2009 Report and Financial Statements

Banca Popolare dell'Alto Adige
società cooperativa per azioni

BPAA

Banca Popolare dell'Alto Adige
società cooperativa per azioni

registered office and head office in Bolzano
ABI 05856.0
tax code, VAT number and member of the Business Register of Bolzano no.00129730214
www.bancapopolare.it

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Unless otherwise stated, all amounts are expressed in thousands of Euro.

Summary data

Balance sheet in millions of Euro	31/12/2009	31/12/2008	% change
Total assets	5,190	5,141	0.94%
Total receivables	4,490	4,394	2.19%
- of which due from customers	4,438	4,343	2.20%
Financial assets	406	451	-10.04%
Total payables	4,514	4,475	0.87%
- of which due to customers (direct deposits)	4,222	4,172	1.19%
Indirect funding	1,947	1,726	12.80%
Shareholders' Equity (including profit for the year)	536	519	3.25%

Income statement in millions of Euro	31/12/2009	31/12/2008	% change
Interest Margin	128	130	-2.01%
Net commissions	46	36	28.89%
Banking margin	184	169	9.00%
Value adjustments/write-backs for impairment	-24	-14	73.76%
Net income from financial management	160	155	3.23%
Net operating costs	-118	-112	5.78%
- of which personnel costs	-69	-65	6.07%
- of which other administrative costs	-48	-45	6.93%
Profit from current operations before tax	42	43	-3.52%
Profit for the year	26	32	-18.72%
Comprehensive income	29	27	7.02%

Economic-financial indices and other data	31/12/2009	31/12/2008	change
Shareholders' equity/total assets	10.32%	10.09%	23 BP
Tier1 ratio (tier 1 capital / risk weighted assets)	9.33%	8.45%	88 BP
Total capital ratio (regulatory capital / risk weighted assets)	11.05%	10.07%	98 BP
ROE (profit for the year / average shareholders' equity)	4.97%	6.67%	-170 BP
ROA (profit for the year / average total assets)	0.51%	0.65%	-14 BP
Average number of employees	1,090	1,009	81
Number of shareholders	14,194	14,357	-163
Number of shareholders (without voting rights)	4,202	3,663	539
Number of branches	133	123	10

Head Office and branches

	società cooperativa per azioni shareholders' equity as at 31/12/2009 Euro 535,542,123 registered with the court of Bolzano under no. Gen. I/10 VAT no. 00129730214	
registered office	39100 Bolzano - via Siemens, 18	
head office	address telephone fax swift	39100 Bolzano - via Siemens, 18 0471 996 145 0471 979 188 BPAAIT2B
tax domicile	address telephone facsimile	39042 Bressanone – via Julius Durst, 28 0472 811 111 0472 811 394
contact	internet e-mail	www.bancapopolare.it gsinfo@bancapopolare.it
acronym		BPAA

63 branches in Bolzano province

Appiano sulla Strada del Vino - via J.G.Plazer, 50
Bolzano/Aslago - via Claudia Augusta, 5
Bolzano/Don Bosco - via Sassari, 4 b/c
Bolzano/Gries - galleria Telser, 1
Bolzano - piazza Mazzini, 2
Bolzano - piazza Parrocchia, 4
Bolzano - via del Macello, 23bis
Bolzano - via Galvani, 39
Bolzano - via Leonardo da Vinci, 2
Bolzano - via Resia, 130
Bolzano - via Roma, 45
Bolzano - viale Druso, 64
Bolzano/Zona Europa - via del Ronco, 15
Bolzano/Firmiano - viale Giacomo Puccini, 6
Bressanone/Millan - via Plose, 38/b
Bressanone - portici Maggiori, 2
Bressanone/Tiniga - via Rio Scaleres, 26
Bressanone/Zona industriale - via Julius Durst, 28
Brunico - Bastioni, 24
Brunico/S. Giorgio - via Valle Aurina, 30
Brunico/Stegona - via S. Nicolò, 14
Cadipietra - Cadipietra, 105
Caldaro sulla Strada del Vino - piazza Principale, 13
Caldaro sulla Strada del Vino - via Stazione, 10

Campo Tures - via Municipio, 4
Chienes - via Chienes, 1
Chiusa - piazza Tinne, 5
Dobbiaco - viale S. Giovanni, 23
Egna - largo Municipio, 22
Fiè allo Sciliar - via Bolzano, 3
Fortezza - via Brennero, 7/c
Gargazzone - vicolo dei Campi, 2
La Villa [La Ila] - via Colz, 56
Laces - via Stazione, 1/b
Laives - via Kennedy, 123
Lana - piazza Tribus, 17
Lasa - via Venosta, 44
Lazfons - Paese, 18
Luson - vicolo Dorf, 19
Malles Venosta - via Stazione, 9/b
Merano - piazza del Grano, 3
Merano - via Goethe, 74/a
Merano - via Matteotti, 43
Merano - via Monte Tessa, 34
Merano - via Roma, 278
Monguelfo - via Parrocchia, 13
Naturno - via Principale, 37/b
Nova Levante - via Roma, 8
Ora - via Stazione, 8
Ortisei [Urtijei] - piazza S. Durich, 3
Racines - Stanghe, 18
Rio di Pusteria - via Katharina Lanz, 50
San Leonardo in Passiria - via Passiria, 14
San Lorenzo di Sebato - via Josef Renzler, 17
Scena - piazza Arciduca Giovanni, 7
Selva Val Gardena [Sëlva] - via Mëisules, 155/a
Silandro - via Covelano, 10
Siusi - via Sciliar, 16
Valles - Valles, 116
Vandoies - via J.A. Zoller, 8
Varna - via Brennero, 101
Velturno - Paese, 34
Vipiteno - via Città Nuova, 22/a

21 branches in Belluno province
Auronzo di Cadore - via Corte, 33
Belluno, bank4fun - via Caffi, 1a-3
Belluno - via Caffi, 15
Belluno - via Vittorio Veneto, 278
Cencenighe Agordino - via XX Settembre, 107
Cortina d'Ampezzo - largo delle Poste, 49
Domegge di Cadore - via Roma, 48
Dosoledo - piazza Tiziano, 2
Feltre - via Monte Grappa, 28
Forno di Zoldo - via Roma, 70/b
Limana - via Roma, 116/118
Longarone - via Roma, 89
Mel - via Tempietto, 33/a
Padola - piazza San Luca, 22
Ponte nelle Alpi - viale Roma, 87
San Pietro di Cadore - via P.F.Calvi, 16
Santo Stefano di Cadore - via Venezia, 30
Sedico - via Cordevole, 2/b
Santa Giustina - via Feltre, 17
Tai di Cadore - via Ferdinando Coletti, 15
Valle di Cadore - via XX Settembre, 76

3 branches in Pordenone province
Cordenons - via Sclavons, 77
Pordenone - via Galvani, 8
Sacile - via Martiri Sfriso, 9

20 branches in Trento province
Ala - via della Roggia, 10
Arco - via S. Caterina, 20
Borgo Valsugana - via Hippoliti, 11/13
Cavalese - viale Libertà, 7
Cles - piazza Navarrino, 16/17
Fondo - via Cesare Battisti, 39
Lavis - via Rosmini, 65
Mezzolombardo - via Alcide Degasperi, 4
Moena - piazza Italia, 16
Mori - via della Terra Nera, 48/d
Pergine Valsugana - viale Venezia, 44
Riva del Garda - via Damiano Chiesa, 4g-4h
Rovereto - via G. M. della Croce, 2
Rovereto/Borgo Sacco - via della Vittoria, 11
Tione - via Circonvallazione, 56
Trento - piazza Lodron, 31
Trento - via S. Croce, 44
Trento - via Brennero, 302/a

Trento - via Enrico Fermi, 11
Villa Lagarina - via degli Alpini, 4

13 branches in Treviso province
Castelfranco Veneto – borgo Treviso, 62
Conegliano - via Cesare Battisti, 5
Conegliano - via Cristoforo Colombo, 42
Crocetta del Montello - via Andrea Erizzo, 64
Mogliano Veneto – via degli Alpini, 16/g/f/e
Oderzo - via degli Alpini, 24-26
Paese – via C. Battisti, 3
Pieve di Soligo - via Nubie 3/d
Preganziol – piazza Gabbin, 16
Spresiano - piazza Luciano Rigo, 49
Treviso - viale IV Novembre, 13/a
Valdobbiadene - via Foro Boario, 21/23/13
Vittorio Veneto - galleria Tintoretto, 3

13 branches in Venice province
Fossò - via Roncaglia, 1
Marcon – viale della Repubblica, 2
Martellago – via Friuli, 28
Mira – via Alfieri, 9c
Mirano - via Cavin di Sala, 39
Noale - via Tempesta, 31
Oriago di Mira - via Venezia, 120
Portogruaro – via S. Agnese, 28
San Donà di Piave - via Vizzotto, 92
Spinea – piazza Marconi, 17
Venezia Mestre, Chirignago - via Rovereto, 8
Venezia Mestre, Marghera – piazza Mercato, 51
Venezia Mestre, Villa Toesca – via Torre Belfredo, 23

Corporate officers

Board of Directors

chairman	Hansjörg Bergmeister	
deputy chairmen	Arno Eisendle	
	Lorenzo Salvà, attorney	
directors	Marcello Alberti	
	Rudolf Christof	
	Werner Gramm	
	Lukas Ladurner	co-opted with effect from 01/01/2010
	Alessandro Marzola	
	Otmar Michaeler	
	Bernard Niederfriniger	resigned from office 31/12/2009
	Michael Seeber	
	Gregor Wierer	
	Oskar Zorzi	

Executive Committee

chairman	Hansjörg Bergmeister
directors	Arno Eisendle
	Rudolf Christof
	Gregor Wierer
	Oskar Zorzi

Board of Statutory Auditors

chairman	Franz Vigl
standing auditors	Joachim Knoll
	Günther Überbacher
substitute auditors	Franz Defatsch
	Emilio Lorenzon

Board of arbitrators

chairman	Max Bauer, attorney
standing arbitrators	Gino Bernardi
	Walter Kompatscher
substitute arbitrators	Hansjörg Cimadom
	Richard Stampfl

Management

general manager	Johannes Schneebacher	
assistant general manager	Paul Zanon	retired on 31/12/2009
deputy general manager	Stefan Schmidhammer	appointed with effect from 01/01/2010

Convening of the Ordinary Shareholders' Meeting

Agenda for the Shareholders' Meeting of 20 April 2010

ordinary session

1. Reports by the Board of Directors and by the Board of Statutory Auditors for the 2009 financial year; presenting the financial statements and related resolutions;
2. Determination of the 2010 share premium on Banca Popolare dell'Alto Adige shares, based on art. 10 of the articles of association;
3. Appointment of the Board of Statutory Auditors, including the appointment of its chairman, for the three-year period from 2010-2012 pursuant to article 40 of the articles of association;
4. Election of a total of five Board Members according to the terms of articles 29 and 30 of the articles of association;
5. Remuneration policies
6. Determining the pay to be allocated to directors under clause 39 of the articles of association;
7. Determining the pay to be allocated to Statutory Auditors under art. 44 of the articles of association;
8. Appointment of the independent auditing company instructed for the years 2010, 2011 and 2012 under art. 45 of the articles of association and determining the amount of fees for the instructions given;

Directors' Report

The Global Economy

The National Economy

The Local Economy

Activities and lines of development of strategic importance

Results of operations

THE GLOBAL ECONOMY

(drafted by the BPAA watchdog from sources at the Bank of Italy, Istat, Treasury data, economic news and in particular: *Il Sole 24ore* newspaper)

The crisis in the economic system that burst onto the scene with greatest visibility in September 2008 is unprecedented in its impact, extent and duration of repercussions, and immediately gave rise to a very powerful contraction of the trading of goods, services and capital, freezing all channels driving economic growth on a global scale. Already in an adverse cycle at the start of 2008, with the financial and stock market collapse, followed by the Lehman insolvency, and with the freezing of interbank markets in the whole of March, in 2009 the markets underwent the worst economic crisis since the Second World War, aggravated by its own duration.

The 2009 recession was a serious crisis of confidence in all of the world economies and had an impact at the level of orders and dragged the major supply chains into a downwards spiral (e.g. in cars and real estate), affecting raw materials prices and labour markets.

The reaction by monetary and government Institutions was timely, even if uneven because of differing traditions of economic thinking and because of approaches to managing public affairs. In fact central banks zeroed rates, and their policies freed up huge transfers of public resources and accumulated significant budget deficits.

In 2009 the crisis burned up an alarming amount of wealth and nevertheless, it seems to be agreed at a global level, that the turning point has been passed, as the official forecasts for 2010 and 2011 are starting to show a gradual net improvement in economic scenarios. Meanwhile, while inviting caution because of the continuing systemic fragility, analysts for the International Monetary Fund and the World Bank have been updating encouraging indicators: for 2010 growth in world GDP is expected of 3.9% which is not unlike that in the pre-crisis years, when percentages were leveraged by finance.

The forecast world average inherently comprises differing growth rates: the driving forces are still China (+10) and India (+8%) with growth rates that are forecast to be similar over the decade, a realignment of the global economy with related social and geopolitical policies. According to the forecasts of the most accredited analysts, the USA will perform +2.5% over the two-year period (and on average expected to contract) and the Euro area is due to grow by +0.9% in 2010 and by another 0.6 points (+1.5%) in 2011. The USA-EU comparative data, are more interesting at the level of the analysis of the various anti-crisis responses between the two economic blocs than due to the simple percentage points: the USA is expected to grow more quickly because of forced layoffs of the workers made redundant as a result of the crisis, very high social costs, Surviving companies have done so because they have implemented significant production conversion plans with benefits in terms of efficiency and productivity, which are a determining factor in economic resilience whose perception in Europe, with more advanced social policies but also with yield indexes (adjusted total productivity factor per average number of hours worked) that are behind and an excessive fragmentation of social actors, that still cannot translate into consistent industrial policies.

THE NATIONAL ECONOMY

In recession since November 2008, Italy has in 2009 known a drop in production greater than the average value in the Eurozone and the figure for 2009, based on the average for the previous year, was down by another -4.9%, under the weight of the new freezing of foreign markets (the foremost buyer market being Germany. data on exports towards all foreign markets shows a drop of -24% on

an annual basis) and the worsening domestic employment market shows related signs of internal consumption falling away.
Faced with the major regression of industrial production, resorting to all the instruments for flexibility has so far enabled the impact to be limited from an employment viewpoint. However the drop in the use of the available workforce has been estimated by the Bank of Italy at around 10%. This aspect is having a significant impact on household consumer spending: the Bank of Italy data at the end of September shows a drop of 2.1% compared to 2008, with a drop in real revenues of more than 1.5%. Since the development of inflation has been fairly contained, the loss of purchasing power has almost entirely depended from the containment of nominal income to which the lack of employment and the drop in capital yields have contributed.
The contraction in demand has affected manufacturing, the production of capital goods and exports above all, and has then extended to the underlying infrastructure, whilst the terms of access to credit were becoming more rigid. The highest price, taking account of geographic and segment features, has been paid, transversally by medium-sized companies (21-50 staff) and medium – large sized ones (up to 150 staff), which have suffered from the sharp drop in investment and turnover. But in the capacity to absorb the outcome of the recession, even more than the number of staff employed, certain structural variables of companies were even more significant, and in particular, companies that were involved in significant restructuring in the five year period from 2000-2005. They resorted less to defensive strategies (reduced production, reducing margins) and have more actively diversified their product line and the markets that their products could access. Innovation and new structural perimeters (e.g. cooperation networks to absorb demands of size, to sustain the cost of research and development and to form synergies) in answer to the changing conditions outside the company still turn out to be a forceful answer and remain the best way of facing the future.
Meanwhile, the most recent figures show a recovery of confidence, but the levels of activity remain far from those before the crisis and developments in the employment market remain far from certain. The International Monetary Fund’s forecasts for Italy’s recovery indicate a cautious +1.0% (2010) and +1.3% (2011) for potential growth, and the overall figure would take the National GDP over the two year period to 2005 levels, at a slow pace behind France and Germany, whilst other economies are accelerating (USA) or running fast (emerging Asia).

THE LOCAL ECONOMY

For the economic districts served by BPAA, the downturn in the production system from 2009 remains confirmed. Companies[1] are showing negative synthetic production balances, sales and employment, and have a limited time horizon in their order books. A trend towards lowering production prices is being observed, with an increase in companies that apply a reduction in price of finished goods. The most critical signals are coming from the Veneto and Friuli regions; the position is better in the provinces of Trento and Bolzano.
Based on 3rd Quarter data, towards the end of the year the climate of confidence in the production system is due to improve, with a propensity for new investments but concern about turnover progress and new orders remains high.
Nevertheless, the “local” reactions to intrinsic common stress factors are modelled by social and economic elements and corporate culture, deep-rooted in the historic development of the area. In

[1] Fondazione NordEst enquiry on a sample of 1,018 companies with 10 employees and more, active in the Veneto, the Trentino Alto Adige and Friuli regions.

particular, for the economic districts of closest interest to BPAA, the bank considers, on processing the indicators and research reports from the public sector providers and from quality information found locally, the following:

Bolzano province
63 branches

In line with the worsening crisis in the main geographic areas in the country, in 2009 Alto Adige suffered a drop in all economic indicators and yet, compared with surrounding areas, here the diversified structure of the local economy, the lower degree of dependence on exports, the size of the public sector and the good results from the tourist sector have offset its impact. The 2009 GDP (IRE Forecast[2]) on provisional data has grown by 0.3% (2008 had closed with a drop of -0.7%); the 2009 consumer price index has dropped back by 1.7%.
In the Bolzano province, the significant drop in production and in order books affects fewer companies than in the rest of the North East of Italy. Amongst the sectors that had most felt the crisis, for the negative impact the building construction sector stands out, which has been weakened by the levels of activity for some time, and real estate which is at a virtual standstill, manufacturing, because of the contraction of foreign and domestic demand, and goods transport because of its natural connection to progress in production and sales. Companies are reacting with lesser propensity to investment compared with the 2008 figure and by cutbacks in margins.
Favourable to primary production, the year has shown considerable resilience in tourism, whilst trade, in particular for durable goods, has weighed heavily on household consumer spending.
The provincial picture shows a good level of employment and progress with unemployment levels that are the most favourable in the national context; however, resorting to the Temporary Lay-off Scheme has increase.
On the side of the allocation of savings, households have moved with a great deal of caution, choosing forms of investment with contained risk profiles, mainly depositions and bank bonds; the amounts placed in stocks, funds and asset management have decreased. In 2009 the dynamics of credit have been sustained by acceleration in loans to the largest companies an amongst these, manufacturing is most notable; for small companies instead recourse to loans has dropped, with a drop in particular for new loans for investments; demand from households on the other hand is weak and consumer credit has reduced even further. Loans going newly bad show, in the meantime, that loan quality is substantially unaffected and nevertheless signs of difficulty exist; a widespread worsening of loan quality is expected.

Wait-and-see behaviour continues; the forecasts for economic actors in the coming months remain cautious and nevertheless not particularly negative: in the overall situation of uncertainty, there is faith in the structural and cultural elements of companies which, in Alto Adige, rest on relatively solid foundations.

Trento province
20 branches

The wait-and-see and prudent approach of producers in Trento in 2009 showed signs of giving way faced with the protracted recession.

[2] Ire: Economic Research Institute for the Bolzano Chamber of Commerce

In the Trento area, the negative dynamics of invoicing reached a low point in the 1st quarter of 2009 and then reduced without recovering at the year end. The value of production in the 3rd quarter dropped by 15% on an annual basis and closed, based on forecasts, at a loss for the year. The crisis was felt in a very widespread way, but the situation appears most worrying in the retail trade, especially faced with a lesser propensity for household consumer spending, and it is consistent in craftsmanship and in manufacturing, as the latter has been more exposed to the consequences of the drop in internal and foreign demand. The crisis in building construction is showing a certain lessening, depending on subsidies for residential building refurbishment.

By size classes, very small companies (up to 10 staff) show greater resilience on an annual basis whilst on the other hand it is companies with 20-25 staff (medium sized) and medium-large companies that are showing the most sustained decreases.

In general terms and for provincial groups, the lower degree of dependence of the Trento economy from foreign trade has turned out to be a protective factor. In fact here, the market horizons are focussed on the province (53%) as against sales in Italy (29%) and foreign trade (18%) and the latter are positively related by sector / business segment (transport0 and by size of business (larger firms).

The tourist sector and the public sector maintain considerable significance in the provincial economic picture.

The rate of growth of employment became negative in 2009 with a generalised drop of levels of employment, equal to 1.2% overall and with a positive dynamic only in the business services sector.

Demand for loans has dropped in all size clusters, and loans to households have increased moderately in the presence of contained demand, even for the purchase of housing. The flow of new bad loans and progress in impaired loans, expired live loans and restructured loans shows signs of foreseeable worsening.

Household financial savings continue to be steered towards low risk profile instruments; the bonds and deposit components are growing.

The outlook for entrepreneurs in the Trento area over the coming year is counting on an improvement in the economic picture and the prospects over a longer period return to substantial optimism about the potential.

Belluno province

21 branches

From the Belluno chamber of commerce data an annual drop in 2009 of 0.8% for active companies (mainly sole proprietorships or partnerships) has emerged with a transfer of registration towards capital company formats. The entrepreneurial context for re-sizing companies has changed in the agricultural and manufacturing areas (with a drop of -9.3% in spectacles-making alone) and in craftsmanship (here too. Sunglasses workshops are down by 12.8%). Overall, more than 86 companies for traditional made in Belluno goods have closed, as this sector had been in difficulty for some time. The number of building construction companies, in the hotel trade and in retailing has remained almost constant whilst transport is still down.

International trade (spectacles manufacturing) has contracted considerably, and the stage of expansion into new markets seems to have been suspended, also because of direct competition from Chinese manufacturing. The recession in manufacturing touched the bottom at the start of 2009 with two-figure losses for the industrial production index (-29.5%) and manufacturing had a slow recovery towards the inversion of cycles, from which the sector would still remain distant, however, at the end of the year: more than of recovery, in a climate of widespread lack of confidence, one speaks of a slowing of the fall. Here the crisis has not just a temporal but also a structural dimension: the sector is reorganizing, says the Chamber of Commerce, but a long time is forecast before normality is reached once more, which in any case will differ from before the crisis. In this context, size indicators make interesting reading: companies with more than nine staff appear to be in (slow) recovery, but they are also the ones that fell most quickly and most ruinously, whilst companies with less than nine employees have seen a slowing in progress that has been longer over time but with losses that are considerably less than those of the larger companies. After a disappointing 2008, Belluno craftsmanship has gone though another very difficult year because of irregular orders and extended payment times even beyond the companies' capacity to self-finance with the effect of liquidity shortages. The real estate and building construction markets are in crisis, which ended their expansion stage in 2006.

Retailing in Belluno province has resisted the body-blows from the crisis better than elsewhere and is showing a prudent growth of +1.8% in annual growth. Hotels and tourist services are also going well with a substantial maintenance of arrivals but with attendances, especially from abroad, considerably down. In the context of structural difficulties in which farming companies have been living for some time, the year was positive for all production, and in particular for typically local products that have sought out other forms of outlet and have found a growing market outside the traditional retailing circuits.

Even whilst maintaining good positioning with regard to these provinces, the crisis has had heavy effects on employment levels with a four-time increase in resorting to the 2009 Temporary Lay-off Schemes compared with the previous year and concerns for the future remain strong.

The average riskiness of loans has increased, and in particular towards companies.

A somewhat increased confidence amongst entrepreneurs for 2010 related to the availability of supporting intervention (social amortisation, tax reductions, and loan access) seems to be spreading. In 2009 the demand for credit from companies was born almost exclusively from the need to handle cash and operating capital requirements. In the meantime a weak trend towards the recovery of investments seems to be discernible.

To sum up, 2009 was an especially difficult year for the province of Belluno, but the company slaughter feared did not take place, and here, together with the support of social shock absorbers, family networks and forms of self-support, the fragmentation of the production infrastructure has turned out to some extent to be a factor of protection.

Treviso province

13 branches

In a regional context that has downgraded its economic indicators, Treviso area manufacturing performance in 2008 recorded a general drop in production and orders, barely offset by the estimated +8% (compared to 2007) of foreign sales, essentially attributed to the large mechanical engineering companies. The Chamber of Commerce estimates a 1.6% growth in major brand manufacturing compared to the 0.7% regional average. But this positioning in effect reflects the contribution of only a few large companies whilst the performance of SMEs as a whole remains modest.

Dimensional profile in general constitutes a critical variable in the production system: the large companies are safer (250 or more staff), medium-sized companies record a 1% lower growth (50-249 staff) whilst small companies (10-49 staff) and micro-enterprises (2-9 staff) record a negative performance inversely proportionate to their size.

For the first time since 2005 the figures for orders were negative, except for large companies, whilst the costs of production continue to increase and sales prices rise. Overall production fell by

approximately 4%, placing the plant capacity utilisation level at around 70% mirrored in the drop in employment. Except for the food industry, which confirmed an increase in demand, the retail segment recorded a negative performance.
In services, business volumes maintained their growth trend, but the end of year figures estimated for the tourism industry and advanced services predict some difficulty.
2008 closed with a weakened employment rate (-2.9% based on recent trends).
Bank loans to companies and households have slowed. The terms for access to credit have tightened somewhat, and the difficulty in accessing new credit and requests from intermediaries to settle debt positions are on the increase.
In line with the deterioration in the financial position of companies, in 2008 the credit quality level dropped slightly, whereas problem positions, the proportion of medium/long-term restructured loans and those with instalments unpaid for more than 90 days has increased for both companies and households.
The forecasts for the coming months are decidedly cautious. The climate of mistrust is fuelled by the liquidity position and uncertainty regarding orders.

Venice province
13 branches

The economy in the Veneto, at the start of the acute phase of the crisis was in a structurally more solid position and however, though its own entrepreneurial vocation, it was exposed to a considerable degree to the foreign trade risk (changes in international demand, uncertainties about the considerable tourist income and liquidity).
The provisional data for the 4th quarter of 2009 showed a considerable drop in manufacturing production on an annual basis but also a stop in the fall in production levels as an indication of the low point of the crisis that was reached during the 2nd half. The was a more marked downward trend in the metals, woodworking (and furniture) sector, and machine tools performed better than other segments, with food and paper industries stable. In a few improvements art the year end the dynamics of invoicing too have shown a trend for the same drop in production (-7.5%), whilst the trend based on the time is inverting (+0.5%).
The building sector is still compromised by the stagnation of public works and the reduction in residential investment.
Foreign demand is rising once more which contributes more than internal demand to stopping the fall in production levels. The phenomenon is bound up with larger companies that have pursued the enhancement of innovative processes, even though corporate networks, and which work in larger added value market areas. The crisis does not seem to have affected investments intended to pursue such strategies.
The labour market has shown a drop of more than 4% on an annual basis, with worsening trends in the metalwork segment, and stable figures only in foods; foreign employment has particularly contracted. Use of the Temporary Lay-off Scheme has increased. The perception that the economic recovery could be delayed and could bring about a further worsening of the situation in the employment market makes the household consumer demand prudent.
The demand for loans from companies and households is slowing in a context denoted by increased risk.
The outlook for 2010 seems to improve as expectations from economic operators as concerns production, invoicing and order book indicators, whilst concerns on the side of employment continue to be strong.

Pordenone province
3 branches

With a 2007 pro capita GDP of 30.8 thousand Euro, Pordenone takes 16th place among the 110 Italian provinces, having recorded significant growth in the last positive economic cycle. Here, the traditional planning and initiative capacity of businesses was consolidated, open to change to more efficient and competitive configurations. It is likely to be able to face the approaching economic cycle with resources that react to the crisis and general climate of mistrust, the ability to find new opportunities, create synergies and reorganise their business setups.
In the meantime, provisional 2008 figures of the Chamber of Commerce indicate a slowing down at provincial level and a particularly prudent outlook for 2009.
Price trends remain above the national index levels, albeit by very little. The cost of transport and foods has a significant impact on the inflation rate.
Given its economic aggregate and recorded employment capacity, furniture production in the Pordenone area plays a particularly important role: concentrated between Pordenone and Treviso, at the end of 2007 the industry included 484 active companies, often formed into groups and with delocalisation of certain lower value-added production stages to increase competitiveness. Other strong points in Pordenone manufacturing are the components and mechanics industries.
The economy of Pordenone province absorbs approximately 136,000 jobs, with a male-female ratio in thousands of 80-56. The job market shows an employment rate higher than the Italian average and the unemployment-employment ratio of 2.8% places Pordenone among the most favoured provinces.

In a local economy particularly open to international relations, fluctuations in foreign demand have a significant impact. The production specialisations typical of the Pordenone area, furniture in particular, have recorded changes of near zero and only in rare cases negative. The negative trend in the building sector in terms of both production and turnover, and stagnation of the trade sector, do not predict recoveries in the medium term. With regard to size, companies with up to 50 employees appear to be most fragile and these represent the majority of businesses. Employment levels are expected to drop. The cost of production, however, is on the increase due to trends in raw materials and energy, and sales prices are falling in line with inflation figures.

ACTIVITIES AND LINES OF DEVELOPMENT OF STRATEGIC IMPORTANCE

Corporate governance

Banca Popolare dell'Alto Adige corporate governance consists in a series of relationships established among strategic managers, the board, the control chain and the ownership that expresses the organisation on which the Bank's business structure is founded, i.e. the structure through which objectives are set, the means for pursuing objectives are established and results controlled.

Good corporate governance practices implement a clear distinction between functions and the clear balance of power, steer the composition of corporate bodies and the pattern of delegation and the flow of information according to consistent image of organisational engineering, and ensure directors and strategic managers incentives and compensation that is adequate to achieve their targets in line with the Bank's interests and that they carry out an efficient control system. Set out in this way, governance safeguards the reputation of the bank and of individuals and sets up the basis for trust and confidence in relations which is indissolubly bound to the company scope of Banca Popolare dell'Alto Adige.

Amongst the variations in governance allowed, BPAA maintains the traditional management and control approach – formed by a Board of Directors which arranges for the everyday and extraordinary management of the company and a Board of Statutory Auditors that watches over the management – concretely making it more suited to ensuring the Bank meets the requirements for efficiency and effectiveness that, for the size of the market involved, the distribution of ownership, and the entrepreneurial plan over the medium/-long term may guarantee its corporate purpose.

Company Articles of Association

At an extraordinary meeting on the 21st April 2009, the shareholders passed the changes to the Memorandum and Articles of Association to ensure their compliance with the new regulations that introduced, on the following 30 June 2009, the formalisation and execution of the organisational and corporate governance project. Amongst the various innovations, the new Articles of Association arrange for more expertise for the role of strategic supervision by the board of Directors, introducing further independence linkages and new non-executive commitments, defining the role of the Chairman, and setting out the Board's powers which cannot be delegated, conferring upon the Shareholders' Meetings the right to establish the number of director's posts that can be exercised in third party companies and the general criteria for remuneration within the wider company compensation policy. The Articles of Association then intervene to specify with greater detail the powers and obligations of the Board of Statutory Auditors, in particular for its responsibility as supervisor of the internal audit system, the governance of risk and the correct administration of the Bank. The wording lastly introduces the role of the Manager responsible for the preparation of corporate accounting documents, which is compulsory, as BPAA has issued bond securities listed in EU regulated markets.

The reorganisation of the system for appointing directors has been on the other hand deferred until a new Shareholders' Meeting to be called before the year end. The body is governed by the implementation standards in the Articles of Association: introduced by the 1992 memorandum of association and lately re-inserted in the renewal of the Articles of Association in 2007, they will expire next on 31 December 2010.

In the meanwhile, on 22 January 2010 last, the Council of Ministers enacted EC Directive 2007/36, concerning the exercise of (some) rights of shareholders in listed companies and with presumed effects upon the organisation of ownership in banks with widespread capital, for which it is expected that the Consob (Italian Securities and Exchange Commission) will make a ruling by July 2010. Any

intervention about the Articles of Association which are to be carried out accordingly, shall be put before the Shareholders' Meeting together with the project for renewing the approach for appointing directors, if they can be resolved in good time before the compulsory expiry under the previous point.
In the re-writing of the Articles of Association on the 21/04/2009, special importance is given to a new internal organisation of the Board of Directors with "at least two" directors called, in accordance with the Bank of Italy provision for ensuring "the autonomy of judgement on corporate management, contributing to ensure that this is carried out in the interests of the Company and in a manner consistent with the goals of healthy and prudent management". For non-executive definitions, independent directors shall not be involved in any significant management, credit or professional relations with the Bank, not even indirectly through company or family relations, and may not take on directorships-executive positions in companies controlled by BPAA. The independent directors shall reserve high levels of expertise and adequate resources in terms of time for their position, and shall ensure a significant contribution to forming the will of the Board of Directors.
Company Articles of Association are published at the website www.bancapopolare.it.

Organisational and corporate governance plan

Convinced that healthy and prudent management, capable of a positive relationship with company performance, contains in itself an appropriate unfolding of governance functions, the Board of Directors by a resolution on the 25 June 2009 implemented the general principles and the application guidelines for better regulation from the "Supervision provisions 04/03/2008 on corporate governance and organisation in banks" so as to form an appropriate corporate governance system both in terms of Articles of Association provisions and in terms of operating practice.
Formalising the organisation and corporate governance project (the "project") involves measuring the profile of adequacy in company regulations and working procedures with regard to the guidelines from the Bank of Italy and sustaining the intervention required to adapt or for new regulations. This work has been carried out in the first half of 2009, including with the support of the Shareholders' meeting that, in the meetings on the 21 April 2009 and 29 June 2009, amended the Articles of Association and has repealed, in reformed version or in the initial form, the original documents to set up the project.
The project works as a matrix from which all other guidance and internal management documents originate. And in particular the formation of the interdependence processes (reporting, functional and safeguards) which determine the correct running and the healthy and prudent management of the Bank. Aligned over time through the progression of the entrepreneurial design and changes in regulations, the project sets out the BPAA governance with a criterion of proportionality to the features of size, organisation and operations at the Bank.

The work on the organisation project during 2009 involves, on the regulations side, the resolutions of the Shareholders' Meetings:

- The running of the Shareholders' Meeting;
- The remuneration and incentives policies adopted by the Bank;
- The limits to the accumulation of remits at BPAA and third party companies.

The Board of Directors intervened to regulate:

- the running of the Board of Directors;
- the circulation of information to/from the single corporate bodies and within the same;
- the role of the Manager responsible for the preparation of corporate accounting documents.

Other 2009 work on changes to adapt the regulatory framework, in the interests of better regulation and/or believed to be appropriate to the exercise of the BPAA business, have involved in particular,

- controlling risk;
- managing conflicts of interest;
- the internal audit system.

Shareholders' Meetings regulation

The running of the Shareholders' Meetings is governed by the regulations with the same name, updated accordingly at the Shareholders' Meeting on 21/04/2009, since, with a quorum that formed an extraordinary meeting, the same Shareholders' Meeting amended the Articles of Association of the company in compliance with the Supervisory provisions of 04/03/2008 with regard to the organisation and corporate governance at banks. The update does not change the provisions contained in the regulation.

The regulation is published on the website www.bancapopolare.it.

Remuneration policy

By the authority of the Shareholders' Meeting under art. 23, paragraph 1, item (g) of the Articles of Association the remuneration policies and those for and incentives by financial instruments, in favour of directors, employees and freelance workers of BPAA were approved on 29/06/2009. As specified by the Bank of Italy, the approval by the Shareholders' Meeting is intended to promoted awareness by shareholders of the total cost and the risk/benefit relationship in the system chosen and favouring monitoring.

The remuneration system in BPAA is weighted on the long term strategies for the bank and thus pays attention to containing corporate risks; able to attract and maintain profiles of appropriate professional capability, so the economic treatment of staff includes remuneration and incentives, that latter being connected to achievable results that are sustainable over time and substantially expressed by the results of management, or by the vectors of "banking activity yields", "costs" (that measure the efficiency of management) and "value adjustments / allowances" (that reflect the results of the risk policies).

Remuneration for directors and statutory auditors is set for three year periods at a time by the Shareholders' Meeting. No incentive schemes are provided.

Regulations for accumulating positions in BPAA and in third party companies

Directors are required to act in an informed manner. In consideration of the functions they carry out, they accept the remit within the Board of Directors when they believe they possess, together with the other requirements provided for, the resources of time needed, taking account of the corporate functions held in third party companies, in order to be able to carry out their remit of strategic supervision and, as necessary, any executive functions assigned to them in BPAA.

In compliance with the Supervisory guidelines, incorporated in the Articles of Association, the Shareholders' Meeting on 29/06/2009 introduced a ceiling on the directorships which can be held by the Bank's directors in third party "major companies", taking account of the executive or non executive nature of the appointments (both in BPAA and in third party companies) and establishing, in particular for each director called upon to attend any of the BPAA board committees, set at ten directorships which can be exercised in other major companies and for the roles of Chairman, Managing Director or General Manager, no more than four.

Regulations for the Board of Directors

The operations of the BPAA Board of Directors is governed by the company Articles of Association and by the resolution of 25/06/2009 for self-regulation which sets out the prerogatives for informed action by the directors and organisation's officers to maintain confidentiality on the information they handle, in compliance also with the Supervisory guidelines of 04/03/2008 on corporate governance. The regulation restates the allocations in the regulations, standards and statute law, and sets the timing, content, terms and formalities for board procedures, including the proceedings for consultation and further preliminary investigation for items on the agenda; the wording then goes on to specify the unfolding of meetings and the minutes of the decision-making process, and sets out the executive nature of resolutions and the means of implementation, documentation and traceability of the Board's will after the event.

The System for Information Flows and Control

The organisation and corporate governance project and the documents executing it have occupied major assessments at the summit level. In the most articulated image of the purpose of the project, the arguments of the regulators of systemic and relational interdependence have brought to light how it is advantageous to codify corporate practices with regard to behaviour and to ensure they can be tracked. In this way, out of the formalisation of information flows directed towards the board of Directors (including in the regulation under the previous heading) the extension to the description of the management information system and control flows at BPAA took shape.

The management information system is the combination of the structured procedures that acquire, process, present and manage the information required to achieve the Bank's corporate purpose in compliance with the terms of law and regulations, the provisions of the Articles of Association and the powers to make rulings conferred to BPAA corporate institutions. At the end of 2009 the document has been annotated in consultations at the Board of Directors. Integrated with the regulation for control flows, in 2010 it will complete the system for the description of the contents and vectors (terms and timing of transmission) of the "minimum" formal decision information in a complex environment and will help an understanding of how the arrangements for communication can be improved; enhancing responsibility at various levels within the organisation, ensuring that the conditions for the board's informed action are present; and sustaining the efficiency of formal communication.

The Organisational Model pursuant to Legislative Decree 231/2001

Italian Legislative Decree 231/2001 governs administrative liability for offences committed in the interest of or to the benefit of a commercial enterprise by persons with top management positions or employment relations with that company. Where an appropriate organisational and management model has been adopted to prevent such offences or where its implementation is assigned to a company division with granted independence in terms of initiative and control, administrative liability does not override the duty of supervising the operation and observance of the adopted model.

Banca Popolare dell'Alto Adige is provided with an organisational model under Italian Legislative Decree 231/2001(MO 231), most recently reformed by a resolution of the Board on 18/12/2008. The inherent regulation of the following areas within the sphere of application of MO 231:

- prevention of abuse of inside information and market abuse
- protection of health and safety in the workplace (Consolidated Law, Legislative Decree no. 81 of 9 April 2008);
- combating money laundering, handling and use of illegally-gained goods or money (anti money-laundering, Italian Law 197/1991);
- combating cross-border crime (Italian Law 146/2006);
- anti-terrorism and the overturning of democracy;
- implementation of the EC Treaty on computer crime (Italian Law no. 48 of 18 March 2008);
- predicting "private corruption" (Italian Government decree law no. 34 of 25 February 2008);

- EC measures against organised crime (EC framework decision of 11 November 2008).

