HALF YEAR REPORT 2009

BANCA ANTONVENETA S.p.A., Sole Partner Bank

Subject to the management and co-ordination of Monte dei Paschi di Siena S.p.A.

Fully paid up share capital EUR 1,006,300,00

Registered office: 35131 Padova – Piazzetta Filippo Turati, 2

Register of Companies of Padua

Taxpayer and TVA Code 04300140284

Member of the Interbank Deposit Protection Fund

CORPORATE OFFICERS

BOARD OF DIRECTORS

Chairman	PISANESCHI Andrea
Deputy Chairmen	CALTAGIRONE Francesco MARCHI Enrico
Directors	BARBIERI Giancarlo BUORO Lauro CAPUTI Massimo CARRARO Massimo COCCHERI Lucia DESTRO Nereo MONTINARI Dario NUTI Andrea QUERCI Carlo RABIZZI Ernesto RANIERI Aniceto Vittorio SORGE Vittorio

Board of Statutory Auditors

Chairman	FABRETTI Pietro
Acting Auditors	BIANCHI Claudio DALLA LIBERA Alberto
Alternate Auditors	NALLI Enzo ROSSI CHAUVENET Leopoldo

HEAD OFFICE

Chief Executive Officer	MENZI Giuseppe
Deputy Chief Executive Officer	PIRONDINI Daniele

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THE OPERATING SCENARIO

THE MACROECONOMIC SCENARIO

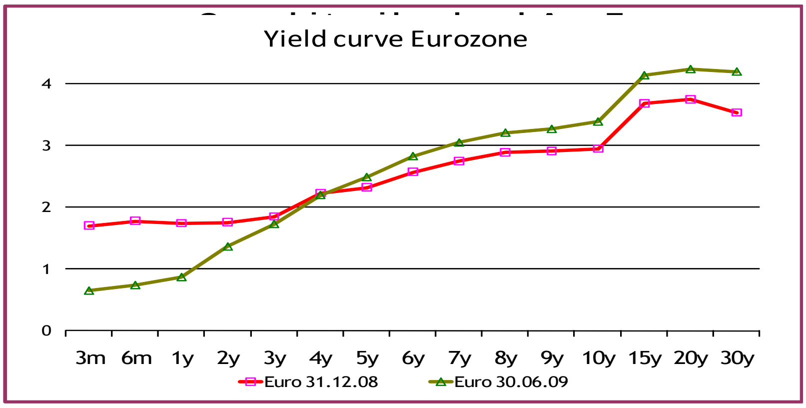
The vigour of recession intensified in Q1 09; except for China and India, all the major industrialized and emerging economies recorded a dramatic contraction of the GDP. **In the second part of the half-year period the crisis, countered by exceptional measures of economic policy, was mitigated,** as proven by the first estimates of the GDP of Q2 09 and the trend of industrial production. Signs of minor pessimism emerged, but there is still the risk that the repercussions of recession on the labour market might affect final demand. The main central banks still support the markets in order to ensure appropriate credit flows to the companies.

GROWTH RATES IN THE LEADING ECONOMIES			
	2007	2008	2009
World	5,4	3,6	-1,4
Usa	2,0	1,1	-2,8
Eurozone	2,6	0,6	-4,6
Italy	1,5	-1,0	-4,9
Japan	2,1	-0,7	-6,0
China	11,4	9,0	7,3

Sources FMI, Consensus Banca d'Italia, Research BMPS

After the sharp contraction of Q1 (-2.5% with respect to Q4 08), the GDP of the Eurozone is supposed to show a mitigation of recession. The decline of industrial production fell from 7.3% at the beginning of the year to 2.6% in Q2. The climate of confidence of companies and consumers is improving. In June and July, consumers prices decreased on a trend basis (latest data: -0.6%), an unprecedented event in the Area mostly attributable to the energy component. In line with the development of economy, the monetary and credit aggregates considerably slowed down, with their annual growth rate down to around 4% from last year's peak of more than 10%.

During the first six months of 2009, the ECB cut the reference rate from 2.25% to 1%, with a total y-o-y decrease of 3.25%. The ECB believes that inflationary risks are low and did not exclude the possibility of any further cuts, affirming that the current level of interest rates is appropriate to the economic scenario, but is not necessarily the minimum which can be reached. Pressure in the interbank market reduced and was indicative of the regulatory amendments introduced by the ECB. The spread between the 3-month Euribor and the 3-month overnight index swaps rate fell from more than 100 bp to about 50 bp. The first long-term (12 months) refinancing transaction was executed in June, with low participation of the Italian banks. In July the ECB started buying covered bonds which are expected to reach a total amount of 60 bn.



The yield curve dropped remarkably in the short-term portion, thus reflecting the expansive measures of the ECB. Medium-/long-term (from 5 years) increases in the range of 20-60 bp are indicative of the decreasing lack of confidence and the relative mitigation of the demand for Treasury bonds. After fluctuating in the range of 4.25-4.9% in the first months of the year, interest rates on 10-year BTPs stood at 4.4% at the end of June (in line with 31 December 2008). The spread with ten-year German Bunds decreased to about 100 bp.

In Italy, the GDP declined by 2.7% in Q1 (with respect to the prior quarter), but the decline in the following period came to 0.5%. Industrial production followed the same trend (though with higher absolute levels) with a 9.7% decrease in Q1 09 and a 3.9% drop in Q2. The turnover of the industrial companies was down by more than 20% on a yearly basis (between January and May), with some signs of a rebound in relation to foreign sales in May, despite a general decline in the period of about 27%, mostly with reference to intermediate and capital goods. **Additional signs of a stop of the gradual deterioration came from the pick-up of purchase orders in May**, as confirmed by the Isae quality surveys of June and short-term expectations in relation to production and foreign orders. Investments were sharply downsized in Q1 (-5%) and, according to the following survey of the Bank of Italy/Sole 24 Ore, they continued to follow this trend in the following months.

The households are **extremely cautious in their consumption projects**. In Q1, the decline of expenses in real terms topped 1%. On the basis of the trend of retail sales, a 2.2% decline on an annual basis was recorded in the first five months of the year. The trend is also influenced by the reduction of employment (-0.9% on an annual basis in Q1), which struck the employees in the building and manufacturing industries, with the service sector keeping steadier. The massive use of the unemployment benefits fund (Cassa Integrazione) almost quadrupled in H1, on an annual basis.

The annual inflation rate touched zero in June, thus encouraging the pickup in the households' purchasing power. This price trend mainly reflects the decline of the prices in relation to expenses for housing, energy and transports.

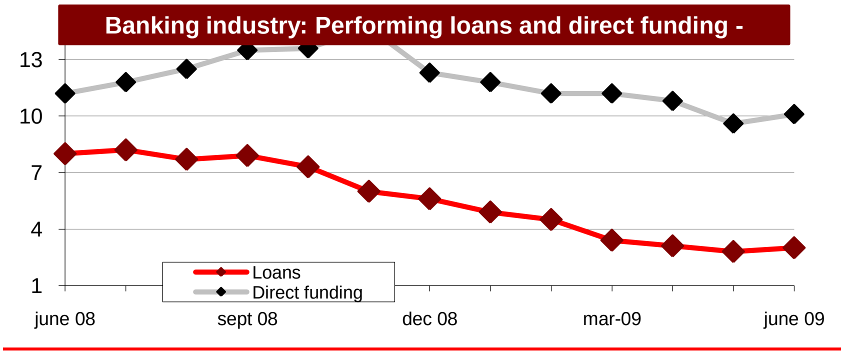
Since mid-March, the major stock markets have recorded considerable profits, driven by Government measures and the signs of mitigation of recession pressure. Since 1 January 2009, the MSCI World Index has grown by about 4%, driven by Asia and the FTSEMIB index of the Italian Stock Exchange is aligned with the average performance of the European markets with a 3% decline but an increase of approx.40% after the low hit early in March.

Risk premiums on corporate bonds decreased considerably with reference to all risk classes and countries. BBB-rated corporate bonds fell by about 700 bp in the Eurozone.

The US dollar/Euro exchange rate, which had fallen below 1.3 in March, rose to $ 1.41, at the levels recorded at the end of 2008. Capital outflows from the Emerging Countries to the USA gradually decreased. In H1 the euro appreciated by more than 6% with respect to the Japanese yen.

THE BANKING BUSINESS

In H1 **the** trend of funding and lending volumes slowed down with a similar intensity. The **p**ropensity to save increased and, as a result of low confidence levels and strong risk aversion, demand was based on bank products, traditional life policies and Treasury bonds, rather than equities and assets under management. The scenario is also characterized by the **general reduction of the spread between bank rates,** with a considerable increase in the markup, more than offset by the reduction of the markdown.



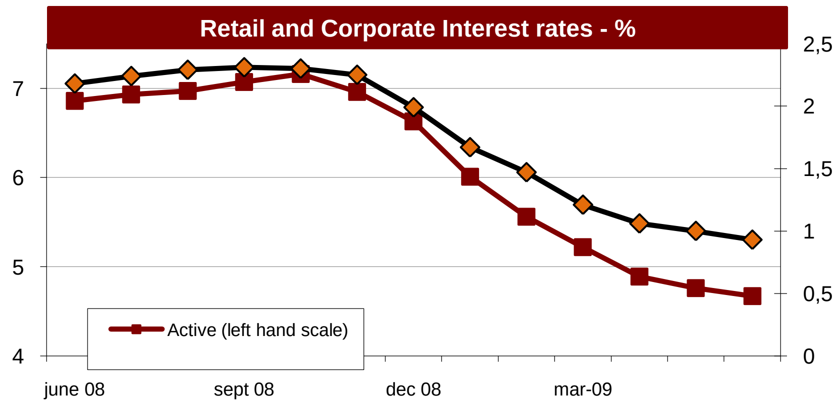
Direct bank funding stood at + 10.7% on average on an annual basis in H1 (-1% in comparison with 2008). The limited slowdown is mostly indicative of the lower available liquid assets of the companies. The growth of bonds was still high, at around +18%. The progress of deposits slowed down and the trend of repurchase agreements considerably decreased, due to the low level of interest rates.

Net redemptions of mutual funds and portfolios under management decreased with respect to Q2 08 (funds: -14.5 bn in H1 2009 with respect to -70 bn; net funding from portfolios under management: - 2.5 bn vs. -7.4 bn).

The new production of bancassurance boosted (+18.3% on an annual basis), due to the high demand for guaranteed yield products.

The annual growth of bank loans decelerated and stabilized at abt. + 3.5% on average on an annual basis in H1 with respect to +5.6% at the end of 2008. This trend is indicative of the weak economic situation and, in particular, the minor demand for credit for investment purposes and for funding stocks and working capital.

In Q1 09, **the ratio of the flow of new adjusted NPLs to loans was equal to an annualized 1.6% in comparison with last year's average of 1.23%.** The growth mainly involved the manufacturing companies with a more modest deterioration with reference to the households. In terms of volumes, NPLs increased by 5.7% on an annual basis (in May), as a result of a 9.5% increase in relation to companies and virtually steady data in relation to the households.



Bank interest rates continued to be adjusted to the reduction of the official ECB rates at a fast pace. From September 2008 (the month before the beginning of the expansive monetary policy) to June 2009, the cost of short-term corporate loans fell by almost 3% and the cost of residential retail mortgage loans declined below 3.7%, respectively (from more than 5% in the last months of 2008). **As a whole, in light of declining interest rates, in H1 09, on short-term loans to households and companies** of about 2%, the yield of deposits was down by 1.06%. The short-term spread contracted below 4% on the half-year average (abt. -70 bp with respect to 2008). The markup increase was flanked by a virtually close to zero markdown (-2 bp approx. with respect to 2008).

In Q1 09 the profits of the leading banking groups dropped by 40% year on year. The growth of interest income stopped with other income continuing to decline. The operating income was unchanged as a result of the containment of operating expenses, in light of clearly increasing risk provisions.

THE GEOGRAPHICAL AREA OF REFERENCE

The area of Veneto, Trentino and Friuli accounts for 14% of the Italian GDP with a productive structure characterized by an industrialization rate higher than the Italian average. Manufacturing industries actually account for 31.8% of value added (with respect to 27% in Italy), with services representing only 66.2% (with respect to an Italian average of 71.1%). Veneto is the most industrialized region within the area, followed by Friuli Venezia Giulia and Trentino. Per capita regional data in relation to the GDP, available income and consumption are above the Italian average, but the gap between the three regions is still wide in terms of per capita income.

As a result of the high degree of opening to international trade in Veneto and Friuli (total international trade/GDP: abt.55%) and the huge extra-enlarged EU trade share of the total, the regions are more vulnerable to the adverse international economic situation. The exports to the countries not belonging to the Enlarged European Union actually recorded the strongest contraction. In 2009 the following business industries are expected to be most struck by the falling foreign demand: metals, rubber articles and machinery, electric equipment and means of transport, textile products.

The unemployment rate in the whole area is very low (3.6% with respect to the Italian average of 6.7% in 2008), but the Unemployment Benefit Fund is increasingly used, more than the Italian average, with specific reference to Friuli Venezia Giulia.

BANCA ANTONVENETA

"New" Banca Antonveneta S.p.A. was established on 23 April 2008 with a share capital of EUR 6,300,000.00.

On 1 January 2009 Banca Monte dei Paschi di Siena S.p.A. transferred to "new" Banca Antonveneta S.p.A. a business unit consisting of 403 branches (including 390 branches in Veneto, Friuli Venezia Giulia and Trentino Alto Adige) resulting from the merger by incorporation of "old" Banca Antonveneta into Banca MPS, executed on 31 December 2008. Such transaction originated a capital increase of EUR 3,200,000,000.00, with the shareholders' equity of the transferee bank going up to EUR 3,206,300,000.00.

As of 1 January 2009, "new" Banca Antonveneta S.p.A. (renamed Banca Antonveneta S.p.A.) operated a network of 403 branches, with total loans of the commercial network excluding the large corporate segment (average data) amounting to EUR 11.4 mln, a market share in north-eastern Italy of 5.71% (as of 31 December 2008) and total funding of the commercial network excluding the large corporate segment of EUR 17.6 mln. The weight of assets under management accounted for about 22% and the market share of deposits in north-eastern Italy was 6.39% (as of 31 December 2008).

The market shares of deposits and loans with respect to the Italian banking industry are 0.64% and 0.71%, respectively.

GUIDELINES OF THE 2009-2011 BUSINESS PLAN

The Board of Directors of Banca Antonveneta approved the guidelines of the 2009-2011 Business Plan, as previously resolved by the Parent Bank, during the meeting of 10 July 2009.

From the commercial viewpoint, the guidelines of the new 2009-2011 Business Plan are oriented to the requalification and consolidation of customers' relations through the optimization of the network and the implementation of the Group service models, the full use of the Group product catalogue, the improvement of Corporate Banking services.

From the organization viewpoint, the Bank is expected to fully integrate into the MPS Group focusing on operational efficiency, the streamlining of operations and a smooth corporate structure.

