any opinions apart from those required by law;
- in addition to its audit engagements, the auditing firm also provided the Bank with assistance in analysing the principal processes that govern the management of its accounting information, for a fee of € 50,000;
- no appointments were made of persons or entities related to the auditing firm on an ongoing basis.

With reference to the Bank's approach to mutualistic activities, we can confirm that the Bank continued to be faithful to its corporate mission as a cooperative bank. In line with this mission, the Bank continued to sustain local economies in all their forms, spread the notion of the shareholder-customer and expand its body of shareholders. In particular, in 2009 it acted to attenuate the effects of the crisis on the real economy, giving preference when allocating loans to households and businesses, especially SMEs and cooperatives. All of this is reflected in the decision not to implement credit rationing policies, as well as in certain specific choices, such as the suspension of debt repayments on the part of SMEs hit by the crisis, the maintenance of house purchase loans, the programme of microcredit to sustain large families or those with sick or disabled members, loans to students and financing to develop renewable energy sources, etc.

Also in terms of funding, the Bank continued to enhance savings, offering products that featured transparency and low risk exposure. Equally important was its action to promote supplementary pension funds and the offer of ethical finance tools (so-called «socially responsible funds» or «responsible value funds»).

In acknowledging the completeness of the report on operations, we have emphasised the fact that it provides complete disclosure of all of the major transactions that took place during the year, as well as those that were carried out after the end of the year, all of which were in the interests of the Bank.

Of these, we would mention in particular:

- the disposal of the investment in Banca Italease (leading to a loss of around 4.7 million euro) following acceptance of the takeover bid launched by Banco Popolare and the related acquisition of interests in Alba Leasing (20.95%) and Release (6.118%);
- the strategic agreement with the Unipol Gruppo Finanziario in the life and accident bancassurance sector signed on 24 December 2009 together with

Banca Popolare dell'Emilia Romagna. As explained by the directors, this agreement, which will be implemented during the current year as soon as the necessary authorisations are received, for Banca Popolare di Sondrio will involve maintaining a 15% interest in Arca Vita and selling its entire stake in Arca Assicurazioni (9.90%). From an economic point of view, this operation will generate a net capital gain of around 59 million euro;

- the sale of the Bank's 4% stake in Meliorbanca in acceptance of the takeover bid launched by Banca Popolare dell'Emilia Romagna, the principal shareholder. This sale involved booking a capital loss of around one million euro;
- an increase during the year in the stake held in Banca della Nuova Terra (from 6 to 19.5%) with an investment of 10.1 million euro;
- placement on the market on 19 January 2010 of a step-up subordinated lower tier II bond loan for a nominal value of 350 million euro (issue authorised by the Board of Directors on 12 November 2010), duration seven years (from 26.02.2010 to 26.02.2017), gross interest rate rising from 4 to 5% over the space of seven years, redemption in five annual instalments, each of 20% of the capital issued starting from the end of the third year;
- the agreement reached in February 2010 with the Banco Popolare Group for the acquisition, together with Banca Popolare di Milano, of 90.5% of Factorit, one of the largest factoring companies operating in Italy (it ranks 4th). This agreement means that once the operation is over, Factorit will be owned 60.5% by BPS, 30% by BPM and 9.5% by the Banco Popolare Group;
- the increase in capital of the Swiss subsidiary, as mentioned previously.

The completeness of the report on operations makes it superfluous to add any further comments on the results achieved during the year. Certainly, they are the fruit of a healthy and prudent style of management; but in the circumstances, it is worth pointing out that it is a style of management that is constantly inspired by rigorous ethical principles. We can assure you that these principles always underlie the Bank's decisions, as they are rightly considered fundamental for the pursuit of sustainable social and economic growth.

To conclude, we would reiterate that our supervisory work did not reveal any reprehensible situations, omissions or irregularities that are worthy of note, so to the extent that it concerns us, we express our opinion in favour of you approving the 2009 financial statements and the proposed allocation of the net profit for the year.

Sondrio, 11 March 2010

THE BOARD OF STATUTORY AUDITORS

Egidio Alessandri, Chairman

Pio Bersani, Auditor

Piergiuseppe Forni, Auditor

List of the positions held by the members of the Board of Statutory Auditors at 11 March 2010, drawn up as per Art. 144-quinquiesdecies of Consob resolution 11971/1999

Alessandri Egidio, Chairman of the Board of Statutory Auditors of Banca Popolare di Sondrio

number of positions held in issuers: 1

number of positions held overall: 3

details of positions held

- a) Chairman of the Board of Statutory Auditors of Banca Popolare di Sondrio – Sondrio.
Expiry: AGM that approves the 2011 financial statements
- b) Chairman of the Board of Statutory Auditors of Pirovano Stelvio spa – Sondrio.
Expiry: AGM that approves the 2009 financial statements;
- c) Chairman of the Board of Statutory Auditors of Sinergia Seconda srl – Milan.
Expiry: AGM that approves the 2010 financial statements.

Bersani Pio, Statutory Auditor of the Banca Popolare di Sondrio

number of positions held in issuers: 1

number of positions held overall: 11

details of positions held

- a) Statutory Auditor of Banca Popolare di Sondrio – Sondrio.
Expiry: AGM that approves the 2011 financial statements
- b) Statutory Auditor of Imi Holding Italia spa – Piacenza.
Expiry: AGM that approves the 2009 financial statements;
- c) Director of Polis Fondi Immobiliari di Banche Popolari sgr spa – Milan.
Expiry: AGM that approves the 2010 financial statements
- d) Director of Arca Sgr spa – Milan.
Expiry: AGM that approves the 2010 financial statements
- e) Statutory Auditor of Starcell spa – Pescopagano (Pz).
Expiry: AGM that approves the 2009 financial statements;
- f) Chairman of the Board of Statutory Auditors of B.R.C. srl – Cherasco (Cn).
Expiry: AGM that approves the 2011 financial statements
- g) Chairman of the Board of Statutory Auditors of Unione Property spa – Milan.
Expiry: AGM that approves the 2011 financial statements



- h) Statutory Auditor of Etica Sgr spa – Milan.
Expiry: AGM that approves the 2009 financial statements;
- i) Chairman of the Board of Statutory Auditors of M.T.M. srl – Cherasco (Cn).
Expiry: AGM that approves the 2011 financial statements
- l) Statutory Auditor of Inarcheck spa – Milan
Expiry: AGM that approves the 2010 financial statements
- m) Chairman of the Board of Statutory Auditors of Zavoli srl - Cesena (Fc)
Expiry: AGM that approves the 2010 financial statements

**Piergiuseppe Forni, Statutory Auditor
of Banca Popolare di Sondrio**

number of positions held in issuers: 1

number of positions held overall: 4

details of positions held

- a) Statutory Auditor of Banca Popolare di Sondrio – Sondrio.
Expiry: AGM that approves the 2011 financial statements
- b) Statutory Auditor of Pirovano Stelvio spa – Sondrio.
Expiry: AGM that approves the 2009 financial statements;
- c) Statutory Auditor of Sinergia Seconda srl – Milan.
Expiry: AGM that approves the 2010 financial statements
- d) Statutory Auditor of Società di Sviluppo Locale spa - Sondrio
Expiry: AGM that approves the 2011 financial statements



- COOPERATIVE IN NAME AND DEED
- ASSETS UNDER MANAGEMENT
- BANCASSURANCE
AND SUPPLEMENTARY PENSION SCHEMES
- EQUITY INVESTMENTS
- INTERNATIONAL UNIT
- VIRTUAL BANK – SCRIGNO *Internet Banking*
- LOANS TO BUSINESSES
- LOANS TO HOUSEHOLDS
- THE BANK AND YOUNG PEOPLE
- CONFERENCES
- PUBLICATIONS
- CULTURAL EVENTS
- SPECIAL PROJECTS
- ADVENTURE IN VALTELLINA



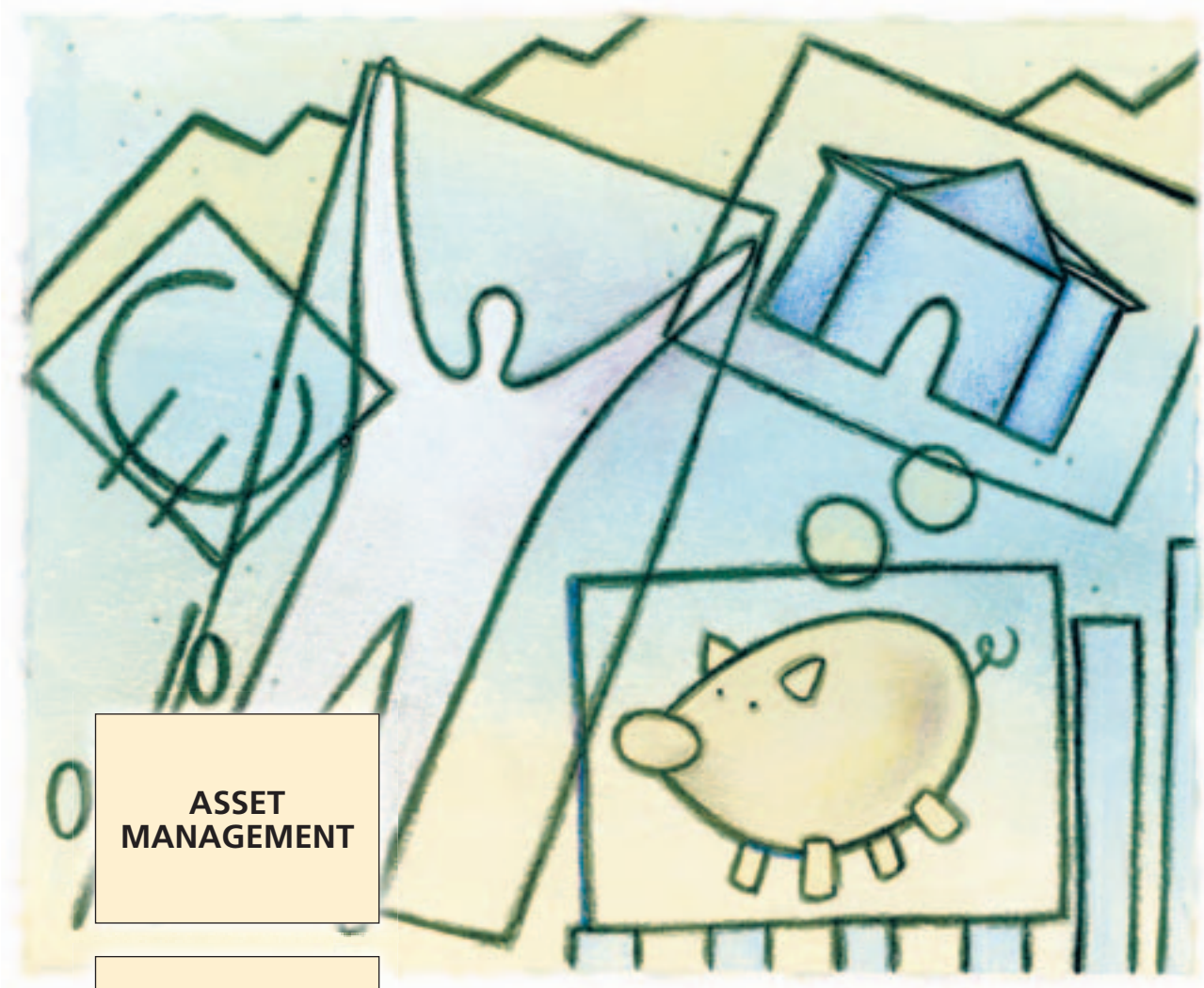
COOPERATIVE IN NAME AND DEED

The crisis has undoubtedly helped emphasise the importance of the function performed by the cooperative banking movement in support of the local economies. At the time that globalisation showed its limits and the crisis took over, some operators – evidently those who had forgotten – rediscovered the importance of financing above all the enterprises in their own territories.

As far as we are concerned, there was no rediscovery: we have always been faithful to our cooperative mission, which is expressed above all in allocating funds on a preferential basis to households and business in the communities that we serve. This is our contribution to economic and social development: a transversal movement that involves all subjects in the area, safeguarding their identity and fostering their potential.

A mission that the cooperative banking movement has exercised in the many countries where it has spread and which, as underlined by our Trade Association, has contributed significantly towards persuading the General Assembly of the United Nations to declare 2012 the International Year of Cooperatives.

Let's ensure that these banks continue to work so that others can work; which means that they have to be free from excessive restrictions.



**ASSET
MANAGEMENT**



Popso (Suisse)
Investment
Fund SICAV



**UNIT
TRUSTS**



**ETHICAL
UNIT TRUSTS**

ASSETS UNDER MANAGEMENT

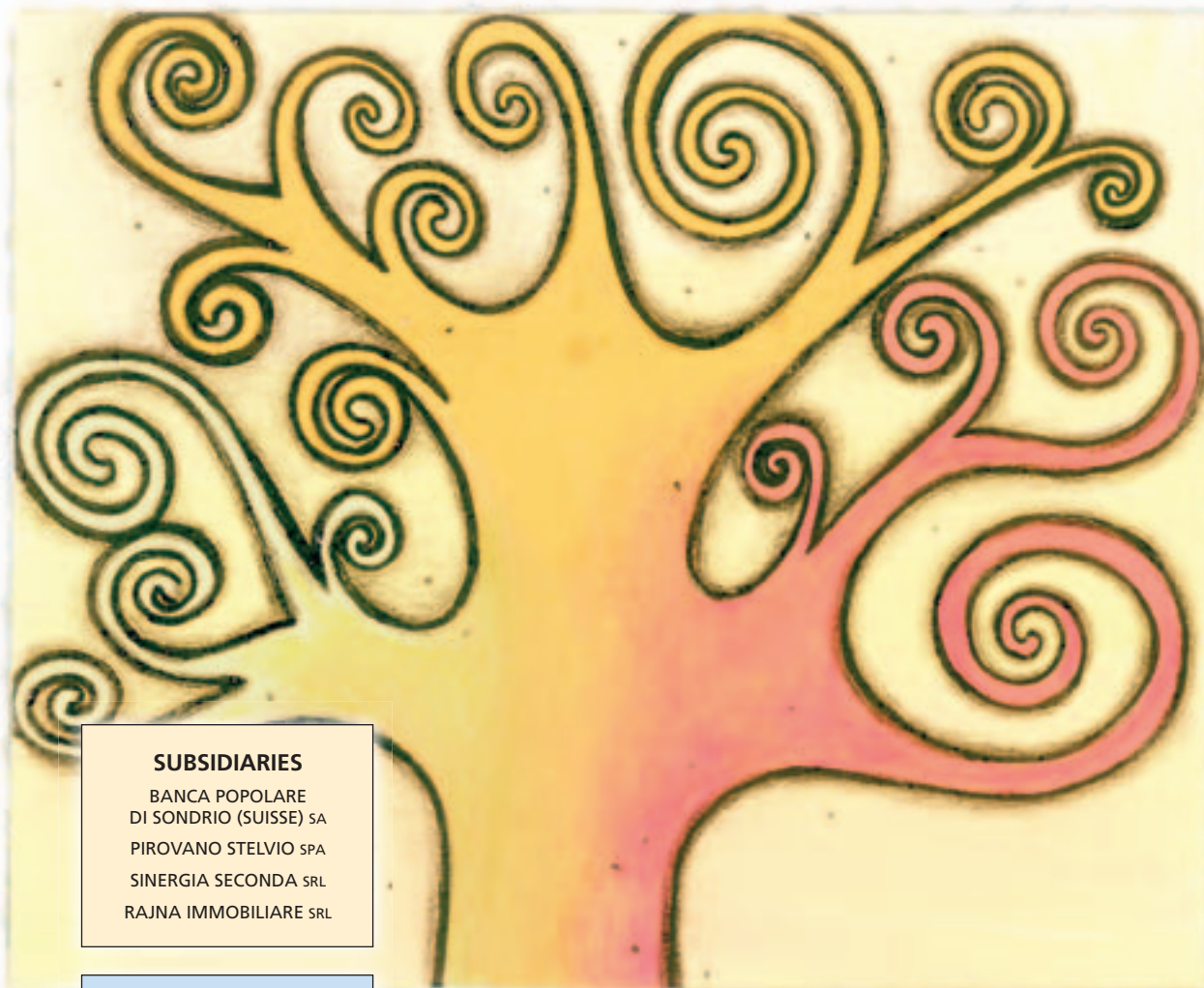
The asset management system saw some rays of light at system level after a number of difficult years. This is a trend that with us has been even stronger, thanks to the professionalism of our staff and the balanced range of products that we offer. This has allowed us to develop volumes at a faster rate than the system. Volumes have been sustained by the prevalence of new inflows over redemptions and by the appreciation of the underlying values. The portfolio management schemes run directly by the Bank also turned in more than satisfactory results. The strong professional skills of our staff, who benefit from efficient technology supports – above all the new fund management trading platform – are also confirmed by the relationships that we have with leading institutions. We would like to acknowledge the sense of balance, knowledge and preparation with which our personnel operate in this area, which means they avoid giving advice without being fully aware of the implications. They have a very strong sense of responsibility towards our customers and towards the Bank. And this is yet another reason why the relationships with our customers continue to grow and consolidate, translating into trust and confidence.



BANCASSURANCE AND SUPPLEMENTARY PENSION SCHEMES

The diversified products of Arca Vita are updated regularly. These combine the typical advantages of life insurance policies with the guarantee of a minimum annual yield. ARCA TOP Garantito Reserved deserves special mention, because it is specially conceived for the investment of share capital that falls under the “Scudo Fiscale”, the tax amnesty for illegally exported funds that return to Italy.

Arca Assicurazioni expanded its range of healthcare products with “Ti indennizzo”, an insurance plan that guarantees the payment of a fixed and preset sum of money in the event of an accident or surgical treatment. At some branches, consultants meeting the professional standards required by current legislation have started the direct distribution of “non-standard” non-life policies. The Arca Previdenza open-ended pension fund successfully continued to be sold to customers: by means of this fund, participants can plan a supplementary pension for themselves and the members of their families who are their dependants for tax purposes, taking advantage of the tax benefits that the law allows them.



SUBSIDIARIES

BANCA POPOLARE
DI SONDRIO (SUISSE) SA
PIROVANO STELVIO SPA
SINERGIA SECONDA SRL
RAJNA IMMOBILIARE SRL

ASSOCIATED COMPANIES

ARCA VITA SPA
ARCA ASSICURAZIONI SPA
B. & A. BROKER SPA
ALBA LEASING SPA
SERVIZI INTERNAZIONALI E
STRUTTURE INTEGRATE 2000 SRL

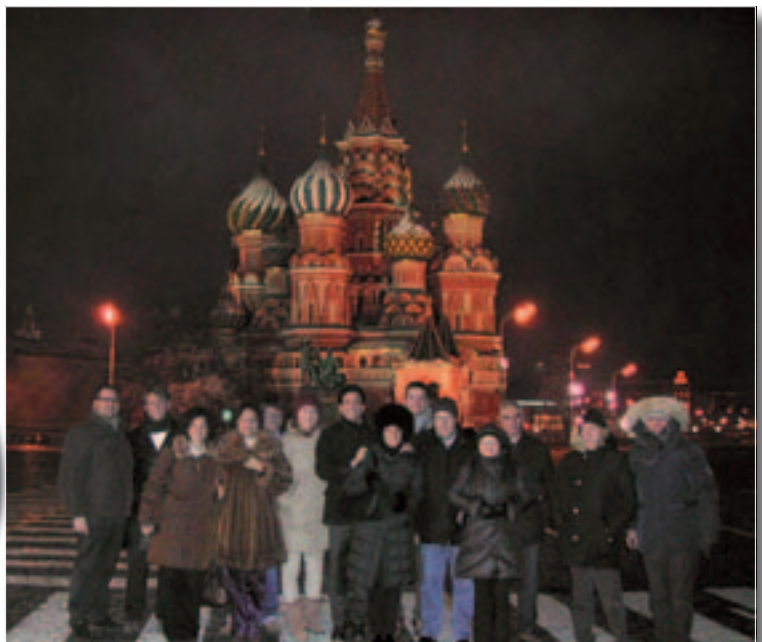
MINORITY INTERESTS HELD FOR OPERATIONAL PURPOSES

CENTROBANCA SPA
UNIONE FIDUCIARIA SPA
POLIS FONDI IMMOBILIARI
DI BANCHE POPOLARI SGR PA
BANCA DELLA
NUOVA TERRA SPA
CENTROSIM SPA
ARCA SGR SPA
ETICA SGR SPA
GROUP SRL

EQUITY INVESTMENTS

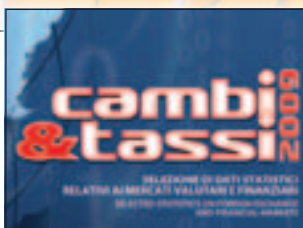
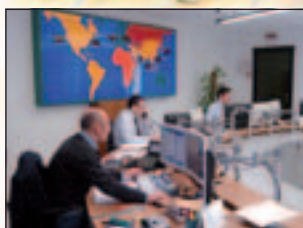
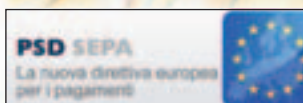
These minority interests essentially involve companies that provide products and services to complete the Bank's commercial range and make it more competitive. They are therefore held permanently.

In line with tradition, our approach is one of loyal and intense collaboration, both in terms of the work that we contribute and in terms of financial support if the results are considered positive. In this connection, we would like to confirm our willingness to strengthen the ownership structures of these common affiliates, in agreement principally with our fellow cooperatives, with a view to raising their level of cohesion, operational independence and market competitiveness.



BUSINESS CLASS

Periodico informativo del Servizio Internazionale della Banca Popolare di Sondrio



SCRIGNO

Trade Finance



SCRIGNO

forex



INTERNATIONAL UNIT

Our International Unit, which constantly monitors foreign markets and the problems relating to overseas payments, has focused its attention on the needs of businesses, guaranteeing, to the extent possible, their security when operating abroad. This is a wide-reaching commitment, which involves various operating sectors: ranging from credit insurance-related services to instruments to neutralise exchange risk; from local assistance thanks to our representative offices to the organisation of trade missions and meetings with selected operators; from state-of-the-art payments systems that ensure maximum security to full use of the services made available to companies by the chamber of commerce network.

So if markets are becoming increasingly difficult, we are making even more of an effort to help entrepreneurs. An expression of that sense of responsibility that permeates our work in favour of local economies in the areas that we serve and which prompts us to foster development by helping operators move beyond the domestic confines.

SCRIGNO
Semplice, comodo, sicuro e veloce!

Ovunque, la Vostra banca on line



La sicurezza on line non è un gioco...
 il pesce PHIL
 ti mette in guardia dal phishing!

www.popso.it/sicurezza



SCRIGNO
 mobile

SCRIGNO Internet Banking

SCRIGNO INTERNET BANKING VIRTUAL BANK

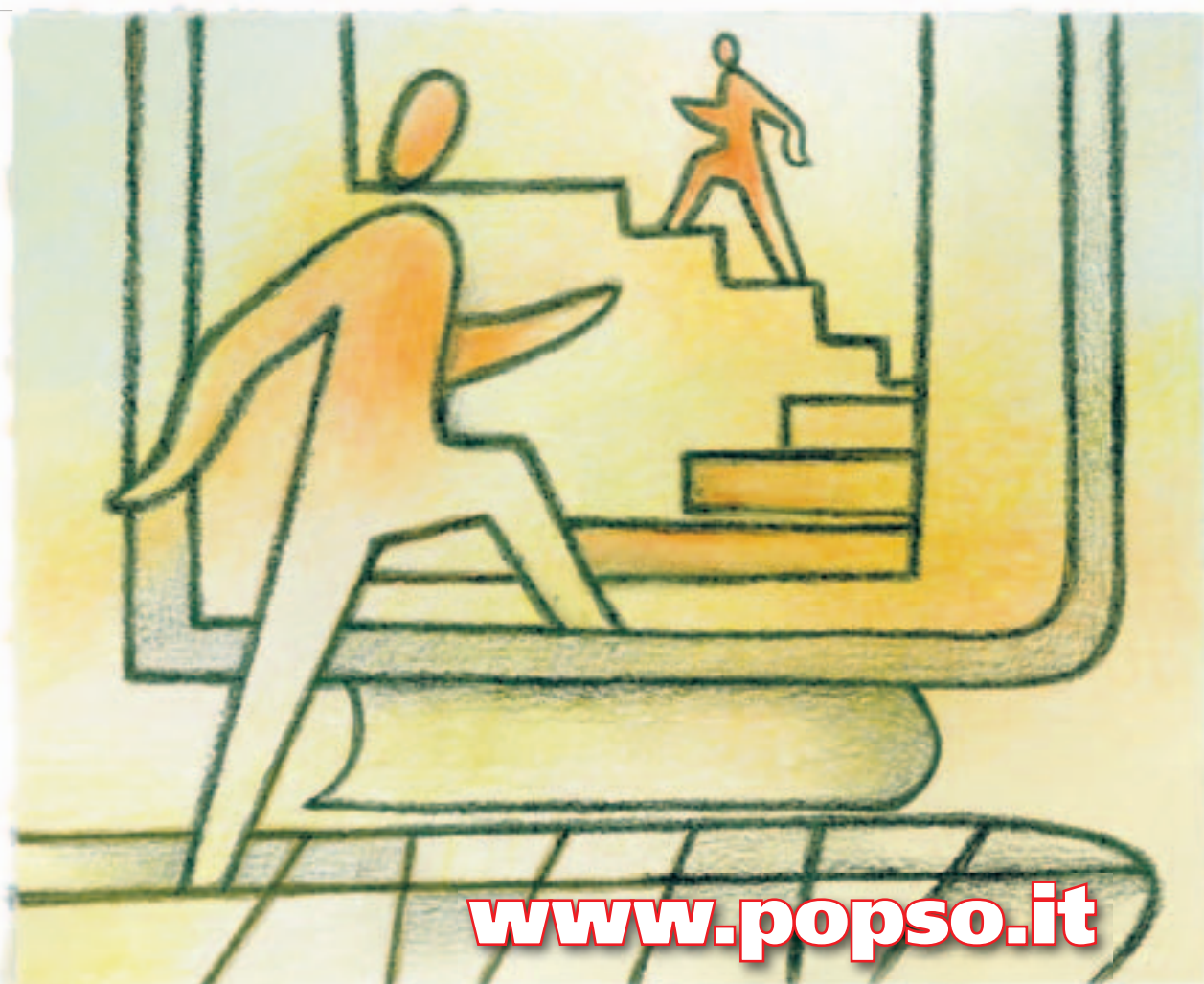


SCRIGNO
 Trading On Line

SCRIGNO Internet Banking has new graphics and has become more pleasing and more elegant. The feature of this service is greater simplicity and speed that make it easy to use every day for information and to carry out transactions. There are a number of transaction services on offer, from bank transfers to mobile phone top-ups, from the payment of road tax (for Lombardy residents) to the replenishment of prepaid cards and many other services.

SCRIGNO
 Pago Facile
www.scrignopagofacile.it

The functions available for on-line security is **"PHIL, the anti-phishing fish"**, which enables the website addresses not to be trusted in order to protect oneself from this phenomenon to be recognised at first sight, and **"navigosereno.it"**, which allows PCs to be verified on line, gives suggestions and collects useful free programs for the protection of your computer.



www.popso.it

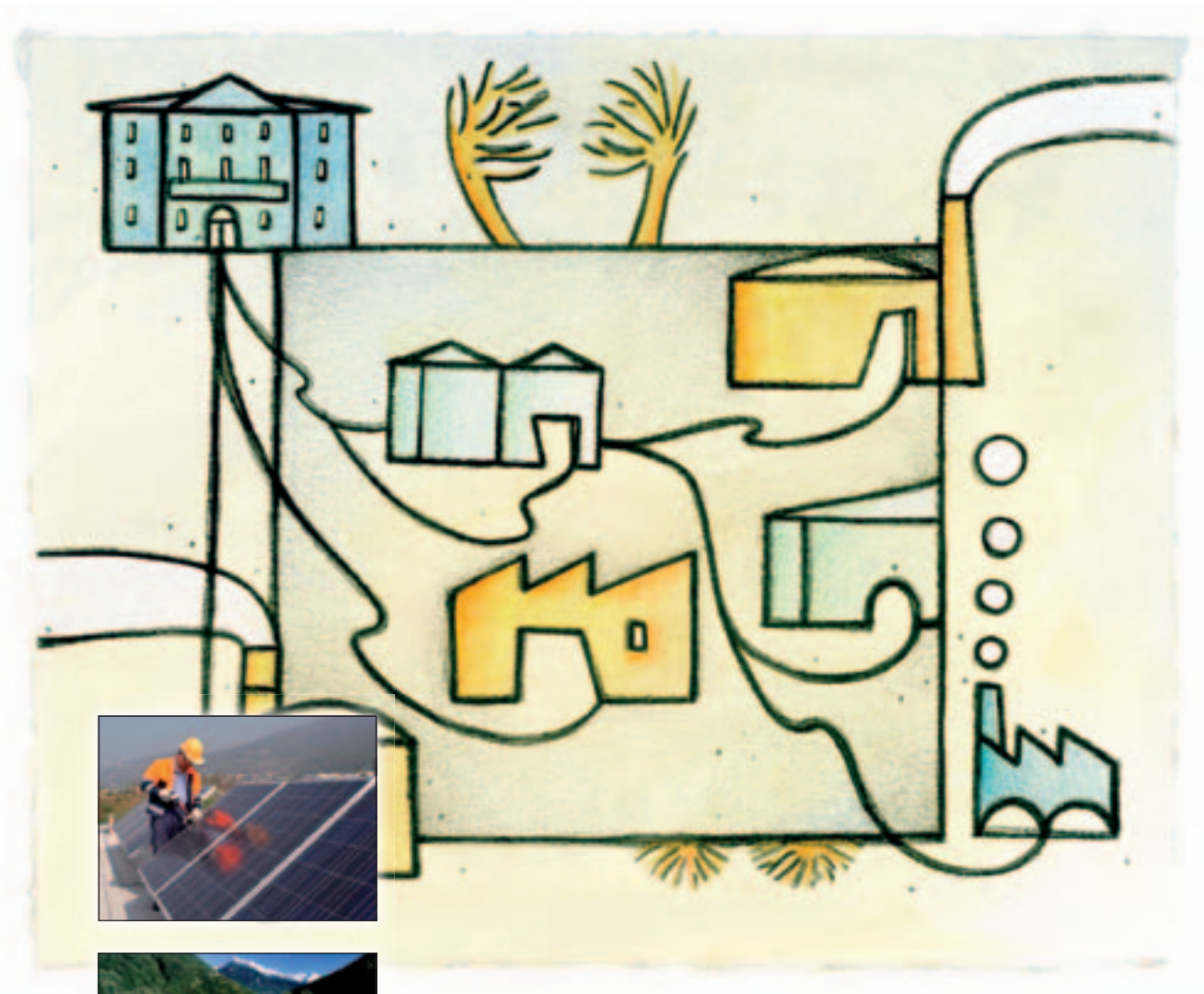


With **SCRIGNO**mobile you can search for information and give instructions for transactions from your mobile phone.

WiW Mobile, created in collaboration with SITEBA, is an innovative instrument for payments by mobile phone debited to your credit card.

The **popso.it** portal is the ideal point of access to Banca Popolare di Sondrio commercial and institutional messages. This portal also provides on-line information regarding other initiatives involving themes such as art, publishing and culture.





LOANS TO BUSINESSES

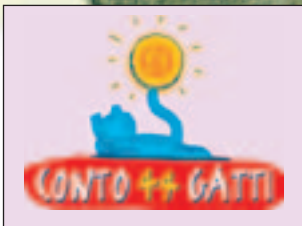
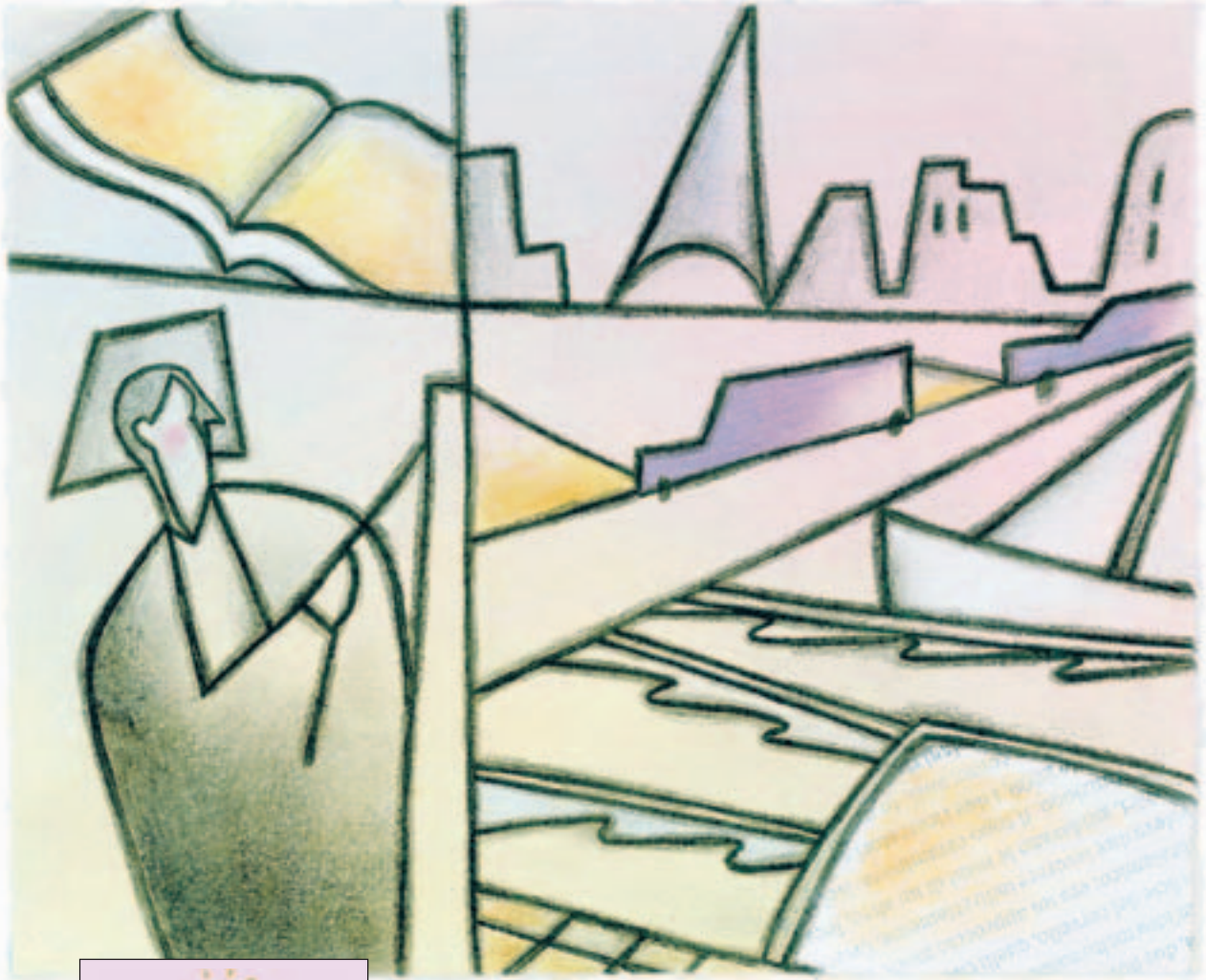
When assessing whether to grant credit, banks use professional skills, tools, procedures and controls that are being constantly refined, even more so in a situation like the one we experienced during the year under review when the difficult state of the economy made the protection of loan quality an absolute imperative. And it is worth emphasising that all of this is in the interest of the entire economy. In fact, there would be no sense in asking banks to forget about prudence and measure in granting credit; that would simply mean endangering depositors' money. On the other hand, what can be asked – and what we, in our small way, have undertaken to do – is to evaluate credit merit in even further detail, examining the organisational, management, financial and production structure of companies with a view to the medium term in relation to the situation of their reference markets. Being fully conscious of how critical the times were and how important it was to sustain the country's unique production fabric, the Italian banking system took a number of important initiatives designed to provide support. For example, there was the whole-hearted signing of the Common Notice signed on 3 August 2009 by the Economy and Finance Minister, ABI and the Association of Entrepreneurs for the suspension of SME's loan repayments. The purpose of this was to ensure financial support for companies with reasonable prospects, but weighed down by the crisis.



LOANS TO HOUSEHOLDS



We have given attention and commitment to households, which have continued to use the funding sources reserved for them, above all home purchase mortgage loans, which remained high. As we mentioned previously, we took part in the “Prestito della Speranza” initiative promoted by ABI and the Italian Episcopal Conference to provide small loans to large families or households suffering from illness or disability. No less, the honour loans targeted at students to facilitate their studies. Also worth mentioning are the financing instruments to spread the use of renewable energy sources, made available to both private and corporate customers determined to contribute towards protecting our natural environment.



THE BANK AND YOUNG PEOPLE

We are always close to our young customers with targeted initiatives, because they are tomorrow's men and women.

Current accounts, prepaid, debit and credit cards, simple, flexible investment plans to manage savings and supplementary pensions, loans, insurance policies, internet and mobile banking are the many services devoted to our young people. Among the successful products we mention the "Conto 44 gatti" for the youngest, which combines the advantages of a savings book with the popular schemes exclusively for holders of the "Gattimatti" card and readers of the "44 Gatti" comic. The very low cost products, "1° Conto POPSOWeb" and "Conto Student POPSOWeb" continue to be very much appreciated: they are conceived to familiarise our young people with the simplest banking services.



FERRUCCIO DE BORTOLI
16 January 2009



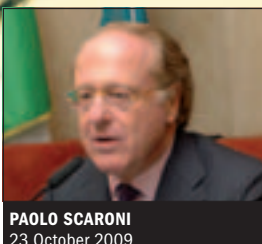
LIVIA POMODORO
20 February 2009



CESARE MIRABELLI
17 April 2009



GIULIANO ZUCCOLI
18 September 2009



PAOLO SCARONI
23 October 2009



LORENZO ORNAGHI
30 October 2009



FULVIO CONTI
27 November 2009

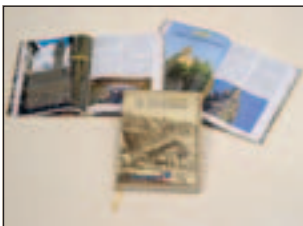


CONFERENCES

Illustrious personalities have taken part in the 39th year of conferences held in our Besta Room. Ferruccio de Bortoli handled with knowledge and pragmatism the theme "The Italian Economy between potential and weaknesses, an unconventional look from the pages of *Il Sole 24 Ore*". Livia Pomodoro, on 20 February gave an authoritative talk on "Current difficulties in the art of judging: new projects at the service of citizens". Cesare Mirabelli gave a learned dissertation on "The non-confessional nature of the State and the freedom of church education". We asked Giuliano Zuccoli, also from our valley, to be with us and he dealt with an absolutely contemporary theme with a long-sighted sense of vision, "Energy: yesterday's lessons, today's problems, tomorrow's challenges". Paolo Scaroni was appreciated by his audience when he spoke from direct knowledge about "Highs and lows of the price of oil". Lorenzo Ornaghi entertained the audience on the interesting topic of "Internal federalism and intercommunity federalism: the future of the State in the age of globalisation". Lastly, we hosted Fulvio Conti, who completed our cycle of conferences by speaking authoritatively on the subject of energy with a panoramic overview dedicated to "Italy's energy system and the role of ENEL".



PUBLICATIONS



Our identity as a cooperative bank and the intense relationship that binds us to the geographical areas where we operate do in fact get expressed in our cultural and promotional activities. Through them, we give a concrete form to the desire to offer the populations that we serve occasions to meet, to discuss, to reflect and – why not? – also to play sports and have fun. At the same time, these events give the Bank a lot of feedback on community affairs that can generate growth and stimulate improvement.

A tradition that gets renewed year after year, as demonstrated by the numerous events in 2009, starting with the *Notiziario*, our corporate flag-bearer, which has maintained, and if possible increased, in its three annual issues, quality and appreciation, thanks above all to the prestige of those who contribute to it. The AGM held in Bormio on 28 March 2009 was an opportunity for cultural matters as well. Members were given Gigliola Magrini's fine book entitled *Animals over time*. We would also like to mention the thirteenth diary book by Gigliola Magrini, which this year is themed "The city and days of 2010", a genuine book of time.



CULTURAL EVENTS

We took part in the celebrations for the 70th birthday of Claudio Magris, who gave a lecture on “After Homer: Ulysses in the modern and post-modern world” and opened the photographic exhibition edited by Danilo De Marco dedicated to him at the Luigi Credaro Library, which was repeated in our Branch 1 at Bormio.

A poetry and music performance took place in our lovely valley, “Magnifica Terra”, on 28 December 2009, to conclude the events that were a tribute to the writer’s birthday: “Il Fiume di Claudio” (The River of Claudio), inspired by the libretto of the same name written by Graziano Benelli with original pieces by Carlotta Valcepina.

Our public meetings continued with a round table on “Ezio Vanoni and the social market economy”, organised on 3 October by Silvio Beretta and Luigi Bernardi together with the Società Economica Valtellinese to present the book *Ezio Vanoni - public economist* by Francesco Forte. The speakers were the author, Silvio Beretta, Silvia Cipollina and Claudia Rotondi and Monsignor Sergio Lanza; the meeting was moderated by Alberto Quadro Curzio, a well-known economist from our own valley. With the 8th edition of “Invito a Palazzo”, an Italian Banking Association initiative, there was a visit to the head office, the Luigi Credaro Library and the C. Donegani History Museum at the Stelvio Pass. For the 85th World Savings Day on 31 October, the exhibition on “Notgeld and hyperinflation – Germany 1914-1923” was opened at the Luigi Credaro Library.



SPECIAL PROJECTS

During the 2003 Shareholders' Meeting, the Chairman of the Bank expressed the idea of trying to obtain World Heritage Site recognition from UNESCO for the vine terraces on the Rhaetian Alps side of Valtellina. It was immediately decided to ask for the collaboration of Marco Vitale in order to put the idea into practice. We are continuing to pursue this goal with perseverance and tenacity, in spite of the many difficulties. It is a source of great satisfaction that our project gave rise to the idea, this time of Marco Vitale, to have that master of poetry and art, Ermanno Olmi, "narrate" Valtellina. *Rupi del Vino* (Wine Rocks), his documentary, illustrates the work of the wine-growers, in symbiosis with their land, with matchless vivacity and ability, giving our valley the chance to speak for itself and stimulating profound reflection on its cultural, natural and human heritage.

The photo beside this caption captures the moment when the Bank's General Manager, Mario Alberto Pedranzini and Marco Vitale met Mr. and Mrs. Olmi in Franco Gugiatti's vineyard on 4 April 2005. During this meeting the film director began to give a form and a shape to our proposal. One result was that on 18 October 2009, the non-profit making ProVinea Foundation, with the Sondrio Provincial Council and the Cariplo Foundation, presented this work at the Rome International Film Festival.



ADVENTURE IN VALTELLINA

For *Rupi del Vino*, his latest masterpiece, Olmi drew abundantly from the novel-diary called *L'Avventura in Valtellina*, by Mario Soldati (1906-1999). Our bank commissioned this work from the famous writer (and director) in the Eighties and it was re-published at the end of 2006 (the first edition came out in 1985) for the hundredth anniversary of Soldati's birth.

The Valtellina experience made a favourable impression on Soldati, who, while wandering around the valley, achieved a magical entry into its intimate nature, capturing original aspects of our land, its traditions and its history. A vivid, passionate commitment shines through the pages of this novel, which is still surprisingly fresh and up-to-date more than twenty years after it was written, not to speak of its unquestionably valuable contribution to our knowledge of Valtellina culture.

We dedicate *L'Avventura in Valtellina*, which is distributed together with a brochure containing an article by Marco Vitale and some articles from our own publication, *Il Notiziario*, all dealing with Soldati and his book, to our Shareholders, to those who live in the valley, those who frequent it and those who do not yet know it, to encourage them to visit what, in Soldati's words, is "wonderful Valtellina".

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009**



BALANCE SHEET

(in euro)

ASSET ITEMS		31-12-2009	31-12-2008
10.	CASH AND CASH EQUIVALENTS	81,250,810	82,745,400
20.	FINANCIAL ASSETS HELD FOR TRADING	2,877,645,640	3,494,713,794
30.	FINANCIAL ASSETS AT FAIR VALUE	98,821,727	105,216,509
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	113,408,863	90,494,852
50.	FINANCIAL ASSETS HELD TO MATURITY	263,653,725	264,104,992
60.	DUE FROM OTHER BANKS	1,294,214,922	1,178,463,026
70.	CUSTOMER LOANS	16,711,080,589	14,936,103,083
100.	EQUITY INVESTMENTS	146,652,702	127,653,490
110.	PROPERTY, PLANT AND EQUIPMENT	143,363,065	152,521,127
120.	INTANGIBLE ASSETS	6,980,823	5,315,575
130.	TAX ASSETS	38,153,435	52,256,949
	a) current	-	28,798,823
	b) deferred	38,153,435	23,458,126
140.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	45,366,162	-
150.	OTHER ASSETS	299,349,479	260,736,768
TOTAL ASSETS		22,119,941,942	20,750,325,565

THE CHAIRMAN
Piero Melazzini

THE BOARD OF STATUTORY AUDITORS
Egidio Alessandri, Chairman
Pio Bersani - Piergiuseppe Forni



EQUITY AND LIABILITY ITEMS		31-12-2009	31-12-2008
10.	DUE TO OTHER BANKS	2,260,274,063	1,857,018,297
20.	CUSTOMER DEPOSITS	15,896,505,024	15,094,791,528
30.	DEBT SECURITIES IN ISSUE	1,622,975,969	1,517,263,681
40.	FINANCIAL LIABILITIES HELD FOR TRADING	74,047,579	261,466,832
80.	TAX LIABILITIES	99,130,238	13,100,789
	a) current	86,148,583	-
	b) deferred	12,981,655	13,100,789
100.	OTHER LIABILITIES	335,095,614	360,656,060
110.	RESERVE FOR TERMINATION INDEMNITIES	35,657,711	36,580,044
120.	PROVISIONS FOR RISKS AND CHARGES	112,539,863	117,427,139
	a) post-employment benefits	74,668,653	80,027,534
	b) other provisions	37,871,210	37,399,605
130.	VALUATION RESERVES	(512,970)	(7,407,435)
160.	RESERVES	433,237,067	430,617,089
170.	SHARE PREMIUM RESERVE	176,084,564	176,084,564
180.	SHARE CAPITAL	924,443,955	924,443,955
190.	TREASURY SHARES (-)	(40,211,189)	(45,452,225)
200.	NET PROFIT FOR THE YEAR	190,674,454	13,735,247
TOTAL LIABILITIES AND EQUITY		22,119,941,942	20,750,325,565

THE GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti



INCOME STATEMENT

(in euro)

ITEMS		2009	2008
10.	INTEREST INCOME AND SIMILAR REVENUES	691,877,121	981,068,416
20.	INTEREST EXPENSE AND SIMILAR CHARGES	(245,514,875)	(557,953,794)
30.	NET INTEREST INCOME	446,362,246	423,114,622
40.	COMMISSION INCOME	185,173,680	155,044,862
50.	COMMISSION EXPENSE	(11,724,193)	(11,327,075)
60.	NET COMMISSION INCOME	173,449,487	143,717,787
70.	DIVIDENDS AND SIMILAR INCOME	3,192,320	4,909,421
80.	NET TRADING INCOME	131,333,489	(123,739,548)
90.	NET HEDGING GAINS (LOSSES)	-	68,576
100.	GAINS/LOSSES ON DISPOSALS OR REPURCHASES OF:	(1,458,725)	5,540,143
	b) financial assets available for sale	(1,061,954)	5,348,014
	c) financial assets held to maturity	42,797	-
	d) financial liabilities	(439,568)	192,129
110.	NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE	7,477,343	(16,086,623)
120.	INCOME FROM BANKING ACTIVITIES	760,356,160	437,524,378
130.	NET IMPAIRMENT ADJUSTMENTS ON:	(145,641,939)	(71,056,101)
	a) receivables	(141,276,374)	(65,016,442)
	b) financial assets available for sale	(4,365,565)	(2,931,040)
	c) financial assets held to maturity	-	(3,108,619)
140.	BALANCE OF FINANCIAL MANAGEMENT	614,714,221	366,468,277
150.	ADMINISTRATIVE EXPENSES	(318,343,060)	(295,147,601)
	a) personnel expenses	(156,857,660)	(148,579,988)
	b) other administrative expenses	(161,485,400)	(146,567,613)
160.	NET PROVISIONS FOR RISKS AND CHARGES	-	2,000,000
170.	NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(12,229,992)	(11,850,679)
180.	NET ADJUSTMENTS TO INTANGIBLE ASSETS	(6,293,940)	(5,497,433)
190.	OTHER OPERATING CHARGES/INCOME	38,335,796	31,917,850
200.	OPERATING COSTS	(298,531,196)	(278,577,863)
210.	SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	(7,233,499)	(39,044,706)
240.	GAINS (LOSSES) ON SALE OF INVESTMENTS	(275,072)	(10,581)
250.	PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	308,674,454	48,835,127
260.	INCOME TAXES ON CURRENT OPERATIONS	(118,000,000)	(35,099,880)
270.	PROFIT (LOSS) ON CURRENT OPERATIONS AFTER INCOME TAXES	190,674,454	13,735,247
290.	NET PROFIT FOR THE YEAR	190,674,454	13,735,247

STATEMENT OF COMPREHENSIVE INCOME

Items/Amounts	31/12/2009	31/12/2008
10. Net profit for the year	190,674,454	13,735,247
Other income items net of income taxes		
20. Financial assets available for sale	6,894,465	-21,252,135
110. Total other income items net of income taxes	6,894,465	-21,252,135
120. Comprehensive income (item 10+110)	197,568,919	-7,516,888



STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2008	Change in opening balances	Opening balance at 1.1.2009	Allocation of prior year results	
				Reserves	Dividends and other allocations
Capital					
a) ordinary shares	924,443,955	-	924,443,955	-	-
b) other shares	-	-	-	-	-
Share premium reserve	176,084,564	-	176,084,564	-	-
Reserves					
a) from earnings	430,617,089	-	430,617,089	4,140,807	151,155
a) other	-	-	-	-	-
Revaluation reserves	-7,407,435	-	-7,407,435	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-45,452,225	-	-45,452,225	-	-
Net profit for the year	13,735,247	-	13,735,247	-4,140,807	-9,594,440
Equity	1,492,021,195	-	1,492,021,195	-	-9,443,285

A dividend from the results for 2008 of € 0.03 per share, totalling € 9,244 million, was paid from 9 April 2009. The directors have proposed a dividend of € 0.33 from the results for 2009. This dividend is subject to approval by the shareholders and, accordingly, has not been reported as a liability in these financial statements.

The proposed dividend is payable from 9 April. The payout envisaged totals € 101,689 million.

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2007	Change in opening balances	Opening balance at 1.1.2008	Allocation of prior year results	
				Reserves	Dividends and other allocations
Capital					
a) ordinary shares	924,443,955	-	924,443,955	-	-
b) other shares	-	-	-	-	-
Share premium reserve	176,084,564	-	176,084,564	-	-
Reserves					
a) from earnings	368,139,929	-	368,139,929	63,233,967	3,904
a) other	-	-	-	-	-
Revaluation reserves	13,844,700	-	13,844,700	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-21,100,902	-	-21,100,902	-	-
Net profit for the year	130,823,404	-	130,823,404	-63,233,967	-67,589,437
Equity	1,592,235,650	-	1,592,235,650	-	-67,585,533

Changes in the year

Equity transactions

Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	Equity at 31.12.2009
-	-	-	-	-	-	-	-	924,443,955
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	176,084,564
-1,671,984	-	-	-	-	-	-	-	433,237,067
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	6,894,465	-512,970
-	-	-	-	-	-	-	-	-
-	-	5,241,036	-	-	-	-	-	-40,211,189
-	-	-	-	-	-	-	190,674,454	190,674,454
-1,671,984	-	5,241,036	-	-	-	-	197,568,919	1,683,715,881

Changes in the year

Equity transactions

Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	Equity at 31.12.2008
-	-	-	-	-	-	-	-	924,443,955
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	176,084,564
-760,711	-	-	-	-	-	-	-	430,617,089
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-21,252,135	-7,407,435
-	-	-	-	-	-	-	-	-
-	-	-24,351,323	-	-	-	-	-	-45,452,225
-	-	-	-	-	-	-	13,735,247	13,735,247
-760,711	-	-24,351,323	-	-	-	-	-7,516,888	1,492,021,195



CASH FLOW STATEMENT (Indirect method)

	31-12-2009	31-12-2008
A. OPERATING ACTIVITIES		
1. Cash generated from operations	407,612,619	304,806,041
- net profit for the year (+/-)	190,674,454	13,735,247
- gains/losses from financial assets held for trading and from financial assets/liabilities carried at fair value (-/+)	-68,457,289	152,603,880
- net hedging gains (losses) (-/+)	-	-68,576
- net impairment adjustments (+/-)	106,071,663	69,121,496
- net adjustments to property, plant and equipment and intangible assets (+/-)	18,523,932	17,348,113
- provisions for risks and charges and other costs/revenues (+/-)	-509,353	-3,255,906
- unpaid taxes and duties (+)	118,000,000	35,099,880
- net impairment adjustments to assets held for sale, net of tax effect (+/-)	-	-
- other adjustments (+/-)	43,309,212	20,221,907
2. Cash generated/absorbed by financial assets	-1,362,324,030	-2,907,256,865
- financial assets held for trading	673,958,241	-516,292,425
- financial assets carried at fair value	12,861,971	-785,379
- financial assets available for sale	-24,261,182	-5,117,132
- due from other banks: sight	108,765,802	-34,654,269
- due from other banks: other receivables	-227,732,652	265,490,698
- due from customers	-1,903,095,184	-2,592,895,139
- other assets	-2,821,026	-23,003,219
3. Cash generated/absorbed by financial liabilities	1,047,434,225	2,711,771,920
- due to other banks: sight	-28,089,441	-382,007,413
- due to other banks: other payables	444,224,513	198,246,174
- customer deposits	813,522,218	2,416,991,941
- debt securities in issue	106,949,421	386,568,459
- financial liabilities held for trading	-211,354,361	175,370,654
- financial liabilities carried at fair value	-	-
- other liabilities	-77,818,125	-83,397,895
Net cash generated/absorbed by operating activities	92,722,814	109,321,096

	31-12-2009	31-12-2008
B. INVESTING ACTIVITIES		
1. Cash generated by:	18,451,338	353,195
- sale of equity investments	9,800,772	-
- dividends collected from equity investments	-	216,068
- sales of financial assets held to maturity	8,525,062	-
- sales of property, plant and equipment	125,504	137,127
- sales of intangible assets	-	-
- sales of business divisions	-	-
2. Cash absorbed by:	-106,804,010	-24,261,364
- purchases of equity investments	-81,022,670	-3,719,691
- purchases of financial assets held to maturity	-6,390,576	-2,475,357
- purchases of property, plant and equipment	-11,431,576	-13,038,955
- purchases of intangible assets	-7,959,188	-5,027,361
- purchases of business divisions	-	-
Net cash generated/absorbed by investing activities	-88,352,672	-23,908,169
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	3,569,052	-25,112,035
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-9,445,912	-67,089,437
Net cash generated/absorbed by financing activities	-5,876,860	-92,201,472
NET CASH GENERATED/ABSORBED IN THE YEAR	-1,506,718	-6,788,545

Key:

(+) generated (-) absorbed

RECONCILIATION

Line items	31-12-2009	31-12-2008
Cash and balances with central banks at beginning of year	82,745,400	89,055,618
Total net cash generated/absorbed in the year	- 1,506,718	- 6,788,545
Cash and balances with central banks: effect of change in exchange rates	12,128	478,327
Cash and balances with central banks at end of year	81,250,810	82,745,400

NOTES TO THE FINANCIAL STATEMENTS

PART A *Accounting policies*

A.1 General information

Section 1 *Declaration of compliance with International Financial Reporting Standards*

Banca Popolare di Sondrio s.c.p.a. declares that these financial statements have been prepared in accordance with all the international accounting standards (IAS/IFRS) adopted by the International Accounting Standards Board, and the related interpretations of the International Financial Reporting Interpretations Committee, in force at 31 December 2009 and endorsed by the European Commission pursuant to EU Regulation 1606/2002.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4 para 1 and 2 of Decree 38 dated 28 February 2005 «Making the elections envisaged by art. 5 of the EC Regulation 1606/2002 concerning international accounting standards». The format of the financial statements complies with the Bank of Italy's Instructions 262 dated 22 December 2005, issued within the powers defined by D.Lgs 38/2005, 38/2005, taking account of the update issued on 18 November 2009.

Section 2 *Basis of preparation*

The financial statements have been prepared in accordance with the following general criteria described in IAS 1:

- 1) **Going concern.** The financial statements have been prepared on a going concern basis and, accordingly, assets, liabilities and «off balance sheet» transactions have been measured at their value in use. In this regard, we would point out that the Board of Directors and Board of Statutory Auditors evaluate the company's prospects with particular attention, that this assumption has been resolutely pursued and that there is no need for detailed analyses to support this assumption in addition to the information that is already available in the financial statements and the report on operations.
Considering the structure of deposits based essentially on customer current accounts, repurchase agreements and loans, mainly to retail customers and SMEs which the Bank monitors constantly, as well as the prevalence of government securities and prime corporate bonds, management is of the opinion that there are no critical areas that could negatively influence the Bank's capital solidity and profitability, which are key assumptions for adopting the going-concern basis.
- 2) **Accruals basis.** Costs and revenues are matched in the accounting periods to which they relate, regardless of when the related transactions are settled.
- 3) **Consistency of presentation.** Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless change is required by an international accounting standard or related interpretation, or unless it is clear that a different presentation or classification would be more appropriate for the meaningful and reliable presentation of information. If the presentation or classification of items is changed, the comparative amounts are also reclassified, unless this is not feasible, and the nature of the reclassification is explained together with the related reasons. The format of the financial statements and the explanatory notes complies with



the Bank of Italy's Instructions dated 22 December 2005 (1st update of 18 November 2009).

- 4) Significance and grouping. Each significant group of similar items is shown separately in the financial statements. Items with a dissimilar nature or use are reported separately, unless they are insignificant.
- 5) No offsetting of balances. Assets, liabilities, costs and revenues are not offset against each other unless required or allowed by an international accounting standard or related interpretation, or unless this is specifically envisaged in the reporting formats established for banks.
- 6) Comparative information. Prior period comparative information is provided for all the data reported in the financial statements, except if a different approach is allowed by an international accounting standard or related interpretation. Explanatory and descriptive information is included when this helps to provide a better understanding of the financial statements for the current year.

The financial statements are prepared in accordance with Italian regulations, to the extent compatible with IFRS. Accordingly, these financial statements reflect the requirements of Decree 87/92, the Italian Civil Code (c.c.) and the Finance Law for listed companies regarding the report on operations (art. 2428 c.c.), the audit (art. 2409-bis c.c.) and publication (art. 2435 c.c.).

The figures in the notes are shown in thousands of euro.

Section 3 *Subsequent events*

No events have taken place between the reference date for these financial statements and the date of their approval by the Board of Directors on 25/2/2010 that would require the adjustment of such approved information, and nothing of significance has occurred that would require the provision of additional information.

Section 4 *Other aspects*

The accounting policies applied during the year under review are consistent with those of the previous year, except for the amendments caused by the review of IAS 1 and the introduction of IFRS 8.

The review of IAS 1 involved the introduction of a new statement in the financial statements (the statement of comprehensive income) as well as the reclassification of certain items in the statement of changes in equity. The introduction of IFRS 8 did not entail significant changes in the identification of operating segments or in management reporting methods compared with IAS 14.

The financial statements, accompanied by the directors' report on operations, consist of the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes to the financial statements.

Preparing financial statements requires making estimates and valuations that can have a significant impact on the figures shown in the balance sheet and income statement, especially as regards loans and receivables, the valuation of financial assets, the quantification of the provisions for personnel expenses and for risks and charges, and the use of valuation models for identifying the fair value of instruments that are not listed on active markets, on the basis of business continuity and excluding forced sales of assets. All required disclosures are given in the notes on the accounting policies applied to each of the aggregates in the financial statements.

The Bank defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the consolidated financial statements at 31 December 2009, as required by prevailing accounting standards and relevant regulation. These processes are largely based on estimating the future recoverability of amounts reported in the financial statements in accordance with rules dictated by current regulation and have been performed on a going concern basis, i.e. valuations are not based on the assumption of a forced sale.

The outcome of this work supports the carrying amount of these items at 31 December 2009. It should be stated, however, that this valuation process was particularly complex in view of the current macroeconomic and market context, featuring abnormal volatility in all financial measures used for valuation purposes, and the consequent difficulty in making even short-term forecasts for these financial parameters which have a significant impact on estimates.

The parameters and information used for verifying the values mentioned above have been heavily affected by the particularly uncertain macroeconomic and market environment which could, like in recent months, experience currently unforeseeable rapid changes, with a consequent impact, including materially, on the amounts reported in the financial statements at 31 December 2009.

The financial statements are audited by KPMG spa in accordance with the shareholders' resolution of 29 March 2008 which appointed them as auditors for the nine year period from 2008 to 2016.

A.2 Part relating to the main line items in the financial statements

1. Financial assets held for trading

Classification

This caption comprises fixed-yield and variable-yield securities and units in mutual funds held for trading. It also includes derivative contracts with a positive fair value, excluding hedges but including those recorded separately from the underlying structured financial instrument, when the requirements for making this distinction are met. A derivative contract is a financial instrument whose value is linked to movements in an interest rate, the prices struck for a financial instrument, the price of a commodity, a currency exchange rate, a price index, a rate index or other type of index, is settled on maturity and requires a limited initial net investment. A derivative is separated from a complex financial instrument when its economic characteristics and risks are not strictly related to the characteristics of the underlying contract, when the embedded instruments comply with the definition of a derivative even after separation, and the hybrid instruments to which they belong are not measured at fair value through the income statement.

Recognition

Assets held for trading are recorded at the settlement date with reference to their fair value, usually represented by the consideration paid, while the transaction costs and revenues are reflected directly in the income statement.

Trading derivatives are recognised at the «contract» date and are stated at their current value at the time of acquisition.

Accounting policies

Subsequent to initial recording, trading financial instruments are stated at their fair value at the reference date. With regard to instruments listed on active markets, fair value is



represented by their official bid price at the close of trading, while the fair value of instruments not listed on active markets is determined by reference to prices supplied by information providers such as Bloomberg and Reuters. If this is not possible, estimates and valuation models that take account of market data are applied. These methods are based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows or models for the determination of option prices, taking into account the credit risk profile of the issuer.

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

Recognition of components affecting the income statement

The components of income generated by financial instruments held for trading are recognised in the income statement for the period in which they arise as «Net trading income». An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. The original value is not reinstated, even if the losses no longer exist.

Realised gains and losses from the sale or reimbursement and unrealised gains and losses deriving from the change in the fair value of the trading portfolio, as well as the impairment of financial assets carried at cost are booked to the income statement under «Net trading income».

Interest income and dividends are reported in the income statement under «Interest income and similar revenues» and «Dividends and similar income» respectively.

Derecognition

Financial assets held for trading are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

2. Financial assets available for sale

Classification

This caption comprises financial assets that are not derivatives and which are not classified as Receivables, Financial assets held for trading or Assets held to maturity.

In particular, this caption includes securities not held for trading and equity interests, also not held for trading, that do not represent investments in subsidiary companies, associated companies or companies under joint control.

Recognition

The assets classified in this caption are recorded on the settlement date.

Available-for-sale securities are initially recognised at their fair value, which is usually represented by the fair value of the consideration paid to acquire them, as adjusted by any directly-related transaction costs and revenues.

Aside from the exceptions allowed under IAS 39, it is not possible to transfer assets from the available-for-sale portfolio to other portfolios, or vice versa. The value recorded on any reclassification from Assets held to maturity reflects the fair value of the asset concerned at the time of transfer.

Accounting policies

Subsequent to initial recording, financial assets available for sale are stated at their fair value, determined on the basis described in relation to Financial assets held for trading.

Variable-yield securities whose fair value cannot be determined reliably are stated at cost. These comprise equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Bank operates. These instruments show that equities represent the majority in this portfolio. The fair value of these investments cannot be reliably determined, given that the valuation techniques applied to them would have to make significant use of discretionary, non-market factors.

An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. Any subsequent writebacks cannot exceed the impairment losses recorded previously.

The rules adopted by the Bank prescribe that an impairment test has to be carried out on variable-yield securities in one of the following cases:

- a cumulative reduction in the fair value exceeding 20% of the original cost gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test.

In any case, a cumulative reduction in fair value exceeding 50% of the original cost automatically leads to an impairment test.

- a cumulative reduction in the fair value of the instrument for at least 9 months gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test. In any case, a cumulative reduction in the fair value of the original cost for more than 18 months automatically leads to an impairment test.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the amortisation of transaction costs and the difference between cost and redemption value, is recorded in the income statement.

Income and charges deriving from changes in fair value, net of the related deferred tax effect, are recorded in specific equity reserves, known as «valuation reserves», until the asset is derecognised or its value is impaired. The accumulated gains or losses are released to the income statement at the time of derecognition or the recognition of impairment.

Dividends are shown under «dividends and similar income».

If the reasons for impairment cease to apply following events subsequent to the reduction in the value of the financial asset, the writebacks relating to fixed-yield securities are reflected in the income statement, while those relating to variable-yield securities are recorded in a specific «valuation reserve» within equity.