MO 231 identifies, with regard to the organisation aspects and the rules of operation within BPAA, the risky activities that can be referred to any of the provisions set out above and sets out the safeguard measures even through the reference to rules of conduct that bind the board and the staff employed by the Bank, with the purpose of promoting the culture of legality and responsibility, improving the prevention of crime even through an effective system of opposing penalties, increasing vigilance, and increasing awareness of the criminal and administrative consequences of illegal actions.
The company supervisory body called into being by MO 231 is an interdisciplinary body with permanent functions ordered by internal auditing, legal, compliance, ICT compliance and by the board of statutory auditors, In 2010 the participation of the ICT organisation has not been confirmed because of the potential conflict of the remit for supervising and governing computer crime newly included in the MO. The board verifies the effectiveness, adequacy and continued efficacy and function of the MO, analysing its implementation and periodically reporting to the Board of Directors. In particular in 2009 areas of improvement have been observed and intervention to adapt to the corporate regulations and to the scheme for operating processes by means of changes in rules or better regulation of the topics taken up in the MO has been continuously arranged. This improvement intervention also affects 2010.
Because of the sensitivity of the topic, in more detail it is stated that no anomalies or information abuses have been found and that the market abuse checks, which have also been extended to intermediation of securities owned, which take place in the outsourced platform at Centrosim, Milan, in the quarterly statements of “internal dealing” have shown no breaches or illicit acts.
With regard to the investigation launched by Consob in May 2009 on transactions in some listed bonds, traded by BPAA financial departments for owned portfolios, the investigation have not revealed any active involvement by BPAA staff. To date there are no other requests or challenges from Consob.

In its concluding report on 2009, the MO 231 company supervisory body has made an assessment that is positive overall on the state of compliance of BPAA procedures with the requirements of Italian law Decree 231/2001; the body has nevertheless decided to invite the internal audit department, which in 2010 will carry out targeted checks on organisation and process validity.
It is further pointed out that in 2009, in the context of the project for “support of checking the internal control system, in compliance with the anti-money laundering regulations and the provisions set out in compliance with Italian law Decree 231/2001” on BPAA instructions, the consulting company Price Waterhouse Coopers has analysed MO 231/2001’s critical aspects; aspects for improvement on the progress of regulations and on the operational-procedural development of the Bank have emerged and the related suggestions have been shared with the Board of Statutory Auditors.

Anti-Money Laundering Regulations Legislative Decree 231/2007
Italian Legislative Decree 231/2007 enacting the directive 2005/60/EC (for the prevention of the use of the financial system for the purpose of laundering funds from criminal activity or for financing terrorism) and EC directive 2006/70/EC (executory measures) has changed the process for identifying the flows of suspect money with new obligations for appropriate checks that compare the identity information available on the principal to the risk, that is to say, the greater the suspicion that a transaction masks attempts to launder money, the higher should be the state of alarm with the consequential obligation of a targeted investigation and the retention of documents. For banks the

obligation is triggered for transactions of at least 15,000 Euro or in the presence of a suspect transaction or significant ambiguous identification data.
In 2009 BPAA devoted considerable resources to an interdisciplinary purpose-made task force in the legal, audit, compliance and process organisation areas, to check, with the support of the network of skills and data management, the operating procedures and the company practices under the profile of compliance with the anti-money laundering regulations and any necessary arrangements for needed remedial action.
The obligation for appropriate checks is regulated based on the risk associated with the nature of the relationship and the inherent factors and continually presupposes systems for information processing and for noting critical matters.

Bank of Italy Inspection

As already stated in the report from the Board of Directors in the 2008 Financial Statements, from 12 January 2009 the Bank of Italy has launched a check on the reliability of the organisational and control structures with particular reference to compliance with regard to the anti-money laundering regulations from the Bank.
The inspection closed on 27 March 2009 and on 15 June 2009 the Bank of Italy notified the inspection report that contained observations and objections. Our Bank sent to the Supervisory Body a detailed response to the Inspection Report on 29 July 2009 containing considerations on the comments made.
With reference to some of the observations and noted contained in the inspection report referred to, the Bank of Italy has launched, under articles 7 and 8 of Law 7/8/1990 no. 241, penalty proceedings against the Directors, Statutory Auditors and Director General. The outcome of the above proceedings is still unknown at the date of drafting the current Report.

The Restructuring Plan

The main guidelines governing BPAA activities are outlined in the industrial plan, a summary document of ratings which each year, consistent with recent developments, updates the two-year budget that sets the Bank's strategic objectives and the strategies for achieving them.
The document was reviewed based on the state of knowledge that has advanced during the course of 2009 in order to be merged in the new project for 2010-2011 with cautious forecasts of growth in quantity whilst possible areas of organisational improvement and quality development have been identified, related to each other. Amongst the most significant projects the checking of the system for internal controls is highlighted, that is to say all the rules, procedures and organisational structured aimed at ensuring compliance with corporate strategies, the efficiency and effectiveness of corporate processes, safeguarding the values of activity and protection from losses, the reliability and completeness of the accounting and management information, compliance of operations with the provisions of law, regulatory requirements and the Bank's internal rules. Major organisational resources will be then invested in complying with and improving the significant processes at an overall bank level and further with aligning the governance aspects and here in particular, with a complete reordering of representation in the instances of exercising employment rights.
On the side of developing the market involved, BPAA is oriented towards consolidating, after a two-year period of sustained expansion (29 new branches were opened for a total of 133 branches at 31/12/2009) the indicators of dimensional; progression with a view to healthy and productive management. The consolidation stage is consistent with the principle of commercial action approved of by the Reorganisation Plan: in-depth growth and then in breadth, maintaining a balanced relationship between available resources and the market potential.

Rating

In July 2009 Moody's adjusted the long-term rating for BPAA from A1 to A2 "stable outlook". In its report, the rating company observed in particular how the overall reference outlook has progressively worsened, so much so that in May 2009, the index for the banking system in Italy had been downgraded from "stable' to "negative". Moody's was expecting that the banks would have discounted yield cuts by increased default margins in use, in a widespread climate of recession in the whole of 2009 and with potential effects of stagnation in 2010.

RESULTS OF OPERATIONS

The year just ended was denoted by the continued and worsening financial and economic crisis, which ahs affected the whole of the North-east of Italy with major impact on corporate management and the results achieved.
The effects can be felt in the progress of volumes and rates and in the deteriorating quality of loans and accordingly in value adjustments for loan impairment.
The Bank has continued the full enhancement of its own relational assets and its support for the world of producers and consumers acting with prudence and a careful eye.

Banca Popolare dell'Alto Adige achieved the following results:

Funds under management
At the close of the year, the total funds under management for customers came to 10,607 million Euro, with a growth of 3.6% compared with the 10,241 million Euro at the end of December 2008.

Deposits
As at 31 December 2009, total deposits from customers (direct and indirect) came to 6,169 million Euro, which was up by 4.6% compared with the previous year.
In detail direct deposits have reached an amount of 4,222 million Euro, with an increase of 50 million Euro compared with the previous year (+1.2%).

Technical formats for direct deposits	31/12/2009	31/12/2008	% change	% of total
savings and current accounts, certificates of deposit	1,916,546	1,709,191	12.13%	45.40%
ordinary customer bonds	2,020,748	2,135,353	-5.37%	47.86%
other payables	183,409	229,706	-20.15%	4.34%
reverse repurchase agreements on securities	101,218	98,104	3.17%	2.40%
Total	**4,221,920**	**4,172,354**	**1.19%**	**100.00%**

When analysing the components, it can be noted that the traditional products such as current accounts and savings accounts, equal to 1,917 million Euro, showed a growth of 12.1% whilst bond deposits, equal to 2,021 million Euro, decreased by 5.4%. Bonds still only just represent the most important component of direct deposits.
The Bank preferred floating rate bond issues.
In the form of "other payables" liabilities faced with assets transferred and not cancelled following securitisation transactions are highlighted, which had shown a contraction of 20.2% according to the planned progression.
Repurchase agreement transactions are confirmed to have been stable and to have little impact on total direct deposits.

Indirect deposits, at market values have shown in 2009 strong growth of 12.8% following the positive movement of financial markets.

Technical formats for indirect deposits	31/12/2009	31/12/2008	% change	% of total
managed securities	1,088,064	1,042,626	4.36%	55.88%
investment funds	708,027	533,563	32.70%	36.37%
assets under management	0	6,380	-100.00%	0.00%
life insurance	150,889	143,415	5.21%	7.75%
Total	**1,946,980**	**1,725,984**	**12.80%**	**100.00%**

The increased flow of 221 million Euro is such as to bring assets under management back to 79%, which went from 683 million Euro to 859 million Euro showing an increase of 25.7%.
This last figure shows the significant recovery of the stock markets in 2009 and the capacity for products managed to recover from the effects of the financial crisis.

As at the end of the period, indirect deposits from customers investing in assets under management represented 44.1% of the aggregate total, compared to 39.6% at the end of the previous year.

Loans
The loans segment expansion slowed in 2009 and, net of value adjustments, recorded 2.2% growth, which in absolute terms corresponds to an increase of 95 million Euro to reach 4.438 million Euro. Overall they represent a share of 85.5% of the balance sheet assets and the Bank's core business. The bank has confirmed its traditional and constant attention to the development of the economy in the territory of its roots and to satisfying the financial needs of households.

The technical forms include impaired assets and transferred assets following securitisation transactions uncancelled in their original form.
The analysis by technical form, shown in the following table, shows a significant development of mortgages, up by 13.6%, for an amount of 2,319 million Euro which represent 52.3% of the total loans. Current account loans manifest a drop of -6.5%.

Technical form of loans	31/12/2009	31/12/2008	% change	% of total
current accounts	1,626,465	1,738,629	-6.45%	36.65%
repurchase agreements	228	1,339	-82.95%	0.01%
home loans	2,318,955	2,040,905	13.62%	52.25%
credit cards, personal loans and salary-backed loans	20,597	20,452	0.71%	0.46%
other transactions	471,845	541,262	-12.83%	10.63%
debt securities	0	0		0.00%
Total	**4,438,090**	**4,342,587**	**2.20%**	**100.00%**

A breakdown of loans by economic segment follows and reveals an increase in loans given to individuals, which went from 30.9% to 38.5% compared with total loans.

Loan sectors	31/12/2009	31/12/2008	% change	% of total
Private	1,709,551	1,341,905	27.40%	38.52%
Manufacturing industry	996,942	978,600	1.87%	22.46%
Sales	345,035	375,763	-8.18%	7.77%
Services	1,211,409	1,560,851	-22.39%	27.30%
Public authorities, financial and insurance sector	175,153	85,467	104.94%	3.95%
Total	**4,438,090**	**4,342,587**	**2.20%**	**100.00%**

The breakdown of loans by borrower type confirms the prevalence of non-financial companies, representing 57.5% of total loans to customers and recording an annual drop of 12.4%. Household loans are second highest with a 38.5% share and a 27.4% increase in volumes.

As at 31 December 2009 the loans / direct deposits ratio reached 105% compared to 104% in 2008.

Non-performing loans

In granting loans, as in their management, the Bank has acted with the necessary caution, taking the greatest attention with the assessment of risks.

Loans with anomalous progress (non-performing, problem, restructured and overdue) net of the specific value adjustments are quantified as 311.6 million Euro, up 15.6% compared with the 269.5 million Euro from the previous year. They have an impact upon total loans to customers of 7.02%, up from what was recorded in the previous year (6.21%).

Even within the aggregate amount of non-performing loans the quality of exposure is significantly lower, reflecting the worsening of the economic cycle.

Their reclassification according to the level of risk of non-performing loans indicates performance as follows:

Non-performing loans	31/12/2009	31/12/2008	% change
A) non-performing loans			
gross amounts	178,351	106,013	68.24%
specific value adjustments	-81,899	-58,155	40.83%
net amounts	**96,452**	**47,858**	**101.54%**
B) problem loans			
gross amounts	149,164	190,626	-21.75%
specific value adjustments	-14,066	-17,604	-20.10%
net amounts	**135,098**	**173,022**	**-21.92%**
C) restructured loans			
gross amounts	9,154	0	
specific value adjustments	-5,142	0	
net amounts	**4,012**	**0**	
D) loans overdue			
gross amounts	76,452	48,963	56.14%
specific value adjustments	-428	-303	41.48%
net amounts	**76,024**	**48,660**	**56.23%**
E) performing loans			
gross amounts	4,146,030	4,095,747	1.23%
specific value adjustments	0	0	
Less lump sum value adjustments	-19,526	-22,701	-13.99%
net amounts	**4,126,504**	**4,073,046**	**1.31%**
Total net amounts	**4,438,090**	**4,342,587**	**2.20%**

The ratio between net non-performing loans and cash loans has worsened by 2.17% (2008: 1.10%), the ratio between gross non-performing loans and cash loans amounts to 3.91% (2008: 2.39%). It is pointed out that gross non-performing loans also include late payment interest not collected and fully written off.
In addition to the valuation on non-performing loans, made analytically for each item, a similar specific valuation was adopted for restructured exposures and problem loans including objective watch-list positions, i.e. positions whereby customers go through temporary objective difficulties for repayment which can be overcome, and therefore they are kept under "outstanding" loans.

Specific and lump sum adjustments include the discounting effect of valuation of the time necessary to collect recoverable amounts. If the initial estimate on recovery time is later confirmed, this effect is transferred to the income statement in future financial years, thus giving rise to write-backs.

It should be further pointed out that not further adjustments have been made for specific segments of goods held to be liable to doubtful outcomes, due to a lack of objective and subjective presuppositions
.

In conclusion, the Board of Directors, taking into consideration the valuation made according to the principle of prudence and in consideration of the low concentration of the loans portfolio (see also the Notes to the accounts on significant exposures), feels that the overall potential risk in relation to loans is sufficiently covered.

Risk Management

In the field of risk measurement and management, 2009 saw the introduction of the fundamental "BPAA Risk Management Policy", passed by the Board of Directors on the 29 October 2009, which includes in an organic form the policies for identifying, measuring and managing risk and the assumptions for a conscious passing on of the risks themselves.

From an organisational viewpoint, in addition to clearly outlining the intentions and responsibilities of all organisation units involved in the risk management process, the Policy also provides a new and organic system of Committees that ensures the regular monitoring of the overall risk profile and defines in detail the risk management policies. In particular, the following have been set up and launched:

a risk Committee that each month assesses the overall risk profile, the correspondence between control policies and the structure of limits in force at the ICAAP process implementation for checks on the adequacy of asset requirements; it also has the task of addressing all the relevant structures in order to guarantee the compliance with the policies undertaken.

The Credit Risk Committee analyses and addresses the credit risk policy on a quarterly basis;

a Finance Committee that extends its own remit, and on a monthly basis, addresses the policies of monitoring and managing market risk, interest rate risks and the liquidity risk;

an Operational Risks Committee that develops management policies for operational risks, with a view to analysing processes above all.

Furthermore the Policy describes all the individual types of risk that the Bank is subject to and identifies their size both in a current and in a future perspective. In this sense, the introduction of the ICAAP process (Pillar 2 of the Basel Accord) has offered us an increasingly precise awareness of other forms of risk (interest rate risk, liquidity risk, concentration risk) and to set the future framework of the Bank's propensity to risk, guiding strategic and budget decisions.

As had occurred in 2008, in 2009 too the bank calculated the asset requirements faced with the credit and market risks using the so-called standard approach whilst for operational risks it uses the basic method.

Below is an outline – divided by kinds of risk – on the risk position and on the main methodological and organisational aspects adopted by the Bank to identify and calculate risk.

Credit risk

Credit risk is the total or partial risk of insolvency of a key counterparty and constitutes the Bank's main risk factor, in accordance with its own retail nature.

The BPAA credit strategy therefore, on the one hand aims to improve the loan allocation process so that it becomes compatible with the underlying risks, and on the other hand to forecast insolvency deterioration phenomena for key customers through increasingly efficient and reliable monitoring systems.

From an organisational point of view, systematic monitoring of customer credit ratings is handled by the Loan Control Service, which reports to the Central Financial Services Department but from a functional point of view is also answerable to the internal loans committee. All resolutions concerning

risk positions (classification, loan requests, review, and transfer to NPL) are the responsibility, according to the extent of the position, of the Loan Control Service Manager, internal loan committee, the central loan committee or the Board of Directors, always preceded by assessments made by the Loan Control Service.
The number of watch list positions and those classified as problem loans increased in 2009, also as a result of the adoption of new regulatory measures and Basel II provisions (past-due positions and objective impairment). In volume terms also, percentage increases higher than the total credit portfolio volume were recorded for problem loans. Though not yet a worrying phenomenon, 2009 again confirmed the upward trend of overdue mortgage instalments, an indication of customers' increasing solvency problems.

Much the same can be said for positions classified as non-performing.
Monitoring past-due positions has been further strengthened: centrally a specific function devoted to them has been set up; locally a preventive control and management system has been implemented that is able to identify the danger of classification. Similar operating and management arrangements have involved the classification of so-called "objective impairment" (continuous over-runs of more than 270 days and greater than 10% of the total granted).
The credit rating monitoring of existing credit customers (performance rating) has begun to play an increasingly central role in credit allocation and collection policies. More stringent measurements and controls have been undertaken in the processes for granting loans intended to limit the decision-making authorities and to consider every possible negative signals from customers allocated.
In this context, 2009 saw the completion of an early warning project to operate alongside the performance rating and the classification and management process for problem customers (RMS – Risk Management System) with daily and therefore more rapid system output and automatic flagging of problem situations as they arise. The project will be fully implemented in 2010.
The quarterly credit risk report drafted by the Bank's Board of Directors plays an increasingly important role and is a tool to monitor performance of the Bank's credit business and related risks, and to monitor observance of the objectives and guidelines defined in the Bank's medium/long-term strategic plan. Amongst other things, it contains the risk index assessments (insolvency probability and estimated losses), the calculation methods adopted and scenario analyses to verify loans portfolio behaviour should unexpected events occur.

Adoption of the Credit Risk Mitigation methods to calculate the Bank's regulatory capital in accordance with Basel II led to the accurate definition of forecasting, valuation and period revaluation process for property used as mortgage guarantees in order to fully observe the eligibility criteria of such guarantees.

Concentration risk
Concentration is defined as the risk deriving from credit exposure with regard to counterparties, groups of related counterparties, counterparties in the same economic sector or which exercise the same business activities.
Concentration risk is measured in compliance with the provisions of Bank of Italy Circular no. 263 (Title III – Chapter 1 – Annex B) by the Granularity Adjustment (GA) method and using a special credit data warehouse updated and validated on a monthly basis.
An articulated system of limits that controls and addresses the guidelines for the containment of risk levels of concentration in the bank loan portfolio has also been activated.

Market risk

Market risk is defined as the risk of loss on owned financial instruments from possible fluctuations in financial market variables (rates, volatility, exchange rates, share prices), considering that each individual financial instrument may be exposed to one or more of these risks.

BPAA therefore measures its own trading book market risk as changes in the value due to market fluctuations.

BPAA adopts a system for measuring and managing market risk based on the Value-at-Risk (VaR) method, on a system of risk limits and maximum losses sustainable and on constant position monitoring.

The VaR method calculates the maximum potential loss of a portfolio during a certain timeframe and with a certain probability, under normal market conditions. Value-at-Risk is a single measurement system applicable to all types of market trading and all financial instruments, thus allowing a comparison of risk figures calculated in both time and daily profitability terms. For calculating VaR, the Bank uses the historic simulation approach with an exponential weighting applied to the Murex computer platform which, from 2009, forms the integrated computer treasury procedure at BPAA.

To avoid and prevent exceeding the authorised risk limits, a standardised daily reporting system controls and verifies how close the thresholds are to being reached.

In addition to analysing VaR and the maximum sustainable losses, market risk management is based, through specific limit systems, on the control of counterparty risk, Country risk, the sensitivity of the portfolio to market rate risk (basis point value) and credit risk (credit risk sensitivity).

The risk management department lastly has the role of validating the pricing system for the financial instruments held, with the purpose of maintaining a realistic price profile and which complies with fair value pricing.

Interest rate risk

With regard to the banking book, corresponding to the Bank's range of commercial operations in relation to the maturities conversion of all balance sheet, treasury and hedging assets and liabilities, changes in the market rates structure can have a detrimental effect on the interest margin and on equity by constituting a source of risk (interest rate risk).

The management and investment strategies for this banking book are in keeping with optimisation of the risk-yield ratio and are implemented according to expected interest rate performance. The Bank’s investment policy is therefore focused on optimising interest rate margins and minimising their volatility, bearing in mind Asset & Liability Management needs.

During the course of the year 2009, the bank introduced guidelines and regulations for managing interest rate risk in the banking portfolio in the context of the risk Policy for the Finance department.

Managing interest rate risk in particular takes advantage of the monthly ALMPro computer procedure. In addition two indicators have been identified, which are respectively inherent in the sensitivity to interest and the current asset value faced with unfavourable variations in the interest rate curve.

Liquidity risk

This is the risk that the Bank is unable to meet its commitments as they mature. It is normally manifested in the form of inability to meet payment commitments and can be caused by:

inability to obtains funds (funding liquidity risk)

the existence of limits on the unfreezing of assets (market liquidity risk).

An awareness of the size of liquidity risk, sharpened by the current and continuing crisis situation in the financial markets, has formed an element of constant attention during the course of 2009. The management and monitoring of the Bank’s liquidity position both in the short and long term, have been

formally integrated in the risk Policy in the Finance department in which an indicator to check short term liquidity risk has been provided.
Furthermore the Contingency Funding Plan model that describes the process for daily monitoring liquidity, the net financial position of the bank and the operational procedure to be followed when faced with the rise of risk situations, to safeguard the Bank’s operation, and guarantee the need for liquidity and protect assets, has been revised and extended
During the course of 2009, the analysis of the Bank’s liquidity situation has not highlighted any situations of tension over the short to long term.

Operational Risk

Unlike credit and market risks, which the Bank knowingly assumes against remuneration of the risk, operational risk may generate losses, at times also considerable, without any compensation being received by the Bank. Operational risks are naturally intrinsic to processes, the characteristics of products and services provided, and the likelihood of being open to fraudulent or incidental events.
For these reasons the Bank has to study causes that may result in operational losses and systematically detect and measure the events to limit and reduce the risks in question.
In line with Basel Committee definitions, BPAA defines operational risk as "the risk of loss resulting from errors or inadequacies in internal processes, human resources and systems or from external events".
This category includes legal risks, but not strategic, reputational and system risks. Therefore, the definition of operational risk includes opportunity risks (deal fall-through), damage to image and risks involving the entire banking system.
Since 2003, BPAA has used an internal system for detecting and measuring operational losses – as a first step towards a more in-depth knowledge and analysis of these phenomena – with the purpose of improving management of potential sources of risk that could undermine company stability.
This system follows a similar initiative fostered on a national scale by the Italian Banking Association (ABI). With the DIPO project (Italian database of operational losses) ABI is attempting to inform banks on how to implement these procedures and create a national databank that would allow banks to obtain more extensive and meaningful statistical data.
The process is based on an internal information system that detects all events in the category of operational losses, starting from the minimum threshold of 50 Euro, and forwards them to a central collection point run by the risk management service. These reports are integrated with losses deriving from legal action and customer complaints. Both these event types are systematically recorded on special internal databases.
The collection and systematic analysis of this information last year provided valuable inspiration and suggestions to assess and optimize processes and activities of the Bank.
A report on the Bank’s operational risk situation is drafted on a quarterly basis by the risk management department for discussion within the newly formed Operational Risks Committee. The latter thus has the task of identifying all the potential critical situations, defining the counter-measures that are liable to contain them, and define the operational processes that need adjustment and those that have not yet been defined.

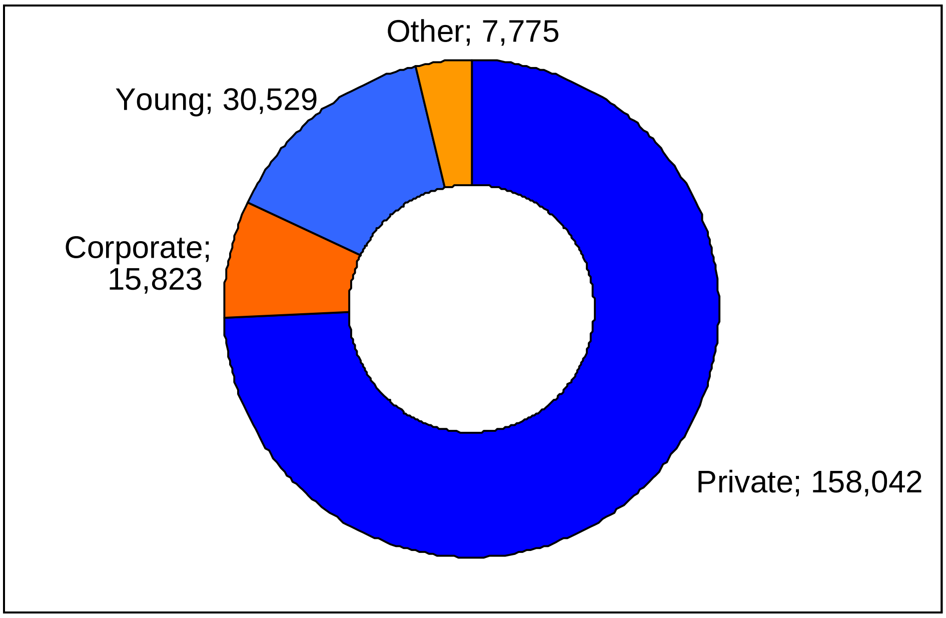
Other Risks

The Risk Management Policy identifies and defines the following further classes of risk that even if they do not for the time being represent significant risk factors compared with those set out above, are nevertheless periodically subjected to analysis and assessment.

- strategic risk, that is, the risk of unexpected losses because of wrong decisions by BPAAA management or of financial difficulties in the SecServizi centre;
- reputational risk, that is the risk that the Bank might suffer from lowered image and credibility with its customers faced with wrong behaviour by single employees or groups of staff.

The Retail Network

More than 210,000 customers and their financial needs represent the core of our everyday consulting work. With such a high number that is continually growing, complexity increases day by day exponentially. For this reason, for more than 5 years now, we have been operating on a segmentation of customers on quantity and quality basis intended to provide a more customised consultancy that is at the same time denoted by a greater specialisation of our know-how. The purpose of following out customers in the most appropriate manner through the most suitable specialist present in each structure.
During the course of 2009 this process was successfully extended to the new province of Venice and has been carried out in the renewed headquarters in the city of Bolzano, where it will continue throughout the current year.
Banca Popolare – Volksbank operates in depth in the economic-social tissue of the territories where it is present; the client base comes from various classes: we distinguish first of all between corporate and private individual clients, and within the latter grouping a major segment of young people from 0 to 27 years old.

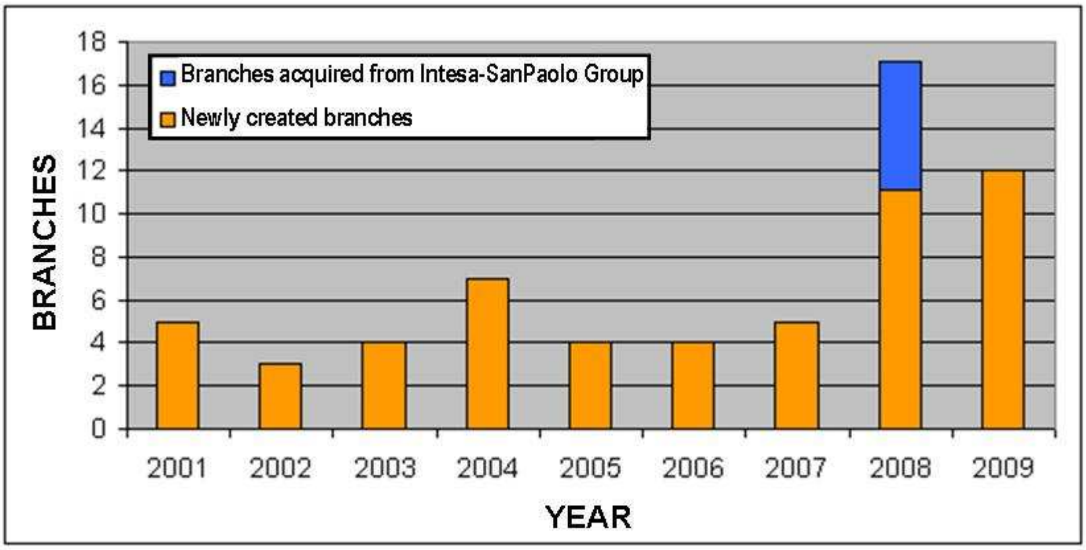


According to our view the most demanding and complex clients need a more targeted and focussed consultancy. For this reason the Banca Popolare – Volksbank paradigm is articulated across three sub-brands:
Banca Popolare Volksbank – Private Banking for more than 10,000 clients with high demands in terms of financial assistance;

Banca Popolare Volksbank – Corporate Banking for more than 2,500 companies identified by precise economic requirements;
Banca Popolare – Volksbank bank4fun for young people in the age range between 11 and 20 years old.

Each brand is interpreted and applied every day by our staff through dictates we imposed upon ourselves to guarantee a unique banking experience, which is different and recognisable. However, all our brands feed upon everyday experiences, developing year–by-year with the purpose of adapting and fitting in best with social, economic and regulatory changes.
During the course of 2009 the Private banking Brand was further enhanced, by adding professional quality through the creation of an appropriate internal department, as the supplier of skills and assistance. Corporate Banking has continued to grow: the disturbed macroeconomic panorama has been an opportunity for demonstrating the solidity of our way of doing banking. The bank4fun brand, lastly, has undergone a deep conceptional review, has led to the closure of two structure in the Alto-Adige region and accordingly to the extension of the concept to all branches in the retail network, so that out young clients can have more opportunities to turn to a specialist contact.

The Branch Network
Banca Popolare – Volksbank has identified the North-eastern area of Italy as its own natural reference market.
After an exceptional 2008, which ended with the opening of 17 new branches, including 6 acquired from the Intesa SanPaolo banking group, 2009 experienced a new extraordinary stage in development with launching a further 12 branches concentrated exclusively in the areas of Treviso/Pordenone (Pordenone, Preganziol, Spresiano, Castelfranco Veneto, Cordenons, Paese) and Venice (Martellago, Spinea, Mira, Venice/Marghera, Portogruaro and Venice/Mestre). In the lagoon city, thanks to first class refurbishment work the area head office was set up, that hosts the Private and Corporate Consultancy Centres: that is how the reorganisation of the commercial structure ended, which now sees us present in every commercial area with two Consultancy Centres, as a specialist support for customers and branches of the same area.



At the end of 2009 the Banca Popolare – Volksbank branches reached 133 broken down as follows: 63 in Bolzano province, 20 and 21 respectively in the adjoining provinces of Trento and Belluno, 13 in the Trevigiano and 3 in the province of Pordenone, and 13 in the new Venice area.

With this new slant on our new distribution structure we believe we have reached in tow years a level of adequate visibility across all the current commercial catchment area, including areas that even 2 years ago seemed distant and unreachable.
These first two years have taught us that the socio-cultural traits that bring together the peoples of the North-East are more consistent than might appear: the challenge for the near future consists of developing a mutually fruitful and homogenous partnership across the whole area, which will be lasting and well-rooted, as has been obtained over more than 100 years of history in the Alto Adige.

Research and Development Work
In line with targets, the commercial strategy in 2009 was turned towards devising new products and services, both in traditional segments and in innovative sectors, including through the development of product partnerships.
The offering of products and services continues to be steered towards the retail, corporate and private business clusters. The process of standardising the procedures and the range of products has the purpose of simplifying offerings, with obvious advantages for customers.
In the current account department, the offering of diversified solutions able to satisfy the specific demands of customers has contributed to increasing the number of new clients who have decided to choose our Bank.
The net balance between new openings and account closings was positive and equal to around 2,000 new current accounts, and has determined an increase of the bank's private clients of more than 4 per cent.
In the sense a review of the range of current accounts has been arranged, with the introduction of a liquidity account, which enables simple investment form an ordinary current account to the liquidity account, with a remuneration broken down "by deal".

The regulatory and standards reference framework is duly considered in that context. Adapting has required major project resources in 2009.
Amongst legislation intervention, that is from the Supervisory Bodies, that has impacted the organisational aspects of the Bank, we should mention the Anticrisis Decree, which has governed the application of commission on maximum overdrafts. Operational adjustment work has involved a great deal of commitment for implementation.
The new provisions on banking transparency have shown and confirmed the correctness of the approach maintained over the years by out bank, which is steered towards simple language devoted to individual target audiences. The adaptations, which a large organisational impact, were carried out in good time.

A massive intervention on the part of legislators was due for the 1 November 2009. Enactment into national law of the directive on payment services (Payment Service Directive – PSD) took place through Italian Legislative Decree no. 11 of 27 January 2010. The directive on payment service on the internal market represents a legal basis intended to create a single European market for payment services. The PSD applies to all payment services, such as for example transfers, pre-authorised and direct debits, credit card and debit card payments in Euro or in the currency of a member state outside the Euro zone. Payments by means of cheques and promissory notes remain excluded.

The purpose of the directive is defining a common legal context where there is no longer any distinction between cross-border and national payments within the European Union. The rights and obligations of banks and customers are also clearly defined and uniform across the European Union.
The PSD also provides that all legal, technical and commercial barriers between the currently differing payment systems shall be abolished, to guarantee greater transparency of products and terms.
A customer may enjoy faster execution times and be more certain and greater transparency with regard to him/her.
In 2009, adapting to the regulations in any event involved a considerable effort to review internal accounting procedures, all the contract structure relating to the payment services, and also operating processes. As an initial stage BPAA has carried out an analysis of the impact on a whole production line of all the banks' payment services/products, across all distribution channels. The current state of implementation of products/services has been analysed and reconciled accordingly with the so-called "PSD Compliant" status. In 2009, as the conclusion of the analyses a "gap" list was drawn up on which the activities that need adapting were entered, in terms of action, areas affected, times and costs.
For companies, the changes in the sphere of collection services are especially important – in particular with regard to Ri.Ba and RID processes. Given that in this field there are however significant technical adaptations required to the Italian interbank system, the legislators have allowed deferred entry into force until 5 July 2010. Thus in 2010 too we shall find major resources occupied in adapting to the standards for collection systems.

Furthermore the Single Euro Payments Area will enable all European citizens to make payments in Euro across the EU with the same ease and security as they can count upon currently in their own national context. A further step towards the single payments market in Euro is represented by the introduction of a new SEPA product: SEPA Direct Debit (SDD). This new encashment instrument will enable direct debits to be made at European level using uniform and standardised methods.

In the new edition of the tax Shield, proposed once again by the Government in September, our bank has developed a major communications and training action, intended to offer the support required for customers and non customers intended to bring back financial means deposited abroad.

The activity on real estate mortgages to private individuals is and remains an important instrument for the acquisition of new clients, and for increasing loyalty.
In the course of 2009, thanks also the large drop in rates, demand from households for the purchase of residential buildings has turned out to be still significant.
The volumes of new grants of mortgage loans for the purchase or refurbishing of homes has come to 75 million Euro up by 10 per cent compared with the previous year.
The regulatory framework that governs the segment of mortgage loans to private individuals has been subjected to considerable intervention. After the "Bersani decree" on the portability of the so-called Tremonti renegotiation, from 2008, which fostered competition between credit institutions by means of the portability of mortgages (subrogation) offering concomitant new purchasing opportunities, which was above all useful on the markets of new or recent developments, the Anticrisis Decree was passed, which introduced assistance for the holders of primary residence mortgages, intended for families in difficulty.
In this context the bank has also taken part in the coordinated initiatives by ABI to support families, under the "Families Plan".

Above all in this time of economic crisis, BPAA has devoted the maximum attention to assistance and support of customers on the corporate world front. In fact BPAA was one of the first to subscribe to the various supporting initiatives for companies both at provincial/regional and at national levels. By was of an example one could list the agreements with ABI (Italian Banking Association) to support SMEs by means of instalment suspension and the first economic recovery plans in the Provinces of Trento and Bolzano.
In the course of 2009 arrangements were made to update the range of products and services to corporate customers with especial care for agreements and contracts with territorial bodies and segment associations. A special commitment was directed to the Small and Medium sized Companies area and their demands for Assisted Loans (Manufacturing, Craftsmanship, Retailing and Farming) and to Leasing

On the front of developing insurance products the bank has promoted in 2009 a new product aimed at private individuals, devoted to covering accident risks (inside and outside the professional environment), called Care4u.
The H Policy insurance package, which protects by insuring cover of the costs of hospitalisation and treatment in the case of accident and illness, was extended by a new package devoted to family units (H Family Policy).
Cooperation with Arca Vita and Arca Assicurazioni has also been consolidated.
CPI, that is, the insurance that comes into play for the value of a mortgage or a personal loan under conditions provided, in the case of death, permanent disability (at least 60%) and serious illness to cover the amount of the residual debt, or, in the case of temporary disability or unemployment, for the uncovered monthly instalments has been greatly appreciated by the clientele, at a time of economic crisis.

The introduction of MiFID 2004/39/EC (Markets in Financial Instruments Directive) from 2007 sets out the clients' real demands at the centre of the attention of finance sector operators. The new rules have considerably influenced the terms of offering financial products, showing major structural intervention. From the point of view of the approach to BPAA clients, in substance nothing changed, to the extent that the key point was and remained the offering and consultancy in terms of portfolio, and not of products, reflecting the needs of the customer and his/her risk profile.

In 2009, BPAA has reasserted its leadership in the filed of innovation, by emphasising the continuous improvement of the services offered, across all virtual channels accessible to customers (computers, cell-phones, PDAs and kiosks):
On the Direct b@nking side the option for managing one's own cash point card online is offered, thus adding comfort and security for customers. A customer's option of accessing the hierarchy of prizes involved in the Bonus banking contest directly from Direct b@nking is also new.
The SMS b@nking service, which as a distinguishing feature, in addition to the information services offers to a client the option of asking for a recharge of a prepaid card in real time over a cell phone.
The Mobile b@nking service represents the pocket bank to customers, enabling all of the main transactions allowed by Direct b@nking over a PDA/smart phone.
Customer appreciation of the Direct b@nking service has been expressed in the further increase in the rate of usage of the virtual channels of 15% in the year 2009.
A much appreciated component and source of savings for customers was the e-post service within Direct b@nking, with which a customer can choose the form (electronic or hard copy) for communications (statements and accounts) from the Bank and addressed to them.

For companies too BPAA has proposed in 2009 significant innovations to its customers as regards virtual channels. At an organisational level, corporate clients through the new “Documents online” function can receive, directly from the CoB@ web application, all the documents and accounting of interest directly.
As regards security on the World Wide Web, BPAA has reasserted its leadership in 2009. It has shown its concern towards its own customers by introducing authorisations by means of cell phones (GSM). This method of user authentication, which takes advantage of two different channels for the exchange of information – that is GSM and the internet (known as “strong authentication”) – guarantees maximum security for the future also.

On the cards front, the customers’ appreciation of the first ATM card with a personalised layout in the Italian scene has been confirmed.
Also in 2009 the new “one more” prepaid card with a chip was marketed, which can be easily reloaded by various virtual channels, and is also usable on the MasterCard circuit abroad and on the internet. The prepaid cards issued by BPAA are fitted with microchips and personalised with a card number, which is a vital element for internet purchases.
The range of cards issued by BPAA is now fully EMV compliant, and the cards are all fitted with the very latest generation of microchips which offer the maximum degree of security.

The institution website www.bancapopolare.it has shown itself on the reference market to be the benchmark in terms of usability and functional ergonomics.

The finance segment
The year 2009 was marked by a strong drop in market rates. Central banks worldwide cut rates, adopting absolutely expansive and accommodating monetary policies suited to preventing possible liquidity crises.
As the consequence of this monetary policy in G7 countries, short term rates reached new historic lows, except in Japan.
In contrast, medium to long term rates remained substantially unchanged, with a slight reduction in yields.
Compared with interest rates, especial attention is reserved as regards domestic securities, to the yield curve of Multi-Year Treasury Bonds which has shown over the medium to long term of the curve a considerable reduction in the yield differential compared with the German benchmark.
After 2008 which was marked by an unchecked widening of credit market spreads, partly continuing into the first quarter of 2009, there has been a consistent reduction in credit risk assessments.
This has been possible thanks to the coordinated manoeuvring by European governments, amongst other things by the instrument of public sector guarantees on bank bond issues.
Notwithstanding and extremely contained level of inflation during the course of the year, inflation expectations for the next 10 years have gone from 2% at the start of 2009 to 2.4% at the end of the year.
The currency market has shown a positive correlation to the financial market and thus currencies have also suffered from the tendency to drop in March 2009.

As regards the stock market, the situation was comparable to that in other markets with a dramatic exodus, in which European stock indices have lost around 30% to then change direction and reach an overall performance of more than 20% over the year.