The policy of management of the resources shall be oriented to the full enhancement of the human assets of the bank , encouraging integration and the development of the sense of belonging to the Group. The gradual standardization of the labour contracts is expected.

This Plan contemplates the consolidation of risk monitoring, both with reference to credit risk and operational risks, with the extension of the Group risk management policies to the subsidiary.

COMMERCIAL OPERATIONS

The bank pursued its commercial policy focused on the development of operations with the consumer segment. The new activities implemented included the extension of the "family" commercial platform and the completion of the Small Business and Affluent platforms. Two new branches were opened for the purpose of ensuring the best follow up of Private customers relations. Many initiatives were undertaken in support of the network for the distribution of the products.

In addition, the Advice platform was inaugurated for the purpose of providing basic and advanced advisory services to Affluent and Private customers. This instrument has the objective of identifying the best level of correlation between the investment objectives stated by the customers and the objectives proposed by the bank.

The following initiatives were carried out in relation to the Family and Affluent segments:

- Development of Consumer Finance through targeted actions with products of the Consum.it range (including "one mortgage loan one M'Honey") and development of the supply of "Tuttofare" loans;
- Customer development through prepaid cards
- Supply of current accounts with pre-established expenses to specific customer targets (i.e. students, non-EU workers, employees of corporate customers, employees of Local Authorities)
- Development of monetics (one account one card)
- Rebalance of portfolios through asset management products
- Customer retention actions and "active reference".

The following initiatives were undertaken on a monthly basis in relation to the Small Business market through campaign management:

- Research and development of commercial credit lines;
- Management of past due loans;
- Rating review;
- Adjustment of receivable and payable interest rates
- Impaired ratings
- Full review of the agreements with the relevant Confidi.

Effective H2 09, the bank started distributing a wide range of AXA products which meets the customers' requirements associated with the management of assets/investments and protection, adding an additional qualitative important element to the services rendered.

COMMERCIAL CORPORATE BANKING

The objectives of the bank incorporate the development of the Corporate service model in order to play again the role of partner of reference for the companies of north-eastern Italy. Within this framework, the *Corporate* business is not only oriented to the development of credit, but also to the supply of innovative services which can meet the requirements of the companies and the entrepreneurs.

An important role will be played by the implemented consolidation of the International business, with the bank increasingly acting as a valid counterpart of the companies in order to render services and provide assistance in relation to high value added products. The leading product is the "sale of notes/bills following the transfer of SACE Supplier Credit Policy", which is deemed to be strategic in a period of poor liquidity and lacking credit lines.

The first half of 2009 was vigorously driven by the commercial success of the SME Account Managers, achieved as a result of actions based on two pillars:

- The reorganization in the direction of one Group service model. The bank set up 7 new centres during the period, with the optimization of staff secondments, and started professional training paths.
- The pursuit of the results through the development of an exhaustive supply, with specific focus on Repricing, Collection of Flows, International business, Real Bank, New Customers, Hedging, but also Past Due Loans and Rating Review.

Special emphasis was placed on the development of the Local Authorities and Institutions market, resuming and consolidating the relations with the local authorities and institutions linked with the territory. To this end, the bank is operating in accordance with the guidelines of the business plan in terms of acquisition of new customers and development of new services (covering of commodities, management of total collections).

Early in 2009, the bank inaugurated the Treasury Unit of Trieste, thus ensuring all local authorities a remote distance connection with the bank and the electronic management of orders.

MAJOR CAPITAL AGGREGATES

Customer funding

As of 30 June 2009, direct **funding** came to EUR 8,107 million (7,666 million as of 31 March 2009) with indirect funding totaling EUR 10,930 million, virtually in line with the past quarter (10,901 million). Total funding amounted to 19,037 million (18,567 million as of 31 March 2009). These data do not include the bonds issued by "old" Banca Antonveneta which were not subject to transfer but can be compared to direct funding, in an amount of EUR 1,790 million as of 30 June 2009 (1,823 million as of 31 March 2009).

On the basis of operating data, in H1 09 the trend of **direct funding** with reference to the geographical network of Banca Antonveneta was positive (about 7.8%), and mostly attributable to the remix of the volumes from indirect funding to direct funding (due to the good placement of bonded loans), which partly contributed to the decline in **indirect funding** (-10% approx. due to market effect).

Total funding came to year-end levels which were influenced by the contribution of temporary transactions with Large Corporate customers. As already mentioned, the aggregate improved with respect to Q1 09 mainly due to the growth of direct funding.

An operating comparison of year-on-year gradual data shows a progress of direct funding of about 13.9%.

Customer loans

Customer loans amounted to 12,977 million including doubtful loans in the amount of 980 million (12,876 million as of 31 March 2009 including doubtful loans in the amount of 932 million). This aggregate was burdened with value adjustments in the amount of 886 million (848 million as of 31 March 2009).

(in EUR mln)

Situation as of 30 June 2009	Gross exposure		Value adjustments	Net exposure		Provisions %
	Amount	% weight		Amount	% weight	
Performing loans	12,059.57	86.99%	63.06	11,996.50	92.45%	0.52%
Doubtful loans	1,803.09	13.01%	823.02	980.08	7.55%	45.64%
Restructured loans	72.78	0.53%	3.04	69.74	0.54%	4.18%
Past due and excess loans	58.62	0.42%	2.95	55.67	0.43%	5.03%
Watchlist credit	441.86	3.19%	61.83	380.03	2.93%	13.99%
NPLs	1,229.84	8.87%	755.20	474.64	3.66%	61.41%
Country risk	0	0%	0	0	0%	0.63%
Total loans	**13,862.66**	**100.00%**	**886.08**	**12,976.58**	**100.00%**	**6.39%**

(in EUR mln)

Situation as of 31 March 2009	Gross exposure		Value adjustments	Net exposure		Provisions %
	Amount	% weight		Amount	% weight	
Performing loans	12,007.48	87.49%	62.87	11,944.61	92.76%	0.52%
Doubtful loans	1,717.06	12.51%	785.02	932.04	7.24%	45.72%
Restructured loans	70.41	0.51%	6.48	63.92	0.50%	9.21%
Past due and excess loans	46.54	0.34%	2.31	44.23	0.34%	4.96%
Watchlist credit	467.39	3.41%	62.03	405.35	3.15%	13.27%
NPLs	1,132.73	8.25%	714.20	418.53	3.25%	63.05%
Country risk	0	0%	0	0	0%	0.97%
Total loans	**13,724.54**	**100%**	**847.89**	**12,876.65**	**100%**	**6.18%**

Customer loans of the geographical network were virtually steady with respect to year-end (-0.6%).

PROFITS AND LOSSES FROM 1 JANUARY 2009 TO 30 JUNE 2009

The first half of 2009 closed with a **net profit** of 20.3 million.

Net profits adjusted after the PPA effects, the amortization of intangibles and taxes stood at EUR 42.2 million.

RECLASSIFIED INCOME STATEMENT (in mln)	**30.06.2009**
INTEREST INCOME	231.9
Other income	80.2
NET OPERATING INCOME	312.1
Loan adjustments	-69.7
INCOME FROM FINANCIAL AND INSURANCE BUSINESS	**242.4**
Personnel expenses Other administrative expenses and other adjustments **Total operating expenses**	-102.5 -65.3 **-167.8**
GROSS INCOME (BEFORE PPA AND AMORTIZATION OF INTANGIBLES)	**74.6**
Taxes	-32.4
NET PROFIT (BEFORE PPA AND AMORTIZATION OF INTANGIBLES)	**42.2**
PPA effect *Amortization of Intangibles* *Taxes on PPA and amortization of intangibles*	-17.4 -14.5 10.0
NET PROFIT	**20.3**

In particular, **interest income** stood at 231.9 million, excluding the negative impact of PPA of 17.4 million. In H1 09, the 1-month Euribor rate declined by approx. 1.9% thus determining a reduction in the spread in relation to demand funding, partly offset by the improvement of the spread in relation to demand loans, also resulting from the intense renegotiation of the customers' terms.

This amount is 2.5 million higher than budgeted, mostly attributable to the contribution of the network with the contribution from the "core" virtually in line.

Other income, mostly attributable to net commissions, amounted to 80.2 million and is affected by the adverse trend of the markets in relation to assets under management and the slowdown of corporate business, with negative effects on loan commissions and the management of current accounts.

The net operating income came to 312.1 million, virtually in line with the budget objectives.

Value adjustments for the period totaled 69.7 million and overall value adjustments amounted to 886 million, thus ensuring a good level with respect to provision percentages (see table in the previous page).

Operating expenses, excluding the amortization of intangibles in the amount of 14.5 million, amounted to 167.8 million and were more than 10 million lower than budgeted.

Net equity

As of 30 June 2009, **net equity** – inclusive of net profits for the period – approximated 3,227 million.

With reference to the **capital ratios** as of 30 June 2009, the ratio of capital for regulatory purposes (1,606 mln) to total weighted assets stood at 17.06%, with an equal ratio of Tier 1 capital (1,606 mln) to total weighted assets, since there were no Tier 2 components as of 30 June 2009.

Half Year Report
2009

Financial Statements as of 30 June 2009

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2009

Balance Sheets

BALANCE SHEET

(EUR)

	Assets	30 06 2009	31 12 2008
10	Cash and cash equivalents	80.497.974	-
20	Financial assets held for trading	80.222.928	-
30	Financial assets valued at *fair value*	-	-
40	Financial assets available for sale	20.525.011	-
50	Financial assets held to maturity	-	-
60	Due from banks	1.014.380.381	6.356.376
70	Due from customers	12.976.581.398	-
80	Hedging derivatives	-	-
90	Value adjustment of financial assets under general hedging (+/-)	-	-
100	Equity investments	39.022	-
110	Tangible assets	27.951.477	-
120	Intangible assets	1.705.199.304	-
	of which: goodwill	1.416.918.574	-
130	Tax assets	38.628.265	84.508
	a) current	9.588.165	35.296
	b) advanced	29.040.100	49.212
140	Non-current assets and groups of assets being sold	-	-
150	Other assets	351.598.329	39.022
	Total assets	**16.295.624.089**	**6.479.906**

BALANCE SHEET

(EUR)

	Total liabilities and shareholders' equity	30 06 2009	31 12 2008
10	Due to banks	4.206.732.938	-
20	Due to customers	7.186.487.580	-
30	Outstanding securities	210.378.396	-
40	Financial liabilities held for trading	73.387.817	-
50	Financial liabilities valued at fa*ir value*	709.922.245	-
60	Hedging derivatives	-	-
70	Value adjustment of financial liabilities under general hedging (+/-)	-	-
80	Tax liabilities	8.976.041	-
	a) current	8.928.685	-
	b) differed	47.356	-
90	Liabilities related to assets being sold	-	-
100	Other liabilities	578.024.859	311.460
110	Staff severance indemnity pay	34.530.411	-
120	Provision for risks and charges:	60.408.015	-
	a) pension funds and similar obligations	-	-
	b) other funds	60.408.015	-
130	*Valuation reserves*	313.322	-
140	Redeemable shares	-	-
150	Capital instruments	-	-
160	Reserves	(131.554)	-
170	Share premium	2.200.000.000	-
180	Capital	1.006.300.000	6.300.000
190	own shares	-	-
200	Profit (Loss) of the year (+/-)	20.294.019	(131.554)
	Total liabilities and shareholders' equity	**16.295.624.089**	**6.479.906**

INCOME STATEMENT

	Accounts	EUR) 30 06 2009
10	Interest and similar income	310.765.157
20	Interest and similar expense	(96.310.011)
30	Interest margin	**214.455.146**
40	Commissions receivable	92.224.408
50	Commissions payable	(10.110.076)
60	Net commissions	**82.114.332**
70	Dividends and similar income	-
80	Net result of trading	(1.185.915)
90	Net result of hedging	-
100	Profit (Loss) from sale and repurchase of:	-
	a) Loans	-
	b) Financial assets available for sale	-
	c) Financial assets held to maturity	-
	d) Financial liabilities	-
110	Net result of financial assets and liabilities valued at fair value	(743.319)
120	Intermediation margin	**294.640.244**
130	Value adjustments/recoveries for impairment of:	(68.549.331)
	a) Loans	(69.707.293)
	b) Financial assets available for sale	-
	c) Financial assets held to maturity	-
	d) Other financial transactions	1.157.962
140	Net result of financial activities	**226.090.913**
150	Administrative expenses	(174.536.625)
	a) Staff expenses	(102.469.263)
	b) Other administrative expenses	(72.067.362)
160	Net provisions to risk and charge funds	(3.241.481)
170	Net value adjustments/recoveries on tangible assets	(4.321.443)
180	Net value adjustments/recoveries on intangible assets	(14.466.744)
190	Other operating income/charges	13.234.954
200	Operating costs	**(183.331.339)**
210	Profit (loss) of equity investments	-
240	Profit (Loss) from investment sale	-
250	Profit (loss) of the current trading assets before tax	**42.759.574**
260	Income tax for the period of the current trading assets	(22.465.555)
270	Profit (loss) of the current trading assets after tax	**20.294.019**
280	Profit (loss) of groups of assets being sold after tax	-
290	Profit (loss) for the period	**20.294.019**

TABLE OF TOTAL CONSOLIDATED PROFITABILITY

(EUR)

	Profit (Loss) for the year	30 06 2009
10	**Other income components after tax**	**20.294.019**
	Financial assets available for sale:	
	a) changes in *fair value*	
20	b) re-transfer to income statement	**313.322**
	- adjustments due to impairment	313.322
	- profit/loss from sale	-
	c) other changes	-
		-
30	**Tangible assets**	-
40	**Intangible assets**	-
50	**Foreign investments hedging**	-
60	**Financial flows hedging**	-
70	**Exchange differences**	-
80	**Non-current assets being sold**	-
90	**Actuarial profit (Loss) on defined-benefit plans**	-
100	**Quota of reserves from valuation of equity investments valued with the net worth method**	-
		-
110	**Total other income components after tax**	**313.322**
120	**Overall profitability (Account 10 + 110)**	**20.607.341**

TABLE OF THE CHANGES IN NET EQUITY 31 December 2008 - 30 June 2009

(EUR)

		Outstanding as at 31.12.08	Opening balance change	Outstanding as at 01.01.09	Allocation result previous year		Changes for the year							Profit (Loss) for 2009	Net equity as at 30.6.2009
							Changes in reserves	Net equity transactions							
					Reserves	Dividends and other allocations		Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Capital instrument change	Derivatives on own shares	Stock option		
Capital:	a) ordinary shares	6.300.000	-	6.300.000	-	-	-	1.000.000.000	-	-	-	-	-	-	1.006.300.000
	b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium		-	-	-	-	-	-	2.200.000.000	-	-	-	-	-	-	2.200.000.000
Reserves	a) of profits	-	-	-	(131.554)	-	-	-	-	-	-	-	-	-	(131.554)
	b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	a) available for sale	-	-	-	-	-	313.322	-	-	-	-	-	-	-	313.322
	b) financial flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares	a) of the parent bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year		(131.554)	-	(131.554)	131.554	-	-	-	-	-	-	-	-	20.294.019	20.294.019
Net Equity		**6.168.446**	**-**	**6.168.446**	**-**	**-**	**313.322**	**3.200.000.000**	**-**	**-**	**-**	**-**	**-**	**20.294.019**	**3.226.775.787**