Derecognition

Financial assets available for sale are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

3. Financial assets held to maturity

Classification

These are almost entirely unlisted fixed-yield securities that the Bank has the capacity and the willingness to hold to maturity.

Recognition

Assets due to be held to maturity are initially recorded on the settlement date at their fair value, which normally coincides with the amount paid by the bank, including transaction costs.



Any assets booked under the terms of the amendment to IAS 39 regarding the application of fair value, as adopted by the European Union with EC Regulation 1004/2008 of 15/10/2008 are measured at their fair value as of 1 July 2008, providing they were on the books as of 1/7/2008; those booked subsequently are shown at their fair value at the date of reclassification.

Accounting policies

After initial recognition, they are measured at amortised cost using the effective interest method, subjecting such assets to impairment testing if there are any signs of a deterioration in the solvency of the issuers.

Recognition of components affecting the income statement

Components affecting the income statement are recognised according to the process of financial amortisation.

Derecognition

Financial assets held to maturity are derecognised on expiry of the contractual rights over the related financial flows.

4. Receivables

4.1 Cash loans and deposits

Classification

Receivables comprise deposits with banks and loans to customers, made directly or acquired from third parties, which have fixed or determinable payments, are not listed on an active market.

Recognition

Receivables and loans are classified in the receivables portfolio when they are paid out or acquired and cannot be transferred to other portfolios subsequently. Repurchase agreements are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a receivable for the spot amount paid. Changes in receivables regarding transactions not yet settled are governed by the «settlement date» method. Loans are initially recorded at their fair value when they were paid out or acquired, which usually corresponds to the amount paid out or the current value paid to acquire them. The initially recorded value includes any transaction costs and revenues directly associated with each loan.

Accounting policies

Subsequent to initial recognition, valuations are carried out on an amortised cost basis, using the effective interest method. Amortised cost is represented by the initial value net of any repayments of principal, as uplifted or decreased by writebacks or writedowns and the amortisation of the difference between the amount paid and that recoverable on maturity. The effective interest rate is the rate using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. Short-term loans without a specific repayment date and loans repayable on demand are booked at their historical cost, as the calculation of the amortised cost does not produce significant

differences with respect to this value. The effective interest rate identified initially, or when the indexing parameter for the loan is modified, is used subsequently to discount the expected cash flows, even if the loan is later restructured and changes are made to the contractual rate.

Loans are subjected to impairment testing at each reporting date to check for any loss in value due to deterioration in the solvency of borrowers.

The following categories of impaired loan are subjected to specific analysis:

- a) non-performing loans;
- b) watchlist loans;
- c) restructured loans.

Losses in the value of individual loans are represented by the extent to which their recoverable value is lower than their amortised cost. Recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

- a) value of contractual cash flows net of any expected losses, estimated with reference to the ability of borrowers to meet their obligations and the value of any secured or personal guarantees obtained;
- b) expected timing of recoveries, considering the progress made by recovery procedures;
- c) internal rate of return.

The specific analysis of non-performing loans takes the following parameters into account:

- a) recoveries forecast by the account managers;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates or the actual contractual rates applying at the time of classifying the loans as doubtful.

The specific analysis of watchlist loans takes the following parameters into account:

- a) recoveries forecast by the offices concerned;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates represented by the actual contractual rates applying at the time the loans were added to the watchlist.

The specific analysis of restructured loans takes the following parameters into account:

- a) plans for the recovery and/or restructuring of the loans, considering the assessment made by the offices concerned;
- b) discounting rates represented by the actual or contractual interest rates applying prior to reaching agreement with the borrowers.

Past due/overdrawn loans determined in accordance with the latest rules introduced by the Supervisory Authority are valued on the basis of a series of adjustment percentages that depend on historical loss statistics recorded for the same type of transaction.

Performing loans that do not show any objective signs of impairment are valued on a collective basis. Such loans aggregated in homogeneous classes with similar characteristics have applied to them impairment coefficients that are estimated on the basis of statistical data and expressed as the probability of default (PD) by the customer and the extent of the loss given default (LGD).

As a result of the regulatory change adopted by the Supervisory Authority, loans to borrowers resident in countries considered to be at risk are no longer valued separately.

Recognition of components affecting the income statement

Interest on loans is shown under «Interest income and similar revenues».



Reductions or recoveries of partial or entire amounts previously written down are booked to the income statement.

Any writebacks do not exceed the (specific and general or «portfolio») impairment adjustments recorded previously.

Derecognition

Loans are derecognised when substantially all the related risks and benefits have been transferred and no control over them is retained.

4.2 Endorsement loans

Classification

Endorsement loans consist of all secured and unsecured guarantees given for third-party obligations.

Recognition and measurement

Endorsement loans are valued on the basis of the riskiness of this particular form loan, taking into account the creditworthiness of the borrower.

Recognition of components affecting the income statement

The commissions accrued are shown in the income statement under «fee and commission income». Impairment losses, and subsequent write-backs, are booked to the income statement under «net impairment adjustments to other financial assets» with the contra-entry to other assets.

5. Financial assets carried at fair value

The portfolio of «Financial assets carried at fair value» comprises the securities for which the «fair value option» has been applied. The recognition, measurement and derecognition criteria applied are the same as those adopted in relation to financial assets held for trading.

The income elements relating to instruments classified as Financial assets carried at fair value booked to the income statement in the period when they arise to «net change in financial assets and liabilities measured at fair value».

6. Hedging transactions

Classification and recognition

The portfolio of hedging derivatives comprises the derivative instruments used by the Bank to neutralise or minimise the losses arising in relation to hedged assets and liabilities.

The hedging of market risks can take two different forms:

- a) fair value hedges of the exposure to changes in the fair value of a balance sheet item attributable to a specific risk;
- b) cash flow hedges of the exposure to changes in future cash flows attributable to specific risks associated with balance sheet items.

A transaction can be recorded as a «hedge» if it satisfies the following conditions: a) the hedging relationship must be formally documented; b) the hedge must be effective at its inception and prospectively throughout its life. Effectiveness is tested using specific techniques and exists when the changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the related changes in the hedged instrument (the results

of the test fall into the 80% - 125% interval. The effectiveness of the hedge is assessed at each interim reporting date and at year end. If the test reveals that the hedge is not sufficiently effective, the instrument is reclassified to the trading portfolio.

Hedging instruments are recorded using the «contract date» method.

Measurement and recognition of components affecting the income statement

Fair value hedges are measured and recorded on the following basis:

- 1) hedging instruments are stated at their fair value; the fair value of instruments listed on active (efficient) markets is represented by their closing market price, while the fair value of instruments not listed on active markets corresponds to the present value of expected cash flows, which are determined having regard for the different risk profiles of the instruments subject to measurement. The measurement techniques used are those normally adopted by the market. The resulting gains and losses are recorded in the «Net hedging gains (losses)» caption of the income statement;
- 2) hedged positions are stated at their fair value and any gains or losses attributable to the hedged risk are also recorded in the «Net hedging gains (losses)» caption of the income statement to match the change in the carrying value of the hedged item.

With regard to interest-earning financial instruments, if the hedge ceases to satisfy the recognition criteria, the difference between the carrying value of the hedged item at the time the hedge ceases and its carrying value had the hedge never existed is amortised to the income statement over the residual life of the original hedge; if the financial instruments concerned do not earn interest, this difference is recorded in the income statement immediately.

Cash flow hedges are measured and recorded on the following basis:

- 1) derivative instruments are stated at their fair value. The gains and losses deriving from the effective part of the hedge, net of the related deferred tax effect, are recorded among the «Valuation reserves» within equity and only released to income when the hedged change in cash flows takes place;
- 2) The hedged item continues to be valued on the basis applicable to the category concerned.

Derecognition

Risk hedges cease to generate accounting effects when they expire, when they are closed out or terminated in advance, or when they cease to satisfy the recognition criteria.

7. Equity investments

Classification

The portfolio of equity investments comprises the holdings in subsidiary companies, associated companies and companies under joint control. It is assumed that control exists when more than half of the voting rights are held directly or indirectly, or if there is a dominant influence. A company is an associated company if the Bank exercises significant influence over its activities or, in any case, if it holds 20% or more of the voting rights or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

- a) the Bank has a representative on the Board of Directors or the equivalent body of the affiliate;
- b) the Bank takes part in the decision-making process, including decisions regarding dividends;
- c) there are significant transactions between the parent company and the affiliate;
- d) there is an exchange of managers;



e) essential technical information if being provided.

There is joint control when the voting rights and control over the affiliate are split equally with others.

Recognition

Equity investments are initially recorded at cost on the settlement date, which normally coincides with the amount paid, including transaction costs.

Accounting policies

Equity investments are subsequently valued at cost. If the solvency of an equity investment appears to have deteriorated, it is subjected to impairment testing to check if there has been any loss in value. The impairment loss is the difference between the lower new value and the previous carrying value.

Any subsequent writebacks cannot exceed the impairment losses recorded previously.

Recognition of components affecting the income statement

Dividends are accounted for in the year they are collected and shown under «dividends and similar income».

Impairment losses, as well as profit/losses on disposal, are booked to the income statement under «share of profit/loss of equity investments».

Derecognition

Equity investments are derecognised when the financial asset is sold together with the transfer of all the risks and benefits of ownership.

8. Property, plant and equipment

Classification

This caption includes buildings, land, installations, furniture, equipment, furnishings and machinery.

As required by IAS 17, assets held under finance leases are also classified in this caption.

Recognition

Property, plant and equipment are initially recorded at cost, including all expenses directly related to the asset's installation prior to being brought into service. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Accounting policies

Following initial recognition, property, plant and equipment are stated at cost net of accumulated depreciation and any permanent impairment of value. Depreciation is provided on a systematic basis over the useful lives of the various categories of asset. The total book value of property has been split, based on specific appraisals, between the value of buildings and that of the related land, which is not depreciated since it has an indefinite life. Property, plant and equipment are subjected to impairment testing at year end, or at interim reporting dates if there is evidence of a possible loss of value, and any impairment of their carrying value with respect to their recoverable value is charged to the income statement. Recoverable

amount is defined as the asset's fair value, less any selling costs, or, if greater, its value in use as represented by the present value of future cash flows generated by the asset; subsequent writebacks do not exceed the impairment losses recorded previously.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and writebacks are recorded in the «net adjustments to intangible assets» caption of the income statement.

Derecognition

Property, plant and equipment are derecognised on disposal or when their economic lives are over and they are not expected to generate any further economic benefits.

9. Intangible assets

Classification

This caption comprises identifiable, intangible, non-monetary assets that will benefit future years.

Recognition

Intangible assets are recorded at purchase cost, as adjusted for any related charges, only if it is probable that the future economic benefits attributable to them will be realised and their cost can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed in the period incurred; any costs incurred subsequently are only capitalised if they increase the value of or the economic benefits expected from the assets concerned.

Accounting policies

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any impairment in value.

Amortisation is provided on a systematic, straight-line basis over the expected useful lives of the intangible assets concerned.

If there is evidence of impairment at the reporting date, the asset's recoverable amount is estimated: the impairment loss, being the difference between the carrying value and the recoverable amount, is charged to the income statement.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and writebacks are recorded in the «net adjustments to intangible assets» caption of the income statement.

Derecognition

Intangible assets are derecognised when they are not expected to generate any further economic benefits.

10. Non-current assets held for sale and discontinued operations

Non-current assets are only included in this item when it is considered very probable that they will be sold.



They are measured at the lower of book value and fair value, net of selling costs. Differences arising on valuation are booked to the income statement.

11. Current and deferred taxation

Tax receivables and payables are reported in the balance sheet as «Tax assets» and «Tax liabilities». Current taxes include advance payments (current assets) and amounts due (current liabilities) in relation to income taxes for the year. Tax liabilities are determined by applying the current tax rates and regulations. Tax assets and liabilities also include a reasonable estimate of the risks deriving from outstanding tax disputes.

Taxable or deductible timing differences give rise to the recognition of deferred tax assets and liabilities. No deferred taxes are provided in relation to higher asset values or reserves subject to the deferral of taxation since, at present, the conditions for the payment of such taxation in future do not apply. Deferred tax assets are recognised using the liability method, only if their recovery in future years is reasonably certain.

Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in this case, the matching entries are also recorded within equity.

12. Provisions for risks and charges

This caption comprises the following provisions:

- a) Provisions for other long-term employee benefits. These are included in «Provisions for risks and charges» based on the valuation of liabilities at the date of preparation of the financial statements using the «projected unit credit method» as in the case of the reserve for termination indemnities; once again, the actuarial gains and losses deriving from actuarial estimates are booked to the income statement. They consist of:
 - 1) Post-employment benefits. This is classified as an «internal» pension fund and represents a defined-benefit obligation. The Bank has not adopted the «corridor» method allowed by IAS 19. The bank is responsible for any unfunded liabilities.
 - 2) Provision for long-service bonuses. This represents the liability for bonuses to employees who reached a period of service of 30 years. It is recorded under «other provisions».
- b) Other provisions. This caption comprises the provision for long-service bonuses mentioned above and provisions recorded for liabilities whose timing and extent cannot be determined. They are recorded when the following conditions are met:
 - 1) the bank has a current obligation (legal or implicit) at the reporting date, as a result of a past event;
 - 2) it is likely that settlement of the obligation will involve the use of economic resources;
 - 3) a reliable estimate can be made of the amount necessary to settle the obligation.

These provisions are stated at their present value if recognition of the time value of money has a significant effect (settlements to be made more than 12 months after the date of recognition).

13. Payables and debt securities in issue

Classification

Amounts due to customers and banks and debt securities in issue comprise the financial instruments (other than trading instruments) that represent the normal funding of the bank's activities by customers and other banks, or by the issue of securities. This caption also includes the liability deriving from finance lease transactions.

Recognition

These financial liabilities are recorded using the settlement date method. They are initially recognised at their fair value, which is usually represented by the amount collected by the bank. The amount initially recorded includes any transaction costs and revenues that are directly related to each liability; this amount does not include the charges made to creditors in order to recover administrative costs.

The elements of structured funding, comprising a host instrument and one or more embedded derivatives, are split and recorded separately from the related implicit derivatives, on condition that the economic characteristics and risks of the embedded derivatives are substantially different to those of the host instrument and that the derivatives can be configured as autonomous derivative contracts.

Accounting policies

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Short-term liabilities are stated at the amount collected.

Liabilities covered by effective hedges are valued in accordance with the regulations applying to such transactions.

Recognition of components affecting the income statement

Interest expense linked to funding instruments are booked to the income statement under «Interest expense and similar charges».

Gains and losses on the repurchase of liabilities are recorded in the income statement under «gains/losses on disposals or repurchases of financial liabilities».

Derecognition

Financial liabilities are derecognised when they expire or are settled.

Funding liabilities that are subsequently repurchased by the bank are eliminated from the financial statements.

14. Financial liabilities held for trading

This caption comprises derivative instruments with a negative fair value, except for hedging derivatives. The total also includes the negative value of derivatives separated from their underlying structured financial instruments, when the conditions for such separation apply. The criteria for classification, cancellation, measurement and recognition of components affecting the income statement are the same as those described in relation to assets held for trading.

15. Financial liabilities carried at fair value

The financial statements do not include any financial liabilities carried at fair value.

16. Currency transactions

Classification

They include all assets and liabilities denominated in currencies other than Euro.

Recognition

Assets and liabilities denominated in currencies other than the Euro are recognised initially using the spot exchange rates applying on the transaction dates.



Accounting policies

On the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at that time. Non-current financial assets denominated in foreign currencies are translated using the exchange rates ruling at the time of purchase.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period.

Exchange differences on assets defined as available for sale are recorded under valuation reserves.

Derecognition

The policies applied are those indicated for the corresponding line items. The exchange rate used is the one ruling on the date of payment.

17. Termination indemnities

Termination indemnities are treated as a defined-benefit plan or a defined-benefit obligation. Accordingly, pursuant to IAS 19, the value of this obligation is determined by extrapolating the current liability, using actuarial assumptions, in order to estimate the amount that will be paid upon termination of the employment relationship and determine the present value of this amount. The actuarial calculations are performed using the projected unit credit method, under which each year of service originates an additional unit of indemnity that is used to calculate the final obligation. This calculation is performed by forecasting future payments with reference to historical-statistical analyses and the demographic curve, and discounting them using a market interest rate. The actuarial analysis is carried out each year by an independent actuary.

As a result of the reform of supplementary pensions by Decree 252 of 5 December 2005, the termination indemnities accrued up to 31 December 2006 remain in the company, whereas those accruing after that either have to be assigned to some form of supplementary pension fund or kept in the company and subsequently transferred to INPS, depending on the preference of the individual employee. This has entailed changes in the underlying assumptions used for the actuarial calculation: in particular, account no longer has to be taken of the average annual rate of increase in salaries.

In compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a supplementary pension fund established pursuant to current in-house agreements.

The actuarial gains and losses arising from adjustments to the actuarial estimates are recorded in the income statement with reference to the estimated residual period of service of employees.

18. Other information

All assets sold have been eliminated from the financial statements.

The Bank has not established any stock option plans.

Revenues are recorded as received or when collection becomes likely and a reasonable estimate can be made of the amount to be received. In particular, the default interest accrued on doubtful accounts is only credited to the income statement upon collection.

Dividends are recorded upon collection.

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

In order to give a more precise analysis of administrative expenses, we have reclassified to «other administrative expenses» those costs that are not strictly attributable to personnel and which were previously reported under «personnel costs». Given that the amount involved is immaterial, we have not reclassified the comparative figures.

In compliance with the Bank of Italy's 1st update of its circular letter 262/05 on 18/11/2009, assets sold but not eliminated and impaired assets have been reclassified to their respective items. The prior year figure has been adjusted in the same way for clarity.



A.3 INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

A.3.1.1 Reclassified financial assets: book value, fair value and the impact on comprehensive income

Type of financial instruments	Portfolio of origin	Portfolio of destination	Book value at 31.12.2009	Fair value at 31.12.2009	Income items without any transfer (pre-tax)		Income items recorded during the year (pre-tax)	
					Valuation	Others	Valuation	Others
Fixed-yield securities	Financial assets held for trading	Financial assets held to maturity	226,281	219,921	26,553	4,638	2,113	4,638

A.3.2 Fair value hierarchy

Measurements at fair value are calculated on the basis of a hierarchy of levels that reflect the reliability of the inputs used. These levels are:

- prices (without adjustments) on active markets - according the definition of IAS 39 - for the assets and liabilities being measured (level 1);
- inputs other than the listed prices mentioned above; these can be seen directly (prices) or indirectly (derived from prices) on the market (level 2);
- inputs not based on market observable data (level 3).

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

Financial assets/liabilities carried at fair value	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	2,538,461	328,397	10,788	2,987,852	489,726	17,136
2. Financial assets carried at fair value	45,537	53,285	-	45,478	59,739	-
3. Financial assets available for sale	18,317	84,872	10,220	26,965	53,485	10,045
4. Hedging derivatives	-	-	-	-	-	-
Total	2,602,315	466,554	21,008	3,060,295	602,950	27,181
1. Financial assets held for trading	87	73,961	-	-	261,467	-
2. Financial liabilities carried at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	87	73,961	-	-	261,467	-

There were no significant transfers between the various levels during the year.

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

	Financial assets			
	held for trading	carried at fair value	available for sale	for hedging
1. Opening balance	17,136	-	10,045	-
2. Increases	406	-	937	-
2.1 Purchases	-	-	932	-
2.2 Income booked to:	406	-	5	-
2.2.1 Income statement	406	-	5	-
- of which realized gains	74	-	5	-
2.2.2 Equity	-	-	-	-
2.3 Transfer from other level	-	-	-	-
2.4 Other increases	-	-	-	-
3. Decreases	6,754	-	762	-
3.1 Sales -	-	-	-	-
3.2 Reimbursements	2,341	-	-	-
3.3 Losses booked to:	142	-	762	-
3.3.1 Income statement	142	-	362	-
- of which realized losses	142	-	362	-
3.3.2 Equity	-	-	400	-
3.4 Transfers to other levels	3,726	-	-	-
3.5 Other decreases	545	-	-	-
4. Closing balance	10,788	-	10,220	-

The transfers to other levels are due to the reclassification of a debt security to level 2, as it was possible to measure it using market observable inputs.

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

	Financial liabilities		
	held for trading	carried at fair value	for hedging
1. Opening balance	-	-	-
2. Increases	-	-	-
2.1 Issues	-	-	-
2.2 Losses booked to:	-	-	-
2.2.1 Income statement	-	-	-
- of which realized losses	-	-	-
2.2.2 Equity	-	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	-	-	-
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Income booked to:	-	-	-
3.3.1 Income statement	-	-	-
- of which realized gains	-	-	-
3.3.2 Equity	-	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	-	-	-

A.3.3 Information on the so-called «day one profit/loss»

We do not have any transactions outstanding which could generate significant income that could be defined as «day one profit/loss».



PART B *Information on the balance sheet*

Assets

Section 1 *Cash and cash equivalents - line item 10*

1.1 Cash and balances with central banks: analysis

	31/12/2009	31/12/2008
a) Cash	81,251	82,745
b) Unrestricted deposits with central banks	-	-
Total	81,251	82,745

Section 2 *Financial assets held for trading - line item 20*

2.1 Financial assets held for trading: breakdown by sector

Items/Amounts	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Fixed-yield securities	2,496,499	243,490	10,788	2,949,762	220,166	17,136
1.1 Structured securities	3,043	34,053	1,915	-	26,885	5,548
1.2 Other fixed-yield securities	2,493,456	209,437	8,873	2,949,762	193,281	11,588
2. Variable-yield securities	40,015	1,703	-	35,793	1,623	-
3. Mutual funds	1,862	6,566	-	2,291	9,359	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	2,538,376	251,759	10,788	2,987,846	231,148	17,136
B. Derivatives						
1. Financial derivatives	85	76,638	-	6	258,578	-
1.1 for trading	85	76,638	-	6	258,578	-
1.2 connected with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	85	76,638	-	6	258,578	-
Total (A+B)	2,538,461	328,397	10,788	2,987,852	489,726	17,136

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

The other debt securities shown under level 3 are made up of a bond deriving from the securitisation of loans. The valuation of this instrument was made using internal valuation models based on discounting future cash flows and applying an average credit spread for Italian ABS with a corresponding rating.

2.2 Financial assets held for trading: breakdown by debtor/issuer

Items/Amounts	31/12/2009	31/12/2008
A. Cash assets		
1. Fixed-yield securities	2,750,777	3,187,064
a) Governments and central banks	2,443,843	2,899,949
b) Other public entities	-	-
c) Banks	177,869	128,934
d) Other issuers	129,065	158,181
2. Variable-yield securities	41,718	37,416
a) Banks	14,374	12,954
b) Other issuers:	27,344	24,462
- insurance companies	3,859	4,856
- financial companies	864	543
- non-financial companies	22,621	19,063
- other	-	-
3. Mutual funds	8,428	11,650
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	2,800,923	3,236,130
B. Derivatives		
a) Banks	43,463	87,684
- fair value	43,463	87,684
b) Customers	33,260	170,900
- fair value	33,260	170,900
Total B	76,723	258,584
Total (A+B)	2,877,646	3,494,714

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

Mutual funds consist of equity funds and sicavs for € 7.864 million, real estate funds for € 0.365 million and other funds for € 0.199 million.



2.3 Cash financial assets held for trading: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total
A. Opening balance	3,187,064	37,416	11,650	-	3,236,130
B. Increases	7,914,831	87,068	19,251	-	8,021,150
B.1 Purchases	7,742,472	79,592	17,516	-	7,839,580
B.2 Positive changes in fair value	62,070	2,440	531	-	65,041
B.3 Other changes	110,289	5,036	1,204	-	116,529
C. Decreases	8,351,118	82,766	22,473	-	8,456,357
C.1 Disposals	8,181,804	81,753	22,110	-	8,285,667
C.2 Reimbursements	80,786	-	-	-	80,786
C.3 Negative changes in fair value	3,982	637	74	-	4,693
C.4 Transfer to other portfolios	-	-	-	-	-
C.5 Other changes	84,546	376	289	-	85,211
D. Closing balance	2,750,777	41,718	8,428	-	2,800,923

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

Other increases consist of net trading income and accrued interest coupons and premiums. Other decreases consist of net trading losses and the amount of coupons collected.

Section 3 Financial assets carried at fair value - line item 30

3.1 Financial assets carried at fair value: breakdown by sector

Items/Amounts	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	43,880	-	-	44,111	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	43,880	-	-	44,111	-	-
2. Variable-yield securities	-	-	-	-	-	-
3. Mutual funds	1,657	53,285	-	1,367	59,739	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	45,537	53,285	-	45,478	59,739	-
Cost	44,886	47,192	-	45,658	76,263	-

This portfolio includes all securities, other than those booked to the trading portfolio, which the bank has decided to measure at fair value, charging any gains or losses to the income statement, in line with a documented system of risk management based on a board resolution passed on 27/7/2005. Information on the performance of these securities is provided regularly to the managers in charge.

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

Items/Amounts	31/12/2009	31/12/2008
1. Fixed-yield securities	43,880	44,111
a) Governments and central banks	43,880	44,111
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Variable-yield securities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Mutual funds	54,942	61,106
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	98,822	105,217

Mutual funds are made up of: bond funds and sicavs for € 18.278 million, funds and sicavs for € 26.463 million, real estate funds for € 1.657 million, monetary funds for € 3.499 million and flexible funds for € 5.045 million.

3.3 Financial assets carried at fair value: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total
A. Opening balance	44,111	-	61,106	-	105,217
B. Increases	62,351	-	6,394	-	68,745
B1. Purchases	60,335	-	-	-	60,335
B2. Positive changes in fair value	361	-	6,383	-	6,744
B3. Other changes	1,655	-	11	-	1,666
C. Decreases	62,582	-	12,558	-	75,140
C1. Disposals	61,021	-	12,481	-	73,502
C2. Reimbursements	492	-	-	-	492
C3. Negative changes in fair value	-	-	77	-	77
C4. Other changes	1,069	-	-	-	1,069
D. Closing balance	43,880	-	54,942	-	98,822

«Other changes» include net trading income and accrued interest coupons and premiums (as an increase) and coupons collected (as a decrease).



Section 4 Financial assets available for sale - line item 40

4.1 Financial assets available for sale: breakdown by sector

Items/Amounts	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	-	30,092	-	-	30,666	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	-	30,092	-	-	30,666	-
2. Variable-yield securities	18,317	54,780	-	26,965	22,819	-
2.1 Carried at fair value	18,317	6,587	-	26,965	-	-
2.2 Carried at cost	-	48,193	-	-	22,819	-
3. Mutual funds	-	-	10,220	-	-	10,045
4. Loans	-	-	-	-	-	-
Total	18,317	84,872	10,220	26,965	53,485	10,045

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

Unlisted equities remain at cost, adjusted if necessary for impairment, because of the problems involved in establishing their fair value at the year end.

A comparison between the cost and net equity of these unlisted equities based on the latest available financial statements did not give rise to impairment losses.

Mutual funds all consist of closed-end unlisted equity funds. These instruments have been valued at the price communicated by the fund managers, which represents the fund's net assets value (NAV).

4.2 Financial assets available for sale: breakdown by debtor/issuer

Items/Amounts	31/12/2009	31/12/2008
1. Fixed-yield securities	30,092	30,666
a) Governments and central banks	-	-
b) Other public entities	1,316	1,340
c) Banks	28,018	28,056
d) Other issuers	758	1,270
2. Variable-yield securities	73,097	49,784
a) Banks	19,678	29,527
b) Other issuers:	53,419	20,257
- insurance companies	2,126	2,519
- financial companies	32,701	7,585
- non-financial companies	18,592	10,153
- other	-	-
3. Mutual funds	10,220	10,045
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	113,409	90,495

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

4.4 Financial assets available for sale: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total
A. Opening balance	30,666	49,784	10,045	-	90,495
B. Additions	1,439	37,280	937	-	39,656
B1. Purchases	758	26,261	932	-	27,951
B2. Positive changes in fair value	-	1,576	-	-	1,576
B3. Write-backs	-	-	5	-	5
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	5	-	5
B4. Transfers from other asset portfolios	-	-	-	-	-
B5. Other changes	681	9,443	-	-	10,124
C. Decreases	2,013	13,967	762	-	16,742
C1. Disposals	-	13,086	-	-	13,086
C2. Reimbursements	1,263	-	-	-	1,263
C3. Negative changes in fair value	-	274	400	-	674
C4. Impairment write-downs	-	-	362	-	362
- booked to income statement	-	-	362	-	362
- booked to equity	-	-	-	-	-
C5. Transfers to other asset portfolios	-	606	-	-	606
C6. Other changes	750	1	-	-	751
D. Closing balance	30,092	73,097	10,220	-	113,409

Purchases of variable-yield securities include the purchase of an interest in Release spa for € 24.648 million as part of the reorganisation of the Banca Italease Group. Other increases include € 7.750 million for the book value of the shares in Aedes spa and Gabetti spa that arose from the restructuring of loans, in addition to accrued interest coupons.

The decrease in variable-yield securities is mainly attributable to the transfer to equity investments of the interest in Meliorbanca spa for € 12.896 million on acceptance of the takeover bid promoted by Banca Popolare dell'Emilia Romagna.

Other decreases mainly concern collected coupons.

Section 5 Financial assets held to maturity - line item 50

5.1 Financial assets held to maturity: breakdown by sector

Type of transaction/Amounts	31/12/2009				31/12/2008			
	Book Value	Fair Value			Book Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Fixed-yield securities	263,654	5,636	252,703	-	264,105	4,352	216,221	-
1.1 Structured securities	11,591	-	10,589	-	11,572	-	9,640	-
1.2 Other fixed-yield securities	252,063	5,636	242,114	-	252,533	4,352	206,581	-
2. Loans	-	-	-	-	-	-	-	-

In 2008 we transferred securities held for trading to this portfolio for a total par value of € 242.686 million, taking advantage of the amendment issued by IASB on 13/10/2008 and adopted by the European Commission with Regulation 1004/2008 on 15/10/2008.

if the securities transferred, which are currently in portfolio at an amount of € 234.108 million at par, had been measured at fair value at the date of the financial statements, they would have been worth € 219.921 million with a loss of € 6.360 million.



5.2 Financial assets held to maturity: breakdown by debtor/issuer

Items/Amounts	31/12/2009	31/12/2008
1. Fixed-yield securities	263,654	264,105
a) Governments and central banks	5,458	4,415
b) Other public entities	-	-
c) Banks	171,151	177,257
d) Other issuers	87,045	82,433
2. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	263,654	264,105

5.4 Financial assets held to maturity: changes during the year

	Fixed-yield securities	Loans	Total
A. Opening balance	264,105	-	264,105
B. Additions	15,941	-	15,941
B1. Purchases	6,390	-	6,390
B2. Write-backs	-	-	-
B3. Transfers from other asset portfolios	-	-	-
B4. Other changes	9,551	-	9,551
C. Decreases	16,392	-	16,392
C1. Disposals	1,037	-	1,037
C2. Reimbursements	7,488	-	7,488
C3. Write-downs	-	-	-
C4. Transfers to other asset portfolios	-	-	-
C5. Other changes	7,867	-	7,867
D. Closing balance	263,654	-	263,654

Other increases concern interest coupons and premiums and the positive element of amortised cost. Other decreases consist of collected coupons and the negative element of amortised cost.

Item C1. relates to the sale of a bond following acceptance of the public share exchange offering launched by Banco Popolare for Banca Italease.

Section 6 Due from other banks - line item 60

6.1 Loans and advances to banks: breakdown by sector

Type of transaction/Amounts	31/12/2009	31/12/2008
A. Deposits with central banks	121,373	67,055
1. Time deposits	-	-
2. Compulsory reserve	121,373	67,055
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from other banks	1,172,842	1,111,408
1. Current accounts and sight deposits	79,046	187,812
2. Time deposits	1,090,932	668,626
3. Other loans	2,864	254,970
3.1 Repurchase agreements	-	-
3.2 Financial leases	-	-
3.3 Other	2,864	254,970
4. Fixed-yield securities	-	-
4.1 Structured securities	-	-
4.2 Other fixed-yield securities	-	-
Total (book value)	1,294,215	1,178,463
Total (fair value)	1,294,215	1,178,463

These receivables are not specifically hedged.

Their fair value is equal to their book value as they are short-term loans repayable on demand.

Section 7 Due from customers - line item 70

7.1 Due from customers: breakdown by sector

Type of transaction/Amounts	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Current account overdrafts	5,644,635	268,121	5,143,750	164,489
2. Repurchase agreements	-	-	-	-
3. Mortgage loans	6,627,607	238,436	5,604,362	153,203
4. Credit cards, personal loans and assignments of one-fifth of salary	90,660	5,059	88,321	2,958
5. Financial leases	-	-	-	-
6. Factoring	-	-	-	-
7. Other transactions	3,789,271	47,292	3,771,134	7,886
8. Fixed-yield securities	-	-	-	-
8.1 Structured securities	-	-	-	-
8.2 Other fixed-yield securities	-	-	-	-
Total (book value)	16,152,173	558,908	14,607,567	328,536
Total (fair value)	16,407,767	558,908	14,849,616	328,536

These receivables are not specifically hedged.

Reference should be made to Part E Information on risks and related hedging policies, Section 1, Credit risk with regard to «impaired assets».

The difference between fair value and book value is mainly attributable to the difference between market rates and the rates used to value fixed-rate loans.



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

Type of transaction/Amounts	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Fixed-yield securities:				
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	-	-	-	-
- non-financial companies	-	-	-	-
- financial companies	-	-	-	-
- insurance companies	-	-	-	-
- other	-	-	-	-
2. Loans to:				
a) Governments	525	-	4,351	-
b) Other public entities	65,894	3	76,225	-
c) Other parties	16,085,753	558,906	14,526,991	328,536
- non-financial companies	11,753,816	444,839	10,416,483	242,402
- financial companies	1,342,455	6,218	1,051,082	10,464
- insurance companies	4,709	-	3,964	-
- other	2,984,774	107,848	3,055,462	75,670
Total	16,152,173	558,908	14,607,567	328,536

Section 10 Equity investments - line item 100

10.1 Investments in subsidiary companies, companies under joint control and companies subject to significant influence: disclosures

Name	Location	% holding	% of votes
A. Investments in wholly-owned subsidiaries			
1. BANCA POPOLARE DI SONDRIO SUISSE S.A.	Via Luvini. 2/a - 6901 Lugano Svizzera	100.000	100.000
2. PIROVANO STELVIO S.p.A.	Corso delle Prese. 8 - Sondrio	100.000	100.000
3. SINERGIA SECONDA S.R.L.	Via Santa Maria Fulcorina. 1 - Milan	100.000	100.000
B. Investments in companies under joint control			
1. RAJNA IMMOBILIARE S.R.L.	Via Ragazzi del '99. 19 - Sondrio	50.000	50.000
C. Associated companies (subject to significant influence)			
1. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.R.L.	Via A, Doria 31 - Milan	33.333	33.333
2. ARCA VITA S.p.A.	Via San Marco 48 - Verona	14.927	14.927
3. B & A BROKER S.p.A.	Piazza Stuparich 18 - Milan	28.571	28.571
4. ALBA LEASING S.p.A.	Via Sile 18 - Milan	20.950	20.950

10.2 Investments in subsidiary companies, companies under joint control and companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Net profit (loss)	Equity	Book value	Fair value
A. Investments in wholly-owned subsidiaries						
1. BANCA POPOLARE DI SONDRIO SUISSE S.A.	1,936,257	84,540	6,469	116,374	32,928	-
2. PIROVANO STELVIO S.p.A.	4,098	1,333	-394	1,868	1,868	-
3. SINERGIA SECONDA S.R.L.	27,912	569	91	20,027	10,329	-
B. Investments in companies under joint control						
1. RAJNA IMMOBILIARE S.R.L.	988	157	56	679	265	-
C. Associated companies (subject to significant influence)						
1. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.R.L.	645	795	27	254	32	-
2. ARCA VITA S.p.A.	2,946,120	664,307	-19,939	124,668	25,446	-
3. B & A BROKER S.p.A.	6,325	2,718	515	1,331	365	-
4. ALBA LEASING S.p.A.	-	-	-	-	75,420	-
	4,922,345	754,419	-13,175	265,201	146,653	-

Equity investments are shown in the financial statements at cost in accordance with IAS 27, 28 and 31. This amount is adjusted in the event of permanent impairment. Except as indicated at the foot of table 10.3 for Pirovano Stelvio spa, other equity investments did not show any signs of impairment that needed adjusting.

The figures shown in the table concerning the Bank's subsidiaries and companies under joint control are taken from their financial statements at 31/12/2009, as well as those of the associates Servizi Internazionali e Strutture Integrate 2000 srl and B & A Broker spa, while those relating to Arca Vita spa refer to the 2008 financial statements, which are the last ones to be approved. No figures are provided for Alba Leasing spa, except for the book value, as this company was set up on 5 August 2009 and has only been operating from 1 January 2010. The Bank's interest in the results of these equity investments comes to € 3.374 million. No dividends were collected during the year. The figures shown above relate to the separate financial statements of the companies concerned.

The fair value is not shown for companies that are not listed on active markets.



10.3 Equity investments: changes during the year

	2009	2008
A. Opening balance	127,653	109,945
B. Additions	81,629	56,753
B1. Purchases	80,523	-
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	1,106	56,753
C. Decreases	62,629	39,045
C1. Disposals	14,730	-
C2. Write-downs	2,533	39,045
C3. Other changes	45,366	-
D. Closing balance	146,653	127,653
E. Total revaluations	-	-
F. Total write-downs	46,691	44,158

Additions, in the case of purchases, include payments for the incorporation of Alba Leasing spa and subsequent increases in capital for € 75.420 million, the assignment of shares in Nuova Janua srl following the spin-off of Janua B & A Broker spa for € 0.241 million as part of its reorganisation and its transfer to equity investments from the AFS portfolio for € 0.365 million; in addition, it includes coverage of the loss made by Pirovano Stelvio spa in 2008 of € 0.500 million. Additions also include the increase in capital of Arca Vita spa, through the initial subscription of 5 tenths, equal to € 5.103 million.

Decreases, in the case of sales, consist of the disposal of Banca Italease spa for € 14.489 million as a result of the takeover bid and the sale of Nuova Janua srl for € 0.241 million, whereas, in the case of adjustments, they relate to the impairment writedown of the investment in Pirovano Stelvio spa for € 2.533 million to bring its book value into line with its net equity; other changes consist of the transfer of 25% of Arca Vita spa and of the interest in Arca Assicurazioni Spa to line item «non-current assets and disposal groups held» for € 45.366 million.

10.4 - 10.5 - 10.6 Commitments relating to investments in subsidiaries, companies under joint control and associated companies

There are no joint and several commitments that might give rise to contingencies.

Guarantees and commitments given comprise a commitment in favour of Alba Leasing spa granted when this company started up as part of the reorganisation of Banca Italease spa.

The commitment relates to the potential deterioration of the performing loans portfolio transferred to Alba Leasing spa. At the date of preparation of these financial statements there are no elements which could give rise to liabilities for the Bank.

Section 11 Property, plant and equipment - line item 110

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

Assets/Values	31/12/2009	31/12/2008
A. Assets used in business		
1.1 owned	100,510	102,362
a) land	37,315	37,304
b) buildings	43,628	45,627
c) furniture	7,621	7,177
d) IT equipment	2,572	2,774
e) other	9,374	9,480
1.2 purchased under finance leases	42,853	50,159
a) land	11,047	11,047
b) buildings	31,806	39,112
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total A	143,363	152,521
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 purchased under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	143,363	152,521

Property, plant and equipment are valued at cost. Buildings have a fair value of € 255.305 million, as determined by an internal appraisal. Buildings used for business purposes are worth € 102.568 million.

Property, plant and equipment are free from restrictions and commitments guaranteeing liabilities. Assets purchased under finance leases are represented by 17 buildings used as bank branches, of which three still have to be inaugurated.



11.3 Property, plant and equipment used for business purposes: changes during the year

	Land	Buildings	Furniture	IT equipment	Other	Total
A. Opening gross amount	48,351	135,302	13,292	7,417	22,408	226,770
A1. Total net reductions in value	-	50,563	6,115	4,643	12,928	74,249
A2. Opening net amount	48,351	84,739	7,177	2,774	9,480	152,521
B. Additions	12	2,715	2,190	1,694	4,821	11,432
B1. Purchases	12	311	2,190	1,694	4,821	9,028
B2. Capitalised improvement expenditure	-	2,404	-	-	-	2,404
B3. Write-backs	-	-	-	-	-	-
B4. Fair value increases booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B5. Positive exchange rate adjustments	-	-	-	-	-	-
B6. Transfers from investment property	-	-	-	-	-	-
B7. Other changes	-	-	-	-	-	-
C. Decreases	1	12,020	1,746	1,896	4,927	20,590
C1. Disposals	1	8,326	-	-	33	8,360
C2. Depreciation	-	3,694	1,746	1,896	4,894	12,230
C3. Impairment charges booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C4. Fair value decreases booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C5. Negative exchange rate adjustments	-	-	-	-	-	-
C6. Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	-	-	-	-	-	-
C7. Other changes	-	-	-	-	-	-
D. Closing net amount	48,362	75,434	7,621	2,572	9,374	143,363
D1. Total net reductions in value	-	-54,074	-7,861	-6,521	-17,526	-85,983
D2. Closing gross amount	48,362	129,508	15,482	9,093	26,900	229,346
E. Valuation at cost	-	-	-	-	-	-

This item totals € 143.363 million, a decrease of € 9.158 million - 6%.

The principal changes relate to:

- owned buildings:
 - in Berbenno for the purchase of a plot of land and in Genoa for another part of a building to be used as garage space;
 - in Livigno and Milan (via Porpora) for restructuring works and in Gravedona for area development charges;
- buildings being purchased under finance leases
 - works in Villasanta, Albiate, Sondrio (via Macello), Sondrio (via Veneto), Seregno, Milan (via Farini), Merate and Treviglio. Transfer of lease contracts to Sinergia Seconda srl for buildings in Lanzada, Treviglio, Milan (via Farini) and Merate.
- furniture, installations and other:
 - increases relate to head office and branch IT equipment, furniture and fittings and miscellaneous equipment for newly-opened branches.

Depreciation is provided over the estimated useful lives of the fixed assets concerned, as summarised below:

property, plant and equipment	depreciation period (years)
buildings	33
furniture and fittings	7
IT equipment	3
miscellaneous machinery and equipment	5
vehicles	3
security counters	3
safes	8

In accordance with article 10 of Law 72 of 19 March 1983, an appendix to this report provides information on the buildings still owned by the bank for which monetary revaluations were carried out in the past.

11.5 Commitments for the purchase of property, plant and equipment

Contractual commitments for the purchase of property, plant and equipment amount to € 3.223 million, compared with € 3.349 million the previous year.

Section 12 Intangible assets - line item 120

12.1 Intangible assets: breakdown by type

Assets/Values	31/12/2009		31/12/2008	
	Specified duration	Unspecified duration	Specified duration	Unspecified duration
A1. Goodwill	-	-	-	-
A2. Other intangible assets	6,981	-	5,316	-
A2.1 Carried at cost:	6,981	-	5,316	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	6,981	-	5,316	-
A2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	6,981	-	5,316	-

Intangible assets comprise the cost of purchasing software with a finite life that is amortised over that period, which is normally 3 years.

These intangible assets are listed below by year of acquisition:

	31/12/2009	31/12/2008
recorded in 2007	-	1,965
recorded in 2008	1,675	3,351
recorded in 2009	5,306	-
	6,981	5,316



12.2 Intangible assets: changes during the year

	Other intangible assets generated internally			Other intangible assets: other		Total 31/12/2009
	Goodwill	Specified	Unspecified	Specified	Unspecified	
A. Opening balance	-	-	-	31,313	-	31,313
A1. Total net reductions in value	-	-	-	25,997	-	25,997
A2. Opening net amount	-	-	-	5,316	-	5,316
B. Increases	-	-	-	7,959	-	7,959
B1. Purchases	-	-	-	7,959	-	7,959
B2. Increases in internally generated intangible assets	-	-	-	-	-	-
B3. Write-backs	-	-	-	-	-	-
B4. Positive changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B5. Exchange gains	-	-	-	-	-	-
B6. Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	6,294	-	6,294
C1. Disposals	-	-	-	-	-	-
C2. Write-downs	-	-	-	6,294	-	6,294
- Amortisation	-	-	-	6,294	-	6,294
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C4. Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C5. Exchange losses	-	-	-	-	-	-
C6. Other changes	-	-	-	-	-	-
D. Closing net amount	-	-	-	6,981	-	6,981
D1. Total net value adjustments	-	-	-	-32,291	-	-32,291
E. Closing gross amount	-	-	-	39,272	-	39,272
F. Valuation at cost	-	-	-	-	-	-

Key:

Specified: Specified duration

Unspecified: unspecified duration

12.3 Other information

Contractual commitments to purchase software user rights amount to € 7.888 million, compared with € 3.908 million in the prior year.

Section 13 *Tax assets and liabilities- asset line item 130 and liability line item 80*

13.1 Deferred tax assets: breakdown

Deferred tax assets recorded in relation to timing differences are analysed as follows:

	31/12/2009	31/12/2008
Loan write-downs	20,916	5,080
Provisions for risks and charges	10,466	10,449
Deferred charges	3,810	3,972
Securities and equity investments	599	1,909
Administrative expenses	1,724	1,538
Amortisation and depreciation	638	510
Total	38,153	23,458

The deferred tax assets recorded in relation to the provisions for risks and charges concern the provision for legal disputes, the provision for guarantees given and the provision for personnel charges. Deferred tax assets have been recognised in relation to all deductible timing differences.

13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities are analysed as follows:

	31/12/2009	31/12/2008
Owned buildings	5,588	5,858
Accelerated depreciation	2,884	2,897
Leased buildings - financial	2,051	2,198
Securities and deferred capital gains	478	476
Administrative expenses	1,981	1,672
Total	12,982	13,101

The amount relating to owned buildings comprises the deferred taxation arising on the adoption of IFRS, with the elimination of the accumulated depreciation of land, and that calculated in 2004 on the elimination of «fiscal interference».



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

	31/12/2009	31/12/2008
1. Opening balance	22,533	18,060
2. Increases	20,198	12,120
2.1 Deferred tax assets arising during the year	20,198	12,120
a) relating to prior years	162	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	20,036	12,120
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	4,732	7,647
3.1 Deferred tax assets eliminated during the year	4,732	7,647
a) reversals	4,732	7,647
b) written down as no longer recoverable	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	37,999	22,533

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

	31/12/2009	31/12/2008
1. Opening balance	13,024	19,602
2. Increases	73	665
2.1 Deferred tax liabilities arising during the year	73	665
a) relating to prior years	46	604
b) due to changes in accounting policies	-	-
c) other	27	61
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	191	7,243
3.1 Deferred tax liabilities eliminated during the year	191	7,243
a) reversals	191	7,243
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	12,906	13,024

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

	31/12/2009	31/12/2008
1. Opening balance	924	479
2. Increases	-	477
2.1 Deferred tax assets arising during the year	-	477
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	-	477
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	770	32
3.1 Deferred tax assets eliminated during the year	770	32
a) reversals	770	32
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	154	924

This amount relates to the tax on the losses on Securities available for sale booked to equity.

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

	31/12/2009	31/12/2008
1. Opening balance	77	1,132
2. Increases	59	-
2.1 Deferred tax liabilities arising during the year	59	-
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	59	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	60	1,055
3.1 Deferred tax liabilities eliminated during the year	60	1,055
a) reversals	60	1,055
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	76	77

This amount relates to the tax on the gains on securities available for sale booked to equity.

Section 14 *Non-current assets and disposal groups held for sale and associated liabilities - line item 140 of assets and line item 90 of liabilities and equity*

14.1 Non-current assets and disposal groups held for sale: breakdown by type

	31/12/2009	31/12/2008
A. Individual assets		
A1. Financial assets	-	-
A2. Equity investments	45,366	-
A3. Property, plant and equipment	-	-
A4. Intangible assets	-	-
A5. Other non-current assets	-	-
Total A	45,366	-
B. Disposal groups of assets (discontinued operations)		
B1. Financial assets held for trading	-	-
B2. Financial assets carried at fair value	-	-
B3. Available-for-sale financial assets	-	-
B4. Financial assets held to maturity	-	-
B5. Due from other banks	-	-
B6. Due from customers	-	-
B7. Investment securities	-	-
B8. Property, plant and equipment	-	-
B9. Intangible assets	-	-
B10. Other assets	-	-
Total B	-	-
C. Liabilities associated with individual assets held for sale		
C1. Payables	-	-
C2. Securities	-	-
C3. Other liabilities	-	-
Total C	-	-
D. Liabilities associated with disposal groups of assets		
D1. Due to other banks	-	-
D2. Customer deposits	-	-
D3. Securities issued	-	-
D4. Financial liabilities held for trading	-	-
D5. Financial liabilities carried at fair value	-	-
D6. Provisions	-	-
D7. Other liabilities	-	-
Total D	-	-

This item includes part of the interest in Arca Vita spa (25%) and the entire interest in Arca Assicurazioni spa for which the Bank has reached an agreement for the sale of these shareholdings to Unipol Gruppo Finanziario as part of the redefinition of strategies in the field of *bancassurance*. This agreement is subject to the required authorisations by the Supervisory and Antitrust Authorities, which have not yet been received at the date these financial statements were approved.

Section 15 Other assets - line item 150

15.1 Other assets: breakdown

	31/12/2009	31/12/2008
Advances paid to tax authorities	15,793	12,748
Withholdings on interest due to customers	63	392
Tax credits and related interest	46,467	598
Unpaid cheques and bills	1,255	4,372
Current account cheques drawn on third parties	42,841	39,702
Current account cheques drawn on the bank	24,102	24,099
Transactions in customers' securities	92	215
Inventories	2,071	1,675
Costs pertaining to the subsequent year	1,216	681
Advances to suppliers	8,767	14,818
Advances to customers awaiting collections	89,846	93,040
Miscellaneous debits in transit	14,080	28,316
Liquid assets serving post-employment benefits	4,718	6,307
Accrued income not allocated	21,085	13,733
Prepayments not allocated	2,724	2,275
Residual items	24,229	17,766
Total	299,349	260,737

Liabilities and equity

Section 1 Due to other banks - line item 10

1.1 Deposits from banks: breakdown by type

Type of transaction/Amounts	31/12/2009	31/12/2008
1. Due to central banks	20,829	18,001
2. Due to other banks	2,239,445	1,839,017
2.1 Current accounts and sight deposits	528,829	556,918
2.2 Time deposits	1,438,470	1,097,608
2.3 Loans	272,135	183,060
2.3.1 Repurchase agreements	126,492	-
2.3.2 Other	145,643	183,060
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	11	1,431
Total	2,260,274	1,857,018
Fair value	2,260,274	1,857,018

These payables are not specifically hedged.

«Other loans» are made up principally of funding set up by EIB in connection with loans granted by this institution on the basis of the convention stipulated with it.

The fair value is assumed to be the same as the book value as the amounts are short-term or due on demand.



1.5 Payables for finance leases

	31/12/2009	31/12/2008
Payables for finance leases	28,827	38,400
Payables for finance leases at floating rates amount to € 28.827 million, compared with € 38.400 million at the end of the prior year, -24.93%, and relate to buildings used as banking branches. Total outstanding lease commitments, including interest, amount to € 32.275 million. These payables fall due as follows:		
within 12 months	4,169	3,810
1 to 5 years	13,867	18,261
Over 5 years	10,791	16,329

Section 2 Customer deposits - line item 20

2.1 Due to customers: breakdown by sector

Type of transaction/Amounts	31/12/2009	31/12/2008
1. Current accounts and sight deposits	14,625,658	11,396,729
2. Time deposits	361,905	1,429,290
3. Loans	908,367	2,256,362
3.1 Repurchase agreements	908,367	2,256,362
3.2 Other	-	-
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	575	12,411
Total	15,896,505	15,094,792
Fair value	15,896,505	15,094,792

These payables are not specifically hedged.

Their fair value corresponds to their book value as they are amounts due on demand or with short-term restrictions.

Section 3 Securities issued - line item 30

3.1 Securities issued: breakdown by sector

Type of security/Amounts	31/12/2009				31/12/2008			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	1,498,595	-	1,511,427	-	1,333,185	-	1,350,883	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1,498,595	-	1,511,427	-	1,333,185	-	1,350,883	-
2. other securities	124,381	-	124,381	-	184,079	-	184,079	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	124,381	-	124,381	-	184,079	-	184,079	-
Total	1,622,976	-	1,635,808	-	1,517,264	-	1,534,962	-

The fair value of the sub-item other securities is equal to the book value as this item includes bankers' drafts and similar documents as well as short-term bearer certificates of deposit.

Section 4 Financial liabilities held for trading - line item 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/Amounts	31/12/2009					31/12/2008				
	VN	Fair Value			FV*	VN	Fair Value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to other banks	-	-	-	-	-	-	-	-	-	-
2. Customer deposits	-	-	-	-	-	-	-	-	-	-
3. Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds-	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-
Total (A)	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	-	87	73,961	-	-	-	-	261,467	-	-
1.1 For trading	-	87	73,961	-	-	-	-	261,467	-	-
1.2 Connected with the fair value option	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
Total (B)	-	87	73,961	-	-	-	-	261,467	-	-
Total (A+B)	-	87	73,961	-	-	-	-	261,467	-	-

FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date
 VN = Nominal or notional value



Section 8 *Tax Liabilities - line item 80*

This caption includes the income tax liability and amounts to € 12.982 million, down € 0.119 million with respect to the prior year, -0.91%.

The current liability is stated net of the advance payments made during the year, € 47.069 million.

The analysis of deferred tax liabilities and the related changes during the year are presented in Part B Section 13 of these explanatory notes. No deferred taxes have been booked on the reserves in suspense for tax purposes as they are unlikely to be used.

The Bank's tax years from 1979 to 1987, from 1984 to 1987 and from 2005 onwards, are still open. During the year the dispute relating to the 1982 and 1983 financial statements was closed in the Bank's favour, while for the other years, appeals have been discussed with the Central Tax Commission and we are still waiting for their decisions. The long-standing dispute about withholding tax on deposits abroad is also being settled: the initial pronouncements by the Central Tax Commission declared that the matter was extinct as the reason for the dispute no longer existed.

In July 2009 we received an assessment from the Tax Authorities relating to 2006, which the Bank decided to accept.

Section 10 *Other liabilities - line item 100*

10.1 Other liabilities: breakdown

	31/12/2009	31/12/2008
Amounts at the disposal of third parties	53,150	34,314
Taxes to be paid on behalf of third parties	27,889	45,676
Taxes to be paid	2,404	2,266
Employee salaries and contributions	22,319	21,259
Suppliers	8,350	9,938
Transit accounts for sundry entities	841	785
Invoices to be received	8,543	7,560
Credits in transit for financial transactions	3,159	3,287
Value date differentials on portfolio transactions	84,496	108,781
Directors' and statutory auditors' emoluments	1,105	1,004
Loans disbursed to customers to be finalised	12,332	7,472
Miscellaneous credit items being settled	84,495	94,633
Accrued expenses not allocated	1,108	908
Deferred income not allocated	7,521	5,945
Allowance for risks on guarantees and commitments	4,000	4,000
Residual items	13,384	12,828
Total	335,096	360,656

This item shows a decrease of 7.09% mainly due to the decline in the sub-items «taxes to be paid on behalf of third parties», «value date differentials on portfolio transactions» and «miscellaneous credit items being settled».

Section 11 Termination indemnities - line item 110

11.1 Termination indemnities: changes during the year

	2009	2008
A. Opening balance	36,580	39,703
B. Additions	7,538	7,462
B1. Provisions	7,527	7,240
B2. Other increases	11	222
C. Decreases	8,460	10,585
C1. Payments made	1,998	4,185
C2. Other decreases	6,462	6,400
D. Closing balance	35,658	36,580

11.2 Other information

Other decreases relate to payments to the Arca Previdenza Fund for a total of € 3.960 million, compared with € 3.762 million the previous year, payments to INPS of € 2.374 million and tax on the annual revaluation of € 0.127 million, compared with € 0.204 million the previous year.

The provision for termination indemnities required under Italian regulations amounts to € 41.687 million.

The actuarial measurement of the provision for termination indemnities was carried out on a closed group. The actuarial simulations were carried out according to the Projected Unit Credit Method.

The Projected Unit Credit Method lays down that the costs to be incurred during the year to build up the termination indemnity are determined according to the proportion of services rendered during the same period. According to the accrued benefits method, the company's obligation to the individual employee is based on the services already rendered at the measurement date.

The actuarial calculations made the following assumptions:

	31/12/2009	31/12/2008
Discount rate	4.70%	4.70%
Rate of inflation	2.00%	2.00%
Annual rate of increase in termination indemnities	3.00%	3.00%

Section 12 Provisions for risks and charges - line item 120

12.1 Provisions for risks and charges: breakdown

Items/Amounts	31/12/2009	31/12/2008
1. Post-employment benefits	74,669	80,027
2. Other provisions for risks and charges	37,871	37,400
2.1 legal disputes	33,000	33,000
2.2 personnel expenses	4,625	4,202
2.3 Other	246	198
Total	112,540	117,427

At year end, the bank is not aware of being exposed to any other risks that might result in future charges, other than those covered by the provisions referred to above.

It is reasonable to conclude that there are no contingent liabilities.



12.2 Provisions for risks and charges: changes during the year

	Post-employment benefits	Other provisions	Total
A. Opening balance	80,027	37,400	117,427
B. Additions	9,402	11,678	21,080
B1. Provisions	4,620	9,908	14,528
B2. Changes due to the passage of time	-	539	539
B3. Changes due to variations in the discount rate	-	1,231	1,231
B4. Other changes	4,782	-	4,782
C. Decreases	14,760	11,207	25,967
C1. Utilisations during the year	14,221	10,416	24,637
C2. Changes due to variations in the discount rate	-	-	-
C3. Other changes	539	791	1,330
D. Closing balance	74,669	37,871	112,540

12.3 Defined-benefit pension plans

12.3.1. Description of plans

The Bank's pension plan for employees is an internal defined-benefit plan intended to supplement the pension paid to retired employees by the State. The plan is funded by contributions from the Bank and from employees which are determined on a percentage of income basis and credited each month. This plan is also a separate fund pursuant to art. 2117 of the Italian Civil Code.

The value of the fund is adjusted with reference to its membership, which was closed on 28/4/1993. This closed group comprises 465 employees and 205 pensioners.

During the year, on an exceptional basis, the Bank gave employees who had signed up with the pension fund the chance to leave it. 164 employees took advantage of this opportunity and transferred their individual positions for a total of € 11.021 million to the «Arca Previdenza F.P.A.» fund. Pursuant to current internal agreements, employees hired after 28/04/1993 have been given the chance to enrol in an open-ended supplementary pension fund, for which Arca Previdenza F.P.A. had been chosen. 1,799 employees have joined this fund.

The adequacy of the fund with respect to the present value of the obligation at the reference date was verified using calculations prepared by an independent actuary, making demographic assumptions that distinguish between age and gender, as well as technical-economic assumptions that reflect the theoretical changes in earnings and payments. The technical assessments made reference to dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

12.3.2. Changes in the plans during the year

The changes in the present value of the Bank's defined-benefit obligations during the year are summarised below:

	2009	2008
at 1 January	80,027	78,589
service cost	1,855	1,935
interest cost	3,712	3,560
actuarial gains/losses	3,296	-1,048
payments	-14,221	-3,009
at 31 December	74,669	80,027

12.3.3. Changes in plan assets during the year and other information

The changes in the fair value of plan assets during the year are summarised below:

	2009	2008
at 1 January	80,027	78,589
yield	4,710	-4,176
contributions	4,620	8,075
payments	-14,688	-2,461
at 31 December	74,669	80,027

The fair value of pension plan assets is summarised in the following table:

	31/12/2009	31/12/2008
Fixed-yield securities	59,333	57,713
Variable-yield securities	3,687	5,862
Mutual funds invested in shares	6,566	9,844
Mutual funds invested in property	365	301
Other assets	4,718	6,307
Total	74,669	80,027

12.3.4. Reconciliation of the present value of the plans, the present value of the assets servicing the plans and the assets and liabilities recorded in the balance sheet

	31/12/2009	31/12/2008
Book value of post-employment benefits	74,669	80,027
fair value of assets	74,669	80,027
difference	-	-

12.3.5. Description of the principal actuarial assumptions

The actuarial calculations made the following assumptions:

	31/12/2009	31/12/2008
discount rate	4.70%	4.70%
expected increase in salaries	2.00%	2.00%
annual increase in expected benefits	1.50%	1.50%
underlying rate of salary increases	1.50%	1.50%

12.3.6. Comparative information

The size of the fund decreases by € 5.358 million - 6.70%, while payments amount to € 3.199 million on € 3.009 million.

As mentioned previously, € 11.021 million was transferred during the year on an extraordinary basis to another pension fund, which the Bank gave employees the chance to join. The contributions paid by the employees totalled € 0.311 million (€ 0.365 million in the prior year).



12.4 Provisions for risks and charges – other provisions

These comprise:

	31/12/2009	31/12/2008
Provision for legal disputes	33,000	33,000
Provision for personnel expenses	4,625	4,202
Provision for charitable donations	246	198
Total	37,871	37,400

The provision for legal disputes covers outstanding disputes regarding, in particular, claims for repayment from the liquidators of bankrupt customers, concerning positions classified as doubtful or which have already been written off, and other disputes that have arisen in the ordinary course of business. The bank makes provisions in these cases when, considering the opinion of legal advisors, it appears likely that payments will be made and a reasonable estimate can be made of the amount concerned. No provisions are made in relation to disputes considered to be without merit.

The duration of such disputes is difficult to assess, given the extended time required in order to obtain justice.

The expected payments have been stated at their present value, considering the average time taken to complete bankruptcy claims and using market rates of interest at 31/12/2009 as the discount rate. The balance remains the same as there were increases and decreases of the same amount.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. The total increase came to € 0.423 million, + 10.07%.

The provision for charitable donations comprises an allocation from net profits authorised by the shareholders which is used to make approved payments. The increase of € 0.350 million reflects the allocation of 2008 net profit, while the reduction of € 0.302 million was a consequence of payments made during the year.

Section 14 Equity - items 130, 150, 160, 170, 180, 190 and 200

14.1 «Share capital» and «Treasury shares»: breakdown

Share capital comprises 308,147,985 issued and fully-paid ordinary shares, par value € 3 each, totalling € 924.444 million. Shares in circulation have dividend and voting rights from 1/1/2009. At the year-end the Bank held treasury shares with a carrying value of € 40.211 million.

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

Items/Type	Ordinary	Others
A. Shares in existence at the start of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-
A.1 Treasury shares (-)	5,163,266	-
A.2 Shares in circulation: opening balance	302,984,719	-
B. Additions	746,022	-
B.1 New issues	-	-
- for payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- others	-	-
- free of charge	-	-
- to employees	-	-
- to directors	-	-
- others	-	-
B.2 Sales of treasury shares	746,022	-
B.3 Other changes	-	-
C. Decreases	205,333	-
C.1 Cancellation	-	-
C.2 Purchases of treasury shares	205,333	-
C.3 Business disposals	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	303,525,408	-
D.1 Treasury shares (+)	4,622,577	-
D.2 Shares in existence at the end of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-

14.3 Share capital: other information

Share premium reserve

There are no changes compared with the previous year.



14.4 Profit reserves: other information

Profit reserves contribute to the capital adequacy of the Bank, considering both current and future operations. They amount to € 433.237 million and comprise:

Legal reserve, consisting of profits allocated pursuant to art. 2430 of the Italian Civil Code and art. 58 of the Articles of Association, which amounts to € 95.918 million, +1,475%, following the allocation of € 1.394 million from 2008 net profit.

Statutory reserve, required by art. 58 of the Articles of Association, which amounts to € 252.627 million (+1.16%), following the allocation of € 2.747 million out of the 2008 net profit, dividends on treasury shares of € 0.149 thousand and dividends in prescription of € 0.003.

Reserve for the purchase of treasury shares, also required by art. 58 of the Articles of Association, which is available to the directors under art. 21 of the Articles for the purchase or sale of treasury shares on market terms, as part of normal trading to support the liquidity of the shares. This reserve amounts to € 61.000 million (it has been used for € 40.211 million), unchanged compared with the previous year.

Reserve pursuant to art. 13 of Decree 124/93, € 0.142 million.

Other reserves of € 23.550 million from the reclassification of pre-existing reserves set up under specific legal requirements. They show a decrease of € 1.672 million, - 6.63% following the recognition of losses on sale of treasury shares.

The individual equity items are freely available and distributable, except for the valuation reserves which are only distributable under the circumstances laid down in art. 6 of Decree 38/2005, the portion of the «share premium reserve» that can only be distributed in its entirety if the legal reserve has reached one-fifth of the share capital (art. 2431 of the Civil Code) and which is therefore unavailable for € 88.971 million, given that the legal reserve is lower than 20% of the share capital.

14.5 Equity instruments: breakdown and changes during the year

No equity instruments have been issued.