Changes over the year were therefore considerable, with strong fluctuations throughout the entire year:

	Start of 2009	End of 2009	Change
3-month Euribor	2.973%	0.707%	-227 BP
6-month Euribor	3.037%	0.993%	-204 BP
2-year IRS	2.677%	1.880%	-80 BP
10-year IRS	3.739%	3.590%	-15 BP

	Start of 2009	End of 2009	Change	Performance in Euro
Europe				
Eurostoxx 50	2,448	2,965	21.13%	21.13%
DAX	4,810	5,957	23.85%	23.85%
CAC 40	3,350	3,936	17.51%	17.51%
FTSE MIB	19,953	23,248	16.52%	16.52%
FTSE 100	4,562	5,413	18.66%	28.58%
SMI	5,756	6,546	13.72%	15.33%
USA and Japan				
S&P 500	903	1,115	23.45%	28.93%
Nikkei	9,043	10,546	16.62%	11.74%

The Bank's treasury securities, including investments, totalled 406 million Euro at the end of 2009, recording a 45 million Euro decrease compared to 2008. The Bank's activities in the securities segment were marked by the usual prudence criteria.

Treasury securities portfolio	31/12/2009	31/12/2008	% change	% of total
Financial assets held for trading (HFT)	261,920	286,522	-8.59%	64.51%
Available-for-sale financial assets (AFS)	128,607	148,061	-13.14%	31.68%
Financial assets held to maturity (HTM)	11,416	11,702	-2.44%	2.81%
Equity investments	4,049	5,041	-19.68%	1.00%
Total	**405,992**	**451,326**	**-10.04%**	**100.00%**

It is clear that 64.5% of the treasury shares are held in the portfolio for trading and all the changes in fair value are accounted for immediately in the income statement.

Furthermore it can be observed that the AFS portfolio only contains 2.48% of the Bank's total assets and the equity investments portfolio 0.08%. It is further clear from the figures that these portfolios are not especially significant for the purpose of understanding the economic-asset situation at the Bank.

New integrated Murex cash management platform and new Middle Office functions

Set up on 2008, the new financial front-to-back Murex management system in the course of 2009 replaced the previous MasterFinance integrated cash management IT environment. Implementation

has created a multi-entry treasury, finance, controlling and risk management application with a high operating profile and a coherent potential if the complexity of management were to be increased.
So Murex is a trading platform, a portfolio management and a financial risk management platform, through which the controlling documents "Finance regulations" and "Financial plan" provided by the Board of Directors are implemented.
With the advent of Murex, in 2009 BPAA has introduced a new middle office financial organisation structure that fulfils the procedural responsibilities in the application and is the reference of internal use functions.

Cash management

In 2009, in accordance with the indications for steering the reorganisation plan and in strict compliance with the progress of needs for management control, the Bank placed on the international capital market only one bond with a nominal face value of 20 million Euro taking advantage of the existing EMTN.
By effect of the 2008 securitisation of performing loans with a simultaneous repurchase of asset-backed securities issued by the company vehicle and for the portfolio of ownership titles, the Bank has made assumptions that are more than adequate to cover any challenges, by needs for liquidity at the European Central Bank.
BPAA has had no difficulty in supplies on the interbank market, still favoured by Moody's "A2 – stable outlook" rating in July 2009, which was adjusted downwards from the excellent A1 in 2008 and nonetheless very much appreciated in a generalised climate of great difficulty which, in May 2009, had made the Moody's index downgrade the Italian banking system from "stable" to "negative".
As regards treasury activity at the end of the year, the net liquidity position on the interbank market showed a lower debit balance equal to 223 million Euro than the 248 million Euro in December 2008.

Interbank relationships	31/12/2009	31/12/2008	Absolute change	% Change
Due from banks	51,629	51,113	516	1.0%
Due to banks	274,484	298,726	-24,242	-8.1%
Net banking position	**-222,855**	**-247,613**	**24,758**	**-10.0%**

Investment law reform: the new role of "Manager responsible for the preparation of corporate accounting documents"

Italian Legislative Decree no. 195 of 6 November 2007, enacting EC Directive 2004/109/EC on the harmonisation of transparency requirements (the so-called Transparency Directive), has extended the regulations in Law no. 262 from 28 December 2005, which incorporated "Provisions for safeguarding savings and governing financial markets", in amendment of Italian Legislative Decree 58/1998 (Consolidated Law on Finance) for in part also to companies issuing securities listed for trading in regulated markets.
The legislative measures referred to cover the problems of the financial markets, strengthening and amending regulations on governance, bank transparency, auditing, management and control systems, disciplinary and administrative sanctions, with the aim of integrating and optimising tools for the protection of investments. In particular, the regulations referred to has set up the role of the "Manager responsible for the preparation of corporate accounting documents" (art. 154-bis of the Consolidated Law on Finance) and provides specific functional responsibilities for the same Manager Responsible

with regard to the administrative bodies in order to guarantee a true and faithful image of the income, profit and loss and cash flow position.

In this context, as part of the bond issue programme (EMTN programme), the Bank issued bonds listed on the Luxembourg market and chose Italy as its home member state, and therefore assumed the obligation – envisaged in art. 154-*bis* of the Consolidated Law on Finance, as amended by Legislative Decree 195/2007 on enactment of the Transparency Directive – to establish the position of Manager responsible for the preparation of corporate accounting documents. The first attentions under the art. 154-bis, paragraph 5, of the Consolidated Law on Finance shall be given with reference to the annual financial statements as at 31 December 2009. In consideration of the regulatory provisions referred to above, the Banks' Board of Directors has provided:

- to establish the requirements of professionalism and the terms of appointment for the Manager Responsible for the preparation of corporate accounting documents;
- to appoint as Manager responsible for the preparation of the corporate accounting documents, on 22 December 2009, after checking the requirements of honourableness and professionalism and having consulted the opinion in favour from the Board of Statutory Auditors, Wolfgang Plattner the current Director in charge of the Central Administration Department;

The Manager responsible, in compliance with the remit received from the board of Directors and in accordance with the changes in the outside regulatory context, has launched project work, with the assistance of the KON Spa Company, intended to:

- to facilitate the full adaptation to the new regulations, with particular regard to the provisions of art. 154-*bis* of the Consolidated Law on Finance;
- to adopt a governance and control methodology that guarantees a constant and complete overview to the Manager Responsible for the preparation of corporate accounting documents of the company departments relevant to the documents prepared as part of his or her duties.

Equity investments

Equity investments that form the Bank Group – Completion of the merger project with the Berger SpA subsidiary into the Banca Popolare dell'Alto Adige parent company

On 23 October 2008 the Bank's Board of Directors meeting launched the merger project of subsidiary Berger Spa into the parent Banca Popolare dell'Alto Adige. The merger came about as the result of provisions of the 2008 Finance Act (Italian Law 244/2007) and the strategy issued during the summer (Law no. 133/2008), which eliminated the assumptions on which the Berger Spa business model was based.

By letter dated 5 November 2008 the Bank submitted its application for approval to the Bank of Italy.

In effect, the merger of Berger Spa into BPAA also results in the winding-up of the Banca Popolare dell'Alto Adige banking group as the company subject to merger was the only equity investment of the Bank subject to banking group regulations.

By notice dated 2 February 2009 the Bank of Italy approved the merger of Berger Spa into Banca Popolare dell'Alto Adige.

The merger was completed by the signature of the merger deed on 5 June 2009 and with the registration of the deed and the striking off of Berger Spa from the company registry on the 10 June 2009.

The impact of the merger on the asset and income statements for the Bank has been insignificant and the merger surplus of 14,504 Euro has been set aside as a reserve.

Following the merger, the Banca Popolare dell'Alto Adige banking group was struck of the register of Banking Groups on 10 June 2009.

Equity investments in subsidiaries and companies subject to significant influence

This item shows equity investments in the company Voba Invest S.r.l., Bolzano, 100% controlled by the Bank and recorded in the financial statements for a value of 3,533 thousand Euro, and in Casa di Cura Villa Sant'Anna S.r.l., Merano, acquired to recover a credit position. The Bank holds 35% of the Casa di Cura for a recorded value of 516 thousand Euro.

Information on group internal relations and those with other related companies

Accounting and working relationships maintained with subsidiary companies with significant shareholdings, that is, with related companies, have proceeded altogether smoothly and correctly under market conditions. More detailed information can be found in the Notes - part H.

It should be mentioned that pursuant to art. 2497-*bis* of the Italian Civil Code, amended by Legislative Decree 6/2003, Banca Popolare dell'Alto Adige exercises management and coordination only over the Voba Invest S.r.l. Company and does not draft the consolidated financial statements under the "*Framework for Preparation and Presentation of Financial Statement*" (the "*Framework*"), the necessary reference for the application of international accounting standards.

This Framework does not contain standards on issues concerning valuation or information but sets forth basic concepts (rules) for the preparation and presentation of year-end and consolidated financial statements.

In particular, after defining the purpose and rules of the financial statements, it defines and prescribes general policies for recording and valuating their contents i.e. assets, liabilities and net shareholders' equity, costs and revenues.

Paragraphs 26 to 30 outline the main concepts of significance and relevance of the information.

In particular, paragraph 26 states that *"information is qualitatively significant when it is able to influence the financial decisions of users and help them assess past, present or future events or confirm or correct assessments made in the past"*.

Paragraph 29 establishes that *"the importance of the information is influenced by its nature and its relevance"*. Lastly, paragraph 30 specifies relevance as *"providing a threshold or limit rather than representing a primary qualitative characteristic that the information requires in order to be deemed useful"*.

Paragraph 8 of IAS 8 should also be noted, *"Accounting standards, changes in estimates and errors"*, approved by the Accounting Regulation Committee on 30 November 2004 and published in the EU Official Gazette on 31 December 2004, which prescribes that it is not necessary to apply accounting policies dictated by IAS/IFRS when the effect of their application is not significant.

Based on the above provisions the Bank decided not to draft consolidated financial statements and excluded their subsidiaries considered irrelevant or of little significance in order to improve the information that would result from their consolidation.

The workforce

As at 31/12/2009 BPAA had 1,116 employees, 41.3% of which were female. The active employment rate, compared to 31/12/2008, showed an increase of 53 due to 103 new recruits against 50 staff leaving.

The new employment contracts include 63 established, 12 short-term, 27 work experience and one professional apprenticeship contract.
Given the reduced working hours of employees with a part-time contract (148), absences due to maternity leave (28) and unpaid leave (23), the average total FTE (full-time equivalent) workforce in 2009 was 991, of which 693 (70%) in the branches and 298 (30%) internal services.
The group image shows 223 degree holders (20%) and 714 diploma holders (64%). Staff have an average age of 40 and less. Female staff are younger with an average age of 37.6.

Staff training and development

Appropriately trained and qualified staff, which can face up to the everyday challenges with the required professionalism, represent an important key to the lasting success of a company in the services sector. The banking sector is subject to rapid development and has seen its own complexity increase; the level of information of clients is constantly increasing and for this reason there is an expectation of professional consultancy and assistance.
The increasing regulations of the banking sector at European and national level imposes extra requirements and demands. Thus staff that has a high degree of training and knowledge is necessary.
Our Bank faces up to the increase of such demands by means of adopting measures for continuing professional development at work. With this background, in 2009 the bank invested in training, in which all staff took part, for a total of more than 81,810 hours in total, with an increase of around 2% over the previous year (80,300 hours).
Training measures include amongst others classroom courses (held by internal and outside trainers), inter-company trainings, individual coaching and "training on the job" close to practise, by means of internal tutors from the company, decentralised training sessions at branches (with monthly closings of the entire retail network of one afternoon) and workshops.
Alongside traditional learning forms, in 2009 the innovative approach of e-learning was introduced. In particular, there was a focus on integrated training approaches (so-called “bonded learning” models), which alongside the advantages offered by events that require physical attendance, there are self-tuition units (e-learning), which enable learning close to practise and of a high quality. Items of theoretical training, that is a significant preparatory knowledge, can be passed on as a preliminary by means of self-tuition; in this way the time in the classroom can be spent devoted in an enhanced way to handling actual examples and making solutions related to practise available. In this way increased training quality is obtained.
Audio-visual e-learning units are from the most part developed independently by our trainers. In addition, outside suppliers’ self-tuition modules are purchased and personalised with specific banking items. The great advantage of the e-learning units is represented by the option of flexible use of one’s own workstation, in particular as regards time management; in addition travel time that is often needed to reach the place of courses is saved.
A further important component in the concept of training is represented by the widespread and targeted use of admission and conclusion tests. Through admission tests, one can ensure that the training participants have the required preliminary basic knowledge, in order to achieve the desired success in learning. More even groups of participants guarantee a positive effect upon learning and a reciprocal exchange of experience. The circle is closed with the final test. For all training and development initiatives as a preliminary the related didactic goals are defined and then made concrete through a programme that defines contents and realisation. Following course completion, the employee is asked to provide structured feedback. This feedback is continually analysed and assessed at central level.

Within the training offering, alongside specific banking contents a multiplicity of courses devoted to management staff, languages and communication courses are available, with seminars for personality training and offerings that cover health and well-being.

The Bank's shareholders

The company shareholding as at 31/12/2009 is made up of 14,194 Partners and 4,202 Shareholders (as holders of BPAA shares with no voting rights at Shareholders' Meeting); these figures were determined by the entry of 271 new Partners and by the departure of 434 Partners and by the entry of 783 new Shareholders and the departure of 244 Shareholders.

The 2008 shareholders' meeting established the issue price of securities as 17.60 Euro and the dividend per share for 2008 as 0.35 Euro, with an annual return per share of approximately 7.9%.

In the year 2009 a number of 1,357,569 shared were traded amongst Partners/Shareholders by means of the trading platform, which corresponds to 3.92 percent of the shares in circulation as at 31 December 2009.

As at 31 December 2009 no own shares were held in the Bank's portfolio.

The demonstration of the 'open door' principle approved by art. 2528 of the Italian Civil Code is summarised in the data in the following table that shows the movements in Shareholders over the last three-year period.

Year	Incoming Partners	Outgoing Partners	Incoming Shareholders	Outgoing Shareholders
2007	47	350	540	98
2008	111	381	1,173	83
2009	271	434	783	244

Annual report on the mutual nature of the cooperative under art. 2545 of the Italian Civil Code

The Bank works for the wellbeing, promotion and development of the local territories it operates in, both traditionally and more recently set up, in accordance with the mutual principles of cooperative popular banks.

In its own work, the bank is inspired by the principles of legitimacy, loyalty, correctness and transparency, setting as primary objective the creation of value for all its partners, its customers, staff and local communities.

In 2009 too, the Board of Directors addressed the bank's operations so that it might be set prime attention to the Partners' profile. The latter takes on a special central role given that the Partner also is a bank Customer. The double role of Customer and Partner constitutes a "plus" that emphasises the link of trust and reinforces the mutual orientation of the commercial initiatives undertaken.

Clause 2 paragraph 2 of the Articles of Association sets out explicitly that "in compliance with its own institutional purpose the Company may grant partner customers advantages with regard to the results of specific services." In this respect, the figure at the end of 2009 appears extremely significant, which shows that the bank's Partners, who are customers at the same time represent more than 90% of the company shareholdings.

Conscious mutual exchanges with partners presupposes furthermore an efficient and constant communication activity; in this sense the Bank has for some time adopted for some time the NEW4YOU Partners' newsletter, as a vehicle for information on significant events and on the progress of trading, which is distributed several times a year.

The mutual nature is also manifest through the actual participation in the model and in company life of the cooperative. Bank Shareholder Meetings represent the main occasion for contact and interaction between the company's base and the company's summit. The regulations for popular Banks is denoted by the rigorous application of the principle of per capita voting and by the stringent legal regulations on the limits on equity shareholdings, so as not to allow reconstituted or controlling majorities to be formed.
The bank has always favoured the maximum participation of Partners in their own General Meetings, conscious of the fact hat the active presence at such important times in the life of the Bank can only be obtained by making the partners able to decide on a conscious and informed basis.

But it is not only the initiatives aimed at the company shareholders that witness to the bank's activities meeting the mutual goals set out in the Articles of Association. The constant commitment to service the local community in the territories where we are set up meets the local and solidarity principle that are the original values of Popular Banks and the inspiring values being our Bank's mission. Attention to the needs of the territory is witnessed by several social, cultural, sporting, solidarity and environmental support initiatives. These are small interventions above all, which through the sensitivity of the branches contribute to the life of hundreds of bodies and associations spread out across the territory, animating intense activity, which is important for individual local realities.
For further information please refer to the statements in the Bank's sustainability report.

Internal organization

ICT (Information & Communication Technology)

The constant strain of optimisation naturally calls for technological and application innovation in the ICT environment. BPAA keeps partnership relations with ICT outsourcer SEC Servizi soc.cons.pa, whose head office is in Padua. Together they continually perform departmental requirements that produce a balance between best quality and attention to cost. The direct participation of BPAA skills and those of other banks associated in SEC in the development of applications has brought significant synergies to the realisation of working platforms and the upgrading process. The exchange brings about expertise networks of great depth for the analysis and decisions on solutions for the changes in regulations, orienting clients shared amongst SEC banks, the principle of procedural usability and the constant overlying demands of system administration and line management that are suited to guarantee the highest security standards.
In 2009 BPAA replaced all workstations with Citrix Thin Clients on a network and with firewalls on every workstation. The Bank has defined cutting edge security and system maintenance arrangements.

Analysis of corporate processes

In 2009 BPAA continued along the pathway of analysis of corporate processes in the widest possible way, and transversely through all the corporate environments. Together with Brand assertion and the training of Staff, the analysis of processes is instrumental to the enhancement of the company structures and to the pursuit of the strategic goals over the long term, aimed at earning a competitive edge over the reference market: that is to say, affirming BPAA as "the' consulting bank that, at each contact with a customer is able to repeatedly guarantee an experience of the highest quality standard, and at the same time is based upon solid operating bases that are highly efficient, because they are involved in a permanent cycles of reviews, improvement and innovation, but which are solid at the same time, thanks to a system of internal checks steering towards the corporate processes that in this

way enables risk management that is appropriate to and rapidly adaptable to changing market conditions or to temporary corporate situations.
In the pursuit of the pre-ordained strategic objectives, all the process analyses comply with 3 fundamental guidelines that are in antithesis to each other:
- customer orientation / process simplification
- seeking maximum efficiency
- adequate monitoring of risks with an assessment of the appropriateness of the points of checking compared with the expected benefits from the same.

Such process analyses have enabled considerable results to be obtained to improve and strengthen company structures, in particular along 5 focussed topics:
- simplifying and standardising products and services
- introducing and disciplined management of a process for introducing / amending products and services
- reallocating administrative activities via a sales network towards central offices
- monitoring the internal company system for drafting and publishing and drafting circulars and internal orders
  with the aim of reducing duplication, and facilitating learning and clear communication
- developing the system of internal controls steered towards processes.

These analyses were launched in 2009 with reference to 3 the guidelines stated above, and some have been completed with execution implemented within the same year. They continue, no doubt, to form the outline for action in the future. Special mention is also deserved for the projects to introduce branch credit lines, revising the anti-money laundering processes and the “Web Branches” (the latter jointly with the SEC supplier) which have required an important and very considerable attention for the analysis of processes in 2009. Already in the course of the year 2009 these projects have produced concrete results, but the nature itself of the activity of re-engineering the company processes has involved them being able to deploy their positive effects more and more pervasively in future years.
A gradual change to the corporate culture about awareness of the value of process orientation, which is a fundamental support for achieving the BPAA strategic goals.

Atypical and/or unusual transactions

Atypical and/or unusual transactions are defined as all significant transactions that by the nature of the counterparties, the scope of the transaction, the terms of defining transfer prices and the times of occurrence (closeness to the year-end cut-off date) may give rise to doubts about the correctness/completeness of the information in the financial statements, about conflicts of interest, about safeguards of the corporate asset base and about the protection of minority shareholder interests. As required by the CONSOB Communication no. 6064293 dated 28 July 2006, it is declared that in the course of the year 2009 there were no transactions of an atypical and/or unusual nature so as to affect the income, asset and cash flow position of Banca Popolare dell’Alto Adige.

Subsequent events after the year end

Since the end of the 2009 financial year, no significant events have occurred that could deteriorate the financial position or returns in 2010.

Foreseeable Trading Results

Developments in the banking market are marked by considerable uncertainty, and the progressive worsening of the crisis in financial markets has inevitable conditioned the real economy, and started a recessionary cycle. The latest information about the GDP however lead to a cautious optimism for the main economies sustained by the first signs of improvement, at least for the current year. Notwithstanding this context, the Board of Directors, eve if expressing caution on the progress in management over coming months, believes it is possible to envisage a further, even if very modest development of asset aggregates and a related growth in the income indicators relating to the credit intermediation role of the Bank, even taking account of the lasting interest levels at a very low rate on the interbank market.

Under the economic profile, the economic profile is due to go down slightly from the 2009 figures; the reduction of the range of rates and the removal of the maximum overdraft commission will be partly offset by the expansion of the volumes of loans and deposits, with the reconstruction of yields according to risk and contract term.

The amount of adjustments on loans is expected to contract, given that 2009 showed especially prudential allowances on this point.

Total net commissions should on the other hand show a considerable increase compared with the figure for 2009, in line with expected renewed vigour in financial markets.

On the side of administrative costs, the amounts of the latter should show growth in line with the previous year as the result of the investments made in 2009 to enhance the retail network and the according increase of existing staff; accordingly the action intended to contain operating costs continues.

Profits for 2010 are expected to grow compared with 2009.

Income statement

The income results obtained in the years must be assessed in overall time context.

2009 closed with net profits of 26.2 million Euro, considerably down from the 32.2 million Euro for 2008 (-18.7%). The development of economic margins has been influenced in particular by the changes in rate levels, by the recovery of securities markets and by deteriorating loan quality. Costs have developed according to plan and have remained under control at all times.

According to the income statement plan, the most significant values will be commented upon by making appropriate comparisons with the previous year:

Income statement	31/12/2009	31/12/2008	Absolute change	% Change
Interest Margin	**127,779**	**130,406**	**-2,627**	**-2.0%**
Net commissions	46,328	35,945	10,384	28.9%
Dividends and similar income	4,378	4,695	-316	-6.7%
Net income from trading activities	6,176	-2,980	9,156	
Profit (Loss) from the sale or repurchase of available-for-sale assets or financial liabilities	-816	332	-1,148	
Net income from financial assets and liabilities carried at fair value	81	344	-263	-76.4%
Banking margin	**183,926**	**168,741**	**15,185**	**9.0%**
Net value adjustments/write-backs for loan impairment or other financial transactions	-23,992	-13,807	-10,184	73.8%
Net income from financial management	**159,935**	**154,934**	**5,001**	**3.2%**
Administrative costs:	-117,223	-110,150	-7,073	6.4%
- of which personnel costs	-69,125	-65,169	-3,956	6.1%
- of which other administrative costs	-48,098	-44,981	-3,117	6.9%
Net allocations to provisions for risks and charges	-309	-647	337	-52.2%
Net value adjustments on tangible and intangible assets	-13,359	-12,781	-578	4.5%
Other operating costs/income	12,547	11,702	845	7.2%
Operating costs	**-118,344**	**-111,876**	**-6,468**	**5.8%**
Profit (Loss) on equity investments	0	0	0	
Profit (Loss) from disposal of investments	19	71	-52	
Profit (Loss) from current operations before tax	**41,610**	**43,129**	**-1,519**	**-3.5%**
Income tax for the year on current operations	-15,408	-10,893	-4,515	41.4%
Profit (loss) for the year	**26,202**	**32,236**	**-6,034**	**-18.7%**

Interest Margin

The interest margin reduced by 2.0% from 130.4 million to 127.8 million Euro. The worsening change has taken place in the presence of a downward trend for rate levels such as has never been recorded in the past. The Bank's countermeasures have only been able to partly offset its effects. The total interest income received was 196.3 million Euro, compared to 292.6 million in 2008, showing a drop of -32.9%. Interest expense paid totalled 68.5 million Euro, compared to 162.1 million Euro in the previous year, with a percentage decrease of 57.7%. The extraordinary change in interest rates can be felt above all in the reduction of interest income of 96 million Euro and of interest expense of 94 million Euro, which have been both reduced by more than half.

Earnings margin

The earnings margin is up on the previous year (+9.0%) and reached the amount of 183.9 million Euro, with a contribution from the interest margin equal to 69.5%, compared with 77.3% in the previous year.

The figure for 31/12/2009 showed strong growth in net commissions of 28.9% (46.3 million Euro compared with the 2008 result of 35.9 million Euro) above all by the effect of newly entrusted commissions.

The dividends, balancing the cash criteria, came to 4.4 million Euro, of which about 3.9 million Euro came from mutual investment fund units.

The result from work in the finance sector was very satisfactory (items 80, 100 and 110) which in 2009 produced a profit of 5.4 million Euro compared with the loss in previous years.

Net income from financial management

Net income from financial management increased by 3.2% from 154.9 million to 159.9 million Euro.

Net value adjustments of 24.0 million Euro (+73.8% compared to the 13.8 million Euro of 2008), mainly mirror the effects of write-downs on anomalous loans, but also include provisions for inherent risk on performing loans and the effects of cash flow discounting of expected recoveries, as envisaged in IAS/IFRS accounting principles. The items reflect the deteriorating quality of loans issued, but at the same time also proves the bank’s capacity to withstand the effects of the economic crisis.

Operating costs

Operating costs recorded an overall increase of 5.8%, from 111.9 million Euro to 118.3 million Euro, in line with forecast figures.

To explain the item in greater detail, administrative costs increased by 6.40%. Specifically, personnel costs increased by 6.1% and other administrative costs by 6.9%. The administrative costs-earnings margin ratio deteriorated, increasing from 65.3% in 2008 to 63.7% in 2009. With regard to other operating cost components, net allocations to provisions for risks and charges decreased by 52.2% at a scarcely significant level, whilst tangible asset depreciation and intangible asset amortisation increased by 4.5%. The positive balance between other operating income and costs increased by 7.2%.

The cost-income ratio according to Moody’s definition improved 68.5% in 2008 to 66.5% for the year 2009.

Net profit for the year

As at 31/12/2009 the income statement closed with profits before tax of 41.6 million Euro, recording a decrease compared to the 43.1 million Euro of the previous year (-3.5%).

Tax on the revenues in the income statement amount to 15.4 million Euro.

2009 therefore closed with net profits of 26.2 million Euro, showing a distinct drop from the 32.2 million Euro in 2008.

Each item in the income statement is described in detail in the Notes to the accounts.

Comprehensive income

In the 1st update to the financial statement rules the Bank of Italy introduced, in application of the new IAS 1, a new statement of overall yield that presents, in addition to the profits for the year, all the items that contribute to company performance.
Unrealised income and charges, which were previously noted in the reserves under net assets, must now be presented under the Income Statement and may not be included in the statement of changes in net assets.
Unrealised income and charges are attributable to:
• profits and losses resulting from revaluations (IAS 16, 38);
• actuarial profits and losses (IAS 19);
• profits and losses on currency transactions (IAS 21);
• profits and losses on equity investments and AFS securities (IAS 39);
• profit shares and actual losses on cash flow hedging (IAS39).

In the bank, only the item referring to the portfolio of available-for-sale financial assets applies.

Comprehensive income	31/12/2009	31/12/2008	Absolute change	% Change
Profit for the year	**26,202**	**32,236**	**-6,034**	**-18.7%**
Available-for-sale financial assets	2,791	-5,145	7,936	
Comprehensive income	**28,993**	**27,091**	**1,902**	**7.0%**

As shown by the table, the Bank's performance in term of comprehensive income has improved by 7% over the previous year.

Shareholders' equity and profit for the year 2009

At the end of 2009, Banca Popolare dell'Alto Adige's equity increased from 518.7 million Euro to 535.5 million Euro (+3.3%), including profit for the year. The increased amount is mainly due to setting aside the 2008 undistributed profits.

The table below provides a breakdown of shareholders' equity:

Shareholders' Equity	31/12/2009	31/12/2008	Absolute change	% Change
Valuation reserves	72,101	69,311	2,790	4.0%
Reserves	222,125	202,009	20,116	10.0%
Share premium reserve	145,773	145,773	0	0.0%
Capital	69,341	69,341	0	0.0%
Profit (loss) for the year	26,202	32,236	-6,034	-18.7%
Shareholders' Equity	**535,542**	**518,670**	**16,872**	**3.3%**

The valuation reserves include:

- reserves resulting from a revaluation of property market values, performed on first-time application of IAS/IFRS,
- valuation reserves regarding available-for-sale financial assets, and
- valuation reserves established in application of specific laws.

The increase recorded derives from the fair value change in available-for-sale financial assets recognised in the period.

Other reserves include:

- existing profit reserves (legal, extraordinary, purchase of treasury shares reserves, etc.), and
- positive and negative reserves related to the effects of transition to IAS/IFRS not recognised under other reserve items mentioned above.

The 20.1 million Euro increase in reserves derives from the allocation of 2008 profits, as resolved by the ordinary shareholders' meeting of 21 April 2009 and provisions allocated to the extraordinary reserve and statutory reserve.
At the same Shareholders' Meeting the issue of dividends in the total amount of 12.1 million Euro was passed.

The high quality of the shareholders' equity of the Bank is highlighted, which makes it better prepared to face crises and to absorb any losses. Shareholders' equity, in fact, is devoid of any hybrid and subordinated instruments and are made up above all of common equity (ordinary stock and profit reserves) in the amount of 437 million Euro (81.6% of shareholders' equity).

Regulatory capital

Regulatory capital totalled 479 million Euro and consists of:

Regulatory capital	31/12/2009	31/12/2008	Absolute change	% Change
tier 1 capital	404,280	383,825	20,455	5.3%
tier 2 capital	74,469	74,028	441	0.6%
deductible elements	0	0	0	
regulatory capital	**478,749**	**457,853**	**20,896**	**4.6%**

For prudential regulatory purposes, the tier 1 capital ratio (tier 1 capital/risk assets) was 9.33%, whereas the total capital ratio (regulatory capital/total risk assets) was 11.05%. Furthermore it can be observed that the Tier 1 ratio and the Core Tier 1 ratio (Tier 1 capital without innovative instruments/risk assets) coincide.

It is stress that the Bank's financial leveraging – understood as the ratio between the total assets in the financial statements and the basic capital - amounts to 12.8 and is to be considered as low compared with the average for Italian popular banks which is 18 (source: Bank of Italy; June 2009).

	31/12/2009	31/12/2008	Absolute change
Core tier 1 ratio	9.33%	8.45%	88 BP
Tier 1 ratio	9.33%	8.45%	88 BP
Total capital ratio	11.05%	10.07%	98 BP
Leverage ratio	12.8	13.4	-0.6

The extent of the regulatory capital shows an absolutely significant balance and is considered adequate for Bank exposure, confirming a financial solidity stronger than that required by the Regulatory Authority.

Net profit for the year 2009 amounted to 26,202,146 Euro, a decrease of -18.7% compared with that for the year 2008.

The board of directors proposes that the ordinary shareholders' meeting, called to approve the 2009 financial statements in accordance with law, allocates net profit as follows:

Proposal for the allocation of net profit	Euro	% of total
- to the legal reserve	2,700,000	10.30%
- to the extraordinary reserve	13,101,050	50.00%
- as a dividend to shareholders of 0.30 Euro per share	10,401,096	39.70%
net profit	**26,202,146**	**100.00%**

The allocation of net profit, after approval by the ordinary shareholders' meeting called to approve the 2009 financial statements in accordance with law, will have the following effects on equity:
the equity reserves will increase to 15,801,050 Euro bringing shareholders' equity to 525,141,027 Euro (+3.7% over 2008).

Bolzano, 25 February 2010

THE BOARD OF DIRECTORS

Report by the Board of Statutory Auditors

Dear Shareholders,
The financial statements as at 31/12/2009 of Banca Popolare dell'Alto Adige closed with the following accounting results:

Balance sheet in Euro	31/12/2009
Assets	5,189,713,911
Liabilities	4,654,171,788
Shareholders' equity and net profit	535,542,123

Income statement in Euro	31/12/2009
Revenues and profit	346,270,454
Expenses and loss	320,068,308
Net profit for the year	26,202,146

During the year, the Board of Statutory Auditors fulfilled its duties regarding supervision of the Bank's operations in compliance with legal and regulatory codes of conduct to be observed in its business activities.

We specifically inform the Shareholders' Meeting that:

- we have supervised compliance with the Law, regulations contained in the Articles of Association and respect for the principles of proper management;
- the Directors and Head Office provided us with general information on operations and on transactions of significant equity, economic and financial impact;
- resolutions carried and implemented by the Board of Directors complied with Law and the Articles of association and did not appear to be clearly imprudent, reckless or risky, or involve any potential conflict of interest with resolutions passed by the Shareholders' Meeting or are such that they compromise the integrity of the bank's equity;
- we have supervised the organisational structure, the system of internal controls and the accounting administration system at the Bank, and the reliability of the latter when representing correctly the facts of management;
- we have listed to the Auditing company instructed, BDO S.p.A., Milan, under art. 2409 septies of the Italian Civil Code and in no case have any divergences of opinion or assessment emerged, nor have any data or significant information which should be shown in the present report;

With regard to the financial statements as at 31/12/2009, we report that:

- the independent auditors BDO S.p.A. of Milan are responsible for the accounting audit of Banca Popolare dell'Alto Adige;

- we have verified the layout of the financial statements, their general compliance with regulations in terms of format and structure, also taking into consideration IAS/IFRS international accounting standards and the provisions issued by the Bank of Italy in Circular no. 262 of 22 December 2005 and subsequent updates on the “technical format” of bank and financial statements;

- on 29 March 2010 the above-mentioned independent auditors issued their full report, without particular findings or recommendations;

- The Manager Responsible Wolfgang Plattner has issued a certificate under art. 154-bis of the Italian Legislative Decree 58/98 on the Financial Statements for the Year.

- the notes to the accounts contain detailed information on the items of the Balance sheet and the Income statement, together with other information required to provide a true and fair representation of the Bank’s equity, economic and financial position;

- we confirm that net income figure for the year 2009 corresponds to a profit of 26,202,146 Euro, and we invite the Shareholders’ Meeting to resolve upon its allocation as proposed by the Board of Directors.

In 2009 the Board of Statutory Auditors attended all meetings of the Board of Directors and of the Executive committee and has conducted periodic audits to ascertain the consistency of operations.

The Board of Statutory Auditors confirms that the 2009 financial statements have been correctly prepared and provide a true representation of the financial position and year-end result of Banca Popolare dell’Alto Adige.

Therefore the Board of Statutory Auditors hereby expresses its opinion in favour of approval of the Bank’s financial statements as submitted.