TABLE OF THE CHANGES IN NET EQUITY 31 December 2007 - 31 December 2008

(EUR)

		Outstanding as at 31.12.07	Opening balance changes	Outstanding as at 01.01.08	Result allocation of		Changes for the year							Profit (Loss) as at 31.12.2008	Net equity as at 31.12.2008
							Changes in reserves	Net equity transactions							
					Reserves	Dividends and other allocations		Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Capital instrument change	Derivatives on own shares	Stock option		
Capital:	a) ordinary shares	-	-	-	-	-	-	6.300.000	-	-	-	-	-	-	6.300.000
	b) other share	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	a) of profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b)other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	a) available fo	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b)financial flo	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares	a) of the pare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) of the subs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year		-	-	-	-	-	-	-	-	-	-	-	-	(131.554)	(131.554)
Net equity		**-**	**-**	**-**	**-**	**-**	**-**	**6.300.000**	**-**	**-**	**-**	**-**	**-**	**(131.554)**	**6.168.446**

CASH FLOW STATEMENT

	(EUR)
A. OPERATING ASSETS	**30 06 2009**
1. Cash flow from operations	**108.063.499**
net income (+/-)	20.294.019
capital gains/losses on financial assets held for trading and on assets/liabilities valued at fair value (-/+)	743.319
capital gains/losses on hedging assets (-/+)	-
net value adjustments/recoveries for impairment (+/-)	69.057.969
net value adjustments/recoveries on tangible and intangible assets (+/-)	18.788.187
net provisions to risk and charge funds and other costs/revenues (+/-)	3.241.481
tax and duties to be settled (+/-)	23.601.358
net value adjustments/recoveries of groups of assets being sold after tax (+/-)	-
other adjustments	(27.662.834)
2. Liquidity generated/absorbed by financial assets	**3.432.312.515**
financial assets held for trading	(71.275.037)
financial assets held at fair value	-
financial assets available for sale	(25.416)
due from banks: at sight	727.587.300
due from banks: other loans	923.132.274
customer loans	175.480.240
hedging derivatives	-
other assets	1.677.413.154
3. Liquidity generated/absorbed by financial liabilities	**(3.571.616.372)**
due to banks: at sight	(1.552.008.197)
due to banks: other loans	(593.380.741)
due to customers	(614.536.791)
outstanding securities	84.120.063
financial liabilities held for trading	64.211.481
financial liabilities held at fair value	709.178.926
hedging derivatives	-
other liabilities	(1.669.201.113)
Net liquidity generated/absorbed by operating assets	**(31.240.358)**
B. INVESTMENTS	
1. Liquidity generated by:	**-**
sale of shareholdings	-
dividends collected on shareholdings	-
sale/repayment of financial assets held to maturity	-
sale of tangible assets	-
sale of intangible assets	-
sale of subsidiaries and company branches	-
2. Liquidity absorbed by	**(482.703)**
purchase of shareholdings	-
purchase of financial assets held to maturity	-
purchase of tangible assets	(482.703)
purchase of intangible assets	-
purchase of subsidiaries and company branches	-
Net liquidity generated/ absorbed by investments	**(482.703)**
C. FUNDING	
issue/purchase of own shares	-
issue/purchase of capital instruments	-
distribution of dividends and other purposes	-
issue of new shares	-
Net liquidity generated/absorbed by funding	**-**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**(31.723.061)**

Reconciliation

Accounts	30 06 2009
Cash and cash equivalens at year opening	-
Cash and cash equivalents from conferment	112.339.275
Total net liquidity generated/absorbed during the year	(31.723.061)
Cash and cash equivalents resulting from forex floating	(118.240)
Cash and cash equivalents at year closing	80.497.974

Half Year Report 2009

Notes to the Financial Statements

Half Year Report
2009

Part A
Accounting Policies

PART A – ACCOUNTING POLICIES

A1 – GENERAL PART

Section 1 – Introduction

This half-year report of Banca Antonveneta Spa, pursuant to Legislative Decree no.38 of 28 February 2005, was prepared in accordance with the principles of recognition and valuation contemplated by the international accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) validated by the European Commission, as provided for by the European Union Regulation no.1606 of 19 July 2002, in force upon its approval.

The half-year report was not prepared in application of IAS 34 "Interim Reports", since Banca Antonveneta SpA is not obliged to prepare and issue any interim report. This half-year report was prepared only for the regulatory purposes of the Bank of Italy. The international accounting principles were applied also with reference to the "Framework for the preparation and presentation of the financial statements" (Framework).

Failing a principle or an interpretation specifically applicable to a transaction, other event or circumstance, the Bank's Management resolved to develop and enforce its own accounting principle, for the purpose of providing:

- Relevant information for the purpose of the users' economic decisions;
- Reliable information, so that the financial statements:
- Give a true and faithful view of the capital-financial situation, the profits/losses and the cash flows of the bank;
- Are indicative of the economic substance of the transactions, other events and circumstances, and not merely the legal form;
- Are neutral, i.e. with no prejudices;
- Are conservative;
- Are exhaustive with reference to all relevant aspects.

In its resolutions, the Bank's management made reference to and took account of the enforceability of the following sources, indicated in a decreasing hierarchical order:

- The provisions and application guidebooks contained in the Principles and Interpretations dealing with similar or related cases;
- The definitions and principles of recognition and measurement for the accounting of the assets, liabilities, income and costs contained in the Framework.
- In addition, when expressing an opinion, the Bank's Management can take account of:
- The latest provisions issued by other bodies in charge of laying down the accounting principles, which use a conceptually similar Framework to develop the accounting principles;
- Other accounting literature;
- Consolidated industry practice.

In compliance with art.5 of Legislative Decree no.38 of 28 February 2005, if in exceptional cases the application of a provision contemplated by the international accounting principles is not compliant with the true and faithful view of the capital, financial and P/L situation, the provision is not applied. The notes to the financial statements explain the reasons for derogation and its influence on the representation of the capital, financial and P/L situation. Any profits resulting from the derogation are posted in the half-year report to a non-distributable reserve if not corresponding to the recovered value.

Section 2 – General drafting principles

As already mentioned, the half-year report was prepared on the basis of the principles of recognition and valuation contemplated by the IAS/IFRS.

The bank half-year report consists of the balance-sheet, the income statement, the statement of changes in net equity, the statement of overall profitability, the cash flow statement and the notes to the financial statements, and is supplemented with the directors' report on the bank's operations and situation.

The balance-sheet, the income statement and the statement of overall profitability consist of accounts (marked by numbers), sub-accounts (marked by letters) and additional information details ("including" in the accounts and sub-accounts). Accounts, sub-accounts and the relevant information details form the balance-sheet accounts.

Each account of the balance-sheet also indicate the amount of the past financial year. If the accounts cannot be compared, the accounts in relation to the prior year are not adjusted. Non-comparability and any adjustment or impossible adjustment are shown and comments made in the notes to the financial statements.

Assets and liabilities, expenses and income cannot be offset, except if this is allowed or required by the international accounting principles or the provisions contemplated by Circular no.262 of 22 December 2005 issued by the Bank of Italy.

The balance-sheet and the income statement do not show the accounts which indicate no amounts in relation to the financial year of reference of the half-year report and the prior financial year. If a component of the assets or liabilities is part of several accounts of the balance-sheet, the notes to the financial statements shall indicate that it can be also referred to accounts other than the account where it is posted to, if this is necessary for the purpose of understanding the half-year report. Income shall be shown with no sign in the income statement and the relevant section of the notes to the financial statements. Expenses shall be shown in brackets.

In compliance with art.5 of Legislative Decree no.38 of 28 February 2005, the half-year report is prepared using the euro as the unit of account. The tables of the half-year report are denominated in units of euro and the notes are denominated in thousands of euro.

The half-year report was prepared on an ongoing basis, on an accrual basis, in compliance with the principle of importance and significance of information, the predominance of substance over form, and in the logic of encouraging consistency with future reports.

With reference to corporate continuity, in compliance with the provisions of Paper no.2 of 6 February 2009 jointly issued by the Bank of Italy/Consob and Isvap in relation to the "Information to be provided in the annual report about corporate continuity, financial risks, the reviews for reduction of value of the assets and the uncertain use of estimates", the Bank reasonably expects to continue operating in the foreseeable future and therefore prepared the half-year report on an ongoing basis. Any uncertainty resulting from the current economic situation, although generating major impacts, did not give rise to any doubts on the above principle of corporate continuity. More detailed information in relation to the major problems and variables existing in the market is provided in the Directors' Report on Operations.

The accounts having a different nature or destination were shown separately, unless they were considered as irrelevant. All amounts shown in the half-year report were adjusted so as to reflect any events subsequent to the date of reference which, pursuant to the IAS 10 principle, imply an obligation of conducting a review. Any events subsequent to the date of reference which do not imply any adjustment and are therefore indicative of circumstances which occurred after the date of reference are subject to representation in section 3 of the notes to the financial statements, if they are relevant and can influence the users' economic decisions.

Section 3 - Events subsequent to the date of reference of the half-year report

Any major events occurring after the closing as of 30 June 2009 shall be reported in the Directors' Report on Operations.

Section 4 – Other issues

For the purpose of preparing this Half-Year Report, the Bank applied the principles in force as of 31 December 2008, supplemented with the following information, which make reference to:

A. The accounting principles, amendments and interpretations with mandatory enforcement as of the date of this half-year report;
B. The accounting principles, amendments and interpretations validated no later than 30 June 2009, with mandatory enforcement after the date of this half-year report, which – unless otherwise stated – were not subject to early application (information pursuant to par.30 of IAS 8).

A. Accounting principles, amendments and interpretations with mandatory enforcement as of the date of this half-year report.

IASB issue date **EU validation date** **Effective as of**	**Amendment/new standard**
IASB issue date: **29 March 2007** *Validation date:* **10 December 2008** **Reg.1260/2008** *Effective as of (starting from the registration of validation):* **Initial date of the financial year starting after 31 December 2008**	**Reviewed version of IAS 23 – "Financial charges"** The new version of the principle removed the option on the basis of which it is possible to promptly post the financial charges incurred with respect to assets which normally require some time to make the assets available for use or sale, to the income statement. The principle shall be applied prospectively to the financial charges in relation to capitalized goods as of 1 January 2009. The enforcement of the new principle had no impact on this half-year report.
IASB issue date: **17 January 2008** *Validation date:* **16 December 2008** **Reg.1261/2008** *Effective as of (starting from the registration of validation):* **Initial date of the financial year starting after 31 December 2008**	**Amendment to IFRS 2 – "Terms of accrual and cancellation"** For the purpose of the valuation of stock-based remuneration instruments, only the terms of service and performance can be considered as terms of accrual of the plans. In addition, the amendment states that , in the case of cancellation of the plan, the same accounting treatment (both resulting from the company and its counterpart) shall be applied. The enforcement of the new principle had no impact on this half-year report.
IASB/IFRIC issue date: **5 July 2007** *Validation date:* **16 December 2008** **Reg.1262/2008**	**Amendment to IFRIC 13 – "Customers' loyalty programmes"** The interpretation regulates the accounting treatment of the customers' loyalty

Effective as of (starting from the registration of validation): **Initial date of the financial year starting after 31 December 2008**	programmes, i.e. the programmes which – as a result of the purchase of goods and services - assign "credits" or "points" entitling the customers – once certain terms are met – to receiving prizes or free-of-charge or discounted goods or services. The accounting treatment is based on the allocation of liabilities as a contra entry of an income reduction during the period the "points" are assigned. Such income is posted when the prize is assigned. The liabilities are cancelled, accordingly. The enforcement of the new principle had no impact on this half-year report.
IASB/IFRIC issue date: **6 September 2007** *Validation date:* **17 December 2008** **Reg.1274/2008** *Effective as of (starting from the registration of validation):* **Initial date of the financial year starting after 31 December 2008**	**Reviewed version of IAS 1 – "Presentation of the financial statements"** The new version of the principle requires that all changes generated by transactions with the shareholders are shown in the statement of changes in net equity. All transactions generated with third parties shall be shown in one statement ("comprehensive income") or in two separate statements (income statement and "other comprehensive income"). In any case, any changes generated by transactions with third parties shall not be shown in the statement of changes in net equity. The new principle was applied to this half-year report, choosing the option of preparing two separate statements, i.e. the income statement and the statement of "comprehensive income".
IASB/IFRIC issue date: **14 February 2008** *Validation date:* **21 January 2009** **Reg.53/2009** *Effective as of (starting from the registration of validation):* **Initial date of the financial year starting after 31 December 2008**	**Amendment "Puttable financial instruments and bonds resulting upon settlement"** The amendment amends IAS 32 – "Financial instruments: presentation" and IAS 1 – "Presentation of the financial statements". In particular, all companies are required to classify puttable financial instruments and the financial instruments obliging a company to deliver a share of the corporate assets to third parties, under equity instruments. The enforcement of the new principle had no impact on this half-year report.
IASB/IFRIC issue date: **22 May 2008** *Validation date:* **23 January 2009** **Reg.69/2009** *Effective as of (starting from the registration of validation):*	**Amendment to IFRS 1 "First adoption of the International Financial Reporting Standard" and IAS 27 "Consolidated and separate financial statements – Cost of equity investments in subsidiaries, jointly-controlled companies and affiliated companies".**