Other information

1. Guarantees given and commitments

Operations	31/12/2009	31/12/2008
1. Financial guarantees	628,833	969,706
a) Banks	136,029	177,209
b) Customers	492,804	792,497
2. Commercial guarantees	2,253,740	1,799,194
a) Banks	20,913	14,255
b) Customers	2,232,827	1,784,939
3. Irrevocable commitments to make loans	1,396,573	987,969
a) Banks	59,679	31,620
i) certain to be called on	59,679	24,704
ii) not certain to be called on	-	6,916
b) Customers	1,336,894	956,349
i) certain to be called on	68,385	48,402
ii) not certain to be called on	1,268,509	907,947
4. Commitments underlying credit derivatives: protection sold	-	-
5. Assets lodged to guarantee the commitments of third parties	16,600	16,600
6. Other commitments	-	-
Total	4,295,746	3,773,469

The prior year figures relating to the commitment to the Interbank Deposit Protection Fund have been reclassified to make them comparable with the current year figures, based on the Bank of Italy's Circular letter 262 of 22/12/2005 (1st update of 18/11/2009).

2. Assets lodged to guarantee the bank's liabilities and commitments

Portfolio	31/12/2009	31/12/2008
1. Financial assets held for trading	1,154,399	2,285,733
2. Financial assets carried at fair value	30,356	30,641
3. Financial assets available for sale	-	5,006
4. Financial assets held to maturity	53,099	58,682
5. Due from other banks	-	-
6. Customer loans	-	-
7. Property, plant and equipment	-	-

Assets held for trading comprise the securities sold to customers under repurchase agreements and those lodged with the Bank of Italy to guarantee advances; financial assets carried at fair value comprise the guarantee deposit paid in relation to the issue of bankers' drafts.

Financial assets held to maturity are in guarantee of the advance with the Bank of Italy.



4. Management and intermediation for third parties

Type of service	31/12/2009	31/12/2008
1. Execution of orders on behalf of customers	-	-
a) Purchases	-	-
1. settled	-	-
2. not settled	-	-
b) Sales	-	-
1. settled	-	-
2. not settled	-	-
2. Portfolio management	1,625,127	1,459,668
a) Individual	1,625,127	1,459,668
b) Collective	-	-
3. Custody and administration of securities	33,291,510	29,079,809
a) Third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	3,160,768	1,742,387
1. Securities issued by the reporting bank	-	-
2. Other securities	3,160,768	1,742,387
b) Third-party securities on deposit (excluding portfolio management): other	12,117,351	11,069,634
1. Securities issued by the reporting bank	2,120,564	2,044,067
2. Other securities	9,996,787	9,025,567
c) Third-party securities on deposit with third parties	14,647,214	12,425,726
d) Own securities on deposit with third parties	3,366,177	3,842,062
4. Other transactions	-	-

PART C *Information on the income statement*

Section 1 *Interest - line items 10 and 20*

1.1 Interest and similar income: breakdown

Items/technical forms	Fixed-yield securities	Loans	Other transactions	Total 31/12/2009	Total 31/12/2008
1. Financial assets held for trading	62,301	-	-	62,301	32,611
2. Financial assets available for sale	682	-	-	682	1,739
3. Financial assets held to maturity	6,715	-	-	6,715	6,668
4. Due from other banks	-	22,714	-	22,714	48,539
5. Customer loans	-	598,612	-	598,612	890,040
6. Financial assets carried at fair value	853	-	-	853	1,471
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	-	-	-
Total	70,551	621,326	-	691,877	981,068

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

1.3 Interest income and similar revenues: other information

Interest income has gone from € 981.068 million to € 691.877 million, -29.48% with a decrease of € 289.191 million due to the strong downward trend in interest rates.

1.3.1 Interest income and similar revenue on foreign currency assets

	31/12/2009	31/12/2008
Interest income and similar revenue on foreign currency assets	34,742	48,263

1.4 Interest expense and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31/12/2009	Total 31/12/2008
1. Due to central banks	-	-	-	-	-
2. Due to other banks	23,071	-	-	23,071	86,797
3. Customer deposits	172,990	-	-	172,990	428,425
4. Debt securities in issue	-	49,454	-	49,454	42,646
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	86
Total	196,061	49,454	-	245,515	557,954

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).



1.5 Interest expense and similar charges: differential on hedging transactions

Items/Amounts	31/12/2009	31/12/2008
A. Positive differentials on hedging transactions	-	-
B. Negative differentials on hedging transactions	-	86
C. Net total (A-B)	-	86

1.6 Interest expense and similar charges: other information

Interest expense has gone from € 557.954 million to € 245.515 million with a decrease of 56% due to the strong downward trend in interest rates.

1.6.1 Interest expense and similar charges on foreign currency liabilities

	31/12/2009	31/12/2008
Interest expense and similar charges on foreign currency liabilities	10,757	31,423

1.6.2 Interest expense on finance lease transactions

	31/12/2009	31/12/2008
Interest expense on finance lease transactions	521	1,362

Section 2 Commissions - line items 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31/12/2009	31/12/2008
a) guarantees given	11,474	10,673
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	51,048	51,708
1. trading in financial instruments	-	-
2. trading in foreign currencies	5,924	5,100
3. portfolio management	6,014	6,417
3.1 Individual	6,014	6,417
3.2 Collective	-	-
4. custody and administration of securities	2,095	2,304
5. custodian bank	2,566	2,550
6. placement of securities	11,627	12,879
7. order receipt and transmission	13,755	11,460
8. consultancy	47	44
8.1 investments	-	-
8.2 corporate finance	47	44
9. distribution of third party services	9,020	10,954
9.1 portfolio management	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 insurance products	5,704	5,354
9.3 other products	3,316	5,600
d) collection and payment services	48,452	45,313
e) services for securitisation transactions	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	-	-
j) other services	74,200	47,351
Total	185,174	155,045

This item increases by € 30.129 million, +19.43%, essentially due to the rise in other services: loan commissions, which have gone from € 5.833 million to € 33.474 million, being mainly fees charged on agreed overdrafts and loans overdrawn without authorisation; another significant element is commissions on foreign/foreign exchange transactions, which have gone up from € 3.623 million to € 4.013 million.



2.2 Commission income: distribution channels for products and services

Channels/Amounts	31/12/2009	31/12/2008
a) bank branches	26,661	30,250
1. portfolio management	6,014	6,417
2. placement of securities	11,627	12,879
3. third-party products and services	9,020	10,954
b) door-to-door sales	-	-
1. portfolio management		
2. placement of securities		
3. third-party products and services		
c) other distribution channels	-	-
1. portfolio management		
2. placement of securities		
3. third-party products and services		

2.3 Commission expense: breakdown

Services/Amounts	31/12/2009	31/12/2008
a) guarantees received	91	135
b) credit derivatives	-	-
c) management and intermediation services	1,437	1,509
1. trading in financial instruments	-	-
2. trading in foreign currencies	-	-
3. portfolio management:	-	-
3.1 own	-	-
3.2 delegated by third parties	-	-
4. custody and administration of securities	1,437	1,509
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	7,178	7,170
e) other services	3,018	2,513
Total	11,724	11,327

«Other services» mainly include commissions on securities transactions.

Section 3 Dividends and similar income - line item 70

3.1 Dividends and similar income: breakdown

Services/Amounts	31/12/2009		31/12/2008	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	910	70	1,612	67
B. Financial assets available for sale	2,007	96	2,905	-
C. Financial assets carried at fair value	-	109	-	109
D. Equity investments	-	-	216	-
Total	2,917	275	4,733	176

The reduction compared with the previous year relates to the general decline in dividends and in certain cases to the non-payment of dividends by subsidiaries because of poor results in 2008.

Section 4 Net trading income - line item 80

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	66,730	65,531	6,072	217	125,972
1.1 Fixed-yield securities	62,122	47,838	4,069	116	105,775
1.2 Variable-yield securities	2,202	4,410	624	98	5,890
1.3 Mutual funds	41	451	3	3	486
1.4 Loans	-	-	-	-	-
1.5 Others	2,365	12,832	1,376	-	13,821
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	-	-	-	-	-
4. Derivatives	22,899	16,565	21,843	12,593	5,361
4.1 Financial derivatives:	22,899	16,565	21,843	12,593	5,361
- On debt securities and interest rates	8,655	13,148	6,271	12,217	3,315
- On equities and equity indices	1,444	1,635	1,444	-	1,635
- On currency and gold	-	-	-	-	333
- Other	12,800	1,782	14,128	376	78
4.2 Credit derivatives	-	-	-	-	-
Total	89,629	82,096	27,915	12,810	131,333

The income from trading in securities € 47.838 million derives from the normal trading activity during the year, mainly in government securities, while the income from trading in «other financial assets» for € 12.832 million consists of profits from currency trading.

This table does not include the result of the securities in the post-employment fund, which is shown under another item.

Section 5 Net hedging gains (losses) - line item 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31/12/2009	31/12/2008
A. Income from:		
A1. Fair value hedges	-	69
A2. Hedged financial assets (fair value)	-	-
A3. Hedged financial liabilities (fair value)	-	-
A4. Cash-flow hedges	-	-
A5. Foreign currency assets and liabilities	-	-
Total income from hedging activities (A)	-	69
B. Charges from:		
B1. Fair value hedges	-	-
B2. Hedged financial assets (fair value)	-	-
B3. Hedged financial liabilities (fair value)	-	-
B4. Cash-flow hedges	-	-
B5. Foreign currency assets and liabilities	-	-
Total charges from hedging activities (B)	-	-
C. Net hedging gains (losses) (A - B)	-	69



Section 6 Gains (losses) on disposals/repurchases - line item 100

6.1 Gains (losses) on disposals/repurchases - breakdown

Items/income items	31/12/2009			31/12/2008		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from other banks	-	-	-	-	-	-
2. Customer loans	-	-	-	-	-	-
3. Financial assets available for sale	-	1,062	-1,062	5,359	11	5,348
3.1 Fixed-yield securities	-	-	-	-	-	-
3.2 Variable-yield securities	-	1,062	-1,062	5,359	11	5,348
3.3 Mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	43	-	43	-	-	-
Total assets	43	1,062	-1,019	5,359	11	5,348
Financial liabilities						
1. Due to other banks	-	-	-	-	-	-
2. Customer deposits	-	-	-	-	-	-
3. Securities issued	168	608	-440	359	167	192
Total liabilities	168	608	-440	359	167	192

The losses of € 1.062 million mainly arise from the sale of the interest in Meliorbanca spa.

Section 7 Net change in financial assets and liabilities carried at fair value - line item 110

7.1 Net change in financial assets/liabilities carried at fair value: breakdown

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	6,743	813	-	2	7,554
1.1 Fixed-yield securities	360	802	-	2	1,160
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	6,383	11	-	-	6,394
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Due to other banks	-	-	-	-	-
2.3 Customer deposits	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	-	-	-	-	-77
4. Credit and financial derivatives	-	-	-	-	-
Total	6,743	813	-	2	7,477

The losses mainly concern mutual funds.

Section 8 Net impairment adjustments - line item 130

8.1 Net impairment adjustments to loans: breakdown

Transactions/ Income items	Adjustments (1)			Write-backs (2)				Total 31/12/2009	Total 31/12/2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		A	B	A	B		
A. Due from other banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
B. Due from customers	78,943	84,882	28,606	1,733	31,904	-	17,518	-141,276	-65,016
- Loans	78,943	84,882	28,606	1,733	31,904	-	17,518	-141,276	-65,016
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
C. Total	78,943	84,882	28,606	1,733	31,904	-	17,518	-141,276	-65,016

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

Transactions/Income items	Adjustments (1)		Write-backs (2)		Total 31/12/2009	Total 31/12/2008
	Specific		Specific			
	Write-offs	Other	A	B		
A. Fixed-yield securities	-	-	-	-	-	-
B. Variable-yield securities	-	2,246	-	-	-2,246	-2,931
C. Mutual funds	-	2,120	-	-	-2,120	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	4,366	-	-	-4,366	-2,931

Key:

A = Interest

B = Other write-backs

Adjustments relate to certain listed equities and property funds for which the bank carried out writedown with respect to the original cost.

8.3 Net impairment adjustments to financial assets held to maturity: breakdown

Transactions/ Income items	Adjustments			Write-backs				Total 31/12/2009	Total 31/12/2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		A	B	A	B		
A. Fixed-yield securities	-	-	-	-	-	-	-	-	-3,108
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
D. Total	-	-	-	-	-	-	-	-	-3,108

Section 9 Administrative expenses - line item 150

9.1 Personnel expenses: breakdown

Type of expense/Amounts	31/12/2009	31/12/2008
1) Employees	150,256	142,226
a) wages and salaries	101,270	94,808
b) social security contributions	28,265	25,071
c) termination indemnities	-	-
d) pension expenses	-	-
e) provision for employee termination indemnities	7,527	7,240
f) provision for post-employment benefits and similar commitments:	9,007	7,710
- defined contribution	-	-
- defined benefits	9,007	7,710
g) payments to external supplementary pension funds:	1,680	1,524
- defined contribution	1,680	1,524
- defined benefits	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other personnel benefits	2,507	5,873
2) Other working personnel	4,887	4,933
3) Directors and Statutory auditors	1,715	1,421
4) Retired personnel	-	-
5) Recovery of expenses for personnel on secondment to other firms	-	-
6) Reimbursement of expenses for personnel on secondment to the company	-	-
Total	156,858	148,580

9.2 Average number of employees by category

	31/12/2009	31/12/2008
- Employees	2,415	2,335
a) managers	19	19
b) total officials	476	458
c) other employees	1,920	1,858
- Other personnel	124	124

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

	31/12/2009	31/12/2008
Number of employees at year-end		
- Employees	2,454	2,376
- Other personnel	115	135

9.3 Defined-benefit pension plans: total costs

The charge to the income statement for the year is summarised as follows:

	31/12/2009	31/12/2008
Service cost	1,855	1,935
Interest cost	3,712	3,560
Actuarial gains/losses	3,296	-1,048
Contributions from employees	-312	-365
Reductions and payments	456	-548
Total charge to income statement (A)	9,007	3,534
Yield from assets servicing the fund (B)	4,710	-4,176
Total charge (A-B)	4,297	7,710

The costs have been recorded as personnel expenses.

Information regarding the outstanding obligations and related changes during the year, the assets servicing the fund and related changes during the year, and principal actuarial assumptions made is provided in the tables reported in Part B Section 12.3 of the notes to the financial statements.

The Bank has not adopted the «corridor» method for the recognition of actuarial gains/losses; accordingly, there are no unrecorded gains/losses of this type.

9.4 Other employee benefits

This item essentially comprises the reimbursement of travel, scholarship and accommodation expenses, insurance costs, long-service bonuses and other benefits.

9.5 Other administrative expenses: breakdown

	31/12/2009	31/12/2008
telephone, post and data transmission	14,572	14,221
maintenance of property, plant and equipment	7,312	7,172
rent of buildings	19,535	17,537
security	5,179	5,020
transportation	2,010	2,048
professional fees	10,253	8,063
office materials	1,906	2,127
electricity, heating and water	4,411	4,332
advertising and entertainment	3,463	3,336
legal	5,501	5,157
insurance	1,335	1,282
company searches and information	4,175	3,022
indirect taxes and dues	30,460	27,721
software and hardware rental and maintenance	6,586	5,313
data entry by third parties	1,025	1,094
cleaning	4,230	3,991
membership fees	1,656	1,721
services received from third parties	2,755	2,796
outsourced activities	16,621	14,780
deferred charges	6,111	7,608
others	12,389	8,226
Total	161,485	146,567

Section 10 *Net provisions for risks and charges - line item 160*

10.1 Net provisions for risks and charges: breakdown

This item has a zero balance at year-end as the provisions made during the year were offset by the provisions that were released.

Section 11 *Net adjustments to property, plant and equipment - line item 170*

11.1 Net adjustments to property, plant and equipment: breakdown

Asset/Income item	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A1. Owned	11,239	-	-	11,239
- For business purposes	11,239	-	-	11,239
- For investment purposes	-	-	-	-
A2. Purchased under finance leases	991	-	-	991
- For business purposes	991	-	-	991
- For investment purposes	-	-	-	-
Total	12,230	-	-	12,230

The finance lease charges paid during the year amounted to € 3.670 million, compared with € 4.379 million in the prior year.

Section 12 *Net adjustments to intangible assets - line item 180*

12.1 Net adjustments to intangible assets: breakdown

Asset/Income item	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A1. Owned	6,294	-	-	6,294
- Internally generated	-	-	-	-
- Other	6,294	-	-	6,294
A2. Purchased under finance leases	-	-	-	-
Total	6,294	-	-	6,294

The adjustments relate to intangible assets with a finite life consisting of rights to use computer software. There were no significant impairment losses relating to intangible assets during the year, accordingly no further information is provided pursuant to para. 130.a) c) d) f) g) and para. 131 of IAS 36.

Section 13 *Other operating income and expense - Line item 190*

This caption amounts to € 38.336 million and comprises other operating income of € 41.172 million, net of other operating expenses of € 2.836 million.

13.1 Other operating expenses: breakdown

	31/12/2009	31/12/2008
Out-of-period expense	922	823
Other	1,914	5,945
Total	2,836	6,768

13.2 Other operating income: breakdown

	31/12/2009	31/12/2008
Recovery of charges on deposits and overdrafts	682	663
Rental income from buildings	848	791
Recovery of taxes	27,401	25,172
Financial income of post-employment benefits plan	4,710	-
Out-of-period income - other	811	1,919
Out-of-period income - overprovisions	-	2
Other	6,720	10,139
Total	41,172	38,686

Section 14 *Share of profit (loss) of equity investments - line item 210*

14.1 Share of profit (loss) of equity investments: breakdown

Income item/amount	31/12/2009	31/12/2008
A. Income	-	-
1 Revaluations	-	-
2 Gains on disposal	-	-
3 Write-backs	-	-
4 Other income	-	-
B. Charges	7,233	39,045
1 Write-downs	394	500
2 Impairment write-downs	2,139	38,545
3 Losses on disposal	4,700	-
4 Other charges	-	-
Net result	-7,233	-39,045

Section 17 *Gains (losses) on disposal of investments - line item 240*

17.1 Gains (losses) on disposal of investments: breakdown

Income item/amount	31/12/2009	31/12/2008
A. Buildings	-304	6
- Gains on disposal	10	6
- Losses on disposal	-314	-
B. Other assets	29	-17
- Gains on disposal	33	57
- Losses on disposal	-4	-74
Net result	-275	-11

Section 18 *Income taxes on current operations - line item 260*

18.1 Income taxes on current operations: breakdown

Income items/Amounts	31/12/2009	31/12/2008
Current taxes (-)	-133,583	-46,151
Change in prior period income taxes (+/-)	-	-
Reduction in current taxes (+)	-	-
Change in deferred tax assets (+/-)	15,465	4,473
Change in deferred tax liabilities (+/-)	118	6,578
Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	-118,000	-35,100

18.2 Reconciliation between the theoretical and effective tax burden

Income taxes are calculated at 27.5% for IRES and 4.82% for IRAP.

The total tax charge for the year is reconciled with the net profit for the year as follows:

IRES (corporate income taxes)	Tax base	Tax
Theoretical tax burden	308,674	84,885
Increase	84,229	23,163
Decrease	-7,955	-2,204
Effective tax burden	384,948	105,844
IRAP	Tax base	Tax
Theoretical tax burden	308,674	14,878
Increase	340,764	16,425
Decrease	-67,652	-3,564
Effective tax burden	581,786	27,739
Total effective tax burden		133,583

IRES (corporate income taxes)

The main increases relate to the writedowns of equity investments classified as PEX (tax-exempt), interest expense and the adjustment to non-deductible loans.

The principal decreases relate to the non-taxable portion of dividends received and the deductible portion of IRAP.

IRAP

The main increases concern personnel expenses, writedowns of loans and equity investments, interest expense, non-deductible amortisation and depreciation and other administrative expenses.

The principal decreases relate to the deductible portion of personnel expenses and other non-taxable income.

Section 21 *Earnings per share*

21.1 Average number of ordinary shares (fully diluted)

There were no transactions involving share capital during the year and no financial instruments were issued that might involve the future issue of shares. Accordingly, the number of shares interested in net profit is 308,147,985. The number of shares shown in the table below is the weighted average for the year.

	31/12/2009	31/12/2008
number of shares	308,147,985	308,147,985

This is the weighted average used as the denominator in the calculation of basic earnings per share.

21.2 Other information

IAS 33 requires that EPS «earnings per share» be reported in accordance with the following definitions:

«Basic EPS», determined by dividing the net profit attributable to the bearers of ordinary shares by the weighted average number of ordinary shares in issue.

«Diluted EPS», determined by taking account of the dilutive effect of all potential ordinary shares.

There are no circumstances under which earnings can be diluted; there are no activities to be sold for which basic and diluted EPS must be stated separately.

	31/12/2009	31/12/2008
earnings per share - €	0.619	0.045



PART D *Comprehensive income*

Statement of comprehensive income

Items/Amounts	Gross amount	Income taxes	Net amount
10. Net profit for the year	-	-	190,674
Other income items			
20. Financial assets available for sale:	7,663	-769	6,894
a) changes in fair value	1,028	42	1,070
b) transfer to income statement	6,635	-811	5,824
- adjustments for impairment	4,366	-701	3,665
- gains/losses on disposals	2,269	-110	2,159
c) other changes	-	-	-
30. Property, plant and equipment	-	-	-
40. Intangible assets	-	-	-
50. Hedges of foreign investments:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
60. Cash-flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
70. Exchange differences:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
80. Non-current assets held for sale and discontinued operations	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
90. Actuarial profits (losses) on defined-benefit plans	-	-	-
100. Share of valuation reserves of equity investments valued at net equity:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
- adjustments for impairment	-	-	-
- gains/losses on disposals	-	-	-
c) other changes	-	-	-
110. Total other income items	7,663	-769	6,894
120. Comprehensive income (item 10+110)	7,663	-769	197,568

PART E *Information on risks and related hedging policy*

Section 1 *Credit risk*

QUALITATIVE INFORMATION

1. General matters

Consistent with its mission as a cooperative, the Bank's lending policy is directed towards providing support to local economies in the areas that we serve, by granting financial resources to applicants that are pursuing admirable objectives and who meet suitable parameters of credit-worthiness.

The size and composition of the loan portfolio reflect the financial needs of the two specific customer segments: the entrepreneurial spirit of small and medium-sized business owners, mainly located in Lombardy, and households.

The Bank prefers to lend to SMEs as they do not move in broader financial circles and, therefore, need a point of reference that can understand their requirements and meet them with skill, efficiency and speed, following the evolution of the business over time. However, the needs of bigger counterparties, such as large enterprises and public entities, are not overlooked, providing their credit rating following a rigorous preliminary investigation shows that they are solid and reliable.

In this context, the lending activity is based on principles of healthy and prudent management, fair remuneration of risk and professional, efficient operational conduct, with a view to establishing two-way communications with borrowers based on reciprocal trust and transparency; this in order to enhance the Bank's particular aptitude for building long-term customised relationships with local business owners.

In consideration of the Bank's strategic objectives and approach to operations, its lending strategy is based on a low propensity for risk and full awareness of the risks that are taken on; this involves:

- measurement of the current and prospective risk inherent in the loan portfolio, both as a whole and at various levels of disaggregation;
- diversifying the exposure, so as to reduce concentration;
- refusing to get involved in operations that could jeopardise the Bank's profitability and solidity.

These strategies and policies have not changed since last year.

2. Credit risk management policies

2.1 Organisational aspects

The Bank's approach to credit risk management is based on maximum involvement at all levels of the organisation to ensure timely processing of customers' applications, combined with an analytical assessment of the risk involved in lending money to them.

The various stages that make up the lending process include the planning of credit policies, the preliminary investigation, disbursement of the loan, periodic review, monitoring and management of impaired loans.

Implementing the lines of strategy laid down by the Corporate Bodies during the planning process and in compliance with the limits of the risk profile taken on, the lending policy defines the composition of the loan book and the distribution of loans, providing for a low level of concentration. These official guidelines are passed down to the organisational units involved in managing credit risk and, as a result, they reflect the operational aspects of each phase of the process.

The procedures and organisational structure set up for this purpose have been formalised, clearly specifying activities, roles and responsibilities.

In order to avoid potential conflicts of interest, we ensure that operating functions and control functions are kept separate.

The system of decision-making powers approved by the Board of Directors is based on the principle of «cascade delegation», which means assigning to the branches credit authorisation limits which remain very prudent.

The following is an explanation of the bodies and the main corporate functions that are involved in supervising the lending process, also specifying their principal duties.

- *Board of Directors.* The Board of Directors supervises and oversees the proper allocation of financial resources and, in particular:
 - establishes the strategic direction and lending policies;
 - establishes criteria for the recognition, management and assessment of risks;
 - approves the decision-making and signature powers attributable to the other corporate bodies and organisational units for the granting and revision of lines of credit;
 - ensures that the structure of the control functions is defined in a way that is consistent with the Bank's strategies, that they have an appropriate level of decision-making autonomy and that they have adequate resources in terms of both quality and quantity;
 - gains a general knowledge of rating systems, proposes their application during the various stages of the process and assesses how effective they are with the help of the internal control and internal audit functions.

- *General Management.* General Management implements the strategies and policies established by the Board of Directors and, in particular:
 - prepares regulations, activities, procedures and organisational structures for the adoption and application of an efficient lending process, of an adequate rating system and of a solid system for the control of the related risks;
 - verifies the adequacy and functional capacity of these various elements, also in light of the internal and external changes that are affecting the bank;
 - takes the necessary action to eliminate any weaknesses and inefficiencies that are identified.In addition, General Management adopts resolutions to the extent of the autonomy granted.

- *Branches.* The branches are assigned the fundamental task of handling the relationship with the customer who is borrowing or who would like to borrow money from the bank. They acquire the documentation, make an initial selection of the applications and directly approve those within the scope of their powers, and monitor the credit report on a day-to-day basis, checking for potentially anomalous situations.

- *Coordination functions.* They give the branches fundamental support in handling more complex loan positions and/or those that are looking critical. They examine requests for loans to be presented to the central functions and express an opinion, while approving directly those within the scope of their powers.

- *Central Loans Department.* The Credit Assessment office supports the work of the central committees by receiving applications from branches, checking their completeness and accuracy, and completing the assessment.
The Medium-term and Special Loans Office assesses mortgages, leases, factoring arrangements, artisan and agricultural loans, loans under framework agreements and personal loans from a technical and legal point of view. Through the Risk Office, it finalises the guarantees and then activates the loan.
- *Corporate Finance Department.* It analyses, structures and coordinates corporate finance operations and identifies the best types of financing for complex investment projects. It makes a preliminary evaluation of project financing transactions, directly structuring the intervention or proposing the Bank's participation in a lending syndicate.
- *Watchlist and Lending Control Department.* The Watchlist and Lending Control Department reviews outstanding loans and identifies those that show signs of anomalies; depending on how serious these are, the department monitors them more closely, proposes a restructuring, or classifies them on the watchlist or as non-performing loans.
This department also administers all watchlist, restructured and past due loans.
- *Legal and Claims Department.* This department works to safeguard the interests of the bank with regard to disputed assets and liabilities. In particular, with regard to «non-performing» loans, the department takes the legal action needed to recover the outstanding amounts and also takes out-of-court action together with the Watchlist Department.
- *Planning and Control Department.* It defines, develops and maintains, through the Risk Control office, the models underlying the rating system; it checks the reliability and effectiveness of the estimates produced by them and, where necessary, takes steps to update them.
It analyses, according to various analysis dimensions, the riskiness of the loan portfolio, produces the related information flows and makes them available to the competent bodies and operating functions.
- *Internal Audit Department.* It checks the proper functioning of controls and compliance with rules and procedures.
In particular, this department checks that the criteria for the proper classification of loans are correctly applied.

2.2 Systems for managing, measuring and monitoring

Control over credit risk has the support of rating models that have been specifically developed by the Bank.

The Bank has models for the following segments: Private Customers (resident and non-resident consumer households), Small Businesses (one-man firms, partnerships and companies with sales lower than € 1.5 million and credit lines of less than € 75,000), Micro-Enterprises (partnerships and companies with sales lower than € 1.5 million and credit lines of over € 75,000), SMEs (partnerships and companies with sales between € 1.5 million and 50 million), Large Enterprises (non-financial partnerships and companies with sales higher than €50 million) and Public Enterprises.

These models are designed to create a counterparty rating and an associated probability of default (PD), representing the estimated likelihood that the borrower will become insolvent within one year. The rating depends solely on the characteristics of the counterparty and is not influenced by any guarantees that the Bank has acquired. The rating assessments are produced by qualitative statistical models that are prudently integrated by automatic downgrades if further negative elements not handled by the models are identified. These assessments are split into 13 categories for «performing» counterparties and one for those that are insolvent. They are then summarised in seven risk ratings: «Excellent», «Good», «Medium», «Uncertain», «Bad», «Very bad» and «Insolvent».

Together, the sub-portfolios that are subject to these rating systems at the end of December 2009 account for 94.15% of customers with credit limits, which in turn accounts for 90% of the cash loans made to customers.

Ratings are used in the credit process all the way from policy planning through to performance control. For monitoring purposes, the rating is calculated monthly with reference to the entire population of interest (excluding the rating for Large Enterprises and Public Enterprises), whereas it is determined on an ad hoc basis when considering new loans or reviewing existing loans.

Estimates of two other important risk factors complete the rating system described above: the rate of the Loss Given Default (LGD) and the estimated Exposure at Default (EAD). These estimates, which are specific for each counterparty, also derive from internal models that have been in use since the beginning of 2006, and unlike the probability of default, they are heavily influenced by the presence and type of guarantees acquired by the Bank and by the technical form by which the loan is granted.

Having input on such risk factors, updated on a monthly basis, contributes towards a complete assessment of the risk profile, helping to improve the amount of information available to support the lending process.

The PD, LGD and EAD results also make it possible to determine the Expected Loss, which is an estimate of the potential loss associated with a particular loan exposure; and as an element of cost, it also provides useful input for determining prudent loan loss provisions.

The concept of insolvency used when developing, calibrating and applying the new rating models includes: non-performing loans, watchlist loans, restructured loans and past due loans and/or those over the credit limit. For prudence sake, it has also been extended to the external concept of «adjusted non-performing loan».

Together with the valuations obtained through internal models, the ratings granted by leading international agencies are gathered automatically. They are used in determining the minimum capital requirements for credit and counterparty risk, for which the Bank adopts the so-called «standardised approach»; this involves weighting the exposures on the basis of ratings, where available, assigned to each counterparty by a specialist company (rating agencies such as Standard & Poor's, Moody's, Fitch Ratings, Lince).

With regard to the exposures to Italian and foreign banks, the ratings given by leading agencies are used wherever available. Otherwise, an internal rating, based on the application of a simplified model, is used.

More specifically, this model involves the examination of a series of quantitative and qualitative indicators and information, which produce values for the determination of a final score. This score is positioned on a scale of ten classes, the first of which represents a counterpart/issuer with minimal risk, while the ninth highlights maximum risk and the tenth represents a state of insolvency. These ten classes are then grouped into four macro classes for comparison with the ratings given by international agencies.

As regards counterparty risk, in addition to continuously monitoring the main banking groups with credit lines, we periodically carry out a specific analysis of each position that has been taken on. This is performed by taking various indicators into consideration, such as their rating, accounting information and market data.

Analyses are carried out periodically on the loan portfolio using various methods, including observation of the trend in distribution of counterparties by rating class.

These assessments support the formulation of policy guidelines for lending, help adopt suitable operational measures and provide operational guidelines to the central and branch functions concerned.

The lending process provides for a series of checks aimed at mitigating risk during the various phases that make it up.

The preliminary investigation, which aims to establish whether applicants satisfy certain conditions for credit-worthiness, includes consideration of whether the characteristics of the loan are consistent with its purpose, a check on whether any guarantees being provided are suitable to cover the risk of non-repayment, and a review of the economic aspects of the loan. In this context, the opinion expressed by the internal rating system, if available, and the associated estimates of default are taken into maximum consideration as essential elements for an overall evaluation of the customer.

The decision whether to grant a loan or not is taken by the competent decision-making bodies prior to disbursement, carefully assessing all of the information that emerged during the preliminary investigation, as well as any other element that might be available.

In order to ensure maximum control over credit risk, the mechanism for establishing decision-making powers for the bodies at the lower end of the hierarchical ladder now operates alongside the nominal value of the operation with another system of powers that also takes into account an objective assessment of the counterparty risk which is reflected in the internal rating.

Credit lines are then made operative and the funds made available to the borrower, but only after all matters foreseen in the approval have been dealt with, particular emphasis being put on the acquisition of guarantees and their verification and assessment in terms of being suitable to lower the credit risk.

After disbursement, loans of whatever amount are reviewed periodically to check whether all of the conditions established during the preliminary investigation and taken into consideration when granting the loan still exist. Particular attention is paid to reviewing the reasons that led to changes in ratings.

Lines of credit can also be reviewed automatically in the case of positions with low levels of risk, ascertained through a rigorous examination of suitable indicators that are established in advance, where the rating takes on a great deal of importance.

Outstanding loans and guarantees are constantly monitored to ensure that the borrower and any guarantors remain solvent and that the general and specific requisites still apply and that the guarantees are still valid, to ensure that they can be fully and effectively enforced in the event of the debtor's insolvency. This monitoring, which is carried out in accordance with formal company procedures, is designed to spot any negative symptoms as early as possible and to take rapid and effective action to avoid any further deterioration. In this regard, the home branches of the loans concerned play an important role since, by maintaining direct customer relations, they are able to identify any signs of impairment immediately.

The Watchlist and Lending Control Department makes use of performance measurement and control methodologies that take into consideration internal and industry data, together with the opinion given by the rating system, if available, to build up a monthly summary risk indicator. The positions identified by this indicator as being at risk are analysed appropriately and, where there are clear signs of difficulty, they are placed under observation or classified as «impaired», depending on how serious the situation is.

The task of managing problem loans is given to specific central offices, which carry on their activity with a view to returning the position to «performing», if this is possible; otherwise, with a view to recovering the loan in the event of insolvency, operating in close collaboration with the home branches of the problem loans concerned.



Checks are performed during the initial assessment, payout, review and monitoring stages with regard to the concentration of risk in relation to individual counterparties or groups of counterparties that are linked by legal or economic relationships.

For this purpose, reference is made to the individual limits on large loans which, under the current supervisory regulations, represent a «major risk».

2.3 Credit risk mitigation techniques

The Bank obtains the guarantees considered usual for banking activities in order to reduce credit risk: these principally comprise mortgages on buildings, pledges on financial instruments and unsecured guarantees. Unsecured guarantees principally comprise limited, general guarantees given by individuals and companies whose creditworthiness is considered adequate following a specific assessment.

The presence of guarantees is taken into consideration when weighting the overall credit lines to be granted to a customer or to the legal or economic group to which it might belong.

The estimated value of the security offered by counterparties is «discounted» on a prudent basis, having regard for the nature of the instrument made available (mortgages on buildings, pledges of cash or other financial instruments).

The Bank has a procedure that is able to ensure efficient management and timely assessment of properties that are subject to real encumbrances, by taking a census of the assets and filing the expert appraisals in a specific IT application. Moreover, certain buildings are reassessed at least once a year, also with a view to complying with the supervisory instructions,

The value of security given in the form of financial instruments listed on regulated markets is automatically revised each day with reference to the quoted prices, in order to check that the cover remains within the agreed line of credit or, otherwise, to report the situation to the account managers on a timely basis.

The Bank is not party to settlement agreements regarding on- and off-balance sheet transactions.

Suitable arrangements are made when obtaining, assessing and verifying guarantees to ensure that they will prevail over third parties and can be enforced, both at the time and in the future.

At this time, there are no contractual restrictions threatening the legal validity of guarantees received.

The central functions that perform the above checks are different to the functions that grant and review lending; the Internal Audit Department carries out periodic checks to ensure that these activities are performed properly and on a prudent basis.

2.4 Impaired financial assets

Credit risk management is carried out during all stages of lending by means of effective surveillance and monitoring, so that timely assessments can be made as soon as any anomalies arise.

Loans are classified as «impaired» if there are serious signs of tension and, depending on the nature and gravity of the anomaly, they are split into the following categories:

- *Non-performing*, covering the entire exposure to borrowers that are insolvent or in an equivalent state, regardless of the guarantees given and/or any loss forecasts made;
- *Watchlist*, covering the entire exposure to borrowers that are experiencing temporary objective difficulties that are likely to be resolved within a reasonable period of time;

- *Restructured*, covering loans subject to the revision of the originally agreed terms, due to a deterioration in the economic and financial requisites of the borrower, leading to a loss for the bank;
- *Past due*, unpaid exposures and/or those permanently over their credit limit according to parameters of amount and duration laid down by current supervisory instructions.

The loans not allocated to the above categories are deemed to be performing loans.

The management of «impaired» loans involves taking action, based on the gravity of the situation, to restore normality or, otherwise, to commence appropriate recovery procedures.

More precisely, in the event of positions that are:

- *non-performing*, suitable procedures are implemented to recover the loans; if circumstances permit, recovery plans are drawn up and/or settlements are proposed on an amicable basis in order to terminate the relationship;
- *watchlist*, efforts are made to re-establish the original conditions of credit-worthiness and profitability within a reasonable period of time; if this is deemed to be impossible, the loans concerned are reclassified as doubtful;
- *restructured*, compliance with the agreed conditions is monitored. The position remains classified as «restructured» till the period of time foreseen under current regulations has passed and until the borrower has completely recovered their solvency, without any of their lines of credit going past due. At this stage, the customer can return to the classification of «performing». On the first occasion that the borrower fails to pay, they are transferred to the watchlist or to non-performing loans;
- *past due*, developments are monitored and timely attempts are made to get the situation back to normal; if it is seen that the borrower really is in financial difficulty, the necessary steps are taken to transfer the loan to the watchlist or to non-performing loans, depending on the circumstances.

Adjustments are made in strict compliance with both the primary and secondary regulations and on a highly prudent basis. In particular, having regard for non-performing, watchlist and restructured loans, the bank carries out an analysis of each position, which also takes into account the discounting effects of expected recovery. As for past due loans, they are written down on the basis of historical data of losses on the same type of loans.



QUANTITATIVE INFORMATION

A. Asset quality

A.1 Impaired and performing loans: size, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/Quality	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures	Country risk	Other assets	Total 31/12/2009
1. Financial assets held for trading		1,923	7	-	-	2,825,570	2,827,500
2. Financial assets available for sale		-	-	-	-	30,092	30,092
3. Financial assets held to maturity		586	-	-	-	263,068	263,654
4. Due from other banks		-	-	-	-	1,294,215	1,294,215
5. Customer loans		152,657	169,550	39,726	196,975	16,152,173	16,711,081
6. Financial assets carried at fair value		-	-	-	-	43,880	43,880
7. Financial assets being sold		-	-	-	-	-	-
8. Hedging derivatives		-	-	-	-	-	-
Total 31/12/2009		155,166	169,557	39,726	196,975	20,608,998	21,170,422
Total 31/12/2008		113,979	87,832	4,418	126,036	19,566,830	19,899,095

The word exposures is understood as excluding equities and mutual funds.

The 2008 figures have been adjusted for comparison purposes.

A.1.2 Distribution of financial assets by portfolio and quality of lending (gross and net values)

Portfolio/Quality	Impaired assets			Performing			Total net exposure
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
1. Financial assets held for trading	1,930	-	1,930	2,825,570	-	2,825,570	2,827,500
2. Financial assets available for sale	-	-	-	30,092	-	30,092	30,092
3. Financial assets held to maturity	3,695	3,109	586	263,068	-	263,068	263,654
4. Due from other banks	-	-	-	1,294,215	-	1,294,215	1,294,215
5. Customer loans	785,232	226,324	558,908	16,241,500	89,327	16,152,173	16,711,081
6. Financial assets carried at fair value	-	-	-	43,880	-	43,880	43,880
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 31/12/2009	790,857	229,433	561,424	20,698,325	89,327	20,608,998	21,170,422
Total 31/12/2008	511,871	179,606	332,265	19,644,646	77,816	19,566,830	19,899,095

With reference to financial assets held for trading and those at fair value, the gross exposure is shown at the value resulting from the valuation at period-end.

The 2008 figures have been adjusted for comparison purposes.

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

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Other assets	1,671,252	-	-	1,671,252
Total A	1,671,252	-	-	1,671,252
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	268,685	-	-	268,685
Total B	268,685	-	-	268,685
Total A+B	1,939,937	-	-	1,939,937

Cash exposures include the amounts due from other banks, shown under item 60, as well as other financial assets consisting of bank securities included in items 20, 30, 40, 50 of assets, excluding variable-yield securities. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives.

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

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	341,595	186,429	-	155,166
b) Watchlist loans	199,915	30,365	-	169,550
c) Restructured exposures	41,659	1,933	-	39,726
d) Past due exposures	207,681	10,706	-	196,975
e) Other assets	18,950,357	-	89,327	18,861,030
Total A	19,741,207	229,433	89,327	19,422,447
B. Off-balance sheet exposures				
a) Impaired	32,045	3,927	-	28,118
b) Other	4,071,740	-	73	4,071,667
Total B	4,103,785	3,927	73	4,099,785
Total A+B	23,844,992	233,360	89,400	23,522,232

Cash exposures include the customer loans shown in item 70 as well as other financial assets represented by non-bank securities included in items 20, 30, 40, 50 of the assets side of the balance sheet, excluding variable-yield securities and mutual funds. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives.



A.1.7 Cash exposures to customers: dynamics of gross impaired loans

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures
A. Opening gross exposure	272,414	101,141	4,625	132,482
- of which: sold but not eliminated from the balance sheet				
B. Increases	216,467	151,262	39,255	194,449
B1. transfers from performing loans	143,558	107,358	21,759	175,751
B2. transfers from other categories of impaired exposure	51,374	27,531	5,778	903
B3. other increases	21,535	16,373	11,718	17,795
C. Decreases	147,286	52,488	2,221	119,250
C1. transfers to performing loans	-	9,357	-	31,986
C2. write-offs	102,254	-	-	-
C3. collections	45,032	22,123	869	24,038
C4. proceeds from disposals	-	-	-	-
C5. transfers to other categories of impaired exposure	-	21,008	1,352	63,226
C6. other increases	-	-	-	-
D. Closing gross exposure	341,595	199,915	41,659	207,681
- of which: sold but not eliminated from the balance sheet	-	-	-	-

A.1.8 Cash exposures to customers: dynamics of total writedowns

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures
A. Total opening adjustments	159,392	13,444	207	6,565
- of which: sold but not eliminated from the balance sheet	-	-	-	-
B. Increases	144,648	23,305	1,973	7,350
B1. adjustments	139,190	21,924	1,227	7,311
B2. transfers from other categories of impaired exposure	5,458	1,381	746	39
B3. other increases	-	-	-	-
C. Decreases	117,611	6,384	247	3,209
C1. write-backs on valuation	8,039	909	211	284
C2. write-backs due to collections	7,318	623	-	189
C3. write-offs	102,254	-	-	-
C4. transfers to other categories of impaired exposure	-	4,852	36	2,736
C5. other decreases	-	-	-	-
D. Total closing adjustments	186,429	30,365	1,933	10,706
- of which: sold but not eliminated from the balance sheet	-	-	-	-

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

A.2.1 Distribution of cash loans and off-balance sheet items by external rating class

Type of exposure	External rating classes							Unrated	Total 31/12/2009
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. Cash exposure	3,219,733	2,860,993	1,721,115	2,198,787	1,068,016	25,538	9,999,517	21,093,699	
B. Derivatives	8,299	29,011	4,576	2,748	647	1	31,441	76,723	
B1. Financial derivatives	8,299	29,011	4,576	2,748	647	1	31,441	76,723	
B2. Credit derivatives	-	-	-	-	-	-	-	-	
C. Guarantees given	422,523	879,624	310,556	161,224	90,445	2,161	1,028,640	2,895,173	
D. Commitments to make loans	119,320	201,272	84,981	127,072	96,884	-	767,044	1,396,573	
Total	3,769,875	3,970,900	2,121,228	2,489,831	1,255,992	27,700	11,826,642	25,462,168	

The distribution of loans to banks and customers is reported by classes that reflect the long-term rating awarded to them by leading international agencies, as held in the Bank's database.

The risk classes for external ratings indicated in this table refer to the classes of debtor credit-worthiness mentioned in the prudent supervisory regulations (see Circular no. 263 of 27.12.2006 «New supervisory instructions for banks»).

The following is a reconciliation of these rating classes and the ratings issued by the agencies appointed by the Bank.

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
FitchRatings	from AAA a AA-	from A+ a A-	from BBB+ a BBB-	from BB+ a BB-	from B+ a B-	below B-
Standard & Poor's Rating Services	from AAA a AA-	from A+ a A-	from BBB+ a BBB-	from BB+ a BB-	from B+ a B-	below B-
Lince Spa	from Aa.1 a Aa.3	from A.4 a Baa.9	from Ba.10 a Ba.12	from B.13 a B.16	from C.17 a C.18	C.19



A.2.2 Distribution of cash loans by internal rating class

Note that the Bank does not use these internal rating when calculating the capital requirements for certain portfolios, but applies the so-called «standardised approach», which requires the use of ratings issued by external agencies.

PRIVATE CUSTOMERS - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	276,880	93,940	201,856	274,360	745,705	388,895	179,274
B. Derivatives	39	57	22	62	266	89	515
B1. Financial derivatives	39	57	22	62	266	89	515
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	4,628	3,812	1,046	12,516	22,950	12,299	2,343
D. Commitments to make loans	-	294	429	4,734	8,794	5,241	1,374
Total	281,547	98,103	203,353	291,672	777,715	406,524	183,506

SMALL BUSINESS - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	23,724	341,939	184,492	161,008	667,117	223,617	110,124
B. Derivatives	3	31	62	17	241	29	9
B1. Financial derivatives	3	31	62	17	241	29	9
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	944	10,540	9,564	7,015	51,259	6,236	3,841
D. Commitments to make loans	2	587	590	3,457	8,881	4,967	827
Total	24,673	353,097	194,708	171,497	727,498	234,849	114,801

MICRO-ENTERPRISES - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	11,990	23,538	122,963	524,487	691,635	878,730	645,217
B. Derivatives	35	6	339	585	940	122	125
B1. Financial derivatives	35	6	339	585	940	122	125
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	4,013	9,744	23,683	51,917	87,007	48,836	25,538
D. Commitments to make loans	6,662	3,533	4,766	34,764	84,485	87,087	35,935
Total	22,700	36,821	151,751	611,753	864,067	1,014,775	706,815

08	09	10	11	12	13	Insolvent	Total 31/12/2009
133,967	83,174	38,533	35,406	32,665	68,347	84,349	2,637,351
7	10	-	9	1	12	-	1,089
7	10	-	9	1	12	-	1,089
-	-	-	-	-	-	-	-
712	2,089	125	245	288	429	1,477	64,959
125	185	152	82	1	90	6	21,507
134,811	85,458	38,810	35,742	32,955	68,878	85,832	2,724,906

08	09	10	11	12	13	Insolvent	Total 31/12/2009
114,600	46,627	40,752	34,079	25,017	69,335	86,556	2,128,987
8	1	-	1	-	3	-	405
8	1	-	1	-	3	-	405
-	-	-	-	-	-	-	-
5,002	1,467	2,724	1,297	595	1,858	1,285	103,627
1,310	554	310	224	193	866	1,622	24,390
120,920	48,649	43,786	35,601	25,805	72,062	89,463	2,257,409

08	09	10	11	12	13	Insolvent	Total 31/12/2009
481,843	177,494	126,694	42,318	35,712	66,441	149,325	3,978,387
42	74	6	1	1	19	-	2,295
42	74	6	1	1	19	-	2,295
-	-	-	-	-	-	-	-
27,655	5,331	3,935	1,801	7,077	3,190	3,512	303,239
22,685	8,199	8,690	509	150	1,488	623	299,576
532,225	191,098	139,325	44,629	42,940	71,138	153,460	4,583,497



SMEs - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	19,217	51,174	143,793	436,055	692,389	818,844	503,346
B. Derivatives	22	56	339	1,168	806	2,368	1,232
B1. Financial derivatives	22	56	339	1,168	806	2,368	1,232
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	25,620	11,050	52,245	105,314	85,837	68,898	43,100
D. Commitments to make loans	520	617	11,995	19,579	38,486	28,333	16,421
Total	45,379	62,897	208,372	562,116	817,518	918,443	564,099

LARGE AND PUBLIC ENTERPRISES - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	47,355	562,516	572,185	233,334	348,296	156,217	172,967
B. Derivatives	97	7,279	1,592	64	483	324	175
B1. Financial derivatives	97	7,279	1,592	64	483	324	175
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	71,645	409,222	145,736	145,128	317,653	128,243	63,249
D. Commitments to make loans	-	48,238	59,215	36,589	16,048	45,735	372
Total	119,097	1,027,255	778,728	415,115	682,480	330,519	236,763

The table shows, in rising order of risk, the distribution by rating class of exposures in the Customers portfolio for which the internal rating models are operative. The scale is made up of 13 classes of performing counterparties and one for those that are insolvent. The 1st class identifies customers with the lowest risk, while the 13th class highlights the maximum risk, which is only exceeded by a state of insolvency.

BANKS - Exposure	01	02	03	04
A. Cash exposures	-	10	282,708	91,639
B. Derivatives	-	-	15,472	858
B1. Financial derivatives	-	-	15,472	858
B2. Credit derivatives	-	-	-	-
C. Guarantees given	-	-	128,121	5,683
D. Commitments to make loans	-	-	648	47
Total	-	10	426,949	98,227

The table shows the risk profile of exposures in the Bank portfolio in rising order of risk. This presents the ten classes used by the internal system to classify customers. The first class identifies customers with the lowest risk, while the ninth class highlights the maximum risk, which is only exceeded by a state of insolvency, class 10. The model is applied to those borrowers who do not have a merit assessment issued by a rating agency.

08	09	10	11	12	13	Insolvent	Total 31/12/2009
389,186	354,232	120,604	68,614	25,211	62,818	97,668	3,783,151
347	98	5	-	-	-	1	6,442
347	98	5	-	-	-	1	6,442
-	-	-	-	-	-	-	-
16,471	19,400	4,680	4,854	926	3,164	6,911	448,470
23,618	16,347	5,151	35	-	2	873	161,977
429,622	390,077	130,440	73,503	26,137	65,984	105,453	4,400,040

08	09	10	11	12	13	Insolvent	Total 31/12/2009
39,734	30,783	68,726	15,730	1,783	540	27,403	2,277,569
-	129	52	28	-	-	4	10,227
-	129	52	28	-	-	4	10,227
-	-	-	-	-	-	-	-
3,777	35,503	5,738	25	57	-	12,210	1,338,186
199	8,654	1,022	-	-	-	20	216,092
43,710	75,069	75,538	15,783	1,840	540	39,637	3,842,074

Internal rating classes							Total 31/12/2009
05	06	07	08	09	Insolvent		
7,447	3,149	467	-	-	-		385,420
-	-	-	-	-	-		16,330
-	-	-	-	-	-		16,330
-	-	-	-	-	-		-
-	-	2,654	-	-	-		136,458
-	-	-	-	-	-		695
7,447	3,149	3,121	-	-	-		538,903



A.3 Distribution of guaranteed exposures by type of guarantee

Cash loans shown in the «Exposure» column are stated net of specific and portfolio adjustments. The guarantees are split on the basis of this exposure. The amounts shown in the «amount guaranteed» and «guarantees» columns relate to the exposure covered; this means that the real value of the guarantees may exceed that shown.

A.3.2 Guaranteed exposures to customers

	Net exposure	Secured guarantees (1)		
		Buildings	Securities	Other secured guarantees
1. Guaranteed cash exposures:	10,773,707	7,052,693	225,885	88,563
1.1 fully guaranteed	9,802,334	7,048,479	185,701	46,127
- of which: impaired	434,135	358,371	5,661	1,592
1.2 partially guaranteed	971,373	4,214	40,184	42,436
- of which: impaired	24,804	1,737	1,674	748
2. Guaranteed off-balance sheet exposures:	1,007,911	190,610	36,125	26,315
2.1 fully guaranteed	863,807	190,610	28,090	18,370
- of which: impaired	11,237	259	2,924	552
2.2 partially guaranteed	144,104	-	8,035	7,945
- of which: impaired	1,641	-	265	399

B. Distribution and concentration of exposure

B.1 Territorial distribution of the cash and off-balance sheet exposures to customers (book value)

Exposures/Counterparties	Government			Other public entities		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures						
A1. Non-performing loans	-	-	-	38	-	-
A2. Watchlist loans	-	-	-	-	-	-
A3. Restructured exposures	-	-	-	-	-	-
A4. Exposure past due	-	-	-	3	-	-
A5. Other exposures	2,493,668	-	-	67,210	-	-
Total A	2,493,668	-	-	67,251	-	-
B. Off-balance sheet exposures						
B1. Non-performing loans	-	-	-	-	-	-
B2. Watchlist loans	-	-	-	-	-	-
B3. Other impaired assets	-	-	-	-	-	-
B4. Other exposures	53,310	-	-	41,617	-	-
Total B	53,310	-	-	41,617	-	-
Total 31/12/2009	2,546,978	-	-	108,868	-	-
Total 31/12/2008	2,954,853	-	-	153,903	-	-

The 2008 figures have been adjusted for comparison purposes.

Personal guarantees (2)

Credit derivatives										Total 31/12/2009
Other derivatives					Guarantees given					
CLN	Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties		
-	-	-	-	-	-	11,765	270,055	2,865,104	10,514,065	
-	-	-	-	-	-	11,018	265,140	2,245,869	9,802,334	
-	-	-	-	-	-	74	811	67,626	434,135	
-	-	-	-	-	-	747	4,915	619,235	711,731	
-	-	-	-	-	-	198	-	15,741	20,098	
-	-	-	-	-	-	21,335	4,601	680,502	959,488	
-	-	-	-	-	-	21,335	4,342	601,060	863,807	
-	-	-	-	-	-	-	-	7,502	11,237	
-	-	-	-	-	-	-	259	79,442	95,681	
-	-	-	-	-	-	-	-	576	1,240	

Financial companies			Insurance companies			Non-financial companies			Other parties		
Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
3,400	8,579	-	-	-	-	120,890	139,781	-	30,838	38,069	-
86	10	-	-	-	-	130,762	25,885	-	38,702	4,470	-
1,216	44	-	-	-	-	36,821	1,875	-	1,689	14	-
3,987	347	-	-	-	-	156,367	8,062	-	36,618	2,297	-
1,514,879	-	5,267	20,576	-	27	11,779,924	-	66,888	2,984,773	-	17,145
1,523,568	8,980	5,267	20,576	-	27	12,224,764	175,603	66,888	3,092,620	44,850	17,145
-	-	-	-	-	-	1,948	3,926	-	75	1	-
-	-	-	-	-	-	13,324	-	-	1,591	-	-
-	-	-	-	-	-	9,875	-	-	1,305	-	-
110,665	-	-	5,174	-	-	3,095,073	-	58	765,828	-	15
110,665	-	-	5,174	-	-	3,120,220	3,926	58	768,799	1	15
1,634,233	8,980	5,267	25,750	-	27	15,344,984	179,529	66,946	3,861,419	44,851	17,160
1,396,679	7,497	4,668	15,103	-	17	13,515,658	140,861	55,585	3,819,106	34,519	18,276



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

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures				
A1. Non-performing loans	151,359	179,754	1,303	3,566
A2. Watchlist loans	169,047	30,328	499	37
A3. Restructured exposures	39,726	1,933	-	-
A4. Exposure past due	195,368	10,578	1,514	120
A5. Other exposures	18,569,196	88,031	142,309	704
Total	19,124,696	310,624	145,625	4,427
B. Off-balance sheet exposures				
B1. Non-performing loans	2,023	3,927	-	-
B2. Watchlist loans	14,915	-	-	-
B3. Other impaired assets	11,180	-	-	-
B4. Other exposures	3,947,932	73	107,351	-
Total	3,976,050	4,000	107,351	-
Total 31/12/2009	23,100,746	314,624	252,976	4,427
Total 31/12/2008	21,467,212	251,958	222,547	3,539

The 2008 figures have been adjusted for comparison purposes.

Exposures in Italy are mainly concentrated in the traditional areas served by the Bank, namely North West (83%) and Central Italy (12%).

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

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures				
A1. Non-performing loans	-	-	-	-
A2. Watchlist loans	-	-	-	-
A3. Restructured exposures	-	-	-	-
A4. Exposure past due	-	-	-	-
A5. Other exposures	1,286,727	-	331,683	-
Total	1,286,727	-	331,683	-
B. Off-balance sheet exposures				
B1. Non-performing loans	-	-	-	-
B2. Watchlist loans	-	-	-	-
B3. Other impaired assets	-	-	-	-
B4. Other exposures	49,851	-	216,515	-
Total	49,851	-	216,515	-
Total 31/12/2009	1,336,578	-	548,198	-
Total 31/12/2008	1,121,565	-	633,616	-

The 2008 figures have been adjusted for comparison purposes.

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
2,504	3,109	-	-	-	-
1	-	3	-	-	-
-	-	-	-	-	-
91	8	2	-	-	-
145,937	572	2,854	16	734	4
148,533	3,689	2,859	16	734	4
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
256	-	2,610	-	13,518	-
256	-	2,610	-	13,518	-
148,789	3,689	5,469	16	14,252	4
147,019	5,407	5,008	502	13,516	17

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
44,440	-	4,965	-	3,437	-
44,440	-	4,965	-	3,437	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
81	-	1,933	-	305	-
81	-	1,933	-	305	-
44,521	-	6,898	-	3,742	-
52,343	-	5,188	-	550	-



B.4 Significant risks

	31/12/2009	31/12/2008
a) Amount	2,160,262	1,235,676
b) Number	9	7

C. Securitisation transactions and disposal of assets

C.1 Securitisation transactions

QUALITATIVE INFORMATION

The Bank has not entered into any direct securitisation transactions and has not been involved in such transactions organised by third parties.

C.2 Disposals

C.2.1 Financial assets sold and not eliminated from the balance sheet

Technical forms/Portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	1,035,136	-	-	-	-	-	-	-	-
1. Fixed-yield securities	1,035,136	-	-	-	-	-	-	-	-
2. Variable-yield securities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2009	1,035,136	-	-	-	-	-	-	-	-
of which: impaired	-	-	-	-	-	-	-	-	-
Total 31/12/2008	2,249,666	-	-	-	-	-	-	-	-
of which: impaired	-	-	-	-	-	-	-	-	-

Key:

A = financial assets sold and recognised in full (book value)

B = financial assets sold and recognised in part (book value)

C = financial assets sold and recognised in part (full value)

These are securities sold to customers under repurchase agreements as indicated in table 2.1 «Financial assets held for trading».

C.2.2 Financial liabilities associated with assets sold and not eliminated from the balance sheet

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Due from other banks	Due from customers	Total 31/12/2009
1. Customer deposits	908,367	-	-	-	-	-	908,367
a) for assets recognised in full	908,367	-	-	-	-	-	908,367
b) for assets recognised in part	-	-	-	-	-	-	-
2. Due to other banks	126,492	-	-	-	-	-	126,492
a) for assets recognised in full	126,492	-	-	-	-	-	126,492
b) for assets recognised in part	-	-	-	-	-	-	-
Total 31/12/2009	1,034,859	-	-	-	-	-	1,034,859
Total 31/12/2008	2,256,362	-	-	-	-	-	2,256,362

Financial assets held to maturity			Due from other banks			Due from customers			Total	Total
A	B	C	A	B	C	A	B	C	31/12/2009	31/12/2008
-	-	-	-	-	-	-	-	-	1,035,136	2,249,666
-	-	-	-	-	-	-	-	-	1,035,136	2,249,666
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,035,136	2,249,666
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	2,249,666	2,212,122
-	-	-	-	-	-	-	-	-	-	-

Section 2 *Market risks*

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

QUALITATIVE INFORMATION

A. General aspects

The principal source of interest rate risk consists of the fixed-yield securities classified under «financial assets held for trading».

The objectives and strategies for trading activities involving the securities portfolio are designed to maximise its profitability by taking investment opportunities, while working to contain the level of risk. This means that the duration of the bond portfolio is very short.

The bank's role in trading activities essentially consists of arbitrage in securities to benefit from short-term trading opportunities, rather than of taking long-term risk positions.

This strategy is consistent with the general approach adopted by the bank, based on the prudent management of all risks.

With regard to the treatment of derivative instruments, the offices deal in untraded options on fixed-yield government securities, while activity regarding other innovative or complex instruments is negligible.

The nature of trading activities did not change significantly over the year.

The main source of price risk consists of variable-yield securities and units in mutual funds classified as «financial assets held for trading», including the investments that service employees' post-employment benefits.

As with regard to interest rate risk, the strategy for containing price risk as part of the bank's overall risk management strategy is to take a prudent approach.

This is evidenced by the low weighting of variable-yield securities within the entire securities portfolio (excluding those servicing the post-employment benefits of employees), which represent just 1.42% of the overall total of 39.527 million.

Furthermore, variable-yield securities comprise holdings in leading companies with a liquid market and a good dividend yield.

Once again, trading activity concentrates on benefiting from short-term opportunities while, with regard to innovative instruments, the transactions in equity options have been both limited and perfectly matched.

There were no significant changes during the year.

B. Management and measurement of interest rate risk and price risk

The internal processes for control and management of the interest rate risk associated with the trading portfolio have the following characteristics. The organisational structure comprises: the Board of Directors, which establishes guidelines and the maximum degree of acceptable risk; General Management, which carries out supervision and, in turn, sets limits on risk that are consistent with those established by the Board; the «central and branch internal auditors», part of the Internal Audit function, who check on compliance with established limits; the «Risk Control» office, within the Planning and management control department, measures risk and produces the related reports; the «Treasury» office, within the Finance Department, and the «Exchange Centre», within the International department, accept risk by operating in the markets.

The system for the limitation of risk, especially market risk (exchange rate, share price), is governed by the Board resolution on «Operational and managerial limits for financial activities» adopted on 29 November 2001, as amendment with resolution dated 27 April 2009. This system is organised on the basis described below. As part of its governance functions, the Board of Directors quantifies the maximum acceptable loss for the period, consistent with the bank's volume of business. At operational level, General Management allocates this Maximum Acceptable Loss between market risks and credit risks. Suitable limits on the potential exposure to financial risk are established in terms of Value at Risk.

The characteristics of the internal management and control of price risk in relation to the trading portfolio are the same - in terms of organisational structure and the limitation of risk acceptance - as those described in relation to interest rate risk.

The procedures for the control and management of risk described above have not changed significantly during the year.

The methodology used for the analysis of sensitivity to interest rate risk essentially comprises application of the internal model for strategic Asset & Liability Management (ALM), described in section 2.2 below (interest rate risk inherent in the bank's portfolio), and an internal model for the daily calculation of Value at Risk (VaR) also used for the analysis of sensitivity to price risk - limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties - with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with the famous JP Morgan Riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the trading portfolios held for supervisory purposes: as for interest rate risk, debt securities, repurchase agreements, forward contracts on fixed-yield securities and forward contracts on exchange rates, in addition to, and limited to the year-end figures, other financial derivatives (derivatives in a strict sense) traded by the Exchange Centre (options on exchange rates, forward contracts on goods, options on interest rates, interest rate swaps); as regards price risk, variable-yield securities and warrants, excluding derivatives on stock indices. Apart from the instruments shown in table 2 below, the VaR model also covers mutual funds and, only for the year-end figures, the commodity options and forward contracts traded by the Exchange Centre. The price risk on foreign currency mutual funds also includes exchange risk.

The options have been treated using delta-gamma methodology, while the warrants have been treated as variable-yield securities of the same value.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the bank.

The policies and procedures for comparison of the model's results with actual results («back-testing») regarding the trading portfolio for supervisory purposes, limited to debt securities on the one hand, and variable-yield securities and mutual funds on the other, consist of a comparison between the daily VaR and the change in market value on the following day for the same positions used to calculate the VaR (theoretical loss) and the difference between capital gains, write-backs, capital losses, and the realised gains and losses on transactions in the shares held in the portfolio, as reported by the securities procedure (actual loss). For back-testing purposes, the VaR information and the theoretical and actual losses include both the price risk and the exchange risk element deriving from shares, funds and sicavs denominated in foreign currencies.

As for the changes that have taken place in the risk exposure, measured in terms of VaR, compared with the previous year, based on the figures without derivatives (in a strict sense) traded by the Exchange Centre and comparable with those published last year, on interest rate risk the total average VaR has gone down from 1.100 million to 0.882, while at the end of the year it has gone down from 1.059 million to 0.455, mainly because of fixed-yield securities (from 1.208 million to 0.430) and despite the simultaneous decline in repurchase agreements (from 0.323 million to 0.008); on price risk, the total average VaR has gone down from 2.455 million to 1.878, while at the year-end it has gone down from 2.586 million to 1.485.



We would also like to comment on the year-end figures generated by the ALM procedure, limited to the debt securities in the trading portfolio for supervisory purposes as well as lending and funding repurchase agreements; the effect of a change in interest rates of +100 basis points over twelve months on the future interest margin - the difference between the future interest income on fixed-yield securities held in the trading portfolio for supervisory purposes and on lending repos and the future interest expense on funding repos - has gone from an increase of 29.050 million to one of 25.515 million; the effect of an instantaneous change in interest rates by +100 basis points on equity - the difference between the present value of fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos with respect to that of funding repos - has passed from a loss of 12.292 million to one of 11.874 million; the difference between the future income margin for the following twelve months under the most favourable scenario and that under the worst outcome has decreased from 11.910 million to 10.227 million.

The internal model is not used to determine the capital requirements for market risk reported for supervisory purposes to the Bank for Italy. The Standardised approach is used in this case.