Bolzano, 30 March 2010

THE BOARD OF STATUTORY AUDITORS

Franz Vigl - Chairman
Günther Überbacher – Standing Auditor
Joachim Knoll – Standing Auditor

Balance sheet

BALANCE SHEET		
Assets	**31/12/2009**	**31/12/2008**
10. Cash and cash equivalents	**35,354,852**	**41,311,383**
20. Financial assets held for trading	**261,919,858**	**286,521,947**
40. Available-for-sale financial assets	**128,607,050**	**148,060,681**
50. Financial assets held to maturity	**11,415,985**	**11,702,429**
60. Due from banks	**51,629,321**	**51,113,170**
70. Loans to customers	**4,438,089,947**	**4,342,586,521**
100. Equity investments	**4,048,961**	**5,041,317**
110. Tangible assets	**122,205,811**	**126,125,171**
120. Intangible assets	**46,371,681**	**47,614,690**
of which:		
- goodwill	40,392,116	40,392,116
130. Tax assets	**39,419,827**	**36,049,806**
a) current	25,915,127	24,493,535
b) prepaid	13,504,700	11,556,271
150. Other assets	**50,650,618**	**45,165,436**
Total assets	**5,189,713,911**	**5,141,292,551**

(amounts in Euro)

BALANCE SHEET					
Liabilities and shareholders' equity		**31/12/2009**		**31/12/2008**	
10.	Due to banks		**274,484,035**		**298,725,799**
20.	Due to customers		**2,197,386,890**		**2,032,068,500**
30.	Outstanding securities		**1,533,082,049**		**1,653,272,587**
40.	Financial liabilities held for trading		**17,295,252**		**3,642,445**
50.	Financial liabilities measured at fair value		**491,451,095**		**487,013,405**
80.	Tax liabilities		**42,496,012**		**45,913,977**
	a) current	19,897,385		22,347,638	
	b) deferred	22,598,627		23,566,339	
100.	Other liabilities		**76,092,625**		**79,247,016**
110.	Staff severance indemnities		**19,986,629**		**20,898,889**
120.	Provisions for risks and charges:		**1,897,200**		**1,840,600**
	a) pensions and similar commitments	0		0	
	b) other provisions	1,897,200		1,840,600	
130.	Valuation reserves		**72,101,724**		**69,310,972**
160.	Reserves		**222,124,889**		**202,008,947**
170.	Share premium reserve		**145,772,727**		**145,772,727**
180.	Capital		**69,340,638**		**69,340,638**
200.	Profit (loss) for the year		**26,202,146**		**32,236,049**
Total liabilities and shareholders' equity			**5,189,713,911**		**5,141,292,551**

(amounts in Euro)

INCOME STATEMENT AS AT 31/12/2009

INCOME STATEMENT	31/12/2009		31/12/2008	
10. Interest income and similar income		196,292,971		292,552,633
20. Interest expense and similar charges		(68,514,237)		(162,146,816)
30. Interest Margin		**127,778,734**		**130,405,817**
40. Commission income		51,116,990		41,519,206
50. Commission expense		(4,788,496)		(5,574,370)
60. Net commissions		**46,328,494**		**35,944,836**
70. Dividends and similar income		4,378,409		4,694,895
80. Net income from trading activities		6,175,815		(2,980,190)
100. Profit (Loss) from sale or repurchase of:		(816,186)		331,661
a) receivables	-		-	
b) available-for-sale financial assets	(1,205,795)		(30,822)	
c) financial assets held to maturity	27,614		-	
d) financial liabilities	361,995		362,483	
110. Net income from financial assets and liabilities carried at fair value		81,111		344,242
120. Banking margin		**183,926,377**		**168,741,261**
130. Net value adjustments/write-backs for impairment of:		(23,991,865)		(13,807,405)
a) receivables	(23,832,693)		(13,211,509)	
b) available-for-sale financial assets	-		(51,604)	
c) financial assets held to maturity	-		-	
d) other financial transactions	(159,172)		(544,292)	
140. Net income from financial management		**159,934,512**		**154,933,856**
150. Administrative costs:		(117,222,656)		(110,149,904)
a) personnel costs	(69,125,086)		(65,168,870)	
b) other administrative expenses	(48,097,570)		(44,981,034)	
160. Net allocations to provisions for risks and charges		(309,200)		(646,600)
170. Net value adjustments/write-backs on tangible assets		(11,329,337)		(11,191,358)
180. Net value adjustments/write-backs on intangible assets		(2,029,268)		(1,589,602)
190. Other operating costs/income		12,546,854		11,701,864
200. Operating costs		**(118,343,607)**		**(111,875,600)**
210. Profit (Loss) on equity investments		-		-
240. Profit (Loss) from disposal of investments		18,918		70,920
250. Profit (Loss) from current operations before tax		**41,609,823**		**43,129,176**
260. Income tax for the year on current operations		(15,407,677)		(10,893,127)
270. Profit (Loss) from current operations after tax		**26,202,146**		**32,236,049**
290. Profit (loss) for the year		**26,202,146**		**32,236,049**

(amounts in Euro)

STATEMENT OF COMPREHENSIVE INCOME			
Statement of comprehensive income items		**31/12/2009**	**31/12/2008**
10.	**Profit (loss) for the year**	**26,202,146**	**32,236,049**
	Other net of tax income items		
20.	Available-for-sale financial assets	2,790,752	(5,144,810)
110.	**Total other net of tax income items**	**2,790,752**	**(5,144,810)**
120.	**Comprehensive income (Item 10+110)**	**28,992,898**	**27,091,239**

(amounts in Euro)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2009

	Balance as at 31/12/2008	Adjustment to opening balances	Balance as at 01/01/2009	**Allocation of net result from previous year**		**Changes during the year**								**Shareholders' equity as at 31/12/2009**
							Shareholders' equity transactions							
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on treasury shares	Stock Options	Overall yield for the year 2009	
Capital:	69,340,638	-	69,340,638	-	-	-	-	-	-	-	-	-	-	**69,340,638**
a) ordinary shares	69,340,638	-	69,340,638	-	-	-	-	-	-	-	-	-	-	**69,340,638**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium reserve	145,772,727	-	145,772,727	-	-	-	-	-	-	-	-	-	-	**145,772,727**
Reserves:	202,008,947	-	202,008,947	20,101,437	-	14,504	-	-	-	-	-	-	-	**222,124,888**
a) profit reserve	152,525,801	-	152,525,801	20,101,437	-	-	-	-	-	-	-	-	-	**172,627,238**
b) other	49,483,146	-	49,483,146	-	-	14,504	-	-	-	-	-	-	-	**49,497,650**
Valuation reserves:	69,310,972	-	69,310,972	-	-	-	-	-	-	-	-	-	2,790,752	**72,101,724**
Equity instruments	-	-	-	-	-		-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit/(Loss) for the year	32,236,049	-	32,236,049	(20,101,437)	(12,134,612)	-	-	-	-	-	-	-	26,202,146	**26,202,146**
Shareholders' Equity	**518,669,333**	**-**	**518,669,333**	**-**	**(12,134,612)**	**14,504**	**-**	**-**	**-**	**-**	**-**	**-**	**28,992,898**	**535,542,123**

(amounts in Euro)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2008

	Balance as at 31/12/2007	Adjustment to opening balances	Balance as at 01/01/2008	**Allocation of net result from previous year**		**Changes during the year**								**Shareholders' equity as at 31/12/2008**
						Changes to reserves	Shareholders' equity transactions						Overall yield for the year 2008	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on treasury shares	Stock Options		
Capital:	63,036,944	-	63,036,944	-	-	-	6,303,694	-	-	-	-	-	-	**69,340,638**
a) ordinary shares	63,036,944	-	63,036,944	-	-	-	6,303,694	-	-	-	-	-	-	**69,340,638**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium reserve	97,171,246	-	97,171,246	-	-	-	48,601,481	-	-	-	-	-	-	**145,772,727**
Reserves:	180,601,569	-	180,601,569	21,407,378	-	-	-	-	-	-	-	-	-	**202,008,947**
a) profit reserve	131,118,423	-	131,118,423	21,407,378	-	-	-	-	-	-	-	-	-	**152,525,801**
b) other	49,483,146	-	49,483,146	-	-	-	-	-	-	-	-	-	-	**49,483,146**
Valuation reserves:	74,455,782	-	74,455,782	-	-		-	-	-	-	-	-	(5,144,810)	**69,310,972**
Equity instruments	-	-	-	-	-		-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit/(Loss) for the year	32,438,843	-	32,438,843	(21,407,378)	(11,031,465)	-	-	-	-	-	-	-	32,236,049	**32,236,049**
Shareholders' Equity	**447,704,384**	**-**	**447,704,384**	**-**	**(11,031,465)**	**-**	**54,905,175**	**-**	**-**	**-**	**-**	**-**	**27,091,239**	**518,669,333**

(amounts in Euro)

CASH FLOW STATEMENT (DIRECT METHOD) AS AT 31/12/2009

A. OPERATING ACTIVITIES	31/12/2009	31/12/2008
1. Operations	**58,328,658**	**57,593,296**
- interest income (+)	196,292,971	292,552,633
- interest expense (-)	(68,514,237)	(162,146,816)
- Dividends and similar income (+)	4,304,909	583,812
- Net commissions (+/-)	46,328,494	35,944,836
- Personnel costs (-)	(69,125,086)	(65,168,870)
- Other costs (-)	(50,427,966)	(46,255,669)
- Other revenues (+)	14,877,250	12,976,497
- Taxes and duties (-)	(15,407,677)	(10,893,127)
- costs/revenues from groups of assets being disposed of, net of tax effect (+/-)	-	-
2. Cash flows generated by/used for financial assets	**(48,869,137)**	**(240,454,898)**
- Financial assets held for trading	62,058,872	203,818,084
- Financial assets carried at fair value	-	-
- Available-for-sale financial assets	18,247,836	(138,236,258)
- Loans to customers	(119,645,319)	(337,782,923)
- Loans to banks: on demand	(3,207,992)	21,772,747
- Loans to banks: other	2,691,841	(4,035,004)
- Other assets	(9,014,375)	14,008,456
3. Cash flows generated/absorbed by financial liabilities	**654,107**	**231,114,404**
- Due to banks: on demand	(51,817,879)	4,403,675
- Due to banks: other payables	27,576,115	(167,842,171)
- Due to customers	165,318,390	91,248,507
- Outstanding securities	(119,828,543)	323,248,868
- Financial liabilities held for trading	(17,628,161)	(24,579,414)
- Financial liabilities carried at fair value	4,518,801	9,455,268
- Other liabilities	(7,484,616)	(4,820,329)
Net cash flow generated/absorbed by operating activities	**10,113,628**	**48,252,802**
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by:	**1,415,518**	**4,182,003**
- Sale of equity investments	992,356	-
- Dividends from equity investments	73,500	4,111,083
- Sale/redemption of financial assets held to maturity	314,058	-
- Disposal of tangible assets	35,604	70,920
- Disposal of intangible assets	-	-
- Disposal of business branches	-	-
2. Cash flows absorbed by:	**(8,212,922)**	**(80,899,621)**
- Purchase of equity investments	-	(3,500,000)
- Purchase of financial assets held to maturity	-	(11,702,429)
- Purchase of tangible assets	(7,426,663)	(16,859,950)
- Purchase of intangible assets	(786,259)	(8,445,126)
- Purchase of business branches	-	(40,392,116)
Net cash flow generated/absorbed by investment activities	**(6,797,404)**	**(76,717,618)**
C. FUNDING ACTIVITIES		
- Issue/Purchase of treasury shares	-	54,905,175
- Issue/Purchase of equity instruments	2,861,857	(5,308,067)
- Dividend distribution and other purposes	(12,134,612)	(11,031,465)
Net cash flow generated/absorbed by funding activities	**(9,272,755)**	**38,565,643**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(5,956,531)**	**10,100,827**

KEY: **(+) generated; (-) absorbed**

RECONCILIATION

Balance sheet items	31/12/2009	31/12/2008
Cash and cash equivalents at the beginning of the year	**41,311,383**	**31,210,556**
Total cash generated/absorbed during the year	**(5,956,531)**	**10,100,827**
Cash and cash equivalents: impact of exchange differences	**-**	**-**
Cash and cash equivalents at year end	**35,354,852**	**41,311,383**

(amounts in Euro)

NOTES TO THE ACCOUNTS

Form and content of the financial statements as at 31 December 2009

PART A

ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

Section 1 – Statement of compliance with international accounting standards

The financial statements, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders’ equity, cash flow statement and notes to the accounts, together with the report on operations, were prepared in accordance with IAS/IFRS, as introduced into Italian legislation by recent European Community Regulations, from EC Regulation no. 1725/03 onwards.

Section 2 – Basis of preparation

The financial statements have been prepared with a view to business continuity and reference to the following general principles for the preparation of financial statements:
- principle of a true and fair view;
- accrual principle;
- principle of consistency of accounting;
- principle of prohibition to offset items, unless expressly permitted;
- principle of the prevalence of substance over form;
- principle of prudence.

In preparing the financial statements for the year the approaches and rules for compilation set out in Bank of Italy Circular no. 262 of 22 December 2005 as later updated have been followed. In addition the extra information deemed useful to complete the picture given by the financial statement data, still not ye required by regulations, have been added.

Pursuant to the provisions of art. 5, subsection 2 of Italian Legislative Decree no. 38, 28 February 2005, the financial statements use the Euro as the currency for accounting purposes. Specifically, in line with Bank of Italy instructions, the financial statements are expressed in Euro, in whole units, except for the notes to the accounts which are expressed in thousands of Euro.

Company Continuity
The financial statements have been prepared from the viewpoint of company continuity, and thus assets, liabilities and off-balance sheet transactions have been valued on a going concern basis.
On this matter is it stated that the administration and control bodies set up all the actions intended for a careful valuation of company prospects, and that this assumption has been largely followed and thus no detailed analyses are required to support this assumption beyond the information that emerges from the contents of the financial statements and the directors’ report.
Considering the structure of deposits – mainly based upon customer current accounts and bonds placed with customers – and loans – with a counterpart mainly made up of retail customers and small and medium sized companies on which the bank carries out constant monitoring – and upon the prevalence in investment portfolios of State securities and bond instruments from prime issuers, there are no critical items that could endanger the asset solidity and the yield balance of the Bank, which are the prerequisites for corporate continuity.

Section 3 – Subsequent events

Since year-end, no facts or events have occurred that would call for adjustment to the results of the financial statements as at 31 December 2009.
For general comments on subsequent events, reference should be made to the "Report by the Board of Directors".

Section 4 – Other aspects

The financial statements for the year were subjected to audit by the independent auditors, BDO S.p.A., appointed by the shareholders' meeting of 19 April 2007 under assignment for the three-year period 2007-2009.

A.2 – INFORMATION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section illustrates the accounting policies adopted for the preparation of the financial statements as at 31 December 2009.

ASSETS

1. Financial assets held for trading

Classification criteria

This item comprises financial instruments held for trading in the short term, specifically:

- listed and unlisted debt securities held for trading;
- listed equity instruments held for trading;
- unlisted equity instruments, held for trading only when their fair value can be reliably determined;
- structured securities;
- UCITS (mutual investment funds and Sicav) held for trading;
- asset-backed debt securities issued by SPVs as part of own or third party securitisations and held for trading;
- derivatives with a positive fair value as at the balance sheet date;
- outright foreign futures.

The designation of a financial instrument to the category of financial assets held for trading is made on initial recognition. Further reclassification is not permitted except in rare circumstances (IAS 39.50B).

Recognition criteria

The initial recognition of financial assets held for trading occurs: on the settlement date for debt securities, equity instruments and UCI shares; on the date of subscription for derivative contracts.
Financial assets held for trading are initially recognised at their fair value, any costs and/or income resulting from the transaction that are directly attributable to said instrument are not recognised. For contracts drawn up on market conditions, the fair value of the instrument corresponds to the cost incurred for the purchase.

Valuation criteria and measurement of income components

Following initial recognition, financial assets held for trading are recorded at fair value, and any changes are recorded in the income statement. IAS 39 defines the fair value as “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction”. Fair value is therefore determined as follows:

- in the case of listed financial instruments traded in an “active regulated market”, the relevant unadjusted “market price” (fair value hierarchy level 1);

- in the case of financial instruments not traded on an “active regulated market”, the value resulting from the use of prices recorded on over the counter markets or alternatively referring to the internal valuation models generally used in finance using only parameters that are observable on the market (fair value hierarchy level 2).
- in the case of financial instruments not traded on an “active market”, which are hardly liquid and often structured the value resulting from the use of valuation models widely used in

financial practise using in part parameters that cannot be observed on the market also (fair value hierarchy level 3).

Financial assets whose fair value cannot be reliably determined on the basis of the above are carried at cost.
Gains and losses on disposal or redemption and unrealised gains or losses resulting from changes in the fair value of financial assets held for trading are recognised to the income statement under "net income from trading activities" together with the result of valuations of assets and liabilities in foreign currency.

Derecognition criteria

Financial assets held for trading are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when the same entails the substantial transfer of all risks and benefits related to the assets.

2. Available-for-sale financial assets

Classification criteria

This item includes non-derivative financial assets that are not classified in the above category, or in the categories of financial assets valued at fair value, financial assets held to maturity or "receivables". It is therefore a residual category which encompasses:

- unlisted equity instruments, unless originally allocated to the AFS portfolio;
- securities allocated as a guarantee deposit/collateral for transactions agreed with third parties and not classified elsewhere in the statements;
- UCITS units (mutual investment funds and SICAVs), unless originally allocated to the AFS portfolio;
- asset-backed debt securities issued by SPVs as part of own or third party securitisations, unless originally allocated to the AFS portfolio;
- equity investments that cannot be categorised as controlling, associated or joint-venture;
- other debt securities and capital that cannot be classified under any of the above-mentioned categories.

Recognition criteria

Available-for-sale financial assets are initially recognised on the settlement date. Initial recognition of the financial assets classified in this category is made at their fair value, increased by any transaction costs that are directly attributable to the financial instrument.

Valuation criteria and measurement of income components

Following initial recognition, available-for-sale financial assets are recorded at their fair value. Any gains or losses resulting from a change in fair value are recorded in a specific reserve under equity until said financial asset is derecognised or sold or an impairment loss is recorded.
If an available-for-sale financial asset suffers an impairment loss, the cumulative unrealised loss previously recorded under shareholders' equity, is reversed from shareholders' equity and recorded in the income statement under "value adjustments of financial instruments classified as available-for-sale". Any write-backs of financial instruments classified as available-for-sale are recorded in the income statement in the case of debt securities and under shareholders' equity in the case of equity instruments. The write-back may not, in any event, exceed the

amortised cost that the instrument would have had in the absence of the previous adjustments.
The fair value and the related hierarchy are determined in accordance with the criteria illustrated for financial assets held for trading.
Financial assets whose fair value cannot be reliably determined on the basis of the above are maintained at cost.

Derecognition criteria

Available-for-sale financial assets are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when the same entails the substantial transfer of all risks and benefits related to the financial assets.

3. Financial assets held to maturity

Classification criteria

This category includes financial debt instruments with a fixed term and fixed or calculable payments that the Bank intends to hold and is capable of holding to maturity.

Recognition criteria

Initial recognition of financial assets held to maturity is at the date of settlement, based on their cost increased by transaction costs directly attributable to acquisition of the financial instrument.
Recognition to this category is subject to regulations that limit their changes.
The Bank cannot classify financial assets as held to maturity if in the current or two previous years it has disposed of, or reclassified prior to maturity, a significant total of investments held to maturity other than those sold or reclassified which:

- are so close to maturity that changes in interest rates can have no significant impact on the fair value of the financial asset;
- occur after the Bank has collected almost all the original capital through scheduled or early payments;
- can be attributed to an isolated event, beyond the control of the Bank, are non-recurring and could not have reasonably been predicted.

Valuation criteria and measurement of income components

Following initial recognition, financial assets held to maturity are recorded at their "amortised cost" using the effective interest rate method. Gains or losses on such assets held to maturity are recognised to the income statement at the time of cancellation of the assets.
At year end, impairment testing is performed. The amount of any impairment is recorded under the income statement item ""value adjustments of financial instruments classified as held to maturity". If the reasons for impairment are removed following an event occurring after recognition of the impairment, write-backs are made to the income statement. The write-back may not, in any event, exceed the amortised cost that the instrument would have had in the absence of the previous adjustments.
Interest income on such financial assets is calculated by applying effective interest rate criteria.

Derecognition criteria

Financial assets held to maturity are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when the same entails the substantial transfer of all risks and benefits related to the financial assets.

4. Loans to customers

Classification criteria

This category includes short and medium term loans, paid directly or acquired from third parties with fixed and determinable payments that are not listed on active markets.

Recognition criteria

Loans are initially recognised on the date on which they were provided on the basis of the fair value of the financial instrument, corresponding to the amount provided including any directly related transaction costs or commission, known at the time of the same.
Costs with the above characteristics that will be repaid by the debtor or that can be considered as standard administrative costs are excluded.

Valuation criteria and measurement of income components

Following initial recognition, customer loans are stated at amortised cost, equal to the initial recognition value reduced/increased by capital repayments, by any value adjustments/write-backs and the amortisation – calculated on the basis of the effective interest rate – of the difference between the amount provided and that repayable at maturity, usually the cost/income directly attributed to the individual loan.
The effective interest rate is the rate that discounts the flow of future payments estimated for the expected duration of the loan, in order to obtain the exact net book value at the time of initial recognition, which includes both the directly attributable transaction costs and all of the fees paid or received between the parties. This accounting method, based on financial logic, enables the economic effect of costs/income to be spread over the expected residual life of the loan.
The estimation of the flows and of the contractual duration of the loan takes into account all contractual clauses that may influence the amounts and the maturities (such as, for example, early extinction and various exercisable options), without considering, on the other hand, any losses expected on the loan. The effective interest rate calculated initially is that (original) which is always used to discount the expected cash flows and to determine the amortised cost, subsequent to initial recognition.
The amortised cost method is not applied to short-term loans, as the effect of discounting is considered negligible and the same are therefore valued at their historic cost. The same valuation criteria are adopted in the case of on-demand loans or loans whose duration is undetermined. The amortised cost method is also not applied to loans for which the effect of discounting would generate insignificant results.
Furthermore, an analysis is performed to identify deteriorating exposures that show objective evidence of possible impairment. The latter include loans classified under the risk categories “non-performing”, “problem”, “restructured” and “overdue” exposures as established by regulations.
The measurement of non-performing loans is made on an individual basis regardless of the amount.
The measurement of problem, restructured or overdue exposure is also made analytically on an individual basis.

Value adjustments of each loan correspond to the difference between the amortised cost (or historic cost for short-term, on demand loans or loans with a negligible “amortised cost”) at the

time of their valuation and the present value of the expected future cash flows, calculated by applying the original effective interest rate.
In order to determine the present value of future cash flows, the fundamental elements are represented by the identification of the estimated realisable value of any guarantees supporting said items, expected recovery times and charges that are expected to be incurred to recover the credit risk.
In particular, with regard to non-performing loans, the method used to calculate the recovery value of the same is determined by the amount of the loan:

- loans up to 500,000 Euro are valued analytically, by estimating the recovery value to be discounted on the basis of average recovery times, determined on a historic-statistical basis;

- loans exceeding 500,000 Euro are valued analytically, by estimating the recovery value to be discounted on the basis of actual recovery times, determined by the relevant company departments.

Non-performing, restructured, due and overdue exposures are valued analytically by estimating the recovery value to be discounted, which is applied to loans for which impairment loss is envisaged and determined on the basis of average recovery times determined on a historic-statistical basis.
Loans for which no objective evidence of impairment loss has been identified, namely performing loans (including those to counterparties in countries at risk), are measured on a portfolio basis.
This valuation takes place using a simplified approach, which provides for the use of default probabilities (PD; a parameter that approximated on a historic statistical basis the average default probability over one year) and the expected loss index (LGD; a parameter that on a historic statistical basis the rate of loss in the case of default). The amount of depreciation is equal to the product of the total value of performing loans PD and LGD.
Lastly, in determining the realisable value, also taken into account was the effect resulting from discounting, calculated on the basis of estimated collection periods of non-performing loans.
Write-downs are calculated as the difference between amortised cost, or historic cost, of loans belonging to the same category and the corresponding presumed recoverable amount.
Write-backs of provisions for impaired loans are made only when the quality of the loan has improved to the point at which there is reasonable certainty that the capital and interest will be recovered in accordance with the original contractual terms of the loan, or when the amount actually recovered exceeds the previously estimated recoverable value. These write-backs also include the positive effect related to the return of the discounting effect resulting from a gradual reduction of the time estimated to recover the loan under valuation.
Repurchase agreement transactions are not written down as they do not represent a credit risk.
The amount of value adjustments net of previous provisions and the partial or full recovery of amounts previously written-down are recorded in the income statement under “net value adjustments/write-backs due to impairment”.

Derecognition criteria

Loans are derecognised from balance sheet assets when they are deemed totally unrecoverable or if transferred, when this entails the substantial transfer of all loan-related risks and benefits.

5. Due from banks

Classification criteria

This category includes unlisted financial assets held at banks (current accounts, guarantee deposits, debt securities etc.) classified in the “loans” portfolio. It also includes amounts due from Central Banks that are not demand deposits (e.g. compulsory reserves).
The criteria adopted for recognition, valuation, derecognition and measurement of the income component criteria of this category is the same as that adopted in the due from customers category.

6. Equity investments

Classification criteria

This category includes investments in subsidiaries, associates and joint ventures. Minority interests held by the Bank are included under “available-for-sale financial assets”.

Recognition criteria

Equity investments are recorded in the balance sheet at cost including additional charges.

Valuation criteria

If there is evidence that the value of an equity investment may be impaired, the recoverable value of said equity investment is estimated by considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment.
If the recoverable amount is permanently lower than the book value, the difference is recorded in the income statement under “net profit (loss) from equity investments”.
If the reasons for impairment are removed following an event occurring after recognition of the impairment, write-backs are made to the income statement under the same item as above to the extent of the previous adjustment.

Derecognition criteria

Equity investments are derecognised when the contractual rights to cash flows deriving from the investment are lost or when the investment is transferred, with the substantial transfer of all related risks and benefits.

Criteria for measurement of income components

In accordance with IAS 18, dividends are recorded when the right of the shareholder to receive payment has been established and, therefore, after the date of resolution of the Shareholders’ Meeting of the investee company.

7. Tangible assets

Classification criteria

This item includes assets for permanent use, held to generate income, to be leased, or for administrative purposes, such as land, functional property, property investments, technical installations, furniture and fittings and equipment of any nature.
Fixed assets held under a finance lease contract that have been recorded according to the method illustrated in IAS 17, which envisaged the recognition of the asset under tangible

assets, are also included under this item.

“Functional property” is represented by assets held for the provision of services or for administrative purposes, while “property investments” are those held to collect lease rentals and/or held for capital appreciation.
The bank only holds functional property.
Tangible assets also include costs for improvements to third party assets if they can be separated from the assets in question (if the above costs do not display functional or usefulness-related autonomy, but future economic benefits are expected from them, they are recorded under “other assets” and are depreciated over the shorter period between that of expected usefulness of the improvements in question and the residual duration of the lease).
Tangible assets also include payments on account for the purchase and restructuring of assets not yet part of the production process and therefore not yet subject to depreciation.
Tangible assets that meet the requirements of IFRS 5 are classified under “non-current assets and groups of assets being disposed of”.

Recognition criteria

Tangible assets are initially recorded at cost, including all costs directly attributable to installation of the asset. Extraordinary maintenance costs and costs for improvements leading to actual improvement of the asset, or an increase in the future benefits generated by the asset, are attributed to the reference assets and are depreciated on the basis of their residual useful life.

Valuation criteria and measurement of income components

Following initial recognition, tangible assets are recorded at cost, less accumulated depreciation and any write-downs for impairment losses, in line with the “cost model” illustrated in paragraph 30 of IAS 16.
Tangible assets are depreciated each year, on the basis of their useful life, adopting the accelerated depreciation method, except for:
• land, regardless of whether this was purchased separately or was incorporated into the value of the building, which, insofar as it has an indefinite useful life, is not depreciated. Free-standing buildings more than 50% owned by the Bank, and for which the value of the land has been incorporated into the value of the building, the separation between the value of the land and the value of the building, if not directly inferred by the contract of sale, will be made on the basis of independent expert assessments;
• property investments which are recorded at fair value in accordance with IAS 40.

With regard to assets purchased during the year, their depreciation rate is halved in order that their coming into use may be correctly estimated and the different times at which said assets become operational may be offset. Furthermore, the effects of the pro rata method (daily amortisation based on the asset’s effective useful life) would be negligible.

At the end of each year, if there is any evidence that an asset may have suffered an impairment loss, a comparison is made between its book value and its recoverable amount, equal to the higher between the fair value, net of any costs to sell, and the related value in use of the asset, intended as the actual value of future cash flows expected from the asset. Any adjustments are recognised to the income statement under “net value adjustments/write-backs on tangible assets”. If the reasons that led to recognition of the impairment loss cease to apply, a write-back is recorded that may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Derecognition criteria

A tangible asset is cancelled from the balance sheet on its disposal or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal.

8. Intangible assets

Classification criteria

This item includes non-monetary assets without physical substance that satisfy the following requirements:

• they can be identified;
• they can be monitored;
• they generate future economic benefits.

In the absence of one of the above characteristics, the expense of acquiring or generating the asset internally is recorded as a cost in the year in which it was incurred.
Intangible assets include, in particular, software to be used over several years and other identifiable intangible assets generated by legal or contractual rights.

Goodwill is also included under this item, representing the positive difference between the acquisition cost and fair value of the assets and liabilities acquired as part of a business combination. Specifically, an intangible asset is recognised as goodwill when the positive difference between the fair value of equity components acquired and the acquisition cost of the investment (including additional charges) represents the future capacity of the equity investment to generate profit. If this difference proves negative (badwill), or if the goodwill offers no justification of the capacity to generate future profit from the assets/liabilities acquired, it is instead recognised directly to the income statement.

Recognition criteria

Intangible assets are initially recognised at cost, including any directly attributable charges.

Valuation criteria

Following initial recognition, intangible assets are recorded at cost less any accumulated amortisation and any impairment losses, applying the “cost model” referred to in paragraph 74 of IAS 38.
Intangible assets are systematically amortised each year on the basis of their estimated useful life, on a straight line basis. With regard to assets purchased during the year, their depreciation rate is halved in order that their coming into use may be correctly estimated and the different times at which said assets become operational may be offset. Furthermore, the effects of the pro rata method (daily amortisation based on the asset’s effective useful life) would be negligible.
For assets with an indeterminate useful life, e.g. goodwill, amortisation is no longer considered, but the assets are subject to periodic impairment testing in compliance with the provisions of IAS 36. Any impairment, calculated on the difference between the recognition value of goodwill and its realisation value, is recognised to the income statement under "value adjustments to goodwill".

Derecognition criteria

Intangible assets are derecognised when no future benefits are expected from their use or on their disposal.

9. Tax assets and tax liabilities

Current and deferred income taxes are calculated according to tax legislation in force. Income tax is recorded in the income statement, with the exception of that for items charged or credited directly to shareholders' equity.
Provisions for income tax are calculated on the basis of a prudent estimate of current, prepaid and deferred tax charges. In particular, prepaid and deferred taxes are determined on the basis of the temporary differences between the book value of assets and liabilities and their value for taxation purposes. Prepaid tax assets are recorded in the balance sheet to the extent that it is probable that they will be recovered on the basis of the Bank's ability to continue to generate positive taxable income.
Prepaid taxes and deferred taxes are recorded in the balance sheet as open balances, without any counter-entry, the former under "Tax assets" and the latter under "Tax liabilities".
Deferred tax assets and deferred tax liabilities are recorded in the income statement with the exception of those relating to gains or losses on available-for-sale financial assets.
Lastly, it should be specified that with regard to reserves and positive revaluation balances subject to tax deferment, no provisions were made for the related deferred taxes, in compliance with the provisions of IAS 12, paragraph 52B which requires provisioning of a deferred tax liability to deferred tax reserves at the time their distribution is decided. In this respect, the Bank has not adopted, nor is it likely to adopt in the short/medium-term, measures to integrate requirements for the payment of the deferred tax.

10. Non-current assets and groups of assets being disposed of

Classification criteria

This item includes all non-current assets and groups of assets being disposed of in accordance with IFRS 5, namely those assets or groups of assets whose book value will be recovered mainly through their sale rather than through their ongoing use.

Valuation criteria

These assets are valued at the lower of their book value and their fair value net of selling costs, with the exclusion of the following assets which continue to be valued in accordance with the reference principle:
• deferred tax assets;
• assets deriving from employee benefits;
• financial instruments;
• property investments.

Criteria for measurement of income components

Income (interest income, dividends etc.) and charges (interest expense, amortisation and depreciation, etc.) that refer to "groups of assets" and related liabilities being disposed of are recorded, net of current and deferred tax, under "profit (loss) on groups of assets being disposed of, net of taxes" in the income statement. Income and charges regarding individual non-current assets being disposed of continue to be recorded under the relevant item.

LIABILITIES

1. Due to customers, due to banks and outstanding securities

Classification criteria

Due to customers, due to banks and outstanding securities include the various forms of funding from customers, interbank funding and deposits made through interest-bearing notes, certificates of deposit and bonds, net of any amounts repurchased by the Bank. It also includes securities which, at the balance sheet date, were due but not yet repaid. This item also includes the residual debt owed to the lessor of the finance lease transactions recognised in accordance with IAS 17.

Recognition criteria

These financial liabilities are initially recognised when the deposits are received or when the debt securities are issued. Initial recognition is made on the basis of the fair value of the liabilities, usually equal to the amount received or to the issue price plus any additional costs/income directly attributable to the individual funding or issue transaction and that have not been reimbursed by the creditor. Internal administrative costs are excluded.

Valuation criteria

After initial recognition, the above financial liabilities are recorded at amortised cost using the effective interest rate method, with the exception of short-term liabilities, which continue to be recorded at face value since the effect of discounting would be negligible.

Derecognition criteria

The above financial liabilities are derecognised from the balance sheet at maturity or when they are extinguished. They are derecognised also in the event of repurchase, even temporary, of the previously-issued securities. Any difference between the book value of the extinguished liability and the amount paid is recorded in the income statement, under “profit/loss from sale or repurchase”. If the Bank, subsequent to the repurchase, re-places its own securities on the market, said transaction is considered a new issue and the liability is recorded at the new placement price.

2. Financial liabilities held for trading

Classification criteria

This item includes financial liabilities, whatever their technical form (debt securities, loans, etc.), classified in the trading portfolio. The item includes the negative value of outright foreign trading derivatives, together with the negative value of derivatives that fall within the scope of application of the fair value option. It also includes liabilities that originate from technical losses generated by the trading of securities.

Valuation criteria

All trading liabilities are carried at fair value established as illustrated in the paragraph on "financial assets held for trading".

3. Financial liabilities measured at fair value

Classification criteria

This item includes liabilities or groups of financial liabilities which are designated at fair value with the effects of said designation recorded in the income statement, on the basis of the "Fair Value Option" (FVO) envisaged by IAS 39.
As at the reference date for these Financial Statements, the Bank's hedged bond issues and other issues of securities have been classified under this category.

Recognition, valuation, derecognition criteria and measurement of income components

With regard to the recognition, valuation, derecognition and measurement of income components of said financial liabilities, reference should be made to the paragraph on "financial assets held for trading".

4. Liabilities associated with assets being disposed of

Please refer to the paragraph on the asset item "non-current assets and groups of assets being disposed of".

5. Staff severance indemnities

According to IFRIC, the staff severance fund is determined as a "benefit subsequent to an employment relationship" and is therefore covered by the provisions of IAS 19. Consequently, at year end, this item is estimated on an actuarial basis and is discounted using the projected unit credit method. The latter entails forecasting future payments on the basis of historic, statistic and probabilistic analyses and the adoption of appropriate demographic data. The discounting rate is determined on the basis of the spot rate curve deduced from domestic market conditions for Government securities and the average remaining period of service of Bank employees.
Assessment of the staff severance fund was performed by an independent actuary in compliance with the above-mentioned method.

6. Provisions for risks and charges

In line with the requirements of IAS 37, provisions for risks and charges cover liabilities, the amount or timing of which is uncertain, related to current obligations (legal or implicit), owing to a past event for which it is likely that financial resources will be used to fulfil the obligation, on condition that an estimate of the amount required to fulfil said obligation can be made. Where deferral of the liability is expected to generate a significant discounting effect, provisions are discounted at current market rates. The provision is recorded in the income statement under "net allocation to provisions for risks and charges".

Other information

1. Currency transactions

Foreign currency transactions are recorded, at the time of initial recognition, in Euro, applying the exchange rate in force on the date of the transaction to the amount in foreign currency.
Subsequently, assets and liabilities in foreign currency are converted into Euro using the year-end exchange rate. With regard to repurchase agreements and derivatives in foreign currency, please refer to the paragraphs on financial assets and liabilities held for trading.
Exchange rate differences relating to the translation of non-monetary items or to the conversion of monetary items at exchange rates other from those used for the initial conversions, or for conversion of the previous financial statements, are recorded in the income statement for the period in which they arose under "net income from trading activities" for financial assets or liabilities in foreign currency, separate from those designated at fair value, those covered by fair value and cash flow hedges and other hedges.

2. Repurchase agreement transactions

Transactions for the "spot" sale or purchase of securities with simultaneous obligation to "forward" repurchase or sell, are classified as items carried forward and therefore amounts received and paid are shown in the financial statements as payables and receivables. In particular, spot sale and forward repurchase transactions are recognised as payables using the amount due in the spot transaction, whilst spot purchase and forward sellback transactions are recognised as receivables using the amount paid in the spot transaction. Likewise, the cost of funding and the income resulting from the investment, represented by coupons matured on the securities and by the spread between spot price and forward price, are recorded on an accruals basis under interest items in the income statement. These transactions do not lead to changes in the securities portfolio.

3. Securitisations

In 2006 and 2008 the Bank completed two securitisations through which it disposed of a performing loans portfolio to SPVs, the first to Voba Finance Srl and the second to Voba Finance N.2 Srl.
These transactions do not meet the requirements of IAS 39 and therefore cannot be derecognised as the bank had subscribed the "junior" tranche of the securities issued by Voba Finance Srl and all the securities issued by Voba Finance N.2 Srl.
As a consequence, with regard to the above securitisation transactions, the securitised assets remaining at that date, specifically the share related to loans granted by the Bank and to reversal of the securities subscribed, were recognised.

4. Recognition of income

Revenue is recognised when received or in any event when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. Specifically:
- interest amounts are recognised on an accrual basis according to the contractual interest rate or actual interest rate if the amortised cost methods is applied;
- dividends are recognised to the income statement when the allocation of dividends is resolved upon pursuant to IAS 18 paragraph 30c;
- revenues from the brokerage of financial instruments held for trading, calculated as the difference between the transaction price and fair value of the instrument, are recognised to the income statement at the time of the transaction if fair value can be determined in reference to benchmarks or recent transactions can be observed on the market on which the instrument is traded;

• other commissions are recognised according to the accrual principle.

5. Criteria for determination of fair value of financial instruments

The criteria for calculating fair values of shares are based on the hierarchic levels of fair values themselves, as follows:

Level 1

Securities listed on active regulated markets belong to level 1 of the hierarchy of fair values. The official price (or other equivalent price) on the last day in the reference period is assumed as the fair value for financial instruments traded in an “active regulated market”.

Level 2

The following price configurations are considered the fair value of financial instruments not traded on “active regulated markets”:

- when available and reliable, the price provided by other information sources such as Bloomberg, Reuters or other market maker platforms (non regulated markets);
    - In the case of UCI mutual investment funds the NAV supplied by the management company is deemed to be the fair value;
- If it is not possible to resort to the sources under the previous item, valuation techniques based upon a zero coupon curve are used, on forward rates inherent in the curve itself, and on credit spreads, as identifiable on the Bloomberg or Reuters platforms, in order to take account of the counterpart and/or liquidity risk; it is further stressed that
    - for “over the counter” derivatives the fair value designated is the market value at the reference date calculated using the techniques indicated below on the basis of the type of contract:
        - interest rate contracts: the "market value" is represented by the "replacement cost", determined through discounting of the differences, on the expected settlement dates, between the flows calculated at contract rates and the expected flows calculated at the market rate, objectively determined, current as at year-end for the same residual maturity;
        - option contracts on securities, currency and other instruments: the market value is represented by the "theoretical value" on the reference date, determined using the “Black & Scholes” method or equivalent method.

      For over the counter contracts, the fair value is calculated by adjusting the market value, if positive, of the credit risk associated with the counterparty.
    - In the case of capitalisation insurance contracts fair value correspond to the value at maturity in compliance with the issue regulations.

It is stressed that for fair value level 2, in the case of the use of valuation techniques, the input used in the pricing models are entirely and directly observable on the market (as for example, the zero coupon curve), without any significant gaps for the arbitrary nature of the inputs themselves or of the valuation models that use them. If not, the terms for the application for fair value level 3 are confirmed.

Level 3

Securities that can be valued exclusively by means of models fed even only partially by inputs that are not directly observable on the market belong to level 3 of the fair value hierarchy, as do

securities for which the choice of valuation model or the underlying hypotheses present excessively arbitrary margins.
As in level 2, in the absence of reliable price from third party sources, fair values are calculated by means of models based largely on inputs such as the zero coupon curve, the corresponding forward rates and credit spreads when the market can provide them. However, the complex nature of level 3 securities does not enable doing away with hypotheses that are partially arbitrary, about the nature of future financial flows.
In particular, securities not listed on “active markets” for which the fair value cannot be calculated reliably according to the above approaches are valued at cost, adjusted to take into account any significant impairment losses.
The fair value of investments in equity instruments classified as “available-for-sale financial assets” is calculated as follows:

- for investments in companies listed on “regulated active markets” (level 1): the market price for the last day of trading of the year is the designated fair value;
- for investments in companies not listed on “regulated active markets” (level 2 or 3): if the amount is significant, the fair value is assumed to be the value resulting from independent assessments or from recent transactions, if available, or failing which, the value corresponding to the share of shareholders' equity held, as recorded in the company’s last approved financial statements; equity investments of insignificant amounts are maintained at cost.
- for investments in debt securities or other capital instruments the above rules are applied.

A.3 – INFORMATION ABOUT FAIR VALUES

A.3.1 Transfers between portfolios

A.3.1.1. Reclassified financial assets: book value, fair value and effects on comprehensive income

Type of Financial Instrument (1)	Source Portfolio (2)	Destination Portfolio (3)	Book Value as at 31/12/2009 (4)	*Fair value* as at 31/12/2009 (5)	Income components in the absence of transfers (before tax)		Income components entered in the year (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities	HFT	AFS	47,475	47,475	1,865	1,964	1,865	1,964
UCITS units	HFT	AFS	65,007	65,007	391	4,041	391	4,041
Debt securities	HFT	HTM	11,416	11,591	1,016	563	-	562

The above financial assets have been reclassified in October 2008 under the amendment to IAS 39 (EC Regulation 1004/2008 from the Commission dated 15/10/2008), which provides for the possibility of reclassifying certain financial instruments under rare circumstances.

During the course of the year 2009 no further reclassifications were carried out.

A.3.2 Fair Value hierarchy

A.3.2.1 Accounting portfolios: breakdown by fair value levels

	31/12/2009			31/12/2008		
Financial Assets/Liabilities carried at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	51,260	193,046	17,614	96,977	168,147	21,398
2. Financial assets carried at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	28	90,235	38,344	1,712	107,703	38,646
4. Hedges	-	-	-	-	-	-
Total	51,288	283,281	55,958	98,689	275,850	60,044
1. Financial liabilities held for trading	117	17,178	-	474	3,168	-
2. Financial liabilities carried at fair value	-	491,451	-	-	487,013	-
3. Hedges	-	-	-	-		-
Total	117	508,629	-	474	490,181	-

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

	FINANCIAL ASSETS			
	held for trading	carried at fair value	available for sale	hedges
1. Opening balance	**21,398**	**-**	**38,646**	**-**
2. Increases	**1,490**	**-**	**3,237**	**-**
2.1 Purchases	521	-	-	-
2.2 Profits allocated as:	809	-	2,662	-
2.2.1 Income Statement	809	-	-	-
- including capital gains	809	-	-	-
2.2.2 Shareholders' equity	X	X	2,662	-
2.3 Transfers from other levels	-	-	-	-
2.4 Other increases	160	-	575	-
3. Decreases	**5,274**	**-**	**3,539**	**-**
3.1 Sales	2,017	-	1,650	-
3.2 Reimbursements	2,473	-	-	-
3.3 Losses allocated as:	641	-	1,889	-
3.3.1 Income statement	641	-	57	-
- including capital losses	641	-	-	-
3.3.2 Shareholders' equity	X	X	1,832	-
3,4 Transfers to other levels	-	-	-	-
3.5 Other decreases	143	-	-	-
4. Closing balance	**17,614**	**-**	**38,344**	**-**

PART B

INFORMATION ON THE BALANCE SHEET

Assets

SECTION 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2009	31/12/2008
a) Cash on Hand	35,355	41,311
b) Demand deposits at Central Banks	-	-
Total	**35,355**	**41,311**

SECTION 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	51,127	163,791	17,614	96,660	156,025	21,398
1.1 Structured securities	-	10,651	17,469	-	3,764	21,398
1.2 Other debt securities	51,127	153,140	145	96,660	152,261	-
2. Equity securities	-	-	-	-	-	-
3. UCITS units	-	2,997	-	-	7,658	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**51,127**	**166,788**	**17,614**	**96,660**	**163,683**	**21,398**
B. Derivatives						
1. Financial derivatives	133	26,258	-	317	4,464	-
1.1 held for trading	133	15,001	-	317	2,297	-
1.2 related to the fair value option	-	11,257	-	-	2,167	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**133**	**26,258**	**-**	**317**	**4,464**	**-**
Total (A+B)	**51,260**	**193,046**	**17,614**	**96,977**	**168,147**	**21,398**

2.2 Financial assets held for trading: breakdown by debtor/issuer

Items/Amounts	31/12/2009	31/12/2008
A. CASH ASSETS		
1. Debt securities	**232,532**	**274,083**
a) Governments and Central Banks	60,234	96,654
b) Other public authorities	-	-
c) Banks	132,793	130,949
d) Other issuers	39,505	46,480
2. Equity securities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. UCITS units	**2,997**	**7,658**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other entities	-	-
Total A	**235,529**	**281,741**
B. DERIVATIVES		
a) Banks		
- fair value	10,900	4,534
b) Customers		
- fair value	15,491	247
Total B	**26,391**	**4,781**
Total (A+B)	**261,920**	**286,522**

2.3 Financial cash assets held for trading: annual changes

	Debt securities	Equity securities	UCITS units	Funding	**Total**
A. Opening balance	**274,083**	**-**	**7,658**	**-**	**281,741**
B. Increases	**955,275**	**-**	**35,807**	**-**	**991,082**
B1. Purchases	940,622	-	34,977	-	975,599
B2. Positive changes in fair value	2,219	-	3	-	2,222
B3 Other changes	12,434	-	827	-	13,261
C. Decreases	**996,826**	**-**	**40,468**	**-**	**1,037,294**
C1. Sales	910,166	-	36,917	-	947,083
C2. Repayments	78,274	-	2,876	-	81,150
C3. Negative changes in fair value	808	-	248	-	1,056
C4. Transfers to other portfolios	-	-	-		
C5. Other changes	7,578	-	427	-	8,005
D. Closing balance	**232,532**	**-**	**2,997**	**-**	**235,529**

SECTION 3 – Financial assets carried at fair value – Item 30

This section has not been completed.