Initial date of the financial year starting after 31 December 2008	The amendment states that, upon the first application of the IFRS, it is possible to show the equity investments in subsidiaries, companies subject to considerable influence and jointly-controlled companies in the separate financial statements and in addition to the existing principles at a deemed cost represented by (i) the fair value as of the date of transition of the separate financial statements to the IAS/IFRS or (ii) the accounting value in accordance with the original accounting principles (e.g. IT GAAP). The choice can be made on an individual basis. The amendment also concerns IAS 27 and, in particular, the treatment of dividends and equity investments in the separate financial statements. As a result of this amendment, the distribution of profits (including pre-acquisition profits) is posted to the income statement in the separate financial statements upon accrual of the right to the dividends. Therefore, there is no longer any obligation of posting the distribution of pre-acquisition dividends to reduce the value of an equity investment. IAS 36 introduced a new indicator of impairment for the valuation of the equity investments, which takes account of this issue. The enforcement of the new principle had no impact on this consolidated half-year report.
IASB/IFRIC issue date: **22 May 2008** *Validation date:* **23 January 2009** **Reg.70/2009** *Effective as of (starting from the registration of validation):* **Initial date of the financial year starting after 31 December 2008**	**Project "Improvements to International Financial Reporting Standards"** Following are the changes with mandatory application as of 1 January 2009, which imply a change in the presentation, recognition and valuation of the balance-sheet accounts, neglecting the changes which determine only terminological or editorial changes with minimal effects in accounting terms. The following "Improvements" had no relevant impacts on the MPS Group. a) **IAS 1 – Presentation of the financial statements (reviewed in 2007)**: the amendment requires that the assets and liabilities resulting from derivative financial instruments which are not held for trading purposes should be classified in the balance-sheet separating current assets and liabilities from non-current

	assets and liabilities. b) **IAS 16 – Buildings, plants and equipment:** the amendment states that the companies where renting is the core business shall reclassify the assets - which are no longer rented and are available for sale – in stock and, consequently, the amounts resulting from their sale shall be recognized as income. The amounts paid to build or purchase assets to be rented to others, and the amounts collected from the following sale of such assets are, for the purpose of the cash flow statement, cash flows resulting from operating assets (and not from investment assets). c) **IAS 19 – Staff benefits**: the amendment shall be applied prospectively as of 1 January 2009 to the changes in the benefits occurred after such date, and explains the definition of cost/income in relation to past work. It states that, in the case of reduction of a plan, the effect to be promptly posted to the income statement shall include only the reduction of benefits in relation to future periods. The effect resulting from any reductions linked with past work shall be considered as a negative cost in relation to past work. In addition, the Board re-processed the definition of short-term and long-term benefits and amended the definition of return on assets stating that this account shall be shown net of any administrative costs which are not already included in the value of the obligation. d) **IAS 20** – **Accounting and reporting of government subsidies:** the amendment, to be applied prospectively as of 1 January 2009, states that the benefits resulting from Government loans granted at an interest rate which is much lower than the market rate shall be treated as Government subsidies and, therefore, comply with the recognition rules established by IAS 20. e) **IAS 23** – **Financial charges**: the

amendment, to be applied as of 1 January 2009, reviewed the definition of financial charges.

f) **IAS 28 – Equity investments in affiliated companies:** the amendment, to be applied (also only prospectively) as of 1 January 2009, states that, in the case of equity investments valued with the net equity method, any loss of value shall not be allocated to each asset component (and in particular goodwill, if any) of the book value of the equity investment, but to the value of the equity investment as a whole. Therefore, in light of the terms for the following reinstatement of value, such reinstatement shall be recognized fully.

g) **IAS 28 – Equity investments in affiliated companies, and IAS 31 – Equity investments in joint ventures:** such amendments contemplate that additional information is provided also in relation to the equity investments in affiliated companies and joint ventures valued at fair value pursuant to IAS 39. IFRS 7 – Financial instruments: additional information and IAS 32 – Financial instruments: balance-sheet exposure have been amended accordingly.

h) **IAS 29 – "Accounting information in hyperinflated economies"**: the past version of the principle did not reflect the fact that some assets or liabilities could be valued in the balance-sheet on the basis of the current value rather than the historical cost.

i) **IAS 36 – "Loss of value of assets":** the amendment contemplates that additional information is provided if the company determines the recoverable value of the cash generating units using the cash flow updating method.

j) **IAS 38 – "Intangible assets":** the amendment states that any promotional and advertising expenses are recognized in the income statement. In addition, it states that if the company incurs expenses with future economic benefits without posting any

	intangible assets, these expenses should be posted to the income statement when the company is entitled to have access to the assets (in the case of purchase of goods), or when the service is rendered (in the case of purchase of services). In addition, the principle was amended to ensure the adoption of the method of units produced by the companies in order to determine the amortization of intangible assets with defined useful life. k) **IAS 39 – "Financial instruments – recognition and valuation**": the amendment explains how to calculate the new actual rate of return of a financial instrument at the end of the hedging of the fair value. In addition, the prohibition of reclassification under financial instruments with fair value adjustment in the income statement shall not be applied to derivative financial instruments which can no longer be qualified as hedging instruments or become hedging instruments. For the purpose of avoiding any conflicts with the new IFRS 8 – Operating segments, it removes any references to the designation of an industry hedging instrument (former IAS 14). l) **IAS 40 – "Real estate investments":** the amendment, to be applied prospectively as of 1 January 2009, states that any real estate investments under construction fall within the scope of application of IAS 40 rather than IAS 16.

B. Accounting principles, amendments and interpretations validated no later than 30 June 2009, with mandatory enforcement after the date of this half-year report, which – unless otherwise stated – were not subject to early application (information pursuant to par.30 of IAS 8).

IASB issue date **EU date of validation** **Effective as of**	**Amendment/New standard**
IASB/IFRIC issue date: **30 November 2006** *Validation date:* **21 November 2007** **Reg.1358/2007** *Effective as of (starting from the registration of validation):*	**New IFRS 8 accounting principle – "Operating segments".** In compliance with the new accounting principle, which replaces IAS 14, the companies should base the information shown in the segment reporting on the

2009 Annual Report	elements used by the Management to make its operating decisions. Therefore, the operating segments shall be identified on the basis of internal reporting which is regularly reviewed by the Management for the purpose of allocating the resources to the different segments and for the purpose of performance analyses. Such principle is subject to early application in this half-year report, but will produce no effect from the viewpoint of the valuation of balance-sheet items.
IASB/IFRIC issue date: **14 February 2008** *Validation date:* **23 January 2009** **Reg.70/2009** *Effective as of (starting from the registration of validation):* **Initial date of the financial year after 30 June 2009**	**Project "Improvements to International Financial Reporting Standards".** Among the amendments included in the project, following is the only amendment with mandatory application as of 1 January 2010: **a) IFRS 5 –"Non current assets available for sale and discontinued operating assets"** : the amendment, to be applied as of 1 January 2010, states that if a company is committed to carrying out a sale plan implying the loss of control on a subsidiary, all assets and liabilities of the subsidiary shall be reclassified under assets available for sale, even if after the sale the company still holds a minority stake in the subsidiary.
IASB/IFRIC issue date: **30 November 2006** *Validation date:* **23 March 2009** **Reg.254/2009** *Effective as of (starting from the registration of validation):* **Initial date of the financial year after the enforcement of the regulation**	**IFRIC 12 Interpretation - "Licensed service contracts".** The interpretation is in relation to infrastructure - to be developed, managed and kept - licensed by the Government or public institutions to private parties. The interpretation includes two cases: (i) a company receives financial assets for the purpose of building/developing the infrastructure; (ii) a company receives intangible assets represented by the right to be remunerated for the use of the infrastructure. In both cases, financial/intangible assets are initially valued at fair value and then comply with the rules of recognition typical of their class of reference. Such interpretation shall be applied for the first time in the 2010 half-year report and will have no relevant impact on the MPS Group.

IASB/IFRIC issue date: **10 January 2008** *Validation date:* **3 June 2009** **Reg.494 and 495/2009** *Effective as of (starting from the registration of validation):* **Initial date of the financial year after 30 June 2009**	**Updated version of IFRS 3 "Business combinations" and amendment to IAS 27 "Consolidated and separate financial statements"** The major amendments introduced to IFRS 3 concern the removal of the obligation to value the assets and liabilities of a subsidiary at fair value in any following acquisition, in the case of gradual acquisition of subsidiaries. In addition, if a company does not purchase the whole shareholding, the portion of third parties' net equity can be valued both at fair value (full goodwill) and using the method currently contemplated by IFRS 3. In accordance with the reviewed version of the principle, all costs associated with the business combination should be posted to the income statement and the liabilities for payments subject to terms should be posted as of the date of acquisition. In the amendment to IAS 27, the IASB stated that any changes in the stake which do not represent a loss of control should be treated as equity transactions and therefore have a contra entry in net equity. In addition, when a holding company sells the controlling interest in one of its subsidiaries but still holds a stake in the company, it shall value the investment held in the balance-sheet at the fair value and post any profits or losses resulting from the loss of control to income statement. The amendment to IAS 27 finally requires that all losses attributable to minority shareholders shall be allocated to third parties' net equity, also when they exceed their own share in the subsidiary's capital. Such amendments shall be applied for the first time in the 2010 half-year report.
IASB/IFRIC issue date: **3 July 2008** *Validation date:* **4 June 2009** **Reg.460/2009** *Effective as of (starting from the registration of validation):* **Initial date of the financial year after 30 June 2009**	**Interpretation IFRIC 16 – "Hedging of a net investment under foreign management"** The interpretation specified that it is possible to hedge, for accounting purposes, the foreign exchange risk exposure of the subsidiaries, companies subject to considerable influence and joint ventures. In particular, the risk which can be hedged is in relation to the foreign exchange differences between the functional currency of the foreign company and the functional currency of the holding company. In addition, in the

	case of hedging transactions of a net investment under foreign management, the hedging instrument can be held by any member company of the group and, in the case of the sale of the equity investment, IAS 21 – Effects of currency conversion, shall be applied for the determination of the value to be reclassified from net equity to income statement. Such amendments shall be applied for the first time in the 2010 half-year report.

A2 – SECTION IN RELATION TO THE MAJOR ACCOUNTS OF THE HALF-YEAR REPORT

Accounting policies

Following are the accounting policies which have been adopted with reference to the major accounts of assets and liabilities for the preparation of the half-year report as of 30 June 2009.

- **Financial assets held for trading**

a) accounting criteria

Financial assets are initially posted on the date of settlement with reference to debt instruments and equities, and on the date of subscription with reference to derivatives.
Upon their initial valuation, financial assets held for trading purposes are valued at fair value which usually corresponds to the amount paid, excluding any expenses or income from the transaction directly attributable to the instrument itself, which are directly posted to the income statement.
This account also incorporates any implicit derivatives existing in sophisticated contracts not closely associated with the same and having the characteristics of derivatives, which are stripped from the host contract and posted at fair value.
The accounting criteria of reference are applied to the primary contract.

b) classification criteria

This category includes debt instruments, equities purchased mainly for the purpose of obtaining short-term profits due to changes in the price of these instruments and the positive value of derivative contracts except for the contracts designated as hedging instruments. Derivative contracts incorporate the derivatives included in sophisticated financial instruments which were subject to separate valuation.

c) valuation criteria

Following the initial valuation, financial assets held for trading purposes are valued at fair value, with the changes being posted as a contra-entry to the income statement. Market quotations are used for determining the fair value of the financial instruments listed in an active market. Failing an active market, the Bank uses generally accepted valuation methods and models which are based on data measurable in the market such as: methods based on the valuation of listed instruments which have similar characteristics, updating of future cash flows, models of determination of the option prices, values measured in similar recent transactions. Equities and related derivative instruments, with a fair value which cannot be determined in a reliable way in accordance with the above-mentioned guidelines, are posted at cost, adjusted for any value reduction losses. Such losses are not reinstated.

d) elimination criteria

Financial assets are eliminated upon maturity of the contractual rights on the financial flows resulting from the assets or when the financial assets are sold and all related risks/benefits are transferred. Securities received within the scope of a transaction which contractually contemplates a subsequent sale, and securities delivered within the scope of a transaction which contractually provides for a subsequent repurchase are not recorded or eliminated in/from the financial statements, respectively. Consequently, in the case of securities purchased with a resale agreement, the amount paid is recorded in the financial statements as due from clients or banks. In the case of securities sold with a repurchase agreement, liabilities are recorded under due to banks or clients or under other liabilities.

e) criteria of recognition of income components

Profits and losses resulting from any changes in the fair value of the financial assets are posted under account “80 Net profit/loss from trading” in the income statement, except for the profits and losses concerning receivable derivatives linked with the fair value option which are classified under account “110 Net profits/losses from financial assets and liabilities valued at fair value”.

2. Financial assets available for sale

a) accounting criteria

Financial assets are initially posted on the date of settlement with reference to debt instruments and equities, and on the date of disbursement with reference to loans.
Upon the initial valuation, the financial assets are valued at fair value which usually corresponds to the amount paid, inclusive of any expenses or income from the transaction directly attributable to the instrument itself. If the entry results from a reclassification from assets held upon maturity, the book value is represented by the fair value upon transfer. In the case of debt instruments, any difference of the initial value and the value of repayment is spread out over the life of the debt instrument in accordance with the method of amortised cost.

b) classification criteria

This category includes non-derivative financial assets which are not classified as loans, financial assets at fair value posted to income statement or financial assets held upon maturity.
In particular, this category also embraces strategic equity investments which are not managed for trading purposes and cannot be defined as controlling interest, connection and joint control, and bonds which are not subject to trading. Such investments can be transferred for any reason, i.e. liquidity requirements or changes in interest rates, exchange rates, or stock prices.

c) valuation criteria

Following the initial valuation, financial assets available for sale are still valued at fair value, with interest being posted to the income statement as resulting from the application of the amortised cost and the relative foreign exchange effect, and with appropriation to a specific net equity reserve of the profits/losses resulting from the change in fair value net of the related tax effect, except for any losses for value reduction.
Foreign exchange fluctuations in relation to equities are posted to the specific net equity reserve.
Equities with a fair value which cannot be determined in a reliable way are valued at cost, adjusted for any ascertained losses for value reduction.
Any objective existing evidence of value reduction is reviewed as of the date of closing of the financial year or the interim reports. Indicators of a possible value reduction are, for instance, remarkable financial difficulties of the issuer, non-payment or defaults in the payment of interest or principal, the possibility that the beneficiary files voluntary bankruptcy or is submitted to other bankruptcy proceedings, the disappearance of an active market for the assets. In particular, with reference to equities listed in active markets, a market price which as at the date of the financial statements is lower than the original purchase cost by at least 30%, or a market value lower than cost for more than 12 months, is considered as an objective evidence of value reduction. If further reductions occur in the following financial years, they are directly posted to the income statement.
The amount of any writedown measured as a result of an impairment test is posted to the income statement as an expense for the year.
If the reasons for a value reduction are removed as a result of an event occurring after the recognition of the value reduction, writebacks (recoveries of value) are made under net equity in relation to equities, and under the income statement in relation to bonds.

d) elimination criteria

Financial assets are eliminated upon maturity of the contractual rights on the financial flows resulting from the assets or when the financial assets are sold and all related risks/benefits are transferred.
Securities received within the scope of a transaction which contractually provides for a subsequent sale, and securities delivered within the scope of a transaction which contractually provides for a subsequent repurchase are not shown in or eliminated from the financial statements, respectively. Consequently, in the case of securities purchased with a resale agreement, the amount paid is shown in the financial statements as due from clients or banks. In the case of securities transferred with a repurchase agreement, liabilities are shown under due to banks or clients or under other liabilities.

e) criteria of recognition of income components

Upon the disposal, the exchange with other financial instruments, or the recognition of a loss of value following an impairment test, the results of the valuation accrued in the reserve in relation to the assets available for sale are transferred to the income statement under:

- account "100 – Profit/loss from purchase/sale of: b) financial assets available for sale", in the case of a disposal;
    - account "130 - Net value adjustments/recoveries for impairment of : b) financial assets available for sale", in the case of a loss of

Writebacks are made if the reasons for the loss of value are removed as a result of an event which occurred after the recognition of the value reduction. Such writebacks are posted to the income statement in the case of loans or debt instruments, and to net equity with respect to equities.