QUANTITATIVE INFORMATION

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

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	1,543,999	1,034,553	133	122,741	11,434	15,180	-
1.1 Fixed-yield securities	-	1,543,999	1,034,553	133	122,741	11,434	15,180	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	1,543,999	1,034,553	133	122,741	11,434	15,180	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	926	904,151	129,781	-	-	-	-	-
2.1 Repurchase agreements	926	904,151	129,781	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	5,602,036	615,319	236,796	365,308	141,250	3,636	-
3.1 With underlying security	-	130,497	16,397	24,641	34,297	-	-	-
- Options	-	13,205	10,285	20,580	1,909	-	-	-
+ Long positions	-	6,609	5,146	10,292	955	-	-	-
+ Short positions	-	6,596	5,139	10,288	954	-	-	-
- Other derivatives	-	117,292	6,112	4,061	32,388	-	-	-
+ Long positions	-	52,084	4,614	2,022	21,191	-	-	-
+ Short positions	-	65,208	1,498	2,039	11,197	-	-	-
3.2 Without underlying security	-	5,471,539	598,922	212,155	331,011	141,250	3,636	-
- Options	-	57,674	19,420	-	54,322	19,420	3,352	-
+ Long positions	-	28,837	9,710	-	27,161	9,710	1,676	-
+ Short positions	-	28,837	9,710	-	27,161	9,710	1,676	-
- Other derivatives	-	5,413,865	579,502	212,155	276,689	121,830	284	-
+ Long positions	-	2,717,567	288,894	106,379	138,326	60,915	142	-
+ Short positions	-	2,696,298	290,608	105,776	138,363	60,915	142	-

**Currency: USD**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,377,817	411,340	112,646	27,680	-	-	-
3.1 With underlying security	-	11,888	10,100	3,242	1,348	-	-	-
- Options	-	11,888	10,100	3,242	1,348	-	-	-
+ Long positions	-	5,944	5,050	1,621	674	-	-	-
+ Short positions	-	5,944	5,050	1,621	674	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	4,365,929	401,240	109,404	26,332	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	4,365,929	401,240	109,404	26,332	-	-	-
+ Long positions	-	2,172,751	201,490	53,159	13,167	-	-	-
+ Short positions	-	2,193,178	199,750	56,245	13,165	-	-	-

**Currency: CHF**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	542,192	772,000	65,738	814,961	262,334	-	-
3.1 With underlying security	-	1,238	-	-	548	-	-	-
- Options	-	1,238	-	-	548	-	-	-
+ Long positions	-	619	-	-	274	-	-	-
+ Short positions	-	619	-	-	274	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	540,954	772,000	65,738	814,413	262,334	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	540,954	772,000	65,738	814,413	262,334	-	-
+ Long positions	-	270,273	385,981	32,912	407,228	131,167	-	-
+ Short positions	-	270,681	386,019	32,826	407,185	131,167	-	-

**Currency: JAPANESE YEN**

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	143,458	42,624	688	9,762	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	143,458	42,624	688	9,762	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	143,458	42,624	688	9,762	-	-	-
+ Long positions	-	72,234	21,597	444	4,881	-	-	-
+ Short positions	-	71,224	21,027	244	4,881	-	-	-

Currency: OTHER CURRENCIES

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	314,400	13,711	39,542	774	-	-	-
3.1 With underlying security	-	-	-	17,734	-	-	-	-
- Options	-	-	-	17,734	-	-	-	-
+ Long positions	-	-	-	8,867	-	-	-	-
+ Short positions	-	-	-	8,867	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	314,400	13,711	21,808	774	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	314,400	13,711	21,808	774	-	-	-
+ Long positions	-	156,858	6,699	12,083	387	-	-	-
+ Short positions	-	157,542	7,012	9,725	387	-	-	-

2. Trading portfolio for supervisory purposes: distribution of exposures on variable-yield securities and stock indices by principal listing nation

Type of transaction/ Listing index	Listed						Unlisted
	Italy	United States	United Kingdom	Japan	Germany	Other	
A. Variable-yield securities	35,366	-	-	-	2,583	2,066	1,703
- long positions	35,366	-	-	-	2,583	2,066	1,703
- short positions	-	-	-	-	-	-	-
B. Purchase/sale transactions not yet settled in variable-yield securities	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
C. Other derivatives on variable-yield securities	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
D. Derivatives on stock indices	-	-	-	-	-	-	784
- long positions	-	-	-	-	-	-	392
- short positions	-	-	-	-	-	-	392



3. Trading portfolio for supervisory purposes - internal models and methodologies for the analysis of sensitivity

Solely with reference to the year end, we report the VaR figures including derivatives (in a strict sense) traded by the Exchange Centre and split between interest rate risk and price risk, as well as by transaction specifically included in table 2 above and the other transactions on which the calculation is made.

Value at Risk (VaR), end of year (new definition)

	(in thousands of euro)
1. Cash assets	430.0
1.1 Fixed-yield securities	430.0
1.2 Other assets	-
2. Cash liabilities	8.5
2.1 Repurchase agreements	8.5
2.2 Other liabilities	-
3. Financial derivatives	28.1
3.1 With underlying security	24.6
- Options	-
+ Long positions	-
+ Short positions	-
- Other derivatives	24.6
+ Long positions	51.6
+ Short positions	27.1
3.2 Without underlying security	4.8
- Options	0.0
- Other derivatives	4.8
+ Long positions	1,674.7
+ Short positions	1,669.9
Total interest rate risk	458.2
A. Variable-yield securities	1,308.5
- long positions	1,308.5
- short positions	-
B. Purchase/sale transactions not yet settled in variable-yield securities	-
- long positions	-
- short positions	-
C. Other derivatives on variable-yield securities	0.7
- long positions	0.7
- short positions	-
D. Derivatives on stock indices	n.d.
- long positions	n.d.
- short positions	n.d.
Total Price risk transactions tab. 2	1,309.1
Mutual funds	184.8
Forward contracts on other instruments (goods)	-
- long positions	90.9
- short positions	90.9
Options on other instruments (goods)	-
- long positions	7.6
- short positions	7.6
Total Price risk	1,485.5
Total Interest rate risk and price risk	1,495.8

We report below, separately for interest rate risk and price risk, and with reference to the entire year, the VaR figures excluding derivatives (in a strict sense) traded by the Exchange Centre; these are consistent with those published last year, also in terms of presentation.

Interest rate risk

Value at Risk (VaR), end of year

	(in thousands of euro)
Fixed-yield securities	430.0
Repurchase agreements	8.5
Forward contracts on fixed-yield securities - Long positions	51.5
Forward contracts on fixed-yield securities - Short positions	26.9
Forward contracts on exchange rates - Long positions	54.2
Forward contracts on exchange rates - Short positions	54.5
Total	454.6

Information on average, minimum and maximum VaR is provided below.

Total Value at Risk (VaR)

	(in thousands of euro)
average	881.7
minimum	380.5
maximum	1,558.6

With regard to the distribution of VaR during the year, the average VaR for each month in 2009 is presented below.

January	1,377.5
February	1,319.6
March	1,238.7
April	1,071.5
May	855.6
June	1,044.8
July	920.4
August	790.4
September	615.6
October	580.6
November	569.9
December	401.4

With reference to debt securities forming part of the trading portfolio for supervisory purposes, the number of days on which actual losses exceeded VaR was 133 out of 248 observations, the number of days on which theoretical losses exceeded VaR was 132 out of 247 observations.

Price risk

Value at Risk (VaR), end of year

	(in thousands of euro)
Variable-yield securities (including warrants)	1,309.1
Mutual funds	184.8
Total	1,485.5

Information on average, minimum and maximum VaR is provided below.



Total Value at Risk (VaR)

	(in thousands of euro)
average	1,877.5
minimum	1,241.3
maximum	3,113.7

With regard to the distribution of VaR during the year, the average VaR for each month in 2009 is presented below.

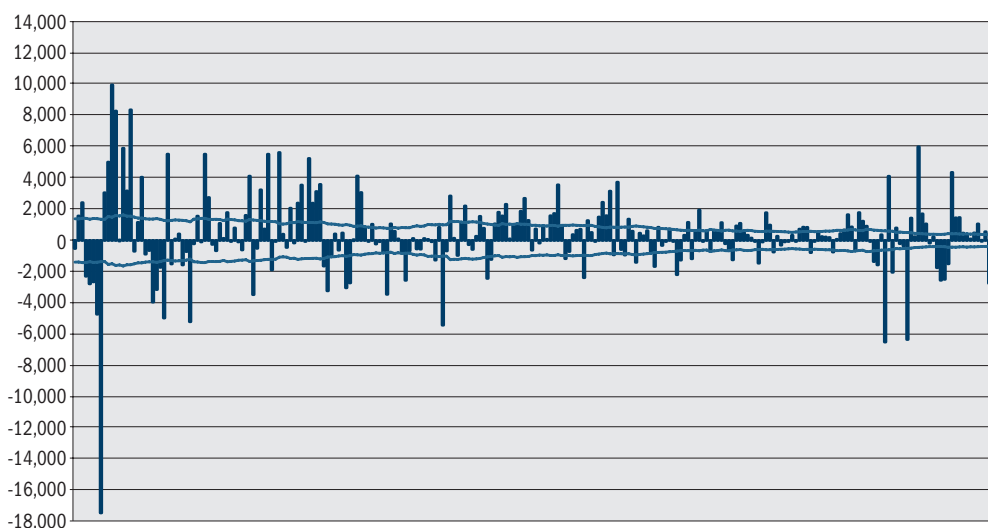
January	1,964.0
February	1,798.5
March	2,441.8
April	2,771.3
May	2,331.6
June	1,790.6
July	1,778.8
August	1,573.7
September	1,428.5
October	1,423.2
November	1,662.0
December	1,653.7

With reference to variable-yield securities and mutual funds forming part of the trading portfolio for supervisory purposes, the number of days on which actual losses exceeded VaR was 1 out of 248 observations, the number of days on which theoretical losses exceeded VaR was 1 out of 247 observations.

The following graphs compare VaR with the daily results.

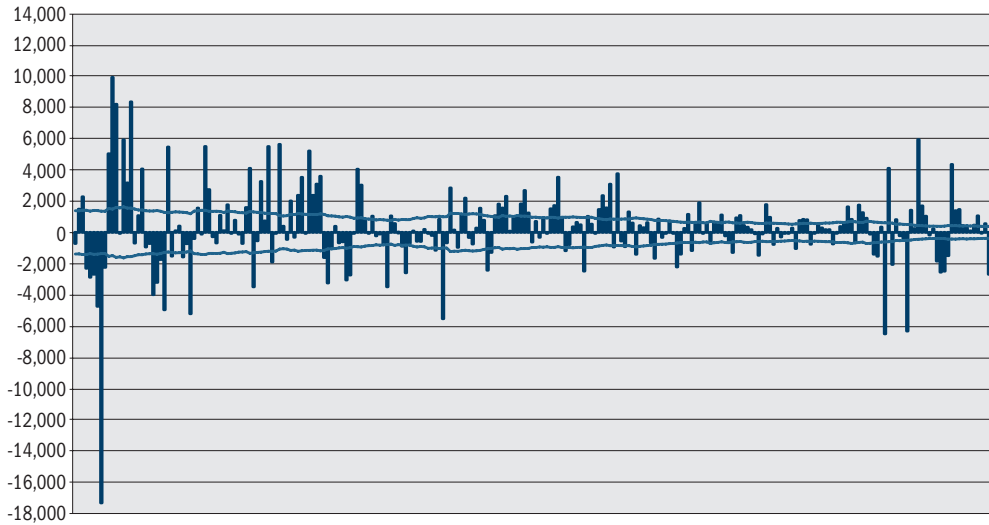
Fixed-yield securities: VaR and actual profits/losses

(in thousands of euro)



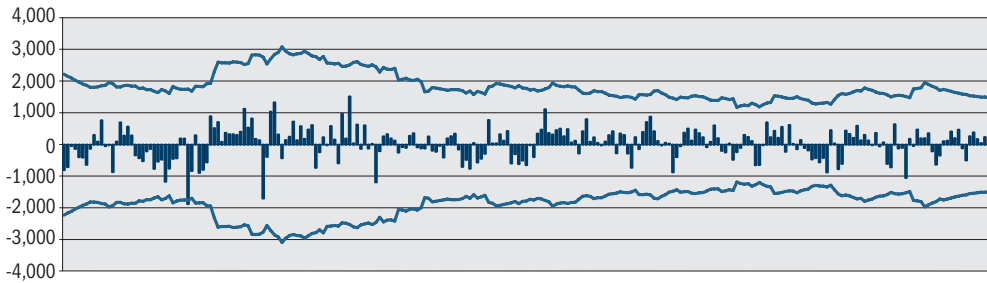
Fixed-yield securities: VaR and theoretical profits/losses

(in thousands of euro)



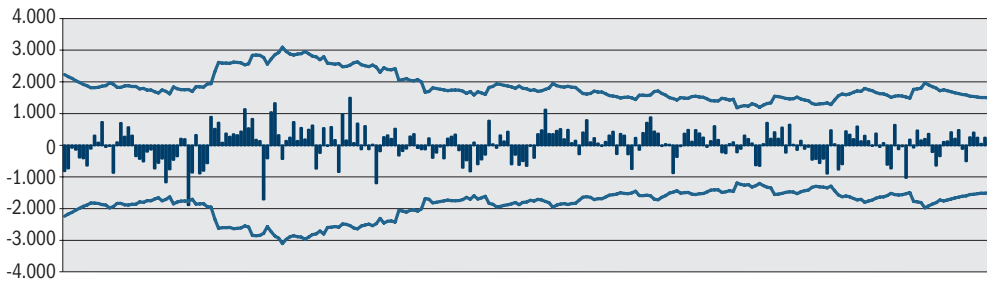
Variable-yield securities and mutual funds: VaR and actual profits/losses

(in thousands of euro)



Variable-yield securities and mutual funds: VaR and theoretical profits/losses

(in thousands of euro)





With regard only to the fixed-yield securities held in the trading portfolio for supervisory purposes as well as lending and funding repos, the following information is taken from the ALM procedure, consistent with that provided in section 2.2 below in relation to the bank book.

As a result of these profound changes, the figures are not comparable with those published last year; in the following table we therefore show the figures updated to the year-end.

Effects of a change in interest rates by +100 basis points over a twelve-month period on the future interest margin.

For a change of -100 basis points, the sign of the amounts should be reversed.

The future interest margin is understood as being the difference between the future interest income on interest-earning fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos calculated on the transactions outstanding at the reference date.

Exposure to risk

	(in thousands of euro)
at period end	25,515
at period end 2008 adjusted	29,050
average	27,728
minimum	25,515
maximum	29,274

Effects of an instant change in interest rates of +100 basis points on equity.

For a change of -100 basis points, the sign of the amounts should be reversed.

Equity is defined as the difference between the present value of fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos, and that of funding repos.

Exposure to risk

	(in thousands of euro)
at period end	-11,874
at period end 2008 adjusted	-12,292
average	-14,195
minimum	-11,874
maximum	-16,524

Analysis of scenario: difference between the future interest margin for the following twelve months under the worst scenario and that under the most favourable outcome.

The scenarios considered are that with constant market rates and the three referred to in the qualitative information provided in section 2.2 on the interest rate risk of the bank book.

Exposure to risk

	(in thousands of euro)
at period end	-10,227
at period end 2008 adjusted	-11,910
average	-7,473
minimum	-5,172
maximum	-11,910

2.2 Interest rate risk and price risk - Bank portfolio

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk and price risk

The principal sources of interest rate risk deriving from fair value are associated with funding transactions (especially the issue of bonds) and lending transactions (principally long-term loans) at a fixed rate; the interest rate risk deriving from cash flows is originated by other sight of indexed rate assets and liabilities, which represent the majority of the total.

The internal management and control of interest rate risk is centralised within General Management, which periodically checks the ALM situation (integrated asset and liability management) prepared each month and takes the necessary operational decisions.

There were no significant changes in the risk management and control procedures during the year, except for those mentioned below in connection with the measurement methods.

The measurement and control of interest rate essentially consists of the methodology for the «control of exposure to interest rate risk» defined by the Bank of Italy in Attachment C - Section III, Chapter 1 of the «New Supervisory instructions for banks» (Circular Letter 263 of 27 December 2006), and in an internal model for strategic Asset & Liability Management (ALM) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, the model used supports «gap analysis», for analysing the sensitivity of net interest income, and «duration analysis», for analysing the sensitivity of equity, both from a static standpoint, considering the operations outstanding at the reference date, and from a dynamic standpoint, using a form for the simulation of future transactions and three alternative scenarios for rate changes provided by an external consultant using an econometric model. The gap analysis and the related scenario analysis take account of the introduction of a stickiness model for asset and liability current accounts - the latter exclude time deposits - and for savings deposits.

The system covers the following assets in terms of financial instruments exposed to interest rate risk included in the trading portfolio or in the Bank's own portfolio. The first includes interest-earning assets and interest-bearing liabilities, as defined in the balance sheet format prepared by the National Association of Cooperative Banks, based on the supervisory matrix, as amended from December 2008, excluding all securities held apart from fixed-yield securities. (Note that the securities classified as non-performing in the supervisory matrix are excluded from interest-earning assets in the table).

The second includes the same instruments, except for the fixed-yield securities held in the trading portfolio for supervisory purposes and lending and funding repos, as the information on these is disclosed in section 2.1 above on the trading portfolio for supervisory purposes.

Given these changes, the figures are not consistent with those of the previous year, so the tables show the figures updated to the year-end.

The various risk profiles are aggregated by simple summation.

The internal policies and procedures for the analysis of scenarios involve calculating all the results under the three, more or less favourable, alternative scenarios mentioned for possible changes in interest rates.

The source of price risk lies in the variable-yield securities and mutual funds not included in the trading portfolio for supervisory purposes, excluding treasury shares. It therefore includes the variable-yield securities classified as equity investments and the variable-yield securities and mutual funds classified as «financial assets available for sale» or «financial assets at fair value».

The equity investments held by the bank essentially relate to companies that supply the goods and services which complete the bank's range of commercial services and, therefore, are necessary for the achievement and maintenance of an effective competitive position. These are stable investments and reflect the established strategy of concentrating the bank's

activities on ordinary operations, while also making recourse – for certain, important near-banking activities (mutual funds, insurance, leasing, factoring, stockbroking, trust management etc.) – to specialist operators. Banca Popolare di Sondrio (Suisse) SA, a wholly owned Swiss bank that is part of the banking group, does not strictly adhere to these principles; nor do Pirovano Stelvio spa and Sinergia Seconda srl.

The Bank understands these companies well and participates in their management; accordingly, the risk - which is more strategic than market related - is well monitored.

We would reiterate that «financial assets available for sale» include non-derivative financial assets not classified as «loans», «financial assets held for trading» or «assets held to maturity», while the portfolio of «financial assets at fair value» includes those securities to which the Bank decided to apply the fair value option.

The measurement and control of price risk – limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties – essentially involves application of an internal model for the daily calculation of Value at Risk (VaR) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with JP Morgan's well-known Riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the bank book, which no longer has a specific table in these notes: variable-yield securities (including equity investments) and mutual funds. The price risk on foreign currency mutual funds also includes exchange risk.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the bank.

B. Fair value hedges

The Bank has not arranged any macro hedges, nor does it have any hedging operations outstanding.

C. Cash flow hedges

The Bank has not arranged any cash-flow hedges.

D. Hedges of foreign investments

The Bank did not carry out any hedges of foreign investments.

QUANTITATIVE INFORMATION

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

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
3. Financial derivatives	2,086	1,258	2,574	2,684	22,852	30,810	47,006	1,740
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other derivatives	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	2,086	1,258	2,574	2,684	22,852	30,810	47,006	1,740
+ Options	844	1,258	1,332	2,684	22,852	30,810	47,006	1,740
- Long positions	422	629	666	1,342	11,426	15,405	23,503	870
- Short positions	422	629	666	1,342	11,426	15,405	23,503	870
+ Other	1,242	-	1,242	-	-	-	-	-
- Long positions	621	-	621	-	-	-	-	-
- Short positions	621	-	621	-	-	-	-	-

This table only shows financial derivatives as a price risk sensitivity analysis based on internal models is provided for cash assets and liabilities.

2. Bank book - internal models and other methodologies for the analysis of sensitivity

Interest rate risk

With reference to the interest-earning assets and interest-bearing liabilities - except for the fixed-yield securities held in the trading portfolio for supervisory purposes and lending and funding repos, as the information on these is disclosed in the section on the trading portfolio for supervisory purposes - as defined in the paragraph in this section on qualitative information, the following are the figures taken from the ALM procedure.

As a result of these profound changes, the figures are not comparable with those published last year, therefore we show the year-end adjusted figures in the table below.

Effects of a change in interest rates by +100 basis points over a twelve-month period on the future interest margin.

The future interest margin is understood as being the difference between the future interest income on interest-earning assets (excluding fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos) and the future interest expense on interest-bearing liabilities (excluding funding repos), based solely on transaction outstanding at the reference date.

**Exposure to risk**

	(in thousands of euro)
at period end	-8,021
at period end 2008 adjusted	1,600
average	-3,528
minimum	285
maximum	-8,021

Effects of a change in interest rates by +100 basis points over a twelve-month period on the future interest margin.

Exposure to risk

	(in thousands of euro)
at period end	31,613
at period end 2008 adjusted	-7,763
average	-681
minimum	259
maximum	31,613

Effects of an instant change in interest rates of +100 basis points on equity.

For a change of -100 basis points, the sign of the amounts should be reversed.

Equity is understood as being the difference between the present value of interest-earning assets (excluding fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos) and that of interest-bearing liabilities (excluding funding repos).

Exposure to risk

	(in thousands of euro)
at period end	-63,966
at period end 2008 adjusted	-45,262
average	-53,312
minimum	-44,389
maximum	-63,966

Analysis of scenario: difference between the future interest margin for the following twelve months under the worst scenario and that under the most favourable outcome.

The scenarios considered are that with constant market rates and the three referred to in the qualitative information provided in this section.

Exposure to risk

	(in thousands of euro)
at period end	-20,512
at period end 2008 adjusted	-9,402
average	-14,222
minimum	-6,154
maximum	-28,449

Price risk

We report the VaR figures pointing out that: they refer to transactions that are no longer explicitly foreseen in the standard tables of the notes, but on which we still carry out the calculation; they are consistent with those published last year, also in terms of presentation.

Value at Risk (VaR), end of year

	(in thousands of euro)
Variable-yield securities	6,447.6
- of which equity investments	4,481.8
Mutual funds	821.0
Total	7,113.4

Information on average, minimum and maximum VaR is provided below.

Total Value at Risk (VaR)

	(in thousands of euro)
average	8,187.2
minimum	4,696.6
maximum	15,598.0

With regard to the distribution of VaR during the year, the average VaR for each month in 2009 is presented below.

January	14,936.7
February	13,981.1
March	12,155.2
April	11,706.6
May	9,224.1
June	6,805.9
July	5,756.9
August	5,147.6
September	5,071.5
October	5,271.0
November	5,720.4
December	5,564.3

2.3 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

The principal sources of exchange risk consist in: the investment in Banca Popolare di Sondrio (Suisse) SA, denominated in Swiss francs, certain other variable-yield securities and mutual funds denominated in foreign currencies and the net foreign currency position managed by the «Exchange Centre», deriving principally from intermediation in repos with private customers and on the interbank market, as well as the implications of the Bank's foreign exchange position deriving from trading in other financial products (difference between premiums on currency options, interest on foreign currency deposits. etc.).

Excluding securities, the Bank's role in foreign currency transactions is largely commercial, with a view to meeting customers' needs.

The characteristics of the internal management and control of exchange risk are the same - in terms of organisational structure and the limitation of risk acceptance - as those described in relation to interest rate risk in section 2.1, to which reference is made.

There were no significant changes during the year in the risk management and control procedures described.

The measurement and control of exchange risk essentially involves application of an internal model for the daily calculation of Value at Risk (VaR) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with the famous JP Morgan riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk at the balance sheet date: all of the assets and liabilities in foreign currency (excluding gold, the African Financial Community franc, the Lithuanian lit and the Qatar riyal) shown in table 1 below, excluding other financial assets (consisting of mutual funds in foreign currency where the exchange risk is included in the price risk), items classified definitively and unpaid positive differentials on expired derivatives; moreover, the balances used by the internal model do not include accrued income and prepaid expenses, accrued expenses and deferred income, the interest portion of unpaid instalments, the differentials on adoption of the amortised cost principle and loan write-downs. Financial derivatives (in a strict sense) traded by the Exchange Centre, other than forward contracts on exchange rates, are included, limited to the year-end figures, and comprise, in addition to those in table 1 above (options on exchange rates, options and forward contracts on commodities) interest rate swaps as well. Forward contracts on exchange rates and variable-yield securities are treated analytically, whereas the overall difference by individual currency of the other items is treated as a deposit (positive or negative) with a due date of one day.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the bank.

The internal model based on VaR is not used to determine the capital requirements for market risk reported for supervisory purposes to the Bank for Italy. The standard methodology is used in this case.

B. Hedging of exchange risk

The Bank has not arranged any specific hedges of exchange risk.

The position of the «Exchange Centre» is updated on a real-time basis; this enables exchange traders to act in the interbank market to offset any mismatches that may arise due to the transactions described above.

Any unmatched foreign currency positions are small and, in any case, fall within the limits established by the internal regulations and the tighter limits on VaR established by General Management.

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by foreign currency

Items	Currency					
	US Dollars	Sterling	Japanese Yen	Swiss Francs	Canadian Dollars	Other currencies
A. Financial assets	1,283,118	16,410	58,870	514,120	82,852	36,142
A.1 Fixed-yield securities	-	-	-	-	-	-
A.2 Variable-yield securities	-	1,387	-	33,284	-	-
A.3 Loans to banks	50,679	3,066	32,190	28,779	639	19,955
A.4 Loans to customers	1,232,439	11,957	25,067	452,057	82,213	16,187
A.5 Other financial assets	-	-	1,613	-	-	-
B. Other assets	1,567	518	133	7,890	93	235
C. Financial liabilities	1,269,960	16,836	59,535	491,626	83,367	35,804
C.1 Due to other banks	907,819	5,142	46,209	405,384	79,450	21,608
C.2 Due to customers	362,141	11,694	13,326	86,242	3,917	14,196
C.3 Fixed-yield securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	333	141	-	73	-	-
E. Financial derivatives	4,934,624	168,010	196,535	117,780	43,703	156,713
- options	27,210	-	-	1,785	-	17,734
+ long positions	13,605	-	-	892	-	8,867
+ short positions	13,605	-	-	893	-	8,867
- other derivatives	4,907,414	168,010	196,535	115,995	43,703	138,979
+ long positions	2,442,821	84,706	99,158	57,839	21,846	69,475
+ short positions	2,464,593	83,304	97,377	58,156	21,857	69,504
Total assets	3,741,111	101,634	158,161	580,741	104,791	114,719
Total liabilities	3,748,491	100,281	156,912	550,748	105,224	114,175
Net balance (+/-)	-7,380	1,353	1,249	29,993	-433	544

2. Internal models and other methodologies for the analysis of sensitivity

With reference to the closing date, we report above all the VaR figures inclusive of derivatives (in a strict sense) traded by the Exchange Centre and split between the transactions explicitly foreseen in table 1 and the other transactions on which the calculation is carried out.

Value at Risk (VaR), end of year (new definition)

	(in thousands of euro)
Fixed-yield securities	-
Variable-yield securities	171.4
Net balance between other assets and liabilities	264.9
Financial derivatives	282.3
- Options	0.0
- Other derivatives	282.3
+ Long positions	34,792.8
+ Short positions	35,071.7
Total transactions tab. 1	166.7
- Interest Rate Swaps	15.2
+ Long positions	6,029.1
+ Short positions	6,013.9
Total	181.8



Details of the principal currencies

US Dollars	16.8
Sterling	15.6
Japanese Yen	5.8
Swiss Francs	180.9
Canadian Dollars	0.1
Other currencies	3.1
Total	181.8

We report below, with reference to the entire year, the VaR figures excluding derivatives (in a strict sense) traded by the Exchange Centre; these are consistent with those published last year, also in terms of presentation.

Value at Risk (VaR), end of year

	(in thousands of euro)
Variable-yield securities	171.4
Net balance between other assets and liabilities	264.9
Forward contracts on exchange rates - Long positions	34,730.6
Forward contracts on exchange rates - Short positions	35,009.6
Total	166.7

Details of the principal currencies

US Dollars	16.8
Sterling	15.6
Japanese Yen	5.8
Swiss Francs	165.6
Canadian Dollars	0.1
Other currencies	3.1
Total	166.7

Information on average, minimum and maximum VaR is provided below.

Value at Risk (VaR), end of year

	(in thousands of euro)
average	253.8
minimum	96.2
maximum	728.3

With regard to the distribution of VaR during the year, the average VaR for each month in 2009 is presented below.

January	520.1
February	424.3
March	457.0
April	382.7
May	245.7
June	215.5
July	194.9
August	169.5
September	150.7
October	145.4
November	111.2
December	138.0

2.4 Derivative instruments

A. Financial derivatives

A.1 Trading portfolio for supervisory purposes: notional amounts at period end and average amounts

Underlying assets /Type of derivative	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Fixed-yield securities and interest rates	2,050,415	-	1,023,130	-
a) Options	275,568	-	162,038	-
b) Swap	1,774,847	-	861,092	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Variable-yield securities and stock indices	20,906	-	44,880	-
a) Options	20,906	-	44,880	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	5,041,033	-	6,989,793	-
a) Options	98,427	-	210,121	-
b) Swap	-	-	-	-
c) Forward	4,942,606	-	6,779,672	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	14,120	-	36,797	-
5. Other underlying assets	-	-	-	-
Total	7,126,474	-	8,094,600	-
Averages	7,610,537	-	7,606,998	-

The 2008 figures have been adjusted for comparison purposes, given that the update to the Circular 262/05 states that purchases and sales of securities, commodities and currencies settled by the date foreseen by market practice for transactions of the same type, i.e. within five working days from the date of the transaction, no longer have to be included in the tables of this section.



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

Portfolio/Type of derivatives	POSITIVE FAIR VALUES			
	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	76,665	-	258,577	-
a) Options	3,986	-	6,362	-
b) Interest rate swap	28,394	-	18,297	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	43,765	-	219,160	-
f) Futures	-	-	-	-
g) Other	520	-	14,758	-
B. Bank book - for hedging purposes	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	76,665	-	258,577	-

The positive fair value of forwards in the trading portfolio for supervisory purposes only includes transactions with underlying currency.

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

Portfolio/Type of derivatives	NEGATIVE FAIR VALUES			
	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	73,959	-	261,466	-
a) Options	3,933	-	6,350	-
b) Interest rate swap	24,372	-	16,795	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	45,140	-	224,897	-
f) Futures	-	-	-	-
g) Other	514	-	13,424	-
B. Bank book - for hedging purposes	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	73,959	-	261,466	-

The negative fair value of forwards in the trading portfolio for supervisory purposes only includes transactions with underlying currency.



A.5 Over the Counter financial derivatives - trading portfolio for supervisory purposes: notional values, gross positive and negative fair value by counterparty - contracts which are not part of settlement agreements

Contracts which are not part of settlement agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Fixed-yield securities and interest rates							
- notional value	-	20,253	1,610,110	116,729	-	291,970	11,353
- positive fair value	-	243	15,530	775	-	13,799	317
- negative fair value	-	73	25,460	939	-	169	-
- future exposure	-	152	10,120	242	-	1,166	42
2. Variable-yield securities and stock indices							
- notional value	-	-	10,466	4,940	5,500	-	-
- positive fair value	-	-	41	-	-	-	-
- negative fair value	-	-	-	-	14	-	-
- future exposure	-	-	837	-	-	-	-
3. Currency and gold							
- notional value	-	1,383	2,562,936	1,120,133	-	1,073,801	282,780
- positive fair value	-	17	27,455	9,105	-	5,438	3,315
- negative fair value	-	40	18,311	4,752	-	19,815	3,762
- future exposure	-	14	26,332	11,317	-	10,935	2,828
4. Other assets							
- notional value	-	-	7,060	1,672	-	5,143	245
- positive fair value	-	-	438	-	-	192	-
- negative fair value	-	-	189	32	-	352	51
- future exposure	-	-	588	167	-	525	-

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

Underlyings/Residual value	Within 12 months	1 to 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes				
	5,378,750	1,323,063	424,661	7,126,474
A.1 Financial derivatives on fixed-yield securities and interest rates	365,322	1,260,432	424,661	2,050,415
A.2 Financial derivatives on variable-yield securities and stock indices	-	20,906	-	20,906
A.3 Financial derivatives on exchange rates and gold	5,000,343	40,690	-	5,041,033
A.4 Financial derivatives on other instruments	13,085	1,035	-	14,120
B. Bank book				
B.1 Financial derivatives on fixed-yield securities and interest rates	-	-	-	-
B.2 Financial derivatives on variable-yield securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31/12/2009	5,378,750	1,323,063	424,661	7,126,474
Total 31/12/2008	7,498,554	404,006	192,040	8,094,600

Section 3 *Liquidity risk*

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

Liquidity risk typically reveals itself in the form of an inability to meet payment commitments or an incapacity to finance assets with the necessary punctuality on a cost/effective basis. These negative circumstances can occur as the company finds it impossible:

- to raise funds or obtain them at a reasonable cost (funding liquidity risk);
- to sell or reduce its position without severely affecting the price, due to low efficiency or malfunctioning on the part of the market (market liquidity risk) .

The Bank's overall strategy for managing liquidity risk, with its low propensity for risk, consists above all of giving priority to matching assets and liabilities, taking a prudent approach, while at the same time pursuing reasonable levels of profitability.

This preference for limited exposure to liquidity risk also manifests itself in the adoption of specific operating guidelines that make it possible to reduce the likelihood of such problems arising.

In particular, as regards the first of these sources of risk, the Bank makes considerable efforts to avoid a concentration of funding; its very nature as a cooperative bank is to be close to households and small businesses and this makes it possible to enjoy a wide and stable retail funding base, which by definition is widely diversified.

Another source of funding is the interbank market, on which the Bank does not have particular problems raising money, given its high standing among potential counterparties, both nationally and internationally.

As regard the potential liquidity risk deriving from difficulties in selling its own positions, it is worth mentioning above all that the Bank maintains a high quality security portfolio. Most of this portfolio consists of government securities and, to a lesser extent, of other corporate bonds that are highly liquid as they may easily be sold on the market or used, when liquidity is needed, in repurchase agreements with banks or in refinancing auctions held by the European Central Bank as most of them are eligible.

Control over liquidity risk is carried out by various units: the first level control is performed by the operating functions that provide for a timely check that they carry out their duties properly and report the results in summary form on a daily basis. Then there is systematic monitoring of the expected liquidity position by the Planning and Control Department: based on the data on treasury operations and the liquidity reserve made up of easily marketable securities and other assets, they are able to forecast potential liquidity mismatches up to three months into the future. This Department is also responsible for carrying out periodic stress tests: to this end, they make assumptions about possible negative scenarios, such as a drop in the market value of the securities in portfolio or a significant decline in retail or institutional deposits, so as to analyse the potential consequences of such events on the liquidity position.

We would emphasise that the following information, taken together with that shown in part B Liabilities Section 1 Table 1.5, complies with the requirements of IFRS 7.39.



QUANTITATIVE INFORMATION

1. Distribution by residual duration of financial assets and liabilities

Currency: EURO

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	6,334,501	361,693	373,852	565,070	789,195	543,031	786,834	5,336,753	4,204,402	-
A.1 Government securities	-	-	11	78	324	160	35,829	2,041,584	415,195	-
A.2 Other fixed-yield securities	3,621	-	4,455	-	27,901	26,484	19,735	237,655	275,372	-
A.3 Mutual funds	59,734	-	-	-	-	-	522	8,846	2,875	-
A.4 Loans	6,271,146	361,693	369,386	564,992	760,970	516,387	730,748	3,048,668	3,510,960	-
- Banks	47,176	247,336	289,499	241,372	304,711	27,806	926	81	-	-
- Customers	6,223,970	114,357	79,887	323,620	456,259	488,581	729,822	3,048,587	3,510,960	-
Cash liabilities	14,772,542	198,782	115,499	393,854	662,502	290,245	382,073	744,660	262,469	-
B.1 Deposits and current accounts *	14,681,312	198,515	114,353	348,708	542,956	170,419	21,095	53,642	68,650	-
- Banks	357,570	171,359	13,749	24,071	75,036	22,533	10,048	51,661	68,633	-
- Customers	14,323,742	27,156	100,604	324,637	467,920	147,886	11,047	1,981	17	-
B.2 Fixed-yield securities	91,230	267	1,146	45,146	119,546	119,826	360,978	691,018	193,819	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	2,582,294	-	-	-	2,524,251	475,166	150,772	91,338	165,379	-
C.1 Financial derivatives with exchange of capital	2,352,907	-	-	-	2,524,124	466,969	144,672	75,098	36,140	-
- Long positions	1,157,893	-	-	-	1,268,724	234,925	72,631	41,190	34,650	-
- Short positions	1,195,014	-	-	-	1,255,400	232,044	72,041	33,908	1,490	-
C.2 Financial derivatives without exchange of capital	32,464	-	-	-	-	-	-	-	-	-
- Long positions	16,752	-	-	-	-	-	-	-	-	-
- Short positions	15,712	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	621	-	-	-	-	621	-	-	-	-
- Long positions	621	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	621	-	-	-	-
C.4 Irrevocable commitments to make loans	194,619	-	-	-	30	6,475	4,234	11,493	129,035	-
- Long positions	21,676	-	-	-	30	6,475	4,234	11,493	129,035	-
- Short positions	172,943	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	1,683	-	-	-	97	1,101	1,866	4,747	204	-

* This term is understood as including all amounts due to other banks and customers allocated to these specific balance sheet items.

The breakdown by maturity is based on the residual life of assets and liabilities, being the difference between the balance sheet date and the maturity dates of each transaction. In the event of repayment plans, the residual maturity of each payment has been considered. The deposit with the Bank of Italy as a compulsory reserve is shown under amounts due from other banks within 1-3 months. Non-performing loans are allocated to the various time bands on the basis of forecasts for the recovery of the underlying cash flows made by the bank for financial statement purposes.

**Currency: USD**

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	12,359	270,948	120,917	483,492	295,311	77,142	23,600	4,579	1,835	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	12,359	270,948	120,917	483,492	295,311	77,142	23,600	4,579	1,835	-
- Banks	4,485	647	29,714	7,422	7,803	587	22	-	-	-
- Customers	7,874	270,301	91,203	476,070	287,508	76,555	23,578	4,579	1,835	-
Cash liabilities	205,602	141,419	220,431	493,431	138,755	58,421	11,833	69	-	-
B.1 Deposits and current accounts	205,602	141,419	220,431	493,431	138,755	58,421	11,833	69	-	-
- Banks	27,859	135,210	199,256	459,874	82,722	1,594	1,236	69	-	-
- Customers	177,743	6,209	21,175	33,557	56,033	56,827	10,597	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	2,221,215	-	1,040	360	2,250,584	416,797	123,987	27,730	-	-
C.1 Financial derivatives with exchange of capital	2,140,010	-	-	-	2,237,806	411,340	112,646	27,680	-	-
- Long positions	1,065,223	-	-	-	1,113,472	206,540	54,780	13,841	-	-
- Short positions	1,074,787	-	-	-	1,124,334	204,800	57,866	13,839	-	-
C.2 Financial derivatives without exchange of capital	477	-	-	-	-	-	-	-	-	-
- Long positions	240	-	-	-	-	-	-	-	-	-
- Short positions	237	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	49,945	-	-	-	243	-	-	-	-	-
- Long positions	25,094	-	-	-	-	-	-	-	-	-
- Short positions	24,851	-	-	-	243	-	-	-	-	-
C.4 Irrevocable commitments to make loans	30,783	-	1,040	360	12,535	5,457	11,341	50	-	-
- Long positions	-	-	1,040	360	12,535	5,457	11,341	50	-	-
- Short positions	30,783	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

**Currency: CHF**

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	30,028	3,141	33,268	25,731	73,958	22,324	25,812	85,364	184,206	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	30,028	3,141	33,268	25,731	73,958	22,324	25,812	85,364	184,206	-
- Banks	8,644	634	7,900	7,219	4,149	232	-	-	-	-
- Customers	21,384	2,507	25,368	18,512	69,809	22,092	25,812	85,364	184,206	-
Cash liabilities	87,042	137,604	91,804	119,978	10,832	552	43,812	-	-	-
B.1 Deposits and current accounts	87,042	137,604	91,804	119,978	10,832	552	43,812	-	-	-
- Banks	1,501	137,503	91,669	119,978	10,448	472	43,812	-	-	-
- Customers	85,541	101	135	-	384	80	-	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	198,923	-	-	-	64,001	8,709	358	622	-	-
C.1 Financial derivatives with exchange of capital	44,651	-	-	-	64,001	8,182	356	591	-	-
- Long positions	22,048	-	-	-	32,074	4,072	221	317	-	-
- Short positions	22,603	-	-	-	31,927	4,110	135	274	-	-
C.2 Financial derivatives without exchange of capital	25,648	-	-	-	-	-	-	-	-	-
- Long positions	14,318	-	-	-	-	-	-	-	-	-
- Short positions	11,330	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	128,066	-	-	-	-	-	-	-	-	-
- Long positions	64,033	-	-	-	-	-	-	-	-	-
- Short positions	64,033	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	558	-	-	-	-	527	-	31	-	-
- Long positions	-	-	-	-	-	527	-	31	-	-
- Short positions	558	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	2	-	-	-

**Currency: JAPANESE YEN**

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	3,733	7,386	5,879	16,892	18,869	4,013	2,200	34	10	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	1,613	-	-	-	-	-	-	-	-	-
A.4 Loans	2,120	7,386	5,879	16,892	18,869	4,013	2,200	34	10	-
- Banks	1,374	7,223	4,281	10,126	8,935	251	-	-	-	-
- Customers	746	163	1,598	6,766	9,934	3,762	2,200	34	10	-
Cash liabilities	8,690	46,262	786	719	2,321	569	188	-	-	-
B.1 Deposits and current accounts	8,690	46,262	786	719	2,321	569	188	-	-	-
- Banks	24	46,186	-	-	-	-	-	-	-	-
- Customers	8,666	76	786	719	2,321	569	188	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	103,012	-	-	-	75,200	45,836	688	9,762	-	-
C.1 Financial derivatives with exchange of capital	68,258	-	-	-	75,200	42,624	688	9,762	-	-
- Long positions	35,599	-	-	-	36,635	21,597	444	4,881	-	-
- Short positions	32,659	-	-	-	38,565	21,027	244	4,881	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	31,542	-	-	-	-	-	-	-	-	-
- Long positions	15,771	-	-	-	-	-	-	-	-	-
- Short positions	15,771	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	3,212	-	-	-	-	3,212	-	-	-	-
- Long positions	-	-	-	-	-	3,212	-	-	-	-
- Short positions	3,212	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-


Currency: OTHER CURRENCIES

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	11,284	90,972	1,230	6,921	8,501	4,990	-	10,754	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	11,284	90,972	1,230	6,921	8,501	4,990	-	10,754	-	-
- Banks	11,043	7,397	66	58	408	4,688	-	-	-	-
- Customers	241	83,575	1,164	6,863	8,093	302	-	10,754	-	-
Cash liabilities	31,795	85,650	8,875	1,205	2,651	5,047	786	-	-	-
B.1 Deposits and current accounts	31,795	85,650	8,875	1,205	2,651	5,047	786	-	-	-
- Banks	1,987	85,650	8,875	1,205	2,651	5,047	786	-	-	-
- Customers	29,808	-	-	-	-	-	-	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	134,798	7,611	-	-	208,301	13,711	39,540	774	-	-
C.1 Financial derivatives with exchange of capital	106,212	-	-	-	208,189	13,711	39,540	774	-	-
- Long positions	53,014	-	-	-	103,845	6,699	20,949	387	-	-
- Short positions	53,198	-	-	-	104,344	7,012	18,591	387	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	20,862	-	-	-	-	-	-	-	-	-
- Long positions	10,431	-	-	-	-	-	-	-	-	-
- Short positions	10,431	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	7,724	7,611	-	-	112	-	-	-	-	-
- Long positions	-	7,611	-	-	112	-	-	-	-	-
- Short positions	7,724	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Section 4 *Operational risks*

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

Operational risk represents the risk of suffering losses from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from external events.

This category also includes losses caused by fraud, human error, operational interruptions, system downtime, contractual non-performance and natural catastrophes. Operational risk includes legal risk, whereas strategic and reputational risks are excluded.

The Bank is fully aware that in addition to the unfavourable economic effects, loss events could also give rise to considerable damage to its image and reputation. It has therefore adopted a suitable management system, which is being constantly refined, to minimise the impact.

This system is based on an approach that involves identification, measurement and mitigation of both a quantitative and qualitative nature. This makes it possible to recognise the risk not only in terms of any losses already incurred, but also in terms of potential risk in the future.

As regards the first aspect, which in essence involves the systematic gathering of information on losses during the year, by reviewing the process and organising meetings for those who deal with risk situations on a day-to-day basis, it was possible to enrich the available information and strengthen the data recording and verification mechanisms in terms of quality and completeness.

The creation of a detailed historical series of information also helps the introduction of loss control and monitoring logic and tools.

As regards the second aspect, the identification and assessment of potentially risky corporate processes and their integration with suitable risk indicators to monitor specific situations over time make it possible to direct risk control and/or mitigation interventions on an ongoing basis.

The system for gathering and recording such data is also useful for benchmarking purposes with DIPO, the database of operating losses of which the Bank is a member, the aim being to identify areas where one's own organisation can be improved,

QUANTITATIVE INFORMATION

The main sources of such risks are criminal acts from the outside, such as bank robberies, credit card clonation and forged cheques; considering the high level of risk, these situations are usually mitigated by insurance policies and interbank conventions.

Those with the greatest individual impact in terms of amount are principally due to the execution of day-to-day transactions, mainly payments, and in trading transactions, and usually promptly corrected.

Total operating losses also include a minor proportion of damage to fixed assets, mainly structural accidents or breakdowns, as well as prudent provisions for legal disputes.

The following table summarises losses for the last three years, showing the amount in absolute and percentage terms, both gross and net of recoveries and insurance reimbursements, split according to the various sources and suitably aggregated. The extent of recoveries, amounting to about 51% of the total, demonstrates the effectiveness of the action taken to minimise or transfer the losses incurred.



Sources of losses from 01/01/2007 to 31/12/2009

	No. of events	% of events	Gross loss	% of total	Net loss	% of total	% recovered
Fraud	213	43.65%	1,725,374	21.29%	965,592	24.52%	44.04%
Settlements and legal disputes	15	3.07%	2,429,217	29.98%	2,429,217	61.70%	-
Damage to fixed assets	90	18.44%	248,904	3.07%	68,892	1.75%	72.32%
Errors in carrying out transactions	152	31.15%	3,589,976	44.31%	364,080	9.25%	89.86%
Other	18	3.69%	109,409	1.35%	109,409	2.78%	-
Total	488	100.00%	8,102,880	100.00%	3,937,190	100.00%	51.41%

(Amounts in euro)

Key:

Fraud = bank robberies, theft, false instructions, cloning of debit and credit cards, alteration of cheques, disloyalty.

Settlements and legal disputes = settlements reached with customers, transactions contrary to the rules of proper conduct and prudent provisions for legal disputes.

Errors in carrying out transactions = errors in day-to-day operations, in the execution of processes, in relations with vendors or suppliers.

Damage to fixed assets = accidents, damage caused to third parties, structural failures and breakdowns.

Other = violations of the regulations on lending, safety in the workplace and system breakdowns.

PART F *Information on equity*

Section 1 *Capital*

QUALITATIVE INFORMATION

In line with its status as a cooperative, the Bank has always devoted maximum attention to the question of capital, being convinced that by paying maximum attention to our shareholders/customers, it is possible to pursue the strategy of autonomous development which is the preference of the Board of Directors. This is why the history of Banca Popolare di Sondrio features periodic increases in capital, carried out in ways that are technically straightforward and transparent, so that the shareholders can immediately understand the terms of the operation and share the bank's objectives. Based on this premise, we have never issued innovative capital instruments and the repeated increases - the latest dating back to 2007 - have always been taken up en masse, as reflected in the total number of shareholders that we have reached.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the bank to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity.

The responsibilities that the bank has versus its shareholders and that derive from its status as a cooperative bank have led to an extremely prudent style of management of the company's capital, as can be seen from the mix of assets and liabilities in the balance sheet.

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The component parts and size of the Bank's capital and equity are described in Part B, Section 14 of these notes to the financial statements.



B.1 Equity: breakdown

Assets/Values	31/12/2009	31/12/2008
1. Share capital	924,444	924,444
2. Share premium reserve	176,085	176,085
3. Reserves	433,237	430,617
- retained earnings	433,237	430,617
a) legal	95,918	94,524
b) statutory	252,627	249,729
c) treasury shares	61,000	61,000
d) other	23,692	25,364
- others	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-40,211	-45,452
6. Valuation reserves:	-513	-7,407
- Financial assets available for sale	-513	-7,407
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash-flow hedges	-	-
- Exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
- Actuarial profits (losses) related to defined-benefit pension plans	-	-
- Portions of valuation reserves related to subsidiaries carried at equity	-	-
- Special revaluation regulations	-	-
7. Net profit (loss) for the year	190,674	13,735
Total	1,683,716	1,492,022

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

Assets/Values	Total 31/12/2009		Total 31/12/2008	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	-	-	-	-
2. Variable-yield securities	1,145	1,466	255	6,547
3. Mutual funds	5	197	126	1,241
4. Loans	-	-	-	-
Total	1,150	1,663	381	7,788

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

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans
1. Opening balance	-	-6,292	-1,115	-
2. Positive changes	-	6,575	1,822	-
2.1 Increases in fair value	-	1,576	-	-
2.2 Release to the income statement of negative reserves	-	2,269	-	-
- from impairment	-	-	-	-
- from disposals	-	2,269	-	-
2.3 Other changes	-	2,730	1,822	-
3. Negative changes	-	604	899	-
3.1 Reductions in fair value	-	274	400	-
3.2 Impairment write-downs	-	-	-	-
3.3 Transfer to income statement from positive reserves: from disposals	-	-	-	-
3.4 Other changes	-	330	499	-
4. Closing balance	-	-321	-192	-

Section 2 *Capital and capital adequacy ratios*

2.1 Capital for supervisory purposes

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This is the main point of reference for the Supervisory Body when assessing the stability of the Bank and of the system. The principal prudent control mechanisms all make reference to capital for supervisory purposes: the requirements to cover market risk and the rules governing the concentration of risk. It consists of the sum of Tier 1 capital, which is included in the calculation without any limitation, and Tier 2 capital that is included up to the equivalent of the Tier 1 capital. The amounts foreseen in the regulations applicable at 31.12.2009 are then deducted from this aggregate.

1. Tier 1 capital

The positive elements of Tier 1 capital comprise share capital, the share premium reserve, other reserves and part of the net profit for 2009, on the assumption that the shareholders will approve the proposed allocations to reserves; the negative elements consist of treasury shares (line item 190 of liabilities and equity), intangible assets (line item 120 of assets) and the deductions deriving from application of the «precautionary filters» made up of the negative balances between positive and negative valuation reserves, with reference respectively to the variable-yield securities (including mutual funds) and fixed-yield securities classified in the «financial assets available for sale» portfolio.

From Tier 1 capital calculated in this way get deducted 50% of any equity investments in excess of 10% in non-consolidated banks and financial companies, the combination of any equity investments equal to or less than 10% in banks and financial companies and subordinated instruments that exceed 10% of «Tier 1 and Tier 2 capital, both gross of the elements to be deducted» and any equity investments in insurance companies purchased from 20 July 2006 onwards.



2. Tier 2 capital

The positive elements of Tier 2 capital are represented by after-tax gains on shareholdings classified as «financial assets available for sale». It is made up of the positive reserves deriving from after-tax gains on securities available for sale, cut by 50% for the application of the precautionary filters and reduced by the negative elements, consisting of potential losses on assets shown in the balance sheet, as well as the other elements to be deducted in the same way as for Tier 1 capital, as mentioned above.

3. Tier 3 capital

There are no elements of equity to be included in Tier 3 capital.

QUANTITATIVE INFORMATION

	31/12/2009	31/12/2008
A. Tier 1 before the application of precautionary filters	1,574,859	1,484,519
B. Precautionary filters of Tier 1 capital:	-513	-7,407
B.1 Positive IFRS precautionary filters (+)	-	-
B.2 Negative IFRS precautionary filters (-)	-513	-7,407
C. Tier 1 capital gross of the elements to be deducted (A + B)	1,574,346	1,477,112
D. Elements to be deducted from tier 1 capital	90,186	9,664
E. Total Tier 1 capital (C-D)	1,484,160	1,467,448
F. Tier 2 capital before the application of precautionary filters	-245	-282
G. Precautionary filters for tier 2 capital:	-	-
G.1 Positive IFRS precautionary filters (+)	-	-
G.2 Negative IFRS precautionary filters (-)	-	-
H. Tier 2 capital gross of the elements to be deducted (F + G)	-245	-282
I. Elements to be deducted from tier 2 capital	-	-
L. Total tier 2 capital (H-I)	245	282
M. Items to be deducted from tier 1 and tier 2 capital	-56,826	-56,461
N. Capital for supervisory purposes (E + L - M)	1,427,089	1,410,705
O. Tier 3 capital	-	-
P. Capital for supervisory purposes including tier 3 (N + O)	1,427,089	1,410,705

2.2 Capital adequacy

QUALITATIVE INFORMATION

The Bank has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and protect against risk. This state of things is reflected in the adequacy of the individual solvency coefficient. This requisite is expressed by the ratio between capital for supervisory purposes and total risk-weighted assets, which at the end of the year came to 12.06%, with an excess of 406 basis points compared with the regulatory minimum of 8% required of banks that belong to banking groups. In absolute terms, the excess capital compared with the obligatory minimum - what is called «free capital» - amounts to € 480.8 million; this amount is considered adequate for the Bank's growth plans.

The following table provides information of a quantitative nature on risk assets and capital ratios, reflecting prudent management of the various types of risks with a contained absorption of capital. Capital for supervisory purposes is absorbed for around 60% by credit risk, around 2% by market risks, around 4% by operational risks, while the other 34% is free capital).

The slight growth in capital for supervisory purposes compared with the end of 2008, despite the increase in net profit to be allocated to reserves, is essentially due to the increase in elements to be deducted from tier 1 capital represented by the purchase of equity investments.

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Categories/Amounts	Unweighted amounts		Weighted amounts	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
A. Assets at risk				
A.1 Credit and counterparty risk	21,355,733	19,617,292	14,304,989	15,434,558
1. Standardised approach	21,355,733	19,617,292	14,304,989	15,434,558
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Capital adequacy requirements				
B.1 Credit and counterparty risk			1,144,399	1,234,765
B.2 Market risks			31,090	34,236
1. Standard methodology			31,090	34,236
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			86,213	71,980
1. Basic method			86,213	71,980
2. Standardised approach	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other precautionary requirements	-	-	-	-
B.5 Other calculation elements			-315,426	-335,245
B.6 Total precautionary requirements			946,276	1,005,736
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			11,828,450	12,571,697
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)			12.55	11.67
C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio)			12.06	11.22

The 2008 figures have been adjusted for consistency purposes following clarifications from the Bank of Italy on interpretation.

The other calculation elements shown at line B.5 consist of the reduction of 25%, established by the regulation for banks belonging to banking groups.



PART H *Related party transactions*

1. Information on the remuneration of directors and managers

The emoluments of the directors, the statutory auditors, the general manager and managers with strategic responsibilities is detailed in the following table.

Name and surname	Office	Period in office	Expiry of office	Emoluments for the office held in Banca Popolare di Sondrio	Non-monetary benefits	Bonuses and other incentives	Other emoluments
PIERO MELAZZINI	Chairman	1/1/2009-31/12/2009	31-12-2010	800	-	-	79
EMILIO NEGRI MILES	Deputy Chairman	1/1/2009-31/12/2009	31-12-2010	101	-	-	-
CLAUDIO BENEDETTI	Director	1/1/2009-31/12/2009	31-12-2011	37	-	-	-
PAOLO BIGLIOLI	Director	1/1/2009-31/12/2009	31-12-2010	37	-	-	-
GIANLUIGI BONISOLO	Director	1/1/2009-31/12/2009	31-12-2010	55	-	-	-
FEDERICO FALCK	Director	1/1/2009-31/12/2009	31-12-2009	35	-	-	-
ATTILIO PIERO FERRARI	Director	1/1/2009-31/12/2009	31-12-2011	38	-	-	-
GIUSEPPE FONTANA	Director	1/1/2009-31/12/2009	31-12-2011	35	-	-	-
MARIO GALBUSERA	Director	1/1/2009-31/12/2009	31-12-2009	35	-	-	-
NICOLÒ MELZI DI CUSANO	Director	1/1/2009-31/12/2009	31-12-2009	37	-	-	-
ADRIANO PROPERSI	Director	28/3/2009-31/12/2009	31-12-2011	36	-	-	-
RENATO SOZZANI	Director	1/1/2009-31/12/2009	31-12-2011	65	-	-	2
LINO ENRICO STOPPANI	Director	1/1/2009-31/12/2009	31-12-2010	37	-	-	-
BRUNO VANOSI	Director	1/1/2009-31/12/2009	31-12-2009	36	-	-	-
FRANCESCO VENOSTA	Director	1/1/2009-31/12/2009	31-12-2009	48	-	-	63
EGIDIO ALESSANDRI	Chairman of the Board of Statutory Auditors	1/1/2009-31/12/2009	31-12-2011	113	-	-	9
PIO BERSANI	Auditor	1/1/2009-31/12/2009	31-12-2011	64	-	-	-
PIERGIUSEPPE FORNI	Auditor	1/1/2009-31/12/2009	31-12-2011	55	-	-	7
MARIO ALBERTO PEDRANZINI	General Manager	1/1/2009-31/12/2009		-	-	-	700
MANAGERS WITH STRATEGIC RESPONSIBILITIES		1/1/2009-31/12/2009		-	-	-	1,044

The other emoluments of the general manager and of managers with strategic responsibilities mainly consist of their salaries.

The report on operations discloses the investments held by the directors, statutory auditors, the general manager and managers with strategic responsibilities and the related changes during the year.

Expiry of office is the closing date of the financial statements for the last year in office; pursuant to art. 34 and 48 of the Articles of Association, note that directors and statutory auditors remain in office up to the date of the Shareholders' Meeting called to approve those financial statements.

As regards the directors, general manager and managers with strategic responsibilities, note that there are no stock option plans or non-monetary benefits, nor bonuses or other incentives.

2. Related party disclosures

Related parties have been identified in accordance with IAS 24.

Consistent with this standard, the following parties are deemed to be related:

1. Subsidiary companies, parent companies and companies under joint control.
2. Companies that can exercise significant influence over the reporting bank.
3. Associated companies.
4. Joint ventures in which the reporting bank holds an investment.
5. Managers with strategic responsibilities within the bank or its parent company.
6. Close family members of the parties listed in point 5.
7. Subsidiary companies, companies under joint control and companies subject to significant influence by one of the parties listed in points 5 and 6.
8. Pension funds of employees and any other entity related to them.

Close family members are defined as follows: the companion, the children of the related party – the children of the companion – and the dependants of the related party or the companion.

Relations with companies in which investments are held are conducted as part of normal operations and mainly relate to current accounts, deposit accounts and loans. These relations are settled on arms'-length terms. Other relations with other related parties, excluding the above companies, are also settled on the market terms applying to the individual transactions, or on terms in line with those applied to employees, if applicable. No specific provisions were made during the year for losses on amounts due from related parties. The remuneration of the directors and statutory auditors is authorised at the shareholders' meeting; the remuneration of the Chief Executive Officer is authorised by the Board of Directors.

There are no profit-related incentive plans for managers or pension plans other than the post-employment benefits envisaged for participating employees of the Bank; there are no stock-option plans.

	Assets	Liabilities	Income	Charges	Guarantees given	Guarantees received
Directors	52	10,035	2	121	-	1,041
Statutory auditors	891	102	29	1	129	458
Management	90	3,087	2	45	53	119
Family members	3,037	10,374	120	140	189	3,943
Subsidiaries	259,931	550,592	16,712	13,328	116,971	35,027
Associated companies	192,409	23,562	3,874	1,854	108	-
Other related parties	329,952	51,438	1,859	558	6,048	22,800

Loans to subsidiaries are represented mainly by interbank relations with Banca Popolare di Sondrio (Suisse) SA, while loans to associated companies relate for € 181 million to a loan granted to Alba Leasing SpA; assets with other related parties include loans of € 245 million granted to the affiliate Release spa.



PART L *Segment information*

Segment information has been prepared in compliance with IFRS 8, the introduction of which did not involve significant changes in the identification of operating segments or in management reporting methods compared with IAS 14.

Given that the Bank's benefits and risks are significantly influenced by differences in the various products and services and only marginally by the territorial distribution of the sales network, the primary segment comprises the Bank's business activities while the secondary segment relates to the geographical areas concerned.

Each sub-segment has been identified based on the nature of the products and services offered and on the type of customer concerned, so that the related risk profile and profitability are sufficiently similar.

Even though this classification reflects the lines of business envisaged under the Standardised Approach for calculating the minimum capital requirement for operational risk, it is based substantially on internal practice for the subdivision of activities used to apply corporate policies and to evaluate their results.

Geographical information is based on the distribution of branches throughout Italy.

A. Primary format

A.1 Distribution by business segment: income statement

The following sub-segments are discussed:

- these comprise «non-financial companies» and «family businesses»; the figures shown here relate to credit and loans, deposits, leasing and payment services. Revenues from currency transactions with resident and non-resident customers are also significant to this sub-segment.
- Individuals and other customers: these comprise «consumer households», «public administrations», «finance companies» and «non-profit organisations»; the results reported derive from routine transactions with these customers, including the taking of deposits, intermediation in savings transactions, the granting of long-term loans and consumer credit, the provision of collection and payment services, the issue of credit and debit cards and other ancillary functions.
- this sub-segment comprises the results of transactions with customers involving direct trading in securities, the acceptance of instructions, the placement of financial instruments, insurance and pension productions, and the management of portfolios.
- this sub-segment reports the results deriving from the management of portfolio securities and equity investments, currency transactions on own account, and treasury management activities. In addition, it includes certain residual activities not classified elsewhere since the revenues earned are not significant.

The following tables present the pre-tax results of the above sub-segments for 2009 and 2008.

Interest income and expense include a notional element to reflect the contribution to the financial margin made by each sub-segment.

This aspect is managed by using a multiple internal transfer rate («treasury pool»), considering both currency and duration, which keeps assets and liabilities in balance and which is settled within the «central functions» sub-segment.

Administrative expenses are allocated directly to the various sub-segments, wherever possible; in other cases, they are allocated using suitable drivers that essentially reflect the scale of the activities concerned.

The «reconciliation» column is used for the tie-in to the financial statements.

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2009
Interest income	479,546	434,492	-	439,646	1,353,684	-661,807	691,877
Interest expense	-266,800	-301,404	-	-339,118	-907,322	661,807	-245,515
Net interest income	212,746	133,088	-	100,528	446,362	-	446,362
Commission income	82,521	53,328	45,915	6,977	188,741	-3,567	185,174
Commission expense	-3,950	-3,475	-3,137	-682	-11,244	-480	-11,724
Dividends and similar income	-	-	-	3,192	3,192	-	3,192
Net trading income	-	-	-	127,969	127,969	3,365	131,334
Net hedging profit (loss)	-	-	-	-	-	-	-
Gains/losses on disposals or repurchases	-	-	-	-1,459	-1,459	-	-1,459
Net change in financial assets and liabilities carried at fair value	-	-	-	7,477	7,477	-	7,477
Income from banking activities	291,317	182,941	42,778	244,002	761,038	-682	760,356
Adjustments to the net value of financial assets	-127,582	-13,694	-	-4,366	-145,642	-	-145,642
Balance of financial management	163,735	169,247	42,778	239,636	615,396	-682	614,714
Administrative expenses	-101,906	-95,814	-36,332	-51,226	-285,278	-33,065	-318,343
Provisions for risks and charges	1,509	-1,509	-	-	-	-	-
Net adjustments to property, plant and equipment	-4,715	-4,205	-1,492	-1,818	-12,230	-	-12,230
Net adjustments to intangible assets	-2,427	-2,164	-767	-936	-6,294	-	-6,294
Other operating income/expense	856	2,055	557	1,121	4,589	33,747	38,336
Share of profit/loss of equity investments	-	-	-	-7,234	-7,234	-	-7,234
Gains(losses on disposal of investments	-	-	-	-275	-275	-	-275
Gross profit	57,052	67,610	4,744	179,268	308,674	-	308,674



Items	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2008
Interest income	683,998	739,564	-	825,827	2,249,389	-1,268,320	981,069
Interest expense	-534,670	-562,120	-	-729,483	-1,826,273	1,268,320	-557,953
Net interest income	149,328	177,444	-	96,344	423,116	-	423,116
Commission income	58,837	49,045	44,431	5,904	158,217	-3,173	155,044
Commission expense	-4,044	-3,386	-3,014	-530	-10,974	-353	-11,327
Dividends and similar income	-	-	-	4,909	4,909	-	4,909
Net trading income	-	-	-	-126,602	-126,602	2,863	-123,739
Net hedging profit (loss)	-	-	-	69	69	-	69
Gains/losses on disposals or repurchases	-	-	-	5,540	5,540	-	5,540
Net change in financial assets and liabilities carried at fair value	-	-	-	-16,087	-16,087	-	-16,087
Income from banking activities	204,121	223,103	41,417	-30,453	438,188	-663	437,525
Adjustments to the net value of financial assets	-58,545	-6,472	-	-6,039	-71,056	-	-71,056
Balance of financial management	145,576	216,631	41,417	-36,492	367,132	-663	366,469
Administrative expenses	-93,338	-90,774	-35,609	-49,466	-269,187	-25,961	-295,148
Provisions for risks and charges	1,156	844	-	-	2,000	-	2,000
Net adjustments to property, plant and equipment	-4,437	-4,098	-1,493	-1,823	-11,851	-	-11,851
Net adjustments to intangible assets	-2,058	-1,901	-693	-845	-5,497	-	-5,497
Other operating income/expense	1,296	2,036	639	1,323	5,294	26,624	31,918
Share of profit/loss of equity investments	-	-	-	-39,045	-39,045	-	-39,045
Gains(losses on disposal of investments)	-	-	-	-11	-11	-	-11
Gross profit	48,195	122,738	4,261	-126,359	48,835	-	48,835

A.2 Distribution by business segment: balance sheet

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2009
Financial assets	11,429,933	5,281,148	-	4,839,763	21,550,844
Other assets	-	-	-	418,754	418,754
Property, plant and equipment	55,274	49,296	17,480	21,313	143,363
Intangible assets	2,691	2,400	851	1,039	6,981
Financial liabilities	3,986,770	13,532,711	-	2,334,322	19,853,803
Other liabilities	3,927	73	-	430,225	434,225
Provisions	67,287	49,560	14,015	17,336	148,198
Guarantees given	2,386,797	355,434	-	156,942	2,899,173
Commitments	718,015	600,432	18,448	59,678	1,396,573

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2008
Financial assets	10,316,981	4,619,122	-	5,260,647	20,196,750
Other assets	-	-	-	395,739	395,739
Property, plant and equipment	57,109	52,741	19,218	23,453	152,521
Intangible assets	1,990	1,838	670	818	5,316
Financial liabilities	3,544,431	13,067,624	-	2,118,485	18,730,540
Other liabilities	3,271	729	-	369,756	373,756
Provisions	69,817	50,193	15,222	18,775	154,007
Guarantees given	2,195,796	398,240	-	191,464	2,785,500
Commitments	601,987	346,981	7,381	31,620	987,969

The 2008 figures have been adjusted for comparison purposes.