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

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

Items/Amounts	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	20,202	27,272	-	43,942	27,518
1.1 Structured securities	-	1,566	23,500	-	-	-
1.2 Other debt securities	-	18,636	3,772	-	43,942	27,518
2. Equity securities	28	-	11,072	52	-	11,128
2.1 Carried at fair value	28	-	-	52	-	-
2.2 Measured at cost	-	-	11,072	-	-	11,128
3. UCITS units	-	70,033	-	1,660	63,761	-
4. Loans	-	-	-	-	-	-
Total	**28**	**90,235**	**38,344**	**1,712**	**107,703**	**38,646**

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

Items/Amounts	31/12/2009	31/12/2008
1. Debt securities	**47,474**	**71.461**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	45,090	69,338
d) Other issuers	2,384	2,123
2. Equity securities	**11,100**	**11,179**
a) Banks	2,643	2,667
b) Other issuers:	8,457	8,512
- insurance companies	-	-
- financial companies	195	195
- non-financial companies	8,262	8,317
- other	-	-
3. UCITS units	**70,033**	**65,421**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**128,607**	**148,061**

4.4 Available-for-sale financial assets: annual changes

		Debt securities	Equity securities	UCITS units	Funding	**Total**
A.	**Opening balance**	**71,461**	**11,179**	**65,421**	**-**	**148,061**
B.	**Increases**	**5,812**	**2**	**22,979**	**-**	**28,793**
B1.	Purchases	-	-	19,346	-	19,346
B2.	Positive changes in fair value	32	2	26	-	60
B3.	Write-backs	4,739	-	2,659	-	7,398
	- allocated to the income statement	63	X	-	-	63
	- allocated to shareholders' equity	4,676	-	2,659	-	7,335
B4.	Transfers from other portfolios	-	-	-	-	-
B5.	Other changes	1,041	-	948	-	1,989
C.	**Decreases**	**29,799**	**81**	**18,367**	**-**	**48,247**
C1.	Sales	17,132	81	2,092	-	19,305
C2.	Redemptions	9,200	-	13,646	-	22,846
C3.	Negative changes in fair value	2,844	-	514	-	3,358
C4.	Write-downs for impairment	473	-	1,754	-	2,227
	- Allocated to the income statement	410	-	1,754	-	2,164
	- Allocated to shareholders' equity	63	-	-	-	63
C5.	Transfers to other portfolios	-	-	-	-	-
C6.	Other changes	150	-	361	-	511
D.	**Closing balance**	**47,474**	**11,100**	**70,033**	**-**	**128,607**

SECTION 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: breakdown by type

	31/12/2009				31/12/2008			
	BV	Fair value			BV	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	11,416	-	3,962	7,627	11,702	-	4,618	6,673
- structured	7,278	-	-	7,627	6,847	-	-	6,673
- other	4,138	-	3,962	-	4,855	-	4,618	-
2. Loans	-	-	-	-	-	-	-	-
Total	**11,416**	**-**	**3,962**	**7,627**	**11,702**	**-**	**4,618**	**6,673**

5.2 Financial assets held to maturity: debtor/issuer

Type of transaction/Amounts	31/12/2009	31/12/2008
1. Debt securities	**11,416**	**11,702**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	7,278	6,847
d) Other issuers	4,138	4,855
2. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**11,416**	**11,702**

5.4 Financial assets held to maturity: annual changes

		Debt securities	Loans	**Total**
A.	**Opening balance**	**11,702**	**-**	**11,702**
B.	**Increases**	**490**	**-**	**490**
B1.	Purchases	-	-	-
B2.	Write-backs	-	-	-
B3.	Transfers from other portfolios	-	-	-
B4.	Other changes	490	-	490
C.	**Decreases**	**776**	**-**	**776**
C1.	Sales	-	-	-
C2.	Redemptions	744	-	744
C3.	Value adjustments	-	-	-
C4.	Transfers to other portfolios	-	-	-
C5.	Other changes	32	-	32
D.	**Closing balance**	**11,416**	**-**	**11,416**

SECTION 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by type

Type of transaction/Amounts		**31/12/2009**	**31/12/2008**
A.	**Due from Central Banks**	**31,218**	**33,435**
1.	Fixed-term deposits	-	-
2.	Compulsory reserve	31,218	33,435
3.	Repurchase agreements	-	-
4.	Other	-	-
B.	**Due from banks**	**20,411**	**17,678**
1.	Current accounts and demand deposits	9,688	5,791
2.	Fixed-term deposits	10,723	10,943
3.	Other loans	-	944
	3.1 Repurchase agreements	-	796
	3.2 Finance leasing	-	-
	3.3 Other	-	148
4.	Debt securities	-	-
	4.1 Structured securities	-	-
	4.2 Other debt securities	-	-
	Total (book value)	**51,629**	**51,113**
	Total (fair value)	**51,629**	**51,113**

As at 31/12/2009 there were no impaired assets to banks.

SECTION 7 – Due from customers – Item 70

7.1 Due from Customers: breakdown by type

Type of transaction/Amounts	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Current accounts	1,492,293	134,172	1,623,736	114,893
2. Repurchase agreements	228	-	1,339	-
3. Mortgages	2,156,597	162,358	1,890,410	150,495
4. Credit cards, personal loans and loans on salary	20,216	381	20,370	82
5. Finance leasing	-	-	-	-
6. Factoring	-	-	-	-
7. Other transactions	457,170	14,675	537,191	4,071
8. Debt securities	-	-	-	-
8.1 Structured securities	-	-	-	-
8.2 Other debt securities	-	-	-	-
Total (book value)	**4,126,504**	**311,586**	**4,073,046**	**269,541**
Total (fair value)	**4,802,221**		**4,387,162**	

Overall loans to customers came to 4,438,090 thousand Euro as at 31/12/2009.

7.2 Due from Customers: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Debt securities:	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-
b) Other public authorities	-	-	-	-
c) Other issuers	-	-	-	-
- non-financial companies	-	-	-	-
- financial companies	-	-	-	-
- insurance companies	-	-	-	-
- other	-	-	-	-
2. Loans to:	**4,126,504**	**311,586**	**4,073,046**	**269,541**
a) Governments	-	-	-	-
b) Other public authorities	1,719	-	1,249	-
c) Other entities	4,124,785	311,586	4.071.797	269.541
- non-financial companies	2,384,761	218,573	2,622,551	182,581
- financial companies	116,556	6,302	87,058	2,301
- insurance companies	1,267	-	68	1,263
- other	1,622,201	86,711	1,362,120	83,396
Total	**4,126,504**	**311,586**	**4,073,046**	**269,541**

SECTION 8 – Hedges – Item 80

This section has not been completed.

SECTION 9 – Value adjustments of financial assets subject to macrohedging – Item 90

This section has not been completed.

SECTION 10 – Equity Investments – Item 100

10.1 Equity investments in subsidiaries, jointly controlled companies or companies subject to significant control: information on investment relationships

Name	Registered office	% investment	Available votes %
A. COMPANIES 100% CONTROLLED			
1. Voba Invest S.r.l.	Bolzano	100%	
B. JOINTLY CONTROLLED COMPANIES			
C. COMPANIES SUBJECT TO SIGNIFICANT CONTROL			
1. Casa di Cura Villa S. Anna S.r.l.	Merano	35%	

10.2 Equity investments in subsidiaries, jointly controlled companies or companies subject to significant control: accounting information

Name	Total assets	Total income	Profit/ Loss	Shareholders' equity	Book value	*Fair value*
A. COMPANIES 100% CONTROLLED						
1. Voba Invest S.r.l.	17,886	748	(173)	4,323	3,533	
B. JOINTLY CONTROLLED COMPANIES						
C. COMPANIES SUBJECT TO SIGNIFICANT CONTROL						
1. Casa di Cura Villa S. Anna (*)	3,084	4,696	280	1,560	516	
	20,970	**5,444**	**107**	**5,883**	**4,049**	

(*) The figures for this equity investment refer to the year ended 31/12/2008.

10.3 Equity Investment: annual changes

		31/12/2009	31/12/2008
A.	**Opening balance**	**5,041**	**1,541**
B.	**Increases**	**-**	**3,500**
B.1	Purchases	-	3,500
B.2	Write-backs	-	-
B.3	Revaluations	-	-
B.4	Other changes	-	-
C.	**Decreases**	**992**	**-**
C.1	Sales	-	-
C.2	Value adjustments	-	-
C.3	Other changes	992	-
D.	**Closing balance**	**4,049**	**5,041**
E.	**Total revaluations**	**-**	**-**
F.	**Total adjustments**	**-**	**1,038**

It is pointed out that the changes arise from the takeover of the subsidiary leasing company Berger Spa. Details of the transaction are set out in the Report from the Board of Directors.

SECTION 11 – Tangible assets – Item 110

11.1 Tangible assets: breakdown of assets carried at cost

Assets/Values		31/12/2009	31/12/2008
A.	**Assets for functional use**		
1.1	**owned**	**122,206**	**108,851**
a)	land	34,440	30,380
b)	buildings	72,644	59,363
c)	fixtures and fittings	9,714	12,360
d)	electronic equipment	2,074	1,761
e)	other	3,334	4,987
1.2	**purchased under finance lease**	**-**	**17,274**
a)	land	-	3,593
b)	buildings	-	13,681
c)	fixtures and fittings	-	-
d)	electronic equipment	-	-
e)	other	-	-
Total A		**122,206**	**126,125**
B.	**Assets held as investments**		
2.1	**owned**	**-**	**-**
a)	land	-	-
b)	buildings	-	-
2.2	**purchased under finance lease**	**-**	**-**
a)	land	-	-
b)	buildings	-	-
Total B		**-**	**-**
	Total A+B	**122,206**	**126,125**

Through of the effect of the takeover of the leasing company Berger Spa, the assets purchased under leasing contracts have been transferred to owned assets.

11.3 Tangible assets for functional use: annual changes

	Land	Buildings	Fixtures and fittings	Electronic equipment	Other	**Total**
A. Gross opening balance	**33,973**	**95,988**	**48,749**	**18,842**	**8,619**	**206,171**
A.1 Net total impairment	-	22,944	36,389	17,081	3,632	80,046
A.2 Net opening balance	**33,973**	**73,044**	**12,360**	**1,761**	**4,987**	**126,125**
B. Increases:	**467**	**2,486**	**2,604**	**1,910**	**-**	**7,467**
B.1 Purchases	467	2,486	2,568	1,910	-	7,431
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from property held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	36	-	-	36
C. Decreases	**-**	**2,886**	**5,250**	**1,597**	**1,653**	**11,386**
C.1 Sales	-	-	36	-	-	36
C.2 Depreciation	-	2,886	5,197	1,597	1,649	11,329
C.3 Value adjustments for impairment allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held as investments	-	-	-	-	-	-
b) assets being disposed of	-	-	-	-	-	-
C.7 Other changes	-	-	17	-	4	21
D. Net closing balance	**34,440**	**72,644**	**9,714**	**2,074**	**3,334**	**122,206**
D.1 Total net impairment	-	25,831	41,347	18,645	4,053	89,876
D.2 Gross closing balance	**34,440**	**98,475**	**51,061**	**20,719**	**7,387**	**212,082**
E. Valuation at cost	-	-	-	-	-	-

SECTION 12 – Intangible assets – Item 120

12.1 Intangible assets: breakdown by asset type

Assets/Values		31/12/2009		31/12/2008	
		Fixed term	No fixed term	Fixed term	No fixed term
A.1	Goodwill	X	40,392	X	40,392
A.2	Other intangible assets	5,980	-	7,223	-
A.2.1	Assets valued at cost:	5,980	-	7,223	-
	a) Intangible assets generated internally	-	-	-	-
	b) Other assets	5,980	-	7,223	-
A.2.2	Assets carried at fair value:	-	-	-	-
	a) Intangible assets generated internally	-	-	-	-
	b) Other assets	-	-	-	-
	Total	**5,980**	**40,392**	**7,223**	**40,392**

12.2 Intangible assets: annual changes

		Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
			FIXED	NOT FIXED	FIXED	NOT FIXED	
A.	**Gross opening balance**	**40,392**	**-**	**-**	**8,445**	**-**	**48,837**
A.1	Total net impairment	-	-	-	1,222	-	1,222
A.2	**Net opening balance**	**40,392**	**-**	**-**	**7,223**	**-**	**47,615**
B.	**Increases**	**-**	**-**	**-**	**786**	**-**	**786**
B.1	Purchases	-	-	-	786	-	786
B0,2	Increases in internal intangible assets	X	-	-	-	-	-
B.3	Write-backs	X	-	-	-	-	-
B.4	Positive changes in fair value	-	-	-	-	-	-
	- to shareholders' equity	X	-	-	-	-	-
	- to income statement	X	-	-	-	-	-
B.5	Positive exchange differences	-	-	-	-	-	-
B.6	Other changes	-	-	-	-	-	-
C.	**Decreases**	**-**	**-**	**-**	**2,029**	**-**	**2,029**
C.1	Sales	-	-	-	-	-	-
C.2	Value adjustments		-	-	2,029	-	2,029
	- Depreciation and amortisation	X	-	-	2,029	-	2,029
	- Write-downs		-	-	-	-	-
	+ shareholders' equity	X	-	-	-	-	-
	+ income statement	-	-	-	-	-	-
C.3	Negative changes in fair value		-	-	-	-	-
	- to shareholders' equity	X	-	-	-	-	-
	- to income statement	X	-	-	-	-	-
C.4	Transfers to non current assets available for sale	-	-	-	-	-	-
C.5	Negative exchange differences	-	-	-	-	-	-
C.6	Other changes	-	-	-	-	-	-
D.	**Net closing balance**	**40,392**	**-**	**-**	**5,980**	**-**	**46,372**
D.1	Total net value adjustments	-	-	-	3,252	-	3,252
E.	**Gross closing balance**	**40,392**	**-**	**-**	**9,232**	**-**	**49,624**
F.	Valuation at cost	-	-	-	-	-	-

Key

Fixed: Fixed term
Not fixed: No fixed term

SECTION 13 – Tax assets and tax liabilities – Item 130 under assets and item 80 under liabilities

13.1 Deferred tax assets: breakdown

IRES	31/12/2009		31/12/2008	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	39,486	10,859	27,664	7,608
- Provisions for risks and charges	1,897	522	1,840	506
- Administrative expenses	46	13	84	23
- Revaluation of fixtures and fittings (Law 266, 23/12/05)	565	155	996	274
- Valuation of AFS securities (*)	3,358	923	7,489	2,059
- Staff severance indemnities	-	-	1,037	285
- Amortisation of prepaid tax on pre-2008 purchases	794	218	1,078	297
- Amortisation of prepaid tax on post-2008 purchases	1,945	535	-	-
- Other	497	137	684	188
Total	**48,588**	**13,362**	**40,872**	**11,240**

(*) with corresponding entry under shareholders' equity

IRAP	31/12/2009		31/12/2008	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Administrative expenses	46	2	84	3
- Revaluation of fixtures and fittings (Law 266, 23/12/05)	565	20	995	36
- Valuation of AFS securities (*)	3,358	121	7,489	273
- Other	1	-	104	4
Total	**3,970**	**143**	**8,672**	**316**

(*) with corresponding entry under shareholders' equity

13.2 Deferred tax liabilities: breakdown

IRES	31/12/2009		31/12/2008	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Land depreciation	2,106	579	2,107	579
- Revaluation of property to deemed cost	64,460	17,726	65,850	18,109
- Leasing of functional buildings	-	-	5,080	1,397
- Valuation of AFS securities (*)	58	16	216	60
- Goodwill depreciation	5,724	1,574	-	-
- Other	-	-	2,244	617
Total	**72,348**	**19,895**	**75,497**	**20,762**

(*) with corresponding entry under shareholders' equity

IRAP	31/12/2009		31/12/2008	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Land depreciation	2,106	76	2,106	77
- Revaluation of property to deemed cost	67,207	2,419	67,207	2,453
- Leasing of functional buildings	-	-	5,080	185
- Valuation of AFS securities (*)	58	2	216	8
- Goodwill depreciation	5,724	206	-	-
- Other	-	-	2,244	82
Total	**75,095**	**2,703**	**76,853**	**2,805**

(*) with corresponding entry under shareholders' equity

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

		IRES	IRAP	31/12/2009	31/12/2008
1.	**Initial amount**			**9,224**	**12,885**
2.	**Increases**	**4,404**	**-**	**4,404**	**6,813**
2.1	Prepaid taxes recognised during the year	4,404	-	4,404	6,792
	a) relating to previous years	-	-	-	-
	b) due to changes in accounting criteria	-	-	-	-
	c) write-backs	-	-	-	-
	d) other	4,404	-	4,404	6,792
2.2	New taxes or increases in tax rates	-	-	-	21
2.3	Other increases	-	-	-	-
3.	**Decreases**	**1,147**	**21**	**1,168**	**10,474**
3.1	Prepaid taxes cancelled during the year	1,147	21	1,168	10,474
	a) reallocations	828	17	845	10.474
	b) write-downs due to irrecoverability	-	-	-	-
	c) changes in accounting criteria	-	-	-	-
	d) other	319	4	323	
3.2	Decreases in tax rates	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Final amount**			**12,460**	**9,224**

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

		IRES	IRAP	31/12/2009	31/12/2008
1.	**Initial amount**			**23,499**	**38,500**
2.	**Increases**	**980**	**128**	**1,108**	**6,726**
2.1	Deferred taxes recognised during the year	980	128	1,108	6,619
	a) relating to previous years	-	-	-	-
	b) due to changes in accounting criteria	-	-	-	-
	c) other	980	128	1,108	6,619
2.2	New taxes or increases in tax rates	-	-	-	107
2.3	Other increases	-	-	-	-
3.	**Decreases**	**1,802**	**224**	**2,026**	**21,727**
3.1	Deferred taxes cancelled during the year	1,802	224	2,026	21,727
	a) reallocations	384	-	384	7,393
	b) due to changes in accounting criteria	-	-	-	-
	c) other	1,418	224	1,642	14,334
3.2	Decreases in tax rates	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Final amount**			**22,581**	**23,499**

13.5 Changes in deferred tax assets (with corresponding entry under shareholders' equity)

		IRES	IRAP	31/12/2009	31/12/2008
1.	**Initial amount**			**2,333**	**-**
2.	**Increases**	**-**	**-**	**-**	**2,333**
2.1	Prepaid taxes recognised during the year	-	-	-	2,333
	a) relating to previous years	-	-	-	-
	b) due to changes in accounting criteria	-	-	-	-
	c) other	-	-	-	2,333
2.2	New taxes or increases in tax rates	-	-	-	-
2.3	Other increases	-	-	-	-
3.	**Decreases**	**1,136**	**153**	**1,289**	**-**
3.1	Prepaid taxes cancelled during the year	1,136	153	1,289	-
	a) reallocations	1,136	151	1,287	-
	b) write-downs due to irrecoverability	-	-	-	-
	c) due to changes in accounting criteria	-	-	-	-
	d) other		2	2	
3.2	Decreases in tax rates	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Final amount**			**1,044**	**2,333**

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

		IRES	IRAP	31/12/2009	31/12/2008
1.	**Initial amount**			**67**	**1**
2.	**Increases**	**-**	**-**	**-**	**67**
2.1	Deferred taxes recognised during the year	-	-	-	67
	a) relating to previous years	-	-	-	-
	b) due to changes in accounting criteria	-	-	-	-
	c) other	-	-	-	67
2.2	New taxes or increases in tax rates	-	-	-	-
2.3	Other increases	-	-	-	-
3.	**Decreases**	**43**	**6**	**49**	**1**
3.1	Deferred taxes cancelled during the year	43	6	49	1
	a) reallocations	43	6	49	1
	b) due to changes in accounting criteria	-	-	-	-
	c) other	-	-	-	-
3.2	Decreases in tax rates	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Final amount**			**18**	**67**

13.7 Other information

Breakdown of "current tax assets"

	31/12/2009	31/12/2008
1. Advance payment of IRES – IRAP – VAT taxes	15,904	19,922
2. Advance payment of stamp duty, withholding tax on interest	9,866	4,489
3. Withholding tax paid	145	83
4. Other current tax assets	-	-
Total	**25,915**	**24,494**

Breakdown of "current tax liabilities"

	31/12/2009	31/12/2008
1. Liabilities for direct taxes	19,627	16,883
2. Indirect taxes	14	13
3. Withholding tax at source to be paid	-	-
4. Other current tax liabilities	256	5,452
Total	**19,897**	**22,348**

To comply with the new provisions some items have been reclassified, for which a re-calculation of the figure for the previous year has also been carried out.

SECTION 14 – Non-current assets and groups of assets being disposed of and related liabilities – Asset Item 140 and Item 90 under liabilities

This section has not been completed.

SECTION 15 – Other assets – Item 150

15.1 Other assets: breakdown

	31/12/2009	31/12/2008
1. Unprocessed transactions with branches	-	-
2. Deposits	147	198
3. Work in progress	37,994	39,274
4. Various outstanding items (items waiting final allocation)	750	254
5. Income accrued and due to be received	6,053	4,856
6. Cash items in hand	259	204
7. Accruals and deferrals not reported	388	379
8. Expenditure on third party assets	5,060	-
Total	**50,651**	**45,165**

Liabilities

SECTION 1 – Due to banks – Item 10

1.1 Due to banks: breakdown by type

Type of transaction/Amounts		31/12/2009	31/12/2008
1.	**Due to central banks**	**-**	**39,088**
2.	**Due to banks**	**274,484**	**259,638**
2.1	Current accounts and demand deposits	51,023	102,234
2.2	Fixed-term deposits	223,461	141,093
2.3	Loans	-	16,311
	2.3.1 Repurchase agreements	-	16,311
	2.3.2 Other	-	-
2.4	Debts for commitments to repurchase own equity instruments	-	-
2.5	Other amounts due	-	-
	Total	**274,484**	**298,726**
	Fair value	**274,484**	**298,726**

SECTION 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by type

Type of transaction/Amounts	**31/12/2009**	**31/12/2008**
1. Current accounts and demand deposits	1,848,424	1,639,690
2. Fixed-term deposits	1,444	1,465
3. Loans	101,218	104,793
3.1 Repurchase agreements	101,218	98,105
3.2 Other	-	6,688
4. Debts for commitments to repurchase own equity instruments	-	-
5. Other amounts due	246,301	286,121
Total	**2,197,387**	**2,032,069**
Fair value	**2,197,387**	**2,032,069**

SECTION 3 – Outstanding securities – Item 30

3.1 Outstanding securities: breakdown by type

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	1,469,089	-	1,469,089	-	1,527,416	-	1,527,416	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	1,469,089	-	1,469,089	-	1,527,416	-	1,527,416	
2. Other securities	63,993	-	60,207	3,786	125,857	-	120,924	4,933
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	63,993	-	60,207	3,786	125,857	-	120,924	4,933
Total	**1,533,082**	**-**	**1,529,296**	**3,786**	**1,653,273**	**-**	**1,648,340**	**4,933**

SECTION 4 – Financial trading liabilities – Item 40

4.1 Financial trading liabilities: breakdown by type

Type of transaction/Amounts	31/12/2009					31/12/2008				
	FCV	FV			FV*	FCV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	-	117	17,178	-	-	-	474	3,168	-	-
1.1 Trading	X	117	16,835	-	X	X	474	226	-	X
1.2 Related to the fair value option	X	-	343	-	X	X	-	2,942	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**117**	**17,178**	**-**	**X**	**X**	**474**	**3,168**	**-**	**X**
Total (A+B)	**X**	**117**	**17,178**	**-**	**X**	**X**	**474**	**3,168**	**-**	**X**

Key

FV = fair value
FV* = fair value calculated excluding value adjustments due to changed issuer credit rating compared with date of issue
FCV = face value or notional value
L1 = level 1
L2 = level 2
L3 = level 3

SECTION 5 – Financial liabilities carried at fair value – Item 50

5.1 Financial liabilities carried at fair value: breakdown by type

Type of transaction/Amounts	31/12/2009					31/12/2008				
	FCV	FV			FV*	FCV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	479,122	-	491,451	-	-	480,433	-	487,013	-	-
3.1 Structured	83,449	-	85,313	-	X	80,659	-	80,412	-	X
3.2 Other	395,673	-	406,138	-	X	399,774	-	406,601	-	X
Total	**479,122**	**-**	**491,451**	**-**	**491,451**	**480,433**	**-**	**487,013**	**-**	**487,013**

Key

FV = fair value
FV* = fair value calculated excluding value adjustments due to changed issuer credit rating compared with date of issue
FCV = Face value
L1 = level 1
L2 = level 2
L3 = level 3

5.3 Financial liabilities carried at fair value: annual changes

		Due to banks	Due to customers	Outstanding securities	**Total**
A.	**Opening balance**	**-**	**-**	**487,013**	**487,013**
B.	**Increases**	**-**	**-**	**244,526**	**244,526**
B1.	Issues	-	-	212,974	212,974
B2.	Sales	-	-	19,215	19,215
B3.	Positive changes in fair value	-	-	6,347	6,347
B4.	Other changes	-	-	5,990	5,990
C.	**Decreases**	**-**	**-**	**240,088**	**240,088**
C1.	Purchases	-	-	17,767	17,767
C2.	Redemptions	-	-	215,075	215,075
C3.	Negative changes in fair value	-	-	276	276
C4.	Other changes	-	-	6,970	6,970
D.	**Closing balance**	**-**	**-**	**491,451**	**491,451**

SECTION 6 – Hedges – Item 60

This section has not been completed.

SECTION 7 – Value adjustment of financial liabilities subject to macrohedging – Item 70

This section has not been completed.

SECTION 8 – Tax liabilities – Item 80

Reference should be made to section 13 under assets.

SECTION 9 – Liabilities related to assets being disposed of – Item 90

This section has not been completed.

SECTION 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

		31/12/2009	31/12/2008
1.	Adjustments of non-liquid items related to securities portfolios	44,954	45,329
2.	Unprocessed transactions with branches	-	-
3.	Amounts available to third parties (banks, suppliers etc.)	11,050	12,526
4.	Amounts available to customers	4,947	4,834
5.	Work in progress (money orders etc.)	3,898	3,092
6.	Other items due to various creditors	5,179	4,710
7.	Provisions for risks and charges for guarantees and commitments	786	627
8.	Accruals and deferrals not reported	-	25
9.	Withholding tax and taxes due	5,279	8,104
Total		**76,093**	**79,247**

SECTION 11 – Staff severance indemnities – Item 110

11.1 Staff severance indemnities: annual changes

	31/12/2009	31/12/2008
A. Opening balance	**20,899**	**20,867**
B. Increases	**421**	**2,587**
B1. Provisions for the year	421	1,550
B2. Other increases	-	1,037
C. Decreases	**1,333**	**2,555**
C1. Liquidations carried out	1,289	2,555
C2. Other decreases	44	-
D. Closing balance	**19,987**	**20,899**

With regard to international accounting standards and in observance of indications provided by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), staff severance indemnity was considered a post-employment benefit determined under a defined benefit plan, and as such its value for accounting purposes is determined by actuarial assessment.
Art. 140 of IAS 19 makes explicit reference to the need to perform assessments taking into account the period in which the services are expected to be provided and, consequently, the need to quantify these in average current value terms.

As envisaged in recent provisions on this subject, introduced jointly by the Italian Order of Actuaries and the Italian Accounting Authority, Assirevi and ABI, for companies with over 50 employees, a different calculation methodology was outlined that can be summarised in the following steps:

- forecast for each employee in service at the time of the assessment of staff severance indemnity already allocated to provisions up to the random payment period;
- calculation for each employee of probable staff severance indemnity payments to be made by the company should the employee terminate employment due to dismissal, resignation, incapacity, death or retirement, also taking into account requests for advances;
- discounting of each probable payment as at the date of assessment.

The year-end assessment of this item was performed by an independent actuary, applying this methodology.

SECTION 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Items/Amounts	**31/12/2009**	**31/12/2008**
1. Company pension funds	-	-
2. Other provisions for risks and charges	1,897	1,841
2.1 legal disputes	1,893	1,841
2.2 personnel charges	-	-
2.3 other	4	-
Total	**1,897**	**1,841**

12.2 Provisions for risks and charges: annual changes

	Pension funds	Other provisions	**Total**
A. Opening balance	**-**	**1,841**	**1,841**
B. Increases	**-**	**309**	**309**
B1. Provisions for the year	-	309	309
B2. Changes due to the elapsing of time	-	-	-
B3. Changes due to discount rate adjustments	-	-	-
B4. Other changes	-	-	-
C. Decreases	**-**	**253**	**253**
C1. Use during the year	-	214	214
C2. Changes due to discount rate adjustments	-	-	-
C3. Other changes	-	39	39
D. Closing balance	**-**	**1,897**	**1,897**

SECTION 13 – Redeemable shares – Item 140

This section has not been completed.

SECTION 14 – Company capital – Items 130, 150, 160, 170, 180, 190 and 200

14.1 “Share capital” and “Treasury shares”: breakdown

	31/12/2009	31/12/2008
- Number of treasury stocks and shares	34,670,319	34,670,319
- Face value	2.00 Euro	2.00 Euro

14.2 Share capital - number of shares: annual changes

Items/Type	Ordinary	Other
A. Number of shares at beginning of year	**34,670,319**	**-**
- fully paid-up	34,670,319	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	**34,670,319**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- bond conversions	-	-
- warrant exercises	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**34,670,319**	**-**
D.1 Treasury shares (+)	-	-
D.2 Number of shares at end of year	34,670,319	-
- fully paid-up	34,670,319	-
- not fully paid-up	-	-

14.3 Share capital: other information

All ordinary shares outstanding as at 31 December 2009 are fully paid-up. The face value per share is 2 Euro. Shares do not have restrictions or privileges of any kind and each share has equal rights in terms of collection of dividends and redemption of capital. At the date of the financial statements, the Bank does hot hold any treasury shares.

14.4 Profit reserves: other information

Items/Components	**31/12/2009**	**31/12/2008**
1. Legal reserve	100,300	97,000
2. Extraordinary reserve	72,211	55,409
3. Other reserves	116	116
Total	**172,627**	**152,525**

Breakdown of reserves by availability and distribution options

Type/description	Amount	Utilisation options	Available portion	Summary of utilisation in the last three years	
				Loss cover	Other
Capital	69,341	-	-		
Share premium reserve	145,773	A,B,C	145,773		
Profit reserves					
- Legal reserve	100,300	B	-		
- Extraordinary reserve	72,211	A,B,C	72,211		
- Other reserves					
a) Reserve for purchase of treasury shares	4,183	A,B,C	4,183		
b) Share capital increase reserve for stock granting	116	A	116		
c) Specific reserve Law 218/90	10,278	A,B,C	10,278		
d) FTA reserve	35,022	A,B,C	35,022		
e) Merger reserve	15	A,B,C	15		
Valuation reserves					
a) Revaluation reserve	28,388	A,B,C	28,388		
b) IAS revaluation reserve	46,061	A,B	46,061		
c) Negative AFS valuation reserves	(2,388)		(2,388)		
c) Positive AFS valuation reserve	40	(*)	-		
Equity instruments	-		-		
Retained earnings	26,202		-		
Total	**535,542**		**339,659**		

Key

A = for FOC share capital increase
B = as loss cover
C = for distribution to shareholders
(*) this reserve is unavailable pursuant to art. 6, Legislative Decree 38/2005.

OTHER INFORMATION

1. Guarantees issued and commitments

Transactions	31/12/2009	31/12/2008
1) Financial guarantees issued	30,809	27,694
a) Banks	4,643	4,632
b) Customers	26,166	23,062
2) Commercial guarantees issued	394,939	446,109
a) Banks	258	419
b) Customers	394,681	445,690
3) Irrevocable commitments to disburse funds	248,729	258,006
a) Banks	6,937	9,327
i) certain to be used	6,937	9,327
ii) not certain to be used	-	-
b) Customers	241,792	248,679
i) certain to be used	20,049	14,996
ii) not certain to be used	221,743	233,683
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged to guarantee third party obligations	-	-
6) Other commitments	-	-
Total	**674,477**	**731,809**

In accordance with the new provisions, the commitments made to the Interbank Deposits Supervisory Fund have been allocated to guarantees issued of a financial nature. For comparative purposes an adjustment of the previous year's figures has been carried out.

2. Assets pledged as a guarantee of own liabilities and commitments

Portfolios	31/12/2009	31/12/2008
1. Financial assets held for trading	243,131	255,488
2. Financial assets carried at fair value	-	-
3. Available-for-sale financial assets	-	-
4. Financial assets held to maturity	-	-
5. Due from banks	-	-
6. Loans to customers	-	-
7. Tangible assets	-	-

4. Management and brokerage on behalf of third parties

Type of service	Amount
1. Order execution on behalf of customers	**-**
a) Purchases	-
1. Settled	-
2. Not settled	-
b) Sales	-
1. Settled	-
2. Not settled	-
2. Portfolio management	**-**
a) Individual	-
b) Collective	-
3. Custody and administration of securities	**7,441,997**
a) Third party securities held on deposit: related to depositary bank services (excluding assets under management)	2,522,090
1. securities issued by the bank preparing the financial statements	1,828,690
2. other securities	693,400
b) Third party securities held on deposit (excluding assets under management): other	36,380
1. securities issued by the bank preparing the financial statements	26,662
2. other securities	9,718
c) Third party securities deposited with third parties	2,489,262
d) Treasury securities deposited with third parties	2,394,265
4. Other transactions	**-**

PART C

INFORMATION ON THE INCOME STATEMENT

SECTION 1 – Interest – Items 10 and 20

1.1 Interest income and similar income: breakdown

Items/Technical form	Debt securities	Loans	Other transactions	**31/12/2009**	**31/12/2008**
1. Financial assets held for trading	8,494	-	4,226	12,720	14,412
2. Available-for-sale financial assets	1,522	-	-	1,522	1,515
3. Financial assets held until maturity	534	-	-	534	330
4. Due from banks	-	988	-	988	2,759
5. Loans to customers	-	180,478	-	180,478	273,371
6. Financial assets carried at fair value	-	-	-	-	-
7. Hedges	X	X	-	-	-
8. Other assets	X	X	51	51	166
Total	**10,550**	**181,466**	**4,277**	**196,293**	**292,553**

Interest on impaired positions came to 10,646 thousand Euro.

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets in foreign currency

	31/12/2009	**31/12/2008**
a) on assets in foreign currency	2,402	3,567

1.4 Interest expense and similar charges: breakdown

Items/Technical form	Payables	Securities	Other transactions	**31/12/2009**	**31/12/2008**
1. Due to central banks	225	X	-	225	-
2. Due to banks	3,064	X	-	3,064	14,489
3. Due to customers	16,490	X	-	16,490	47,422
4. Outstanding securities	X	33,761	-	33,761	75,389
5. Financial liabilities from trading	-	-	-	-	6,104
6. Financial liabilities carried at fair value	-	14,974	-	14,974	18,743
7. Other liabilities and funds	X	X	-	-	-
8. Hedges	X	X	-	-	-
Total	**19,779**	**48,735**	**-**	**68,514**	**162,147**

Some items have been reallocated according to the terms for drawing up the Financial Statements.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities in currency

	31/12/2009	**31/12/2008**
a) on assets in foreign currency	273	1,019

1.6.2 Interest expense on liabilities for finance lease transactions

	31/12/2009	**31/12/2008**
a) on liabilities for finance leasing transactions	-	489

SECTION 2 – Commission – Items 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31/12/2009	31/12/2008
a) Guarantees issued	**2,350**	**2,411**
b) Credit derivatives	**-**	**-**
c) Management, brokerage and consulting services:	**13,718**	**12,692**
1. trading of financial instruments	63	-
2. currency trading	486	391
3. portfolio management	-	1,578
3.1 individual	-	1,578
3.2 collective	-	-
4. custody and administration of securities	267	280
5. custodian bank	-	-
6. placement of securities	5,592	4,238
7. order receipt and transmission work	1,265	1,610
8. consulting activities	-	-
8.1 on investments	-	-
8.1 on financial structures	-	-
9. distribution of third party services:	6,045	4,595
9.1 portfolio management	-	551
9.1.1 individual	-	551
9.1.2 collective	-	-
9.2 insurance products	3,181	1,584
9.3 other products	2,864	2,460
d) Collection and payment services	**4,722**	**5,239**
e) Servicing for securitisation transactions	**-**	**-**
f) Factoring transaction services	**-**	**-**
g) Tax collection services	**-**	**-**
h) Managing multilateral trading systems	**-**	**-**
i) Maintaining and managing current accounts	**21,470**	**13,428**
j) Other services	**8,857**	**7,749**
Total	**51,117**	**41,519**

2.2 Commission income: distribution channels for products and services

Channels/Amounts	31/12/2009	31/12/2008
a) At own branches:	**11,637**	**10,411**
1. portfolio management	-	1,578
2. placement of securities	5,592	4,238
3. third party services and products	6,045	4,595
b) Door-to-door sales:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-
c) Other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-

2.3 Commission expense: breakdown

Services/Amounts	31/12/2009	31/12/2008
a) Guarantees received	**17**	**9**
b) Credit derivatives	**-**	**-**
c) Management and brokerage services:	**731**	**917**
1. trading of financial instruments	422	505
2. currency trading	76	66
3. portfolio management:	-	-
3.1 own	-	-
3.2 on behalf of third parties	-	-
4. custody and administration of securities	233	212
5. placement of financial instruments	-	134
6. external supply of financial instruments, products and services	-	-
d) Collection and payment services	**445**	**526**
e) Other services	**3,595**	**4,122**
1. transmission duties for cash point card details, POS	1,940	1,958
2. transmission duties for the bank network	732	1,087
3. other	923	1,077
Total	**4,788**	**5,574**

SECTION 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Amounts	31/12/2009		31/12/2008	
	Dividends	Income from UCITS	Dividends	Income from UCITS
A. Financial assets held for trading	123	-	124	-
B. Available-for-sale financial assets	330	3,851	460	-
C. Financial assets carried at fair value	-	-	-	-
D. Equity investments	74	X	4,111	X
Total	**527**	**3,851**	**4,695**	**-**

SECTION 4 – Net income from trading activities - Item 80

4.1 Net income from trading activities: breakdown

Transactions/ Income components	Capital Gains (A)	Profit from trading (B)	Capital Losses (C)	Losses from trading (D)	**Net result [(A+B) - (C+D)]**
1. Financial assets for trading	**3,581**	**5,459**	**(1,056)**	**(936)**	**7,048**
1.1 Debt securities	3,578	3,531	(808)	(509)	5,792
1.2 Equity securities	-	-	-	-	-
1.3 UCITS units	3	827	(248)	(427)	155
1.4 Loans	-	-	-	-	-
1.5 Other	-	1,101	-	-	1,101
2. Financial liabilities from trading:	**-**	**-**	**-**	**-**	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**14,111**	**14,048**	**(14,777)**	**(14,427)**	**(872)**
4.1 Financial derivatives:	14,111	14,048	(14,777)	(14,427)	(872)
- on loan instruments and interest rates	13,986	11,417	(14,776)	(11,640)	(1,013)
- on equity securities and share indices	125	2,631	(1)	(2,787)	(32)
- on currency and gold	X	X	X	X	173
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**17,692**	**19,507**	**(15,833)**	**(15,363)**	**6,176**

SECTION 5 – Net income from hedging activities – Item 90

This section has not been completed.