3. Financial assets held upon maturity

a) accounting criteria

Financial assets are initially posted as of the date of settlement. Upon the initial valuation, financial assets are valued at fair value which usually corresponds to the amount paid, inclusive of any transaction expenses or income directly attributable to the instrument itself.
If the classification under this category results from a reclassification from Assets available for sale, the fair value of the assets as of the date of reclassification is considered as the new amortised cost of the assets.

b) classification criteria

This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Bank objectively intends and is able to hold upon maturity. If it is no longer appropriate to keep an investment as held upon maturity as a result of a change of will or capacity, the investment is reclassified among assets available for sale.
Whenever the sales or reclassifications are irrelevant from the viewpoint of quality and quantity, any investment held upon residual maturity shall be reclassified as available for sale.

c) criteria of valuation and recognition of income components

Following the initial valuation, the valuation of financial assets held upon maturity is adjusted to the amortised cost using the actual interest rate method, adjusted so as to take account of the

effects resulting from any writedowns.
The result of the application of this method is posted to the income statement under account "10 - Interest income and similar income".
The profits and losses resulting from the sale of these assets are posted to the income statement under account "100 – Profits/losses from the sale or repurchase of : c) financial assets held upon maturity".
The impairment test is conducted at year-end or on the closing date of the interim reports.
If there is any evidence of a loss of value, the amount of the loss is measured as the difference of the book value of the assets and the current value of the estimated future financial flows discounted at the original actual interest rate. The amount of the loss is shown in the income statement under account "130 - Net value adjustments/recoveries for impairment of: c) financial assets held upon maturity".
Writebacks are posted under account 130 in the income statement, if the reasons for the loss of value are removed as a result of an event which occurred after the recognition of the value reduction.

d) elimination criteria

Financial assets are eliminated upon maturity of the contractual rights on the financial flows resulting from the assets or when the financial assets are sold and all related risks/benefits are transferred.

As of 30 June 2009, the Bank holds no financial instruments classified in this category, in compliance with the guidelines adopted with the specific Framework resolution.

4. Loans

a) accounting criteria

Items are posted to the balance-sheet as follows:

- in relation to a loan:
- upon the date of disbursement,
- when the creditor acquires the right to the payment of the amounts contractually agreed upon;
- in relation to a debt instrument:
- on the date of settlement.

The initial value is quantified on the basis of the fair value of the financial instrument, which is usually the amount disbursed, or the price of subscription, including the expenses/income directly attributable to the instrument and determinable since the beginning of the transaction, even though settled later. This does not include the costs which have said characteristics, but are subject to repayment by the debtor or can be encompassed in the usual internal administrative expenses.
Contango contracts and repurchase agreements under agreement to resell are posted as lending transactions. In particular, the latter are reported as loans with respect to the spot amount paid.

b) classification criteria

Loans include loans and advances to customers and banks, both disbursed directly and purchased from third parties, with fixed or determinable payments, which are not listed in an active market and were not initially classified among financial assets available for sale and financial assets valued at fair value with effects posted to the income statement.
Loans also incorporate commercial credit, repurchase agreements, loans originated by financial

leasing transactions and securities purchased in a subscription or private placement, with fixed or determinable payments, not listed in active markets. Loans also included junior securities resulting from own securitizations executed prior to the First Time Adoption.

c) criteria of valuation and recognition of income components

After the initial valuation, loans are valued at the amortised cost, which is the initial entry value decreased/increased by the paying-off of capital, the value adjustments/recoveries and the amortization – calculated with the actual interest rate method – of the difference of the amount disbursed and the amount repayable upon maturity, typically attributable to the expenses/income directly attributed to each loan. The actual interest rate is the rate which makes the current value of future loan flows, in principal and interest, estimated over the expected life of the loan, equal to the amount disbursed, inclusive of any expenses/income attributable to the loan. Therefore, the economic effect of expenses and income is spread over the residual expected life of the loan.
The amortised cost method is not used in relation to short-term loans, since the effect of the application of the updating logic is negligible. Similar valuation principles are adopted in relation to the loans with no specific maturity or subject to revocation.
Impaired loans (e.g. NPLs, watchlist credits, restructured loans and past due loans) are classified under different risk categories in accordance with the regulations issued by the Bank of Italy, supplemented with the Bank's internal provisions which set automatic criteria and rules for the transfer of loans between different risk categories.
The loans are classified by the units independently, except for past due loans and/or loans in excess overdue for more than 180 days as well as watch-list credits in relation to the portion of past due loans and/or loans in excess overdue for more than 270 days, which are recorded through the use of automated procedures.
In order to determine the adjustments to be made to the book values of the loans, the Bank makes an analytical or collective evaluation, as outlined hereunder, in view of the different impairment levels.
NPLs, watch-list credits and restructured loans are subject to analytical valuation; past due loans and/or loans in excess overdue for more than 180 days, loans subject to country risk and performing loans are subject to collective valuation.
As to the loans subject to analytical valuation, the value adjustment for each loan amounts to the difference of its book value upon valuation (amortized cost) and the current value of expected future cash flows, calculated applying the original actual interest rate. The expected cash flows take account of the expected time of collection, the likely salvage value of any guarantees and the costs which are deemed to be incurred for credit collection.
Any value adjustment is posted to the income statement under account 130 - Net value adjustments/recoveries for impairment. The component of the adjustment attributable to the updating of the financial flows is calculated on an accrual basis in accordance with the actual interest rate method and posted under value recoveries.
If the quality of the impaired loan is improved to the extent that the prompt recovery of principal and interest is reasonably certain, the original value of the loans is reinstated in the following years failing the reasons determining the adjustment, provided that such valuation can be objectively linked with an event which occurred after the adjustment. The value recovery is posted to the income statement and in any case cannot exceed the amortised cost the loan would have had, failing prior adjustments.
The loans with no objective evidence of loss are subject to valuation of a collective loss of value. Such valuation, developed on the basis of a Risk management model, is made by homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated in view of time series, based on elements noticeable as of the date of valuation, which allow an estimate of the value of the latent loss in each loan category.
The model for this type of valuation contemplates the following steps:

- Segmentation of the loan portfolio in accordance with:

- ✓ customer segments (turnover);
- ✓ industry;
- ✓ geographic location;
- ✓ -determination of the loss rate of each portfolio segment, with reference to the historical experience of the Bank.

Value adjustments determined collectively are posted to the income statement.
Any additional value adjustments or recoveries are recalculated at year-end or on the closing dates of the interim reports in a differential manner, with reference to the whole loan portfolio as of the same date.

d) elimination criteria

Any loans transferred are eliminated from the assets in the balance-sheet only if their sale implied the transfer of all risks and benefits associated with the loans.
However, if the risks and benefits associated with the loans transferred have been maintained, they continue to be posted among the assets in the balance-sheet, even though the possessory title to the loan has been actually transferred from the legal viewpoint.
If it is not possible to ascertain the actual transfer of risks and benefits, the loans are eliminated from the balance-sheet when no kind of control has been maintained on them. The partial maintenance of such control would otherwise imply that the loans should be kept in the balance-sheet to the extent of their residual portion, as measured by the exposure to the changes in value of the transferred loans and the changes in their financial flows.
Finally, the loans transferred are eliminated from the balance-sheet if the contractual rights to receive the relative cash flows are maintained with a simultaneous obligation to pay only said flows to third parties.

5. Financial assets valued at fair value

a) accounting criteria

Financial assets are initially posted on the date of settlement with reference to debt instruments and equities, and on the date of disbursement with reference to loans.
Upon the initial valuation, financial assets valued at fair value are valued at fair value which usually corresponds to the amount paid, without considering any transaction expenses or income directly attributable to the instrument itself, which are posted to the income statement.

The Fair Value Option (FVO) applies to all financial assets and liabilities which would have originated a misrepresentation in the accounting representation of income statement and balance-sheet results if they had been reclassified otherwise, and to all instruments which are managed and recognized in a fair value logic.

b) classification criteria

This category includes the financial assets which the Bank intends to value at fair value with an impact on the income statement (except for equities which have no reliable fair value) when:

- the fair value valuation enables the elimination or reduction of significant misrepresentations in the accounting representation of the income statement and balance-sheet results of the financial instruments; or
- the management and/or valuation of a group of financial instruments at fair value with an impact on the income statement is compliant with a risk management or investment strategy, as proven to the Bank's Management; or
- there is an instrument containing an implicit derivative which significantly amends the cash

flows of the host instrument and otherwise should be stripped.

c) valuation criteria

Following the initial valuation, the assets are valued at fair value.
Market quotations are used for determining the fair value of the financial instruments listed in an active market.
Failing an active market, the Bank used generally accepted estimate methods and valuation models which are based on data measurable in the market such as: methods based on the valuation of listed instruments which have similar characteristics, updating of future cash flows, models of determination of the price of options, values measured in similar recent transactions.

d) elimination criteria

Financial assets are eliminated upon maturity of the contractual rights on the financial flows resulting from the assets or when the financial assets are sold and all related risks/benefits are transferred.
Securities received within the scope of a transaction which contractually provides for a subsequent sale, and securities delivered within the scope of a transaction which contractually provides for a subsequent repurchase are not shown in or eliminated from the financial statements, respectively. Consequently, in the case of securities purchased with a resale agreement, the amount paid is shown in the financial statements as due from clients or banks. In the case of securities transferred with a repurchase agreement, liabilities are shown under due to banks or clients or under other liabilities.

e) criteria of recognition of income components

Profits and losses resulting from any changes in the fair value of the financial assets are posted under account "110 - Net profit/loss from financial assets and liabilities valued at fair value" to the income statement.
Receivable derivative instruments associated with the fair value option are posted accordingly, with their economic effect classified under account "110 – Net profit/loss from financial assets and liabilities valued at fair value".

As of 30 June 2009, the Bank did not hold any financial instruments classified under this category, in compliance with the guidelines adopted with the specific Framework resolution.

6. Hedging transactions

a) accounting criteria – purposes

Risk hedging transactions are targeted at neutralizing any potential losses detectable in relation to a specific element or group of elements, attributable to a specific risk, through the profits detectable with respect to a different element or group of elements, should that risk really occur.

b) classification criteria – types of hedging

IAS 39 contemplates the following types of hedging:

- fair value hedging, with the objective of covering the exposure to the changes in the fair value of a balance-sheet account, attributable to a specific risk;
- hedging of financial flows, with the objective of covering the exposure to the changes in the future cash flows attributable to specific risks associated with balance-sheet accounts;
- hedging of a foreign currency investment, i.e. the hedging of the risks of an investment in a foreign company denominated in a foreign currency.

At the end of the accounting principles, a specific section details the application methods and policies adopted by the Bank with reference to hedging transactions. These issues are also covered in section B and C of the balance-sheet and income statement. The hedging policies specifically adopted by the Bank are illustrated, with emphasis placed on the fair value option of the "natural hedge" which was adopted in significant cases as an alternative to hedge accounting. In particular, fair value option and cash flow hedge techniques were adopted mainly in the accounting management of liabilities hedging transactions. The fair value hedge was adopted mainly for assets hedging transactions, both specific hedging of fixed-rate securities and mortgage loans, and general hedging of fixed-rate loans.

c) criteria of valuation and recognition of income components

Hedging derivatives are valued at fair value. In particular:

- in the case of fair value hedging, the change in the fair value of the hedged element is offset by the change in the fair value of the hedging instrument. Such set-off is recognised and posted to the income statement under account "90 Net profit/loss from hedging transactions" of value changes, with reference both to the hedged instrument (as regards the changes produced by the underlying risk factor) and the hedging instrument. Any difference which represents the partial ineffectiveness of hedging, consequently represents the net economic effect;
- in the case of hedging of financial flows, the changes in the fair value of the derivative are posted to a specific net equity reserve with reference to the effective portion of hedging and are posted to the income statement under account "90 - Net profit/loss from hedging transactions" only when the change in the fair value of the hedging instrument does not offset the change in the financial flows of the hedged transaction;
- The hedging of a foreign currency investment is posted similarly to the hedging of financial flows.

A hedging transaction should be attributable to a pre-established risk management strategy and should be compliant with the risk management policies adopted. In addition, the derivative instrument is designated as a hedging instrument if there is a formal documentation of the relation between the hedged instrument and the hedging instrument and if it is effective when the hedging starts and prospectively during its expected life. The effectiveness of hedging depends on the extent the changes in the fair value of the hedged instrument or the relative expected financial flows are offset by the changes in the hedging instrument. Therefore, the effectiveness is measured by the comparison of said changes, in view of the purpose pursued by the company when the hedging was activated.
The hedging is effective (in the range of 80-125%) when the changes in the fair value (or in the cash flows) of the hedging instrument neutralize the changes in the hedged instrument almost totally, with reference to the risk element subject to hedging.
Effectiveness is assessed at year end by using:

- Prospective tests which support the application of hedge accounting, since they prove its expected effectiveness;
- Retrospective tests which prove the degree of hedging effectiveness achieved during the period of reference.

Derivative instruments which are considered as hedging instruments from an economic viewpoint because they are linked for operating purposes with financial liabilities valued at fair value (fair value option) are classified among trading derivatives. The respective positive and negative differences or margins accrued until the date of reference of the financial statements are registered, in accordance with their hedging purpose, as interest income and interest expense. Valuation profits and losses are posted to the income statement under account "110 – Net profit/loss from financial assets and liabilities valued at fair value".

d) elimination criteria – ineffectiveness

If the controls do not confirm the effectiveness of hedging, both retrospectively and prospectively, the accounting of hedging transactions, in accordance with the above, is discontinued and the hedging derivative contract is reclassified under trading instruments. The financial instrument subject to hedging is valued again in accordance with the principle of the original category of classification, and in the case of cash flow hedge any reserve is posted to the income statement with the amortized cost method over the remaining useful life of the instrument.
Any hedging links cease to exist also when the derivative expires or is sold or exercised, and the hedged element is sold or expires or is repaid.

7. Equity investments

a) accounting criteria

This account includes the equity investments held in subsidiaries, affiliated companies and joint ventures. Upon the initial valuation, these investments are posted at purchase cost, supplemented with directly attributable costs.

b) classification criteria

For the purpose of classification, the Bank considers the companies where it has the power of determining the financial and management policies, for the purpose of obtaining benefits, as subsidiaries. This occurs when the Bank holds more than half of the voting rights directly and/or indirectly or in the presence of other conditions of de facto control, such as the appointment of the majority of the directors.

The companies with contractual agreements, shareholders' pacts or agreements of a different nature for the joint management of business and the appointment of the directors are considered as jointly-controlled companies.

Affiliated companies include the companies where the Bank holds a 20% stake or a higher percentage of voting rights, and the companies which – owing to specific legal relations (i.e. the participation in shareholders' pacts – shall be considered as companies subject to significant influence.