Summary discussion of results

The results of the various sub-segments are discussed below.

Enterprises: this sub-segment contributes 18.5% of overall results.

Loans (financial assets) and direct deposits (financial liabilities) amount to € 11,430 million and € 3,987 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 43.8% of the total, while administrative expenses absorb 35.0%.

Comparison with the prior year reflects a rise in profits by about 18.4%.

This was mainly due to a combination of the following factors:

- a significant increase in net interest income (+42.5%), principally due to the satisfactory growth in direct loans granted at a time when spreads have slightly increased;
- an increase in commission flows (+40.3%) attributable to the granting of loans and guarantees;
- increased administrative expenses (+9.2%, of which other costs +14.4%, personnel expenses +5.2%) due to the slight increase in employees, mainly at the new branches, and the increase in volumes handled;
- considerably higher adjustments of financial assets (+ 117.9%).

Individuals and other customers: this sub-segment contributes 21.9% of overall results.

Loans (financial assets) and direct deposits (financial liabilities) amount to € 5,281 million and € 13,533 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 7.5% of the total, while administrative expenses absorb 52.4%.

Compared with the previous year, this segment's result has gone down by 44.9%.

This was mainly due to a combination of the following factors:

- a significant decrease in net interest income (-25.0%), principally due to the satisfactory growth in direct deposits at a time when spreads were only slightly eroded;
- an increase in commission flows (+8.7%), mainly reflecting a good performance by the collections and payments sector and by loans on behalf of third parties;
- an increase in administrative expenses (+5.5%, of which other costs +9.8%, personnel expenses +1.5%), due to the slight rise in the number of employees, mostly at the new branches, and the growth in volumes handled;
- an increase in adjustments to financial assets (+111.6%, the total value of which is in any case limited).



Securities: this sub-segment contributes 1.5% of overall results.

With respect to income from banking activities, administrative expenses absorb 84.9% of the total.

Comparison with the prior year reflects an 11.3% rise in profits, mainly due to the following factors:

- an increase in commission flows (+3.3%) attributable to securities trading and the placement of insurance products;
- a limited increase in administrative expenses (+2.0%, of which other costs +6.4%, personnel expenses -1.4%), mainly due to the update of support procedures and substantial stability in the number of employees.

Central functions: it contributes 58.1% to the overall result, recording an increase of 179 million compared with the negative result of 126 million of the previous year because of substantial gains and profits realised on the financial assets held in portfolio.

B. Secondary format

The following information refers to the location of branches.

An alternative analysis, based on the residence of counterparties, does not give significantly different results.

Branches are aggregated into two geographical areas, «Northern Italy» and «Central Italy», since there is a significant difference in the respective customer profiles, while products, services, commercial and management policies are all the same.

In particular, in the North, the volume of business is principally generated by «non-financial companies» and «consumer households and family businesses», while in Central Italy the «public administrations» are especially significant.

B.1 Distribution by geographical area: income statement

Items	Northern Italy	Central Italy	Total	Reconciliation	Total 31/12/2009
Interest income	1,193,621	160,063	1,353,684	-661,807	691,877
Interest expense	-791,503	-115,819	-907,322	661,807	-245,515
Net interest income	402,118	44,244	446,362	-	446,362
Commission income	160,063	28,678	188,741	-3,567	185,174
Commission expense	-7,973	-3,271	-11,244	-480	-11,724
Dividends and similar income	3,192	-	3,192	-	3,192
Net trading income	127,969	-	127,969	3,365	131,334
Net hedging profit (loss)	-	-	-	-	-
Gains/losses on disposals or repurchases	-1,459	-	-1,459	-	-1,459
Net change in financial assets and liabilities carried at fair value	7,477	-	7,477	-	7,477
Income from banking activities	691,387	69,651	761,038	-682	760,356
Adjustments to the net value of financial assets	-142,015	-3,627	-145,642	-	-145,642
Balance of financial management	549,372	66,024	615,396	-682	614,714
Administrative expenses	-255,596	-29,682	-285,278	-33,065	-318,343
Provisions for risks and charges	384	-384	-	-	-
Net adjustments to property, plant and equipment	-10,885	-1,345	-12,230	-	-12,230
Net adjustments to intangible assets	-5,602	-692	-6,294	-	-6,294
Other operating income/expense	4,247	342	4,589	33,747	38,336
Share of profit/loss of equity investments	-7,234	-	-7,234	-	-7,234
Gains/losses on disposal of investments	-275	-	-275	-	-275
Gross profit	274,411	34,263	308,674	-	308,674



Items	Northern Italy	Central Italy	Total	Reconciliation	Total 31/12/2008
Interest income	1,971,659	277,730	2,249,389	-1,268,320	981,069
Interest expense	-1,587,364	-238,909	-1,826,273	1,268,320	-557,953
Net interest income	384,295	38,821	423,116	-	423,116
Commission income	133,339	24,878	158,217	-3,173	155,044
Commission expense	-7,895	-3,079	-10,974	-353	-11,327
Dividends and similar income	4,909	-	4,909	-	4,909
Net trading income	-126,602	-	-126,602	2,863	-123,739
Net hedging profit (loss)	69	-	69	-	69
Gains/losses on disposals or repurchases	5,540	-	5,540	-	5,540
Net change in financial assets and liabilities carried at fair value	-16,087	-	-16,087	-	-16,087
Income from banking activities	377,568	60,620	438,188	-663	437,525
Adjustments to the net value of financial assets	-69,833	-1,223	-71,056	-	-71,056
Balance of financial management	307,735	59,397	367,132	-663	366,469
Administrative expenses	-240,876	-28,311	-269,187	-25,961	-295,148
Provisions for risks and charges	3,402	-1,402	2,000	-	2,000
Net adjustments to property, plant and equipment	-10,533	-1,318	-11,851	-	-11,851
Net adjustments to intangible assets	-4,886	-611	-5,497	-	-5,497
Other operating income/expense	4,788	506	5,294	26,624	31,918
Share of profit/loss of equity investments	-39,045	-	-39,045	-	-39,045
Gains/losses on disposal of investments	-11	-	-11	-	-11
Gross profit	20,574	28,261	48,835	-	48,835

B.2 Distribution by geographical area: balance sheet

Items	Northern Italy	Central Italy	Total 31/12/2009
Financial assets	19,698,162	1,852,682	21,550,844
Other assets	418,754	-	418,754
Property, plant and equipment	127,596	15,767	143,363
Intangible assets	6,213	768	6,981
Financial liabilities	14,633,262	5,220,541	19,853,803
Other liabilities	434,138	87	434,225
Provisions	133,296	14,902	148,198
Guarantees given	2,329,996	569,177	2,899,173
Commitments	1,284,240	112,333	1,396,573

Items	Northern Italy	Central Italy	Total 31/12/2008
Financial assets	18,619,524	1,577,226	20,196,750
Other assets	395,739	-	395,739
Property, plant and equipment	135,558	16,963	152,521
Intangible assets	4,725	591	5,316
Financial liabilities	13,484,283	5,246,257	18,730,540
Other liabilities	373,719	37	373,756
Provisions	138,314	15,693	154,007
Guarantees given	2,178,107	607,393	2,785,500
Commitments	919,161	68,808	987,969

The 2008 figures have been adjusted for comparison purposes.

APPENDICES:

The appendices listed below contain additional information with respect to the notes to the financial statements, of which they form an integral part:

- list of significant equity investments;
- list of revalued assets still owned by the Bank (article 10, Law 72/1983);
- schedule of the Independent Auditors' fees for the year (as per art. 149 duodecies of the Issuers' Regulations)
- financial statements of the subsidiaries Banca Popolare di Sondrio (Suisse) SA., Pirovano Stelvio spa and Sinergia Seconda srl.

LIST OF SIGNIFICANT EQUITY INVESTMENTS AS OF 31/12/2009

List of significant equity investments directly or indirectly held in unlisted companies by Banca Popolare di Sondrio s.c.p.a., in accordance with article 120 of Legislative Decree 58 dated 24 February 1998 and Consob regulation 11971 dated 14 May 1999 and subsequent amendments.

Company name	Country	% held	Notes
- Acquedotto dello Stelvio srl	(I)	27.000%	held indirectly through Pirovano Stelvio spa
- Alba Leasing spa	(I)	20.950%	
- AMC Automotive Casting spa	(I)	30.000%	pledge
- Arca Vita spa	(I)	39.927%	
- B. & A. Broker spa	(I)	28.571%	
- Banca Popolare di Sondrio (SUISSE) SA	(CH)	100.000%	
- Bormio Golf spa	(I)	14.764%	
- C.D.R. Pompe spa	(I)	100.000%	pledge
- Etica Sgr spa	(I)	11.100%	
- Gal del Lario scarl	(I)	17.333%	
- Gal Valtellina scarl	(I)	10.000%	
- Gruppo Operazioni Underwriting Banche Popolari srl	(I)	10.000%	
- Immobiliare Borgo Palazzo srl	(I)	100.000%	held indirectly through Sinergia Seconda srl
- Immobiliare S. Paolo srl	(I)	100.000%	held indirectly through Sinergia Seconda srl
- Inarcheck spa	(I)	12.000%	
- Pirovano Stelvio spa	(I)	100.000%	
- Rajna Immobiliare srl	(I)	50.000%	
- Sifas spa	(I)	21.614%	held indirectly through Pirovano Stelvio spa
- Sinergia Seconda srl	(I)	100.000%	
- Servizi Internazionali e Strutture Integrate 2000 srl	(I)	33.333%	
- Sofipo Fiduciaire SA	(CH)	30.000%	held indirectly through Banca Popolare di Sondrio (SUISSE) SA
- Sofipo UF Trustee Limited	(CY)	10.000%	held indirectly through Banca Popolare di Sondrio (SUISSE) SA
- Unione Fiduciaria spa	(I)	18.309%	



LIST OF REVALUED ASSETS STILL OWNED BY THE BANK

(art. 10 of Law 72 dated 19/3/1983)

(in euro)

PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Gross book value	Accumulated depreciation as of 31/12/2009	Net book value as of 31/12/2009
APRICA - Corso Roma, 140	77,468	0	356,355	146,929	580,752	472,353	108,399
BERBENNO DI VALTELLINA - Via Raneè, 542	12,899,556	0	0	99,417	12,998,973	3,865,269	9,133,704
BERGAMO - Via Broseta, 64/B	2,957,212	0	0	0	2,957,212	297,432	2,659,780
BORMIO - Via Roma, 64	439,238	46,481	573,267	136,524	1,195,510	192,595	1,002,915
BORMIO - Via Roma, angolo Via Don Peccedi	2,966,334	0	361,520	301,774	3,629,628	1,154,963	2,474,665
BRENO - Piazza Ronchi, 4	817,751	0	0	87,467	905,218	496,275	408,943
CHIAVENNA - Via Dolzino, 67	1,061,379	46,481	1,149,057	1,066,173	3,323,090	1,835,410	1,487,680
CHIESA VALMALENCO - Via Roma, 138	35,519	17,560	664,795	133,250	851,124	462,136	388,988
COLICO - Piazza Cavour, 11	177,749	0	0	96,488	274,237	201,413	72,824
DELEBIO - Piazza S. Carpofofo, 7/9	844,205	23,241	645,773	688,773	2,201,992	1,157,866	1,044,126
DERVIO - Via Don Invernizzi, 2	1,270,219	0	0	329,276	1,599,495	725,646	873,849
DOMASO - Via Statale Regina, 71	111,038	0	0	53,817	164,855	107,290	57,565
DONGO - Piazza V. Matter.i 14	1,567,930	0	0	415,551	1,983,481	928,479	1,055,002
EDOLO - Piazza Martiri Della Libertà, 16	1,058,737	0	0	509,161	1,567,898	1,081,629	486,269
GENOA - Via XXV Aprile, 7	7,559,724	0	0	0	7,559,724	548,305	7,011,419
GERA LARIO - Via Statale Regina, 14	292,667	0	131,677	227,733	652,077	292,617	359,460
GRAVEDONA - Piazza Garibaldi, 10/12	1,076,957	0	0	223,957	1,300,914	467,672	833,242
GROSIO - Via Roma, 67	26,372	7,230	229,791	51,484	314,877	205,560	109,317
GROSOTTO - Via Statale, 73	452,237	12,911	147,146	42,099	654,393	183,825	470,568
ISOLACCIA VALDIDENTRO - Via Nazionale, 31	403,788	0	290,229	272,602	966,619	525,724	440,895
LECCO - Corso Martiri della Liberazione, 63/65	9,574,332	0	351,191	2,124,557	12,050,080	5,534,877	6,515,203
LECCO - Via Galandra, 28	168,623	0	0	41,959	210,582	113,714	96,868
LIVIGNO - Via S. Antoni, 135 - Via Prestefan	5,946,629	0	345,487	358,828	6,650,944	928,939	5,722,005
MADESIMO - Via Carducci, 3	493,542	0	0	203,733	697,275	496,637	200,638
MARCHIROLO - Via Cav. Emilio Busetti, 7/A	1,089,018	0	0	0	1,089,018	316,529	772,489
MAZZO VALTELLINA - Via S. Stefano, 18	11,529	16,010	163,550	48,833	239,922	155,849	84,073
MILAN - Piazza Borromeo, 1	38,218	0	0	213,722	251,940	137,194	114,746
MILAN - Via Compagnoni, 9	51,141	0	0	6,842	57,983	48,705	9,278
MILAN - Via Lippi, 25	53,970	0	0	1,635	55,605	46,708	8,897
MILAN - Via Morigi, 2/A	73,590	0	0	123,930	197,520	136,289	61,231
MILAN - Via Porpora, 104	5,315,174	0	0	165,381	5,480,555	1,062,275	4,418,280
MILAN - Via S. Maria Fulcorina, 1	10,881,111	159,818	3,047,096	2,461,826	16,549,851	4,436,994	12,112,857
MILAN - Via S. Maria Fulcorina, 11	493,165	0	0	0	493,165	325,489	167,676
MILAN - Via Sangallo, 16	4,751	0	0	11,915	16,666	11,500	5,166
MILAN - Via Solari, 15	422,156	0	0	0	422,156	88,653	333,503
MONTAGNA IN VALTELLINA - Via Stelvio, 30	472,051	0	328,458	398,008	1,198,517	639,830	558,687

PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Gross book value	Accumulated depreciation as of 31/12/2009	Net book value as of 31/12/2009
MORBEGNO - Piazza Caduti della Libertà, 6	1,892,539	0	1,088,606	704,283	3,685,428	1,812,119	1,873,309
MORBEGNO - Via Garibaldi, 81	589,318	25,823	0	56,050	671,191	397,897	273,294
MORBEGNO - Via Nani, 13	54,709	0	0	17,739	72,448	54,336	18,112
MOZZO - Via G. Diannunzio, 4	26,424	0	0	14,259	40,683	23,189	17,494
NOVATE MEZZOLA - Via Roma, 13	45,681	0	251,282	89,219	386,182	224,722	161,460
PASSO DELLO STELVIO	630,416	0	0	296,176	926,592	653,746	272,846
PONTE VALTELLINA - Piazza Della Vittoria, 1	51,496	12,911	258,098	86,540	409,045	214,322	194,723
REGOLEDO DI COSIO VALTELLINO - Via Roma, 7	134,617	0	0	78,405	213,022	124,721	88,301
ROME - Piazza Filippo Il Macedone, 75	2,400,000	0	0	0	2,400,000	396,000	2,004,000
ROME - Via della Farnesina, 154	928,169	0	0	0	928,169	41,768	886,401
ROME - Via di Propaganda Fide, 27	155,624	0	350,503	88,926	595,053	546,690	48,363
S. CASSIANO VALCHIAVENNA - Via Spluga, 108	397,672	0	0	103,093	500,765	262,360	238,405
S. SIRO - Via Statale Regina	467,692	0	0	0	467,692	155,878	311,814
S. PIETRO BERBENNO - Via Nazionale Ovest, 110	67,941	22,208	328,181	122,795	541,125	331,471	209,654
SEREGNO - Via Wagner, 137/A	123,950	0	0	13,282	137,232	90,573	46,659
SONDALO - Via Zubiani, 2/4/6/8/10	21,756	25,823	312,456	158,005	518,040	339,314	178,726
SONDRIO - Corso V, Veneto, 7	858,943	0	0	1,190,813	2,049,756	522,285	1,527,471
SONDRIO - Largo Pedrini, 8	200,617	0	0	22,527	223,144	150,590	72,554
SONDRIO - Piazza Garibaldi, 16 - Via Ragazzi del 99, 6	1,563,597	351,191	7,810,125	3,142,651	12,867,564	5,812,982	7,054,582
SONDRIO - Via Bernina, 1	181,930	0	82,385	45,795	310,110	130,151	179,959
SONDRIO - Via Caimi, 29	357,915	0	0	46,342	404,257	325,673	78,584
SONDRIO - Via Cesura, 4	156,991	0	0	64,149	221,140	92,533	128,607
SONDRIO - Piazzale Tocalli - Via delle Prese	348,608	0	0	0	348,608	203,936	144,672
SONDRIO - Lungo Mallero Cadorna, 24	1,002,456	0	196,254	451,249	1,649,959	815,117	834,842
SONDRIO - Via Lusardi, 53	247,506	0	0	0	247,506	133,653	113,853
SONDRIO - Via Pio Rajna, 1	16,195	0	0	40,221	56,416	35,542	20,874
SONDRIO - Via Tonale, 6	56,297	0	243,248	54,643	354,188	310,983	43,205
TALAMONA - Via Cusini, 29	223,476	0	313,640	203,691	740,807	567,607	173,200
TEGLIO - Piazza S. Eufemia, 2	40,150	13,944	546,700	148,165	748,959	407,225	341,734
TIRANO - Località Valchiosa	139,352	0	0	0	139,352	73,394	65,958
TIRANO - Piazza Cavour, 20	392,572	0	1,736,322	718,576	2,847,470	1,584,827	1,262,643
TRESENTA DI TEGLIO - Via Nazionale, 57	192,523	0	193,671	67,596	453,790	326,135	127,655
VILLA DI CHIAVENNA - Via Roma, 39	197,713	0	0	7,639	205,352	180,451	24,901
VILLA DI TIRANO - Traversa Foppa, 25	440,817	0	0	7,651	448,468	186,203	262,265
	85,790,742	781,632	22,496,863	19,084,124	128,153,361	47,211,034	80,942,327



**SCHEDULE OF THE INDEPENDENT AUDITORS' FEES FOR THE YEAR
(AS PER ART. 149 DUODECIES OF THE ISSUERS' REGULATIONS)**

Type of services	Service provided by	Recipient	Fees (thousand euro)
Audit of the financial statements	KPMG spa	Banca Popolare di Sondrio	170
Other emoluments	KPMG spa	Banca Popolare di Sondrio	50
Audit of the financial statements	KPMG Ltd	Banca Popolare di Sondrio (SUISSE) SA	195

These amounts do not include the reimbursement of out-of-pocket expenses and VAT.

FINANCIAL STATEMENTS:

BANCA POPOLARE DI SONDRIO (SUISSE) SA
PIROVANO STELVIO SPA
SINERGIA SECONDA SRL



BANCA POPOLARE DI SONDRIO (SUISSE) SA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

(in Swiss francs)

ASSETS	2009	2008
Liquid assets	61,787,821	47,154,715
Due from other banks	529,873,762	319,838,937
Customer loans	587,553,494	579,254,841
Mortgage loans	1,568,582,184	1,250,767,408
Financial investments	44,908,750	56,535,222
Equity investments	653,138	653,138
Fixed assets	37,759,970	34,540,124
Accrued income and prepayments	14,137,706	14,774,878
Other assets	27,374,201	19,526,727
Total assets	2,872,631,026	2,323,045,990
Total amounts due from Group companies and holders of qualifying equity investments	497,161,083	257,873,161

LIABILITIES AND EQUITY	2009	2008
Money market securities	6,152	1,240
Deposits with other banks	485,024,527	461,901,630
Customer deposits - savings and investments	585,405,370	370,888,334
Other customer deposits	1,383,363,614	1,032,444,698
Treasury liabilities	152,610,000	189,936,000
Accrued liabilities and deferred income	15,771,277	16,517,240
Other liabilities	44,680,392	57,982,267
Adjustments and provisions	33,117,689	30,319,346
Reserve for general banking risks	15,000,000	15,000,000
Share capital	50,000,000	50,000,000
General legal reserve	98,055,235	85,388,616
Net profit for the year	9,596,770	12,666,619
Total liabilities	2,872,631,026	2,323,045,990
Total amounts due to Group companies and holders of qualifying equity investments	354,463,324	375,627,886

OFF-BALANCE SHEET TRANSACTIONS	2009	2008
Contingent liabilities	219,565,352	131,363,134
Irrevocable commitments	13,200,000	6,350,000
Derivative products	2,256,032,166	1,441,586,698
– Gross positive replacement value	4,047,409	6,793,698
– Gross negative replacement value	32,654,893	41,894,076
Fiduciary transactions	336,021,230	1,059,460,230



INCOME STATEMENT

(in Swiss francs)

	2009	2008
Interest income:		
- Interest income and discounts	67,033,928	80,925,583
- Interest income and dividends from equity investments	1,358,877	1,625,616
Interest expense	-39,419,075	-50,665,618
Net interest income	28,973,730	31,885,581
Commission income:		
- on lending transactions	947,350	985,867
- on trading in securities and investments	46,945,592	47,523,781
- on services	6,618,302	6,035,387
Commission expense	-5,073,089	-5,325,421
Net commission income and income from services	49,438,155	49,219,614
Profits from financial transactions	11,975,457	13,220,654
Gains (losses) on disposal of financial investments	224,354	382,083
Income from equity investments	25,000	25,000
Net proceeds from properties	154,427	310,748
Other ordinary income	1,099,518	1,307,418
Other ordinary charges	-585,218	-4,730,316
Total other ordinary income	918,081	-2,705,067
Net income from ordinary banking operations	91,305,423	91,620,782
Operating expenses:		
Personnel costs	44,476,518	40,380,333
Other operating expenses	23,511,892	22,706,151
Operating expenses	67,988,410	63,086,484
Gross profit	23,317,013	28,534,298

	2009	2008
Depreciation and amortisation	-8,487,057	-8,032,838
Adjustments, provisions and losses	-3,217,984	-4,717,573
Result before tax	11,611,972	15,783,887
Extraordinary income	1,016,798	2,664,166
Extraordinary charges	-10,000	-1,886,434
Income taxes	-3,022,000	-3,895,000
Net profit for the year	9,596,770	12,666,619
ALLOCATION OF NET PROFIT		
Net profit for the year	9,596,770	12,666,619
Retained earnings	-	-
Earnings available for allocation	9,596,770	12,666,619
Proposal of the Board of Directors for the allocation of 2009 net profit of CHF 9,596,770 to general legal reserve.	9,596,770	12,666,619
Balance carried forward	-	-



PIROVANO STELVIO SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

(in euro)

ASSETS	31/12/2009	31/12/2008
B) NON-CURRENT ASSETS		
I Intangible assets		
03 Industrial patent rights and intellectual property rights	3,895	2,176
07 Other intangible assets	-	475
Total I	3,895	2,651
II Property, plant and equipment		
01 Land and buildings	3,190,126	3,252,575
02 Equipment and machinery	320,907	326,001
03 Industrial and commercial equipment	60,648	76,672
04 Other assets	416	4,075
05 Assets under construction and advances	7,676	7,676
Total II	3,579,773	3,666,999
III Financial assets		
01 Equity investments		
<i>b) in associated companies</i>	233,302	233,302
<i>d) in other companies</i>	2,199	2,199
<i>Total 01</i>	235,501	235,501
Total III	235,501	235,501
TOTAL NON-CURRENT ASSETS	3,819,169	3,905,151
C) CURRENT ASSETS		
I Inventories		
04 Finished products and merchandise	74,914	147,704
Total I	74,914	147,704
II Receivables		
01 Due from customers		
<i>a) within 12 months</i>	17,949	13,399
<i>Total 01</i>	17,949	13,399
04 Due from parent companies		
<i>a) within 12 months</i>	165,758	156,651
<i>Total 04</i>	165,758	156,651
04-bis Due from tax authorities		
<i>a) within 12 months</i>	11,014	59,119
<i>Total 04-bis</i>	11,014	59,119
05 Due from others		
<i>a) within 12 months</i>	5,430	6,988
<i>Total 05</i>	5,430	6,988
Total II	200,151	236,157
IV Cash and banks		
03 Cash and cash equivalents on hand	107	122
Total IV	107	122
TOTAL CURRENT ASSETS	275,172	383,983
D) ACCRUED INCOME AND PREPAYMENTS		
01 Accrued income and prepayments	3,836	3,765
TOTAL ACCRUED INCOME AND PREPAYMENTS	3,836	3,765
TOTAL ASSETS	4,098,177	4,292,899

LIABILITIES AND EQUITY	31/12/2009	31/12/2008
A) EQUITY		
I Share capital	2,064,000	2,064,000
III Valuation reserves	192,104	192,104
IV Legal reserve	5,959	5,959
VII Other reserves		
12 Translation reserve	1	-
Total VII	1	-
IX Loss for the year	(394,301)	(499,996)
TOTAL EQUITY	1,867,763	1,762,067
C) TERMINATION INDEMNITIES	96,412	87,442
D) PAYABLES		
06 Advance payments		
a) within 12 months	8,509	-
<i>Total 06</i>	<i>8,509</i>	<i>-</i>
07 Trade payables		
a) within 12 months	141,353	238,343
<i>Total 07</i>	<i>141,353</i>	<i>238,343</i>
11 Due to parent companies		
a) within 12 months	1,948,189	2,172,079
<i>Total 11</i>	<i>1,948,189</i>	<i>2,172,079</i>
12 Taxes payable		
a) within 12 months	9,078	7,028
<i>Total 12</i>	<i>9,078</i>	<i>7,028</i>
13 Due to social security institutions		
a) within 12 months	6,761	6,320
<i>Total 13</i>	<i>6,761</i>	<i>6,320</i>
14 Other payables		
a) within 12 months	15,743	15,254
<i>Total 14</i>	<i>15,743</i>	<i>15,254</i>
TOTAL PAYABLES	2,129,633	2,439,024
E) ACCRUED EXPENSES AND DEFERRED INCOME		
01 Accrued expenses and deferred income	4,369	4,366
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	4,369	4,366
TOTAL LIABILITIES AND EQUITY	4,098,177	4,292,899



MEMORANDUM ACCOUNTS	31/12/2009	31/12/2008
01 PERSONAL GUARANTEES RECEIVED		
d) Sureties given on our behalf by the Parent Bank	6,733	6,733
Total 1	6,733	6,733
TOTAL MEMORANDUM ACCOUNTS	6,733	6,733

INCOME STATEMENT	31/12/2009	31/12/2008
A) PRODUCTION VALUE		
01 Revenues from sales and services	1,283,767	1,208,235
05 Other revenues and income		
a) other revenues and income	49,365	50,757
Total 05	49,365	50,757
TOTAL PRODUCTION VALUE	1,333,132	1,258,992
B) PRODUCTION COSTS		
06 Raw materials, consumables and goods	(283,477)	(463,210)
07 Services	(686,563)	(681,591)
09 Personnel costs		
a) wages and salaries	(429,986)	(413,588)
b) social security contributions	(134,242)	(130,340)
c) termination indemnities	(23,667)	(23,574)
e) other costs	(315)	(1,867)
Total 9	(588,210)	(569,369)
10 Depreciation, amortisation and write-downs		
a) amortisation of intangible assets	(6,306)	(7,273)
b) depreciation of property, plant and equipment	(155,414)	(157,635)
Total 10	(161,720)	(164,908)
11 Change in raw materials, consumables and goods	(72,791)	128,702
14 Sundry operating costs	(46,814)	(57,155)
TOTAL PRODUCTION COSTS	(1,839,575)	(1,807,531)
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	(506,443)	(548,539)
C) FINANCIAL INCOME AND CHARGES		
16 Other financial income		
d) other financial income		
d4) other enterprises	13	-
Total 16d)	13	-
Total 16	13	-
17 Interest and other financial charges		
c) versus parent companies	(21,279)	(74,164)
d) versus other companies	(201)	(205)
Total 17	(21,480)	(74,369)
TOTAL FINANCIAL INCOME AND CHARGES	(21,467)	(74,369)
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
19 Write-downs		
a) of equity investments	-	(26,479)
Total 19	-	(26,479)
TOTAL ADJUSTMENTS	-	(26,479)
E) EXTRAORDINARY ITEMS		
21 Charges		
c) other extraordinary charges	(201)	(802)
Total 21	(201)	(802)
TOTAL EXTRAORDINARY ITEMS	(201)	(802)
PRE-TAX PROFIT (LOSS)	(528,111)	(650,189)
22 Current income taxes and change in deferred tax assets and liabilities		
Total 22	133,810	150,193
23 LOSS	(394,301)	(499,996)



SINERGIA SECONDA SRL

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

(in euro)

ASSETS	31/12/2009	31/12/2008
A) AMOUNTS RECEIVABLE FROM SHAREHOLDERS	-	-
Of which already called €		
B) NON-CURRENT ASSETS		
I - Intangible assets	-	-
II - Property, plant and equipment		
1) Land and buildings		
1 - owned	15,997,738	6,656,008
5) Assets under construction and advances		
1 - owned	308,160	70,200
Total property, plant and equipment	16,305,898	6,726,208
III - Financial assets		
1) equity investments in		
a) subsidiary companies	20,000	20,000
Total financial assets	20,000	20,000
TOTAL NON-CURRENT ASSETS	16,325,898	6,746,208
C) CURRENT ASSETS		
I - Inventories	-	-
II - Receivables		
1) due from customers		
a) due within 12 months	45,293	23,333
2) due from subsidiary companies		
a) due within 12 months	10,667,712	11,643,190
4) due from parent companies		
a) due within 12 months	-	5,907,613
4 bis) due from tax authorities		
a) due within 12 months	503,014	530,145
4 ter) deferred tax assets		
b) due within 12 months	359,594	359,594
5) due from others		
a) due within 12 months	3,179	3,977
Total receivables	11,578,792	18,467,852
III - Financial assets not held as non-current assets	-	-
IV - Cash and banks	-	-
TOTAL CURRENT ASSETS	11,578,792	18,467,852
D) ACCRUED INCOME AND PREPAYMENTS		
1) accrued income and prepayments	7,209	31,301
TOTAL ACCRUED INCOME AND PREPAYMENTS	7,209	31,301
TOTAL ASSETS	27,911,899	25,245,361



LIABILITIES AND EQUITY	31/12/2009	31/12/2008
A) EQUITY		
I - Share capital	10,200,000	10,200,000
II - Share premium reserve	-	-
III - Revaluation reserves	-	-
IV - Legal reserve	2,040,000	500,992
V - Statutory reserves	-	-
VI - Reserve for treasury shares	-	-
VII - Other reserves		
d) rounding differences on conversion to euro	-	-2
VIII - Retained earnings	7,695,763	1,261,007
IX - Net profit for the year	90,804	7,973,764
TOTAL EQUITY	20,026,567	19,935,761
B) RESERVES FOR RISKS AND CHARGES		
2) for taxation; also deferred	2,318,076	3,090,768
TOTAL RESERVES FOR RISKS AND CHARGES	2,318,076	3,090,768
C) RESERVE FOR TERMINATION INDEMNITIES	-	-
D) PAYABLES		
7) due to suppliers		
a) due within 12 months	572,641	60,635
9) due to subsidiary companies		
a) due within 12 months	230,459	553,211
b) due beyond 12 months	359,594	359,594
11) due to parent companies		
a) due within 12 months	4,334,896	-
12) taxes payable		
a) due within 12 months	47,440	1,217,981
b) due beyond 12 months	17,627	24,012
14) other payables		
a) due within 12 months	3,399	3,399
TOTAL PAYABLES	5,566,056	2,218,832
E) ACCRUED EXPENSES AND DEFERRED INCOME		
1) Accrued expenses and deferred income	1,200	-
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	1,200	-
TOTAL LIABILITIES AND EQUITY	27,911,899	25,245,361

INCOME STATEMENT	31/12/2009	31/12/2008
A) PRODUCTION VALUE		
1) revenues from sales and services		
e) office rents	527,438	290,468
g) office expense reimbursements	16,590	80,714
5) other revenues and income		
c) other revenues	-	12
TOTAL PRODUCTION VALUE	544,028	371,194
B) PRODUCTION COSTS		
7) for services	22,285	80,700
8) leases and rentals	20,809	-
10) depreciation, amortisation and write-downs		
b) depreciation of property, plant and equipment	289,768	94,308
14) sundry operating costs		
a) other operating costs and charges	87,218	89,460
b) non-deductible charges	13,753	13,167
TOTAL PRODUCTION COSTS	433,833	277,635
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	110,195	93,559
C) FINANCIAL INCOME AND CHARGES		
16) other financial income		
d) other financial income		
2) from parent companies	19,240	171,742
3) from third parties	-	222
17) interest and other financial charges		
b) parent banks	18,808	154,076
c) third parties	4	110
TOTAL FINANCIAL INCOME AND CHARGES	428	17,778
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
19) write-downs		
a) of equity investments	52,754	1,044,918
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	-52,754	-1,044,918
E) EXTRAORDINARY ITEMS		
20) income		
a) gains	-	13,384,236
b) other extraordinary income	5,892	4,588
c) rounding differences on conversion to euro	2	2
21) charges		
b) other charges	1,995	1,247
c) taxes relating to prior years	-	28,990
TOTAL EXTRAORDINARY ITEMS	3,899	13,358,589
PRE-TAX PROFIT (LOSS)	61,768	12,425,008
22) current income taxes and change in deferred tax assets and liabilities		
a) IRES (corporate income taxes)	738,492	795,079
b) IRAP (regional business tax)	5,164	552,575
c) deferred taxes	-772,692	3,103,590
23) net profit for the year	90,804	7,973,764

Attestation pursuant to art. 154-bis, para. 5 of Decree 58/98 on the separate financial statements

The undersigned Piero Melazzini as Chairman and Chief Executive Officer and Maurizio Bertoletti, as Financial Reporting Officer of Banca Popolare di Sondrio S.c.p.a., taking account of the provisions of art. 154-bis, paras. 3 and 4, of Decree 58 of 24 February 1998, confirm:

- the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the formation of the separate financial statements during the course of 2009.

The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the separate financial statements are based on a model, defined by Banca Popolare di Sondrio Società Cooperativa per Azioni, which makes reference to the principles of the «Internal Control - Integrated Framework (CoSO)», issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework for the internal control system and for financial reporting that is generally accepted internationally.

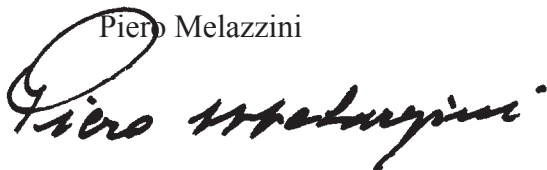
We also confirm that the separate financial statements at 31 December 2009:

- have been prepared in compliance with the international financial reporting standards recognised by the European Community pursuant to Regulation (CE) 1606/2002 of the European Parliament and by the Council on 19 July 2002;
- agree with the balances on the books of account and the accounting entries;
- are able to provide a true and fair view of the issuer's assets and liabilities, results and financial position.

The report on operations contains a reliable analysis of the trend and results of operations, as well as the situation of the Bank, together with a description of the main risks and uncertainties to which it is exposed.

Sondrio, 24 February 2010

The Chairman and Chief Executive Officer
Piero Melazzini



The Financial Reporting Officer
Maurizio Bertoletti





The separate and consolidated financial statements
of Banca Popolare di Sondrio Scpa
have been audited by KPMG spa, Milan.

Please refer to the Italian version of the annual report
for the Independent Auditors' reports
issued in accordance
with art. 156 of Decree 58 dated 24 February 1998.

Banca Popolare di Sondrio

**CONSOLIDATED FINANCIAL
STATEMENTS OF THE
BANCA POPOLARE DI SONDRIO
BANKING GROUP**

DIRECTORS' REPORT ON OPERATIONS

Shareholders,

As the Parent Bank of the Banca Popolare di Sondrio Banking Group, registration no. 5696.0, we are obliged to present consolidated financial statements.

COMPOSITION OF THE BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent Bank:

Banca Popolare di Sondrio s.c.p.a. – Sondrio;

Group companies:

Banca Popolare di Sondrio (Suisse) SA – Lugano CH.

The Parent Bank holds all the capital of Banca Popolare di Sondrio (Suisse) SA, 50,000,000 CHF, which is fully paid-up. Equity investments are consolidated as follows:

FULLY CONSOLIDATED SHAREHOLDINGS:

Name	Location	Share capital (in thousands)	% held
Banca Popolare di Sondrio (Suisse) SA	Lugano	(CHF) 50,000	100
Pirovano Stelvio spa	Sondrio	2,064	100
Sinergia Seconda srl	Milan	10,200	100
Immobiliare San Paolo srl	Tirano	10 *	100
Immobiliare Borgo Palazzo srl	Tirano	10 *	100

* held by Sinergia Seconda srl.

CONSOLIDATED SHAREHOLDINGS WITH THE NET EQUITY METHOD:

Name	Location	Share capital (in thousands)	% held
Rajna Immobiliare srl	Sondrio	20	50.000
Arca Vita spa	Verona	90,000	39.927
Arca Assicurazioni spa	Verona	25,026	9.900
Sofipo Fiduciare SA	Lugano	(CHF) 2,000 *	30.000
B & A Broker spa	Milan	816	28.571
Alba Leasing spa	Milan	255,000	20.950

* held by Banca Popolare di Sondrio (Suisse) SA.

The equity investment in Alba Leasing spa is carried at cost, as it began operating on 1 January 2010.

The investments in Arca Assicurazioni spa and part of the interest in Arca Vita spa (25%) have been reclassified to «non-current assets and disposal groups held for sale».

GENERAL ECONOMIC CONTEXT

The report on operations accompanying the parent bank's financial statements contains information on the international and Italian economic situation during the year 2009. We would, however, like to add a few comments about Switzerland, even if based on indices and information which are not yet final and official.

The effects of the world crisis inevitably impacted Switzerland as well. However, the Swiss economy showed that it was one of the most solid. Any decline was limited, thanks to better public and private spending and a low reduction in capital investment. Export-oriented sectors were the most exposed, being penalised by the hefty contraction in international demand.

Unemployment has gone up significantly, whereas on the cost-of-living front, people have had to cope with a period of deflation.

The Swiss National Bank reduced interest rates in March and since then has not intervened again. The Swiss franc/Euro exchange rate at the end of the year was at much the same level as 12 months earlier, while the Zurich Stock Exchange turned in a very positive performance (Smi: +18.3%).

Conditions in the cantons where Banca Popolare di Sondrio (Suisse) S.A. is active were much like in the rest of the country.

TERRITORIAL EXPANSION

The Group's expansion policy gives preference to territorial roots and a strong relationship with the communities that it serves. This approach, which has always been a feature of Banca Popolare di Sondrio, has now been adopted and developed by the Swiss subsidiary, which has earned the status of the foreign bank with the largest number of branches in Switzerland.

During the year, the Parent Bank expanded its distribution network considerably, opening new branches in Lombardy, Trentino, Piedmont, Emilia Romagna, Veneto and Lazio.

Banca Popolare di Sondrio (Suisse) SA opened two branches during the year: one in Berne, the seat of government and Switzerland's main institutions, in May, followed by Paradiso, in the Canton Ticino, in October.

At the end of 2009, the Group had a total of 300 branches.

GROUP PERFORMANCE

Funding

Deposits again went up, even though the year was long dominated by uncertainties and widespread worries generated by the financial crisis, confirming the trust and loyalty enjoyed by our Group.

DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2009	% of total	2008	% of total	% change
Savings deposits	665,941	3.47	587,926	3.21	13.27
Certificates of deposit	33,746	0.18	50,425	0.28	-33.08
Bonds	1,602,804	8.36	1,462,772	7.98	9.57
Repo transactions	908,367	4.74	2,256,362	12.31	-59.74
Bank drafts and similar	90,639	0.47	133,655	0.73	-32.18
Current accounts	14,594,318	76.15	11,743,939	64.08	24.27
Current accounts in foreign currency	1,270,018	6.63	2,090,970	11.41	-39.26
Total	19,165,833	100.00	18,326,049	100.00	4.58

TOTAL FUNDING

(in thousands of euro)	2009	% of total	2008	% of total	% change
Total direct customer deposits	19,165,833	41.03	18,326,049	45.81	4.58
Total indirect customer deposits	22,402,205	47.96	18,717,875	46.79	19.68
Total insurance-related deposits	524,259	1.12	461,985	1.15	13.48
Total	42,092,297	90.11	37,505,909	93.75	12.23
Due to other banks	1,797,939	3.85	1,066,331	2.67	68.61
Indirect deposits from other banks	2,820,992	6.04	1,434,109	3.58	96.71
Grand total	46,711,228	100.00	40,006,349	100.00	16.76

Direct customer deposits posted growth of 4.58% to 19,166 million.

Deposits received from other banks have risen by 68.61% to 1,798 million.

Indirect customer deposits have risen by 19.68% to 22,402 million, while insurance deposits went up by to 13.48% to 524 million. Indirect deposits from banks amounted to 2,821 million, +96.71%.

Total funding therefore amounted to 46,711 million, +16.76%.

Analysis of the individual items shows that there has been a very dynamic trend in current accounts: with an increase of 14.67% to 15,864 million, they account for 82.78% of the Group's entire direct deposits. Repo transactions fell sharply, 908 million (-59.74%), because of the trend in interest rates. Bonds rose, to 1,603 million (+9.57%), as did savings deposits, to 666 million, +13.27%.

Assets under management, which benefited from the positive performance by stock markets, came in at 4,112 million, +10.79%.

Loans

The Group again maintained its commitment in favour of business activities in the territories that it serves. This is confirmed by the quantity of



LOANS

(in thousands of euro)	2009	% of total	2008	% of total	% change
Current account overdrafts	5,890,082	32.44	5,328,324	32.95	10.54
Foreign currency loans	2,093,810	11.53	2,408,419	14.90	-13.06
Advances	364,463	2.01	462,106	2.86	-21.13
Advances with recourse	229,708	1.27	227,214	1.40	1.10
Discounted portfolio	10,584	0.06	8,980	0.06	17.86
Artisan loans	27,071	0.15	31,716	0.20	-14.65
Agricultural loans	32,201	0.18	32,082	0.20	0.37
Personal loans	86,228	0.47	84,126	0.52	2.50
Other unsecured loans	3,308,505	18.22	2,492,768	15.42	32.72
Mortgage loans	5,958,536	32.82	4,980,564	30.80	19.64
Net non-performing loans	154,657	0.85	111,296	0.69	38.96
Total	18,155,845	100.00	16,167,595	100.00	12.30

loans, which rose to 18,156 million, +12.30%. This was possible thanks to the positive trend in deposits, as mentioned above, which provided the indispensable raw material for providing credit.

The preferential beneficiaries of our products and services were, as always, households and SMEs, in line with the Group's cooperative tradition.

In consideration of the difficult state of the cycle and the progressive spread of the crisis in the financial sector to the real economy, considerable attention was paid to protecting the quality of credit. To this end, our detailed knowledge of local economic dynamics and the direct relationship that we have with counterparties were accompanied by substantial investments to improve the efficiency of the control procedures and refine the professional skills of the personnel working on the credit and loans side of the business.

Current account overdrafts increased to 5,890 million, +10.54%. Mortgage loans, which rose to 5,959 million, +19.64%, are the main component of customer loans at 32.82%. The other unsecured loans come to 3,309 million, +32.72%. However, foreign currency loans, 2,094 million, -13.06%, and advances, 364 million, -21.13%, declined.

Lastly, let's say something about credit quality: non-performing loans, net of write-downs, amounted to 155,6 million (+38.96%), corresponding to 0.85% of the total of customer loans, with respect to 0.69% of the previous year. The fact that the increase is limited reflects the Group's ability to monitor risk profiles, credit risk in this case, despite the very difficult economic climate.

Watchlist loans, being loans to borrowers in temporary difficulties that are expected to be resolved, amount to 170 million euro, +93.34%, or 0.93% of total loans to customers compared with 0.54% last year .

Impaired past-due loans calculated according to the new rules issued by the Bank of Italy come to 197 million (+56.43%) the increase being largely due to the more rigorous approach taken compared with last year.

Several different technical forms have contributed to varying degrees to the positive trend in loans. These items have been described above in more detail and with different criteria with respect to table 7.1 of the Notes to the financial statements, Section 7 Part B.

Portfolio of financial assets

At 31 December 2009, the net interbank position showed a negative amount of 721 million; at the end of 2008 we had a creditor balance of 129 million. This figure does not give a full picture of the treasury situation, which in 2009 featured: a high level of liquidity in euro, against which there were higher foreign currency borrowings from banks to finance loans to customers, given the decline in direct foreign currency deposits from customers because of the particularly low level of interest rates.

Our domestic liquidity is reflected in the Bank's activity on the interbank deposit market. Lending operations have expanded considerably, both in terms of number and in terms of value, while funding has suffered a distinct reduction.

Together, the portfolios of financial assets at 31 December 2009 come to a total of 3,373 million, a decrease of 15.48%. The following table summarises the various amounts:

FINANCIAL ASSETS

(in thousands of euro)	31-12-2009	31-12-2008	% change
Financial assets held for trading (HFT)	2,896,989	3,530,614	-17.95%
<i>of which, derivatives</i>	65,073	255,526	-74.53%
Financial assets carried at fair value (CFV)	98,822	105,217	-6.08%
Financial assets available for sale (AFS)	113,447	90,533	25.31%
Financial assets held to maturity (HTM)	263,654	264,105	-0.17%
Total	3,372,912	3,990,469	-15.48%

The overall decrease is mainly due to the reduction in government securities, especially fixed-rate securities which were sold to realise substantial capital gains, and in derivatives.

A brief comment on each of these portfolios follows.



Financial assets held for trading

Financial assets held for trading (HFT), amounting to 2,897 million as shown in the following table, have decreased by 17.95%:

FINANCIAL ASSETS HELD FOR TRADING

(in thousands of euro)	31-12-2009	31-12-2008	% change
Floating-rate Italian government securities	2,312,247	2,607,847	-11.34%
Fixed-rate Italian government securities	131,559	290,417	-54.70%
Bank bonds	189,854	144,321	31.55%
Bonds of other issuers	39,158	48,803	-19.76%
Securitisations	104,656	130,899	-20.05%
Variable-yield securities and shares of collective investment undertakings	54,442	52,801	3.11%
Net book value of derivative contracts	65,073	255,526	-74.53%
Total	2,896,989	3,530,614	-17.95%

The HFT portfolio, which continued to be made up principally of CCTs, has fallen by 17.95% due to the decision to realise accrued capital gains, a contraction in repo transactions with customers which involved the CCTs and a decrease in derivatives.

In the interests of full disclosure, the write-backs and capital gains, trading profits and capital losses booked to the income statement under «net trading income» with reference to total debt securities amount to 62, 48 and 4 million respectively, compared with 5,1 and 115 million of last year.

Bonds increased to 190 million, +31.55%. The securities representing securitisations have fallen to 105 million, all classified as senior based on their repayment terms. Fixed-rate securities, for a total of 132 million almost all BTPs, have declined, mainly because it was worth selling them to realise the capital gains. Equities and mutual funds have gone up to 54 million, +3.11%, though this is marginal (1.88%) compared with the entire portfolio.

Financial assets carried at fair value

Financial assets carried at fair value (CFV) come to 99 million, -6.08%, mainly because of the disposal of units in a mutual fund.

They are made up of mutual funds and sicavs of various kinds for 55 million and CCTs for 44 million.

Financial assets available for sale

The portfolio of financial assets available for sale (AFS) amount to 113 million, an increase of 23 million, +25.31%. The main changes concern:

subscription of a 6.118% interest in Release spa, for 24.6 million, as part of the Italease settlement; the purchase of an interest in Aedes spa, for 7.3 million, as part of the group's restructuring agreement. On the other hand, we sold our interest in Meliorbanca spa for its carrying value of 11.7 million as part of the takeover bid launched by its parent, Banca Popolare dell'Emilia Romagna.

Financial assets held to maturity

At the end of 2009 the HTM portfolio amounted to 264 million, more or less the same as last year.

As regards HTM financial assets, first of all it is worth mentioning again the fact that in 2008 the particularly negative performance of equity and bond markets induced the Bank to take advantage of the amendment to IAS 39 issued by the International Accounting Standards Board (IASB) on 13 October 2008 and ratified by the European Commission with EC Regulation 1004/2008 of 15 October 2008, which modified Regulation 1725/2003. This made it possible to derogate, in exceptional circumstances, from the ban on transferring financial assets (except for derivatives) from the category of those carried at fair value through profit and loss to another where they are accounted for at amortised cost. As a result, we transferred from the HFT portfolio to the HTM portfolio unlisted bonds that were illiquid and not expected to be sold. These had a par value of 243 million and were carried at 233 million, whereas their fair value at 31 December 2008 was 193 million, generating a theoretical loss, prior to the tax effect, of 40 million.

These securities which were transferred from the HFT portfolio in 2008 are now held on the books at 226 million with a fair value of 220 million. The theoretical loss, prior to the tax effect, has therefore been reduced to 6 million.

The Banca Popolare di Sondrio stock, traded from 22 June on Borsa Italiana Telematic market, in the blue chips segment, ended the year with a 9.57% increase.

Banca Popolare di Sondrio (Suisse) S.A. did not carry out any transactions in its treasury shares or in those of the parent bank.

The other consolidated companies did not carry out any transactions in their own or the parent bank's shares either.

There are no cross-holdings among the companies included within the scope of consolidation.

EQUITY INVESTMENTS

The report on operations accompanying the parent bank's 2009 financial statements contains information on the equity investments held.

Related party transactions, as identified in accordance with IAS 24, form part of ordinary operations and are settled on market terms or, in the absence of suitable parameters, on the basis of the costs incurred.

In relation to the contents of Consob Communication DEM/6064293



of 28 July 2006, we would like to point out that related party transactions or balances, as classified by IAS 24, are not material to the Group's balance sheet, financial position, results and cash flow.

In the notes to the financial statements, the paragraph entitled «Related party transactions» includes a table that summarises these figures. During 2009 and the current year, there have not been any positions or transactions deriving from atypical or unusual operations.

According to Consob Circulars DAC/98015375 of 27 February 1998 and DEM/1025564 of 6 April 2001, atypical and/or unusual transactions are any that may raise doubts concerning the accuracy of the disclosures in the financial statements, conflicts of interests, the protection of the corporate assets or the safeguarding of the shareholders, by virtue of their magnitude, the nature of the counterparties, the subject of the transaction, the methods in which the transfer price is set or the time at which the transaction is carried out.

TRANSACTIONS WITH NON-CONSOLIDATED ASSOCIATED COMPANIES

Situation as of 31/12/2009 (in thousands of euro)

	Associated companies of the parent company		Associated companies of subsidiaries		Subsidiaries of associated companies	
	2009	2008	2009	2008	2009	2008
ASSETS						
Due from other banks	180,641	249,037	-	-	-	-
Customer loans	-	-	279	76	-	168,895
Other financial assets	11,489	52,398	-	-	-	16,876
LIABILITIES AND EQUITY						
Due to other banks	-	809	-	-	-	-
Customer deposits	22,969	35,619	579	428	-	3,711
Other financial liabilities	14	17,952	-	-	-	-
GUARANTEES AND COMMITMENTS						
Guarantees given	-	43,673	1,421	1,420	-	4,505
Commitments	-	-	-	-	-	-

HUMAN RESOURCES

At the end of 2009 the Group had 2,806 employees, an increase of 3.54% compared with 2,710 at the end of the previous year.

In connection with the ongoing expansion of the distribution network, most of the new hires were allocated to the branches.

The personnel department has been heavily involved in selecting, training and managing the staff to ensure that the necessary professional resources are available for the Group's operational development and growth.

A breakdown of personnel by individual category is contained in the notes.

CAPITAL AND RESERVES

Consolidated net equity, prior to net profit for the year, rose by 3.50% to 1,601.062 million 31 December 2009.

The share capital, made up of 308,147,985 ordinary shares with a par value of 3 euro, remained unchanged at 924.444 million, as did the share premium reserve of 176.085 million. The reserves rose to 541.065 million (+8.43%) due to the allocation of part of the net profit for 2008. Even though the valuation reserves (which derive from the losses booked on financial assets available for sale) show a negative balance of 0.321 million, this is a considerable improvement on last year's balance of -7.215 million.

As regards treasury shares, it is worth noting that as of 31 December 2009 the portfolio contained 4,622,577 shares of the Parent Bank worth 40.2 million compared with 45.5 at the end of 2008. Purchases were made using the specific provision of 61 million shown in the financial statements under Reserves.

During the year, trading aimed at favouring the circulation of our shares included purchases of 205,333 shares, for a total of 615,999 euro at par (0.067% of the share capital) and sales of 746,022 shares, for a total of 2,238,066 euro at par (0.242% of the share capital). The market value of purchases was 1.3 million; that of sales 4.9 million.

These trades resulted in a loss of 1.7 million, which was booked to equity.

The relationship between equity and the principal financial parameters is summarised below:

- *capital/direct customer deposits*
8.35%, with respect to 8.44%;
- *capital/customer loans*
8.82%, with respect to 9.57%;
- *capital/financial assets*
47.47%, with respect to 38.76%;
- *capital/total assets*
6.83%, with respect to 7.09%.



RECONCILIATION BETWEEN THE PARENT BANK'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles «net profit for the year» and «equity» as shown in the Parent Bank's financial statements and the equivalent figures in the consolidated financial statements.

RECONCILIATION OF THE EQUITY AND NET PROFIT FOR THE YEAR REPORTED BY THE PARENT BANK WITH THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of euro)

	Equity	of which: Net profit for the year
Equity of the parent bank as of 31.12.2009	1,683,716	190,674
Consolidation adjustments	2,533	2,533
Difference with respect to carrying values of equity investments in:		
- companies consolidated on a line-by-line basis	93,133	670
- companies valued using the equity method	22,744	7,187
Balance as of 31/12/2009, as reported in the consolidated financial statements	1,802,126	201,064

CONSOLIDATED INCOME STATEMENT

During the year under review, the result has been very satisfactory: net profit amounted to 201.064 million, +361.10%.

The trends in the various components of the income statement largely reflect those seen in the parent bank's own financial statements.

Net interest income benefited from the positive trend in volumes handled and the improvement in interest spreads, despite the fact that interest rates have been very low. In total it came to 465.990 million, +5.03%.

Net commissions also showed good growth: 206.293 million, +17.95%. Dividends collected during the year totalled € 3.224 million, -34.95%, as subsidiaries and associates generally paid out less.

The results of financial activities were positive for 138.183 million, compared with a prior year loss of 130.094 million, due to the recovery in financial markets, which caused a sizeable increase in realised and unrealised gains on securities.

Income from banking activities rose as a result from 493.426 to 813.690 million, +64.91%.

Net adjustments to loans and financial assets available for sale held to maturity show a balance of 147.417 million, +100.42%.

Of these, the part relating to loans due from customers rose to 143.051 million, +111.88%, discounting the difficulties due to the deterioration in the economic cycle. The other elements relate to listed equities and mutual funds shown under financial assets available for sale, for which a reduction in market value has been ascertained compared with their book value.

The net balance of financial management was therefore 666.273 million, +58.68%.

Operating costs rose by 7.79% to 349.353 million. Administrative expenses rose by 8.15% to 366.042 million. Payroll costs have gone up by 7.07 to 186.929 million. In addition to the higher number of employees, the increase is due to the higher charges to the provisions for post-employment benefits and termination indemnities. Other administrative expenses increased by 9.30% to 179.113 million. The increase was more marked in the area of ICT and data processing costs, as well as indirect taxes. Other operating income, net of other operating expenses, resulted in a positive balance of 40.516 million, +20.14%, the most significant element is the recovery of taxes, the cost of which is indicated under other expenses.

The item «net provisions for risks and charges» amounted to 0.461 million and last year showed a positive balance of 2 million euro.

Adjustments to property, plant and equipment and amortisation of software amounted to 23.366 million, +9.24%.

The ratio of operating costs/income from banking activities was 42.93%, compared with 65.69% the previous year. It benefited from the non-recurring positive result of trading activities, just as last year it reflected a negative result.

Operating profit came to 316.920 million, +230.98%.

The item «profit (loss) of equity investments and gains (losses) on disposal of investments» was a loss of 1.972 million compared with the loss of 12.417 million which discounted the write-down of the investment in Banca Italease spa partly offset by the result from the sale of property by Sinergia Seconda spa.

Accordingly, the profit from ordinary operations was 314.948 million, +277.93%. Profits on non-current assets and disposal groups held for sale of 4.008 million relate to the gain on disposal of part of the interests in Arca Vita spa and Arca Assicurazioni spa, which are currently being sold. After deducting income taxes of 117.892 million (+196.73%), net profit for the year comes to 201.064 million, with respect to 43.605 the previous year, +361.10%.



SUMMARY CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	2009	2008	(+/-)	% change
Net interest income	465,990	443,665	22,325	5.03%
Dividends	3,224	4,956	-1,732	-34.95%
Net commission income	206,293	174,899	31,394	17.95%
Results of financial activities	138,183	-130,094	268,277	-
Income from banking activities	813,690	493,426	320,264	64.91%
Net adjustments to loans and financial assets	-147,417	-73,554	-73,863	100.42%
Balance of financial management	666,273	419,872	246,401	58.68%
Personnel costs	-186,929	-174,579	-12,350	7.07%
Other administrative expenses	-179,113	-163,875	-15,238	9.30%
Other operating income/expense	40,516	33,723	6,793	20.14%
Net provisions for risks and charges	-461	2,000	-2,461	-
Adjustments to property, plant and equipment and intangible assets	-23,366	-21,389	-1,977	9.24%
Operating costs	-349,353	-324,120	-25,233	7.79%
Balance of financial management	316,920	95,752	221,168	230.98%
Share of profit (loss) of equity investments and other investments (+/-)	-1,972	-12,417	10,445	-84.12%
Profit (loss) before tax	314,948	83,335	231,613	277.93%
Income taxes on current operations	-117,892	-39,730	-78,162	196.73%
Profit (loss) after tax on non-current assets held for sale	4,008	-	4,008	-
Net profit (loss)	201,064	43,605	157,459	361.10%

Notes: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement.

SUBSEQUENT EVENTS AND BUSINESS PROSPECTS

The reader is referred to the report accompanying the parent bank's financial statements for information on events that took place after 31 December 2009. With regard to Switzerland, there is nothing to report that may significantly change the context in which Banca Popolare di Sondrio (Suisse) SA operates.

As for the outlook, world markets are improving, even if there are still uncertainties.

As regards our Group, net interest income is expected to fall slightly, because of limited growth in balance sheet aggregates.

Income from banking activities is also expected to decline, given that it benefited in 2009 from non-recurring positive elements in terms of financial profits, whereas a positive trend is expected in net commission income.

While continuing to have a significant impact, net adjustments to loans are expected to fall. Costs will increase in line with the normal expansion of the Group.

The net result should improve thank to the capital gains on disposal of the Parent Bank's interests in Arca Vita spa and Arca Assicurazioni spa, bringing it into line with 2009.

Sondrio, 25 February 2010

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2009

Shareholders,

We have examined the consolidated financial statements for 2009 as prepared by the Board of Directors and can confirm that they have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the instructions issued by the Bank of Italy on 22 December 2005 pursuant to art. 9.1 of Decree 38 of 28 February 2005.

We can also confirm that:

- the standards and rules followed in preparing the 2009 financial statements are consistent with those used to prepare the 2008 financial statements, apart from the changes decreed by the revision of IAS 1 and the introduction of IFRS 8;
- there have not been any changes in the scope of consolidation compared with 2008;
- the accompanying directors' report is consistent with the figures and information provided in the financial statements and explanatory notes;
- the consolidated financial statements for 2009 have been audited by KPMG spa. They have issued an audit report with a clean opinion that does not contain any qualifications or comments on the matters explained by the directors in their report on operations and in the notes.