SECTION 6 – Profit (Loss) from sale/repurchase – Item 100

6.1 Profit/Loss from sale/repurchase: breakdown

Items/Income components	31/12/2009			31/12/2008		
	Profit	Loss	**Net income**	Profit	Loss	**Net income**
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for sale financial assets	1,537	(2,743)	(1,206)	-	(31)	(31)
3.1 Debt securities	417	(410)	7	-	(3)	(3)
3.2 Equity securities	18	(64)	(46)	-	-	-
3.3 UCITS units	1,102	(2,269)	(1,167)	-	(28)	(28)
3.4 Loans	-	-	-	-	-	-
4. Financial assets held until maturity	28	-	28	-	-	-
Total assets	**1,565**	**(2,743)**	**(1,178)**	**-**	**(31)**	**(31)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	384	(22)	362	363	-	363
Total liabilities	**384**	**(22)**	**362**	**363**	**-**	**363**

SECTION 7 – Net income from financial assets and liabilities carried at fair value – Item 110

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

Transactions/ Income components	Capital Gains (A)	Income from encashment (B)	Capital Losses (C)	Losses from encashment (D)	**Net result [(A+B) - (C+D)]**
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**276**	**237**	**(6,571)**	**(422)**	**(6,480)**
2.1 Debt securities	276	237	(6,347)	(422)	(6,256)
2.2 Due to banks	-	-	(224)	-	(224)
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	X	X	X	X	-
4. Financial and credit derivatives	**7,047**	-	(486)	-	6,561
Total	**7,323**	**237**	**(7,057)**	**(422)**	**81**

SECTION 8 – Net value adjustments/write-backs due to impairment – Item 130

8.1 Net value adjustments for impairment of receivables: breakdown

Transactions/ Income components	**Value adjustments**			**Write-backs**				**31/12/2009**	**31/12/2008**
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Due from banks	-	-	-	-	-	-	-	-	**-**
- Loans	-	-	-	-	-	-	-	-	**-**
- Debt securities	-	-	-	-	-	-	-	-	**-**
B. Loans to customers	**(8,554)**	**(28,909)**	**-**	**4,404**	**9,226**	**-**	**-**	**(23,833)**	**(13,212)**
- Loans	(8,554)	(28,909)	-	4,404	9,226	-	-	**(23,833)**	**(13,212)**
- Debt securities	-	-	-	-	-	-	-	-	**-**
C. Total	**(8,554)**	**(28,909)**	**-**	**4,404**	**9,226**	**-**	**-**	**(23,833)**	**(13,212)**

"Write-backs – from interest" includes write-backs due to the passage of time, corresponding to interest matured during the year based on the original interest rate used previously to calculate value adjustments.

8.2 Net value adjustments for impairment of available-for-sale financial assets

Transactions/ Income components	**Value adjustments**		**Write-backs**		**31/12/2009**	**31/12/2008**
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	-	-	-	**-**	**-**
B. Equity securities	-		X	X	**-**	**(52)**
C. UCITS units	-	-	X	-	**-**	**-**
D. Loans to banks	-	-	-	-	**-**	**-**
E. Loans to customers	-	-	-	-	**-**	**-**
F. Total	**-**	**-**	**-**	**-**	**-**	**(52)**

8.4 Net value adjustments for impairment of other financial transactions: breakdown

Transactions/ Income components	Value adjustments			Write-backs				31/12/2009	31/12/2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Guarantees issued	-	(442)	-	-	283	-	-	**(159)**	**(544)**
B. Credit derivatives	-	-	-	-	-	-	-	**-**	**-**
C. Commitments to disburse funds	-	-	-	-	-	-	-	**-**	**-**
D. Other transactions	-	-	-	-	-	-	-	**-**	**-**
E. Total	**-**	**(442)**	**-**	**-**	**283**	**-**	**-**	**(159)**	**(544)**

SECTION 9 – Administrative costs – Item 150

9.1 Personnel costs: breakdown

Type of cost/Amounts	31/12/2009	31/12/2008
1) Employees	68,338	64,389
a) wages and salaries	48,183	44,078
b) social security costs	12,822	12,076
c) staff severance indemnities	-	-
d) pension costs	5	5
e) provisions to staff severance indemnities	3,519	4,720
f) provisions for pension fund and similar commitments:	-	-
- to defined contribution plans	-	-
- to defined benefit plans	-	-
g) payments to additional external pension funds:	2,645	2,429
- to defined contribution plans	2,645	2,429
- to defined benefit plans	-	-
h) costs resulting from payment agreements based on own equity instruments	-	-
i) other employee benefits	1,164	1,081
2) Other working staff	-	7
3) Directors and auditors	787	773
4) Laid-off personnel	-	-
5) Cost recovery for employees seconded to other companies	-	-
6) Cost reimbursement for third party staff seconded to the company	-	-
Total	**69,125**	**65,169**

9.2 Average number of employees per category

	31/12/2009	31/12/2008
1. **Employees**	**1,090**	**1,009**
a) Senior managers	32	30
b) Line managers	343	297
c) Remaining employees	715	682
2. **Other employees**	-	-
Total	**1,090**	**1,009**

9.5 Other administrative costs: breakdown

Type of cost/Amounts	**31/12/2009**	**31/12/2008**
1. Equipment and software leasing charges	1,027	904
2. Vehicle circulation and travel/accommodation reimbursements	1,043	1,060
3. Fees for professional services	3,279	2,238
4. Membership fees	378	320
5. SEC (consortium data processing centre) management costs	7,202	7,852
6. Donations	239	244
7. Property rental	4,390	3,621
8. Stamp duty and tax on stock exchange contracts	6,414	6,511
9. Indirect taxes	379	339
10. Loss on amounts due from Deposit Protection Fund	-	-
11. Insurance premiums	1,011	1,088
12. Transport	816	753
13. Security services	861	753
14. Electricity, heating and condominium fees	1,933	1,287
15. Training and luncheon voucher costs	1,880	1,582
16. Office supplies	1,036	1,054
17. Investigation and commercial information	1,155	975
18. Legal fees for credit collection	1,435	1,100
19. Property, furniture and plant maintenance	3,601	2,973
20. Advertising and entertainment	3,983	4,382
21. Office cleaning	1,511	1,316
22. Telephone, postal, data transmission and telex	2,619	2,666
23. Taxes and duties	1,654	1,700
24. Other costs	252	263
Total	**48,098**	**44,981**

SECTION 10 – Net allocations to provisions for risks and charges – Item 160

10.1 Net allocations to provisions for risks and charges: breakdown

	31/12/2009	31/12/2008
a) Provision for civil disputes, Revocatory bankruptcy action and other charges	309	647
Total	**309**	**647**

This item amounts to 309 thousand Euro and comprises a prudential provision against customer and supply complaints.

SECTION 11 – Net value adjustments /write-backs of tangible assets – Item 170

11.1 Net value adjustments of tangible assets: breakdown

Asset/Income component	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	**Net result (a+b-c)**
A. Tangible assets				
A.1 Owned	(11,329)	-	-	(11,329)
- for functional use	(11,329)	-	-	(11,329)
- for investment	-	-	-	-
A.2 Purchased on a finance lease	-	-	-	-
- for functional use	-	-	-	-
- for investment	-	-	-	-
Total	**(11,329)**	**-**	**-**	**(11,329)**

SECTION 12 – Net value adjustments /write-backs of intangible assets – Item 180

12.1 Net value adjustments of intangible assets: breakdown

Asset/Income component	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	**Net result (a+b-c)**
A. Intangible assets				
A.1 Owned	(2,029)	-	-	(2,029)
- generated internally by the company	-	-	-	-
- other	(2,029)	-	-	(2,029)
A.2 Purchased on a finance lease	-	-	-	-
Total	**(2,029)**	**-**	**-**	**(2,029)**

SECTION 13 – Other operating income and costs – Item 190

13.1 Other operating costs: breakdown

	31/12/2009	31/12/2008
1. Cash, material and operating differences	(109)	(822)
2. Other costs	(2,221)	(453)
Total	**(2,330)**	**(1,275)**

13.2 Other operating income: breakdown

	31/12/2009	31/12/2008
1. Property rental	248	263
2. Recovery of management costs	2,753	4,442
3. Charges to third parties for various recoveries	7,429	7,619
4. Other income	4,447	653
Total	**14,877**	**12,977**

SECTION 14 – Profit (Loss) on equity investments – Item 210

This section has not been completed.

SECTION 15 – Net income from measurement at fair value of tangible and intangible assets – Item 220

This section has not been completed.

SECTION 16 – Value adjustments to goodwill – Item 230

This section has not been completed.

SECTION 17 – Profit (Loss) on disposal of investments – Item 240

17.1 Profit (Loss) on disposal of investments: breakdown

Income component/Amounts		**31/12/2009**	**31/12/2008**
A.	Property	-	-
	- Profit from disposals	-	-
	- Loss on disposals	-	-
B.	Other assets	19	71
	- Profit from disposals	36	71
	- Loss on disposals	(17)	-
	Net income	**19**	**71**

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

18.1 Income tax for the year on current operations: breakdown

Income component/Amounts	IRES	IRAP	31/12/2009	31/12/2008
1. Current taxes (-)	(14,486)	(4,004)	(18,490)	(22,232)
2. Changes in current taxes compared to previous years (+/-)	675	89	764	-
3. Reduction in current taxes for the year (+)	-	-	-	-
4. Changes in deferred tax assets (+/-)	3,258	(21)	3,237	(3,661)
5. Changes in deferred tax liabilities (+/-)	(823)	(96)	(919)	15,000
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**(11,376)**	**(4,032)**	**(15,408)**	**(10,893)**

18.2 Reconciliation between theoretical tax and tax recorded on the financial statements

	IRES	%
IRES tax with application of nominal rate	**11,443**	***27.50%***
Tax-free losses on equity investments	18	*0.04%*
Non-deductible interest expense	732	*1.76%*
Non-deductible costs	287	*0.69%*
Total tax effect of increases	**1,037**	***2.49%***
Dividends	(105)	*-0.25%*
Other decreases	(964)	*-2.31%*
Total tax effect of decreases	**(1,069)**	***-2.56%***
IRES tax charged to the income statement	**11,411**	***27.43%***

	IRAP	%
IRAP tax with application of nominal rate	**1,498**	***3.60%***
Personnel costs	1,968	*4.73%*
Net value adjustments for impairment	864	*2.08%*
Non-deductible interest expense	99	*0.24%*
Other increases	303	*0.73%*
Total tax effect of increases	**3,234**	***7.78%***
Dividends	(9)	*-0.02%*
Other decreases	(726)	*-1.74%*
Total tax effect of decreases	**(735)**	***-1.76%***
IRAP tax charged to the income statement	**3,997**	***9.62%***

Income tax recorded in the income statement totalled 15.4 million Euro, benefiting from a positive effect of approximately 0.8 million Euro following cancellation of deferred/prepaid taxes after applying the explanations in Circular no. 33 from the Inland Revenue dated 10 July 2009 on the provisions of art. 15, subsection 3 of Italian Decree Law 185/2008, converted to Law 2/2009 with amendments.
The standardised tax rate for the period was 38.9% (calculated net of tax exemption which led to a positive effect of 1.9 percentage points on the ordinary tax rate), whereas the comparison figure for 2008 was 37.0%.

IAS 12 Income Taxes states:
- any changes as a result of amendment to tax parameters are recorded to the income statement, except where the changes concern items with a corresponding entry under shareholders' equity, in which case the latter amount is recognised (paragraph 60);
- deferred tax assets and liabilities are reviewed each year to take account of all events occurring during the year. Specifically, changes may occur as a result of changes in the underlying temporary differences (new transactions, amortisation/depreciation or write-down of existing transactions, etc.) both after changes in the physical calculation parameters (amendments to tax regulations, tax rate changes, etc.) (paragraphs 56, 60).

The Bank has recorded
- as a corresponding entry in the income statement of tax assets and liabilities for which changes are recorded – consistent with IAS/IFRS – to the income statement.
- as a corresponding entry under shareholders' equity of tax assets and liabilities for which changes are recorded – consistent with IAS/IFRS – to shareholders' equity (e.g. available-for-sale securities).

As at the end of 2009, the Bank's tax position was as follows:
With regard to VAT and all direct and indirect taxes, no inspections are underway, nor has any legal action been taken against the company.

SECTION 19 – Profit (Loss) of groups of assets being disposed of net of tax – Item 280

This section has not been completed.

SECTION 20 – Other information

Collection of receivables on behalf of third parties: credit and debit adjustments

		31/12/2009	31/12/2008
a)	**“Debit” adjustments**	**353,757**	**419,613**
	1. Current accounts	82,960	92,675
	2. Central portfolio	265,637	318,287
	3. Cash on Hand	4,585	7,992
	4. Other accounts	575	659
b)	**“Credit” adjustments**	**398,711**	**464,942**
	1. Current accounts	139,300	151,485
	2. Assignment of bills and documents	258,566	312,867
	3. Other accounts	845	590

SECTION 21 – Earnings per share

The information required in this section and envisaged by IAS 33 Earnings per share, is only compulsory for listed companies, a category to which the Bank does not belong, as its shares are not listed on a regulated market such as the Stock Exchange.
In any event, it should be noted that the base earnings per share, calculated by dividing net income by the weighted average of ordinary shares in circulation, is 0.76 Euro (2008: 0.97 Euro).
Without considering the impact of dilution, diluted EPS is also assumed to be an equal value.

PART D

COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Income taxes	Net amount
10.	**Profit (loss) for the year**	**X**	**X**	**26,202**
	Other income items			
20.	Available-for-sale financial assets	4,030	(1,239)	2,791
	a) changes in fair value	2,261	(676)	1,585
	b) reallocations to income statement	1,769	(563)	1,206
	- impairment adjustments	-	-	-
	- profit/loss from disposal	1,769	(563)	1,206
	c) other changes	-	-	-
30.	Tangible assets			
40.	Intangible assets			
50.	Foreign investment hedges			
	a) changes in fair value			
	b) reallocations to income statement			
	c) other changes			
60.	Cash flow hedges			
	a) changes in fair value			
	b) reallocations to income statement			
	c) other changes			
70.	Exchange differences			
	a) changes in value			
	b) reallocations to income statement			
	c) other changes			
80.	Non-current assets being disposed of			
	a) changes in fair value			
	b) reallocations to income statement			
	c) other changes			
90.	Actuarial profit (loss) on defined benefit plans			
100.	Proportion of the equity valuation reserve carried at equity			
	a) changes in fair value			
	b) reallocations to income statement			
	- impairment adjustments			
	- profit/loss from disposal			
	c) other changes			
110.	**Total other income items**	**4,030**	**(1,239)**	**2,791**
120.	**Comprehensive income (Item 10+110)**	**4,030**	**(1,239)**	**28,993**

PART E

INFORMATION ON RISK AND RELATED HEDGING POLICIES

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. General considerations

The Bank's credit business offers support in the growth and consolidation of small and medium enterprises and assistance in family financing needs, with the dual aim of providing financial support in the development of local economies in areas covered by the Bank and of becoming a well-known, competent and reliable contact for the customers.

The credit policy adopted during the year was, in keeping with the general principles illustrated previously, marked by responding to the financing needs of private individuals and companies, always with special focus on the risk-yield ratio and the presence of adequate hedging, including via mortgages, particularly in relation to medium-long term exposures.

With regard to private customers, development activity concentrated on mortgages and personal loans, for which the Bank has a complete, wide-ranging product mix.

For small enterprises, on the other hand, demand concentrated mainly on short-term commitments, characterised by a high degree of risk spreading, whilst for medium and large enterprises the Bank increased its medium-term lending, particularly with regard to loans backed by real guarantees. For risk spreading purposes, pool loans were adopted for significant amounts.
Special focus was targeted on the selection of economic sectors, preferring those considered less at risk. In addition, support provided to companies by means of special finance transactions, such as project financing, managed and monitored in terms of progress and release by means of a specific IT procedure.

In general, the credit portfolio is monitored with a view to a broad diversification of economic and geographical business segments (Alto Adige, Trentino, provinces of Belluno, Treviso and Venice), so as to mitigate the effect of any crisis situation. Strict and timely controls were also applied to significant exposures, taking into account all legal and economic ties between the counterparties in order to keep these within limits that do not jeopardise the bank's equity and economic position in any manner.

In any event, the credit policy is guided by a prudential approach and aims to establish key customer relationships of mutual trust and transparency in order to guarantee long-term, customised relations.

2. Credit risk management policies

2.1 Organisational aspects

Credit risk is the risk of incurring losses due to default by the counterparty or the risk that counterparty fails to meet obligations (specifically with regard to failure to repay loans). This is one of the Bank's main risk factors, affecting all financial activities, in particular loans, securities and all committed facilities in relation to guarantees issued or as funding for distribution commitments. Its analysis mainly involves quality profiles of the debtors and risk concentration.

From an organisational point of view, special credit risk monitoring departments have been created and are governed in such a way as to guarantee performance of the various supervisory controls, as specified in the Regulatory Instructions (Title IV, Chapter 11, Section II). Specifically, internal measures aim to clearly define activities, roles and responsibilities and to ensure necessary separation of operational and control departments. With the introduction as at the end of 2009 of the "BPAA risk management policy" the Credit Risk Committee was formed and set to work analysing and addressing all credit risk management policies each quarter. The Policy clearly defines the purpose and responsibility of all the organisational units involved in the process of credit risk management.

Each type of task is supported by appropriate IT procedures. Essentially, the credit risk monitoring processes comprise:
- "line controls", credit limit excess and unpaid instalment verification performed by branches by means of special procedures and periodic progress report analysis;
- "special monitoring", performed by the Credit Control Service, with the aim of preventing insolvency mainly by taking preventive action to resolve anomalies. The Service carried out the monitoring of the positions classed as "under observation", "past due", "impaired" and "restructured", stimulating the regular management of risk intended to avoid the relationship going into impairment.
- audits performed by Area/Internal Auditing Staff as part of their direct and remote auditing duties, for the purpose of verifying credit quality, accuracy of procedures and conscious decision-making by the relevant departments responsible for allocating and managing credit.

The control and monitoring of non-performing financial assets is handled by the following specific company departments:
- the Credit Control Service reports to the Central Loans Department and is composed of staff based at Central Office with the task of identifying positions that show signs of anomaly, placing them on the watch-list if necessary, and proposing rescheduling or classification as problem loans.
- the Service for Bad Debts forms part of the Legal Section of the Planning and Control Department. This department is made up of in-house legal advisors and staff with administrative and accounting duties involving the control of non-performing positions (court and out-of-court credit collection action).

2.2 Management, measurement and monitoring systems

The first and most important stage in credit risk measurement and management is performed at the time of allocation and during its annual review, particularly during the preliminary process to assess the credit rating of the borrower.

In Banca Popolare dell'Alto Adige the preliminary stages of the loan set-up process consist in the

following:
- collection of assessment elements and all documentation necessary to allow analysis of the potential credit line, also with reference to date from external databases;
- analysis of material collected to reach a final credit rating.

The verifications/analysis performed on the applicant are likewise performed on any guarantors and, in the event of joint signatory, on other signatories.

For private individuals and small business customers, all branches of the Banca Popolare dell'Alto Adige have a distribution rating system, i.e. an IT tool to verify credit ratings during the allocation stage of new credit lines, making use of internal and external IT sources integrated with the computerised credit line file. The decision whether or not to allocate the credit line as requested to this type of customer is in any event the responsibility of the branch or area office unless the amount is excessively high. For large amounts and/or rating of small amounts granted, the decision lies with the Central Offices (Credit Management, General Management, Internal Loans Committee, Central Credit Committee, Board of Directors), in accordance with Bank regulations on credit.

The decision to allocate credit to companies/institutional customers instead falls to credit managers up to an agreed maximum, or to the central offices mentioned previously if the amounts involved are higher. Credit line proposals for such customers must be accompanied by the Credit Department technical opinion formulated by the Credit Laboratory, a section of the Credit Department providing preliminary procedures, analysis, assessment and the administrative management of credit line files to the network, including special lending and credit, and guaranteeing the observance of both internal and external regulations.

The positions all become subject to periodic review to verify that customer and guarantor are still solvent compared to situations existing at investigation stage, the validity and degree of guarantee cover and the profitability of economic terms applied compared with the risk profile.

Among the credit risk monitoring and management tasks, use of the internal rating system is particularly important in allowing credit managers to verify developments in customer credit ratings and quickly identify positions under their control that show a drop in the rating.

The system is based on the calculation of a “performance rating” for each customer. By analysing all customers, both private and corporate, on a monthly basis using performance monitoring methodologies that take into account internal and system date, each customer is assigned a rating on a scale of 12 increasing risk levels (AAA, AA, A, BBB, BB, B, CCC, CC, C, DDD, DD and D+).

The data managed by the internal rating system is subject to constant analysis and verification by the Risk Management Department, particularly to measure and verify the system’s predictive capacity for all customer types by means of appropriate statistical approaches. In 2009 the system proved to have a good, stable capacity to discriminate between “good” and “bad” customers and the capacity to act quickly to change their behaviour and/or economic status/position.

The internal rating system is also used for PD calculation (probability of default) of individual rating classifications, i.e. the likelihood that a position with a given rating becomes insolvent (watch-list or bad debt) within one year. This rating depends only on counterparty characteristics and conduct, and not on the nature or quality of the guarantees granted. As at 31 December 2009 the overall loans portfolio PD was estimated to be 2.1%, whilst the average over the year was 1.86%.

The loans portfolio is also subject to stress testing to assess the potential effects of exceptional changes in one or more risk factors. The simulations consider the effects deriving from negative changes in individual risk factors (sensitivity analysis) or negative changes simultaneously on more than one risk factor (scenario or crash-test analysis).

With regard to exposure and concentration limits, it should be emphasised that the absolute credit limit that can be agreed per business group, individual non-banking counterparty or member of the banking group is established as 10% of the Regulatory Capital. This limit can however be raised at the complete discretion of the Board of Directors. Nonetheless, obligations imposed by current supervisory regulations of the Bank of Italy on maximum individual and group credit limits obviously remain binding. In 2009, significant exposure analysis showed that none of these limits had been exceeded.

All loans portfolio risk analyses and data are produced in a detailed quarterly report issued by the Risk Management Department, submitted for discussion and resolution by Credit Risk Committee, the Risk Committee and then the Board of Directors. The quarterly credit risk report drafted by the Bank's Board of Directors plays an increasingly important role and is a tool to monitor performance of the Bank's credit business and related risks, and to monitor observance of the objectives and guidelines defined in the Bank's medium/long-term strategic plan. Amongst other things, it contains the risk index assessments (insolvency probability and estimated losses), the calculation methods adopted and scenario analyses to verify loans portfolio behaviour should unexpected events occur.

The quantitative and qualitative assessments of the breakdown and level of risk of the loans portfolio are therefore used as the Bank's main credit policy guidelines, in the adoption of appropriate operational and control measures for the central and secondary offices.
The internal rating system is intended for management purposes and is not used to calculate the asset requirements on credit risk on which, on the other hand, the standard approach is adopted for the purpose of reporting vigilance to the Bank of Italy.

2.3 Credit risk mitigation techniques

To mitigate credit risk, the Bank uses all the main forms of guarantees typical of banking activities, both real and personal.

The main real guarantees acquired by the Bank are:
- mortgages on property
- pledges in cash or a variety of securities (treasury securities, bonds, investment funds, assets under management, insurance policies, certificates of deposit, securities in foreign currency, etc.).

With regard to management methods, the above-mentioned guarantees are acquired by means of a standard pledge agreement and by notary deed (for mortgages), and included in the electronic "Credit and Guarantees" procedure to allow their computerised management, control and monitoring.

Personal guarantees are mainly issued by:
- individuals in favour of companies in which they are shareholders and/or directors;

- individuals in favour of family members;
- credit syndicates in favour of their associate companies/firms (subsequent to agreements stipulated with the Bank).

To a more limited extent, there are also personal guarantees by companies in favour of subsidiaries/associated companies and by financial institutions primarily in favour of companies.

An analysis of guarantee characteristics shows no particular degree of concentration of the various hedging/guarantee formats as the guarantees obtained, except in special cases, are essentially considered as "specific" to each individual position. Furthermore, in general, there are no contractual restrictions that could undermine their legal validity.

To conclude, as verification of the legal and operational effectiveness of the guarantees, an IT/organisational/legal system is used (computerised credit line file) providing online texts and help on the various guarantees in accordance with Italian Bankers' Association (ABI) regulations, including:

- operating procedures governed by national law, pronouncing and establishing regulations on values attributable to guarantees obtained (appraisals, confirmation/verification/monitoring of events with mass land registry searches, real-time online assessment of listed securities, etc.)
- verification of signature authenticity on the various guarantees (from company documents, “signed in the presence of” bank officers, confirmation by notary deed, etc.).

Adoption of the Credit Risk Mitigation methods to calculate the Bank’s regulatory capital in accordance with Basel II led to the accurate definition of forecasting, valuation and period revaluation process for property used as mortgage guarantees in order to fully observe the eligibility criteria of such guarantees.

2.4 Impaired financial assets

All debtors for whom particularly serious signals or events occur are defined as “impaired’, and in turn allocated to one of the following categories according to level of impairment:

- *non-performing*, inclusion of positions under this category regards bankrupt entities, even if not yet legally confirmed, or in an essentially equivalent position, as a result of which legal or other action is taken to replan or recover the exposure.

- *watch-list*, positions marked by ongoing anomalies regarding performance (persistent exceeding of limits, instalments in arrears, zero movement, etc.) and/or system-related (prejudicial action such as injunction orders, seizure, mortgage foreclosure, etc., drastic deterioration in the financial and/or profitability or financial statements position, lack of funds for reimbursement), from which it could be presumed that the debtor is in real difficulty, also with the risk of insolvency, that could however be recovered in a reasonable period of time. All positions which according to the Bank of Italy (Circular no. 272 of 30/7/2008) should be considered as objective watchlist positions are included in this category, i.e.:
    - loans to natural persons 100% backed by mortgage guarantees granted for the purchase of homes, property for residential use or leased to the debtor, after issue of the foreclosure notice to the debtor;

- outstanding loans remaining unpaid for more than 270 days and the total of which (before or after the 270 days) is at least 10% of the entire exposure recorded for that debtor.

- *restructured*, positions for which, in granting a moratorium for settlement of the debt, the Bank allows modification of the original contractual terms and involve a loss.

- *past due*, positions that a continued uncovered situation of greater than 90/180 days, in accordance with the Bank of Italy standards (Circular no. 263 dated 27/12/2006 as later updated).

As already described in the section on organisational aspects, alongside the sales network impaired credit not classed as a bad debt is also monitored by the Credit Control Service, whose mission is essentially "insolvency prevention".

Specifically, the steps to be taken for positions classed as watchlist include:
- immediate review of the position and any related positions (guarantor, affiliated, partner, associate companies), updating the relevant documentation
- review of the terms applied in order to take into account the debtor's deteriorated risk profile
- verification of the quality and total of guarantees issued
- set-up of a restructuring plan with the aim of returning the position to performing and of improving guarantees through the definition of a recovery plan submitted to the appropriate internal body for decision.

In this context, 2009 saw the completion of an early warning project which will operate alongside the performance rating and the classification and management process for problem customers with daily and therefore more rapid system output and automatic flagging of problem situations as they arise. The project shall be fully completed in 2010.

The Bank's management of non-performing loans and credit collection is handled by the Service for Bad Debts, a department which for legal action makes use of specialist internal staff and a specific IT procedure for accounting procedures.
Debt collection activity is proactive and aims to optimise legal proceedings and maximise the financial result. In particular, with regard to assessment of the initiatives to be taken, in-house legal advisors prefer out-of-court action, often with recourse to settlement agreements, which have a positive impact on collection times and the level of costs sustained. Where the time involved means this solution would be unreasonable, especially for more significant positions and positions in which a higher level of collection can be expected, external legal advisors are appointed to instigate legal action which always constitutes a valid and fundamental coercive means to the debtor and a tool to resolve litigation. Credit that is minimal, irrecoverable or difficult to collect is generally treated en masse and subjected to disposal transactions without recourse, given that legal action would be considered uneconomic in cost-benefit terms, or is assigned to a specialist credit collection company.

For financial statements purposes, bad debts are subject to analytical assessment to define provisions for expected losses. For each position, and for each relationship within the position, the extent of the expected loss is analytically calculated on the basis of debtor solvency, the type of guarantee, the current status of proceedings taken and, above all, on the value of the guarantees. The estimates are always calculated using maximum prudence criteria and performed or validated by qualified internal personnel, organisationally independent of the credit disbursement/assessment/collection processes. In addition, these always take into account the need to realise the asset immediately and, following the introduction of IAS 39, are subject to cash discounting criteria.

The correct implementation of non-performing loan management and assessment is also ensured by periodic audits performed both internally, by the Area/Internal Auditing Staff, and externally by the Board of Statutory Auditors and independent auditors.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING LOAN EXPOSURES: BALANCES, VALUE ADJUSTMENTS, CHANGES, ECONOMIC AND GEOGRAPHIC DISTRIBUTION

A.1.1 Financial exposure distribution by related portfolio and by credit quality (book values)

Portfolio/Quality	Non-performing	Problem loans	Restructured exposures	Exposures past due	Other assets	**Total**
1. Financial assets held for trading	-	-	-	-	258,923	**258,923**
2. Available-for-sale financial assets	-	-	-	-	47,474	**47,474**
3. Financial assets held until maturity	-	-	-	-	11,416	**11,416**
4. Due from banks	-	-	-	-	51,629	**51,629**
5. Loans to customers	96,452	135,098	4,012	76,024	4,126,504	**4,438,090**
6. Financial assets carried at fair value	-	-	-	-	-	**-**
7. Financial assets held for disposal	-	-	-	-	-	**-**
8. Hedges	-	-	-	-	-	**-**
Total as at 31/12/2009	**96,452**	**135,098**	**4,012**	**76,024**	**4,495,946**	**4,807,532**
Total as at 31/12/2008	**47,858**	**173,022**	**-**	**48,661**	**4,486,186**	**4,755,727**

A.1.2 Loan exposure distribution by related portfolio and by credit quality (gross and net values)

Portfolio/Quality	Impaired assets			Performing			**Total (net exposure)**
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	-	-	-	X	X	258,923	**258,923**
2. Available-for-sale financial assets	-	-	-	47,474	-	47,474	**47,474**
3. Financial assets held until maturity	-	-	-	11,416	-	11,416	**11,416**
4. Due from banks	-	-	-	51,629	-	51,629	**51,629**
5. Loans to customers	413,121	(101,535)	311,586	4,146,030	(19,526)	4,126,504	**4,438,090**
6. Financial assets carried at fair value	-	-	-	X	X	-	**-**
7. Financial assets held for disposal	-	-	-	-	-	-	**-**
8. Hedges	-	-	-	X	X	-	**-**
Total as at 31/12/2009	**413,121**	**(101,535)**	**311,586**	**4,476,420**	**(19,526)**	**4,495,946**	**4,807,532**
Total as at 31/12/2008	**345,602**	**(76,061)**	**269,541**	**4,508,887**	**(22,701)**	**4,486,186**	**4,755,727**

A.1.3 Cash and off-balance sheet loan exposure for amounts due from banks: gross and net values

	Exposure type/Values	Gross exposure	Specific value adjustments	Portfolio value adjustments	**Net exposure**
A.	**CASH EXPOSURE**				
a)	Non-performing	-	-	X	**-**
b)	Problem loans	-	-	X	**-**
c)	Restructured exposures	-	-	X	**-**
d)	Exposures past due	-	-	X	**-**
e)	Other assets	236,791	X	-	**236,791**
	TOTAL A	**236,791**	**-**	**-**	**236,791**
B.	**OFF-BALANCE SHEET EXPOSURES**				
a)	Impaired	-	-	X	**-**
b)	Other	18,146	X	-	**18,146**
	TOTAL B	**18,146**	**-**	**-**	**18,146**
	Total A+B	**254,937**	**-**	**-**	**254,937**

A.1.6 Cash and off-balance sheet exposure from loans to customers: gross and net values

	Exposure type/Values	Gross exposure	Specific value adjustments	Portfolio value adjustments	**Net exposure**
A.	**CASH EXPOSURE**				
a)	Non-performing	178,351	(81,899)	X	**96,452**
b)	Problem loans	149,164	(14,066)	X	**135,098**
c)	Restructured exposures	9,154	(5,142)	X	**4,012**
d)	Exposures past due	76,452	(428)	X	**76,024**
e)	Other assets	4,252,291	X	(19,526)	**4,232,765**
	TOTAL A	**4,665,412**	**(101,535)**	**(19,526)**	**4,544,351**
B.	**OFF-BALANCE SHEET EXPOSURES**				
a)	Impaired	9,816	-	X	**9,816**
b)	Other	646,380	X	-	**646,380**
	TOTAL B	**656,196**	**-**	**-**	**656,196**

A.1.7 Cash exposures from loans to customers: dynamics of gross impaired exposures

	Reasons/Categories	Non-performing	Problem loans	Restructured exposures	Exposures past due
A.	**Gross opening exposure**	**106,013**	**190,626**	**-**	**48,963**
	of which: exposures sold and not cancelled	1,128	4,697	**-**	2,063
B.	**Increases**	**104,628**	**78,194**	**9,215**	**88,243**
B.1	Income from performing loan exposure	31,326	53,279	**-**	84,080
B.2	Transferred from other categories of impaired exposures	60,476	21,301	9,103	-
B.3	Other increases	12,826	3,614	112	4,163
C.	**Decreases**	**32,290**	**119,656**	**61**	**60,754**
C.1	Transferred to performing loans	348	45,125	-	28,199
C.2	Write-offs	8,518	36	-	-
C.3	Collections	23,424	8,897	61	6,597
C.4	Sale proceeds	-	-	-	-
C.5	Transfers to other categories of impaired exposure	-	65,598	-	25,282
C.6	Other decreases	-	-	-	676
D.	**Gross closing exposure**	**178,351**	**149,164**	**9,154**	**76,452**
	of which: exposures sold and not cancelled	3,931	8,400	-	1,184

In order to comply with current regulations the gross initial exposure to impaired loans has been amended, which now also includes the interest portion. The same approach has been adopted in the following table A.1.8, in which the same have been entirely adjusted.

A.1.8 Cash exposures from loans to customers: changes in overall value adjustments

	Reasons/Categories	Non-performing	Problem loans	Restructured exposures	Exposures past due
A.	**Overall opening adjustments**	**58,155**	**17,604**	**-**	**303**
	of which: exposures sold and not cancelled	-	-	-	-
B.	**Increases**	**34,402**	**9,315**	**5,142**	**125**
B.1	Value adjustments	22,292	9,315	213	125
B.2	Transfers from other categories of impaired exposures	7,380	-	4,929	-
B.3	Other increases	4,730	-	-	-
C.	**Decreases**	**10,658**	**12,853**	**-**	**-**
C.1	Write-back from valuation	1,389	290	-	-
C.2	Write-back from collection	751	254	-	-
C.3	Write-offs	8,518	-	-	-
C.4	Transfers to other categories of impaired exposures	-	12,309	-	-
C.5	Other decreases	-	-	-	-
D.	**Overall closing adjustments**	**81,899**	**14,066**	**5,142**	**428**
	of which: exposures sold and not cancelled	-	-	-	-

A.2 EXPOSURE CLASSIFICATION BASED ON INTERNAL AND EXTERNAL RATINGS

No supporting information is provided for this section in that the total of externally-rated exposures is minimal.

A.3.2 Loan exposures to guaranteed customers

	Exposure Value	Real guarantees (1)			Personal guarantees (2)									Total (1) + (2)
						Credit derivatives				Credit commitments				
						Other derivatives								
		Property	Securities	Other real guarantees	CLN	Governments and central banks	Other public authorities	Banks	Other entities	Governments and central banks	Other public authorities	Banks	Other entities	
1. Guaranteed cash loan exposures	3,506,209	2,738,417	29,479	11,140	-	-	-	-	-	-	1,708	1,871	627,508	3,410,123
1.1 fully guaranteed	3,220,704	2,629,786	21,845	9,501	-	-	-	-	-	-	1,708	1,752	559,903	3,224,495
- including impaired	276,431	256,098	1,900	147	-	-	-	-	-	-	244	1,118	17,882	277,389
1.2 part guaranteed	285,505	108,631	7,634	1,639	-	-	-	-	-	-	-	119	67,605	185,628
- including impaired	17,694	5,591	306	-	-	-	-	-	-	-	-	119	9,823	15,839
2. Off balance sheet guaranteed loan exposures:	187,697	26,900	2,005	2,251	-	-	-	-	-	-	-	1,870	137,236	170,262
2.1 fully guaranteed	142,754	23,444	1,421	2,196	-	-	-	-	-	-	-	1,870	120,627	149,558
- including impaired	3,452	724	29	7	-	-	-	-	-	-	-	-	2,692	3,452
2.2 part guaranteed	44,943	3,456	584	55	-	-	-	-	-	-	-	-	16,609	20,704
- including impaired	335	-	41	-	-	-	-	-	-	-	-	-	252	293

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURE

B.1 Segment distribution of cash and off-balance sheet credit exposure from loans to customers (book value)

Exposures/counterparties	Governments			Other public authorities			Finance companies			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures																		
A.1 Non-performing	-	-	X	-	-	X	604	(258)	X	-	-	X	68,249	(62,090)	X	27,600	(19,551)	X
A.2 Problem loans	-	-	X	-	-	X	1,717	-	X	-	-	X	90,108	(12,103)	X	43,273	(1,963)	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	4,012	(4,805)	X	-	(337)	X
A.4 Exposures past due	-	-	X	-	-	X	3,982	(18)	X	-	-	X	56,205	(326)	X	15,838	(84)	X
A.5 Other exposures	60,234	X	-	1,719	X	(9)	129,029	X	(247)	30,060	X	(7)	2,389,521	X	(12,014)	1,622,201	X	(7,249)
Total A	**60,234**	**-**	**-**	**1,719**	**-**	**(9)**	**135,332**	**(276)**	**(247)**	**30,060**	**-**	**(7)**	**2,608,095**	**(79,324)**	**(12,014)**	**1,708,912**	**(21,935)**	**(7,249)**
B. Off balance sheet exposures																		
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	-	X	3,012	-	X	99	-	X
B.2 Problem loans	-	-	X	-	-	X	7	-	X	-	-	X	4,646	-	X	1.,91	-	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	255	-	X	5	-	X
B.5 Other exposures	6,755	X	-	2,705	X	-	17,056	X	-	-	X	-	455,017	X	-	164,848	X	-
Total B	**6,755**	**-**	**-**	**2,705**	**-**	**-**	**17,063**	**-**	**-**	**-**	**-**	**-**	**462,930**	**-**	**-**	**166,743**	**-**	**-**
Total as at 31/12/2009	**66,989**	**-**	**-**	**4,424**	**-**	**(9)**	**152,395**	**(276)**	**(247)**	**30,060**	**-**	**(7)**	**3,071,025**	**(79,324)**	**(12,014)**	**1,875,655**	**(21,935)**	**(7,249)**
Total as at 31/12/2008	**99,351**	**-**	**-**	**4,426**	**-**	**(8)**	**183,302**	**(728)**	**(352)**	**29,085**	**-**	**-**	**3,346,433**	**(42,978)**	**(15,843)**	**1,632,712**	**(12,642)**	**6,499**

B.2 Geographic distribution of cash and off-balance sheet credit exposure from loans to customers (book value)

Exposures/Geographic areas		ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	**Cash exposures**										
A.1	Non-performing	96,428	(81,808)	24	(91)	-	-	-	-	-	-
A.2	Problem loans	134,538	(13,769)	560	(298)	-	-	-	-	-	-
A.3	Restructured exposures	4,012	(5,142)	-	-	-	-	-	-	-	-
A.4	Exposures past due	72,319	(410)	3,705	(17)	-	-	-	-	-	-
A.5	Other exposure	4,168,705	(19,316)	59,746	(201)	4,225	(8)	89	(1)	-	-
TOTAL		**4,476,002**	**(120,445)**	**64,035**	**(607)**	**4,225**	**(8)**	**89**	**(1)**	**-**	**-**
B.	**Off balance sheet exposures**										
B.1	Non-performing	3,113	-	-	-	-	-	-	-	-	-
B.2	Problem loans	6,443	-	-	-	-	-	-	-	-	-
B.3	Other impaired assets	260	-	-	-	-	-	-	-	-	-
B.4	Other exposure	632,116	-	14,153	-	110	-	-	-	-	-
TOTAL		**641,932**	**-**	**14,153**	**-**	**110**	**-**	**-**	**-**	**-**	**-**
	Total as at 31/12/2009	**5,117,934**	**(120,445)**	**78,188**	**(607)**	**4,335**	**(8)**	**89**	**(1)**	**-**	**-**
	Total as at 31/12/2008	**5,095,674**	**(98,334)**	**182,374**	**(417)**	**17,263**	**(12)**	**-**	**-**	**-**	**-**

In the following table further details about the geographic area of Italy are set out.