These classifications are made irrespective of the legal status. Any potential voting rights which can be currently exercised are considered in the calculation of voting rights.

c) criteria of valuation and recognition of income components

The equity investments in subsidiaries, affiliated companies and companies subject to joint control are posted at cost. Any reduction of value of an equity investment is ascertained at year-end or as of the closing dates of interim reports. In the case of a reduction of value of an equity investment, the Bank estimates the collectable value of the investment, as represented by the higher of the fair value net of the selling costs and the use value. The use value is the current value of future financial flows which might be generated by the equity investment, including the value of final sale of the investment. If the salvage value is lower than the book value, the difference is posted to the income statement under account "210-Profits/losses from equity investments". If the reasons for the loss of value are removed as a result of an event which occurred after the recognition of the reduction of value, writebacks are made and posted to the income statement under the same account. The income in relation to such investments is posted to the income statement only to the extent that the subsidiary pays dividends generated after the date of acquisition. Any dividends collected in excess of the profits generated after the date of acquisition are considered as profits of the investment and deducted from its cost.

d) elimination criteria

Financial assets are eliminated upon maturity of the contractual rights on the financial flows resulting from the assets or when the financial assets are sold and all related risks/benefits are transferred.

8. Tangible assets

a) accounting criteria

Tangible assets are originally posted at cost which includes the purchase price and any additional charges directly attributable to the purchase and operations of the assets.
Any extraordinary maintenance expenses which involve an increase in future economic benefits are posted as an increase in the value of the assets. The other ordinary maintenance expenses are posted to the income statement. Financial charges are posted in compliance with the accounting treatment of reference established by IAS 23 and considered as costs in the year during which they were incurred.

b) classification criteria

Tangible assets include land, capital real estate, real estate investments, plants, fixtures and fittings and equipment of any kind.
Capital real estate include all real estate owned by the Bank and used for the production and supply of services, or for administrative purposes. Real estate investments include real estate owned by the Bank for the purpose of collecting rents and/or held due to the appreciation of capital invested.

This account also includes the assets, if any, used in financial lease contracts, although the leasing company keeps the possessory title, and any improvements and incremental expenses incurred in relation to third parties' assets with reference to identifiable and separable tangible assets which are expected to produce future economic benefits. As regards real estate, the components in relation to land and buildings are separate assets for accounting purposes and are posted separately upon acquisition.
As of 30 June 2009, there are no assets used in financial lease contracts.

c) criteria of valuation and recognition of income components

Tangible fixed assets, including non-capital real estate, are valued at cost, less any accrued depreciation and losses of value.
Fixed assets are depreciated over their useful life on a straight line basis, except for land and works of art which have an indefinite useful life and cannot be depreciated. The useful life of tangible assets subject to depreciation is periodically subject to review. In the case of an adjustment of initial estimates, the relative depreciation allowance is amended accordingly. The depreciation rates and the subsequent expected useful life for the main categories of assets are indicated in the specific sections of the notes to the financial statements.
Any existing signs of impairment, or indications proving that the assets might have been deteriorated, shall be checked at year end or on the dates of interim reports.
The presence of such signs originates a comparison between the book value of the assets and their salvage value, which is the higher of the fair value, net of any selling costs, and the use value of the assets, as the current value of the future flows produced by the assets. Any adjustments are posted to the income statement, under account "170 Net valuation adjustments/recoveries to

tangible assets", where the periodic depreciation is also posted.
Failing the reasons which caused the recognition of a loss, a writeback (value recovery) – which shall not exceed the value the assets would have had, net of the depreciation calculated failing any prior losses of value - is made.

d) elimination criteria

Tangible fixed assets are eliminated from the balance-sheet upon their disposal or when the assets are permanently recalled and no future economic benefits are expected as a result of their disposal.

9. Intangible assets

a) accounting criteria

Intangible assets incorporate non-monetary, identifiable and non-material assets held to be used for a multi-annual or indefinite period. They are posted at cost, adjusted by any additional charges only if the future economic benefits attributable to the assets are likely to be realised and if the cost of the assets can be determined in a reliable way. The cost of intangible assets is otherwise posted to the income statement in the year it was incurred. Goodwill is posted under the assets when it results from a business combination in accordance with the principles of determination indicated by IFRS 3, as the residual surplus of the global cost incurred for the transaction and the net fair value of purchased assets and liabilities which are the components of companies or business units.
If the cost incurred is lower than the fair value of purchased assets and liabilities, the negative difference (badwill) is posted directly to the income statement.

b) criteria of classification, valuation and recognition of income components

The cost of intangible fixed assets is amortised on a straight line basis according to their useful life. If the useful life is indefinite, the amortization is not calculated, but the Bank periodically checks only the adequacy of the book value of fixed assets. Intangible fixed assets originated by an internally developed software purchased by third parties are amortised on a straight line basis starting from the completion and start of operations of the applications according to their useful life. In light of any proved losses of value, the salvage value of the assets is estimated at year end. The amount of the loss shown in the income statement is equal to the difference of the book value of the assets and the recoverable value.
Posted goodwill is not subject to amortization, but its book value is checked periodically on an annual basis (or at shorter intervals) in light of any signs of impairment of value. To this end, the Bank identifies the financial flow generating units to which goodwill is attributable.
The amount of any reduction of value is determined on the basis of the difference of the book value of goodwill and its salvage value, if lower. Said salvage value is the higher of the fair value of the financial flow generating unit, net of any selling costs, and the respective use value, represented by the current value of estimated cash flows for the years of operation of the financial flow generating unit and resulting from its disposal at the end of the useful life. The resulting value adjustments are posted to the income statement under account "180 Value adjustments/recoveries on intangible assets".
Periodic depreciation is also shown in the same account. No following value recoveries can be posted, since this is not allowed.

c) elimination criteria

Intangible fixed assets are eliminated from the balance-sheet upon their disposal and if no future economic benefits are expected.

10. Non current assets being sold (discontinued operations)

a) accounting criteria

Upon initial valuation, non-current assets and groups of non-current assets being sold are initially valued at the lower of the book value and the fair value net of any selling costs.

b) classification criteria

This account includes non-current assets and groups of non-current assets being sold, when the book value is recovered mainly through a very likely sale transaction rather than through permanent use.

c) criteria of valuation and recognition of income components

Following the initial valuation, non-current assets and groups of non-current assets being sold are valued at the lower of the book value and the fair value net of any selling costs. Income and expenses net of the fiscal effect are posted to the income statement under separate accounts when they are in relation to discontinued operating units.
In this specific case (*discontinued operations*), it is necessary to represent the same economic information in a separate account also for the past periods shown in the financial statements, by reclassifying the income statements accordingly.
Any process of amortization is stopped when non-current assets are classified under Non-current assets being sold.

d) elimination criteria

Non-current assets and groups of non-current assets being sold are eliminated from the balance-sheet upon their disposal.

11. Current and deferred taxation

a) accounting criteria

The effects of current and deferred taxation calculated in compliance with the Italian tax legislation are posted on an accrual basis, in accordance with the modes of recognition of the income and expenses which generated them, by applying the ruling tax rates.

Income taxes are posted to the income statement except for the taxes in relation to accounts directly credited or debited to net equity.

Income tax provisions are determined on the basis of a prudential estimate of current, advanced and deferred fiscal charges.
In particular, current taxation includes the net balance of current liabilities for the year and current fiscal assets with respect to the Inland Revenue, as represented by tax advances and other tax credits for any advance withholding taxes incurred or for tax credits for which reimbursement was requested from the competent Tax Authorities. Tax credits transferred as a guarantee of own liabilities shall also be posted within this scope.
Advanced and deferred taxes are determined on the basis of the temporary differences, with no time limits, of the value assigned to the assets or liabilities in accordance with the statutory principles and the corresponding values for fiscal purposes, by applying the so-called balance sheet liability method. Assets for advanced taxation are shown in the balance-sheet to the extent that they are likely to be recovered on the basis of the capacity of the company involved or all of

the participating companies – as a result of the exercise of the option in relation to "fiscal consolidation" – to generate a positive taxable income with continuity.
Liabilities for deferred taxation are shown in the balance-sheet with the sole exception of tax suspension reserves, since the volume of available reserves already subject to taxation reasonably implies that no transactions involving taxation will be executed.
Advanced and deferred taxes are posted to the balance-sheet by offsetting each tax for each year, in view of the time profile of expected repayment.
Advanced taxes for the years in which deductible temporary differences are higher than temporary taxable differences are posted to the balance-sheet under deferred fiscal assets. Deferred taxes for the years in which taxable temporary differences are higher than deductible temporary differences are posted to the balance-sheet under deferred fiscal liabilities.

b) classification and valuation criteria

Assets and liabilities for advanced and deferred taxes are valued taking account of any changes in the regulations or tax rates.
In addition, the tax reserve is adjusted to cover any charges which might result from already notified tax assessments or litigation pending with the Tax Authorities.
A few agreements regulating off-setting flows in relation to the transfers of fiscal profits and losses were executed with reference to the fiscal consolidation by the Bank and Banca Monte dei Paschi di Siena (the Parent Bank). Such flows are determined by applying the ruling IRES tax rate to the taxable income of the participating companies.
In light of any fiscal losses, the off-setting flow – calculated in compliance with the above – is recognised by the consolidating company to the consolidated company to the extent that the consolidated company might have used the losses within the five-year period established by law, in the case of non-participation in fiscal consolidation. The off-setting flows, as so determined, are posted as assets and liabilities with respect to the Parent Bank, classified under Other Assets and Other Liabilities, as a contra-entry of account "260 Income tax for the year on current operations".

c) criteria of recognition of income components

If deferred fiscal assets and liabilities are in relation to components which affected the income statement, the contra-entry is represented by income taxes. When advanced and deferred taxes refer to transactions which directly influenced net equity with no impact on the income statement (i.e. valuations of financial instruments available for sale or hedging derivative contracts of financial flows), they are posted as a contra-entry to net equity, involving the specific reserves, if necessary.

12. Provisions for risks and charges

The provisions for risks and other charges are set up only when:

- There is a current (legal or implicit) obligation resulting from a past event;
- The use of resources producing economic benefits is likely to be necessary in order to fulfil the obligation; and
- The amount of the obligation can be estimated in a reliable manner.

Whenever time is important, the provisions are updated.
The provisions are posted to the income statement, in addition to interest expense on the reserves which were updated.

No provision is shown in relation to only potential and unlikely liabilities. However, additional information is provided in the Notes to the financial statements, except in the cases where the use of resources is a remote probability or the event is not significant.

Sub-account “120 – Provisions for risks and charges - Pension funds and similar obligations” includes the appropriations in compliance with IAS 19 “Staff benefits” for the purpose of balancing the technical deficit of the supplementary pension funds with defined benefits. Pension funds incorporates funds with defined benefits and funds with defined contributions. The charges borne by the employer are pre-established in relation to the funds with defined contributions. The charges in relation to the funds with defined benefits are estimated and shall take account of any shortfall in the contributions or returns on the assets where the contributions are invested.
With reference to the funds with defined benefits, the actuarial values required by the application of the above principle are determined by an independent actuarial consultant in accordance with the Projected Unit Credit Method. In particular, the obligation is calculated as the algebraic sum of the following values:

- Average current value of pension benefits determined on the basis of the years of service already completed by active employees and taking account of any future salary increases;
- Less the current value of any assets servicing the scheme;
- less (or plus) any actuarial loss or profit not shown in the balance-sheet, on the basis of the so-called “corridor” method.

According to the corridor method, the actuarial profits and/or losses - defined as the difference of the book value of the liabilities and the current value of the Bank’s commitments at the end of the period - shall be posted to the balance-sheet only when they exceed the higher of 10% of the average current value of pension benefits and 10% of the current value of the assets of the pension fund. Any surplus is posted to the income statement in line with the residual average working life of active employees or during the year, in the case of retired employees.
The provision for the year posted to the income statement is equal to the sum of annual interest accrued on the average current value of pension benefits at the beginning of the year, the average current value of benefits due to active employees during the year, actuarial profits and losses in compliance with the corridor method, net of the expected return for the year on the assets invested by the fund.

Sub-account “120 - Provisions for risks and other charges: other funds” includes any appropriations to cover expected losses for actions filed against the Bank, including actions for revocation, estimated expenses in relation to customers’ claims for securities brokerage, other estimated expenses in relation to any legal or implicit obligations existing at the end of the period. Where the appropriations are valued analytically, the amounts appropriated are used directly to cover the charges actually incurred.

13. Outstanding liabilities and securities

a) accounting criteria

Such financial liabilities are first posted upon receipt of the sums raised or upon the issue of bonds.
This is done on the basis of the fair value of the liabilities, which is usually equal to the amount cashed or the issue price, increased by any additional costs/income directly attributable to each funding or issue transaction and not repaid by the creditor. Internal administrative costs are excluded. The fair value of the financial liabilities issued (if any) at terms and conditions other than market conditions is subject to a specific estimate and the difference with respect to the amount cashed is directly posted to the income statement, only when the provisions of IAS 39 are complied with.

b) classification criteria

Due to banks, customers loans and advances, and outstanding securities include different types of funding (both interbank funding and funding from customers) and funding through certificates

of deposit and outstanding bonds, net of any repurchase. All securities which are not subject to "natural" hedging through derivatives, which are classified under liabilities valued at fair value, are classified as outstanding securities.
Exception is made in the case of floating-rate securities subject to hedging of the financial flows, which are classified under outstanding securities, even though they are hedged by derivative contracts. The issues which were not subject to hedging include some index-linked issues. In these limited and residual cases, the implicit derivative component, which was classified under trading assets or liabilities valued at fair value, was stripped.
The account also incorporates the lessee's liabilities in relation to any financial lease transactions executed. As of 30 June 2009, there were no financial lease transactions.

c) criteria of valuation and recognition of income components

Following the initial valuation, the financial liabilities are valued at the amortised cost using the actual interest rate method.
Exception is made in the case of short-term liabilities where time is a negligible factor, which are posted at the cashed value.
If the provisions of IAS 39 are complied with, any derivative incorporated in structured instruments is stripped from the host contract and valued at fair value as trading assets or liabilities. In this case, the host contract is posted at amortised cost.

d) elimination criteria

Financial liabilities are eliminated from the balance-sheet when they expire or are paid off. They are eliminated also in the case of repurchase of previously issued securities. The difference of the book value of the liabilities and the amount paid to repurchase is booked in the income statement.
A new placement in the market of own securities after their repurchase is considered as a new issue and posted at the new price of placement, with no impact on the income statement.
In compliance with the provisions of IAS 32, any potential commitment to buy own shares as a result of the issue of put options is shown in the balance-sheet under financial liabilities, with the reduction of net equity in the current value of the repayment amount contractually established, as a direct contra-entry. As of 30 June 2009, there were no put options sold on the Bank's own shares.