Sondrio, 11 March 2010

THE STATUTORY AUDITORS
Egidio Alessandri, Chairman
Pio Bersani, Acting Auditor
Piergiuseppe Forni, Acting Auditor

**CONSOLIDATED
FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009**



CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSET ITEMS		31-12-2009	31-12-2008
10.	CASH AND BALANCES WITH CENTRAL BANKS	122,898	114,499
20.	FINANCIAL ASSETS HELD FOR TRADING	2,896,989	3,530,614
30.	FINANCIAL ASSETS CARRIED AT FAIR VALUE	98,822	105,217
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	113,447	90,533
50.	FINANCIAL ASSETS HELD TO MATURITY	263,654	264,105
60.	DUE FROM BANKS	1,076,720	937,261
70.	DUE FROM CUSTOMERS	18,155,845	16,167,595
80.	HEDGING DERIVATIVES	11	89
100.	EQUITY INVESTMENTS	109,897	87,238
120.	PROPERTY, PLANT AND EQUIPMENT	185,282	182,948
130.	INTANGIBLE ASSETS	8,207	6,626
140.	TAX ASSETS	42,381	53,212
	a) current	-	28,800
	b) deferred	42,381	24,412
150.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	60,378	6,016
160.	OTHER ASSETS	320,024	273,509
TOTAL ASSETS		23,454,555	21,819,462

THE CHAIRMAN
Piero Melazzini

THE BOARD OF STATUTORY AUDITORS
Egidio Alessandri, Chairman
Pio Bersani - Piergiuseppe Forni

EQUITY AND LIABILITY ITEMS		31-12-2009	31-12-2008
10.	DUE TO BANKS	1,797,939	1,066,331
20.	DUE TO CUSTOMERS	17,438,644	16,679,198
30.	DEBT SECURITIES IN ISSUE	1,727,189	1,646,851
40.	FINANCIAL LIABILITIES HELD FOR TRADING	72,517	277,600
60.	HEDGING DERIVATIVES	11,330	5,050
80.	TAX LIABILITIES	107,594	22,859
	a) current	87,699	6,467
	b) deferred	19,895	16,392
100.	OTHER LIABILITIES	348,922	377,014
110.	RESERVE FOR TERMINATION INDEMNITIES	35,754	36,667
120.	PROVISIONS FOR RISKS AND CHARGES	112,540	117,427
	a) post-employment benefits	74,669	80,027
	b) other provisions	37,871	37,400
140.	REVALUATION RESERVES	(321)	(7,215)
170.	RESERVES	541,065	498,998
180.	SHARE PREMIUM RESERVE	176,085	176,085
190.	SHARE CAPITAL	924,444	924,444
200.	TREASURY SHARES (-)	(40,211)	(45,452)
220.	NET PROFIT FOR THE YEAR	201,064	43,605
TOTAL LIABILITIES AND EQUITY		23,454,555	21,819,462

THE GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertolotti



CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS	2009	2008
10. INTEREST INCOME AND SIMILAR REVENUES	727,676	1,014,295
20. INTEREST EXPENSE AND SIMILAR CHARGES	(261,686)	(570,630)
30. NET INTEREST INCOME	465,990	443,665
40. COMMISSION INCOME	220,042	188,110
50. COMMISSION EXPENSE	(13,749)	(13,211)
60. NET COMMISSION INCOME	206,293	174,899
70. DIVIDENDS AND SIMILAR INCOME	3,224	4,956
80. NET TRADING INCOME	137,927	(118,915)
90. NET HEDGING GAINS (LOSSES)	(5,762)	(632)
100. GAINS/LOSSES ON DISPOSAL OR REPURCHASE OF:	(1,459)	5,540
b) financial assets available for sale	(1,062)	5,348
c) financial assets held to maturity	43	-
d) financial liabilities	(440)	192
110. NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE	7,477	(16,087)
120. INCOME FROM BANKING ACTIVITIES	813,690	493,426
130. NET IMPAIRMENT ADJUSTMENTS ON:	(147,417)	(73,554)
a) receivables	(143,051)	(67,515)
b) financial assets available for sale	(4,366)	(2,931)
c) financial assets held to maturity	-	(3,108)
140. BALANCE OF FINANCIAL MANAGEMENT	666,273	419,872
170. BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT	666,273	419,872
180. ADMINISTRATIVE EXPENSES	(366,042)	(338,454)
a) personnel expenses	(186,929)	(174,579)
b) other administrative expenses	(179,113)	(163,875)
190. NET PROVISIONS FOR RISKS AND CHARGES	(461)	2,000
200. NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(15,408)	(14,391)
210. NET ADJUSTMENTS TO INTANGIBLE ASSETS	(7,958)	(6,998)
220. OTHER OPERATING CHARGES/INCOME	40,516	33,723
230. OPERATING COSTS	(349,353)	(324,120)
240. SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	(1,697)	(25,790)
270. GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	(275)	13,373
280. PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	314,948	83,335
290. INCOME TAXES ON CURRENT OPERATIONS	(117,892)	(39,730)
300. PROFIT (LOSS) ON CURRENT OPERATIONS AFTER INCOME TAXES	197,056	43,605
310. PROFIT (LOSS) AFTER TAX ON NON-CURRENT ASSETS HELD FOR SALE	4,008	-
320. NET PROFIT FOR THE YEAR	201,064	43,605
340. NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT BANK	201,064	43,605

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items	31/12/2009	31/12/2008
10. Net profit for the year	201,064	43,605
Other income items net of income taxes		
20. Financial assets available for sale	6,894	-21,252
110. Total other income items net of income taxes	6,894	-21,252
120. Comprehensive income (item 10+110)	207,958	22,353
140. Consolidated comprehensive income pertaining to the Parent Bank	207,958	22,353



STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2008	Change in opening balances	Opening balance at 1.1.2009	Allocation of prior year results	
				Reserves	Dividends and other allocations
Capital					
a) ordinary shares	924,444	-	924,444	-	-
b) other shares	-	-	-	-	-
Share premium reserve	176,085		176,085	-	-
Reserves					
a) from earnings	498,998		498,998	34,011	151
b) other	-	-	-	-	-
Revaluation reserves	-7,215	-	-7,215	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-45,452	-	-45,452	-	-
Net profit for the year	43,605	-	43,605	-34,011	-9,594
Equity	1,590,465	-	1,590,465	-	-9,443

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2007	Change in opening balances	Opening balance at 1.1.2008	Allocation of prior year results	
				Reserves	Dividends and other allocations
Capital					
a) ordinary shares	924,444	-	924,444	-	-
b) other shares	-	-	-	-	-
Share premium reserve	176,085	-	176,085	-	-
Reserves					
a) from earnings	417,884	-	417,884	79,751	4
b) other	-	-	-	-	-
Revaluation reserves	14,037	-	14,037	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-21,101	-	-21,101	-	-
Net profit for the year	147,340	-	147,340	-79,751	-67,589
Equity	1,658,689	-	1,658,689	-	-67,585



Changes in the year

Equity transactions

Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	Equity at 31.12.2009
-	-	-	-	-	-	-	-	924,444
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	176,085
7,905	-	-	-	-	-	-	-	541,065
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	6,894	-321
-	-	-	-	-	-	-	-	-
-	-	5,241	-	-	-	-	-	-40,211
-	-	-	-	-	-	-	201,064	201,064
7,905	-	5,241	-	-	-	-	207,958	1,802,126

Changes in the year

Equity transactions

Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	Equity at 31.12.2008
-	-	-	-	-	-	-	-	924,444
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	176,085
-	-	-	-	-	-	-	-	-
1,359	-	-	-	-	-	-	-	498,998
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-21,252	-7,215
-	-	-	-	-	-	-	-	-
-	-	-24,351	-	-	-	-	-	-45,452
-	-	-	-	-	-	-	43,605	43,605
1,359	-	-24,351	-	-	-	-	22,353	1,590,465



CONSOLIDATED CASH FLOW STATEMENT (Indirect method)

	31-12-2009	31-12-2008
A. OPERATING ACTIVITIES		
1. Cash generated from operations	413,517	315,631
- net profit for the year (+/-)	201,064	43,605
- gains/losses from financial assets held for trading and from financial assets/liabilities at fair value (-/+)	-74,902	147,110
- net hedging gains (losses) (-/+)	5,763	632
- net impairment adjustments (+/-)	107,846	71,620
- net adjustments to property, plant and equipment and intangible assets (+/-)	23,366	21,390
- provisions for risks and charges and other costs/revenues (+/-)	140	-3,220
- unpaid taxes and duties (+)	117,892	39,730
- net impairment adjustments to assets held for sale, net of tax effect (+/-)	-4,008	-
- other adjustments (+/-)	36,356	-5,236
2. Cash generated/absorbed by financial assets	-1,580,555	-2,986,752
- financial assets held for trading	699,345	-508,247
- financial assets at fair value	12,862	-785
- financial assets available for sale	-24,261	-5,016
- due from banks: sight	105,221	-30,740
- due from banks: other receivables	-250,720	431,637
- due from customers	-2,117,673	-2,848,968
- other assets	-5,329	-24,633
3. Cash generated/absorbed by financial liabilities	1,285,331	2,763,384
- due to banks: sight	81,372	-604,356
- due to banks: other payables	665,350	-95,864
- customer deposits	773,541	2,975,342
- debt securities in issue	81,794	377,468
- financial liabilities held for trading	-229,040	195,059
- financial liabilities at fair value	-	-
- other liabilities	-87,686	-84,265
Net cash generated/absorbed by operating activities	118,293	92,263

	31-12-2009	31-12-2008
B. INVESTING ACTIVITIES		
1. Cash generated by	18,451	24,353
- sales of equity investments	9,801	-
- dividends collected from equity investments	-	216
- sales of financial assets held to maturity	8,524	-
- sales of property, plant and equipment	126	24,137
- sales of intangible assets	-	-
- sales of subsidiaries and business divisions	-	-
2. Cash absorbed by	-122,612	-36,073
- purchases of equity investments	-80,523	-3,720
- purchases of financial assets held to maturity	-6,390	-2,474
- purchases of property, plant and equipment	-26,134	-22,684
- purchases of intangible assets	-9,565	-7,195
- purchases of subsidiaries and business divisions	-	-
Net cash generated/absorbed by investing activities	-104,161	-11,720
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	3,569	-25,112
- issues/purchases of equity instruments	-	463
- distribution of dividends and other uses	-9,446	-67,089
Net cash generated/absorbed by financing activities	-5,877	-91,738
NET CASH GENERATED/ABSORBED IN THE YEAR	8,255	-11,195

Key:

(+) generated (-) absorbed

RECONCILIATION

Line items	31-12-2009	31-12-2008
Cash and balances with central banks at beginning of year	114,499	121,508
Total net cash generated/absorbed in the year	8,255	-11,195
Cash and balances with central banks: effect of change in exchange rates	144	4,186
Cash and balances with central banks at end of year	122,898	114,499

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A *Accounting policies*

A.1 General information

Section 1 *Declaration of compliance with International Financial Reporting Standards*

Banca Popolare di Sondrio s.c.p.a. declares that these consolidated financial statements have been prepared in accordance with all the international accounting standards (IAS/IFRS) adopted by the International Accounting Standards Board, and the related interpretations of the International Financial Reporting Interpretations Committee, in force at 31 December 2009 and endorsed by the European Commission pursuant to EU Regulation 1606/2002.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4 para 1 and 2 of Decree 38 dated 28 February 2005 «Making the elections envisaged by art. 5 of the EC Regulation 1606/2002 concerning international accounting standards».

The format of the consolidated financial statements complies with the Bank of Italy's Instructions 262 dated 22 December 2005, issued within the powers defined by Decree 38/2005, taking account of the update issued on 18 November 2009.

Section 2 *Basis of preparation*

The financial statements have been prepared in accordance with the following general criteria described in IAS 1:

- 1) **Going concern.** The financial statements have been prepared on a going concern basis and, accordingly, assets, liabilities and off-balance sheet transactions have been measured at their value in use. In this regard, we would point out that the Board of Directors and Board of Statutory Auditors evaluate the company's prospects with particular attention, that this assumption has been resolutely pursued and that there is no need for detailed analyses to support this assumption in addition to the information that is already available in the financial statements and the report on operations.
Considering the structure of deposits based essentially on customer current accounts, repurchase agreements and loans, mainly to retail customers and SMEs which the Group monitors constantly, as well as the prevalence of government securities and prime corporate bonds, management is of the opinion that there are no critical areas that could negatively influence the Group's capital solidity and profitability, which are key assumptions for adopting the going-concern basis.
- 2) **Accruals basis.** Costs and revenues are matched in the accounting periods to which they relate, regardless of when the related transactions are settled.
- 3) **Consistency of presentation.** Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless change is required by an international accounting standard or related interpretation, or unless it is clear that a different presentation or classification would be more appropriate for the meaningful and reliable presentation of information. If the presentation or classification of items is changed, the comparative amounts are also reclassified, unless



this is not feasible, and the nature of the reclassification is explained together with the related reasons. The format of the financial statements and the explanatory notes complies with the Bank of Italy's Instructions dated 22 December 2005 (1st update of 18.11.2009).

- 4) Significance and grouping. Each significant group of similar items is shown separately in the financial statements. Items with a dissimilar nature or use are reported separately, unless they are insignificant.
- 5) No offsetting of balances. Assets, liabilities, costs and revenues are not offset against each other unless required or allowed by an international accounting standard or related interpretation, or unless this is specifically envisaged in the reporting formats established for banks.
- 6) Comparative information. Prior period comparative information is provided for all the data reported in the financial statements, except if a different approach is allowed by an international accounting standard or related interpretation. Explanatory and descriptive information is included when this helps to provide a better understanding of the consolidated financial statements for the current year.

The financial statements are prepared in accordance with Italian regulations, to the extent compatible with IFRS. Accordingly, these financial statements reflect the requirements of Decree 87/92, the Italian Civil Code (c.c.) and the Finance Law for listed companies regarding the report on operations (art. 2428 c.c.), the audit (art. 2409-bis c.c.) and publication (art. 2435 c.c.).

The figures in the notes are shown in thousands of euro.

Section 3 *Scope of consolidation and methodology*

The consolidated financial statements represent the economic and financial position of the Banca Popolare di Sondrio banking group as of and for the year ended 31.12.2009; they comprise the financial statements of the parent bank, Banca Popolare di Sondrio (Suisse) SA and those companies in which the parent bank holds, directly or indirectly, the majority of voting rights.

The following companies have been consolidated on a line-by-line basis:

Name	Location	Type of relationship ⁽¹⁾	Share capital (in thousands)	% held	% of votes
Banca Popolare di Sondrio (Suisse) S.A.	Lugano	1	(CHF) 50,000	100	100
Pirovano Stelvio S.p.a.	Sondrio	1	2,064	100	100
Sinergia Seconda S.r.l.	Milan	1	10,200	100	100
Immobiliare San Paolo S.r.l.	Tirano	1	10*	100	100
Immobiliare Borgo Palazzo S.r.l.	Tirano	1	10*	100	100

⁽¹⁾ 1 = majority of voting rights at ordinary shareholders' meeting.

* held by Sinergia Seconda S.r.l.

The joint venture shown below is valued at equity (IAS 31):

Name	Location	Type of relationship ⁽¹⁾	Share capital (in thousands)	% held	% of votes
Rajna Immobiliare srl	Sondrio	7	20	50	50

⁽¹⁾ 7 = joint control.

The scope of consolidation also includes the equity investments where the Parent Bank exercises a significant influence in that the shareholding is between 20% and 50%; or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

- a) the Group has a representative on the Board of Directors or the equivalent body of the affiliate;

- b) the Bank takes part in the decision-making process, including decisions regarding dividends;
- c) there are significant transactions between the parent company and the affiliate;
- d) there is an exchange of managers;
- e) essential technical information if being provided.

These holdings are valued using the equity method, except for insignificant interests which are valued at cost.

The equity method involves initial recognition of the investment at cost and its subsequent remeasurement based on the portion of equity held. The portion of the company's net result for the year pertaining to the bank is shown in a specific item in the income statement.

The ownership percentages are specified in the following table:

Name	Location	Share capital (in thousands)	% held
Servizi Internazionali e Strutture Integrate 2000 S.r.l.	Milan	75	33.333
B & A Broker S.p.a.	Milan	816	28.571
Arca Vita S.p.a.	Verona	90,000***	39.927
Arca Assicurazioni S.p.a.	Verona	25,026	9.900
Sofipo Fiduciaria S.A.	Lugano	(CHF) 2,000*	30
Acquedotto dello Stelvio S.r.l.	Bormio	21**	27
Sifas S.p.a.	Bolzano	1,209**	21.614
Alba Leasing S.p.a.	Milan	255,000	20.950

* held by Banca Popolare di Sondrio (Suisse) SA

** held by Pirovano Stelvio S.p.a.

*** at 31/12/2009 not fully paid in (increase in capital carried out in 2009 for € 10.205 million, 5 tenths paid in).

Compared with the previous year, Banca Italiana per il Leasing-Italease spa has not been included in the consolidation as it has been sold. The interest in Arca Vita spa (25%) and the entire interest in Arca Assicurazioni spa have been reclassified under «non-current assets and disposal groups held for sale».

The equity investments in Alba Leasing SpA has been valued at cost, given that the company started operation on 1 January 2010.

With line-by-line consolidation, the book value of the investments is eliminated against the related equity and all of the assets and liabilities, guarantees, commitments and other memorandum accounts are included, as are the revenues and costs of the subsidiaries.

Insignificant income and charges pertaining to transactions carried out at normal market conditions have not been eliminated. The financial statements of these group companies are reclassified appropriately and, where necessary, restated in accordance with the accounting policies adopted by the group.

Companies in which the bank does not have an investment, but for which it has received pledged voting shares are not consolidated, because the pledge is designed to protect the loans granted and not to influence the company's operating policies to obtain economic benefits.

Translation of financial statements in currencies other than the euro

The financial statements of Banca Popolare di Sondrio (Suisse) SA are translated into euro at the official year-end exchange rate for balance sheet items, while costs and revenues are translated into euro at average exchange rate. Differences arising on translation of the financial statements are booked to reserves.



Section 4 *Subsequent events*

No events have taken place between the reference date for these financial statements and the date of their approval by the Board of Directors on 25/2/2010 that would require the adjustment of such approved information, and nothing of significance has occurred that would require the provision of additional information.

Section 5 *Other aspects*

The accounting policies applied during the year under review are consistent with those of the previous year, except for the amendments caused by the review of IAS 1 and the introduction of IFRS 8.

The review of IAS 1 involved the introduction of a new statement in the financial statements (the statement of comprehensive income) as well as the reclassification of certain items in the statement of changes in equity. The introduction of IFRS 8 did not entail significant changes in the identification of operating segments or in management reporting methods compared with IAS 14.

The financial statements, accompanied by the directors' report on operations, consist of the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes to the financial statements.

Preparing financial statements requires making estimates and valuations that can have a significant impact on the figures shown in the balance sheet and income statement, especially as regards loans and receivables, the valuation of financial assets, the quantification of the provisions for personnel expenses and for risks and charges, and the use of valuation models for identifying the fair value of instruments that are not listed on active markets, on the basis of business continuity and excluding forced sales of assets. All required disclosures are given in the notes on the accounting policies applied to each of the aggregates in the financial statements.

The Bank and other Group companies defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the consolidated financial statements at 31 December 2009, as required by prevailing accounting standards and relevant regulation.

These processes are largely based on estimating the future recoverability of amounts reported in the financial statements in accordance with rules dictated by current regulation and have been performed on a going concern basis, i.e. valuations are not based on the assumption of a forced sale.

The outcome of this work supports the carrying amount of these items at 31 December 2009. It should be stated, however, that this valuation process was particularly complex in view of the current macroeconomic and market context, featuring abnormal volatility in all financial measures used for valuation purposes, and the consequent difficulty in making even short-term forecasts for these financial parameters which have a significant impact on estimates.

The parameters and information used for verifying the values mentioned above have been heavily affected by the particularly uncertain macroeconomic and market environment which could, like in recent months, experience currently unforeseeable rapid changes, with a consequent impact, including materially, on the amounts reported in the financial statements at 31 December 2009.

The financial statements are audited by KPMG spa in accordance with the shareholders' resolution of 29 March 2008 which appointed them as auditors for the nine year period from 2008 to 2016.

A.2 Part relating to the main line items in the financial statements

1. Financial assets held for trading

Classification

This caption comprises fixed-yield and variable-yield securities and units in mutual funds held for trading. It also includes derivative contracts with a positive fair value, excluding hedges but including those recorded separately from the underlying structured financial instrument, when the requirements for making this distinction are met. A derivative contract is a financial instrument whose value is linked to movements in an interest rate, the prices struck for a financial instrument, the price of a commodity, a currency exchange rate, a price index, a rate index or other type of index, is settled on maturity and requires a limited initial net investment. A derivative is separated from a complex financial instrument when its economic characteristics and risks are not strictly related to the characteristics of the underlying contract, when the embedded instruments comply with the definition of a derivative even after separation, and the hybrid instruments to which they belong are not measured at fair value through the income statement.

Recognition

Assets held for trading are recorded at the settlement date with reference to their fair value, usually represented by the consideration paid, while the transaction costs and revenues are reflected directly in the income statement. Trading derivatives are recognised at the «contract» date and are stated at their current value at the time of acquisition.

Accounting policies

Subsequent to initial recording, trading financial instruments are stated at their fair value at the reference date. With regard to instruments listed on active markets, fair value is represented by their official bid price at the close of trading, while the fair value of instruments not listed on active markets is determined by reference to prices supplied by information providers such as Bloomberg and Reuters. If this is not possible, estimates and valuation models that take account of market data are applied; these methods are based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows or models for the determination of option prices, taking into account the credit risk profile of the issuer.

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

Recognition of components affecting the income statement

The components of income generated by financial instruments held for trading are recognised in the income statement for the period in which they arise as «Net trading income». An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. The original value is not reinstated, even if the losses no longer exist.

Realised gains and losses from the sale or reimbursement and unrealised gains and losses deriving from the change in the fair value of the trading portfolio, as well as the impairment of financial assets carried at cost are booked to the income statement under «Net trading income».



Interest income and dividends are reported in the income statement under «Interest income and similar revenues» and «Dividends and similar income» respectively.

Derecognition

Financial assets held for trading are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

2. Financial assets available for sale

Classification

This caption comprises financial assets that are not derivatives and which are not classified as Receivables, Financial assets held for trading or Assets held to maturity.

In particular, this caption includes securities not held for trading and equity interests, also not held for trading, that do not represent investments in subsidiary companies, associated companies or companies under joint control.

Recognition

The assets classified in this caption are recorded on the settlement date.

Available-for-sale securities are initially recognised at their fair value, which is usually represented by the fair value of the consideration paid to acquire them, as adjusted by any directly-related transaction costs and revenues.

Aside from the exceptions allowed under IAS 39, it is not possible to transfer assets from the available-for-sale portfolio to other portfolios, or vice versa. The value recorded on any reclassification from Assets held to maturity reflects the fair value of the asset concerned at the time of transfer.

Accounting policies

Subsequent to initial recording, available-for-sale financial assets are stated at their fair value, determined on the basis described in relation to Financial assets held for trading.

Variable-yield securities whose fair value cannot be determined reliably are stated at cost. These comprise equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Group operates. These instruments show that equities represent the majority in this portfolio. The fair value of these investments cannot be reliably determined, given that the valuation techniques applied to them would have to make significant use of discretionary, non-market factors.

An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. Any subsequent writebacks cannot exceed the impairment losses recorded previously.

The rules adopted by the Bank prescribe that an impairment test has to be carried out on variable-yield securities in one of the following cases:

- a cumulative reduction in the fair value exceeding 20% of the original cost gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test.

In any case, a cumulative reduction in fair value exceeding 50% of the original cost automatically leads to an impairment test.

- a cumulative reduction in the fair value of the instrument for at least 9 months gives rise to the need to evaluate the presence of other characteristics which might make

it necessary to carry out an impairment test. In any case, a cumulative reduction in the fair value of the original cost for more than 18 months automatically leads to an impairment test.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the amortisation of transaction costs and the difference between cost and redemption value, is recorded in the income statement.

Income and charges deriving from changes in fair value, net of the related deferred tax effect, are recorded in specific equity reserves, known as «Valuation reserves», until the asset is derecognised or its value is impaired. The accumulated gains or losses are released to the income statement at the time of derecognition or the recognition of impairment.

Dividends are shown under «dividends and similar income».

If the reasons for impairment cease to apply following events subsequent to the reduction in the value of the financial asset, the writebacks relating to fixed-yield securities are reflected in the income statement, while those relating to variable-yield securities are recorded in a specific valuation reserve within equity.

Derecognition

Financial assets available for sale are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

3. Financial assets held to maturity

Classification

These are almost entirely unlisted fixed-yield securities that the Group has the capacity and the willingness to hold to maturity.

Recognition

Assets due to be held to maturity are initially recorded on the settlement date at their fair value, which normally coincides with the amount paid by the bank, including transaction costs.

Any assets booked under the terms of the amendment to IAS 39 regarding the application of fair value, as adopted by the European Union with EC Regulation 1004/2008 of 15/10/2008 are measured at their fair value as of 1 July 2008, providing they were on the books as of 1/7/2008; those booked subsequently are shown at their fair value at the date of reclassification.

Accounting policies

After initial recognition, they are measured at amortised cost using the effective interest method, subjecting such assets to impairment testing if there are any signs of a deterioration in the solvency of the issuers.

Recognition of components affecting the income statement

Components affecting the income statement are recognised according to the process of financial amortisation.



Derecognition

Financial assets held to maturity are derecognised on expiry of the contractual rights over the related financial flows.

4. Receivables

4.1 Cash loans and deposits

Classification

Receivables comprise deposits with banks and loans to customers, made directly or acquired from third parties, which have fixed or determinable payments, not listed on an active market.

Recognition

Receivables and loans are classified in the receivables portfolio when they are paid out or acquired and cannot be transferred to other portfolios subsequently. Repurchase agreements are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a receivable for the spot amount paid. Changes in receivables regarding transactions not yet settled are governed by the «settlement date» method. Loans are initially recorded at their fair value when they were paid out or acquired, which usually corresponds to the amount paid out or the current value paid to acquire them. The initially recorded value includes any transaction costs and revenues directly associated with each loan.

Accounting policies

Subsequent to initial recognition, valuations are carried out on an amortised cost basis, using the effective interest method. Amortised cost is represented by the initial value net of any repayments of principal, as uplifted or decreased by writebacks or writedowns and the amortisation of the difference between the amount paid and that recoverable on maturity. The effective interest rate is the rate using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. Short-term loans without a specific repayment date and loans repayable on demand are booked at their historical cost, as the calculation of the amortised cost does not produce significant differences with respect to this value. The effective interest rate identified initially, or when the indexing parameter for the loan is modified, is used subsequently to discount the expected cash flows, even if the loan is later restructured and changes are made to the contractual rate.

Loans are subjected to impairment testing at each reporting date to check for any loss in value due to deterioration in the solvency of borrowers.

The following categories of impaired loan are subjected to specific analysis:

- a) non-performing loans;
- b) watchlist loans;
- c) restructured loans.

Losses in the value of individual loans are represented by the extent to which their recoverable value is lower than their amortised cost. Recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

- a) value of contractual cash flows net of any expected losses, estimated with reference to the ability of borrowers to meet their obligations and the value of any secured or personal guarantees obtained;
- b) expected timing of recoveries, considering the progress made by recovery procedures;
- c) internal rate of return.

The specific analysis of non-performing loans takes the following parameters into account:

- a) recoveries forecast by the account managers;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates or the actual contractual rates applying at the time of classifying the loans as doubtful.

The specific analysis of watchlist loans takes the following parameters into account:

- a) recoveries forecast by the offices concerned;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates represented by the actual contractual rates applying at the time the loans were added to the watchlist.

The specific analysis of restructured loans takes the following parameters into account:

- a) plans for the recovery and/or restructuring of the loans, considering the assessment made by the offices concerned;
- b) discounting rates represented by the actual or contractual interest rates applying prior to reaching agreement with the borrowers.

Past due/overdrawn loans determined in accordance with the latest rules introduced by the Supervisory Authority are valued on the basis of a series of adjustment percentages that depend on historical loss statistics recorded for the same type of transaction.

Performing loans that do not show any objective signs of impairment are valued on a collective basis. Such loans aggregated in homogeneous classes with similar characteristics have applied to them impairment coefficients that are estimated on the basis of statistical data and expressed as the probability of default (PD) by the customer and the extent of the loss given default (LGD).

As a result of the regulatory change adopted by the Supervisory Authority, loans to borrowers resident in countries considered to be at risk are no longer valued separately.

Recognition of components affecting the income statement

Interest on loans is shown under «Interest income and similar revenues».

Reductions or recoveries of partial or entire amounts previously written down are booked to the income statement.

Any writebacks do not exceed the (specific and general or «portfolio») impairment adjustments recorded previously.

Derecognition

Loans are derecognised when substantially all the related risks and benefits have been transferred and no control over them is retained.

4.2 Endorsement loans

Classification

Endorsement loans consist of all secured and unsecured guarantees given for third-party obligations.



Recognition and measurement

Endorsement loans are valued on the basis of the riskiness of this particular form loan, taking into account the creditworthiness of the borrower.

Recognition of components affecting the income statement

The commissions accrued are shown in the income statement under «fee and commission income». Impairment losses, and subsequent write-backs, are booked to the income statement under «net impairment adjustments to other financial assets» with the contra-entry to other assets.

5. Financial assets carried at fair value

The portfolio of «Financial assets carried at fair value» comprises the securities for which the «fair value option» has been applied. The recognition, measurement and derecognition criteria applied are the same as those adopted in relation to financial assets held for trading.

The income elements relating to instruments classified as financial assets carried at fair value booked to the income statement in the period when they arise to «net change in financial assets and liabilities carried at fair value».

6. Hedging transactions

Classification and recognition

The portfolio of hedging derivatives comprises the derivative instruments used by the Bank to neutralise or minimise the losses arising in relation to hedged assets and liabilities.

The hedging of market risks can take two different forms:

- a) fair value hedges of the exposure to changes in the fair value of a balance sheet item attributable to a specific risk;
- b) cash flow hedges of the exposure to changes in future cash flows attributable to specific risks associated with balance sheet items.

A transaction can be recorded as a «hedge» if it satisfies the following conditions: a) the hedging relationship must be formally documented; b) the hedge must be effective at its inception and prospectively throughout its life. Effectiveness is tested using specific techniques and exists when the changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the related changes in the hedged instrument (the results of the test fall into the 80% - 125% interval). The effectiveness of the hedge is assessed at each interim reporting date and at year end. If the test reveals that the hedge is not sufficiently effective, the instrument is reclassified to the trading portfolio.

Hedging instruments are recorded using the «contract date» method.

Measurement and recognition of components affecting the income statement

Fair value hedges are measured and recorded on the following basis:

- 1) hedging instruments are stated at their fair value; the fair value of instruments listed on active (efficient) markets is represented by their closing market price, while the fair value of instruments not listed on active markets corresponds to the present value of expected cash flows, which are determined having regard for the different risk profiles of the instruments subject to measurement. The measurement techniques used are those

normally adopted by the market. The resulting gains and losses are recorded in the «Net hedging gains (losses)» caption of the income statement;

- 2) hedged positions are stated at their fair value and any gains or losses attributable to the hedged risk are also recorded in the «Net hedging gains (losses)» caption of the income statement to match the change in the carrying value of the hedged item.

With regard to interest-earning financial instruments, if the hedge ceases to satisfy the recognition criteria, the difference between the carrying value of the hedged item at the time the hedge ceases and its carrying value had the hedge never existed is amortised to the income statement over the residual life of the original hedge; if the financial instruments concerned do not earn interest, this difference is recorded in the income statement immediately.

Cash flow hedges are measured and recorded on the following basis:

- 1) derivative instruments are stated at their fair value. The gains and losses deriving from the effective part of the hedge, net of the related deferred tax effect, are recorded among the valuation reserves within equity and only released to income when the hedged change in cash flows takes place;
- 2) the hedged item continues to be valued on the basis applicable to the category concerned.

Derecognition

Risk hedges cease to generate accounting effects when they expire, when they are closed out or terminated in advance, or when they cease to satisfy the recognition criteria.

7. Equity investments

Classification

The portfolio of equity investments comprises the holdings in subsidiary companies, associated companies and companies under joint control. It is assumed that control exists when more than half of the voting rights are held directly or indirectly, or if there is a dominant influence. A company is an associated company if the Group exercises significant influence over its activities or, in any case, if it holds 20% or more of the voting rights or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

- a) the Group has a representative on the Board of Directors or the equivalent body of the affiliate;
- b) the Bank takes part in the decision-making process, including decisions regarding dividends;
- c) there are significant transactions between the parent company and the affiliate;
- d) there is an exchange of managers;
- e) essential technical information is being provided.

There is joint control when the voting rights and control over the affiliate are split equally with others.

Recognition

Equity investments are initially recorded at cost on the settlement date, which normally coincides with the amount paid, including transaction costs.

Accounting policies

Investments are subsequently valued at equity, determined with reference to the value indicated in the latest approved financial statements.



The initially-recorded value of each equity investment is increased or decreased in proportion to the net profit or loss for the year of the company concerned, and is reduced by the amount of any dividends collected. If the solvency of an equity investment appears to have deteriorated, it is subjected to impairment testing to check if there has been any loss in value. The impairment loss is the difference between the lower new value and the previous carrying value.

Any subsequent writebacks cannot exceed the impairment losses recorded previously.

Measurement and recognition of components affecting the income statement

The negative differences on initial recognition, the interest in net profits or losses for the year, gains and losses on disposal and impairment losses are recorded in the «share of profit/loss of equity investments» caption of the income statement.

Derecognition

Equity investments are derecognised when the financial asset is sold together with the transfer of all the risks and benefits of ownership.

8. Property, plant and equipment

Classification

This caption includes buildings, land, installations, furniture, equipment, furnishings and machinery.

As required by IAS 17, assets held under finance leases are also classified in this caption.

Recognition

Property, plant and equipment are initially recorded at cost, including all expenses directly related to the asset's installation prior to being brought into service. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Accounting policies

Following initial recognition, property, plant and equipment are stated at cost net of accumulated depreciation and any permanent impairment of value. Depreciation is provided on a systematic basis over the useful lives of the various categories of asset. The total book value of property has been split, based on specific appraisals, between the value of buildings and that of the related land, which is not depreciated since it has an indefinite life. Property, plant and equipment are subjected to impairment testing at year end, or at interim reporting dates if there is evidence of a possible loss of value, and any impairment of their carrying value with respect to their recoverable value is charged to the income statement. Recoverable amount is defined as the asset's fair value, less any selling costs, or, if greater, its value in use as represented by the present value of future cash flows generated by the asset; subsequent writebacks do not exceed the impairment losses recorded previously.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and writebacks are recorded in the «net adjustments to intangible assets» caption of the income statement.

Derecognition

Property, plant and equipment are derecognised on disposal or when their economic lives are over and they are not expected to generate any further economic benefits.

9. Intangible assets

Classification

This caption comprises identifiable, intangible, non-monetary assets that will benefit future years.

Recognition

Intangible assets are recorded at purchase cost, as adjusted for any related charges, only if it is probable that the future economic benefits attributable to them will be realised and their cost can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed in the period incurred; any costs incurred subsequently are only capitalised if they increase the value of or the economic benefits expected from the assets concerned.

Accounting policies

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any impairment in value.

Amortisation is provided on a systematic, straight-line basis over the expected useful lives of the intangible assets concerned.

If there is evidence of impairment at the reporting date, the asset's recoverable amount is estimated: the impairment loss, being the difference between the carrying value and the recoverable amount, is charged to the income statement.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and writebacks are recorded in the «net adjustments to intangible assets» caption of the income statement.

Derecognition

Intangible assets are derecognised when they are not expected to generate any further economic benefits.

10. Non-current assets held for sale and discontinued operations

Non-current assets are only included in this item when it is considered very probable that they will be sold. They are measured at the lower of book value and fair value, net of selling costs. Differences arising on valuation are booked to the income statement.

11. Current and deferred taxation

Tax receivables and payables are reported in the balance sheet as «Tax assets» and «Tax liabilities». Current taxes include advance payments (current assets) and amounts due (current liabilities) in relation to income taxes for the year. Tax liabilities are determined by applying the current tax rates and regulations. Tax assets and liabilities also include a reasonable estimate of the risks deriving from outstanding tax disputes.

Taxable or deductible timing differences give rise to the recognition of deferred tax assets and liabilities. No deferred taxes are provided in relation to higher asset values or reserves subject to the deferral of taxation since, at present, the conditions for the payment of such taxation in future do not apply. Deferred tax assets are recognised using the liability method, only if their recovery in future years is reasonably certain.

Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in this case, the matching entries are also recorded within equity.

12. Provisions for risks and charges

This caption comprises the following provisions:

- a) Provisions for other long-term employee benefits. These are included in «Provisions for risks and charges» based on the valuation of liabilities at the date of preparation of the financial statements using the «projected unit credit method» as in the case of the reserve for termination indemnities; once again, the actuarial gains and losses deriving from actuarial estimates are booked to the income statement. They consist of:
 - 1) Post-employment benefits. This is classified as an «internal» pension fund and represents a defined-benefit obligation. The Bank has not adopted the «corridor» method allowed by IAS 19. The bank is responsible for any unfunded liabilities.
 - 2) Provision for long-service bonuses. This represents the liability for bonuses to employees who reached a period of service of 30 years. It is recorded under «other provisions».
- b) Other provisions. This caption comprises the provision for long-service bonuses mentioned above and provisions recorded for liabilities whose timing and extent cannot be determined. They are recorded when the following conditions are met:
 - 1) the bank has a current obligation (legal or implicit) at the reporting date, as a result of a past event;
 - 2) it is likely that settlement of the obligation will involve the use of economic resources;
 - 3) a reliable estimate can be made of the amount necessary to settle the obligation.

These provisions are stated at their present value if recognition of the time value of money has a significant effect (settlements to be made more than 12 months after the date of recognition).

13. Payables and debt securities in issue

Classification

Amounts due to customers and banks and debt securities in issue comprise the financial instruments (other than trading instruments) that represent the normal funding of the Group's activities by customers and other banks, or by the issue of securities. This caption also includes the liability deriving from finance lease transactions.

Recognition

These financial liabilities are recorded using the settlement date method. They are initially recognised at their fair value, which is usually represented by the amount collected by the bank. The amount initially recorded includes any transaction costs and revenues that are directly related to each liability; this amount does not include the charges made to creditors in order to recover administrative costs.

The elements of structured funding, comprising a host instrument and one or more embedded derivatives, are split and recorded separately from the related implicit derivatives, on condition that the economic characteristics and risks of the embedded derivatives are substantially different to those of the host instrument and that the derivatives can be configured as autonomous derivative contracts.

Accounting policies

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Short-term liabilities are stated at the amount collected.

Liabilities covered by effective hedges are valued in accordance with the regulations applying to such transactions.

Recognition of components affecting the income statement

Interest expense linked to funding instruments are booked to the income statement under «Interest expense and similar charges».

Gains and losses on the repurchase of liabilities are recorded in the income statement under «gains/losses on disposals or repurchases of financial liabilities»

Derecognition

Financial liabilities are derecognised when they expire or are settled.

Funding liabilities that are subsequently repurchased are eliminated from the financial statements.

14. Financial liabilities held for trading

This caption comprises derivative instruments with a negative fair value, except for hedging derivatives. The total also includes the negative value of derivatives separated from their underlying structured financial instruments, when the conditions for such separation apply. The criteria for classification, cancellation, measurement and recognition of components affecting the income statement are the same as those described in relation to assets held for trading.

15. Financial liabilities at fair value

The financial statements do not include any financial liabilities at fair value.

16. Currency transactions

Classification

They include all assets and liabilities denominated in currencies other than Euro.



Recognition

Assets and liabilities denominated in currencies other than the euro are recognised initially using the spot exchange rates applying on the transaction dates.

Accounting policies

On the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at that time. Long-term investments expressed in foreign currency are converted at the exchange rate ruling at the time of purchase.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period.

Exchange differences on assets defined as available for sale are recorded under valuation reserves.

Derecognition

The policies applied are those indicated for the corresponding line items. The exchange rate used is the one ruling on the date of payment.

17. Termination indemnities

Termination indemnities are treated as a defined-benefit plan or a defined-benefit obligation. Accordingly, pursuant to IAS 19, the value of this obligation is determined by extrapolating the current liability, using actuarial assumptions, in order to estimate the amount that will be paid upon termination of the employment relationship and determine the present value of this amount. The actuarial calculations are performed using the projected unit credit method, under which each year of service originates an additional unit of indemnity that is used to calculate the final obligation. This calculation is performed by forecasting future payments with reference to historical-statistical analyses and the demographic curve, and discounting them using a market interest rate. The actuarial analysis is carried out each year by an independent actuary.

As a result of the reform of supplementary pensions by Decree 252 of 5 December 2005, the termination indemnities accrued up to 31 December 2006 remain in the company, whereas those accruing after that either have to be assigned to some form of supplementary pension fund or kept in the company and subsequently transferred to INPS, depending on the preference of the individual employee. This has entailed changes in the underlying assumptions used for the actuarial calculation: in particular, account no longer has to be taken of the average annual rate of increase in salaries.

In compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a supplementary pension fund established pursuant to current in-house agreements.

The actuarial gains and losses arising from adjustments to the actuarial estimates are recorded in the income statement with reference to the estimated residual period of service of employees.

18. Other information

All assets sold have been eliminated from the financial statements.

The Bank and other Group companies have not established any stock option plans.

Revenues are recorded as received or when collection becomes likely and a reasonable estimate can be made of the amount to be received. In particular, the default interest accrued on doubtful accounts is only credited to the income statement upon collection.

Dividends are recorded upon collection.

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

In order to give a more precise analysis of administrative expenses, we have reclassified to «other administrative expenses» those costs that are not strictly attributable to personnel and which were previously reported under «personnel costs». Given that the amount involved is immaterial, we have not reclassified the comparative figures.

In compliance with the Bank of Italy's 1st update of its circular letter 262/05 on 18/11/2009, assets sold but not eliminated and impaired assets have been reclassified to their respective items. The prior year figure has been adjusted in the same way for clarity.



A.3 INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

A.3.1.1 Reclassified financial assets: book value, fair value and the impact on comprehensive income

Type of financial instruments	Portfolio of origin	Portfolio of destination	Book value at 31.12.2009	Fair value at 31.12.2009	Income items without any transfer (pre-tax)		Income items recorded during the year (pre-tax)	
					Valuation	Others	Valuation	Others
Fixed-yield securities	Financial assets held for trading	Financial assets held to maturity	226,281	219,921	26,553	4,638	2,113	4,638

A.3.2 Fair value hierarchy

Measurements at fair value are calculated on the basis of a hierarchy of levels that reflect the reliability of the inputs used. These levels are:

- prices (without adjustments) on active markets - according the definition of IAS 39 - for the assets and liabilities being measured (level 1);
- inputs other than the listed prices mentioned above; these can be seen directly (prices) or indirectly (derived from prices) on the market (level 2);
- inputs not based on market observable data (level 3),

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

Financial assets/liabilities carried at fair value	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	2,562,679	323,522	10,788	3,020,453	493,025	17,136
2. Financial assets carried at fair value	45,537	53,285	-	45,478	59,739	-
3. Financial assets available for sale	18,317	84,910	10,220	26,965	53,523	10,045
4. Hedging derivatives	-	11	-	-	89	-
Total	2,626,533	461,728	21,008	3,092,896	606,376	27,181
1. Financial assets held for trading	87	72,430	-	-	277,600	-
2. Financial liabilities carried at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	11,330	-	-	5,050	-
Total	87	83,760	-	-	282,650	-

There were no significant transfers between the various levels during the year.

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

	Financial assets			
	held for trading	carried at fair value	available for sale	for hedging
1. Opening balance	17,136	-	10,045	-
2. Increases	406	-	937	-
2.1 Purchases	-	-	932	-
2.2 Income booked to:	406	-	5	-
2.2.1 Income statement	406	-	5	-
- of which realized gains	74	-	5	-
2.2.2 Equity	-	-	-	-
2.3 Transfers from other levels	-	-	-	-
2.4 Other increases	-	-	-	-
3. Decreases	6,754	-	762	-
3.1 Sales	-	-	-	-
3.2 Reimbursements	2,341	-	-	-
3.3 Losses booked to:	142	-	762	-
3.3.1 Income statement	142	-	362	-
- of which realised losses	142	-	362	-
3.3.2 Equity	-	-	400	-
3.4 Transfers to other levels	3,726	-	-	-
3.5 Other decreases	545	-	-	-
4. Closing balance	10,788	-	10,220	-

The transfers to other levels are due to the reclassification of a debt security to level 2, as it was possible to measure it using market observable inputs.

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

	Financial liabilities		
	held for trading	carried at fair value	for hedging
1. Opening balance	-	-	-
2. Increases	-	-	-
2.1 Issues	-	-	-
2.2 Losses booked to:	-	-	-
2.2.1 Income statement	-	-	-
- of which realized losses	-	-	-
2.2.2 Equity	-	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	-	-	-
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Income booked to:	-	-	-
3.3.1 Income statement	-	-	-
- of which realized gains	-	-	-
3.3.2 Equity	-	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	-	-	-

A.3.3 Information on the so-called «day one profit/loss»

We do not have any transactions outstanding which could generate significant income that could be defined as «day one profit/loss».



PART B *Information on the balance sheet*

Assets

Section 1 *Cash and cash equivalents - line item 10*

1.1 Cash and balances with central banks: analysis

	31/12/2009	31/12/2008
a) Cash	91,270	94,805
b) Unrestricted deposits with central banks	31,628	19,694
Total	122,898	114,499

Section 2 *Financial assets held for trading - line item 20*

2.1 Financial assets held for trading: breakdown by sector

Items/Amounts	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Fixed-yield securities	2,519,743	246,942	10,788	2,981,538	223,613	17,136
1.1 Structured securities	3,043	34,053	1,915	-	26,885	5,548
1.2 Other fixed-yield securities	2,516,700	212,889	8,873	2,981,538	196,728	11,588
2. Variable-yield securities	40,989	1,703	-	36,618	1,623	-
3. Mutual funds	1,862	9,888	-	2,291	12,269	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	2,562,594	258,533	10,788	3,020,447	237,505	17,136
B. Derivatives						
1. Financial derivatives	85	64,989	-	6	255,520	-
1.1 for trading	85	64,989	-	6	255,520	-
1.2 connected with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	85	64,989	-	6	255,520	-
Total (A+B)	2,562,679	323,522	10,788	3,020,453	493,025	17,136

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

The other debt securities shown under level 3 are made up of a bond deriving from the securitisation of loans. The valuation of this instrument was made using internal valuation models based on discounting future cash flows and applying an average credit spread for Italian ABS with a corresponding rating.

2.2 Financial assets held for trading: breakdown by debtor/issuer

Items/Amounts	31/12/2009	31/12/2008
A. Cash assets	-	-
1. Fixed-yield securities	2,777,473	3,222,287
a) Governments and central banks	2,448,257	2,903,892
b) Other public entities	4,846	6,422
c) Banks	189,854	144,320
d) Other issuers	134,516	167,653
2. Variable-yield securities	42,692	38,241
a) Banks	14,489	13,033
b) Other issuers:	28,203	25,208
- insurance companies	4,074	5,070
- financial companies	864	543
- non-financial companies	23,265	19,595
- other	-	-
3. Mutual funds	11,750	14,560
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	2,831,915	3,275,088
B. Derivatives		
a) Banks	29,405	80,192
- fair value	29,405	80,192
b) Customers	35,669	175,334
- fair value	35,669	175,334
Total B	65,074	255,526
Total (A+B)	2,896,989	3,530,614

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

Mutual funds are made up of: bond funds and sicavs for € 8.663 million, real estate funds for € 0.365 million, and other funds for € 2.722 million.



2.3 Cash financial assets held for trading: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total
A. Opening balance	3,222,287	38,241	14,560	-	3,275,088
B. Increases	7,928,652	87,249	20,920	-	8,036,821
B.1 Purchases	7,755,346	79,707	19,029	-	7,854,082
B.2 Positive changes in fair value	62,139	2,506	683	-	65,328
B.3 Other changes	111,167	5,036	1,208	-	117,411
C. Decreases	8,373,466	82,798	23,730	-	8,479,994
C.1 Disposals	8,190,873	81,753	23,367	-	8,295,993
C.2 Reimbursements	93,231	-	-	-	93,231
C.3 Negative changes in fair value	4,178	669	74	-	4,921
C.4 Transfer to other portfolios	-	-	-	-	-
C.5 Other changes	85,184	376	289	-	85,849
D. Closing balance	2,777,473	42,692	11,750	-	2,831,915

Section 3 Financial assets carried at fair value - line item 30

3.1 Financial assets carried at fair value: breakdown by sector

Items/Amounts	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	43,880	-	-	44,111	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	43,880	-	-	44,111	-	-
2. Variable-yield securities	-	-	-	-	-	-
3. Mutual funds	1,657	53,285	-	1,367	59,739	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	45,537	53,285	-	45,478	59,739	-
Cost	44,886	47,192	-	45,658	76,263	-

This portfolio includes all securities, other than those booked to the trading portfolio, which the bank has decided to measure at fair value, charging any gains or losses to the income statement, in line with a documented system of risk management based on a board resolution passed on 27/7/2005. Information on the performance of these securities is provided regularly to the managers in charge.

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

Items/Amounts	31/12/2009	31/12/2008
1. Fixed-yield securities	43,880	44,111
a) Governments and central banks	43,880	44,111
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Variable-yield securities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Mutual funds	54,942	61,106
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	98,822	105,217

Mutual funds are made up of: bond funds and sicavs for € 18.278 million, funds and sicavs for € 26.463 million, real estate funds for € 1.657 million, monetary funds for € 3.499 million and flexible funds for € 5.045 million.

3.3 Financial assets carried at fair value: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2009
A. Opening balance	44,111	-	61,106	-	105,217
B. Increases	62,351	-	6,394	-	68,745
B1. Purchases	60,335	-	-	-	60,335
B2. Positive changes in fair value	361	-	6,383	-	6,744
B3. Other changes	1,655	-	11	-	1,666
C. Decreases	62,582	-	12,558	-	75,140
C1. Disposals	61,021	-	12,481	-	73,502
C2. Reimbursements	492	-	-	-	492
C3. Negative changes in fair value	-	-	77	-	77
C4. Other changes	1,069	-	-	-	1,069
D. Closing balance	43,880	-	54,942	-	98,822



Section 4 Available-for-sale financial assets - line item 40

4.1 Financial assets available for sale: breakdown by sector

Items/Amounts	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Fixed-yield securities	-	30,092	-	-	30,666	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	-	30,092	-	-	30,666	-
2. Variable-yield securities	18,317	54,818	-	26,965	22,857	-
2.1 Carried at fair value	18,317	6,587	-	26,965	-	-
2.2 Carried at cost	-	48,231	-	-	22,857	-
3. Mutual funds	-	-	10,220	-	-	10,045
4. Loans	-	-	-	-	-	-
Total	18,317	84,910	10,220	26,965	53,523	10,045

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

Unlisted equities remain at cost, adjusted if necessary for impairment, because of the problems involved in establishing their fair value at the year end.

A comparison between the cost and net equity of these unlisted equities based on the latest available financial statements did not give rise to impairment losses.

Mutual funds all consist of closed-end unlisted equity funds. These instruments have been valued at the price communicated by the fund managers, which represents the fund's net assets value (NAV).

4.2 Financial assets available for sale: breakdown by debtor/issuer

Items/Amounts	31/12/2009	31/12/2008
1. Fixed-yield securities	30,092	30,666
a) Governments and central banks	-	-
b) Other public entities	1,316	1,340
c) Banks	28,018	28,056
d) Other issuers	758	1,270
2. Variable-yield securities	73,135	49,822
a) Banks	19,678	29,527
b) Other issuers:	53,457	20,295
- insurance companies	2,126	2,519
- financial companies	32,737	7,621
- non-financial companies	18,592	10,153
- other	2	2
3. Mutual funds	10,220	10,045
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	113,447	90,533

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

4.4 Financial assets available for sale: changes during the year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2009
A. Opening balance	30,666	49,822	10,045	-	90,533
B. Increases	1,439	37,280	937	-	39,656
B1. Purchases	758	26,261	932	-	27,951
B2. Positive changes in fair value	-	1,576	-	-	1,576
B3. Write-backs	-	-	5	-	5
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	5	-	5
B4. Transfers from other asset portfolios	-	-	-	-	-
B5. Other changes	681	9,443	-	-	10,124
C. Decreases	2,013	13,967	762	-	16,742
C1. Disposals	-	13,086	-	-	13,086
C2. Reimbursements	1,263	-	-	-	1,263
C3. Negative changes in fair value	-	274	400	-	674
C4. Impairment write-downs	-	-	362	-	362
- booked to income statement	-	-	362	-	362
- booked to equity	-	-	-	-	-
C5. Transfers to other asset portfolios	-	606	-	-	606
C6. Other changes	750	1	-	-	751
D. Closing balance	30,092	73,135	10,220	-	113,447

Purchases of variable-yield securities include the purchase of an interest in Release spa for € 24.648 million as part of the reorganisation of the Banca Italease Group. Other increases include € 7.750 million for the book value of the shares in Aedes spa and Gabetti spa that arose from the restructuring of loans, in addition to accrued interest coupons.

The decrease in variable-yield securities is mainly attributable to the transfer to equity investments of the interest in Meliorbanca spa for € 12.896 million on acceptance of the takeover bid promoted by Banca Popolare dell'Emilia Romagna.

Other decreases mainly concern collected coupons.

Section 5 Financial assets held to maturity - line item 50

5.1 Financial assets held to maturity: breakdown by sector

Type of transaction/Amounts	31/12/2009				31/12/2008			
	Book Value	Fair Value			Book Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Fixed-yield securities	263,654	5,636	252,703	-	264,105	4,352	216,221	-
1.1 Structured securities	11,591	-	10,589	-	11,572	-	9,640	-
1.2 Other fixed-yield securities	252,063	5,636	242,114	-	252,533	4,352	206,581	-
2. Loans	-	-	-	-	-	-	-	-

In 2008 we transferred securities held for trading to this portfolio for a total par value of € 242.686 million, taking advantage of the amendment issued by IASB on 13/10/2008 and adopted by the European Commission with Regulation 1004/2008 on 15/10/2008.

If the securities transferred, which are currently in portfolio at an amount of € 234.108 million at par, had been measured at fair value at the date of the financial statements, they would have been worth € 219.921 million with a loss of € 6.360 million.

5.2 Financial assets held to maturity: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2009	31/12/2008
1. Fixed-yield securities	263,654	264,105
a) Governments and central banks	5,458	4,415
b) Other public entities	-	-
c) Banks	171,151	177,257
d) Other issuers	87,045	82,433
2. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	263,654	264,105

5.4 Financial assets held to maturity: changes during the year

	Fixed-yield securities	Loans	Total
A. Opening balance	264,105	-	264,105
B. Increases	15,941	-	15,941
B1. Purchases	6,390	-	6,390
B2. Write-backs	-	-	-
B3. Transfers from other asset portfolios	-	-	-
B4. Other changes	9,551	-	9,551
C. Decreases	16,392	-	16,392
C1. Disposals	1,037	-	1,037
C2. Reimbursements	7,488	-	7,488
C3. Write-downs	-	-	-
C4. Transfers to other asset portfolios	-	-	-
C5. Other changes	7,867	-	7,867
D. Closing balance	263,654	-	263,654

Other increases concern interest coupons and premiums and the positive element of amortised cost. Other decreases consist of collected coupons and the negative element of amortised cost.

Item C1. relates to the sale of a bond following acceptance of the public share exchange offering launched by Banco Popolare for Banca Italease.

Section 6 Due from banks - line item 60

6.1 Loans and advances to banks: breakdown by sector

Type of transaction/Amounts	31/12/2009	31/12/2008
A. Deposits with central banks	121,373	67,055
1. Time deposits	-	-
2. Compulsory reserve	121,373	67,055
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from banks	955,347	870,206
1. Current accounts and sight deposits	95,785	200,642
2. Time deposits	856,698	414,594
3. Other loans	2,864	254,970
3.1 Repurchase agreements	-	-
3.2 Financial leases	-	-
3.3 Other	2,864	254,970
4. Fixed-yield securities	-	-
4.1 Structured securities	-	-
4.2 Other fixed-yield securities	-	-
Total (book value)	1,076,720	937,261
Total (fair value)	1,076,720	937,261

These receivables are not specifically hedged.

Their fair value is equal to their book value as they are short-term loans repayable on demand.

Section 7 Due from customers - line item 70

7.1 Due from customers: breakdown by sector

Type of transaction/Amounts	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Current account	5,821,215	269,121	5,288,362	164,735
2. Repurchase agreements	-	-	-	-
3. Mortgage loans	7,686,306	239,437	6,451,462	153,750
4. Credit cards, personal loans and assignments of one-fifth of salary	90,660	5,059	88,321	2,957
5. Financial lease	-	-	-	-
6. Factoring	-	-	-	-
7. Other transactions	3,996,755	47,292	4,010,121	7,887
8. Fixed-yield securities	-	-	-	-
8.1 Structured securities	-	-	-	-
8.2 Other fixed-yield securities	-	-	-	-
Total (book value)	17,594,936	560,909	15,838,266	329,329
Total (fair value)	17,850,531	560,909	16,080,172	329,329

Part of these receivables are specifically hedged, as shown in table 7.3.

Reference should be made to Part E Information on risks and related hedging policies, Section 1, Credit risk with regard to «impaired assets».

The difference between fair value and book value is mainly attributable to the difference between market rates and the rates used to value fixed-rate loans.



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

Type of transaction/Amounts	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Fixed-yield securities:				
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	-	-	-	-
- non-financial companies	-	-	-	-
- financial companies	-	-	-	-
- insurance companies	-	-	-	-
- other	-	-	-	-
2. Loans to:				
a) Governments	676	-	4,351	-
b) Other public entities	74,738	3	85,345	-
c) Other issuers	17,519,522	560,906	15,748,570	329,329
- non-financial companies	12,066,405	445,839	10,667,861	242,900
- financial companies	1,407,046	6,218	1,109,920	10,464
- insurance companies	4,710	-	3,964	-
- other	4,041,361	108,849	3,966,825	75,965
Total	17,594,936	560,909	15,838,266	329,329

7.3 Due from customers: assets covered by micro hedges

Type of transaction/Amounts	31/12/2009	31/12/2008
1. Loans covered by micro fair-value hedges:		
a) interest rate risk	594,002	208,257
b) exchange risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Loans covered by micro cash-flow hedges:		
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	594,002	208,257

Section 8 Hedging derivatives - line item 80

8.1 Hedging derivatives: breakdown by type of hedge and by level

	Fair Value 31/12/2009			Nominal value 31/12/2009	Fair Value 31/12/2008			Nominal value 31/12/2008
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	-	11	-	14,829	-	89	-	23,906
1. Fair value	-	11	-	14,829	-	89	-	23,906
2. Financial flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
Total	-	11	-	14,829	-	89	-	23,906

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

Transaction/ Type of hedge	Fair Value					Financial flows			
	Micro					Macro	Micro	Macro	Foreign investments
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-
2. Loans	11	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
Total assets	11	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-
1. Expected transactions	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-



Section 10 Equity investments - line item 100

10.1 Investments in companies under joint control (valued at equity) and companies subject to significant influence: disclosures

Name	Location	Type of relationship	Type of investment		% held	% of votes
			Parent company			
B. Enterprises						
1. RAJNA IMMOBILIARE S.r.l.	Via Ragazzi del '99. 19 - Sondrio	7	Banca Popolare di Sondrio		50.000	50.000
2. ARCA VITA S.p.A.	Via San Marco. 48 - Verona	8	Banca Popolare di Sondrio		14.927	14.927
3. SOFIPO FIDUCIAIRE SA	Via Balestra. 22/b - Lugano	8	Banca Popolare di Sondrio (SUISSE) SA		30.000	30.000
4. B & A BROKER S.p.A.	Piazza Stuparich 18 - Milano	8	Banca Popolare di Sondrio		28.571	28.571
5. ALBA LEASING S.p.A.	Via Sile 18 - Milan	8	Banca Popolare di Sondrio		20.950	20.950

Key:

- 1 = majority of voting rights at ordinary shareholders' meeting
- 2 = dominant influence at the ordinary shareholders' meeting
- 3 = agreements with other shareholders
- 4 = other forms of control
- 5 = single management as per art. 26.2 of Decree 87/92
- 6 = single management as per art. 26.2 of Decree 87/92
- 7 = joint control
- 8 = associated company

10.2 Investments in companies under joint control and companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Net profit (loss)	Equity	Book value	Fair value
A. Companies valued at equity						
A.1 under joint control						
1. RAJNA IMMOBILIARE S.r.l.	988	157	56	679	339	-
A.2 Subject to significant influence						
2. ARCA VITA S.p.A.	2,946,120	664,307	-19,939	124,668	32,810	-
3. SOFIPO FIDUCIAIRE SA	3,290	3,986	195	2,275	682	-
4. B & A BROKER S.p.A.	6,325	2,718	515	1,331	380	-
5. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.R.L.	645	795	27	254	32	-
6. ALBA LEASING S.p.A.	-	-	-	-	75,420	-

The fair value is not shown for companies that are not listed on active markets.

10.3 Equity investments: changes during the year

	31/12/2009	31/12/2008
A. Opening balance	87,238	66,297
B. Increases	81,231	59,512
B1. Purchases	80,523	-
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	708	59,512
C. Decreases	58,572	38,571
C1. Disposals	14,730	-
C2. Write-downs	-	38,571
C3. Other changes	43,842	-
D. Closing balance	109,897	87,238
E. Total revaluations	-	-
F. Total write-downs	43,731	43,731

Increases consist of the purchase of the interest in Alba Leasing for € 75.420 million and the subscription of the increase in capital of Arca Vita spa for € 5.103 million.

The other changes relate principally to increases in the portions of net equity.

Decreases mainly consist of the sale of the equity investments in Banca Italease spa for € 14.489 million and other changes due to the transfer to «non-current assets and disposal groups held for sale» of part of the interest in Arca Vita spa and the entire interest in Arca Assicurazioni spa.

10.4 - 10.5 Commitments relating to investments in subsidiaries, companies under joint control and associated companies

There are no joint and several commitments that might give rise to contingencies.

Guarantees and commitments given comprise a commitment in favour of Alba Leasing spa granted when this company started up as part of the reorganisation of Banca Italease spa.

The commitment relates to the potential deterioration of the performing portfolio transferred to Alba Leasing spa. At the date of preparation of these financial statements there are no elements which could give rise to liabilities for the Bank.



Section 12 Property, plant and equipment - line item 120

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

Assets/Values	31/12/2009	31/12/2008
A. Assets used for business purposes		
1.1 owned	142,429	132,789
a) land	42,346	40,718
b) buildings	71,797	65,613
c) furniture	9,535	8,872
d) IT equipment	7,739	6,924
e) other	11,012	10,662
1.2 purchased under finance leases	42,853	50,159
a) land	11,047	11,047
b) buildings	31,806	39,112
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total A	185,282	182,948
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 purchased under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	185,282	182,948

12.3 Property, plant and equipment used for business purposes: changes during the year

	Land	Buildings	Furniture	IT equipment	Other	Total 31/12/2009
A. Opening gross amount	51,765	162,863	18,889	16,858	35,291	285,666
A1. Total net reductions in value	-	58,138	10,017	9,934	24,629	102,718
A2. Opening net amount	51,765	104,725	8,872	6,924	10,662	182,948
B. Increases	1,629	11,924	2,876	3,635	6,087	26,151
B1. Purchases	1,627	6,861	2,874	3,631	6,085	21,078
B2. Capitalised improvement expenditure	-	5,052	-	-	-	5,052
B3. Write-backs	-	-	-	-	-	-
B4. Fair value increases booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B5. Positive exchange rate adjustments	2	11	2	4	2	21
B6. Transfers from investment property	-	-	-	-	-	-
B7. Other changes	-	-	-	-	-	-
C. Decreases	1	13,046	2,213	2,820	5,737	23,817
C1. Disposals	1	8,326	-	-	33	8,360
C2. Depreciation	-	4,708	2,206	2,803	5,691	15,408
C3. Impairment charges booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C4. Negative changes in fair value booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C5. Negative exchange rate adjustments	-	12	7	17	13	49
C6. Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	-	-	-	-	-	-
C7. Other changes	-	-	-	-	-	-
D. Closing net amount	53,393	103,603	9,535	7,739	11,012	185,282
D1. Total net reductions in value	-	-62,846	-12,223	-12,737	-30,320	-118,126
D2. Closing gross amount	53,393	166,449	21,758	20,476	41,332	303,408
E. Valuation at cost	-	-	-	-	-	-



Section 13 *Intangible assets - line item 130*

13.1 Intangible assets: breakdown by type

Assets/Values	31/12/2009		31/12/2008	
	Finite life	Finite life	Specified life	Indefinite life
A1. Goodwill	-	-	-	-
A1.1 attributable to the banking group	-	-	-	-
A1.2 attributable to minority interests	-	-	-	-
A2. Other intangible assets	8,207	-	6,626	-
A2.1 Carried at cost:	8,207	-	6,626	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	8,207	-	6,626	-
A2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Altre attività	-	-	-	-
Total	8,207	-	6,626	-

Intangible assets comprise the cost of purchasing software with a finite life that is amortised over that period, which is normally 3 years.

13.2 Intangible assets: change during the year

	Other intangible assets generated internally			Other intangible assets: other		Total 31/12/2008
	Goodwill	Finite life	Indefinite life	Finite life	Indefinite life	
A. Opening balance	-	-	-	48,179	-	48,179
A1. Total net reductions in value	-	-	-	41,553	-	41,553
A2. Opening net amount	-	-	-	6,626	-	6,626
B. Increases	-	-	-	9,568	-	9,568
B1. Purchases	-	-	-	9,568	-	9,568
B2. Increases in internally generated intangible assets	-	-	-	-	-	-
B3. Write-backs	-	-	-	-	-	-
B4. Positive changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B5. Exchange gains	-	-	-	-	-	-
B6. Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	7,987	-	7,987
C1. Disposals	-	-	-	-	-	-
C2. Write-downs	-	-	-	7,958	-	7,958
- Amortisation	-	-	-	7,958	-	7,958
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C4. Transfers to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C5. Exchange losses	-	-	-	29	-	29
C6. Other changes	-	-	-	-	-	-
D. Closing net amount	-	-	-	8,207	-	8,207
D1. Total net value adjustments	-	-	-	-49,511	-	-49,511
E. Closing gross amount	-	-	-	57,718	-	57,718
F. Valuation at cost	-	-	-	-	-	-

Key:

FIN: finite life

IND: indefinite life

Section 14 *Tax assets and liabilities - asset line item 140 and liability line item 80*

14.1 Deferred tax assets: breakdown

	31/12/2009	31/12/2008
Loan write-downs	20,960	5,097
Provisions for risks and charges	10,466	10,449
Deferred charges	7,630	4,546
Securities and equity investments	599	1,909
Administrative expenses	1,728	1,542
Amortisation and depreciation	998	869
Total	42,381	24,412

14.2 Deferred tax liabilities: breakdown

	31/12/2009	31/12/2008
Owned buildings	7,996	5,933
Accelerated depreciation	2,884	2,897
Leased buildings	2,051	2,198
Revaluation of securities and gains	567	559
Administrative expenses	1,981	1,672
Loans	4,416	3,133
Total	19,895	16,392

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

	31/12/2009	31/12/2008
1. Opening balance	23,488	18,826
2. Increases	23,781	13,053
2.1 Deferred tax assets arising during the year	23,781	12,647
a) relating to prior years	162	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) Other	23,619	12,647
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	406
3. Decreases	5,042	8,391
3.1 Deferred tax assets eliminated during the year	5,042	7,988
a) Reversals	5,042	7,988
b) written down as no longer recoverable	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	403
4. Closing balance	42,227	23,488

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

	31/12/2009	31/12/2008
1. Opening balance	15,041	23,296
2. Increases	4,079	1,111
2.1 Deferred tax liabilities arising during the year	1,759	689
a) relating to prior years	46	604
b) due to changes in accounting policies	-	-
c) Other	1,713	85
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,320	422
3. Decreases	575	9,366
3.1 Deferred tax liabilities eliminated during the year	575	9,366
a) Reversals	190	7,243
b) due to changes in accounting policies	-	-
c) Other	385	2,123
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	18,545	15,041

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

	31/12/2009	31/12/2008
1. Opening balance	924	479
2. Increases	-	477
2.1 Deferred tax assets arising during the year	-	477
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	-	477
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	770	32
3.1 Deferred tax assets eliminated during the year	770	32
a) reversals	770	32
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	154	924

This amount relates to the tax on the losses on securities available for sale booked to equity.