Exposures/Geographic areas		NORTH WEST ITALY		NORTH EAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS		TOTAL	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	**Cash exposures**										
A.1	Non-performing	473	(687)	94,952	(79,575)	807	(904)	196	(642)	96,428	(81,808)
A.2	Problem loans	5,474	(1,391)	128,085	(11,963)	661	-	318	(415)	134,538	(13,769)
A.3	Restructured exposures	-	-	4,012	(5,142)	-	-	-	-	4,012	(5,142)
A.4	Exposures past due	3,151	(16)	68,314	(389)	850	(5)	4	-	72,319	(410)
A.5	Other exposure	147,630	(736)	3,930,474	(18,411)	79,097	(110)	11,504	(59)	4,168,705	(19,316)
TOTAL		**156,728**	**(2,830)**	**4,225,837**	**(115,480)**	**81,415**	**(1,019)**	**12,022**	**(1,116)**	**4,476,002**	**(120,445)**
B.	**Off balance sheet exposures**										
B.1	Non-performing	-	-	3,111	-	-	-	2	-	3,113	-
B.2	Problem loans	152	-	6,222	-	27	-	42	-	6,443	-
B.3	Other impaired assets	-	-	260	-	-	-	-	-	260	-
B.4	Other exposure	25,136	-	603,365	-	2,326	-	1,289	-	632,116	-
TOTAL		**25,288**	**-**	**612,958**	**-**	**2,353**	**-**	**1,333**	**-**	**641,932**	**-**
	Total as at 31/12/2009	**182,016**	**(2,830)**	**4,838,795**	**(115,480)**	**83,768**	**(1,019)**	**13,355**	**(1,116)**	**5,117,934**	**(120,445)**

B.3 Geographic distribution of cash and off-balance sheet credit exposure from loans to banks (book value)

Exposures/Geographic areas		ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	**Cash exposures**										
A.1	Non-performing	-	-	-	-	-	-	-	-	-	-
A.2	Problem loans	-	-	-	-	-	-	-	-	-	-
A.3	Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4	Exposures past due	-	-	-	-	-	-	-	-	-	-
A.5	Other exposure	106,748	-	115,863	-	6,893	-	3,610	-	3,677	-
TOTAL		**106,748**	**-**	**115,863**	**-**	**6,893**	**-**	**3,610**	**-**	**3,677**	**-**
B.	**Off balance sheet exposures**										
B.1	Non-performing	-	-	-	-	-	-	-	-	-	-
B.2	Problem loans	-	-	-	-	-	-	-	-	-	-
B.3	Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4	Other exposure	10,097	-	7,532	-	-	-	-	-	516	-
TOTAL		**10,097**	**-**	**7,532**	**-**	**-**	**-**	**-**	**-**	**516**	**-**
	Total as at 31/12/2009	**116,845**	**-**	**123,395**	**-**	**6,893**	**-**	**3,610**	**-**	**4,193**	**-**
	Total as at 31/12/2008	**175,442**	**-**	**84,953**	**-**	**7,120**	**-**	**30**	**-**	**10,658**	**-**

B.4 Significant exposures

		31/12/2009	**31/12/2008**
a)	total	61,553	290,949
b)	number	1	5

As at 31/12/2009 there was only one position that constituted a significant exposure for the amount of 61,553 thousand Euro.
As at 31/12/2008 there were 5 positions controlled by the Bank for a total of 290,949 thousand Euro.

C. SECURITISATION AND ASSET DISPOSAL TRANSACTIONS

C.1 SECURITISATION TRANSACTIONS

QUALITATIVE INFORMATION

Voba Finance

The first securitisation transaction was completed in the final months of FY 2006 and involved the disposal without recourse of performing loans, comprising mortgages to private individuals to a newly formed SPV (Voba Finance S.r.l.). To finance loan purchases, Voba Finance S.r.l. collects funds on the capital market through the issue of negotiable securities.
The key objective is to obtain liquidity under favourable conditions. By securitisation the objectives achieved are the opposite of those involved in the issue of bonds. In the second case, capital is traded for the entire duration of the loan as a substantial guarantee to subscribers, whereas in the former case the capital is freed up, turning the previously traded loans into cash.
For the securitisation transaction we undersigned a specific servicing contract with the SPV Voba Finance S.r.l. to coordinate and supervise the management and administration of the securitised mortgages, along with credit collection in the event of default by the debtors. An ad hoc credit control system was arranged for the securitised loans to guarantee constant and timely monitoring.
The agreement calls for the payment of an annual fee for the servicing performed and compensation for every file subject to credit collection.
It should be specified that the role of servicer is provided from within the company structure, i.e. by the Credit Management Service, reporting to the central financial services department. Monthly and quarterly reports are prepared and issued to the counterparties indicated in the servicing agreement, and copied to central management.
With regard to credit risk management, however, reference should be made to the general Bank activities relating to credit management.
Acting not only as originator but also as servicer, we maintain relations with the customers transferred.

The portfolio subject to disposal had the following characteristics:

- SPV:	VOBA Finance S.r.l.
- Bank interest in the SPV:	0%
- Loans disposal date:	30/09/2006
- Type of loans transferred:	Mortgages
- Status of loans transferred:	Performing
- Guarantees on loans transferred:	First to sixth grade mortgages
- Geographic area of loans transferred:	Northern Italy
- Business of debtors transferred:	Individuals
- Number of loans transferred:	4,014
- Price of loans transferred:	378,249,095.23 Euro
- Par value of loans transferred:	378,249,095.23 Euro

The transaction arranger, appointed by the originator, was the Milan branch of Natixis S.A, Paris. The appointed rating agencies for the transaction were Moody's Italia S.r.l. – Milan and FitchRatings of London. Cash manager and calculation agent tasks were performed by Deutsche Bank AG, London, whilst Deutsche Trustee Company Limited, London acts as representative of the noteholders.

The characteristics of the securities issued and listed on the Dublin stock exchange are as follows:

Tranche	Fitch/Moody's rating	Percentage	Total (in Euro)
Class A1	AAA/Aaa	17.00%	64,300,000
Class A2	AAA/Aaa	78.00%	295,050,000
Class B	A/A2	1.50%	5,650,000
Class C	BBB/Baa2	1.50%	5,650,000
Class D (*)	-	2.00%	7,600,000
Total		**100.00%**	**378,250,000**

* Class D subscribed by Banca Popolare dell'Alto Adige

To guarantee a sufficient liquidity margin for the SPV, we stipulated a "subordinated loan agreement" with Voba Finance S.r.l. for a total of 30,000,000 Euro as cash reserve, with repayment at market rates.
As an additional guarantee, a swap transaction was arranged with a leading institutional investor. As coupons become payable the Bank collects the average capital return at a market interest rate. The counterparty, on the other hand, guarantees the interest actually collected for that period.
There is a speculative arrangement between the SPV and the same institutional investor. From this, the SPV recognises the actual interest collected for the period and receives the return on the underlying capital at market interest rates, used to pay the coupons on securities issued.
Until the end of 2009 the SPV Voba Finance S.r.l. made full repayment of class A1 securities and part repayment of class A2 securities, as at 31/12/2009 totalling 165 million Euro (Pool factor 0.5606889).

Voba Finance N.2

In the last few months of 2008, Banca Popolare dell'Alto Adige completed a second securitisation transaction involving the disposal without recourse of performing loans, comprising mortgages to private individuals and companies, to a newly formed SPV (Voba Finance N.2 S.r.l.). Voba Finance N.2 S.r.l. financed the loans purchase by the issue of negotiable securities fully subscribed by the Bank.
The key objective is to create a wider base for refinancing through the European Central Bank, and the transaction also offers the option of placing securities on the capital market at better future conditions.

For this securitisation transaction a specific servicing contract was signed with the SPV Voba Finance N.2 S.r.l. under the same terms as for the first securitisation.
With regard to credit risk management, however, reference should be made to the general Bank activities relating to credit management.
Acting not only as originator but also as servicer, we maintain relations with the customers transferred.

The portfolio subject to disposal had the following characteristics:

- SPV:	VOBA Finance N.2 S.r.l.
- Bank interest in the SPV:	0%
- Loans disposal date:	01/11/2008
- Type of loans transferred:	Mortgages
- Status of loans transferred:	Performing
- Guarantees on loans transferred:	First to sixth grade mortgages
- Geographic area of loans transferred:	Northern Italy
- Business of debtors transferred:	Private individuals and companies
- Number of loans transferred:	1,845
- Price of loans transferred:	304,128,167.83 Euro
- Par value of loans transferred including accruals:	304,128,167.83 Euro

The transaction arranger, appointed by the originator, was BNP Paribas Corporate and Investment Banking, Italy branch, Milan. The appointed rating agency for the transaction was Moody's Italia S.r.l. – Milan. The cash manager was Banca Popolare dell'Alto Adige, whilst representative of the noteholders and calculation agent tasks were performed by Securitisation Services S.p.A., Conegliano, Treviso province.

The characteristics of the securities issued and listed on the Luxembourg stock exchange are as follows:

Tranche	Fitch/Moody's rating	Percentage	Total (in Euro)
Class A	AAA/Aaa	80.60%	245,150,000
Class B	A/A2	16.40%	49,900,000
Class C	-	3.00%	9,079,000
Total		**100.00%**	**304,129,000**

All securities issued were subscribed by Banca Popolare dell'Alto Adige and thus the statement of Voba Finance N.2 data is omitted from the following tables in accordance with the new instructions in circular 262. It is however pointed out that the collections made during the year amount to 51 thousand Euro of impaired exposures and 35,953 thousand Euro of performing loans (table C.1.7).

As an additional guarantee, a swap transaction was arranged.

QUANTITATIVE INFORMATION

C.1.1 Exposures from securitisation transactions according to the quality of the underlying assets

Underlying asset quality/Exposures	Cash exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying equity:	**16,316**	**16,316**	**3,850**	**3,850**	**7,600**	**7,600**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	16,316	16,316	3,850	3,850	7,600	7,600	-	-	-	-	-	-	-	-	-	-	-	-
B. With third party underlying assets:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.2 Exposures from main Bank securitisation transactions according to securitised asset type and exposure type

Securitised asset type/Exposures	Cash exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs
A. Subject to full elimination from the balance sheet	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial elimination from the balance sheet	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not eliminated from the balance sheet	**16,316**	-	**3,850**	-	**7,600**	-	-	-	-	-	-	-	-	-	-	-	-	-
C.1 Voba Finance S.r.l.																		
- Mortgages	16,316	-	3,850	-	7,600	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3 Exposures from main third party securitisation transactions according to securitised asset type and exposure type

Underlying asset type/Exposures	Cash exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs
HIPOCAT 15/01/2050	1,694																	
CEAMI 22/06/2012	1,555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Exposures to securitisation broken down by portfolio and type

Exposure / portfolio	Financial assets held for trading	Fair value option financial assets	Available-for-sale financial assets	Financial assets held to maturity	Loans	**31/12/2009**	**31/12/2008**
1. Cash exposures	1,555	-	-	1,694	-	3,249	-
- Senior	1,555	-	-	1,694	-	3,249	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance-sheet exposure	-	-	-	-	-	-	-
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.1.5 Overall total of securitised assets underlying Junior securities or other credit support formats

Assets/Values	Traditional securitisations	Synthetic securitisations
A. Underlying Bank assets:	**27,766**	**-**
A.1 Subject to full elimination	-	-
1. Non-performing	-	X
2. Problem loans	-	X
3. Restructured exposures	-	X
4. Exposures past due	-	X
5. Other assets	-	X
A.2 Subject to partial elimination	-	X
1. Non-performing	-	X
2. Problem loans	-	X
3. Restructured exposures	-	X
4. Exposures past due	-	X
5. Other assets	-	X
A.3 Not eliminated	27,766	-
1. Non-performing	2,682	-
2. Problem loans	4,842	-
3. Restructured exposures	-	-
4. Exposures past due	931	-
5. Other assets	19,311	-
B. Underlying third party assets:	**-**	**-**
B.1 Non-performing	-	-
B.2 Problem loans	-	-
B.3 Restructured exposures	-	-
B.4 Exposures past due	-	-
B.5 Other assets	-	-

C.1.6 Interest in the SPV

Name	Registered office	% interest
Voba Finance S.r.l.	Milan	0%
Voba Finance N.2 S.r.l.	Conegliano (TV)	0%

C.1.7 Servicer activities – collection of securitised loans and redemption of SPV-issued securities

SPV	Securitised assets (year-end figure)		Loan collections completed during the year		Percentage of securities redeemed (year-end figure)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Voba Finance S.r.l.	8,455	217,599	220	41,469	-	53.96%	-	-	-	-

C.2 ASSET DISPOSAL TRANSACTIONS

C.2.1 Financial assets sold and not cancelled

Technical/portfolio formats	Financial assets held for trading			Financial assets carried at fair value			Available-for-sale financial assets			Financial assets held to maturity			Due from banks			Loans to customers			**Total**	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	**31/12/2009**	**31/12/2008**
A. Cash assets	29,706	-	-	-	-	-	19,907	-	-	8,747	-	-	-	-	-	226,054	-	-	284,414	414,196
1. Debt securities	29,706	-	-	-	-	-	19,907	-	-	8,747	-	-	-	-	-	-	-	-	58,360	145,796
2. Equity securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226,054	-	-	226,054	268,400
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total as at 31/12/2009	**29,706**	**-**	**-**	**-**	**-**	**-**	**19,907**	**-**	**-**	**8,747**	**-**	**-**	**-**	**-**	**-**	**226,054**	**-**	**-**	**284,414**	
including impaired																**8,455**			**8,455**	
Total as at 31/12/2008	**102,187**	-	-	-	-	-	**35,704**	-	-	**7,905**	-	-	-	-	-	**268,400**	**-**	**-**		**414,196**
including impaired																**7,099**				**7,099**

Key:

A = financial assets sold and cancelled in full (book value)
B = financial assets sold and part cancelled (book value)
C = financial assets sold and part cancelled (full value)

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

Liability/Asset portfolio			Financial assets held for trading	Financial assets carried at fair value	Available-for-sale financial assets	Financial assets held to maturity	Due from banks	Loans to customers	**Total**
1.	**Due to customers**		**72,495**	**-**	**20,509**	**8,214**	**-**	**183,409**	**284,627**
	a)	in relation to assets recognised							
		in full	72,495	-	20,509	8,214	-	183,409	**284,627**
	b)	in relation to assets recognised							
		in part	-	-	-	-	-	-	**-**
2.	**Due to banks**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
	a)	in relation to assets recognised							
		in full	-	-	-	-	-	-	**-**
	b)	in relation to assets recognised							
		in part	-	-	-	-	-	-	**-**
		Total as at 31/12/2009	**72,495**	**-**	**20,509**	**8,214**	**-**	**183,409**	**284,627**
		Total as at 31/12/2008	**68,211**	**-**	**38,456**	**7,748**	**-**	**229,706**	**344,121**

D. CREDIT RISK MEASUREMENT MODELS

The internal status rating system is intended for management purposes and is not used to calculate the asset requirements on credit risk on which, on the other hand, the standard approach is adopted for the purpose of reporting vigilance to the Bank of Italy.

However it is used for calculating expected and unexpected losses in the loan portfolio and for the performance of stress testing that has the purpose of assessing the effects on the portfolio of extraordinary but plausible events.

In particular, the model achieves an estimate of losses using the Monte Carlo method. An unexpected loss (credit risk) is defined as the difference between the maximum potential loss, given a certain confidence gap, and the expected loss, based on a twelve-month time horizon.

The model used is a structural mono-factoral asymptotic model, that simulates the behaviour of the portfolio according to changes in two classes of variables, one representing the market environment situation, which is common to all counterparties, and the other representing the specific features of individual counterparties.

A few results of stress testing with reference to 31 December 2009 are set out below.

Expected losses on performing loan portfolio: 0.48% of the performing loan portfolio

Unexpected losses on performing loan portfolio: 3.38% of the performing loan portfolio (99.9% confidence)

SECTION 2 – MARKET RISK

2.1 INTEREST RATE RISK AND PRICING RISK – TRADING PORTFOLIO ADEQUACY

QUALITATIVE INFORMATION

A. General considerations

Interest rate risk represents the risk relating to the possibility that the Bank suffers losses on financial assets held for trading as a result of adverse market rate performance.

Pricing risk represents the risk connected with changes in value of positions classed as financial assets held for trading, arising from market price fluctuations. It can be broken down as follows:
- generic risk: price change in an equity security following fluctuations in the reference stock market;
- specific risk: market price change in a specific equity security as a result of a change in market expectations regarding the financial solidity or prospects of the issuer.

The trading portfolio is managed in compliance with the strategic indications and the operating limits set out in the Risk Policy of the Finance Department and in the annual Operating Plan.

The main source of interest rate risk is formed by the bond securities held; trading is intended to produce absolute returns to maximise yields on the portfolio in compliance with the Value at Risk (VaR) and Stop-Loss as defined in the Policy.
Interest rate risk is taken on by the Finance Department, which uses mainly listed derivative instruments (futures, IRS) as hedges.

The main source of pricing risk on the other hand is formed from the UCITS shares held and from derivative instruments connected to stock indices. In this case too, the strategy pursued is oriented towards the prudent management of assets, and thus towards the conscious assumption of risks. Value at Risk and Stop-Loss price ceilings also apply to pricing risk.

Assets in the portfolio for trading under supervision have not undergone any significant changes since the previous year.

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

The internal market risk control and management processes (interest rate and pricing) are contained in the Risk Policy of the Finance Department, subject to periodic review and consideration by the Board of Directors.
Risk monitoring is carried out by the Risk management department that produces a daily and monthly report subject to scrutiny by the Internal finance Committee (weekly) and by the Finance Committee (monthly). The latter sets the risk management policy in the context of the strategy set out in the annual Operating Plan.

With regard to the processes and methods of market risk monitoring and management, the

indicators monitored and their related limits are provided below, together with first and second level internal audit processes on overall trading portfolio transactions.
In general, the limits are classified according to the various types of market risk (interest rate, price and pricing), but are in any event managed within a single framework based on similar logic.

The authorisation structure for finance operations is based on four levels:
- Operating limits
- Position limits: credit risk and concentration
- Stop-Loss limits
- Value-at-Risk (VaR) limits.

The operating limits structure uses the following risk indicators:
- interest rate risk: sensitivity (change in profit or loss as a result of a change of one percentage point in the reference curve, with parallel shift)
- equity risk: delta equivalent (market value of share funds and cash equivalent position for equity derivatives)
- maximum amount invested: equivalent value of shares/funds at the initial price to guarantee compliance with the average equity assigned.

Position limits are structured on:
- credit risk assumption limits: overall limits are established on rating class exposures, particularly below the investment grade range;
- concentration limits on each issuer/issue, with an increasing degree of constraint as the issuer rating class deteriorates.
- country limits: limits are provided on the maximum exposure allowed per individual country according to the rating of the latter.

Stop-Loss limits are monitored on cumulative results achieved and not achieved since the start of the month, backed by cumulative monitoring at the start of the year, via reports to the relevant decision-making bodies. Limits are based on the maximum level of loss deemed acceptable in the reference period in accordance with Bank operations (Risk Capital) and established in the annual Operating Plan. Risk Capital is broken down in turn across the various asset classes that make up the portfolio.

With regard tor VaR limits, they are defined as the maximum amount that can be lost with reference to a specific time horizon and to a specific level of confidence. VaR is a single measurement indicator applicable to all types of market trading and all financial instruments, thus allowing a comparison of risk figures calculated from both a time and daily profitability viewpoint. The calculation approach used is that of Historic Simulation, with the significant addition of exponential weighting of the so-called “scenarios” (decay factor equal to 0.97), thus achieving the goal of making the recent past more significant that the remote past. The historic series of risk factors have a length equal to 256 working days. The VaR is thus calculated with a 99% confidence gap and a 10 working day horizon.

The approach is implemented on the Murex computer platform that, from 2009, forms the integrated computer cash management system at the Bank.

The responsibility for daily checks on operating limits, on positions, on Stop-Loss and VaR is entrusted to the Risk management department which, in order to avoid and prevent any possible exceeding of authorised risk limits, thanks to a standardised system of daily reporting, checking and testing approximations on reaching thresholds.

VaR models are intended for management purposes and are not used to calculate the asset requirements on credit risk on which, on the other hand, the standard approach for the purpose of reporting vigilance to the Bank of Italy is adopted.

Illustrated below in quantitative terms are the changes in VaR on the trading portfolio of Banca Popolare dell'Alto Adige.

Total portfolio VaR
In 2009, the 10-day 99% Value-at-Risk (VaR) of Banca Popolare dell'Alto Adige was, on average, approximately 2.50 million Euro. As at 31 December 2009 the VaR was 2.2 million Euro.

Interest rate risk VaR
During 2009 the average VaR was approximately 1.07 million Euro. As at 31 December 2009 the interest rate risk VaR was 0.78 million Euro.

Share portfolio VaR (price risk)
The VaR on the Bank's Share Portfolio during 2009 recorded an average value of 1.31 million Euro. As at 31 December 2009 the share portfolio VaR was 1.46 million Euro.

Stress Test
The test described previously was the risk level response borne by the Bank with respect to macroeconomic scenarios defined in the VaR calculation model. Nevertheless the capacity of a bank to respond to particularly adverse events can be tested by simulating certain stress situations. For this reason, the monitoring system subjects the portfolio to strongly adverse assumptions to assess the capacity of the equity to cover certain events.

Three particular scenarios are considered:
- Upward parallel shift in the interest rate curve by 100 base points, at the same time as a 20% stock market drop: this tests the solidity of the Bank in the event of particularly problematic market developments. As at 31 December 2009, using this scenario, losses of approximately 16.5 million Euro would have been recorded;
- Upward parallel shift in the interest rate curve by 150 base points, at the same time as a 25% stock market drop: as at 31 December 2009, using this scenario, losses of approximately 23.5 million Euro would have been recorded;
- Upward parallel shift in the interest rate curve by 200 base points, at the same time as a 30% stock market drop: as at 31 December 2009, using this scenario, losses of approximately 30.6 million Euro would have been recorded.

QUANTITATIVE INFORMATION

1. Trading portfolio adequacy: distribution by residual life (re-pricing date) of financial cash assets and liabilities and financial derivatives

Currency 242 Euro

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**1**	**98,108**	**340,462**	**20,115**	**65,443**	**5,351**	**4,539**	**-**
1.1 Debt securities	1	98,108	340,462	20,115	65,443	5,351	4,539	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	1	98,108	340,462	20,115	65,443	5,351	4,539	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**58,268**	**14,227**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	-	58,268	14,227	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(203,968)**	**33,570**	**41,427**	**148,599**	**(7,484)**	**(11,904)**	**-**
3.1 With underlying security	-	(5,915)	483	(106)	(121)	2,516	3,096	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(5,915)	483	(106)	(121)	2,516	3,096	-
+ Long positions	-	6,603	1,239	-	50	2,516	3,540	-
+ Short positions	-	(12,518)	(756)	(106)	(171)	-	(444)	-
3.2 Without underlying security	-	(198,053)	33,087	41,533	148,720	(10,000)	(15,000)	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(198,053)	33,087	41,533	148,720	(10,000)	(15,000)	-
+ Long positions	-	269,247	537859	57,669	250,455	84,380	28,301	-
+ Short positions	-	(467,300)	(504,772)	(16,136)	(101,735)	(94,380)	(43,301)	-

Currency 001 US Dollar

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	4	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	4	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(110)**	**14**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(110)	14	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(110)	14	-	-	-	-	-
+ Long positions	-	230	2,909	-	-	-	-	-
+ Short positions	-	(340)	(2,895)	-	-	-	-	-

Currency 002 GB Pound

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(103)**	**(66)**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(103)	(66)	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(103)	(66)	-	-	-	-	-
+ Long positions	-	2,127	-	-	-	-	-	-
+ Short positions	-	(2,230)	(66)	-	-	-	-	-

Currency 003 Swiss Franc

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(8)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(8)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(8)	-	-	-	-	-	-
+ Long positions	-	13,728	-	-	-	-	-	-
+ Short positions	-	(13,736)	-	-	-	-	-	-

Currency Other

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-		-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(2)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(2)	-	-	-	-	-	-
+ Long positions	-	119	-	-	-	-	-	-
+ Short positions	-	(121)	-	-	-	-	-	-

2. Trading portfolio adequacy: breakdown of exposure in equity shares and stock indices by main country of market listing

Type of transaction/ stock index	Listed			Unlisted
	Germany			
A. Equity securities	-	-	-	-
- Long positions	-	-	-	-
- Short positions	-	-	-	-
B. Equity share transfers				
not yet settled	-	-	-	-
- Long positions	-	-	-	-
- Short positions	-	-	-	-
C. Other equity share derivatives	5,201	-	-	-
- Long positions	5,201	-	-	-
- Short positions	-	-	-	-
D. Share index derivatives	-	-	-	-
- Long positions	-	-	-	-
- Short positions	-	-	-	-

2.2 INTEREST RATE AND PRICING RISK – BANKING BOOK

QUALITATIVE INFORMATION

A. General considerations, interest rate risk and pricing risk management processes and measurement methods

The Banking Book is the series of Bank trading operations in relation to the maturities conversion of all balance sheet, treasury and hedging assets and liabilities. Changes in market rate structure can have adverse effects on the Banking Book (interest margin and capital) and are therefore a source of risk.

The Bank's Banking Book management and investment strategies are in keeping with optimisation of the risk-yield ratio and are implemented according to expected interest rate performance. The Bank's investment policy is therefore focused on optimising interest rate margins and minimising their volatility, bearing in mind Asset & Liability Management needs.

In the course of 2009 in the context of the Risk Policy of the Finance Department, guidelines and regulations for the management of interest rate risk were introduced. The Risk management department, taking advantage of the processing using the ALM-Pro computer system, calculates the sensitivity to interest margins each month and of the bank's assets to previously set changes in the rate curve. The results of the analysis together with the forecasts of changes in rate made by the Finance and Treasury departments contribute to defining the interest rate risk hedging policy established by the Finance Committee. The Treasury department is thus entrusted with the practical application of the decisions made.

With a view to strengthening the mastery of interest rate risk, as at the end of 2009 2 indicators were identified, one on the interest rate margin and the other one of the current value of the assets, for which specific limits were set.

The banking portfolio price risk only refers to the variations in market price of the assets classed as available for sale. As such positions relate to securities classed as AFS, only position-keeping action is taken, limiting monitoring to periodic value updates.

The measurement of Banking Book sensitivity to changes in the interest rate structure indicates a liability-sensitive profile for the Bank, i.e. exposure to interest rate risk only if market rates decrease.

B. Fair value asset hedges

The Bank sets up specific hedging transactions on bond loans issued at fixed or structured rates, for the accounting picture, which it takes advantage of as provided by the “Fair Value Option” (FVO). The underlying hedging strategy is intended to reduce the term of the liability that is intended to produce certainty in the cost of structured issues.

In the course of 2009 the liabilities defined above were systematically hedged by means of (unlisted) OTC Interest Rate Swap derivative contracts.

C. Cash flow hedging

No cash flow hedging was carried out during the course of the year.

QUANTITATIVE INFORMATION

1. Banking Book: distribution by residual life (re-pricing date) of financial assets and liabilities

Currency 242 Euro

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**2,729,379**	**1,050,421**	**34,975**	**42,013**	**135,715**	**10,743**	**12,141**	**-**
1.1 Debt securities	28,793	45,496	10,125	3,269	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	28,793	45,496	10,125	3,269		-	-	-
1.2 Loans to banks	2,874	31,218	-		-	-	-	-
1.3 Loans to customers	2,697,712	973,707	24,850	38,744	135,715	10,743	12,141	-
- current accounts	1,581,487	-	-	-	-	-	-	-
- other loans	1,116,225	973,707	24,850	38,744	135,715	10,743	12,141	-
- with early redemption option	833,905	968,335	23,999	31,314	24,659	10,731	12,141	-
- other	282,320	5,372	851	7,430	111,056	12	-	-
2. Cash liabilities	**2,004,486**	**1,407,125**	**416,363**	**85,522**	**223,317**	**11,404**	**-**	**-**
2.1 Due to customers	1,893,196	18,372	10,428	1,166	-	-	-	-
- current accounts	1,556,963	-	-	-	-	-	-	-
- other payables	336,233	18,372	10,428	1,166	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	336,233	18,372	10,428	1,166	-	-	-	-
2.2 Due to banks	50,379	120,099	30,043	-	-	-	-	-
- current accounts	2,379	-	-	-	-	-	-	-
- other payables	48,000	120,099	30,043	-	-	-	-	-
2.3 Debt securities	60,911	1,268,654	375,892	84,356	223,317	11,404	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	60,911	1,268,654	375,892	84,356	223,317	11,404	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**(32,538)**	**(193,297)**	**(110,847)**	**55,500**	**255,536**	**25,645**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	(32,538)	(193,297)	(110,847)	55,500	255,536	25,645	-	-
- Options	-	3	1	-	(2)	(3)	-	-
+ Long positions	-	3	1	-	-	-	-	-
+ Short positions	-	-	-	-	(2)	(3)	-	-
- Other derivatives	(32,538)	(193,300)	(110,848)	55,500	255,538	25,648	-	-
+ Long positions	10,000	70,462	30,607	55,500	275,538	25,648	-	-
+ Short positions	(42,538)	(263,762)	(141,455)	-	(20,000)	-	-	-

Currency 001 US Dollar

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**551**	**13,689**	**1,276**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	495	10,422	-	-	-	-	-	-
1.3 Loans to customers	56	3,267	1,276	-	-	-	-	-
- current accounts	18	-	-	-	-	-	-	-
- other loans	38	3,267	1,276	-	-	-	-	-
- with early redemption option	38	3,267	1,276	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**13,188**	**2,499**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	13,151	-	-	-	-	-	-	-
- current accounts	9,171	-	-	-	-	-	-	-
- other payables	3,980	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	3,980	-	-	-	-	-	-	-
2.2 Due to banks	37	2,499	-	-	-	-	-	-
- current accounts	37	-	-	-	-	-	-	
- other payables	-	2,499	-	-	-	-	-	
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	
- other	-	-	-	-	-	-	-	
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	2,430	-	-	-	-	-	-
+ Short positions	-	(2,430)	-	-	-	-	-	-

Currency 003 Swiss Franc

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**1,187**	**42,268**	**10,492**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	204	-	-	-	-	-	-	-
1.3 Loans to customers	983	42,268	10,492	-	-	-	-	-
- current accounts	12	-	-	-	-	-	-	-
- other loans	971	42,268	10,492	-	-	-	-	-
- with early redemption option	971	42,268	10,492	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**2,167**	**52,242**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	1,560	-	-	-	-	-	-	-
- current accounts	882	-	-	-	-	-	-	-
- other payables	678	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	678	-	-	-	-	-	-	-
2.2 Due to banks	607	52,242	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	
- other payables	607	52,242	-	-	-	-	-	
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	
- other	-	-	-	-	-	-	-	
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency 071 Japanese Yen

Type/Residual life		On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1.	***Cash assets***	**3,819**	**12,252**	**3,046**	**34**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with early redemption option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Loans to banks	3,633	-	-	-	-	-	-	-
1.3	Loans to customers	186	12,252	3,046	34	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	186	12,252	3,046	34	-	-	-	-
	- with early redemption option	186	12,252	3,046	34	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	***Cash liabilities***	**779**	**18,400**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	779	-	-	-	-	-	-	-
	- current accounts	779	-	-	-	-	-	-	-
	- other payables	-	-	-	-	-	-	-	-
	- with early redemption option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	18,400	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other payables	-	18,400	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with early redemption option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with early redemption option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	***Financial derivatives***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1	With underlying security	-	-	-	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying security	-	-	-	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

Currency Other

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**2,482**	**301**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	, -	-	-	-	-	-	-	-
1.2 Loans to banks	2,482	301	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**2,830**	**178**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	2,830	-	-	-	-	-	-	-
- current accounts	2,746	-	-	-	-	-	-	-
- other payables	84	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	84	-	-	-	-	-	-	-
2.2 Due to banks	-	178	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	
- other payables	-	178	-	-	-	-	-	
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	
- other	-	-	-	-	-	-	-	
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2.3 EXCHANGE RISK

QUALITATIVE INFORMATION

A. General considerations, exchange risk management processes and measurement methods

Exchange risk represents the risk connected with a change in value of positions in foreign currency as a result of unexpected changes in currency cross rates.
Support for business activities in foreign currency and foreign securities trading are the Bank's main generating source of exchange risk.
Automatic network systems linked to a single position keeping system allow the Treasury Service to perform constant, real time monitoring of currency cash flows transmitted immediately to the Forex interbank market.
The Treasury IT system (Murex) then permits efficient flow management of spot, futures and options within a pre-established framework of operating limits, defined in the Risks Policy by the Finance Department and in the annual Operating Plan.
All positions in currency are revalued on a daily basis to the reference exchange rates of the European Central Bank and constitute the economic contribution from exchange activities to general Bank profitability.

B. Exchange risk hedging

Exposure to foreign exchange risk is limited by the extremely prudent attitude of the Bank, which unfolds in a highly circumscribed currency trading activity.

The exchange risk generated from loans and deposits is systematically hedged in real time, with the hedge transaction and/or investment in the same currency.

QUANTITATIVE INFORMATION

1. Currency distribution of assets, liabilities and derivatives

Items		Currency					
		US dollars	GB pounds	Yen	Canadian dollars	Swiss francs	Other currencies
A.	**Financial assets**	**15,519**	**2,266**	**19,150**	**38**	**53,947**	**480**
A.1	Debt securities	4	-	-	-	-	-
A.2	Equity securities	-	-	-	-	-	-
A.3	Loans to banks	10,917	2,266	3,632	38	204	480
A.4	Loans to customers	4,598	-	15,518	-	53,743	-
A.5	Other financial assets	-	-	-	-	-	-
B.	**Other assets**	**246**	**149**	**35**	**48**	**444**	**230**
C.	**Financial liabilities**	**15,688**	**2,304**	**19,179**	**101**	**54,409**	**604**
C.1	Due to banks	2,537	-	18,400	-	52,849	178
C.2	Due to customers	13,151	2,304	779	101	1,560	426
C.3	Debt securities	-	-	-	-	-	-
C.4	Other financial liabilities	-	-	-	-	-	-
D.	**Other liabilities**	**1**	**-**	**-**	**-**	**-**	**-**
E.	**Financial derivatives**	**(97)**	**(169)**	**28**	**(5)**	**(8)**	**(25)**
	- Options	-	-	-	-	-	-
	+ long positions	-	-	-	-	-	-
	+ short positions	-	-	-	-	-	-
	- Other derivatives	(97)	(169)	28	(5)	(8)	(25)
	+ long positions	3,138	2,127	103	-	13,728	16
	+ short positions	(3,235)	(2,296)	(75)	(5)	(13,736)	(41)
Total assets		**18,903**	**4,542**	**19,288**	**86**	**68,119**	**726**
Total liabilities		**18,924**	**4,600**	**19,254**	**106**	**68,145**	**645**
Difference (+/-)		**(21)**	**(58)**	**34**	**(20)**	**(26)**	**81**

As seen from the table, since they show no significant imbalance, the exchange positions in the different currencies do not result in the generation of significant effects on either the Bank’s earnings margin or on shareholders’ equity.

2,4 DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Trading portfolio adequacy: end of year and interim notional values

Underlying assets / Derivative type	31/12/2009		31/12/2008	
	Over the counter	**Central counterparts**	**Over the counter**	**Central counterparts**
1. Debt securities and interest rates	1,196,162	17,510	590,452	11,944
a) Options	-	-	-	-
b) Swaps	1,191,225	-	574,203	-
c) Forward	1,187	10	16,249	-
d) Futures	3,750	17,500	-	11,944
e) Other	-	-	-	-
2. Equity securities and share indexes	-	5,201	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	5,201	-	-
e) Other	-	-	-	-
3. Currency and gold	18,063	-	129,231	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	18,063	-	129,231	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**1,214,225**	**22,711**	**719,683**	**11,944**
Average values	**903,594**	**24,177**	**492,819**	**19,814**

A.2 Banking Book: end of year and interim notional values

A.2.2 Other derivatives

Underlying assets / Derivative type	31/12/2009		31/12/2008	
	Over the counter	**Central counterparts**	**Over the counter**	**Central counterparts**
1. Debt securities and interest rates	494,255	-	450,017	-
a) Options	31,500	-	-	-
b) Swaps	462,755	-	450,017	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and share indexes	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**494,255**	**-**	**450,017**	**-**
Average values	**460,909**	**-**	**478,109**	**-**

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

Underlying assets / Derivative type	Positive fair value			
	31/12/2009		31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Trading portfolio adequacy	21,152	-	807	-
a) Options	-	-	-	-
b) Interest rate swap	21,019	-	490	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	133	-	317	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - hedges	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio – other derivatives	11,256	-	3,722	-
a) Options	592	-		-
b) Interest rate swap	10,664	-	3,722	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**32,408**	**-**	**4,529**	**-**

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

Underlying assets / Derivative type	Negative fair value			
	31/12/2009		31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Trading portfolio adequacy	16,937	-	474	-
a) Options	-	-	-	-
b) Interest rate swap	16,820	-		-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	117	-	474	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - hedges	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio – other derivatives	343	-	2,942	-
a) Options	-	-	-	-
b) Interest rate swap	343	-	2,942	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**17,280**	**-**	**3,416**	**-**

A.5 Over the counter financial derivatives - trading and prudential portfolio: notional values, gross positive and negative fair values for counterparties – contracts that do not come under offsetting agreements

	Contracts that do not come under offsetting agreements	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities
1)	**Debt securities and interest rates**	**-**	**-**	**653,162**	**585,199**	**-**	**25**	**1,125**
	- notional value	-	-	628,499	566,513	-	25	1,125
	- positive fair value	-	-	4,376	16,643	-	-	-
	- negative fair value	-	-	16,820	-	-	-	-
	- future exposure	-	-	3,467	2,043	-	-	-
2)	**Equity securities and share indexes**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	- notional value	-	-	-	-	-	-	-
	- positive fair value	-	-	-	-	-	-	-
	- negative fair value	-	-	-	-	-	-	-
	- future exposure	-	-	-	-	-	-	-
3)	**Currency and gold**	**-**	**-**	**15,310**	**-**	**-**	**72**	**3,091**
	- notional value	-	-	15,032	-	-	69	2,961
	- positive fair value	-	-	33	-	-	-	100
	- negative fair value	-	-	115	-	-	2	-
	- future exposure	-	-	130	-	-	1	30
4)	**Other values**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	- notional value	-	-	-	-	-	-	-
	- positive fair value	-	-	-	-	-	-	-
	- negative fair value	-	-	-	-	-	-	-
	- future exposure	-	-	-	-	-	-	-

A.7 Over the counter financial derivatives – banking portfolio: notional values, gross positive and negative fair values for counterparties – contracts that do not come under offsetting agreements

	Contracts that do not come under offsetting agreements	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities
1)	**Debt securities and interest rates**	**-**	**-**	**480,956**	**27,039**	**-**	**-**	**-**
	- notional value	-	-	467,777	26,478	-	-	-
	- positive fair value	-	-	10,696	561	-	-	-
	- negative fair value	-	-	343	-	-	-	-
	- future exposure	-	-	2,140	-	-	-	-
2)	**Equity securities and share indexes**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	- 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 values**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	- notional value	-	-	-	-	-	-	-
	- positive fair value	-	-	-	-	-	-	-
	- negative fair value	-	-	-	-	-	-	-
	- future exposure	-	-	-	-	-	-	-

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

Underlying / Residual life		Up to 1 year	Over 1 year to 5 years	Over 5 years	**Total**
A.	**Trading portfolio adequacy**	**612,923**	**350,940**	**250,362**	**1,214,225**
A.1	Financial derivatives on debt securities and interest rates	594,860	350,940	250,362	1,196,162
A.2	Financial derivatives on equity securities and share indexes	-	-	-	-
A.3	Financial derivatives on exchange rates and gold	18,063	-	-	18,063
A.4	Financial derivatives on other stocks	-	-	-	-
B.	**Banking Book**	**147,531**	**306,076**	**40,648**	**494,255**
B.1	Financial derivatives on debt securities and interest rates	147,531	306,076	40,648	494,255
B.2	Financial derivatives on equity securities and share indexes	-	-	-	-
B.3	Financial derivatives on exchange rates and gold	-	-	-	-
B.4	Financial derivatives on other stocks	-	-	-	-
	Total 31/12/2009	**760,454**	**657,016**	**291,010**	**1,708,480**
	Total 31/12/2008	**893,365**	**272,631**	**15,648**	**1,181,644**

SECTION 3 – LIQUIDITY RISK

QUALITATIVE INFORMATION

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

Liquidity risk represents the risk that the bank might not be able to meet its own payment commitments at the due date. This can be caused by:

- inability to obtains funds (funding liquidity risk)
- the presence of limits or losses in value when disposing of assets (market liquidity risk).