14. Financial liabilities held for trading

a) accounting criteria

Financial liabilities are initially posted on the date of issue with reference to debt instruments, and on the date of subscription with reference to derivatives.
Upon the initial valuation, financial liabilities held for trading purposes are valued at fair value which usually corresponds to the amount cashed, excluding any expenses or income from the transaction directly attributable to the instrument itself, which are directly posted to the income statement. This account also incorporates any implicit derivatives existing in sophisticated contracts not closely associated with the same and having the characteristics of derivatives, which are stripped from the host contract and posted at fair value. The accounting principle of reference is applied to the primary contract.

b) classification criteria

This category includes debt instruments issued mainly for the purpose of obtaining short-term profits and the negative value of derivative contracts, except for the contracts designated as

hedging instruments.
Derivative contracts incorporate the derivatives included in sophisticated financial instruments which were subject to separate recognition.
Sub-accounts "Due to banks" and "Customers' loans and advances" also incorporate "technical overdrafts" on securities.

c) valuation criteria

Following the initial valuation, financial liabilities held for trading purposes are valued at fair value, with the changes being posted as a contra-entry to the income statement.
Market quotations are used for determining the fair value of the financial instruments listed in an active market. Failing an active market, the Bank used generally accepted valuation methods and models which are based on data measurable in the market such as: methods based on the valuation of listed instruments which have similar characteristics, updating of future cash flows, models of determination of the prices of options, values measured in similar recent transactions.

d) elimination criteria

Financial liabilities are eliminated when they expire or are paid off. They are eliminated also in the case of repurchase of previously issued securities. The difference of the book value of the liabilities and the amount paid to repurchase is booked in the income statement.

e) criteria of recognition of income components

Profits and losses resulting from any changes in the fair value of financial liabilities are posted under account "80 - Net profit/loss from trading" in the income statement, except for the profits and losses concerning payable derivatives linked with the fair value option which are classified under account "110 - Net profits/losses from financial assets and liabilities valued at fair value".

15. Financial liabilities valued at fair value

a) accounting criteria

Financial liabilities are initially posted on the date of issue with reference to debt instruments. Upon valuation, financial liabilities valued at fair value are valued at fair value which usually corresponds to the amount collected, regardless of any expenses or income from the transaction directly attributable to the instrument itself, which are posted to the income statement.
The Fair Value Option (FVO) applies to all financial assets and liabilities which would have originated an accounting misrepresentation of the income statement and balance-sheet results, if classified otherwise, and to all instruments which are managed and measured in a fair value logic. In particular, liabilities valued at fair value include fixed-income and structured funding instruments where market risk is subject to hedging through derivative contracts. The fair value of any financial liabilities issued at terms and conditions other than market conditions is subject to a specific estimate and the difference with respect to the amount collected is directly posted to the income statement, only when the provisions of IAS 39 are complied with.

b) classification criteria

This category may include the financial liabilities the Bank intends to value at fair value with an impact on the income statement when:

1. the fair value valuation allows for the elimination or reduction of significant accounting misrepresentations of the income statement and balance-sheet results of the financial instruments; or
2. the management and/or valuation of a group of financial instruments at fair value

with an impact on the income statement is compliant with a risk management or investment strategy, also proven to the Bank's Management; or

3. there is an instrument containing an implicit derivative which amends the cash flows of the host instrument considerably and shall be stripped.

In particular, the Bank classified the financial liabilities subject to "natural hedging" through derivative instruments under this account. These include fixed-rate and structured bonds and certificates of deposit, where market risk is subject to systematic hedging through derivative contracts, with the exception of securities issued at a floating rate subject to hedging of the financial flows, which are classified under outstanding securities. For the purpose of further improving reporting and transparency in relation to the modes of use of the fair value option, specific detailed tables are provided in the corresponding sections of the notes to the financial statements, both income statement and balance sheet, which further illustrate the methods and strategies of use of the fair value option by the Bank. A specific chapter illustrating the technical modes of hedging implementation, with special emphasis on the adoption of the fair value option, is also included in account "17 - Other information".

c) valuation criteria

Following the initial valuation, financial liabilities are valued at fair value.
Market quotations are used for determining the fair value of the financial instruments listed in an active market.
Failing an active market, the Bank used generally accepted valuation methods and models which are based on data measurable in the market such as: methods based on the valuation of listed instruments which have similar characteristics, updating of future cash flows, models of determination of the prices of options, values measured in similar recent transactions.

d) elimination criteria

Financial liabilities are eliminated when they expire or are paid off. They are eliminated also in the case of repurchase of previously issued securities. The difference of the book value of the liabilities and the amount paid to purchase is booked in the income statement under account "110 – Net profit/loss from financial assets and liabilities valued at fair value".

f) criteria of recognition of income components

Profits and losses resulting from any changes in the fair value of the financial liabilities are posted under account "110 - Net profit/loss from financial assets and liabilities valued at fair value" in the income statement. This also applies to payable derivative instruments linked with the fair value option, with economic effect classified under account "110 - Net profits/losses from financial assets and liabilities valued at fair value".

16. Transactions denominated in foreign currencies

a) accounting criteria

Upon the initial valuation, foreign currency transactions are denominated in the foreign currency of account using the exchange rates prevailing on the date of the transaction.

b) criteria of classification, valuation, elimination and recognition of income components

Balance-sheet accounts denominated in foreign currencies are valued at year-end or on the closing dates of interim reports as follows:

- monetary accounts are converted using the exchange rate prevailing on the closing date;
- non-monetary accounts valued at historical cost are converted using the exchange rate prevailing on the date of the transaction;
- non-monetary accounts valued at fair value are converted using the exchange rate prevailing on the closing date.

Any foreign exchange differences resulting from the settlement of monetary elements or the conversion of monetary elements at exchange rates other than the initial exchange rates, or the exchange rates adopted in prior financial statements, are posted to the income statement during the period they arise.
When a profit or a loss in relation to a non-monetary element are shown under net equity, the foreign exchange difference in relation to such element is also posted to net equity. However, when a profit or a loss is posted to the income statement, the relative foreign exchange difference is also posted to the income statement.
The accounting position of the foreign branches having different units of account is converted into Euro by using the exchange rates prevailing on the date of reference of the balance-sheet.
Any foreign exchange differences attributable to investments in such foreign branches and the differences in relation to the conversion into Euro of their accounting position are posted to net equity reserves and transferred to the income statement only in the financial year the investment is disposed of or reduced.

17. Other information

a) Other significant balance-sheet accounts

Following are other significant balance-sheet accounts of the Bank:

- *Cash and cash equivalents*

This account includes currencies, legal tender, including foreign banknotes and coins, and demand deposits with the Central Bank of the Country or Countries where the Bank operates with its own branches.
The account is posted at face value. With reference to foreign currencies, the face value is converted into Euro at the closing exchange rate as of year-end.

- *Other assets*

This account includes assets not attributable to the other accounts on the assets side of the balance sheet. The account may include, for example:

a) gold, silver and precious metals;
b) accrued income other than accrued income capitalized in relation to the related financial assets;
c) any unsold goods according to the definition of IAS 2;
d) improvements and incremental expenses incurred on third-party real estate other than those attributable to tangible assets, and therefore not independently identifiable and separable.

These costs are posted to other assets, since the using company controls the assets as a result of a tenancy agreement and can obtain future economic benefits from them.
Costs are posted to the income statement under account "190 – Other operating income/charges" according to the shorter of the period in which the improvements and expenses can be used and the period of the residual term of the contract.

- *Staff severance indemnity fund*

The staff severance indemnity fund is a defined-benefit scheme following the termination of employment. Therefore its actuarial value shall be estimated in order to post it to the financial statements. In so doing, the Bank adopts the projected unit credit method, which estimates future disbursements on the basis of statistical time analyses and the demographic curve, and the financial updating of such flows according to the market interest rates.
The costs accrued during the year for servicing the scheme are posted to the income statement under account “150 a) Personnel expenses”, as the net amount of contributions paid, contributions pertaining to prior years not yet posted, expected income resulting from the assets servicing the scheme, financial charges and actuarial profits/losses. Actuarial profits and losses, resulting from the difference of the book value of the liabilities and the current value of the obligation at the end of the year, are computed on the basis of the “corridor” method, i.e. the excess of accrued actuarial profits/losses, resulting from prior year’s closing, with respect to the higher of 10% of the current value of the benefits generated by the scheme and 10% of the fair value of the assets servicing the scheme. Such excess is also compared to the expected average working life of the participants in the scheme. After the reform of supplementary pension funds pursuant to Legislative Decree No. 252 of 5 December 2005, the severance indemnity quotas accrued as to 31 December 2006 are still kept by the Bank. The severance indemnity quotas accrued after 1 January 2007, at the discretion of each employee, are allocated to supplementary pension funds or are held at the Bank, which will transfer the severance indemnity quotas to the Treasury Fund managed by INPS.

- *Other liabilities*

This account includes liabilities not attributable to the other accounts on the balance sheet liabilities.
The account includes, for example:

a) payment agreements to be classified as debts according to IFRS 2;
b) liabilities connected with the payment for the provision of goods and services;
c) accrued liabilities other than those to be capitalized in relation to the respective financial liabilities.

b) Other significant accounting treatments

The following section illustrates and details the accounting principles which are relevant for the purpose of understanding the financial statements.

- *Own shares*

Any Treasury shares held are shown in the balance-sheet under a specific account and deducted directly from net equity. No profits or losses are posted to the income statement upon the purchase, sale, issue or write-off of the Bank’s shares. Any amount paid or received is posted directly to net equity.

- *Dividends and income/cost recognition*

Income is recognised when collected or, in the case of the sale of goods or products, when future benefits are likely to be received and such benefits can be quantified in a reliable way and, in the case of services, when they are rendered.
In particular:

A. Interest is recognised on a pro rata temporis basis, in accordance with the contractual interest rate or the actual interest rate in the case of application of the amortised cost;
B. Interest on arrears is posted to the income statement only upon actual collection;

C. Dividends are shown in the income statement when their distribution is resolved and, therefore, when their payment becomes due;
D. Commissions from income from services are posted in the period when the services were rendered, on the basis of existing contractual agreements;
E. Income resulting from the brokerage or issue of financial instruments, as determined by the difference of the price of the transaction and the fair value of the instrument, is posted to the income statement when the transaction is recorded, if the fair value can be determined with reference to recent observable parameters or transactions existing in the market where the instrument is traded. Income is otherwise spread over a period of time taking account of the term and the nature of the instrument;
F. The management fees for the portfolios are recognised on the basis of the duration of service;
G. Costs are shown in the income statement in the periods during which the respective income is posted. Any costs which cannot be associated with income are promptly posted to the income statement.

- *Amortised cost*

The amortised cost of financial assets or liabilities is its value of initial valuation, net of capital paying-off, increased or decreased by the overall amortization calculated using the actual interest rate method, in relation to the differences of the initial value and the value upon maturity, and net of any permanent losses of value. The actual interest rate is the rate which makes the current value of the future contractual cash flows of payments or collections until maturity or the following date of recalculation of the price, equal to the net book value of the financial assets or liabilities. For the purpose of the calculation of the current value, the actual interest rate is applied to the flow of estimated future collections or payments over the entire useful life of the financial assets or liabilities – or for a shorter period in view of certain conditions (e.g. the review of market rates).
If it is not possible to reliably estimate the cash flows or the expected life, the Bank will use the cash flows contractually established for the whole contractual term.
Following the initial valuation, on the basis of the amortised cost it is possible to allocate the income and costs reducing or increasing the instrument over its expected life by means of the amortization process. The determination of the amortised cost varies in accordance with the rate of the financial assets/liabilities subject to valuation, depending on whether they have a fixed or floating rate.
The future cash flows of fixed-rate instruments are quantified on the basis of the interest rate known during the term of the financing. The cash flows of floating-rate financial assets/liabilities, with a priori unknown variability (e.g. index-linked), are determined on the basis of the last known rate. Upon each date of review of the rate, the plan of amortization and the actual rate of return over the whole useful life of the instrument, i.e. until the date of maturity, are recalculated. The adjustment is recognised as a cost or income in the income statement.
Loans, financial assets held upon maturity and financial assets available for sale, liabilities and outstanding securities are valued at amortised cost.

The financial assets and liabilities traded at market terms are initially posted at their fair value, which normally corresponds to the amount disbursed or paid including, in relation to the instruments valued at amortised cost, directly attributable transaction costs and commissions such as fees and commissions paid to agents, advisors, brokers and operators, as well as the contributions withheld by the regulatory authorities and Stock Exchanges, and transfer taxes and charges. These expenses, which shall be directly attributable to the separate financial assets or liabilities, have an impact on the original actual return and differentiate the actual interest rate associated with the transaction from the contractual interest rate. The costs that the Bank should incur irrespective of the transaction (e.g. administrative, registry, communication costs), and the costs which, though specifically attributable to the transaction, fall within the ordinary loan management (i.e. lending activities) are not included in the calculation of the amortised cost.

With particular reference to loans, the lump-sum reimbursements of the expenses incurred by the Bank for the provision of a service shall not be posted to reduce the cost of disbursement of the loans, but the related costs shall be posted to a specific account of the income statement, since they may be considered as other operating income.

- *Guarantees issued*

Any adjustments due to any impairment of the guarantees issued are posted to account "100 - Other liabilities". The writedown for impairment is posted to account "130 d) Net value adjustments/recoveries for impairment of other financial transactions" in the income statement.

c) Accounting principles which are relevant for preparing the half-year report (with specific reference to the provisions of IAS 1 par. 113 and Paper no. 2 of 6 February 2009 jointly issued by Bank of Italy/Consob/Isvap)

Following are the resolutions adopted by the Management in the process of application of the accounting principles, except for the resolutions concerning the estimates, which have significant effects on the amounts indicated in the half-year report.

- *Accounting of hedging transactions – adoption of the fair value option*

In its financial risk management policy in relation to the financial instruments included in the banking book, the Bank preferred to use the accounting technique of the fair value option with respect to the alternative modes of hedging provided by IAS 39 and in particular Fair Value Hedge and Cash Flow Hedge. This decision is closely linked to the actual modes applied by the Group to implement its own hedging policies, in principle executed by volume, by managing the overall exposure managed with respect to the market. More specifically, the fair value option was adopted to represent, from the accounting viewpoint, hedging for operating purposes conducted through the trading of derivative financial instruments hedging fixed-rate certificates of deposit and fixed-rate or structured bonded loans issued at fixed or structured rates, both on a separate and consolidated basis (accounting mismatch). The operations of the Group actually contemplate that the issuing companies of the MPS Group should execute specific hedging derivatives of the funding instruments issued with the Group bank, MPS Capital Services S.p.A., which in turn manages the Group overall exposure to the market by volume. This approach does not maintain a univocal relation between the derivative executed among the Group companies and the derivative traded to the market. This management can be faithfully represented from the accounting viewpoint with the adoption of the fair value option introduced by the new International Accounting Standards, by designating a group of financial assets or financial liabilities managed at fair value with an impact on the income statement.