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

	31/12/2009	31/12/2008
1. Opening balance	1,351	2,275
2. Increases	59	131
2.1 Deferred tax liabilities arising during the year	59	-
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	59	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	131
3. Decreases	60	1,055
3.1 Deferred tax liabilities eliminated during the year	60	1,055
a) reversals	60	1,055
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	1,350	1,351

This amount relates to the tax on the gains on securities available for sale booked to equity.

Section 15 *Non-current assets held for sale and discontinued operations and related liabilities - asset item 150 and liability item 90*

15.1 Non-current assets and disposal groups held for sale: breakdown by type

	31/12/2009	31/12/2008
A. Individual assets		
A1. Financial assets	-	-
A2. Equity investments	60,378	-
A3. Property, plant and equipment	-	-
A4. Intangible assets	-	-
A5. Other non-current assets	-	-
Total A	60,378	-
B. Disposal groups of assets (discontinued operations)		
B1. Financial assets held for trading	-	-
B2. Financial assets carried at fair value	-	-
B3. Available-for-sale financial assets	-	-
B4. Financial assets held to maturity	-	-
B5. Due from other banks	-	-
B6. Due from customers	-	-
B7. Investment securities	-	-
B8. Property, plant and equipment	-	-
B9. Intangible assets	-	-
B10. Other assets	-	6,016
Total B	-	6,016
C. Liabilities associated with individual assets held for sale		
C1. Payables	-	-
C2. Securities	-	-
C3. Other liabilities	-	-
Total C	-	-
D. Liabilities associated with disposal groups of assets		
D1. Due to other banks	-	-
D2. Customer deposits	-	-
D3. Securities issued	-	-
D4. Financial liabilities held for trading	-	-
D5. Financial liabilities carried at fair value	-	-
D6. Provisions	-	-
D7. Other liabilities	-	-
Total D	-	-

This item includes part of the interest in Arca Vita spa (25%) and the entire interest in Arca Assicurazioni spa for which the Bank has reached an agreement for the sale of these shareholdings to Unipol Gruppo Finanziario as part of the redefinition of strategies in the field of bancassurance.

The building owned by the subsidiary Immobiliare San Paolo srl, shown at 31/12/2008 under «non-current assets and disposal groups held for sale» for € 6.016 million has been reclassified as the negotiations for its sale, while still underway, have taken longer than expected.



Section 16 *Other assets - line item 160*

16.1 Other assets: breakdown

	31/12/2009	31/12/2008
Advances paid to tax authorities	15,793	12,748
Withholdings on interest due to customers	63	392
Tax credits and related interest	47,718	1,824
Unpaid cheques and bills	1,255	4,372
Current account cheques drawn on third parties	42,841	39,702
Current account cheques drawn on Group banks	24,102	24,099
Transactions in customers' securities	92	215
Inventories	12,829	6,490
Costs pertaining to the subsequent year	965	681
Advances to suppliers	9,507	16,161
Advances to customers awaiting collections	89,846	93,040
Miscellaneous debits in transit	14,488	28,570
Liquidity of pension fund	4,718	6,307
Accrued income not allocated	22,178	14,654
Prepayments not allocated	7,658	5,412
Differences on elimination	37	52
Residual items	25,934	18,790
Total	320,024	273,509

Liabilities and equity

Section 1 *Due to banks - line item 10*

1.1 Deposits from banks: breakdown by type

Type of transaction/Members of the Group	31/12/2009	31/12/2008
1. Due to central banks	20,829	18,001
2. Due to banks	1,777,110	1,048,330
2.1 Current accounts and sight deposits	272,274	190,896
2.2 Time deposits	1,232,690	672,942
2.3 Loans	272,135	183,061
2.3.1 Repurchase agreements	126,492	-
2.3.2 Other	145,643	183,061
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	11	1,431
Total	1,797,939	1,066,331
Fair value	1,797,939	1,066,331

These payables are not specifically hedged.

The fair value is assumed to be the same as the book value as the amounts are short-term or due on demand.

1.5 Payables for finance leases

	31/12/2009	31/12/2008
Payables for finance leases	28,827	38,400

Section 2 Due to customers - line item 20

2.1 Customer deposits: breakdown by sector

Type of transaction/Members of the Group	31/12/2009	31/12/2008
1. Current accounts and sight deposits	15,916,794	12,329,268
2. Time deposits	612,908	2,081,157
3. Loans	908,367	2,256,362
3.1 Repurchase agreements	908,367	2,256,362
3.2 Other	-	-
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	575	12,411
Total	17,438,644	16,679,198
Fair value	17,438,644	16,679,198

These payables are not specifically hedged.

Their fair value corresponds to their book value as they are amounts due on demand or with short-term restrictions.

Section 3 Debt securities in issue - line item 30

3.1 Debt securities in issue: breakdown by sector

Type of security/Amounts	31/12/2009				31/12/2008			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	1,602,804	-	1,615,636	-	1,462,772	-	1,480,469	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1,602,804	-	1,615,636	-	1,462,772	-	1,480,469	-
2. Other securities	124,385	-	124,385	-	184,079	-	184,079	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	124,385	-	124,385	-	184,079	-	184,079	-
Total	1,727,189	-	1,740,021	-	1,646,851	-	1,664,548	-

The fair value of the «other securities» is equal to the book value as this item includes bankers' drafts and similar documents as well as short-term bearer certificates of deposit.



Section 4 Financial liabilities held for trading - line item 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/Amounts	31/12/2009					31/12/2008				
	NV	Fair Value			FV*	NV	Fair Value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Customer deposits	-	-	-	-	-	-	-	-	-	-
3. Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds-	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-
Total (A)	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-				-	-				-
1. Financial derivatives		87	72,430			-	-	277,600	-	-
1.1 For trading	-	87	72,430	-	-	-	-	277,600	-	-
1.2 Connected with the fair value option-	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives		-	-	-			-	-	-	
2.1 For trading	-	-	-	-	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
Total (B)	-	87	72,430	-	-	-	-	277,600	-	-
Total (A+B)	-	87	72,430	-	-	-	-	277,600	-	-

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

Section 6 Hedging derivatives - line item 60

6.1 Hedging derivatives: breakdown by type of hedge and by level

Type of derivatives/ Underlying assets	Fair Value 31/12/2009			Nominal Value 31/12/2009	Fair Value 31/12/2008			Nominal Value 31/12/2008
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	-	11,330	-	570,032	-	5,050	-	173,737
1. Fair value	-	11,330	-	570,032	-	5,050	-	173,737
2. Financial flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
Total	-	11,330	-	570,032	-	5,050	-	173,737

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

Transaction/ Type of hedge	Fair Value					Financial flows			
	Micro					Macro	Micro	Macro	Foreign investments
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-
2. Loans	11,330	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
Total assets	11,330	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-
1. Expected transactions	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-

Section 8 *Tax liabilities*

This caption includes the income tax liability and amounts to € 87.699 million, up to € 81.232 million with respect to the prior year.

The current liability is stated net of the advance payments made during the year.

The analysis of deferred tax liabilities and the related changes during the year are presented in Part B Section 13 of the notes. No deferred taxes have been booked on the reserves in suspense for tax purposes as they are unlikely to be used.

The Bank's tax years from 1979 to 1981, from 1984 to 1987 and from 2005 onwards, are still open.

During the year the dispute relating to the 1982 and 1983 financial statements was closed in the Parent Bank's favour, while for the other years, appeals have been discussed with the Central Tax Commission and we are still waiting for their decisions.

The long-standing dispute about withholding tax on deposits abroad is also being settled: the initial pronouncements by the Central Tax Commission declared that the matter was extinct as the reason for the dispute no longer existed.

In July 2009 we received an assessment from the Tax Authorities relating to 2006, which the Bank decided to accept.

At the end of 2006, a real estate subsidiary received income tax assessments for 2001 and 2002; these assessments were based on interpretations of tax law that the company promptly appealed against. Its appeal was upheld by the Provincial Tax Commission and confirmed by the Regional Tax Commission. Similar assessments were served on the other real estate subsidiary at the end of 2007 for 2002 and 2003 against which appeals have been upheld by the Provincial Tax Commission.

Section 10 *Other liabilities*

10.1 Other liabilities: breakdown

	31/12/2009	31/12/2008
Amounts at the disposal of third parties	53,210	34,330
Taxes to be paid on behalf of third parties	34,412	53,996
Taxes to be paid	2,316	2,266
Employee salaries and contributions	22,348	21,280
Suppliers	10,366	12,216
Transit accounts for sundry entities	841	785
Invoices to be received	8,575	7,646
Credits in transit for financial transactions	3,159	3,287
Value date differentials on portfolio transactions	84,496	108,782
Directors' and statutory auditors' emoluments	1,109	1,008
Loans disbursed to customers to be finalised	12,332	7,472
Miscellaneous credit items being settled	84,495	94,633
Accrued expenses not allocated	5,915	2,910
Deferred income not allocated	7,521	5,945
Allowance for risks on guarantees and commitments	4,000	4,000
Differences on elimination	-	2,397
Residual items	13,827	14,061
Total	348,922	377,014

Section 11 Termination indemnities - line item 110

11.1 Termination indemnities: changes during the year

	2009	2008
A. Opening balance	36,667	39,782
B. Increases	7,547	7,471
B1. Provisions	7,536	7,249
B2. Other increases	11	222
C. Decreases	8,460	10,586
C1. Payments made	1,998	4,184
C2. Other decreases	6,462	6,402
D. Closing balance	35,754	36,667

Section 12 Provisions for risks and charges - line item 120

12.1 Provisions for risks and charges: breakdown

Items/Components	31/12/2009	31/12/2008
1. Post-employment benefits	74,669	80,027
2. Other provisions for risks and charges	37,871	37,400
2.1 legal disputes	33,000	33,000
2.2 personnel expenses	4,625	4,202
2.3 Other	246	198
Total	112,540	117,427

At year end, the Group is not exposed to any other risks that might result in future charges, other than those covered by the provisions referred to above. It is reasonable to conclude that there are no contingent liabilities.

12.2 Provisions for risks and charges: changes during the year

Items/Components	Post-employment benefits	Other provisions	Total
A. Opening balance	80,027	37,400	117,427
B. Increases	9,402	11,678	21,080
B1. Provisions	4,620	9,908	14,528
B2. Changes due to the passage of time	-	539	539
B3. Changes due to variations in the discount rate	-	1,231	1,231
B4. Other changes	4,782	-	4,782
C. Decreases	14,760	11,207	25,967
C1. Utilisations during the year	14,221	10,416	24,637
C2. Changes due to variations in the discount rate	-	-	-
C3. Other changes	539	791	1,330
D. Closing balance	74,669	37,871	112,540

12.3 Defined-benefit pension plans

12.3.1. Descriptions of plans

The Bank's pension plan for employees is an internal defined-benefit plan intended to supplement the pension paid to retired employees by the State. The plan is funded by contributions from the Parent Bank and from employees which are determined on a percentage of income basis and credited each month. This plan is also a separate fund pursuant to art. 2117 of the Italian Civil Code.

The value of the fund is adjusted with reference to its membership, which was closed on 28/4/1993. This closed group comprises 465 employees and 205 pensioners.

During the year, on an exceptional basis, the Bank gave employees who had signed up with the pension fund the chance to leave it. 164 employees took advantage of this opportunity and transferred their individual positions for a total of € 11.021 million to the «Arca Previdenza F.P.A.» fund. Pursuant to current internal agreements, employees hired after 28/04/1993 have been given the chance to enrol in an open-ended supplementary pension fund, for which Arca Previdenza F.P.A. had been chosen. 1,799 employees have joined this fund.

The adequacy of the fund with respect to the present value of the obligation at the reference date was verified using calculations prepared by an independent actuary, making demographic assumptions that distinguish between age and gender, as well as technical-economic assumptions that reflect the theoretical changes in earnings and payments. The technical assessments made reference to dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

12.3.2. Changes in the plans during the year

The changes in the present value of the Bank's defined-benefit obligations during the year are summarised below:

	2009	2008
at 1 January	80,027	78,589
service cost	1,855	1,935
interest cost	3,712	3,560
actuarial gains/losses	3,296	-1,048
payments	-14,221	-3,009
at 31 December	74,669	80,027

12.3.3. Changes in plan assets during the year and other information

The changes in the fair value of plan assets during the year are summarised below:

	2009	2008
at 1 January	80,027	78,589
yield	4,710	-4,176
contributions	4,620	8,075
payments	-14,688	-2,461
at 31 December	74,669	80,027

The fair value of pension plan assets is summarised in the following table.

	31/12/2009	31/12/2008
Fixed-yield securities	59,333	57,713
Variable-yield securities	3,687	5,862
Mutual funds invested in shares	6,566	9,844
Mutual funds invested in property	365	301
Other assets	4,718	6,307
Total	74,669	80,027

12.3.4. Reconciliation of the present value of the plans, the present value of the assets servicing the plans and the assets and liabilities recorded in the balance sheet

	31/12/2009	31/12/2008
Present value of the obligations to plan members	74,669	80,027
fair value of assets	74,669	80,027
difference	-	-

12.3.5. Description of the principal actuarial assumptions

The actuarial calculations were made on the following assumptions:

	31/12/2009	31/12/2008
discount rate	4.70%	4.70%
expected increase in salaries	2.00%	2.00%
annual rate of inflation	1.50%	1.50%
underlying rate of salary increases	1.50%	1.50%

12.3.6. Comparative information

The size of the fund has gone down by € 5.358 million, - 6.70%. Payments of benefits amount to € 3.199 million compared with € 3.009 million.

As mentioned previously, € 11.021 million was transferred during the year on an extraordinary basis to another pension fund, which the Bank gave employees the chance to join. The contributions paid by the employees totalled € 0.311 million (€ 0.365 million in the prior year).

12.4 Provisions for risks and charges - other provisions

	31/12/2009	31/12/2008
Provision for legal disputes	33,000	33,000
Provision for personnel expenses	4,625	4,202
Provision for charitable donations	246	198
Total	37,871	37,400



The provision for legal disputes covers outstanding disputes regarding, in particular, claims for repayment from the liquidators of bankrupt customers, concerning positions classified as doubtful or which have already been written off, and other disputes that have arisen in the ordinary course of business. The Bank makes provisions in these cases when, considering the opinion of legal advisors, it appears likely that payments will be made and a reasonable estimate can be made of the amount concerned. No provisions are made in relation to disputes considered to be without merit.

The duration of such disputes is difficult to assess, given the extended time required in order to obtain justice.

The expected payments have been stated at their present value, considering the average time taken to complete bankruptcy claims and using market rates of interest at 31/12/2009 as the discount rate. The balance remains the same as there were increases and decreases of the same amount.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. The total increase came to € 0.423 million, + 10.07%.

The provision for charitable donations comprises an allocation from net profits authorised by the shareholders which is used to make approved payments. The increase of € 0.350 million reflects the allocation of 2008 net profit, while the reduction of € 0.302 million was a consequence of payments made during the year.

Section 15 *Group equity - Items 140, 160, 170, 180, 190, 200 and 220*

15.1 «Share capital» and «Treasury shares»: breakdown

Share capital comprises 308,147,985 issued and fully-paid ordinary shares, par value € 3 each, totalling € 924.444 million. Shares in circulation have dividend and voting rights from 1/1/2009. At the year-end, the Bank held treasury shares with a carrying value of € 40.211 million.

15.2 Share capital - Number of shares of the Parent Bank: changes during the year

Items/Type	Ordinary	Others
A. Shares in existence at the start of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-
A.1 Treasury shares (-)	5,163,266	-
A.2 Shares in circulation: opening balance	302,984,719	-
B. Increases	746,022	-
B.1 New issues	-	-
- for payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- others	-	-
- free of charge	-	-
- to employees	-	-
- to directors	-	-
- others	-	-
B.2 Sales of treasury shares	746,022	-
B.3 Other changes	-	-
C. Decreases	205,333	-
C.1 Cancellation	-	-
C.2 Purchases of treasury shares	205,333	-
C.3 Business disposals	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	303,525,408	-
D.1 Treasury shares (+)	4,622,577	-
D.2 Shares in existence at the end of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-

15.4 Profit reserves: other information

Profit reserves contribute to the capital adequacy of the Group, considering both current and future operations. They amount to € 541.065 million and comprise:

Legal reserve of € 189.866 million, made up of transfers from profits.

Statutory reserve, required by art. 58 of the Articles of Association, which amounts to € 252.627 million.

Reserve for the purchase of treasury shares, also required by art. 58 of the Articles of Association, which is available to the directors under art. 21 of the Articles for the purchase or sale of treasury shares on market terms, as part of normal trading to support the liquidity of the shares. This reserve amounts to € 61.000 million (it has been used for € 40.211 million).

Reserve pursuant to art. 13 of Decree 124/93, € 0.142 million.

Other reserves for € 37.430 million.

Other information

1. Guarantees given and commitments

Operations	31/12/2009	31/12/2008
1. Financial guarantees	520,493	857,248
a) Banks	27,689	64,751
b) Customers	492,804	792,497
2. Commercial guarantees	2,353,003	1,844,441
a) Banks	20,889	14,231
b) Customers	2,332,114	1,830,210
3. Irrevocable commitments to make loans	1,406,599	996,123
a) Banks	59,059	27,676
i) certain to be called on	59,059	20,760
ii) not certain to be called on	-	6,916
b) Customers	1,347,540	968,447
i) certain to be called on	79,031	60,500
ii) not certain to be called on	1,268,509	907,947
4. Commitments underlying credit derivatives: protection sold	-	-
5. Assets lodged to guarantee the commitments of third parties	12,744	11,444
6. Other commitments	33,311	27,640
Total	4,326,150	3,736,896

The prior year figures relating to the commitment to the Interbank Deposit Protection Fund have been reclassified to make them comparable with the current year figures, based on the Bank of Italy's Circular letter 262 of 22/12/2005 (1st update of 18/11/2009).

2. Assets lodged to guarantee the bank's liabilities and commitments

Portfolio	31/12/2009	31/12/2008
1. Financial assets held for trading	1,163,016	2,294,258
2. Financial assets carried at fair value	30,356	30,641
3. Financial assets available for sale	-	5,005
4. Financial assets held to maturity	53,099	58,682
5. Due from banks	-	-
6. Customer loans	-	-
7. Property, plant and equipment	-	-
Total	1,246,471	2,388,586

Assets held for trading comprise the securities sold to customers under repurchase agreements and those lodged with the Bank of Italy to guarantee advances; financial assets carried at fair value comprise the guarantee deposit paid in relation to the issue of bankers' drafts.

The financial assets held to maturity are to guarantee the advances received from the Bank of Italy.

5. Management and intermediation for third parties

Type of service	Amount
1. Execution of orders on behalf of customers	13,831,138
a) Purchases	7,758,575
1. settled	5,730,247
2. not settled	2,028,328
b) Sales	6,072,563
1. settled	4,379,626
2. not settled	1,692,937
2. Portfolio management	2,185,882
a) Individual	2,185,882
b) Collective	-
3. Custody and administration of securities	35,629,826
a) Third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	3,160,768
1. Securities issued by the reporting bank	-
2. Other securities	3,160,768
b) Third-party securities on deposit (excluding portfolio management): other	12,210,042
1. Securities issued by the reporting bank	2,213,255
2. Other securities	9,996,787
c) Third-party securities on deposit with third parties	16,863,387
d) Own securities on deposit with third parties	3,395,629
4. Other transactions	-

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	Fixed-yield securities	Loans	Other transactions	Total 31/12/2009	Total 31/12/2008
1. Financial assets held for trading	63,169	-	-	63,169	33,589
2. Financial assets carried at fair value	853	-	-	853	1,472
3. Financial assets available for sale	682	-	-	682	1,739
4. Financial assets held to maturity	6,715	-	-	6,715	6,668
5. Due from banks	-	12,478	8,724	21,202	49,129
6. Due from customers	-	634,974	-	634,974	926,434
7. Hedging derivatives	-	-	81	81	-4,736
8. Other assets	-	-	-	-	-
Total	71,419	647,452	8,805	727,676	1,014,295

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

1.2 Interest and similar income: differentials on hedging transactions

Items	31/12/2009	31/12/2008
A. Positive differentials on hedging transactions	81	-
B. Negative differentials on hedging transactions	-	4,736
C. Net total (A-B)	81	-4,736

1.3 Interest income and similar revenues: other information

1.3.1 Interest income and similar revenue on foreign currency assets

	31/12/2009	31/12/2008
Interest income and similar revenue on foreign currency assets	76,351	98,984

1.4 Interest expense and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31/12/2009	Total 31/12/2008
1. Due to central banks	-	-	-	-	-
2. Due to banks	22,458	-	40	22,498	88,550
3. Due to customers	181,294	-	1	181,295	441,019
4. Debt securities in issue	-	52,612	-	52,612	45,986
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	-	-	-
8. Hedging derivatives	-	-	5,281	5,281	-4,925
Total	203,752	52,612	5,322	261,686	570,630

The prior year figures have been reclassified for comparison purposes on the basis of Circular letter 262 of 22/12/2005 of the Bank of Italy (1st update of 18/11/2009).

1.5 Interest expense and similar charges: differentials on hedging transactions

Items	31/12/2009	31/12/2008
A. Positive differentials on hedging transactions	-	5,011
B. Negative differentials on hedging transactions	5,281	86
C. Net total (A-B)	-5,281	4,925

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign currency liabilities

	31/12/2009	31/12/2008
Interest expense on foreign currency liabilities	31,510	63,407

1.6.2 Interest expense on finance lease transactions

	31/12/2009	31/12/2008
Interest expense on finance lease transactions	521	1,362

Section 2 Commissions - line items 40 and 50

2.1 Commission income: breakdown

Type of service/amounts	31/12/2009	31/12/2008
a) guarantees given	11,474	10,673
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	78,752	76,991
1. trading in financial instruments	19,960	17,943
2. trading in foreign currencies	5,924	5,100
3. portfolio management	6,014	6,417
3.1 Individual	6,014	6,417
3.2 Collective	-	-
4. custody and administration of securities	10,448	9,908
5. custodian bank	2,566	2,550
6. placement of securities	10,396	11,584
7. order receipt and transmission	13,755	11,460
8. consultancy	47	44
8.1 investments	-	-
8.2 corporate finance	47	44
9. distribution of third-party services	9,642	11,985
9.1 portfolio management	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 insurance products	5,928	5,585
9.3 other products	3,714	6,400
d) collection and payment services	49,189	46,046
e) services for securitisation transactions	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	-	-
j) other services	80,627	54,400
Total	220,042	188,110

This item increases by € 31.932 million, +16.97%, essentially due to the rise in other services: loan commissions, being mainly fees charged on agreed overdrafts and loans overdrawn without authorisation.



2.2 Commission expense: breakdown

Services/Amounts	31/12/2009	31/12/2008
a) guarantees received	91	136
b) credit derivatives	-	-
c) management and intermediation services	3,167	3,167
1. trading in financial instruments	1,470	1,426
2. trading in foreign currencies	-	-
3. portfolio management:	-	-
3.1 own	-	-
3.2 delegated by third parties	-	-
4. custody and administration of securities	1,697	1,741
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	7,348	7,312
e) other services	3,143	2,596
Total	13,749	13,211

Section 3 Dividends and similar income - line item 70

3.1 Dividends and similar income: breakdown

Items/Income	31/12/2009		31/12/2008	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	941	70	1,659	67
B. Financial assets available for sale	2,007	97	2,905	-
C. Financial assets carried at fair value	-	109	-	109
D. Equity investments	-	-	216	-
Total	2,948	276	4,780	176

The reduction compared with the previous year relates to the general decline in dividends and in certain cases to the non-payment of dividends by subsidiaries because of poor results in 2008.

Section 4 *Net trading income - line item 80*

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	75,128	65,901	6,162	437	134,430
1.1 Fixed-yield securities	62,169	48,205	4,159	118	106,097
1.2 Variable-yield securities	2,265	4,410	624	98	5,953
1.3 Mutual funds	41	451	3	221	268
1.4 Loans	-	-	-	-	-
1.5 Others	10,653	12,835	1,376	-	22,112
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	-	-	-	-	-
4. Derivatives	32,915	16,565	33,723	12,593	3,497
4.1 Financial derivatives:	32,915	16,565	33,723	12,593	3,497
- On debt securities and interest rates	18,671	13,148	18,151	12,217	1,451
- On equities and equity indices	1,444	1,635	1,444	-	1,635
- On currency and gold	-	-	-	-	333
- Other	12,800	1,782	14,128	376	78
4.2 Credit derivatives	-	-	-	-	-
Total	108,043	82,466	39,885	13,030	137,927

The income from trading in securities € 48.205 million derives from the normal trading activity during the year, mainly in government securities, while the income from trading in «other financial assets» consists of profits from currency trading.

The gains on fixed-yield securities booked for € 62.169 million mainly concern government securities, CCTs in particular.

This table does not include the result of the securities in the pension fund, which is shown under another item.



Section 5 Net hedging gains (losses) - line item 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31/12/2009	31/12/2008
A. Income from:		
A1. Fair value hedges	-	69
A2. Hedged financial assets (fair value)	-	7,566
A3. Hedged financial liabilities (fair value)	-	-
A4. Cash-flow hedges	-	-
A5. Foreign currency assets and liabilities	-	-
Total income from hedging activities (A)	-	7,635
B. Charges from:		
B1. Fair value hedges	4,305	8,267
B2. Hedged financial assets (fair value)	1,457	-
B3. Hedged financial liabilities (fair value)	-	-
B4. Cash-flow hedges	-	-
B5. Foreign currency assets and liabilities	-	-
Total charges from hedging activities (B)	5,762	8,267
C. Net hedging gains (losses) (A - B)	-5,762	-632

Costs include € 4.305 million for the negative change in the fair value of hedging derivatives, as well as € 1.457 million for the negative change in the fair value of hedged loans. The net result of measuring the hedging structure at fair value is a negative balance of € 5.762 million.

Section 6 Gains (losses) on disposals/repurchases - line item 100

6.1 Gains (losses) on disposals/repurchases: breakdown

Items/Income items	31/12/2009			31/12/2008		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	-	1,062	-1,062	5,359	11	5,348
3.1 Fixed-yield securities	-	-	-	-	-	-
3.2 Variable-yield securities	-	1,062	-1,062	5,359	11	5,348
3.3 Mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	43	-	43	-	-	-
Total assets	43	1,062	-1,019	5,359	11	5,348
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	168	608	-440	359	167	192
Total liabilities	168	608	-440	359	167	192

The losses of € 1.062 million mainly arise from the sale of the interest in Meliorbanca spa.

Section 7 *Net change in financial assets and liabilities carried at fair value - line item 110*

7.1 Net change in financial assets/liabilities carried at fair value: breakdown

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	6,743	813	-	2	7,554
1.1 Fixed-yield securities	360	802	-	2	1,160
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	6,383	11	-	-	6,394
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Due to other banks	-	-	-	-	-
2.3 Customer deposits	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	-	-	-	-	-77
4. Credit and financial derivatives	-	-	-	-	-
Total	6,743	813	-	2	7,477

The losses mainly concern mutual funds.

Section 8 *Net impairment adjustments - line item 130*

8.1 Net impairment adjustments to loans: breakdown

Transactions/ Income items	Adjustments (1)			Write-backs (2)				Total 31/12/2009	Total 31/12/2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		A	B	A	B		
A. Due from other banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
B. Due from customers	78,943	86,219	29,044	1,733	31,904	-	17,518	-143,051	-67,515
- Loans	78,943	86,219	29,044	1,733	31,904	-	17,518	-143,051	-67,515
- Fixed-yield securities	-	-	-	-	-	-	-	-	-
C. Total	78,943	86,219	29,044	1,733	31,904	-	17,518	-143,051	-67,515

Key:

A = Interest

B = Other write-backs



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

Transactions/Income items	Adjustments (1)		Write-backs (2)		Total 31/12/2009	Total 31/12/2008
	Specific		Specific			
	Write-offs	Other	A	B		
A. Fixed-yield securities	-	-	-	-	-	-
B. Variable-yield securities	-	2,246	-	-	-2,246	-2,931
C. Mutual funds	-	2,120	-	-	-2,120	-
D. Due from banks	-	-	-	-	-	-
E. Due from customers	-	-	-	-	-	-
F. Total	-	4,366	-	-	-4,366	-2,931

Key:

A = Interest

B = Other write-backs

8.3 Net impairment adjustments to financial assets held to maturity: breakdown

Transactions/ Income items	Adjustments			Write-backs				Total 31/12/2009	Total 31/12/2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		A	B	A	B		
A. Fixed-yield securities	-	-	-	-	-	-	-	-	-3,108
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
D. Total	-	-	-	-	-	-	-	-	-3,108

Key:

A = Interest

B = Other write-backs

Section 11 Administrative expenses - line item 180

11.1 Personnel expenses: breakdown

Type of expenses/Sectors	31/12/2009	31/12/2008
1) Employees	179,260	166,787
a) wages and salaries	125,404	115,858
b) social security contributions	30,543	27,031
c) termination indemnities	15	15
d) pension expenses	2,568	1,534
e) provision for employee termination indemnities	7,536	7,249
f) provision for post-employment benefits and similar commitments:	9,007	7,710
- defined contribution	-	-
- defined benefits	9,007	7,710
g) payments to external supplementary pension funds:	1,680	1,524
- defined contribution	1,680	1,524
- defined benefits	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other personnel benefits	2,507	5,866
2) Other working personnel	5,683	6,140
3) Directors and Statutory auditors	1,986	1,652
4) Retired personnel	-	-
Total	186,929	174,579

11.2 Average number of employees by category

Type of expense/Amounts	31/12/2009	31/12/2008
- Employees	2,740	2,659
a) managers	24	24
b) officials	601	574
c) other employees	2,115	2,061
- Other personnel	124	124

	31/12/2009	31/12/2008
Number of employees at year-end		
- Employees	2,806	2,710
- Other personnel	115	135



11.3 Defined-benefit pension plans: total costs

The charge to the income statement for the year is summarised as follows:

	31/12/2009	31/12/2008
Service cost	1,855	1,935
Interest cost	3,712	3,560
Actuarial gains/losses	3,296	-1,048
Contributions from employees	-312	-365
Reductions and payments	456	-548
Total charge to income statement	9,007	3,534
Yield from assets servicing the fund	4,710	-4,176
Total charge	4,297	7,710

The costs have been recorded as personnel expenses.

Information regarding the outstanding obligations and related changes during the year, the assets servicing the fund and related changes during the year, and principal actuarial assumptions made is provided in the tables reported in Part B Section 12.3 of the notes to the financial statements.

The Parent Bank has not adopted the «corridor» method for the recognition of actuarial gains/losses; accordingly, there are no unrecorded gains/losses of this type.

11.4 Other employee benefits

This caption essentially comprises the cost of «meal vouchers», the reimbursement of travel and accommodation expenses, insurance costs and other benefits.

11.5 Other administrative expenses: breakdown

	31/12/2009	31/12/2008
telephone, post and data transmission	16,371	15,749
maintenance of property, plant and equipment	8,079	7,819
rent of buildings	21,932	20,123
security	5,958	5,675
transportation	3,856	3,844
professional fees	10,925	8,728
office materials	2,731	2,944
electricity, heating and water	4,786	4,740
advertising and entertainment	4,570	4,732
legal	5,597	5,322
insurance	1,713	1,746
company searches and information	4,175	3,022
indirect taxes and dues	31,534	28,670
software and hardware rental and maintenance	9,297	7,709
data entry by third parties	1,025	1,094
cleaning	4,805	4,529
membership fees	1,764	1,816
services received from third parties	2,822	2,867
outsourced activities	16,621	14,780
deferred charges	7,612	9,234
others	12,940	8,732
Total	179,113	163,875

Section 12 *Net provisions for risks and charges - line item 190*

12.1 Net provisions for risks and charges: breakdown

The balance on this item is € 0.461 million.

Section 13 *Net adjustments to property, plant and equipment - line item 200*

13.1 Net adjustments to property, plant and equipment: breakdown

Asset/Income item	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A1. Owned	14,417	-	-	14,417
- For business purposes	14,417	-	-	14,417
- For investment purposes	-	-	-	-
A2. Purchased under finance leases	991	-	-	991
- For business purposes	991	-	-	991
- For investment purposes	-	-	-	-
Total	15,408	-	-	15,408

Section 14 *Net adjustments to intangible assets - line item 210*

14.1 Net adjustments to intangible assets: breakdown

Asset/Income item	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A1. Owned	7,958	-	-	7,958
- Internally generated	-	-	-	-
- Other	7,958	-	-	7,958
A2. Purchased under finance leases	-	-	-	-
Total	7,958	-	-	7,958

The adjustments relate to intangible assets with a finite life consisting of rights to use computer software. There were no significant impairment losses relating to intangible assets during the year, accordingly no further information is provided pursuant to para. 130.a) c) d) f) g) and para. 131 of IAS 36.

Section 15 *Other operating income and expense - Line item 220*

15.1 Other operating expenses: breakdown

	31/12/2009	31/12/2008
Out-of-period expense	924	826
Other	1,782	5,981
Consolidation differences	321	463
Total	3,027	7,270



15.2 Other operating income: breakdown

	31/12/2009	31/12/2008
Recovery of charges on deposits and overdrafts	682	663
Rental income from buildings	1,021	1,243
Recovery of taxes	27,401	25,172
Financial income of post-employment benefits plan	4,710	-
Out-of-period income - other	820	1,939
Out-of-period income - overprovisions	-	2
Other	8,776	11,661
Consolidation differences	133	313
Total	43,543	40,993

Section 16 *Share of profit (loss) of equity investments - line item 240*

16.1 Share of profit (loss) of equity investments: breakdown

Income item/Segments	31/12/2009	31/12/2008
2) Associated companies		
A. Income	3,003	12,781
1 Revaluations	3,003	12,781
2 Gains on disposal	-	-
3 Write-backs	-	-
4 Other income	-	-
B. Charges	4,700	38,571
1 Write-downs	-	26
2 Impairment write-downs	-	38,545
3 Losses on disposal	4,700	-
4 Other charges	-	-
Net result	-1,697	-25,790

Section 19 *Gains (losses) on disposal of investments - line item 270*

19.1 Gains (losses) on disposal of investments: breakdown

Income item/Segments	31/12/2009	31/12/2008
A. Buildings	-304	13,390
- Gains on disposal	10	13,390
- Losses on disposal	-314	-
B. Other assets	29	-17
- Gains on disposal	33	57
- Losses on disposal	-4	-74
Net result	-275	13,373

Section 20 *Income taxes on current operations - line item 290*

20.1 Income taxes on current operations: breakdown

Income items/Amounts	31/12/2009	31/12/2008
1. Current taxes (-)	-133,127	-52,499
2. Change in prior period income taxes (+/-)	-	-
3. Reduction in current taxes (+)	-	-
4. Change in deferred tax assets (+/-)	18,739	4,650
5. Change in deferred tax liabilities (+/-)	-3,504	8,119
6. Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	-117,892	-39,730

20.2 Reconciliation between the theoretical and effective tax burden

Income taxes are calculated on the basis of the specific tax legislation in the country where each company is resident.

The total tax charge for the year can be reconciled as follows:

INCOME TAXES	Tax base	Tax
Theoretical tax burden	314,948	85,070
Increases	91,058	24,939
Decreases	- 15,558	- 4,223
Effective tax burden	390,448	105,786

Regional business tax (IRAP)	Tax base	Tax
Theoretical tax burden	314,043	14,866
Increases	340,764	16,425
Decreases	- 74,673	- 3,950
Effective tax burden	580,134	27,341
Total effective tax burden		133,127

The main changes relate to the Parent Bank. For details, reference should therefore be made to Part C Information on the income statement of the company, Section 18 Table 18.2.



Section 21 Profit (loss) after tax on non-current assets held for sale - line item 310

21.1 Profit (loss) after tax on non-current assets/liabilities held for sale: breakdown

Income items/Segments	Total 31/12/2009	Total 31/12/2008
1. Income	-	-
2. Charges	-	-
3. Result of valuations of group of assets and associated liabilities	4,008	-
4. Gains (losses) on disposals	-	-
5. Taxes and dues	-	-
Net profit (loss)	4,008	-

Section 24 Earnings per share

24.1 Average number of ordinary shares (fully diluted)

There were no transactions involving share capital during the year and no financial instruments were issued that might involve the future issue of shares. Accordingly, the number of shares interested in net profit is unchanged with respect to the prior year.

	31/12/2009	31/12/2008
number of shares	308,147,985	308,147,985

24.2 Other information

IAS 33 requires that earnings per share (EPS) be reported in accordance with the following definitions:

«Basic EPS», determined by dividing the net profit attributable to the bearers of ordinary shares by the weighted average number of ordinary shares in issue.

«Diluted EPS», determined by taking account of the dilutive effect of all potential ordinary shares.

There are no circumstances under which earnings can be diluted and there are no activities to be sold for which basic and diluted EPS must be stated separately.

	31/12/2009	31/12/2008
earnings per share - €	0.652	0.142

PART D Consolidated comprehensive income

Analytical statement of consolidated comprehensive income

Items/Amounts	Gross amount	Income taxes	Net amount
10. Net profit for the year	-	-	201,064
Other income items			
20. Financial assets available for sale:	7,663	-769	6,894
a) changes in fair value	1,028	42	1,070
b) transfer to income statement	6,635	-811	5,824
- adjustments for impairment	4,366	-701	3,665
- gains/losses on disposals	2,269	-110	2,159
c) other changes	-	-	-
30. Property, plant and equipment	-	-	-
40. Intangible assets	-	-	-
50. Hedges of foreign investments:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
60. Cash-flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
70. Exchange differences:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
80. Non-current assets held for sale and discontinued operations	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
c) other changes	-	-	-
90. Actuarial profits (losses) on defined-benefit plans	-	-	-
100. Share of valuation reserves of equity investments valued at net equity:	-	-	-
a) changes in fair value	-	-	-
b) transfer to income statement	-	-	-
- adjustments for impairment	-	-	-
- gains/losses on disposals	-	-	-
c) other changes	-	-	-
110. Total other income items	7,663	-769	6,894
120. Comprehensive income (item 10+110)	7,663	-769	207,958



PART E *Information on risks and related hedging policy*

Section 1 *Risks of the Banking Group*

1.1 Credit risk

QUALITATIVE INFORMATION

1. General matters

The Parent Bank manages and coordinates the activities of the Swiss subsidiary, thereby ensuring harmonisation of credit policies at group level and a standard approach to risk management.

As outlined in the equivalent section of the notes to the Bank's separate financial statement, the lines of strategy that are followed are geared to sustaining local economies, in particular small and medium-sized businesses and households, maintaining low levels of risk and concentration.

This is compatible with the operating and organisational characteristics of the subsidiary, also because of the specific needs of the Swiss market, where the protection of credit by means of property and financial guarantees is a consolidated practice.

2. Credit risk management policies

2.1 Organisational aspects

The process of credit risk management adopted by the Parent Bank and the structure set up to implement it are explained in detail in the corresponding section of the notes relating to the Bank.

The organisational structure of the Swiss subsidiary is based on the same model.

However, since it is smaller, certain activities are grouped together within the same organisational units, rather than being delegated to specialist functions.

2.2 Systems for managing, measuring and monitoring

As part of its coordination activities, the Parent Bank requires the Swiss subsidiary to apply the control methodology already discussed in detail in the corresponding section of the notes relating to the Bank.

In this regard, it is worth noting that the Swiss subsidiary has its own loan rating system. This system does not use statistical methods, which would in any case be inapplicable because of the brevity of the historical database; instead, it is based entirely on the subjective assessment and discretion of the credit and loans department.

This approach involves gathering various set indicators and information of a financial and qualitative nature, depending on the type of customer. The combined evaluation of these elements results in a score, which is used by the person making the final evaluation to assign a rating.

This methodology has been analysed by the independent auditors, who consider it appropriate given the scale, complexity and risks involved in the activities performed.

2.3 Credit risk mitigation techniques

The Parent Bank imposes on the subsidiary, as part of its functions of coordination and control, to adopt credit risk mitigation techniques which are substantially the same as those outlined in the corresponding section of the notes relating to the Bank.

Note that most of the loans to customers made by BPS Suisse are backed by secured guarantees.

2.4 Impaired financial assets

The methods of classification and management of impaired loans are the same as those used by the Parent Bank, as explained in detail in the corresponding section of the notes relating to the Bank.

QUANTITATIVE INFORMATION

A. Asset quality

A.1 Impaired and performing loans: size, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/Quality	Banking group					Other businesses		Total 31/12/2009
	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures	Other assets	Impaired loans	Other	
1. Financial assets held for trading	1,923	7	-	-	2,840,617	-	-	2,842,547
2. Financial assets available for sale	-	-	-	-	30,092	-	-	30,092
3. Financial assets held to maturity	586	-	-	-	263,068	-	-	263,654
4. Due from banks	-	-	-	-	1,076,720	-	-	1,076,720
5. Due from customers	154,658	169,550	39,726	196,975	17,594,779	-	157	18,155,845
6. Financial assets carried at fair value	-	-	-	-	43,880	-	-	43,880
7. Financial assets being sold	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	11	-	-	11
Total 31/12/2009	157,167	169,557	39,726	196,975	21,849,167	-	157	22,412,749
Total 31/12/2008	114,771	87,831	4,418	126,036	20,588,440	-	143	20,921,639

The word exposures is understood as excluding equities and mutual funds.

The 2008 figures have been adjusted for comparison purposes.



A.1.2 Distribution of financial assets by portfolio and quality of lending (gross and net values)

Portfolio/Quality	Impaired assets			Other assets			Total net exposure
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	1,930	-	1,930	2,840,617	-	2,840,617	2,842,547
2. Financial assets available for sale	-	-	-	30,092	-	30,092	30,092
3. Financial assets held to maturity	3,695	3,109	586	263,068	-	263,068	263,654
4. Due from banks	-	-	-	1,076,720	-	1,076,720	1,076,720
5. Due from customers	791,653	230,744	560,909	17,692,697	97,918	17,594,779	18,155,688
6. Financial assets carried at fair value	-	-	-	43,880	-	43,880	43,880
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	11	-	11	11
Total A	797,278	233,853	563,425	21,947,085	97,918	21,849,167	22,412,592
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	-	-
5. Due from customers	-	-	-	157	-	157	157
6. Financial assets carried at fair value	-	-	-	-	-	-	-
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total B	-	-	-	157	-	157	157
Total 31/12/2009	797,278	233,853	563,425	21,947,242	97,918	21,849,324	22,412,749
Total 31/12/2008	515,721	182,665	333,056	20,674,850	86,266	20,588,584	20,921,639

With reference to financial assets held for trading and those at fair value, the gross exposure is shown at the value resulting from the valuation at period-end.

The 2008 figures have been adjusted for comparison purposes.

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

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Banking group - Cash exposure				
a) Non-performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
f) Other assets	1,465,742	-	-	1,465,742
Total A	1,465,742	-	-	1,465,742
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	137,053	-	-	137,053
Total B	137,053	-	-	137,053
Total A+B	1,602,795	-	-	1,062,795

Cash exposures include the amounts due from banks, shown under item 60, as well as other financial assets consisting of bank securities included in items 20, 30, 40, 50 of assets, excluding variable-yield securities. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives.

A.1.6 Banking group - Cash and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	348,016	190,849	-	157,167
b) Watchlist loans	199,915	30,365	-	169,550
c) Restructured exposures	41,659	1,933	-	39,726
d) Past due exposures	207,681	10,706	-	196,975
f) Other assets	20,416,265	-	97,918	20,318,347
Total A	21,213,536	233,853	97,918	20,881,765
B. Off-balance sheet exposures				
a) Impaired	32,045	3,927	-	28,118
b) Other	4,222,137	-	73	4,222,064
Total B	4,254,182	3,927	73	4,250,182
Total A+B	25,467,718	237,780	97,991	25,131,947

Cash exposures include the customer loans shown in item 70 as well as other financial assets represented by non-bank securities included in items 20, 30, 40, 50 of the assets side of the balance sheet, excluding variable-yield securities and mutual funds. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives.



A.1.7 Banking group - Cash exposures to customers: dynamics of gross impaired loans

Categories	Non performing loans	Watchlist loans	Restructured exposures	Past due exposures
A. Opening gross exposure	276,264	101,141	4,625	132,482
- of which: sold but not eliminated from the balance sheet	-	-	-	-
B. Increases	220,648	151,262	39,255	194,449
B1. transfers from performing loans	147,576	107,358	21,759	175,751
B2. transfers from other categories of impaired exposure	51,374	27,531	5,778	903
B3. other increases	21,698	16,373	11,718	17,795
C. Decreases	148,896	52,488	2,221	119,250
C1. transfers to performing loans	-	9,357	-	31,986
C2. write-offs	103,826	-	-	-
C3. collections	45,032	22,123	869	24,038
C4. proceeds from disposals	-	-	-	-
C5. transfers to other categories of impaired exposure	-	21,008	1,352	63,226
C6. other decreases	38	-	-	-
D. Closing gross exposure	348,016	199,915	41,659	207,681
- of which: sold but not eliminated from the balance sheet	-	-	-	-

A.1.8 Banking group - Cash exposures to customers: dynamics of total writedowns

Categories	Non performing loans	Watchlist loans	Restructured exposures	Past due exposures
A. Total opening adjustments	162,449	13,444	207	6,565
- of which: sold but not eliminated from the balance sheet	-	-	-	-
B. Increases	146,937	23,305	1,973	7,350
B1. adjustments	141,476	21,924	1,227	7,311
B2. transfers from other categories of impaired exposure	5,458	1,381	746	39
B3. other increases	3	-	-	-
C. Decreases	118,537	6,384	247	3,209
C1. write-backs on valuation	8,071	909	211	284
C2. write-backs due to collections	7,318	623	-	189
C3. write-offs	103,148	-	-	-
C4. transfers to other categories of impaired exposure	-	4,852	36	2,736
C5. other decreases	-	-	-	-
D. Total closing adjustments	190,849	30,365	1,933	10,706
- of which: sold but not eliminated from the balance sheet	-	-	-	-

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

A.2.1 Banking group - Distribution of cash loans and off-balance sheet items by external rating class

Type of exposure	External rating classes							Unrated	Total 31/12/2009
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. Cash exposure	3,230,975	2,860,998	1,721,115	2,198,787	1,068,016	25,538	11,242,078	22,347,507	
B. Derivatives	8,299	29,011	4,576	2,748	647	1	19,803	65,085	
B1. Financial derivatives	8,299	29,011	4,576	2,748	647	1	19,803	65,085	
B2. Credit derivatives	-	-	-	-	-	-	-	-	
C. Guarantees given	422,523	879,624	310,556	161,224	90,445	2,161	1,015,707	2,882,240	
D. Commitments to make loans	119,320	201,272	84,981	127,072	96,884	-	810,381	1,439,910	
Total	3,781,117	3,970,905	2,121,228	2,489,831	1,255,992	27,700	13,087,969	26,734,742	

The distribution of loans to banks and customers is reported by classes that reflect the long-term rating awarded to them by leading international agencies, as held in the Bank's database.

The risk classes for external ratings indicated in this table refer to the classes of debtor credit-worthiness mentioned in the prudent supervisory regulations (see Circular no. 263 of 27.12.2006 «New supervisory instructions for banks»).

The following is a reconciliation of these rating classes and the ratings issued by the agencies appointed by the Bank.

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
FitchRatings	from AAA a AA-	from A+ a A-	from BBB+ a BBB-	from BB+ a BB-	from B+ a B-	below B-
Standard & Poor's Rating Services	from AAA a AA-	from A+ a A-	from BBB+ a BBB-	from BB+ a BB-	from B+ a B-	below B-
Lince Spa	from Aa.1 a Aa.3	from A.4 a Baa.9	from Ba.10 a Ba.12	from B.13 a B.16	from C.17 a C.18	C.19



A.2.2 Banking group - Distribution of cash loans by internal rating class

Note that the banks of the group do not use these internal rating when calculating the capital requirements for certain portfolios, but apply the so-called «standardised approach», which requires the use of ratings issued by external agencies.

BANCA POPOLARE DI SONDRIO - PRIVATE CUSTOMERS - Exposure		Internal rating classes						
	01	02	03	04	05	06	07	
A. Cash exposures	276,880	93,940	201,856	274,360	745,705	388,895	179,274	
B. Derivatives	39	57	22	62	266	89	515	
B1. Financial derivatives	39	57	22	62	266	89	515	
B2. Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	4,628	3,812	1,046	12,516	22,950	12,299	2,343	
D. Commitments to make loans	-	294	429	4,734	8,794	5,241	1,374	
Total	281,547	98,103	203,353	291,672	777,715	406,524	183,506	

BANCA POPOLARE DI SONDRIO - SMALL BUSINESS - Exposure		Internal rating classes						
	01	02	03	04	05	06	07	
A. Cash exposures	23,724	341,939	184,492	161,008	667,117	223,617	110,124	
B. Derivatives	3	31	62	17	241	29	9	
B1. Financial derivatives	3	31	62	17	241	29	9	
B2. Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	944	10,540	9,564	7,015	51,259	6,236	3,841	
D. Commitments to make loans	2	587	590	3,457	8,881	4,967	827	
Total	24,673	353,097	194,708	171,497	727,498	234,849	114,801	

BANCA POPOLARE DI SONDRIO - MICRO-ENTERPRISES - Exposure		Internal rating classes						
	01	02	03	04	05	06	07	
A. Cash exposures	11,990	23,529	122,963	520,507	691,635	878,730	645,217	
B. Derivatives	35	6	339	585	940	122	125	
B1. Financial derivatives	35	6	339	585	940	122	125	
B2. Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	4,013	9,744	23,683	51,917	87,007	48,836	25,538	
D. Commitments to make loans	6,662	3,526	4,766	34,764	84,485	87,087	35,935	
Total	22,700	36,805	151,751	607,773	864,067	1,014,775	706,815	

08	09	10	11	12	13	Insolvent	Total 31/12/2009
133,967	83,174	38,533	35,406	32,665	68,347	84,349	2,637,351
7	10	-	9	1	12	-	1,089
7	10	-	9	1	12	-	1,089
-	-	-	-	-	-	-	-
712	2,089	125	245	288	429	1,477	64,959
125	185	152	82	1	90	6	21,507
134,811	85,458	38,810	35,742	32,955	68,878	85,832	2,724,906

08	09	10	11	12	13	Insolvent	Total 31/12/2009
114,600	46,627	40,752	34,079	25,017	69,335	86,556	2,128,987
8	1	-	1	-	3	-	405
8	1	-	1	-	3	-	405
-	-	-	-	-	-	-	-
5,002	1,467	2,724	1,297	595	1,858	1,285	103,627
1,310	554	310	224	193	866	1,622	24,390
120,920	48,649	43,786	35,601	25,805	72,062	89,463	2,257,409

08	09	10	11	12	13	Insolvent	Total 31/12/2009
479,895	177,494	126,694	42,318	35,712	66,441	149,325	3,972,450
42	74	6	1	1	19	-	2,295
42	74	6	1	1	19	-	2,295
-	-	-	-	-	-	-	-
27,655	5,331	3,935	1,801	7,077	3,190	3,512	303,239
22,685	8,199	8,690	509	150	1,488	623	299,569
530,277	191,098	139,325	44,629	42,940	71,138	153,460	4,577,553



BANCA POPOLARE DI SONDRIO - SMEs - Exposure							Internal rating classes	
	01	02	03	04	05	06	07	
A. Cash exposures	19,217	51,174	143,793	436,055	692,389	818,844	503,346	
B. Derivatives	22	56	339	1,168	806	2,368	1,232	
B1. Financial derivatives	22	56	339	1,168	806	2,368	1,232	
B2. Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	25,620	11,050	52,245	105,314	85,837	68,898	43,100	
D. Commitments to make loans	520	617	11,995	19,579	38,486	28,333	16,421	
Total	45,379	62,897	208,372	562,116	817,518	918,443	564,099	

BANCA POPOLARE DI SONDRIO - LARGE AND PUBLIC ENTERPRISES - Exposure							Internal rating classes	
	01	02	03	04	05	06	07	
A. Cash exposures	47,355	562,516	572,185	233,334	348,296	156,217	172,967	
B. Derivatives	97	7,279	1,592	64	483	324	175	
B1. Financial derivatives	97	7,279	1,592	64	483	324	175	
B2. Credit derivatives	-	-	-	-	-	-	-	
C. Guarantees given	71,645	409,222	145,736	145,128	317,653	128,243	63,249	
D. Commitments to make loans	-	48,238	59,215	36,589	16,048	45,735	372	
Total	119,097	1,027,255	778,728	415,115	682,480	330,519	236,763	

BANCA POPOLARE DI SONDRIO BANKS - Exposure				
	01	02	03	04
A. Cash exposures	-	10	43,161	91,639
B. Derivatives	-	-	1,165	858
B1. Financial derivatives	-	-	1,165	858
B2. Credit derivatives	-	-	-	-
C. Guarantees given	-	-	11,157	5,683
D. Commitments to make loans	-	-	27	47
Total	-	10	55,510	98,227

08	09	10	11	12	13	Insolvent	Total 31/12/2009
389,186	354,232	120,604	68,614	25,211	62,818	97,668	3,783,151
347	98	5	-	-	-	1	6,442
347	98	5	-	-	-	1	6,442
-	-	-	-	-	-	-	-
16,471	19,400	4,680	4,854	926	3,164	6,911	448,470
23,618	16,347	5,151	35	-	2	873	161,977
429,622	390,077	130,440	73,503	26,137	65,984	105,453	4,400,040

08	09	10	11	12	13	Insolvent	Total 31/12/2009
39,734	30,783	68,726	15,730	1,783	540	27,403	2,277,569
-	129	52	28	-	-	4	10,227
-	129	52	28	-	-	4	10,227
-	-	-	-	-	-	-	-
3,777	35,503	5,738	25	57	-	12,210	1,338,186
199	8,654	1,022	-	-	-	20	216,092
43,710	75,069	75,538	15,783	1,840	540	39,637	3,842,074

Internal rating classes							Total 31/12/2009
05	06	07	08	09	Insolvent		
7,447	3,149	467	-	-	-		145,873
-	-	-	-	-	-		2,023
-	-	-	-	-	-		2,023
-	-	-	-	-	-		-
-	-	2,654	-	-	-		19,494
-	-	-	-	-	-		74
7,447	3,149	3,121	-	-	-		167,464



BANCA POPOLARE DI SONDRIO (SUISSE) - CUSTOMERS - Exposures				
	R1	R2	R3	R3G
A. Cash exposures	-	2,082	250,446	138,645
B. Derivatives	-	-	-	-
B1. Financial derivatives	-	-	-	-
B2. Credit derivatives	-	-	-	-
C. Guarantees given	-	-	-	-
D. Commitments to make loans	-	-	-	-
Total	-	2,082	250,446	138,645

Banca Popolare di Sondrio (Suisse) SA has its own customer rating system, which it only applies to customer loans. This system splits the loan book into 10 different risk categories. The 1st category identifies customers with the lowest risk, while the R7 and R8 categories indicate a state of insolvency.

A.3 Distribution of guaranteed exposures by type of guarantee

Cash loans shown in the «Exposures» column are stated net of specific and portfolio adjustments. The guarantees are split on the basis of this exposure. The amounts shown in the «amount guaranteed» and «guarantees» columns relate to the exposure covered; this means that the real value of the guarantees may exceed that shown.

A.3.2 Banking group - Guaranteed cash exposures to customers

	Net exposure	Secured guarantees (1)		
		Buildings	Securities	Other secured guarantees
1. Guaranteed cash exposures:	12,126,235	8,245,888	294,855	131,562
1.1 fully guaranteed	11,154,862	8,241,674	254,671	89,126
- of which: impaired	435,136	359,372	5,661	1,592
1.2 partially guaranteed	971,373	4,214	40,184	42,436
- of which: impaired	24,804	1,737	1,674	748
2. Guaranteed off-balance sheet exposures:	1,099,771	191,401	54,926	28,319
2.1 fully guaranteed	955,667	191,401	46,891	20,374
- of which: impaired	11,237	259	2,924	552
2.2 partially guaranteed	144,104	-	8,035	7,945
- of which: impaired	1,641	-	265	399

Internal rating classes							Total
R4	R4G	R5	R6	R7	R8	31/12/2009	
948,873	85,055	19,670	3,772	1,943	58	1,450,544	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
948,873	85,055	19,670	3,772	1,943	58	1,450,544	

Personal guarantees (2)

Credit derivatives									
Other derivatives					Guarantees given				Total
CLN	Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	31/12/2009
-	-	-	-	-	-	11,765	317,419	2,865,104	11,866,593
-	-	-	-	-	-	11,018	312,504	2,245,869	11,154,862
-	-	-	-	-	-	74	811	67,626	435,136
-	-	-	-	-	-	747	4,915	619,235	711,731
-	-	-	-	-	-	198	-	15,741	20,098
-	-	-	-	-	-	21,335	74,866	680,501	1,051,348
-	-	-	-	-	-	21,335	74,607	601,059	955,667
-	-	-	-	-	-	-	-	7,502	11,237
-	-	-	-	-	-	-	259	79,442	95,681
-	-	-	-	-	-	-	-	576	1,240



B. Distribution and concentration of lending

B.1 Banking group - Territorial distribution of the cash and off-balance sheet exposures to customers (book value)

Exposures/Counterparties	Government			Other public entities		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures						
A1. Non-performing loans	-	-	-	38	-	-
A2. Watchlist loans	-	-	-	-	-	-
A3. Restructured exposures	-	-	-	-	-	-
A4. Exposures past due	-	-	-	3	-	-
A5. Other exposures	2,498,233	-	-	80,901	-	75
Total A	2,498,233	-	-	80,942	-	75
B. Off-balance sheet exposures						
B1. Non-performing loans	-	-	-	-	-	-
B2. Watchlist loans	-	-	-	-	-	-
B3. Other impaired assets	-	-	-	-	-	-
B4. Other exposures	53,310	-	-	41,617	-	-
Total B	53,310	-	-	41,617	-	-
Total 31/12/2009	2,551,543	-	-	122,559	-	75
Total 31/12/2008	2,958,797	-	-	169,444	-	28

The 2008 figures have been adjusted for comparison purposes.

B.2 Banking group - Territorial distribution of the cash and off-balance sheet exposures to customers (book value)

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Net exposure	Total adjustment	Net exposure	Total adjustment
A. Cash exposures				
A1. Non-performing loans	151,375	181,423	3,288	6,317
A2. Watchlist loans	169,047	30,328	499	37
A3. Restructured exposures	39,726	1,933	-	-
A4. Exposures past due	195,368	10,578	1,514	120
A5. Other exposures	18,603,248	88,325	1,551,232	8,938
Total	19,158,764	312,587	1,556,533	15,412
B. Off-balance sheet exposures				
B1. Non-performing loans	2,023	3,927	-	-
B2. Watchlist loans	14,915	-	-	-
B3. Other impaired assets	11,180	-	-	-
B4. Other exposures	4,008,327	73	192,209	-
Total	4,036,445	4,000	192,209	-
Total 31/12/2009	23,195,209	316,587	1,748,742	15,412
Total 31/12/2008	21,510,424	253,819	1,492,188	13,110

The 2008 figures have been adjusted for comparison purposes.

Financial businesses			Insurance companies			Non-financial companies			Other parties		
Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
3,400	8,579	-	-	-	-	121,890	140,698	-	31,839	41,572	-
86	10	-	-	-	-	130,762	25,885	-	38,702	4,470	-
1,216	44	-	-	-	-	36,821	1,875	-	1,689	14	-
3,987	347	-	-	-	-	156,367	8,062	-	36,618	2,297	-
1,582,448	-	5,609	20,577	-	27	12,094,827	-	69,671	4,041,361	-	22,536
1,591,137	8,980	5,609	20,577	-	27	12,540,667	176,520	69,671	4,150,209	48,353	22,536
-	-	-	-	-	-	1,948	3,926	-	75	1	-
-	-	-	-	-	-	13,324	-	-	1,591	-	-
-	-	-	-	-	-	9,875	-	-	1,305	-	-
177,865	-	-	5,174	-	-	3,157,633	-	58	786,465	-	15
177,865	-	-	5,174	-	-	3,182,780	3,926	58	789,436	1	15
1,769,002	8,980	5,609	25,751	-	27	15,723,447	180,446	69,729	4,939,645	48,354	22,551
1,471,562	7,497	5,245	15,128	-	17	13,827,929	141,392	58,310	4,756,516	37,046	23,396

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total adjustment	Net exposure	Total adjustment	Net exposure	Total adjustment
2,504	3,109	-	-	-	-
1	-	3	-	-	-
-	-	-	-	-	-
91	8	2	-	-	-
160,021	634	3,108	17	738	4
162,617	3,751	3,113	17	738	4
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,280	-	2,663	-	13,585	-
5,280	-	2,663	-	13,585	-
167,897	3,751	5,776	17	14,323	4
170,516	5,468	5,302	506	20,947	28



B.3 Banking group 3. Territorial distribution of the cash and off-balance sheet exposures to banks (book value)

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Net exposure	Total adjustment	Net exposure	Total adjustment
A. Cash exposures				
A1. Non-performing loans	-	-	-	-
A2. Watchlist loans	-	-	-	-
A3. Restructured exposures	-	-	-	-
A4. Exposure past due	-	-	-	-
A5. Other exposures	1,286,922	-	119,065	-
Total	1,286,922	-	119,065	-
B. Off-balance sheet exposures				
B1. Non-performing loans	-	-	-	-
B2. Watchlist loans	-	-	-	-
B3. Other impaired assets	-	-	-	-
B4. Other exposures	49,230	-	85,503	-
Total	49,230	-	85,503	-
Total 31/12/2009	1,336,152	-	204,568	-
Total 31/12/2008	1,147,346	-	282,785	-

The 2008 figures have been adjusted for comparison purposes.

B.5 Significant risks

	31/12/2009	31/12/2008
a) Amount	2,160,592	798,147
b) Number	9	4

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total adjustment	Net exposure	Total adjustment	Net exposure	Total adjustment
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
48,549	-	4,965	-	6,241	-
48,549	-	4,965	-	6,241	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
81	-	1,933	-	306	-
81	-	1,933	-	306	-
48,630	-	6,898	-	6,547	-
59,757	-	6,853	-	757	-



C. Securitisation transactions and disposal of assets

C.2 Disposals

C.2.1 Financial assets sold and not eliminated from the balance sheet

Technical forms/Portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	1,035,136	-	-	-	-	-	-	-	-
1. Fixed-yield securities	1,035,136	-	-	-	-	-	-	-	-
2. Variable-yield securities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2009	1,035,136	-	-	-	-	-	-	-	-
of which: impaired	-	-	-	-	-	-	-	-	-
Total 31/12/2008	2,249,666	-	-	-	-	-	-	-	-
of which: impaired	-	-	-	-	-	-	-	-	-

Key:

A = financial assets sold and recognised in full (book value)

B = financial assets sold and recognised in part (book value)

C = financial assets sold and recognised in part (full value)

C.2.2 Financial liabilities associated with assets sold and not eliminated from the balance sheet

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Due from other banks	Due from customers	Total 31/12/2009
1. Due to customers	908,367	-	-	-	-	-	908,367
a) for assets recognised in full	908,367	-	-	-	-	-	908,367
b) for assets recognised in part	-	-	-	-	-	-	-
2. Due to banks	126,492	-	-	-	-	-	126,492
a) for assets recognised in full	126,492	-	-	-	-	-	126,492
b) for assets recognised in part	-	-	-	-	-	-	-
Total 31/12/2009	1,034,859	-	-	-	-	-	1,034,859
Total 31/12/2008	2,256,362	-	-	-	-	-	2,256,362



Financial assets held to maturity			Due from other banks			Due from customers			Total	Total
A	B	C	A	B	C	A	B	C	31/12/2009	31/12/2008
-	-	-	-	-	-	-	-	-	1,035,136	2,249,666
-	-	-	-	-	-	-	-	-	1,035,136	2,249,666
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,035,136	2,249,666
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	2,249,666	2,212,122
-	-	-	-	-	-	-	-	-	-	-

1.2 Banking group - Market risk

1.2.1 Interest rate risk and price risk - trading portfolio for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The interest rate risk accepted by the subsidiary in relation to the trading portfolio reflects the presence of fixed-yield securities.

These are for both investment purposes - the positions are held until their natural maturity - and trading purposes in a strict sense.

The portfolio mainly comprises prime fixed-yield securities with a limited duration.

The price risk deriving from the subsidiary's trading portfolio relates to investments in variable-yield securities of prime issuers, above all, in mutual funds managed by the Group (Popso (Suisse) Investment Fund Sicav).

These are mainly held as an investment, for the long term, rather than for trading in the strictest sense.

The subsidiary's accounting department performs a monthly valuation in order to reflect any adverse price changes in the income statement, while the Asset Management office monitors the situation during the month, consistent with the procedure followed in relation to customer assets under administration.

The subsidiary's General Management presents a report on the status of the trading portfolio to its Board of Directors every month.

B. Management and measurement of interest rate risk and price risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The Parent Bank assesses the market risk exposure (measurement of VaR) of the subsidiary using information provided by the latter.

The approach adopted for analysing the sensitivity to interest rate risk - solely in relation to fixed-yield securities held at year end - and to price risk - limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties and relating to period end - essentially reflect the internal model used by the Parent Company to calculate Value at Risk (VaR), as described in the corresponding section of the notes to the separate financial statements.

In particular, the model used covers the financial instruments exposed to price risk included in the Parent Bank's trading portfolio for supervisory purposes: as for interest rate risk, fixed-yield securities of the Parent Bank or of the subsidiary and forward contracts on fixed-yield securities; as for price risk, the financial instruments exposed to price risk included in the trading portfolio for supervisory purposes of the Parent Bank; moreover, the variable-yield securities and mutual funds of the subsidiary, excluding equity investments and the two variable-yield securities classified as «financial assets available for sale», included in the bank book. The price risk on foreign currency mutual funds also includes exchange risk.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs.