The management of liquidity needs is managed by the Treasury Department within the finance department, which keeps to the strategic and operating indications set out in the Finance Regulations and in the annual Finance Plan. Monitoring the liquidity situation is entrusted to the Risk management department, which reports weekly to the Internal Finance Committee and to the Finance Committee monthly.

An awareness of the importance of liquidity risk, sharpened by the current and continuing crisis situation in the financial markets, has been an element of constant attention during the course of 2009. The Treasury Department is committed to the careful management of liquidity needs to guarantee the supply of liquidity over the short (activity on interbank markets) to long term (strategic liquidity). Specifically, it is expected that the trading book will be invested mainly in listed financial instruments with a strong rating, based on precise, pre-established limits in quantity and quality terms. The listing and strong rating help to rapidly unfreeze the financial instruments.

As at the end of 2009 the management and monitoring of the Bank's liquidity position was formally integrated into the Risk Policy at the Finance Department to provide a specific indicator for checking short term liquidity with a related ceiling.

In particular, the indicator represents the ratio of the total readily liquidable assets to the accumulated imbalance of cash flows within one month, both under normal conditions and under stress conditions (liquidity coverage ratio).

As at 31 December 2009 the indicator was 3.19 under normal conditions and 1.62 in stressed conditions. It is recalled that the minimum value proposed by the Basel Committee for LCR is 1.

However, liquidity management must not only consider the market context under normal conditions, but also provide for possible negative events, which could give rise to an actual liquidity crisis. In order to identify in good time and to adequately face up to such events an emergency plan has been drafted and made executory (Contingency Funding Plan) that sets out the process of everyday supervision of the bank's liquidity base and its net financial position, and the operational processes to be undertaken before the arising of risky situations. The plan was reviewed and adapted during the course of 2009.

During the course of 2009, the analysis of the Bank's liquidity situation has not highlighted any situations of tension over the short to long term as is also shown by the weekly reports sent to the Bank of Italy.

QUANTITATIVE INFORMATION

1. Time distribution by residual contract duration of financial assets and liabilities

Currency: 242 Euro

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Unlimited
Cash assets	**1,636,183**	**809**	**4,729**	**155,753**	**147,629**	**151,171**	**193,268**	**996,569**	**1,338,191**	**-**
A.1 Treasury securities	1	-	-	-	5,007	10,024	4,972	39,192	1,040	-
A.2 Other debt securities	-	18	-	1,011	27,196	33,572	28,161	89,869	383,377	-
A.3 UCITS units	73,030	-	-	-	-	-	-	-	-	-
A.4 Loans	1,563,152	791	4,729	154,742	115,426	107,575	160,135	867,508	953,774	-
- Banks	2,874	-	-	-	31,218	-	-	-	-	-
- Customers	1,560,278	791	4,729	154,742	84,208	107,575	160,135	867,508	953,774	-
Cash liabilities	**1,942,635**	**11,712**	**36,802**	**30,462**	**189,047**	**198,975**	**258,621**	**1,452,123**	**100,335**	**-**
B.1 Deposits and current accounts	1,879,379	22	25,111	20,065	75,560	30,208	1,461	257	5	-
- Banks	50,379	-	25,015	20,026	75,058	30,043	-	-	-	-
- Customers	1,829,000	22	96	39	502	165	1,461	257	5	-
B.2 Debt securities	363	11,543	244	2,217	56,663	144,147	257,160	1,451,866	100,330	-
B.3 Other liabilities	62,893	147	11,447	8,180	56,824	24,620	-	-	-	-
Off-balance-sheet transactions	**10,528**	**(8,967)**	**-**	**7,815**	**10,649**	**1,629**	**637**	**1,822**	**6,494**	**-**
C.1 Financial derivatives with exchange of principal	-	(13,967)	-	15	9,967	1,209	(119)	(2,392)	5,528	-
- Long positions	-	7,214	67	15	10,000	4,264	36	1,697	6,092	-
- Short positions	-	(21,181)	(67)	-	(33)	(3,055)	(155)	(4,089)	(564)	-
C.2 Financial derivatives without exchange of principal	4,199	-	-	-	-	-	-	-	-	-
- Long positions	21,019	-	-	-	-	-	-	-	-	-
- Short positions	(16,820)	-	-	-	-	-	-	-	-	-
C.3 Due from deposits and loans	(5,000)	5,000	-	-	-	-	-	-	-	-
- Long positions	-	5,000	-	-	-	-	-	-	-	-
- Short positions	(5,000)	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to distribute funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	11,329	-	-	7,800	682	420	756	4,214	966	-

Currency: 001 US Dollar

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Unlimited
Cash assets	**513**	**3,531**	**7,261**	**429**	**2,505**	**1,276**	**-**	**4**	**-**	**-**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	4	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	513	3,531	7,261	429	2,505	1,276	-	-	-	-
- Banks	495	3,477	6,945	-	-	-	-	-	-	-
- Customers	18	54	316	429	2,505	1,276	-	-	-	-
Cash liabilities	**13,188**	**2,499**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	13,188	2,499	-	-	-	-	-	-	-	-
- Banks	37	2,499	-	-	-	-	-	-	-	-
- Customers	13,151	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**(110)**	**-**	**-**	**-**	**14**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(110)	-	-	-	14	-	-	-	-
- Long positions	-	160	69	-	-	2,909	-	-	-	-
- Short positions	-	(270)	(69)	-	-	(2,895)	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Due from deposits and loans	-	-	-	-	-	-	-	-	-	-
- Long positions	-	2,430	-	-	-	-	-	-	-	-
- Short positions	-	(2,430)	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to distribute funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Currency: 003 Swiss Franc

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Unlimited
Cash assets	**1,070**	**3,142**	**8,176**	**17,312**	**13,754**	**10,492**	**-**	**-**	**-**	**-**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,070	3,142	8,176	17,312	13,754	10,492	-	-	-	-
- Banks	204	-	-	-	-	-	-	-	-	-
- Customers	866	3,142	8,176	17,312	13,754	10,492	-	-	-	-
Cash liabilities	**2,167**	**45,501**	**6,741**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	2,167	45,501	6,741	-	-	-	-	-	-	-
- Banks	607	45,501	6,741	-	-	-	-	-	-	-
- Customers	1,560	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**12,016**	**(1,996)**	**-**	**(10,028)**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	12,016	(1,996)	-	(10,028)	-	-	-	-	-
- Long positions	-	13,728	-	-	-	-	-	-	-	-
- Short positions	-	(1,712)	(1,996)	-	(10,028)	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Due from deposits and loans	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to distribute funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Currency: 071 Japanese Yen

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Unlimited
Cash assets	**3,789**	**93**	**715**	**2,307**	**9,166**	**3,046**	**34**	**-**	**-**	**-**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	3,789	93	715	2,307	9,166	3,046	34	-	-	-
- Banks	3,633	-	-	-	-	-	-	-	-	-
- Customers	156	93	715	2,307	9,166	3,046	34	-	-	-
Cash liabilities	**779**	**3,756**	**8,637**	**6,008**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	779	3,756	8,637	6,008	-	-	-	-	-	-
- Banks	-	3,756	8,637	6,008	-	-	-	-	-	-
- Customers	779	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**28**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	28	-	-	-	-	-	-	-	-
- Long positions	-	103	-	-	-	-	-	-	-	-
- Short positions	-	(75)	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Due from deposits and loans	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to distribute funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Currency: other

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Unlimited
Cash assets	**2,482**	**-**	**-**	**301**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,482	-	-	301	-	-	-	-	-	-
- Banks	2,482	-	-	301	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**2,830**	**-**	**147**	**31**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	2,830	-	147	31	-	-	-	-	-	-
- Banks	-	-	147	31	-	-	-	-	-	-
- Customers	2,830	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**(2,159)**	**2,027**	**-**	**-**	**(66)**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(2,159)	2,027	-	-	(66)	-	-	-	-
- Long positions	-	117	2,027	-	-	-	-	-	-	-
- Short positions	-	(2,276)	-	-	-	(66)	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Due from deposits and loans	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to distribute funds	-	-	-	-	-	-	-	-	-	-

- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

As regards the illustration of the financial assets that have been subject to securitization transactions in which the bank has subscribed in full the liabilities issued by the company vehicle, please refer to Part E, C.1, where the assets that have been subject to securitization and the features of the securities subscribed are set out.

SECTION 4 – OPERATING RISK

QUALITATIVE INFORMATION

A. General considerations, operating risk management processes and measurement methods

Operating risk management is guaranteed by the Bank by:
- line controls performed by the branches and internal services
- second level controls, carried out by specialist internal bodies such as for example risk management, compliance, the manager responsible for the preparation of corporate accounting documents and the middle and back office departments.
- audits, performed by Review/Internal Auditing as part of their direct audit and remote monitoring duties
- monitoring and analysis of operating losses with periodic reporting made by the Risk management department and related discussions of all issues in the Operating risk Committee.

Line controls

The line controls system, extended to all organisational units, has been operative since 2005. The system is governed by the line controls manual and involves the use of customised checklists for each organisational unit. In this context, Audit/Internal Auditing department obligations involve execution control, efficiency testing and onsite verification of all line controls, along with their constant updating as organisational or operating procedures change.

Second level controls

These controls are mainly focused on risk monitoring, to checking compliance with risk limits and the external and internal regulatory provisions, to checking the consistency of various transactions with the strategic risk-reward goals, and to alerting to behaviour or events that depart from usual operations.

Audits

The audits aim to identify anomalous performance, violation of procedures and regulations, and assessment of the overall performance of the internal audit system. This activity was performed continuously during the year, either periodically or exceptionally, and by means of both onsite and remote audit tools, in accordance with Regulatory Instructions.

Monitoring of operating losses

With regard to operational risk monitoring, since it was founded in 2002, the Bank has been a member of the ABI's DIPO (Italian database of operating losses) interbank consortium, and is therefore regularly involved in operating loss data collection activities.
The internal operating loss database records all events involving an operating loss of over 50 Euro. Alerts are integrated with the losses arising from legal action and from claims from customers, both of which kinds of event are systematically listed in special internal databases.
Data provided by the internal database, analyses and countermeasures implemented are discussed on a quarterly basis by the Operating Risks Committee and in the Risk Committee. The main sources of operating risk manifestation are identified at those meetings together with critical situations, the appropriateness of operating processes in existence with regard to the potential

sources of loss, the action and measures to be taken with a view to preventing and mitigating them, and the quality of insurance hedges. All the results of analyses and the decisions made are then submitted to the Management Committee and the Board of Directors.

For the purpose of calculating the asset requirements with reference to operating risk the Bank adopts the basic approach in compliance with the regulatory provisions of Basel 2.

QUANTITATIVE INFORMATION

Internal reports in 2009 recorded 273 new reports with a gross loss of 481,077 Euro, of which 31.1% of cases were due to internal or external fraud (amounting to 10.7% of the value), 43.2% from processing errors (44.2% of the value), 25.6% due to other factors, forged banknotes, system errors, and legal disputes etc. (45.1% of the value).

By way of comparison, 345 events occurred in 2008, corresponding to gross losses equal to 539,186 Euro.

Operating loss events are also divided into business lines in accordance with the system and definitions in the New Capital Accord (Basel 2).
The following values per business line were recorded in 2009:

Retail Banking	68.1% events and 35.1% losses
Agency & Custody	1.1% events and 1.6% losses
Retail Brokerage	0.0% events and 0.0% losses
Payment & Settlement	5.5% events and 2.9% losses
Commercial Banking	23.4% events and 38.7% losses
Corporate Finance	0.7% events and 19.7% losses
Trading & Sales	0.4% events and 0.1% losses
Asset Management	0.8% events and 1.9% losses

14 cases were reported to the DIPO in 2009 (reporting threshold 5,000 Euro) with a gross loss of 404,007 Euro.

Public notice

It is declared that the information on capital adequacy, exposure to risk and the features of the systems set up to identify, measure and manage such risks set out in the New provisions for prudential measures for banks (Circular no. 263 dated 27 December 2006) under Head IV “Public Notice” are published on the bank website at www.bancapopolare.it , in the section “the Bank” under “Financial Statements”.

PART F

INFORMATION ON CAPITAL

SECTION 1 – Business capital

A. QUALITATIVE INFORMATION

The Bank’s capital assets correspond to the total given by items 130 "Revaluation reserves", 140 "Redeemable shares", 150 "Equity instruments", 160 "Reserves", 170 "Share premium reserves", 180 "Capital”, 190 “Treasury shares” and 200 “Profit (Loss) for the year” under Balance Sheet liabilities. The capital asset management methods are described in section 2.2 below.

B. QUANTITATIVE INFORMATION

B.1 Corporate equity: breakdown

Items/Amounts	**31/12/2009**	**31/12/2008**
1. Capital	69,341	69,341
2. Share premium reserve	145,773	145,773
3. Reserves	222,125	202,009
- from profit	172,628	152,526
a) legal	100,300	97,000
b) extraordinary	72,211	55,409
c) own shares	-	-
d) other	117	117
- other	49,497	49,483
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	72,101	69,310
- Available-for-sale financial assets	(2,348)	(5,139)
- Tangible assets	46,061	46,061
- Intangible assets	-	-
- Foreign investment hedges	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Non-current assets being disposed of	-	-
- Actuarial profit (loss) on retirement plans with defined benefits	-	-
- Shares of valuation reserves relating to subsidiaries valued at equity	-	-
- Special revaluation laws	28,388	28,388
7. Profit (loss) for the year	26,202	32,236
Total	**535,542**	**518,669**

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

Assets/Values	31/12/2009		31/12/2008	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	22	(1,960)	43	(3,220)
2. Equity securities	-	(74)	438	(570)
3. UCITS units	18	(354)	106	(1,936)
4. Loans	-	-	-	-
Total	**40**	**(2,388)**	**587**	**(5,726)**

B.3 Valuation reserve of available-for-sale financial assets: annual changes

		Debt securities	Equity securities	UCITS units	Loans
1.	**Opening balance**	**(3,177)**	**(132)**	**(1,830)**	**-**
2.	**Positive changes**	**1,579**	**58**	**1,655**	**-**
2.1	Increases in fair value	1,439	2	467	-
2.2	Reallocation to income statement				
	of negative reserves	140	56	1,188	-
	- from impairment	-	-	-	-
	- from disposals	140	56	1,188	-
2.3	Other changes	-	-	-	-
3.	**Negative changes**	**340**	**-**	**161**	**-**
3.1	Decrease in fair value	297	-	55	-
3.2	Impairment adjustments	-	-	-	-
3.3	Reallocation to income statement	-	-	-	-
	of positive reserves: from disposals	43		106	-
3.4	Other changes	-	-	-	-
4.	**Closing balance**	**(1,938)**	**(74)**	**(336)**	**-**

SECTION 2 – Capital and adequacy ratios

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

	31/12/2009	31/12/2008
1. Tier 1 capital	404,280	383,825
2. Tier 2 capital	74,469	74,028
3. Tier 3 capital	-	-
Regulatory capital including Tier 3 capital	**478,749**	**457,853**

B. QUANTITATIVE INFORMATION

	31/12/2009	31/12/2008
A. Tier 1 capital before application of prudential filters	**406,668**	**389,609**
B. Tier 1 capital prudential filters:	(2,388)	(5,288)
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(2,388)	(5,288)
C. Tier 1 capital gross of deductible elements (A+B)	**404,280**	**384,321**
D. Elements deductible from Tier 1 capital	-	(496)
E. Total Tier 1 capital (C-D)	**404,280**	**383,825**
F. Tier 2 capital before application of prudential filters	**74,489**	**74,598**
G. Tier 2 capital prudential filters:	(20)	(74)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(20)	(74)
H. Tier 2 capital gross of deductible elements (F+G)	**74,469**	**74,524**
I. Elements deductible from Tier 2 capital	-	(496)
L. Total Tier 2 capital (H-J)	**74,469**	**74,028**
M. Elements deductible from total Tier 1 and Tier 2 capital		
N. Regulatory capital (E+L-M)	**478,749**	**457,853**
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N+O)	**478,749**	**457,853**

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

The Bank's policies on capital ensure consistency between the degree of risk assumed and the business development plan.

B. QUANTITATIVE INFORMATION

Category/Values	Unweighted amounts		Weighted/required amounts	
	31/12/2009	**31/12/2008**	**31/12/2009**	**31/12/2008**
A. RISK ASSETS				
A.1 Credit risk and counterparty risk	**5,387,522**	**5,369,058**	**3,885,147**	**4,143,886**
1. Standard method	5,348,882	5,369,058	3,834,521	4,143,886
2. Method based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	38,640	-	50,626	-
B. REGULATORY CAPITAL REQUIREMENTS				
A.1 Credit risk and counterparty risk			**310,812**	**331,511**
B.2 Market risk			**10,388**	**8,386**
1. Standard method			10,388	8,386
2. Internal models			-	-
3. Concentration risk			-	-
B.3 OPERATIONAL RISK			**25,380**	**23,678**
1. Basic method			25,380	23,678
2. Standard method			-	-
3. Advanced method			-	-
B.4 Other prudential requirements			**-**	**-**
B.5 Other calculation items				
B.6 Total prudential requirements (B1+B2+B3+B4+B5)			**346,580**	**363,575**
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1 Weighted risk assets			4,332,247	4,544,686
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			9.33%	8.45%
C.3 Regulatory capital including Tier 3/ Weighted risk assets (Total capital ratio)			11.05%	10.07%

The ratio of regulatory capital to total risk assets (total capital ratio) as at 31 December 2009 came to 11.05%; the increase in the index arose from the significant increase in exposure guaranteed by real estate which considerably reduced the weighted value of loan assets.

PART G

BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS UNITS

SECTION 1 – BUSINESS COMBINATIONS DURING THE YEAR

1.1 Business combinations

In the course of 2009 the Bank has not made any business combinations that come under the IFRS 3 criteria.
It is pointed out that the merger by takeover of the subsidiary Berger Spa by the parent company Banca Popolare dell'Alto Adige was completed within the meanings of art. 2505 of the Italian Civil Code. This transaction does not meet the criteria for a business combination under IFRS 3 and has been described in the report from the Board of Directors.

1.2 Other information on business combinations

1.2.1 Annual changes in goodwill

Assets/Values	**31/12/2009**	**31/12/2008**
Goodwill – opening balance	**40,392**	**40,392**
Increases	-	-
- Goodwill recognised during the year	-	-
- Positive exchange differences and other changes	-	-
Decreases	-	-
- Value adjustments during the year	-	-
- Disinvestments	-	-
- Negative exchange differences and other changes	-	-
Goodwill – closing balance	**40,392**	**40,392**
Gross value	40,392	40,392
Accumulated impairment	-	-

INFORMATION ABOUT THE APPROACH USED FOR CARRYING OUT GOODWILL IMPAIRMENT TESTING

Goodwill is subject to impairment testing under international accounting standard IAS 36, based on the **recoverable value** of the company overall to which the goodwill refers, where the recoverable value is understood as being the greater of:
- the fair value of the company overall net of direct costs to sell,
- the current value of the company itself overall arising from considering net future cash flows it is expected to generate (value in use**).**

The goodwill of Banca Popolare dell'Alto Adige has been entirely allocated to the Cash Generating Unit of the Venice headquarters, which is attributable to the purchase of the company division formed by the former IntesaSanPaolo branches.

For the purpose of identifying the recoverable value of the cash generating unit subject to impairment test to be compared with the related book value, appropriate valuations have been carried out taking account of the following approaches/hypotheses:
• the Business Plan for the Venice Headquarters has been used, as revised by the Board of Directors on the 25 February 2010, considering a plan time horizon of 5 years. The growth estimate hypotheses were determined in accordance with what the bank has been able to express during the course of the years and taking account of the current difficult economic situation.
• the multi-period-excess-earnings approach was applied, updated with the last annuity as a yield in perpetuity. A nil growth rate has been assumed conservatively beyond the period covered by the business plan;
• the discount rate was set as equal to the Weighted Average Cost of Capital for the Bank gross of tax (4.53%), considering as cost of own equity as the average value for 2009 of the 10-year IRS rate increased by a premium for risk of 5%.
The value in use has been calculated using this approach and given that the result is higher than the value stated for the CGU, no fair value calculation was made.
The impairment testing has shown, even with the conservative hypotheses set out above, an excess between the value in use over the goodwill equal to 65.7 million Euro.
The changes in basic assumptions required to produce a negative figure set out an economic/business scenario that is very improbable.

From the analyses carried out, the impairment test has been passed and has shown no durable reductions in goodwill value, and accordingly no adjustments have been made.

SECTION 2 – BUSINESS COMBINATIONS AFTER YEAR-END

No business combinations were implemented after the year-end.

PART H

TRANSACTIONS WITH RELATED PARTIES

1. Information on directors', strategic managers' and statutory auditors' fees

	31/12/2009
Directors	533
Strategic managers	1,852
Statutory Auditors	254
Total	**2,639**

The above table illustrates amounts paid to directors and statutory auditors by the Bank as holders of office and attendance fees. Sums indicated for strategic managers are paid salaries, matured staff severance indemnity, supplementary and welfare benefits granted to general and central management members.

2. Information on transactions with related parties

Related parties of the Banca Popolare dell'Alto Adige are its Directors, Statutory auditors, members of General and Central Management, i.e. the companies in which the Directors, Statutory auditors and members of General and Central Management hold administrative, management or control office and/or hold significant voting power albeit not a controlling majority.
Indirectly related to the Banca Popolare dell'Alto Adige are the spouses and children declared as dependent upon the persons indicated above, or the companies in which the family members specified here hold administrative, management or control office and/or hold significant voting power albeit not a controlling majority.
In addition, related parties include subsidiaries or associate companies of the Banca Popolare dell'Alto Adige, or over which the Bank has considerable influence, i.e. Voba Invest S.r.l., Bolzano and Casa di Cura Villa Sant'Anna, Merano.
In accordance with and for the purposes of reporting rules on related parties of the Banca Popolare dell'Alto Adige, and with a prudential assessment of potential risk profiles indicated in the three-way report in terms of

- transaction type,
- dependency relationship with the counterparty and
- effect on income and/or equity as a result of exceeding the alert threshold,

as resolved by the Board of Directors, the following information is provided:

2.1 Transactions with subsidiaries or associated companies of Banca Popolare dell'Alto Adige, or with companies over which the Bank has considerable influence

	Loans granted	Subscribed bonds	Loans obtained	Bonds issued	Guarantees	Commitments
31/12/2009	12,946	-	2	-	-	-
Impact	0.29%	-	0.00%	-	-	-

	Interest income on loans granted	Interest income on subscribed bonds	Interest expense on loans obtained	Interest expense on bonds issued	Commissions and other revenues	Commissions and other costs
2009	134	-	-	4	53	-
Impact	0.07%	-	-	0.01%	0.11%	-

2,2 Transactions with significant suppliers of Banca Popolare dell'Alto Adige

2009 turnover

Supplier	**Sector**	**Turnover**
SEC Servizi Scpa	IT	10,017
Pozzebon Sas	construction	3,921
Information Consulting Srl	IT	1,561
Enel Energia Spa	energy	1,092
Ristochef Spa	staff luncheon vouchers	1,026

2,3 Transactions with directors, statutory auditors, members of General and Central Management of the Banca Popolare dell'Alto Adige, or with companies in which the Directors, Statutory Auditors and members of General and Central Management hold administrative, management or control office and/or hold significant voting power albeit not a controlling majority

Transactions completed by BPAA with Directors, Statutory Auditors and members of General and Central Management and with other counterparties related to them are shown in aggregate form below.

		Directors		Statutory Auditors		Strategic managers	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Agreed credit limit*		1,041	257,422	1,065	124,461	100	6,437
Commitments*		775	180,519	232	77,224	55	4,096
	impact	0.02%	4.07%	0.01%	1.74%	0.00%	0.09%
Credit commitments*		-	18,429	101	3,644	-	2,217
	impact	-	4.34%	0.02%	0.86%	-	0.52%
Direct funding*		4,573	66,132	339	18,414	321	1,547
	impact	0.11%	1.57%	0.01%	0.44%	0.01%	0.04%
Indirect funding*		5,944	6,553	1,447	1,170	1,363	2,463
	impact	0.31%	0.34%	0.07%	0.06%	0.07%	0.13%
Interest income**		44	5,102	14	2,292	1	243
	impact	0.02%	2.60%	0.01%	1.17%	0.00%	0.12%
Interest expense**		65	754	5	356	4	64
	impact	0.10%	1.19%	0.01%	0.56%	0.01%	0.10%
Commissions and other income**		7	651	2	364	-	24
	impact	0.02%	1.41%	0.00%	0.79%	-	0.05%

* Balances as at 31/12/2009
**) amounts accrued in 2009

All the Bank's transactions with related parties are executed in compliance with the criteria of substantial and procedural fairness and under market conditions. With regard to the Bank's transactions with subsidiaries and other related parties, it should be emphasised that there is no record of atypical and/or unusual transactions or transactions that could significantly affect the economic, equity and financial position of the Bank.
All transactions attributable to bank officer obligations pursuant to art. 136 of the Consolidated Law on Banking were subject to Board of Directors resolution.

PART I

SHARE-BASED PAYMENT ARRANGEMENTS

No supporting information is available for this section.

Part L

SEGMENT REPORTING

As regards segment reporting, Banca Popolare dell'Alto Adige has adopted as layout 1 that which refers to economic activity segments through which trading unfolds and as layout 2 that which refers to geographic areas.

Subdivision by business segment has been carried out in accordance with customer segmentation. In this view the following segments have been identified:

- PRIVATE INDIVIDUALS
- FIRMS
- FINANCE (asset portfolio and cash management)

As the basis of layout 2, the Bank has adopted a breakdown of totals by geographic area, by identifying two groupings:

- TRENTINO - ALTO ADIGE
- VENETO - FRIULI VENEZIA GIULIA

A. LAYOUT 1

A.1 Distribution by business segment: income information

	Private individuals	Firms	Finance	Reconciliation	Total
Interest Margin	40,404	77,342	4,375	5,658	127,779
Net commissions	21,211	18,268	112	6,737	46,328
Financial margin	0	0	9,819	0	9,819
Banking margin	**61,615**	**95,610**	**14,306**	**12,395**	**183,926**
Net adjustments for value impairment	-4,470	-14,768	0	-4,754	-23,992
Net income from financial management	**57,145**	**80,842**	**14,306**	**7,641**	**159,934**

A.2 Distribution by business segment: balance sheet information

	Private individuals	Firms	Finance	Reconciliation	Total
Due from banks			51,629	0	51,629
Loans to customers	1,709,551	2,553,386	175,153	0	4,438,090
Equity shares			405,992	0	405,992
Due to banks			274,484	0	274,484
Direct funding	3,089,856	499,282	388,111	244,671	4,221,920
- Due to customers	1,389,502	459,478	183,409	164,998	2,197,387
- Securities issued	1,700,354	39,804	204,702	79,673	2,024,533
Indirect funding	1,859,345	61,655	0	25,980	1,946,980

B. LAYOUT 2

B.1. Distribution by geographical area: income information

	Trentino and Alto Adige	Veneto and Friuli Venezia Giulia	Total
Interest Margin	109,835	17,944	127,779
Net commissions	40,592	5,736	46,328
Financial margin	819	0	9,819
Banking margin	**160,246**	**23,680**	**183,926**
Net adjustments for value impairment	-21,536	-2,456	-23,992
Net income from financial management	**138,710**	**21,224**	**159,934**
Administrative expenses	-98,125	-19,098	-117,223
Provisions for risks and charges	-142	-167	-309
Amortization on tangible and intangible assets	-9,594	-3,764	-13,358
Other operating costs/income	8,849	3,717	12,566
Profit (Loss) from current operations before tax	**39,698**	**1,912**	**41,610**

B.2. Distribution by geographical area: balance sheet information

	Trentino and Alto Adige	Veneto and Friuli Venezia Giulia	Total
Due from banks	51,629	0	51,629
Loans to customers	3,703,182	734,908	4,438,090
Equity shares	405,992	0	405,992
Due to banks	274,484	0	274,484
Direct funding	3,587,956	633,964	4,221,920
- Due to customers	1,840,566	356,821	2,197,387
- Securities issued	1,747,390	277,143	2,024,533
Indirect funding	1,642,570	304,410	1,946,980

ANNEXES

Information under art. 149 – duodecies of the Consob Issuer Regulations

The table sets out the fees for the year 2009 for auditing services and for those other than for auditing paid to the Independent Auditors or to companies within its network.

Type of service	Party that performed the service	Fees[1)]
Audit	BDO S.p.A.	97
Certification services	BDO S.p.A.	4
Support in defining the internal control model under Law 262/2005	KON S.p.A.	42
Total		**142**

[1)] The amounts shown include the cost of live expenditure incurred and VAT, if non-deductible.

Financial Statements for Subsidiaries

VOBA INVEST S.r.l. – Single member company

- Registered office: I-39100 – Bolzano, Via del Macello, 55
- Company subject to management and coordination by Banca Popolare dell'Alto Adige Soc. Coop. p.a.
- Share capital of 30,000.00 Euro, fully subscribed and paid-up
- Member of the Business Register of Bolzano, No. 03340170277
- Tax code and VAT number 03340170277

- ASSETS
- LIABILITIES
- GUARANTEES AND COMMITMENTS
- INCOME STATEMENT
- CASH FLOW STATEMENT

VOBA INVEST S.r.l.

ASSETS	*31/12/2009*	*31/12/2008*
FIXED ASSETS	7,263,639	7,298,638
Intangible assets	6,713	8,392
a) Cost	10,071	10,071
b) Provision for amortisation/depreciation	(3,358)	(1,679)
Tangible assets	712,536	750,756
a) Cost	1,268,644	1,267,414
b) Provision for amortisation/depreciation	(556,108)	(516,658)
Financial assets	6,544,390	6,539,490
CURRENT ASSETS	10,617,524	6,708,273
Inventories	1,088,489	255,000
Loans	9,529,035	6,453,273
ACCRUALS AND DEFERRALS	4,837	3,039
TOTAL ASSETS	17,886,000	14,009,950

VOBA INVEST S.r.l.

LIABILITIES	*31/12/2009*	*31/12/2008*
SHAREHOLDERS' EQUITY	4,322,745	4,495,721
Share capital	30,000	30,000
Legal reserve	6,000	6,000
Other reserves	3,502,507	3,502,504
Retained earnings (losses)	957,217	1,808,969
Profit (Loss) for the year	(172,979)	(851,752)
PROVISION FOR RISKS AND CHARGES		377,024
STAFF SEVERANCE INDEMNITIES	55,191	34,096
PAYABLES	13,491,880	9,088,542
ACCRUALS AND DEFERRALS	16,184	14,567
TOTAL LIABILITIES	17,886,000	14,009,950

MEMORANDUM ACCOUNTS	*31/12/2009*	*31/12/2008*
Personal guarantees issued	699,930	699,930
Guarantees in favour of associate companies	699,930	699,930
Commitments	60,960	72,000
Lease and rental instalments due to become payable	60,960	72,000
TOTAL MEMORANDUM ACCOUNTS	760,890	771,930

VOBA INVEST S.r.l.

INCOME STATEMENT	*2009*	*2008*
VALUE OF PRODUCTION	173,363	1,521,791
Revenue from sales and services	118,500	1,707,839
Changes in work in progress		(251,952)
Other revenue and income	54,863	65,904
COST OF PRODUCTION	894,307	2,639,495
Raw and ancillary materials, consumables and goods	904,835	549,875
Services	306,336	314,013
Use of third party assets	16,848	15,240
Personnel	400,763	376,810
Wages and salaries	305,212	292,770
Social security costs	73,672	63,846
Staff severance indemnities	21,879	20,194
Amortisation, depreciation and write-downs	52,537	52,988
Amortisation of intangible assets	1,679	1,679
Depreciation of tangible assets	39,449	38,681
Write-down of loans recorded under current assets, cash and cash equivalents	11,409	12,628
Changes in inventories of raw and ancillary materials, consumables and goods	(833,490)	921,972
Other provisions		376,835
Other operating costs	46,478	31,762
Difference between value and cost of production	(720,944)	(1,117,704)
FINANCIAL INCOME AND (CHARGES)	440,797	(80,323)
Other financial income	574,820	108,478
of which from associate companies	574,109	108,478
Interest and other financial charges	(134,023)	(188,801)
of which to parent companies	(134,023)	(188,795)
EXTRAORDINARY INCOME AND (CHARGES)	(3)	5
Income		5
of which other		5
Charges	(3)	
of which other	(3)	
Result before tax	(280,150)	(1,198,022)
Income tax for the year – current, deferred and prepaid	(107,171)	(346,270)
Profit (Loss) for the year	(172,979)	(851,752)

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	2009	*2008*
A CASH FLOW GENERATED BY PROFITABLE OPERATIONS FOR THE YEAR		
Profit (Loss) for the year	(172,979)	(851,752)
B WRITE-DOWN/WRITE-BACK OF ITEMS THAT HAVE NO IMPACT ON CASH FLOW		
Depreciation and amortisation	41,128	40,360
Net provisions to staff severance indemnities	21,095	20,007
Write-down/Revaluation of assets		376,835
Self-financing generated from operations	(110,756)	(141,550)
(Increase) Decrease in inventories	(833,489)	1,183,397
(Increase) Decrease in loans to customers	4,529	621
(Increase) Decrease in loans to associated companies	(2,858,109)	(4,706,478)
(Increase) Decrease in prepaid taxes	23,275	(143,491)
(Increase) Decrease in other receivables	(245,457)	31,007
(Increase) Decrease in accrued income and prepaid expense	(1,798)	(2,826)
(Increase) Decrease in deferred taxes	(377,024)	(389,225)
(Increase) Decrease in loans to suppliers	(35,562)	79,232
(Increase) Decrease in other current liabilities	123,619	(103,810)
(Increase) Decrease in accrued expense and deferred income	1,617	(2,849)
INCREASE (DECREASE) IN CASH FLOW	(4,309,155)	(4,468,972)
C CASH FLOW FROM INVESTMENT ACTIVITIES		
(Investment) Disinvestment of assets		
- intangible assets		(10,071)
- tangible assets	(1,230)	(1,179)
- financial assets	(4,900)	(27,740)
TOTAL	(6,130)	(138,990)
D CASH FLOW FROM FINANCIAL ACTIVITIES		
Capital account payments for future share capital increase		3,500,000
Other changes in shareholders' equity	3	
TOTAL	3	3,500,000
E CASH FLOW FOR THE YEAR (G – F)	(4,315,282)	(1,107,962)
F NET OPENING CASH FLOW	(8,631,081)	(7,523,119)
G NET CLOSING CASH FLOW	(12,946,363)	(8,631,081)
	(4,315,282)	(1,107,962)

Financial statement certification for the year under art. 81-ter of Consob Regulation no. 11971 dated 14 may 1999 as later amended and extended

1. The undersigned, Hansjörg Bergmeister as Chairman of the Board of Directors and Wolfgang Plattner as the Manager responsible for the preparation of corporate accounting documents for Banca Popolare dell'Alto Adige società cooperativa per azioni, certify, taking account of the provisions of art. 154-bis paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:
• the adequacy in relation to the features of the company and
• the actual application
of the administrative and accounting procedures for forming the financial statements for the year, during the course of 2009.

2. No significant aspects have emerged on this topic.
It is declared that Banca Popolare dell'Alto Adige has incurred the requirement to set up the position of "Manager responsible for preparation of corporate accounting documents" to the extent that in the context of an European Medium Term Notes project, it has issued bonds listed on the Luxembourg stock exchange with Italy as the Member State of origin.
On 21 April 2009 the Shareholders' Meeting amended the Articles of Association (art. 36 item j) by setting up the position of "Executive in charge of preparing company accounting documents" and setting out the professional requirements and the appointment procedure.
On 22 December 2009, after checking the honour and professional requirements and having consulted the Board of Statutory Auditors for a favourable opinion, the Board of Directors appointed Mr. Wolfgang Plattner, the current Central Administration Director as Manager responsible for the preparation of corporate accounting documents.

3. It is further declared that:

3.1 The financial statements for the year:
a) have been drafted in compliance with the applicable international accounting principles acknowledged by the European Community under EC regulation no. 1606/2002 from the European Parliament and Council dated 19 July 2002;
b) correspond to the records in the books and the accounting entries;
c) are suited to provide a true and correct view of the equity, income and cash flow position of the issuer.

3.2 The management report includes a reliable analysis on the progress and results of management, and on the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Bolzano, 25 March 2010

Hansjörg Bergmeister
Chairman of the Board of Directors

Wolfgang Plattner
Manager responsible for the preparation
of corporate accounting documents

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Independent Auditors' Report pursuant to art. 156 and art. 116 of Italian Legislative Decree no. 58 of 24 February 1998 and pursuant to art. 2409-ter of the Italian Civil Code

To the shareholders of
Banca Popolare dell'Alto Adige *società cooperativa per azioni*

1. We have performed audit of the financial statements as at 31 December 2009, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the related notes to the accounts of Banca Popolare dell'Alto Adige *società cooperativa per azioni* closed at 31 December 2009. The directors of Banca Popolare dell'Alto Adige *società cooperativa per azioni* are responsible for drafting the financial statements in accordance with the International Financial Reporting Standards adopted by the European Union, and with the provisions issued in the enactment of art. 9 of Italian Legislative Decree no. 38/2005. Our responsibility is expressing our professional judgement on the financial statements based on the accounting audit.

2. Our audit was completed in accordance with the auditing principles and criteria recommended by CONSOB. In compliance with the principles and criteria referred to above, the audit was planned and carried out with the purpose of acquiring every element required to ascertain whether the financial statements include significant errors and if, overall, can be considered reliable. The process of auditing includes examining, based on sample checks, the items of proof in support of the balances and the information contained in the financial statements and an assessment of the adequacy and accuracy of the accounting policies used and the reasonableness of the estimates made by the directors. We believe that the work carried out provides a reasonable basis for expressing our professional opinion.

   For the opinion concerning the previous year's financial statements, data from which are included for comparison purposes, these have been restated to take account of the amendments made to the financial statement presentation introduced by IAS 1, and we refer to the report issued by us on 30 March 2009.

3. In our opinion the financial statements as at 31 December 2009 of Banca Popolare dell'Alto Adige *società cooperativa per azioni* comply with the International Financial Reporting Standards adopted by the European Union, and with the provisions of art. 9 of Italian Legislative Decree no. 38/2005. Thus they are drafted clearly and present a truthful and fair view of the equity and income position, the profit and loss for the year and the cash flows of Banca Popolare dell'Alto Adige *società cooperativa per azioni* for the year ended at that date.

4. The Directors of Banca Popolare dell'Alto Adige *società cooperativa per azioni* are responsible for drafting the management report, in compliance with the provisions of law and the regulations. It is our responsibility to express our opinion on the consistency of the report with the financial statements, as required by art. 156, paragraph 4-bis, item d) of Italian Legislative Decree no. 58/98. To this end, we have carried out the procedures stated by Auditing Principle no. 001 issued by the Italian Accounting Profession and recommended by CONSOB. In our opinion the management report is consistent with the statutory financial statements of Banca Popolare dell'Alto Adige *società cooperativa per azioni* as at 31 December 2009.

Verona, 29 March 2010

BDO S.p.A.

[signature]
Paolo Scelsi
(Partner)