The policies and procedures for the ex post comparison of the model's results with the actual results («back testing») are only applied to the variable-yield securities and mutual funds held by the Parent Bank in its trading portfolio for supervisory purposes.

QUANTITATIVE INFORMATION

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

Currency: EURO

Type/residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	1,543,999	1,034,553	1,163	135,071	12,218	15,180	-
1.1 Fixed-yield securities	-	1,543,999	1,034,553	1,163	135,071	12,218	15,180	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	1,543,999	1,034,553	1,163	135,071	12,218	15,180	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	926	904,152	129,781	-	-	-	-	-
2.1 Repurchase agreements	926	904,152	129,781	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	6,654	6,112,745	645,099	245,166	365,308	141,250	3,634	-
3.1 With underlying security	-	130,497	16,397	24,641	34,297	-	-	-
- Options	-	13,205	10,285	20,580	1,909	-	-	-
+ Long positions	-	6,609	5,146	10,292	955	-	-	-
+ Short positions	-	6,596	5,139	10,288	954	-	-	-
- Other	-	117,292	6,112	4,061	32,388	-	-	-
+ Long positions	-	52,084	4,614	2,022	21,191	-	-	-
+ Short positions	-	65,208	1,498	2,039	11,197	-	-	-
3.2 Without underlying security	6,654	5,982,248	628,702	220,525	331,011	141,250	3,634	-
- Options	-	57,674	19,420	-	54,322	19,420	3,350	-
+ Long positions	-	28,837	9,710	-	27,161	9,710	1,675	-
+ Short positions	-	28,837	9,710	-	27,161	9,710	1,675	-
- Other	6,654	5,924,574	609,282	220,525	276,689	121,830	284	-
+ Long positions	-	3,197,344	317,250	114,381	138,326	60,915	142	-
+ Short positions	6,654	2,727,230	292,032	106,144	138,363	60,915	142	-

**Currency: USD**

Type/residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	541	-	-	543	-	-	-
1.1 Fixed-yield securities	-	541	-	-	543	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	541	-	-	543	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	25,910	4,582,590	420,230	112,965	27,680	-	-	-
3.1 With underlying security	-	15,131	10,418	3,353	1,348	-	-	-
- Options	-	15,131	10,418	3,353	1,348	-	-	-
+ Long positions	-	7,565	5,209	1,676	674	-	-	-
+ Short positions	-	7,566	5,209	1,677	674	-	-	-
- Other	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	25,910	4,567,459	409,812	109,612	26,332	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other	25,910	4,567,459	409,812	109,612	26,332	-	-	-
+ Long positions	-	2,309,250	202,366	53,159	13,167	-	-	-
+ Short positions	25,910	2,258,209	207,446	56,453	13,165	-	-	-

Currency: CHF

Type/residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	11,468	-	-	-
1.1 Fixed-yield securities	-	-	-	-	11,468	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	11,468	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	5,008	630,257	31,860	822	591	-	-	-
3.1 With underlying security	-	1,416	2,376	-	548	-	-	-
- Options	-	1,416	2,376	-	548	-	-	-
+ Long positions	-	708	1,188	-	274	-	-	-
+ Short positions	-	708	1,188	-	274	-	-	-
- Other	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	5,008	628,841	29,484	822	43	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other	5,008	628,841	29,484	822	43	-	-	-
+ Long positions	-	64,785	5,067	687	43	-	-	-
+ Short positions	5,008	564,056	24,417	135	-	-	-	-

**Currency: JAPANESE YEN**

Type/residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	155,206	42,625	689	9,762	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	155,206	42,625	689	9,762	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other	-	155,206	42,625	689	9,762	-	-	-
+ Long positions	-	75,409	21,598	445	4,881	-	-	-
+ Short positions	-	79,797	21,027	244	4,881	-	-	-

Currency: OTHER CURRENCIES

Type/residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	3,101	440,836	14,986	39,890	774	-	-	-
3.1 With underlying security	-	4,484	-	17,734	-	-	-	-
- Options	-	4,484	-	17,734	-	-	-	-
+ Long positions	-	2,242	-	8,867	-	-	-	-
+ Short positions	-	2,242	-	8,867	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	3,101	436,352	14,986	22,156	774	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other	3,101	436,352	14,986	22,156	774	-	-	-
+ Long positions	-	222,085	7,532	12,306	387	-	-	-
+ Short positions	3,101	214,267	7,454	9,850	387	-	-	-

2. Trading portfolio for supervisory purposes: distribution of exposures on variable-yield securities and stock indices by principal listing nation

Type of transaction/ Listing index	Listed						Unlisted
	Italy	United States	United Kingdom	Japan	Germany	Other	
A. Variable-yield securities	36,150	-	-	-	2,583	2,256	1,703
- long positions	36,150	-	-	-	2,583	2,256	1,703
- Short positions	-	-	-	-	-	-	-
B. Purchase/sale transactions not yet settled in variable-yield securities	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-
C. Other derivatives on variable-yield securities	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-
D. Derivatives on stock indices	-	-	-	-	-	-	784
- long positions	-	-	-	-	-	-	392
- Short positions	-	-	-	-	-	-	392



3. Trading portfolio for supervisory purposes - internal models and methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Fixed-yield securities and forward contracts on fixed-yield securities of the Parent Bank	453.7
Fixed-yield securities of the subsidiary	36.6
Total interest rate risk	480.0
Parent Bank	1,485.5
subsidiary	91.9
Total Price risk	1,572.0
Total Interest rate risk and price risk	1,573.9

1.2.2 Interest rate risk and price risk - Bank portfolio

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk and price risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

As with the Parent Bank, the principal source of interest rate risk for the subsidiary derives from fixed-rate lending (mortgage loans).

The General Management of the subsidiary is assisted by the AL.CO. (Asset & Liability Management Committee) which, each month, analyses the gaps by duration in order to monitor risk trends and make the appropriate decisions.

The subsidiary's Board of Directors has established prudent gap limits in order to minimise risk and receives a specific quarterly report from General Management, which is signed off by the Internal Audit Department.

In accordance with the relevant Swiss regulations, a quarterly gap analysis and duration analysis is performed, covering the entire balance sheet exposure (including therefore both the trading and the investment portfolios), in order to measure the impact on profits and equity of a change of 100 basis points over a twelve-month period in relation to the principal balance sheet currencies.

The measurement and control of interest rate risk essentially consists of an internal model for strategic Asset & Liability Management (ALM) regarding the Parent Bank, as described in the corresponding section of the notes to the separate financial statements, and a model for the subsidiary bank. In addition to the official report on the overall position of the subsidiary bank, mentioned above, this model reports each month on gaps with a duration of more than one year deriving from fixed-rate funding and lending transactions involving the bank book.

In addition, stress tests are performed on a quarterly basis in order to measure the effect on profits and equity of anomalous and unexpected changes in the rate curve for the principal balance sheet currencies.

As for price risk, the Parent Bank assesses the price risk exposure (measurement of VaR) of the subsidiary using information provided by the latter.

The analysis of sensitivity to price risk – limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties and relating to period end – essentially involves application of an internal model of the Parent Bank for the calculation of Value at Risk (VaR) with the characteristics described in the corresponding section of the notes to the separate financial statements.

In particular, the model used covers the financial instruments exposed to price risk included in the Parent Bank's investment book, excluding the investment in Banca Popolare di Sondrio (Suisse) SA, as well as the two variable-yield securities held by the subsidiary and classified as «financial assets available for sale» and the one classified under «investment securities».

These last three unlisted securities were measured at consolidated book value in the VaR calculation. The price risk on foreign currency mutual funds also includes exchange risk.

B. Fair value hedges

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Significant loans with similar characteristics granted by the subsidiary are normally hedged against rate risk by arranging interest-rate swaps (IRS) via the Parent Bank.

C. Cash flow hedges

The Group has not arranged any cash-flow hedges.

QUANTITATIVE INFORMATION

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

Currency: CHF

Type/residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
3. Financial derivatives	64,560	280,834	382,437	32,691	407,216	131,167	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	64,560	280,834	382,437	32,691	407,216	131,167	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	64,560	280,834	382,437	32,691	407,216	131,167	-	-
- Long positions	64,033	213,737	371,652	-	31	-	-	-
- Short positions	527	67,097	10,785	32,691	407,185	131,167	-	-



2. Bank book - internal models and other methodologies for the analysis of sensitivity

Interest rate risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Information relating to the subsidiary is set out below (including in relation to the trading portfolio).

Effect on profits of exposure to interest margin risk

Exposure to risk

(in millions of Swiss francs)	CHF	EUR	USD
at period end	-3.421	-0.857	-0.003
average	-4.300	0.071	-0.018
maximum	-4.988	-0.857	-0.079
minimum	-3.421	0.157	-0.003

Effect on equity of exposure to interest margin risk

Exposure to risk

(in millions of Swiss francs)	CHF	EUR	USD
at period end	-10.130	-1.250	-0.040
average	-11.173	-0.740	-0.055
maximum	-12.370	-1.250	-0.070
minimum	-10.130	-0.220	-0.040

Price risk

Value at Risk (VaR), end of year

	(in thousands of euro)
Parent Bank (excluding Suisse)	6,599.8
subsidiary	13.0
Total	6,610.8

1.2.3 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Except with regard to securities held in the trading portfolio, the subsidiary enters into currency transactions to satisfy customer requirements and to cover transitory treasury mismatches, which in any case are contained within the prudent limits established by the subsidiary's Board of Directors and General Management.

The measurement and control of exchange risk - with reference to the situation at year end - essentially involves application of the Parent Bank's internal model for the calculation of Value at Risk (VaR) with the characteristics described in the corresponding section of the notes to the separate financial statements.

In particular, the model used covers the financial instruments exposed to exchange risk included in the Parent Bank's investment book, excluding financial derivatives (in a strict sense) traded by the Exchange Centre, other than forward contracts on exchange rates and

excluding all balances with the subsidiary and the investment in it; it also covers all of the assets and liabilities in foreign currency (excluding gold and currencies other than those taken into consideration by the Parent Bank), on and off the balance sheet, pertaining to the subsidiary, which are shown on table 1 below, excluding other financial assets (mutual funds in foreign currency, whose exchange risk is included in the price risk). Forward contracts on exchange rates of the Parent Bank and fixed and variable-yield securities are treated analytically, whereas the overall difference by individual currency of the other items is treated as a deposit (positive or negative) with a due date of one day.

B. Hedging of exchange risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The activities of the subsidiary are consistent with those of the Parent Bank. The subsidiary's Exchange Office administers the positions and matches the exchange risk in the interbank market, while maintaining residual exposures within the limits established in the internal regulations.

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by foreign currency

Items	Currency					
	US Dollars	Sterling	Japanese Yen	Swiss Francs	Canadian Dollars	Other currencies
A. Financial assets	1,305,989	19,216	62,498	1,798,618	83,219	39,573
A.1 Fixed-yield securities	1,084	-	-	11,468	-	-
A.2 Variable-yield securities	-	1,387	-	1,262	-	-
A.3 Loans to banks	53,719	3,591	32,213	23,293	1,001	23,332
A.4 Loans to customers	1,251,186	14,238	28,255	1,762,595	82,218	16,241
A.5 Other financial assets	-	-	2,030	-	-	-
B. Other assets	1,830	601	133	57,298	97	238
C. Financial liabilities	1,334,737	24,685	60,196	1,210,004	83,495	38,950
C.1 Due to banks	848,184	3,459	46,583	381,496	79,366	18,331
C.2 Due to customers	486,553	21,226	13,613	724,295	4,129	20,619
C.3 Fixed-yield securities	-	-	-	104,213	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	333	141	-	103,749	-	-
E. Financial derivatives	5,174,517	189,872	208,282	668,540	45,453	264,262
- Options	30,882	3,352	-	4,341	-	18,866
+ long positions	15,441	1,676	-	2,170	-	9,433
+ short positions	15,441	1,676	-	2,171	-	9,433
- Other derivatives	5,143,635	186,520	208,282	664,199	45,453	245,396
+ long positions	2,580,197	96,943	102,332	70,583	22,621	122,747
+ short positions	2,563,438	89,577	105,950	593,616	22,832	122,649
Total assets	3,903,457	118,436	164,963	1,928,669	105,937	171,991
Total liabilities	3,913,949	116,079	166,146	1,909,540	106,327	171,032
Net balance (+/-)	-10,492	2,357	-1,183	19,129	-390	959



2. Internal models and other methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Parent Bank (net of eliminations)	925.4
Subsidiary (net of eliminations)	934.3
Total	143.7
Details of the principal currencies	
US Dollars	62.9
Sterling	26.7
Japanese Yen	56.7
Swiss Francs	110.8
Canadian Dollars	0.7
Other currencies	5.7
Total	143.7

1.2.4 Derivative instruments

A. Financial derivatives

A. Trading portfolio for supervisory purposes: notional amounts at period end and average amounts

Underlying assets /Type of derivative	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Fixed-yield securities and interest rates	880,692	-	616,799	-
a) Options	275,568	-	162,037	-
b) Swap	605,124	-	454,762	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Variable-yield securities and stock indices	20,906	-	44,880	-
a) Options	20,906	-	44,880	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	5,791,972	-	7,515,711	-
a) Options	113,238	-	219,491	-
b) Swap	-	-	-	-
c) Forward	5,678,734	-	7,296,220	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	14,120	-	36,797	-
5. Other underlying assets	-	-	-	-
Total	6,707,690	-	8,214,187	-
Averages	7,461,205	-	7,729,546	-

A.2 Bank book: notional amounts at period end and averages

A.2.1 For hedging

Underlying assets /Type of derivative	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Fixed-yield securities and interest rates	584,861	-	197,643	-
a) Options	-	-	-	-
b) Swap	584,861	-	197,643	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Variable-yield securities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	584,861	-	197,643	-
Averages	391,345	-	215,491	-



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

Portfolio/Type of derivatives	POSITIVE FAIR VALUES			
	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	65,015	-	255,405	-
a) Options	4,130	-	6,586	-
b) Interest rate swap	14,076	-	11,720	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	46,289	-	222,341	-
f) Futures	-	-	-	-
g) Other	520	-	14,758	-
B. Bank book - for hedging purposes	11	-	89	-
a) Options	-	-	-	-
b) Interest rate swap	11	-	89	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	65,026	-	255,494	-

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

Portfolio/Type of derivatives	POSITIVE FAIR VALUES			
	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading portfolio for supervisory purposes	72,430	-	277,554	-
a) Options	4,077	-	6,574	-
b) Interest rate swap	13,042	-	11,680	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	54,797	-	245,876	-
f) Futures	-	-	-	-
g) Other	514	-	13,424	-
B. Bank book - for hedging purposes	11,330	-	5,050	-
a) Options	-	-	-	-
b) Interest rate swap	11,330	-	5,050	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	83,760	-	282,604	-



A.5 OTC financial derivatives - trading portfolio for supervisory purposes: notional values, gross positive and negative fair value by counterparty - contracts which are not part of settlement agreements

Contracts which are not part of settlement agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Fixed-yield securities and interest rates							
- notional value	-	20,253	440,388	116,729	-	291,969	11,353
- positive fair value	-	243	1,213	775	-	13,799	317
- negative fair value	-	73	14,130	940	-	169	-
- future exposure	-	152	2,113	243	-	1,166	42
2. Variable-yield securities and stock indices							
- notional value	-	-	10,466	4,940	5,500	-	-
- positive fair value	-	-	41	-	-	-	-
- negative fair value	-	-	-	-	14	-	-
- future exposure	-	-	837	-	-	-	-
3. Currency and gold							
- notional value	-	1,384	3,088,723	1,164,945	4,963	1,222,161	309,796
- positive fair value	-	17	27,714	10,757	-	6,077	3,432
- negative fair value	-	40	20,760	11,093	6	20,463	4,116
- future exposure	-	14	31,591	11,766	50	12,418	3,098
4. Other assets							
- notional value	-	-	7,060	1,672	-	5,143	245
- positive fair value	-	-	438	-	-	192	-
- negative fair value	-	-	189	32	-	352	51
- future exposure	-	-	588	167	-	525	-

A.7 OTC financial derivatives - bank book: notional values, gross positive and negative fair values for counterparties - contracts which are not part of settlement agreements

Contracts which are not part of settlement agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Fixed-yield securities and interest rates							
- notional value	-	-	584,861	-	-	-	-
- positive fair value	-	-	11	-	-	-	-
- negative fair value	-	-	11,330	-	-	-	-
- future exposure	-	-	4,003	-	-	-	-
2. Variable-yield securities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currency and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other assets							
- notional value	-	-	-	-	-	-	-
- fair value positivo	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

Underlyings/residual value	Within 12 months	1 to 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes	6,036,672	508,693	162,325	6,707,690
A.1 Financial derivatives on fixed-yield securities and interest rates	272,305	446,062	162,325	880,692
A.2 Financial derivatives on variable-yield securities and stock indices	-	20,906	-	20,906
A.3 Financial derivatives on exchange rates and gold	5,751,282	40,690	-	5,791,972
A.4 Financial derivatives on other instruments	13,085	1,035	-	14,120
B. Bank book	46,508	407,185	131,168	584,861
B.1 Financial derivatives on fixed-yield securities and interest rates	46,508	407,185	131,168	584,861
B.2 Derivati finanziari su titoli di capitale e indici azionari	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31/12/2009	6,083,180	915,878	293,493	7,292,551
Total 31/12/2008	7,991,138	295,185	125,508	8,411,831



1.3 Banking group - Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The Group's overall strategy for managing liquidity risk, with its low propensity for risk, consists of giving priority to matching assets and liabilities, taking a prudent approach, while at the same time pursuing reasonable levels of profitability.

The coverage of expected liquidity requirements is checked and monitored on a continuous basis and timely action is taken in the markets to ensure the appropriate availability of funds.

In this context, the Parent Bank acts as the subsidiary's counterparty of choice in the raising of funds and in the investment of any cash surpluses.

This risk is controlled by the subsidiary Banca Popolare di Sondrio (SUISSE) SA by means of monitoring tools that comply with the requirements of Switzerland's supervisory authorities.

We would emphasise that the following information, taken together with that shown in part B Liabilities Section 1 Table 1.5 of the Parent Bank's financial statements, complies with the requirements of IFRS 7.39.

QUANTITATIVE INFORMATION

1. Distribution by residual duration of financial assets and liabilities

Currency: EURO

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	6,388,830	336,541	380,398	577,373	637,676	530,622	789,804	5,349,084	4,212,508	-
A.1 Government securities	-	-	11	78	324	160	35,829	2,044,915	415,195	-
A.2 Other fixed-yield securities	3,621	-	4,455	-	27,901	26,484	20,765	246,655	276,156	-
A.3 Mutual funds	62,638	-	-	-	-	-	522	8,846	2,875	-
A.4 Loans	6,322,571	336,541	375,932	577,295	609,451	503,978	732,688	3,048,668	3,518,282	-
- Banks	55,729	222,046	285,000	237,000	139,691	12	12	81	-	-
- Customers	6,266,842	114,495	90,932	340,295	469,760	503,966	732,676	3,048,587	3,518,282	-
Cash liabilities	15,131,082	207,024	120,280	396,481	672,102	293,827	382,323	746,116	262,469	-
B.1 Deposits and current accounts	15,039,852	206,757	119,134	351,335	552,556	174,001	21,345	55,098	68,650	-
- Banks	109,101	170,494	5,000	1,500	7,472	-	6,657	51,661	68,633	-
- Customers	14,930,751	36,263	114,134	349,835	545,084	174,001	14,688	3,437	17	-
B.2 Fixed-yield securities	91,230	267	1,146	45,146	119,546	119,826	360,978	691,018	193,819	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	2,587,289	39,383	57,141	199,256	2,739,595	503,704	158,648	91,338	165,379	-
C.1 Financial derivatives with exchange of capital	2,359,144	39,383	57,141	199,256	2,739,468	496,749	153,043	75,098	36,140	-
- Long positions	1,157,656	38,633	53,466	180,354	1,476,284	263,280	80,633	41,190	34,650	-
- Short positions	1,201,488	750	3,675	18,902	1,263,184	233,469	72,410	33,908	1,490	-
C.2 Financial derivatives without exchange of capital	32,464	-	-	-	-	-	-	-	-	-
- Long positions	16,752	-	-	-	-	-	-	-	-	-
- Short positions	15,712	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	193,998	-	-	-	30	5,854	4,234	11,493	129,035	-
- Long positions	21,676	-	-	-	30	5,854	4,234	11,493	129,035	-
- Short positions	172,322	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	1,683	-	-	-	97	1,101	1,371	4,747	204	-



Currency: USD

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	33,205	270,948	125,073	484,601	291,853	76,816	23,600	5,122	1,835	-
A.1 Government securities	-	-	-	541	-	-	-	543	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	33,205	270,948	125,073	484,060	291,853	76,816	23,600	4,579	1,835	-
- Banks	12,695	647	29,714	7,422	2,959	261	22	-	-	-
- Customers	20,510	270,301	95,359	476,638	288,894	76,555	23,578	4,579	1,835	-
Cash liabilities	289,993	113,344	222,433	494,463	139,071	62,309	13,054	69	-	-
B.1 Deposits and current accounts	289,993	113,344	222,433	494,463	139,071	62,309	13,054	69	-	-
- Banks	20,516	92,739	199,179	459,341	75,310	172	857	69	-	-
- Customers	269,477	20,605	23,254	35,122	63,761	62,137	12,197	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	2,212,408	20,258	67,765	49,549	2,319,196	425,687	124,306	27,730	-	-
C.1 Financial derivatives with exchange of capital	2,165,911	20,258	66,725	49,189	2,306,418	420,230	112,965	27,680	-	-
- Long positions	1,065,223	10,637	34,006	36,074	1,170,877	207,575	54,835	13,841	-	-
- Short positions	1,100,688	9,621	32,719	13,115	1,135,541	212,655	58,130	13,839	-	-
C.2 Financial derivatives without exchange of capital	477	-	-	-	-	-	-	-	-	-
- Long positions	240	-	-	-	-	-	-	-	-	-
- Short positions	237	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	15,237	-	-	-	243	-	-	-	-	-
- Long positions	7,740	-	-	-	-	-	-	-	-	-
- Short positions	7,497	-	-	-	243	-	-	-	-	-
C.4 Irrevocable commitments to make loans	30,783	-	1,040	360	12,535	5,457	11,341	50	-	-
- Long positions	-	-	1,040	360	12,535	5,457	11,341	50	-	-
- Short positions	30,783	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

**Currency: CHF**

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	150,515	12,358	50,216	77,183	118,535	68,620	69,724	580,986	672,217	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	11,468	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	150,515	12,358	50,216	77,183	118,535	68,620	69,724	569,518	672,217	-
- Banks	3,631	634	7,900	7,219	3,812	97	-	-	-	-
- Customers	146,884	11,724	42,316	69,964	114,723	68,523	69,724	569,518	672,217	-
Cash liabilities	670,162	118,324	95,074	123,249	36,188	44,652	61,231	60,176	949	-
B.1 Deposits and current accounts	668,813	117,519	94,322	121,919	32,949	23,761	46,509	-	-	-
- Banks	606	117,282	91,672	119,978	8,088	-	43,869	-	-	-
- Customers	668,207	237	2,650	1,941	24,861	23,761	2,640	-	-	-
B.2 Fixed-yield securities	1,349	805	752	1,330	3,239	20,891	14,722	60,176	949	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	177,876	37,324	59,147	180,256	313,069	38,707	1,028	622	-	-
C.1 Financial derivatives with exchange of capital	49,252	36,929	58,230	179,904	310,951	31,860	823	591	-	-
- Long positions	21,868	1,267	1,579	6,680	34,099	6,255	688	317	-	-
- Short positions	27,384	35,662	56,651	173,224	276,852	25,605	135	274	-	-
C.2 Financial derivatives without exchange of capital	-	395	917	352	2,118	6,320	203	-	-	-
- Long positions	-	79	188	54	419	1,014	-	-	-	-
- Short positions	-	316	729	298	1,699	5,306	203	-	-	-
C.3 Deposits and loans to be received	128,066	-	-	-	-	-	-	-	-	-
- Long positions	64,033	-	-	-	-	-	-	-	-	-
- Short positions	64,033	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	558	-	-	-	-	527	-	31	-	-
- Long positions	-	-	-	-	-	527	-	31	-	-
- Short positions	558	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	2	-	-	-


Currency: JAPANESE YEN

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	4,201	7,386	6,029	17,042	21,668	4,072	2,200	34	10	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	2,030	-	-	-	-	-	-	-	-	-
A.4 Loans	2,171	7,386	6,029	17,042	21,668	4,072	2,200	34	10	-
- Banks	1,397	7,223	4,281	10,126	8,935	251	-	-	-	-
- Customers	774	163	1,748	6,916	12,733	3,821	2,200	34	10	-
Cash liabilities	9,351	46,262	786	719	2,321	569	188	-	-	-
B.1 Deposits and current accounts	9,351	46,262	786	719	2,321	569	188	-	-	-
- Banks	398	46,186	-	-	-	-	-	-	-	-
- Customers	8,953	76	786	719	2,321	569	188	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	103,012	2,968	1,986	3,028	78,966	45,837	689	9,762	-	-
C.1 Financial derivatives with exchange of capital	68,258	2,968	1,986	3,028	78,966	42,625	689	9,762	-	-
- Long positions	35,599	-	-	1,788	38,022	21,598	445	4,881	-	-
- Short positions	32,659	2,968	1,986	1,240	40,944	21,027	244	4,881	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	31,542	-	-	-	-	-	-	-	-	-
- Long positions	15,771	-	-	-	-	-	-	-	-	-
- Short positions	15,771	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	3,212	-	-	-	-	3,212	-	-	-	-
- Long positions	-	-	-	-	-	3,212	-	-	-	-
- Short positions	3,212	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

**Currency: OTHER CURRENCIES**

Items/time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	16,936	90,972	1,230	6,921	9,453	4,990	-	10,754	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	16,936	90,972	1,230	6,921	9,453	4,990	-	10,754	-	-
- Banks	15,307	7,397	66	58	408	4,688	-	-	-	-
- Customers	1,629	83,575	1,164	6,863	9,045	302	-	10,754	-	-
Cash liabilities	40,393	85,649	8,877	1,207	2,742	5,673	2,590	-	-	-
B.1 Deposits and current accounts	40,393	85,649	8,877	1,207	2,742	5,673	2,590	-	-	-
- Banks	1,144	85,649	8,809	867	-	4,688	-	-	-	-
- Customers	39,249	-	68	340	2,742	985	2,590	-	-	-
B.2 Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	137,899	24,820	67,303	21,059	229,166	14,986	39,889	774	-	-
C.1 Financial derivatives with exchange of capital	109,313	17,209	67,303	21,059	229,054	14,986	39,889	774	-	-
- Long positions	53,014	7,896	36,583	11,152	115,683	7,532	21,173	387	-	-
- Short positions	56,299	9,313	30,720	9,907	113,371	7,454	18,716	387	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	20,862	-	-	-	-	-	-	-	-	-
- Long positions	10,431	-	-	-	-	-	-	-	-	-
- Short positions	10,431	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	7,724	7,611	-	-	112	-	-	-	-	-
- Long positions	-	7,611	-	-	112	-	-	-	-	-
- Short positions	7,724	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-



1.4 Banking group - Operational risks

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

The report on operations and the corresponding section in the notes to the separate financial statements describe in detail the system for the measurement and control of operational risk.

This system is also used by the Swiss subsidiary, albeit with a few adjustments to adapt it to the local operating context.

The subsidiary's exposure is, in any case, extremely limited due to the way internal control is organised, with the presence of specialists and action directly at operating unit level.

The principal manifestations of this type of risk, at Group level, relate to settlements and legal disputes, fraudulent acts, generally mitigated by taking out insurance policies, accidents and breakdowns at structures, errors in the execution of transactions used in day-to-day operations or in the application of operating practices.

QUANTITATIVE INFORMATION

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements, whereas as regards the subsidiary the few events that have caused a sizeable impact are principally due to the errors in the execution of day-to-day transactions and, as for the Parent Bank, usually promptly corrected.

The following table summarises the banking group's losses from risk events that took place in the last three years.

Sources of losses from 01/01/2007 to 31/12/2009

	No. of events	% of events	Gross loss	% of total	Net loss	% of total	% recovered
Fraud	214	41.23%	1,733,374	19.64%	973,592	24.29%	43.83%
Settlements and legal disputes	29	5.59%	2,506,229	28.40%	2,467,923	61.57%	1.53%
Damage to fixed assets	96	18.50%	281,859	3.19%	73,872	1.84%	73.79%
Errors in carrying out transactions	162	31.21%	4,193,930	47.53%	383,709	9.57%	90.85%
Other	18	3.47%	109,409	1.24%	109,409	2.73%	-
Total	519	100.00%	8,824,801	100.00%	4,008,505	100.00%	54.58%

(Amounts in euro)

Key:

Fraud = bank robberies, theft, false instructions, cloning of debit and credit cards, alteration of cheques, disloyalty.

Settlements and legal disputes = settlements reached with customers, transactions contrary to the rules of proper conduct and prudent provisions for legal disputes.

Errors in carrying out transactions = errors in day-to-day operations, in the execution of processes, in relations with vendors or suppliers.

Damage to fixed assets = accidents, damage caused to third parties, structural failures and breakdowns.

Other = violations of the regulations on lending, safety in the workplace and system breakdowns.

PART F *Information on consolidated equity*

Section 1 *Consolidated capital*

QUALITATIVE INFORMATION

In line with its status as a cooperative, the Group has always devoted maximum attention to shareholders who are also customers; this in the conviction that this approach helps maintain a suitable capital endowment to pursue an autonomous growth strategy and control risks effectively. This is why the history of the Group features periodic increases in capital, carried out in ways that are technically straightforward and transparent, so that the shareholders can immediately understand the terms of the operation and share the Group's objectives. Based on this premise, we have never issued innovative capital instruments and the repeated increases - the latest dating back to 2007 - have always been taken up en masse.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the Group to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity.

The responsibilities that the Group has versus its shareholders and that derive from its status as a cooperative bank have led to an extremely prudent style of management of the company's capital, as can be seen from the mix of assets and liabilities in the balance sheet.

QUANTITATIVE INFORMATION

The component parts and size of the Group's capital and equity are described in Part B, Section 14 of these notes to the financial statements.



B.1 Consolidated equity broken down by type of businesses

Equity items	Banking group	Insurance companies	Other businesses	Consolidated eliminations and adjustments	Total
1. Share capital	924,444	-	-	-	924,444
2. Share premium reserve	176,085	-	-	-	176,085
3. Reserves	517,136	-	25,479	-1,550	541,065
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	-40,211	-	-	-	-40,211
6. Valuation reserves:	-513	-	192	-	-321
- Financial assets available for sale	-513	-	-	-	-513
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash-flow hedges	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
- Actuarial profits (losses) related to defined-benefit pension plans	-	-	-	-	-
- Portions of valuation reserves related to subsidiaries carried at equity	-	-	-	-	-
- Special revaluation regulations	-	-	192	-	192
7. Net profit for the year	191,516	-	7,015	2,533	201,064
Total	1,768,457	-	32,686	983	1,802,126

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

Assets/Values	Banking group		Insurance companies		Other businesses		Consolidated eliminations and adjustments		Total 31/12/2009	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
2. Variable-yield securities	1,281	1,602	-	-	-	-	-	-	1,281	1,602
3. Mutual funds	99	291	-	-	-	-	-	-	99	291
4. Loans	-	-	-	-	-	-	-	-	-	-
Total	1,380	1,893	-	-	-	-	-	-	1,380	1,893
Total 31/12/2008	382	7,789	-	-	-	-	-	-	382	7,789

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

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans
1. Opening balance	-	-6,292	-1,115	-
2. Positive changes	-	6,575	1,822	-
2.1 Increases in fair value	-	1,576	-	-
2.2 Release to the income statement of negative reserves	-	2,269	-	-
- from impairment	-	-	-	-
- from disposals	-	2,269	-	-
2.3 Other changes	-	2,730	1,822	-
3. Negative changes	-	604	899	-
3.1 Reductions in fair value	-	274	400	-
3.2 Impairment write-downs	-	-	-	-
3.3 Transfer to income statement from positive reserves: from disposals	-	-	-	-
3.4 Other changes	-	330	499	-
4. Closing balance	-	-321	-192	-

Section 2 *Capital and capital adequacy ratios*

2.2 Capital for supervisory purposes

QUALITATIVE INFORMATION

This is the main point of reference for the Supervisory Body when assessing the stability of the Bank and of the system. The principal prudent control mechanisms all make reference to capital for supervisory purposes: the requirements to cover market risk and the rules governing the concentration of risk. It consists of the sum of Tier 1 capital, which is included in the calculation without any limitation, and Tier 2 capital that is included up to the equivalent of the Tier 1 capital. The amounts foreseen in the regulations applicable at 31.12.2009 are then deducted from this aggregate.

1. Tier 1 capital

The positive elements of Tier 1 capital comprise share capital, the share premium reserve, other reserves and part of the net profit for 2009, on the assumption that the shareholders will approve the proposed allocations to reserves; the negative elements consist of treasury shares (line item 190 of liabilities and equity), intangible assets (line item 120 of assets) and the deductions deriving from application of the «precautionary filters» made up of the negative balances between positive and negative valuation reserves, with reference respectively to the variable-yield securities (including mutual funds) and fixed-yield securities classified in the «financial assets available for sale» portfolio.

From Tier 1 capital calculated in this way get deducted 50% of any equity investments in excess of 10% in non-consolidated banks and financial companies, the combination of any equity investments equal to or less than 10% in banks and financial companies and subordinated instruments that exceed 10% of «Tier 1 and Tier 2 capital, both gross of the elements to be deducted» and any equity investments in insurance companies purchased from 20 July 2006 onwards.



2. Tier 2 capital

The positive elements of Tier 2 capital are represented by after-tax gains on shareholdings classified as «financial assets available for sale». It is made up of the positive reserves deriving from after-tax gains on securities available for sale, cut by 50% for the application of the precautionary filters and reduced by the negative elements, consisting of potential losses on assets shown in the balance sheet, as well as the other elements to be deducted in the same way as for Tier 1 capital, as mentioned above.

3. Tier 3 capital

There are no elements of equity to be included in Tier 3 capital.

QUANTITATIVE INFORMATION

	31/12/2009	31/12/2008
A. Tier 1 before the application of precautionary filters	1,681,861	1,573,852
B. Precautionary filters of Tier 1 capital:	- 513	- 7,407
B.1 Positive IFRS precautionary filters (+)	-	-
B.2 Negative IFRS precautionary filters (-)	- 513	- 7,407
C. Tier 1 capital gross of the elements to be deducted (A + B)	1,681,348	1,566,445
D. Elements to be deducted from tier 1 capital	90,868	10,287
E. Total Tier 1 capital (C-D)	1,590,480	1,556,158
F. Tier 2 capital before the application of precautionary filters	-245	-282
G. Precautionary filters for tier 2 capital:	-	-
G.1 Positive IFRS precautionary filters (+)	-	-
G.2 Negative IFRS precautionary filters (-)	-	-
H. Tier 2 capital gross of the elements to be deducted (F + G)	-245	-282
I. Elements to be deducted from tier 2 capital	-	-
L. Total tier 2 capital (H-I)	-245	-282
M. Items to be deducted from tier 1 and tier 2 capital	64,206	59,689
N. Capital for supervisory purposes (E + L - M)	1,526,029	1,496,187
O. Tier 3 capital	-	-
P. Capital for supervisory purposes including tier 3 (N + O)	1,526,029	1,496,187

2.3 Capital adequacy

QUALITATIVE INFORMATION

The Bank has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and protect against risk. This state of things is reflected in the adequacy of the individual solvency coefficient. This requisite is expressed by the ratio between capital for supervisory purposes and total risk-weighted assets, which at the end of the year came to 9.21%, with an excess of 121 basis points compared with the regulatory minimum of 8% required of banks that belong to banking groups. In absolute terms, the excess capital compared with the obligatory minimum - what is called «free capital» - amounts to € 201.20 million; this amount is considered adequate for the Bank's growth plans.

The following table provides information of a quantitative nature on risk assets and capital ratios, reflecting prudent management of the various types of risks with a contained absorption of capital. Capital for supervisory purposes is absorbed for around 79% by credit risk, around 2% by market risks, around 6% by operational risks, while the other 13% is free capital.

The slight growth in capital for supervisory purposes compared with the end of 2008, despite the increase in net profit to be allocated to reserves, is essentially due to the increase in elements to be deducted from tier 1 capital represented by the purchase of equity investments.

QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
A. Assets at risk				
A.1 Credit and counterparty risk	23,568,068	21,816,624	15,271,628	16,412,870
1. Standardised approach	23,568,068	21,816,624	15,271,628	16,412,870
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Capital adequacy requirements				
B.1 Credit and counterparty risk	-	-	1,221,730	1,313,030
B.2 Market risks			31,090	34,236
1. Standard methodology	-	-	31,090	34,236
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	94,282	79,788
1. Basic method	-	-	94,282	79,788
2. Standardised approach	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other precautionary requirements	-	-	-	-
B.5 Other calculation elements	-	-	-22,275	-32,441
B.6 Total precautionary requirements	-	-	1,324,827	1,394,613
C. Risk assets and capital ratios				
C.1 Risk-weighted assets	-	-	16,560,338	17,432,663
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)	-	-	9.60	8.93
C.3 Capital for supervisory purposes including Tier 3/ Risk-weighted assets (Total capital ratio)	-	-	9.21	8.58

The other calculation elements shown at line B.5 refer to intragroup transactions.



PART H *Related party transactions*

1. Information on the remuneration of directors and managers

The emoluments of the directors, the statutory auditors, the general manager and managers with strategic responsibilities is detailed in the following table.

Name and surname	Office	Period in office	Expiry of office	Emoluments for the office held in Banca Popolare di Sondrio	Non-monetary benefits	Bonuses and other incentives	Other emoluments
PIERO MELAZZINI	Chairman	1/1/2009-31/12/2009	31-12-2010	800	-	-	79
EMILIO NEGRI MILES	Deputy Chairman	1/1/2009-31/12/2009	31-12-2010	101	-	-	-
CLAUDIO BENEDETTI	Director	1/1/2009-31/12/2009	31-12-2011	37	-	-	-
PAOLO BIGLIOLI	Director	1/1/2009-31/12/2009	31-12-2010	37	-	-	-
GIANLUIGI BONISOLO	Director	1/1/2009-31/12/2009	31-12-2010	55	-	-	-
FEDERICO FALCK	Director	1/1/2009-31/12/2009	31-12-2009	35	-	-	-
ATTILIO PIERO FERRARI	Director	1/1/2009-31/12/2009	31-12-2011	38	-	-	-
GIUSEPPE FONTANA	Director	1/1/2009-31/12/2009	31-12-2011	35	-	-	-
MARIO GALBUSERA	Director	1/1/2009-31/12/2009	31-12-2009	35	-	-	-
NICOLÒ MELZI DI CUSANO	Director	1/1/2009-31/12/2009	31-12-2009	37	-	-	-
ADRIANO PROPERSI	Director	28/3/2009-31/12/2009	31-12-2011	36	-	-	-
RENATO SOZZANI	Director	1/1/2009-31/12/2009	31-12-2011	65	-	-	2
LINO ENRICO STOPPANI	Director	1/1/2009-31/12/2009	31-12-2010	37	-	-	-
BRUNO VANOSI	Director	1/1/2009-31/12/2009	31-12-2009	36	-	-	-
FRANCESCO VENOSTA	Director	1/1/2009-31/12/2009	31-12-2009	48	-	-	63
EGIDIO ALESSANDRI	Chairman of the Board of Statutory Auditors	1/1/2009-31/12/2009	31-12-2011	113	-	-	9
PIO BERSANI	Auditor	1/1/2009-31/12/2009	31-12-2011	64	-	-	-
PIERGIUSEPPE FORNI	Auditor	1/1/2009-31/12/2009	31-12-2011	55	-	-	7
MARIO ALBERTO PEDRANZINI	General Manager	1/1/2009-31/12/2009		-	-	-	700
MANAGERS WITH STRATEGIC RESPONSIBILITIES		1/1/2009-31/12/2009		-	-	-	1,044

The other emoluments of the general manager and of managers with strategic responsibilities mainly consist of their salaries.

The report on operations discloses the investments held by the directors, statutory auditors, the general manager and managers with strategic responsibilities and the related changes during the year.

Expiry of office is the closing date of the financial statements for the last year in office; pursuant to art. 34 and 48 of the Articles of Association, note that directors and statutory auditors remain in office up to the date of the Shareholders' Meeting called to approve those financial statements.

As regards the directors, general manager and managers with strategic responsibilities, note that there are no stock option plans or non-monetary benefits, nor bonuses or other incentives.

2. Related party disclosures

Related parties have been identified in accordance with IAS 24.

Consistent with this standard, the following parties are deemed to be related:

1. Subsidiary companies, parent companies and companies under joint control.
2. Companies that can exercise significant influence over the reporting bank.
3. Associated companies.
4. Joint ventures in which the reporting bank holds an investment.
5. Managers with strategic responsibilities within the bank or its parent company.
6. Close family members of the parties listed in point 5.
7. Subsidiary companies, companies under joint control and companies subject to significant influence by one of the parties listed in points 5 and 6.
8. Pension funds of employees and any other entity related to them.

Close family members are defined as follows: the companion, the children of the related party – the children of the companion – and the dependants of the related party or the companion.

Relations with companies in which investments are held are conducted as part of normal operations and mainly relate to current accounts, deposit accounts and loans. These relations are settled on arm's-length terms. Other relations with other related parties, excluding the above companies, are also settled on the market terms applying to the individual transactions, or on terms in line with those applied to employees, if applicable. No specific provisions were made during the year for losses on amounts due from related parties. The remuneration of the directors and statutory auditors is authorised at the shareholders' meeting; the remuneration of the Chief Executive Officer is authorised by the Board of Directors.

There are no profit-related incentive plans for managers or pension plans other than the post-employment benefits envisaged for participating employees of the Bank; there are no stock-option plans.

	Assets	Liabilities	Income	Charges	Guarantees given	Guarantees received
Directors	52	10,035	2	121	-	1,041
Statutory auditors	891	102	29	1	129	458
Management	90	3,087	2	45	53	119
Family members	3,037	10,374	120	140	189	3,943
Subsidiaries	259,931	550,592	16,712	13,328	116,971	35,027
Associated companies	192,409	23,562	3,874	1,854	108	-
Other related parties	329,952	51,438	1,859	558	6,048	22,800

Loans to subsidiaries are represented mainly by interbank relations with Banca Popolare di Sondrio (Suisse) SA, while loans to associated companies relate for € 181 million to a loan granted to Alba Leasing SpA; assets with other related parties include loans of € 245 million granted to the affiliate Release spa.



PART L *Segment information*

A. Primary format

The primary format has been determined using the methodology applied in relation to the Parent Bank.

Accordingly, reference is made to the section of the notes to the Parent Bank's financial statements entitled Part L – Segment information.

A.1 Distribution by business segment: income statement

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2009
Interest income	488,489	462,708	-	442,965	1,394,162	-666,486	727,676
Interest expense	-267,159	-313,243	-	-347,770	-928,172	666,486	-261,686
Net interest income	221,330	149,465	-	95,195	465,990	-	465,990
Commission income	82,613	60,003	75,248	5,745	223,609	-3,567	220,042
Commission expense	-3,950	-3,769	-6,203	653	-13,269	-480	-13,749
Dividends and similar income	-	-	-	3,224	3,224	-	3,224
Net trading income	-	-	-	134,562	134,562	3,365	137,927
Net hedging profits (losses)	-	-7,607	-	1,845	-5,762	-	-5,762
Gains/losses on disposals or repurchases	-	-	-	-1,459	-1,459	-	-1,459
Net change in the value of financial assets and liabilities carried at fair value	-	-	-	7,477	7,477	-	7,477
Income from banking activities	299,993	198,092	69,045	247,242	814,372	-682	813,690
Adjustments to the net value of financial assets	-127,973	-15,078	-	-4,366	-147,417	-	-147,417
Balance of financial management	172,020	183,014	69,045	242,876	666,955	-682	666,273
Administrative expenses	-104,329	-110,793	-48,028	-69,827	-332,977	-33,065	-366,042
Provisions for risks and charges	1,509	-1,509	-	-461	-461	-	-461
Net adjustments to property, plant and equipment	-4,871	-5,144	-2,189	-3,204	-15,408	-	-15,408
Net adjustments to intangible assets	-2,521	-2,734	-1,190	-1,513	-7,958	-	-7,958
Other operating income/expense	856	2,055	557	3,301	6,769	33,747	40,516
Share of profit/loss of equity investments	-	-	-	-1,697	-1,697	-	-1,697
Gains/losses on disposal of investments	-	-	-	-275	-275	-	-275
Gross profit	62,664	64,889	18,195	169,200	314,948	-	314,948

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2008
Interest income	692,226	793,459	-	834,703	2,320,388	-1,306,093	1,014,295
Interest expense	-537,078	-596,724	-	-742,921	-1,876,723	1,306,093	-570,630
Net interest income	155,148	196,735	-	91,782	443,665	-	443,665
Commission income	58,913	56,402	71,359	4,609	191,283	-3,173	188,110
Commission expense	-4,044	-3,611	-6,144	941	-12,858	-353	-13,211
Dividends and similar income	-	-	-	4,956	4,956	-	4,956
Net trading income	-	-	-	-121,778	-121,778	2,863	-118,915
Net hedging profits (losses)	-	-370	-	-262	-632	-	-632
Gains/losses on disposals or repurchases	-	-	-	5,540	5,540	-	5,540
Net change in the value of financial assets and liabilities carried at fair value	-	-	-	-16,087	-16,087	-	-16,087
Income from banking activities	210,017	249,156	65,215	-30,299	494,089	-663	493,426
Adjustments to the net value of financial assets	-58,870	-8,645	-	-6,039	-73,554	-	-73,554
Balance of financial management	151,147	240,511	65,215	-36,338	420,535	-663	419,872
Administrative expenses	-93,810	-105,647	-45,984	-67,052	-312,493	-25,961	-338,454
Provisions for risks and charges	1,156	844	-	-	2,000	-	2,000
Net adjustments to property, plant and equipment	-4,472	-4,999	-2,090	-2,830	-14,391	-	-14,391
Net adjustments to intangible assets	-2,081	-2,489	-1,082	-1,346	-6,998	-	-6,998
Other operating income/expense	1,296	2,036	639	3,128	7,099	26,624	33,723
Share of profit/loss of equity investments	-	-	-	-25,790	-25,790	-	-25,790
Gains/losses on disposal of investments	-	-	-	13,373	13,373	-	13,373
Gross profit	53,236	130,256	16,698	-116,855	83,335	-	83,335

A.2 Distribution by business segment: balance sheet

Items	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2009
Financial assets	11,809,418	6,352,207	-	4,614,138	22,775,763
Other assets	-	-	-	485,303	485,303
Property, plant and equipment	56,536	56,873	23,099	48,774	185,282
Intangible assets	2,761	2,821	1,163	1,462	8,207
Financial liabilities	4,041,286	15,030,329	-	1,976,004	21,047,619
Other liabilities	3,927	73	-	452,516	456,516
Provisions	67,287	49,560	14,015	17,432	148,294
Guarantees given	2,461,979	375,683	-	48,578	2,886,240
Commitments	729,283	633,122	18,448	59,057	1,439,910



Items	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2008
Financial assets	10,631,559	5,538,074	-	5,013,019	21,182,652
Other assets	-	-	-	447,236	447,236
Property, plant and equipment	57,413	60,633	24,439	40,463	182,948
Intangible assets	2,010	2,353	1,011	1,252	6,626
Financial liabilities	3,573,461	14,759,065	-	1,342,504	19,675,030
Other liabilities	3,271	729	-	395,873	399,873
Provisions	69,817	50,193	15,222	18,862	154,094
Guarantees given	2,219,015	415,136	-	78,982	2,713,133
Commitments	631,063	357,643	7,381	27,675	1,023,762

The 2008 figures have been adjusted for comparison purposes.

Summary discussion of results

The combined results for the «enterprises» and the «individuals and other customers» segments are not significantly different to those reported by the Parent Bank, since the «Suisse» subsidiary only makes a small contribution, while the other consolidated subsidiaries are insignificant.

Accordingly, reference is made to the separate financial statements in relation to these aggregates.

We would like to dwell a moment on the securities sector, given the considerable contribution made in this area by the Swiss subsidiary.

In particular:

- this sub-segment contributes 5.8% of overall results;
- with respect to income from banking activities, administrative expenses absorb 69.6% of the total;
- comparison with the prior year shows a 9% increase in the result, due to a substantial increase in fee and commission flows (5.4%) and a contained increase in administrative expenses (4.4%).

As regards the «central functions» - the only sub-segment where the non-banking subsidiaries have some effect, albeit a small one - it has to be said that the gross result, in absolute terms, comes in slightly below that of the Parent Bank on its own because of the sizeable investments made by the Swiss subsidiary in connection with the reinforcement of its staff and upgrade of its organisational and IT structures.

B. Secondary format

The methodology applied is that adopted by the Parent Bank.

The following information refers to the location of branches.

There are differences between the Parent Bank and the Swiss subsidiary regarding the types of customer served, the products and services provided, and commercial and operational policies adopted. Accordingly, the analysis includes the «Swiss» area as well as the domestic market.

B.1 Distribution by geographical area: income statement

Items	Northern Italy	Central Italy	Suisse	Total	Reconciliation	Total 31/12/2009
Interest income	1,193,643	160,063	54,156	1,407,862	-680,186	727,676
Interest expense	-791,543	-115,819	-35,000	-942,362	680,676	-261,686
Net interest income	402,100	44,244	19,156	465,500	490	465,990
Commission income	160,062	28,678	36,100	224,840	-4,798	220,042
Commission expense	-7,973	-3,271	-3,360	-14,604	855	-13,749
Dividends and similar income	3,193	-	31	3,224	-	3,224
Net trading income	127,968	-	8,968	136,936	991	137,927
Net hedging profits (losses)	-	-	-7,607	-7,607	1,845	-5,762
Gains/losses on disposals or repurchases	-1,459	-	-	-1,459	-	-1,459
Net change in the value of financial assets and liabilities carried at fair value	7,477	-	-	7,477	-	7,477
Income from banking activities	691,368	69,651	53,288	814,307	-617	813,690
Adjustments to the net value of financial assets	-142,015	-3,627	-1,775	-147,417	-	-147,417
Balance of financial management	549,353	66,024	51,513	666,890	-617	666,273
Administrative expenses	-257,466	-29,682	-46,526	-333,674	-32,368	-366,042
Provisions for risks and charges	384	-384	-461	-461	-	-461
Net adjustments to property, plant and equipment	-11,331	-1,345	-2,732	-15,408	-	-15,408
Net adjustments to intangible assets	-5,608	-692	-1,658	-7,958	-	-7,958
Other operating income/expense	6,284	342	769	7,395	33,121	40,516
Share of profit/loss of equity investments	-7,233	-	-	-7,233	5,536	-1,697
Gains/losses on disposal of investments	-275	-	-	-275	-	-275
Gross profit	274,108	34,263	905	309,276	5,672	314,948

Items	Northern Italy	Central Italy	Suisse	Total	Reconciliation	Total 31/12/2008
Interest income	1,971,834	277,730	69,004	2,318,568	-1,304,273	1,014,295
Interest expense	-1,587,593	-238,909	-48,964	-1,875,466	1,304,836	-570,630
Net interest income	384,241	38,821	20,040	443,102	563	443,665
Commission income	133,340	24,878	34,361	192,579	-4,469	188,110
Commission expense	-7,895	-3,079	-3,355	-14,329	1,118	-13,211
Dividends and similar income	4,910	-	46	4,956	-	4,956
Net trading income	-126,603	-	5,082	-121,521	2,606	-118,915
Net hedging profits (losses)	68	-	-370	-302	-330	-632
Gains/losses on disposals or repurchases	5,540	-	-	5,540	-	5,540
Net change in the value of financial assets and liabilities carried at fair value	-16,087	-	-	-16,087	-	-16,087
Income from banking activities	377,514	60,620	55,804	493,938	-512	493,426
Adjustments to the net value of financial assets	-69,833	-1,223	-2,498	-73,554	-	-73,554
Balance of financial management	307,681	59,397	53,306	420,384	-512	419,872
Administrative expenses	-242,863	-28,311	-41,368	-312,542	-25,912	-338,454
Provisions for risks and charges	3,402	-1,402	-	2,000	-	2,000
Net adjustments to property, plant and equipment	-10,784	-1,318	-2,289	-14,391	-	-14,391
Net adjustments to intangible assets	-4,894	-611	-1,493	-6,998	-	-6,998
Other operating income/expense	6,552	506	242	7,300	26,423	33,723
Share of profit/loss of equity investments	-39,071	-	-	-39,071	13,281	-25,790
Gains/losses on disposal of investments	13,373	-	-	13,373	-	13,373
Gross profit	33,396	28,261	8,398	70,055	13,280	83,335



B.2 Distribution by geographical area: balance sheet

Items	Northern Italy	Central Italy	Suisse	Total 31/12/2009
Financial assets	18,865,566	1,852,682	2,057,515	22,775,763
Other assets	429,790	-	55,513	485,303
Property, plant and equipment	147,482	15,767	22,033	185,282
Intangible assets	6,216	768	1,223	8,207
Financial liabilities	13,828,714	5,220,541	1,998,364	21,047,619
Other liabilities	436,965	87	19,464	456,516
Provisions	133,392	14,902	-	148,294
Guarantees given	2,213,026	569,177	104,037	2,886,240
Commitments	1,282,998	112,333	44,579	1,439,910

Items	Northern Italy	Central Italy	Suisse	Total 31/12/2008
Financial assets	17,466,376	1,577,226	2,139,050	21,182,652
Other assets	407,914	-	39,322	447,236
Property, plant and equipment	145,951	16,963	20,034	182,948
Intangible assets	4,727	591	1,308	6,626
Financial liabilities	12,365,234	5,246,257	2,063,539	19,675,030
Other liabilities	381,151	37	18,685	399,873
Provisions	138,401	15,693	-	154,094
Guarantees given	2,057,018	607,393	48,722	2,713,133
Commitments	915,216	68,808	39,738	1,023,762

The 2008 figures have been adjusted for comparison purposes.

Certification pursuant to para. 5 of art. 154-bis of Decree 58/98 on the consolidated financial statements.

The undersigned Piero Melazzini as Chairman and Chief Executive Officer and Maurizio Bertolletti, as Financial Reporting Officer of Banca Popolare di Sondrio S.c.p.a., taking account of the provisions of art. 154-bis, paras. 3 and 4, of Decree 58 of 24 February 1998, confirm:

- the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the formation of the separate financial statements during the course of the period from 1 January 2009 to 31 December 2009.

The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the separate financial statements are based on a model, defined by Banca Popolare di Sondrio Società Cooperativa per Azioni, which makes reference to the principles of the «Internal Control - Integrated Framework (CoSO)», issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework for the internal control system and for financial reporting that is generally accepted internationally.

We also confirm that the consolidated financial statements at 31 December 2009:

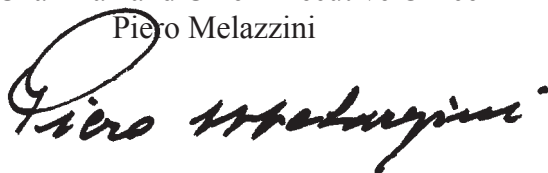
- have been prepared in compliance with the international financial reporting standards recognised by the European Community pursuant to Regulation (CE) 1606/2002 of the European Parliament and by the Council on 19 July 2002;
- agree with the balances on the books of account and the accounting entries;
- are able to provide a true and fair view of the assets and liabilities, results and financial position of the issuer and of the companies included in the scope of consolidation.

The directors' report on operations includes a reliable analysis of the progress and performance, the situation of the Bank and the consolidated companies together with a description of the main risks and uncertainties to which they are subjected.

Sondrio, 24 February 2010

The Chairman and Chief Executive Officer

Piero Melazzini



The Financial Reporting Officer

Maurizio Bertolletti





The separate and consolidated financial statements
of Banca Popolare di Sondrio Scpa
have been audited by KPMG spa, Milan.

Please refer to the Italian version of the annual report
for the Independent Auditors' reports
issued in accordance
with art. 156 of Decree 58 dated 24 February 1998.

**RESOLUTIONS OF THE ORDINARY
ANNUAL GENERAL MEETING
OF THE SHAREHOLDERS**

of 27 March 2010 (second calling)

AGENDA

- 1) *Presentation of the financial statements as of 31 December 2009: report of the Board of Directors and proposed allocation of net profit; report of the Board of Statutory Auditors; related resolutions;*
- 2) *Mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association;*
- 3) *Approval of the document «Compensation Policies of Banca Popolare di Sondrio»;*
- 4) *Determination of directors' emoluments;*
- 5) *Appointment of directors;*
- 6) *Appointment of advisors and alternate advisors.*

The shareholders' meeting, legally convened, began to deal with the items on the agenda.

Point 1) on the agenda

The shareholders' meeting, having heard the report of the Board of Directors on the 2009 results and the proposed allocation of net profit for the year; having taken note of the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the balance sheet and income statement, explanatory notes and the financial statements of the subsidiary and associated companies,

approved:

- the directors' report on operations;
- the financial statements at 31 December 2009, comprising the balance sheet, income statement and related explanatory notes; financial statements which report a net profit for the year of € 190,674,454. The Shareholders' Meeting approved the allocation of net profit for the year of € 190,674,454 as proposed by the Board of Directors in accordance with current legislation and the articles of association and, in particular, resolved:
 - a) to allocate:

– 10% to the legal reserve	€ 19,067,445.40
– 30% to the statutory reserve	€ 57,202,336.20
 - b) to pay a dividend of € 0.33 to each of the 308,147,985 shares in circulation at 31/12/2009 with dividend rights as from 1/1/2009, transferring to the statutory reserve the amount of the dividends due to any treasury shares held by the Bank on the

working day prior to going ex-coupon, for a total amount of	€ 101,688,835.05
c) to allocate to the reserve for treasury shares	€ 12,000,000.00
d) to allocate the residual net profit:	
– to the reserve for donations	€ 700,000.00
– to the legal reserve, a further	€ 15,837.35

Point 2) on the agenda

The meeting decided to set at Euro 73,000,000 – shown in the financial statements under «Reserves» – as the amount made available to the Board of Directors to make purchases of the bank's treasury shares in accordance with art. 21 of the Articles of Association, within the limit of this amount and whatever part of it is made available by subsequent sales or cancellation of the shares purchased; all as part of an activity that is compliant with current regulations and designed in particular to facilitate circulation of the shares.

Purchases and sales of treasury shares – namely the ordinary shares of Banca Popolare di Sondrio of par value Euro 3 each – will have to be carried out on organised markets according to operating methods that ensure parity of treatment between shareholders and which do not permit direct matching of purchase and sale offers. Purchases and sales will be possible between the date of this Shareholders' Meeting and the next Shareholders' Meeting called to approve the 2010 financial statements.

Purchases will have to take place at a price that is not higher than the closing price posted at the end of the market day immediately prior to each purchase using the above mentioned «Reserve» of 73,000,000 euro and with a further limit that, depending on the trades carried out, share ownership must not exceed a maximum number of 4% of the shares making up the share capital. Sales will have to take place at a price that is not lower than the closing price posted on the market day immediately prior to each sale, reducing the use of the above mentioned «Reserve» of Euro 73,000,000.

Any cancellations of treasury shares will have to take place in compliance with the law and the articles of association, using the reserve for treasury shares to cover any differences between their par value and purchase price. The Board of Directors, and the Chairman and Deputy Chairman, separately, on its behalf, is also granted all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that run the market.

Point 3) on the agenda

The Meeting, in implementation of the «Supervisory Instructions on the Organisation and Corporate Governance of Banks» issued by the Bank of Italy on 4 March 2008 and the subsequent explanatory note issued on 27

February 2009, as well as art. 29 of the current Articles of Association, approved the document containing the «Compensation Policies of Banca Popolare di Sondrio» in favour of the directors, employees and contract workers.

Point 4) on the agenda

– The Meeting set the directors' emoluments.

Point 5) on the agenda

The Meeting appointed Federico Falck, Mario Galbusera, Nicolò Melzi di Cusano, Francesco Venosta and Domenico Triacca as Directors for the three-year period 2010-2012.

Point 6) on the agenda

The Meeting appointed Alberto Crespi, Giuseppe Guarino and Andrea Monorchio as acting advisors and Diana Bracco and Antonio La Torre as alternate advisors for the three-year period 2010-2012.

THE BANK'S GROWTH SINCE ITS FOUNDATION, KEY FINANCIAL DATA

Year	Financial investments euro	Customer loans euro	Fiduciary funds euro	Shareholders' equity (capital & reserves) euro	Net profit for the year euro	Dividend euro
1871	26	93	37	47	1	0.001
1875	109	675	569	181	21	0.002
1880	46	1,024	777	360	33	0.002
1885	213	1,431	1,161	410	42	0.002
1890	459	1,805	1,646	457	49	0.002
1895	840	1,380	1,631	453	36	0.002
1900	860	1,627	1,987	465	43	0.002
1905	940	2,330	2,834	504	53	0.002
1910	1,460	3,717	4,738	563	68	0.003
1915	2,425	3,399	5,178	658	59	0.002
1920	7,906	9,100	22,320	1,232	186	0.005
1925	9,114	35,692	39,924	2,303	523	0.006
1930	12,899	43,587	54,759	3,230	561	0.006
1935	21,402	30,912	53,190	3,543	339	0.004
1940	24,397	32,808	57,064	3,091	312	0.002
1945	112,239	101,840	191,619	6,491	817	0.002
1950	608,460	892,440	1,359,864	50,496	10,834	0.041
1955	1,413,363	2,372,139	3,573,499	262,122	25,998	0.124
1960	3,474,898	5,864,314	9,124,181	495,960	45,997	0.150
1965	6,564,058	9,861,955	18,238,851	670,265	60,044	0.170
1970	11,228,709	21,140,462	34,440,002	1,577,469	86,800	0.196
1975	49,247,998	46,458,454	103,136,018	4,940,413	336,351	0.284
1980	248,877,713	135,350,391	386,128,259	44,618,760	2,298,768	0.620
1981	303,227,605	149,856,755	435,958,220	70,294,839	3,543,126	0.878
1982	434,505,499	168,991,589	564,440,308	93,988,765	5,876,973	0.930
1983	551,731,767	201,889,280	722,876,267	105,498,725	9,795,722	1.394
1984	657,323,707	244,311,938	885,640,690	117,286,747	11,754,271	1.911
1985	669,773,787	327,572,423	985,454,131	123,347,208	13,332,058	2.582
1986	854,978,708	381,346,894	1,108,118,326	129,106,270	13,582,958	2.169
1987	954,429,924	407,643,937	1,205,007,005	134,486,897	13,588,657	2.169
1988	950,465,324	510,164,638	1,285,408,512	139,730,318	13,665,548	2.272
1989	958,277,398	634,760,956	1,431,120,712	145,100,954	13,984,014	2.324
1990	919,261,388	819,877,375	1,567,539,101	170,006,961	14,919,668	1.653
1991	886,480,827	1,014,385,379	1,708,284,250	192,743,654	16,018,859	1.653
1992	1,162,262,510	1,202,265,949	2,151,786,340	198,979,714	16,304,997	1.704
1993	1,675,065,908	1,441,158,530	2,862,510,529	250,913,662	17,860,906	1.136
1994	1,438,251,891	1,701,208,296	2,922,731,483	258,100,923	16,976,601	1.136
1995	1,828,374,994	1,903,530,111	3,401,567,857	335,480,368	18,688,353	0.413
1996	1,817,497,737	2,120,842,006	3,590,238,215	345,127,951	20,685,619	0.439
1997	1,730,940,393	2,485,706,688	3,844,781,082	353,507,281	20,796,084	0.439
1998	2,005,202,039	2,990,333,100	4,343,203,973	535,162,454	24,784,724	0.196
1999	1,993,529,114	3,724,763,745	5,058,960,710	557,555,696	30,555,532	0.232
2000	2,043,141,602	4,443,945,484	5,829,901,035	576,036,331	38,428,768	0.300
2001	2,618,137,267	5,579,546,805	7,374,954,358	731,304,438	46,064,525	0.180
2002	3,218,789,508	6,246,734,925	8,626,473,276	752,369,741	46,703,800	0.190
2003	2,827,584,863	7,117,211,453	9,139,503,657	773,957,639	60,117,119	0.230
2004	3,492,730,224	8,078,424,234	10,498,481,204	1,031,391,991	73,210,556	0.170
2005	4,029,597,013	9,197,849,967	11,928,279,967	1,119,500,111	85,178,406	0.190
2006	4,216,404,673	10,560,504,042	13,316,179,364	1,231,012,722	107,113,135	0.230
2007	5,174,395,815	12,402,268,867	15,844,113,698	1,592,235,650	130,823,404	0.220
2008	5,260,646,663	14,936,103,083	18,469,073,506	1,492,021,195	13,735,247	0.030
2009	4,794,397,579	16,711,080,589	19,779,755,056	1,683,715,881	190,674,454	0.330

The figures for the years prior to 1993 have not been adjusted for consistency with those of subsequent years, which have been classified differently in accordance with Decree 87/92.

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