The scope of application of the fair value option mostly concerns three types of financial debt instruments:

- Plain vanilla issues represented by bonded loans and fixed rate certificates of deposit;
- Structured issues represented by bonded loans with payoff linked to an equity component;
- Structured issues represented by bonded loans with payoff determined by derivatives linked to the interest rate or the inflation rate.

The use of the fair value option, while best representing the hedging activities performed by the Bank, has introduced some elements of greater complexity compared to the other forms of hedging provided by IAS 39, such as the need of managing the creditworthiness of the issuer and defining and specifying the methodologies for determining the fair value of the securities issued.
In compliance with the provisions of IAS 39, the adoption of the fair value *option* implies that the liabilities shall be necessarily valued at fair value, also taking account of the value changes

registered in relation to its creditworthiness. This element is considered in the valuation process; for this purpose, the portfolio of financial instruments designated for the purpose of the fair value option has been determined with methods compliant with those adopted for all other financial instruments valued at fair value owned by the Bank, as detailed in the following paragraph.
From the viewpoint of prudential supervision, the fair value option was examined by the Regulatory Authorities, for the purpose of controlling the potential distortions resulting from posting any changes in the issuer's own creditworthiness, and consequently, in the quality of the capital resources, to the income statement.
As a result, the Regulatory Authorities identified and isolated the effects deriving from the changes in creditworthiness, which are expressly excluded from the calculation of Capital for Regulatory Purposes. As a result, the Bank deducts the effects deriving from any changes in its own creditworthiness from its capital for regulatory purposes, in compliance with the instructions of the Bank of Italy in relation to prudential filters.
There are also portfolios and classes of assets where the use of the fair value option would increase the complexity of management or valuation of the items rather than simplifying it, e.g. in relation to the hedging of assets items. With reference to these cases, therefore, the Bank believed it was fair and more consistent to adopt formal hedge accounting relations instead of using the fair value option. In particular, the Bank used the micro fair value hedge technique to hedge the portions of commercial assets valued at the amortised cost (loans, mortgage loans) and the securities portfolio (assets available for sale), the macro fair value hedge for hedging some commercial assets, and the cash flow hedge for hedging a limited portion of floating-rate funding.

d) Use of estimates and assumptions in the preparation of the half-year report. Main causes for uncertainty (with specific reference to the provisions of IAS 1 paragraph 116 and to Paper no. 2 of 6 February 2009 jointly issued by the Bank of Italy/Consob/Isvap).

The financial crisis, which was gradually added to the economic crisis, implies many consequences for the companies, with a specific impact on their financial plans (i.e. their loan schedules). The great volatility of the financial markets which are still active, the decreasing transactions in the financial markets which became inactive as well as the lack of future expectations create specific/particular conditions affecting the preparation of the latest financial statements, with specific reference to the accounting estimates required by the application of the accounting principles which might significantly affect the values posted to the balance sheet and the income statement as well as the information on potential assets and liabilities recorded in the financial statements.
These estimates imply the use of available information and the adoption of personal valuations. The estimates and assumptions used are subject to change every financial year and, therefore, in the following financial years the current values of the financial statements might be significantly different as a result of the change in subjective valuations. These estimates and valuations are difficult and uncertain also in light of stable macroeconomic conditions.
Following are the main cases which are most subject to the subjective valuations by the Management:

A. The use of valuation models to recognize the fair value of non-listed financial instruments in active markets;
B. The quantification of losses to reduce the value of loans and, generally, of other financial assets;
C. The assessment of the adequate value of equity investments, goodwill and other tangible and intangible assets.

The most significant qualitative issues subject to discretion are detailed hereunder in relation to each case. Each section of the notes to the balance sheet and income statement, which also detail the contents of each Balance-sheet account, analyses and examines the actual technical and conceptual solutions adopted by the Bank.

- *Fair Value*

The Fair value is the amount on the basis of which assets could be exchanged, or liabilities repaid, in a free transaction between conscious and independent parties.

The fair value of financial instruments is determined through the use of prices acquired from the financial markets, in the case of instruments listed on active markets, or through the use of internal valuation models in the case of other financial instruments.

<u>Active markets</u>

Any existing official quotations in an active market are the best evidence of the fair value and, when existing, they are used to value the financial assets or liabilities.
A financial instrument is considered as listed in an active market if the prices quoted are promptly and regularly available in a stock exchange or regulatory authority list, and such prices represent actual market transactions which occur regularly in normal trading. If the official quotation in an active market does not exist for a financial instrument as a whole, but there are active markets for its components, the fair value is determined on the basis of the respective market prices of the components.

<u>Non-active markets</u>

If a financial instrument is not traded in an active market for the purpose of the determination of the fair value it is necessary to:

1) use the prices in relation to recent market transactions between conscious and independent parties;
2) make reference to current market values of virtually similar instruments;
3) use valuation techniques in compliance with the pricing methodologies commonly used in market practice.

If the fair value is determined using a valuation technique, it is necessary to:

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1) maximise the use of specific market parameters, minimising at the same time the use of "input entity specific" parameters;
2) incorporate all factors that the market participants would consider in order to determine the price.

In particular, the fair value of a financial instrument is based on the following factors, if significant:

1) the time value of money, i.e. interest at the risk-free base rate;
2) the credit risk;
3) the exchange rates of foreign currencies;
4) the prices of commodities;
5) the prices of equities;
6) the extent of the future variations in the price of a financial instrument, i.e. its volatility;
7) the risk of early repayment and redemption;
8) the costs of servicing financial assets or liabilities.

It is necessary to periodically check and test the validity of the valuation technique using the prices of current market transactions in relation to the same instrument or on the basis of observable and available market prices.

On 31 October 2008 the IASB Export Advisory Panel issued a paper on the measurement and reporting in relation to the fair value of the financial instruments exchanged in markets which became inactive. This paper is not an accounting principle but a guidebook which was required by a market situation where many financial instruments became illiquid. Therefore, the guidebook does not set any new rules but extensively deals, also through several examples, with criteria already provided for by IAS 39. The guidebook confirms the valuation approach already essentially followed by the Bank.

The kind and number of the assumptions used cause uncertainty for the estimate of the fair value of illiquid instruments. Additional details are provided in the appendix to part B "Estimate of fair value in relation to the financial instruments".

- *Modes of determination of value losses (impairment) of loans and other financial assets*

As of the date of the financial statements, the financial assets not classified under financial assets held for trading or assets at fair value are valued for the purpose of checking whether there is any objective evidence of impairment which might imply that the book value of these assets is not totally recoverable. The financial assets incurring a reduction in value and the losses for reduction in value shall be posted if, and only if, there is an objective evidence of a reduction in the future cash flows with respect to the flows originally estimated, as a result of one or more specific events which occurred after the initial valuation. The loss shall be quantified in a reliable manner and be related to current events.
A reduction in value might also be caused not by one separate event, but by the combined effect of several events.
The objective evidence that a financial asset or group of financial assets incurred a reduction in value includes measurable data which are noticed due to the following events:

a) significant financial difficulties of the issuer or debtor;
b) breach of contract, i.e. default or non-payment of interest or principal;
c) the beneficiary is granted a facility which the Bank took into account, mostly due to economic or legal reasons in relation to the beneficiary's financial difficulties, and would not have been granted otherwise;
d) the beneficiary is reasonably likely to file for bankruptcy or other financial reorganization proceedings;
e) disappearance of an active market for those financial assets, due to financial difficulties. Nevertheless, the disappearance of an active market due to the fact that the financial instruments of the company are no longer publicly traded does not prove any reduction in value;
f) measurable data showing an existing remarkable drop in the estimated future financial flows for a group of financial assets since the initial valuation of those assets, even though the reduction cannot yet be identified with each financial asset in the group, including:
    - adverse changes in the status of the payments of the beneficiaries in the Group; or
    - local or national economic conditions which are associated with the defaults in relation to the assets within the Group.

Any objective evidence of a reduction in value for an investment in equities includes information in relation to major changes with an adverse effect which occurred in the technological, market, economic or legal environment where the issuer operates, and indicates that the cost of the investment cannot be recovered.

Impairment is valued on an analytical basis with reference to the financial assets showing objective evidences of losses for reduction in value, and collectively with reference to the financial assets with no such objective evidences or where the analytical valuation did not determine a value adjustment. The collective valuation is based on the identification of homogenous risk classes of the financial assets with reference to the characteristics of the debtor/issuer, the industry, the geographic area, any existing guarantees and other relevant factors.

With reference to loans to clients and to banks, the loans which were given the status of NPLs, non-performing loans, restructured loans according to the definitions of the Bank of Italy are subject to analytical valuation. The amount of the loss is equal to the difference of the book value of the loan upon valuation (amortised cost) and the current value of expected future financial flows, calculated using the original actual interest rate. Expected cash flows take account of the expected time of collection, the possible salvage value of any guarantees and the costs which are deemed to be incurred for credit collection. The amount of the loss is posted to the income statement under account "130 a) Net value adjustments/recoveries for impairment of loans".
The process of analytical valuation of the above impaired loans entails the need of defining repayment plans by position, in order to determine the cash flows deemed to be recoverable. From this perspective, the process of valuation adopted by the Bank identified the thresholds below which automatic theoretical repayment schemes are built. Such thresholds are set in accordance with brackets characterised by a limited-weight exposure compared to the total and by a high number of positions.

The loans with no objective evidence of loss due to a reduction in value are subject to collective valuation. This valuation is made by homogeneous loan categories in terms of credit risk which are indicative of the debtor's capacity to repay the sums due pursuant to the contractual terms. Following are the segmentation drivers used for this purpose: business sector, geographic location, and customer segments (turnover). The major portfolio segments are identified on the basis of turnover:

- Retail
- Small and Medium Enterprise Retail
- Small and Medium Enterprise Corporate
- Corporate
- Large Corporate
- Banks
- Other

The rate of loss of each portfolio segment is determined by identifying as many synergies as possible (as far as allowed by the various regulations) with the approach provided for regulatory purposes by the provisions of the "New Accord on Capital" (Basle 2). In particular, the amount of impairment for the period of each loan belonging to a homogeneous class is the difference of the book value and the recoverable amount as of the date of valuation, determined by using the parameters of the calculation method provided for by the new supervisory provisions, represented by PD (probability of default) and LGD (loss-given-default).

If, in a following year, the amount of the loss for reduction in value decreases and the reduction can be objectively linked to an event which occurred after the value reduction was measured (i.e. an improvement in the debtor's financial solvency), the previously measured loss for reduction in value is reversed. The amount of the reversal is indicated in the income statement under account "130) Net value adjustments/recoveries for impairment".

As far as the financial assets available for sale are concerned, the impairment is posted to the income statement when a reduction in fair value was directly recognised in net equity, and in light of the above-mentioned "objective evidence". In these cases, the cumulative loss directly recognised in net equity shall be reversed and posted to the income statement, also if the financial assets was not eliminated.

The amount of the overall loss which is reversed from net equity and posted to the income

statement is the difference of the purchasing cost (net of any repayment in principal, and depreciation), and the current fair value, net of any loss for value reduction on the financial assets previously posted to the income statement. Any losses for value reduction recorded to the income statement for an investment in an instrument representative of capital classified as available for sale shall not be reversed, with their effect recognised in the income statement.
If, in a following period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively linked to an event occurring after the loss for value reduction was posted to the income statement, the loss for value reduction shall be eliminated, with the reversed amount posted to the income statement.
Any existing negative reserve is not enough to post any writedown to be posted to the income statement.

The kind and number of the assumptions used in the identification of impairment factors and the quantification of writedown and value recoveries cause uncertainty in the estimates. Anyway, as to the shares listed in active markets, a market price as at the date of the financial statements which is lower than the original purchasing cost by at least 30%, or a market value lower than the cost for more than twelve months, is considered as an objective evidence of value reduction. If further reductions occur in the following financial years, they are directly posted to the income statement.

- *Assessment of the appropriate value of equity investments, goodwill and other intangible assets*

Equity investments

The process of impairment provides for the determination of the recoverable value, represented by the higher of (i) the fair value net of selling costs and (ii) the use value. The use value is the current value of the expected financial flows coming from the assets subject to impairment. It is indicative of the estimate of the financial flows expected from the assets, any estimated possible changes in the amount and/or timing of the financial flows, the financial value of time, the price remunerating the riskiness of the assets and other factors which can influence the valuation, by market operators, of the financial flows expected from the assets. Therefore, an estimate of the appropriate book value of the equity investments is based on several assumptions. As a result, the outcome of this review is inevitably quite uncertain.

Goodwill

The goodwill posted is subject to the impairment test at least once a year and however in light of any signs of impairment. For test purposes, once the goodwill has been allocated to cash generating units (CGU), the book value and the recoverable value of such units are compared according to the provisions of paragraph 9 "Intangible assets". The updating method of future cash flows (DCF – Discounted Cash Flow) is usually used for the recoverable value of the CGUs. To this end, the Management estimated the cash flows of the CGUs which are subject to several factors such as the growth rate of costs and income, which also depend on the changes in real economy, the customers' behaviour, the competitors and other factors. Therefore, the estimated appropriate book value of goodwill is based on several assumptions. As a result, the outcome of this review is inevitably quite uncertain.

Other tangible and intangible assets

Tangible and intangible assets with a defined useful life are subject to the impairment test if it is shown that the book value of the assets can no longer be recovered. The recoverable value is determined with reference to the fair value of the tangible or intangible assets, net of disposal charges or with reference to the use value, if it is determinable and higher than the fair value.

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Part B
Information on the Balance Sheet

ASSETS

Section 2

Financial assets held for trading – Account 20

2.12.1 Financial assets held for trading: breakdown by products

Accounts/values	quoted	unquoted	Total 30 06 2009	Total 31 12 2008
A. Cash assets				
1. Debt securities	-	-	-	-
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	-	-	-
2. Equities	-	-	-	-
3. UC.I.T. Quotas	-	-	-	-
4. Loans	-	351	351	-
4.1 REPOS	-		-	-
4.2 Other	-	351	351	-
5. Impaired assets		-	-	-
6.Sold assets	-	-	-	-
Total (A)	**-**	**351**	**351**	**-**
B. Derivatives				
1. Financial derivatives:	-	79.872	79.872	-
1.1 trading	-	74.839	74.839	-
1.2 fair value option		5.033	5.033	-
1.3 other		-	-	-
2. Credit derivatives:	-	-	-	-
2.1 trading	-	-	-	-
2.2 fair value option		-	-	-
2.3 other		-	-	-
Total (B)	**-**	**79.872**	**79.872**	**-**
Total (A+B)	**-**	**80.223**	**80.223**	**-**

Section 4

Financial assets available for sale – Account 40

4.1 4.1. Financial assets available for sale: breakdown by products

Accounts/Values	quoted	unquoted	Total 30 06 2009	Total 31 12 2008
1.Debt securities	-	-	-	-
2. Equities	-	20.525	20.525	-
3. U.C.I.T. quotas	-	-	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold not derecognised	-	-	-	
Total	**-**	**20.525**	**20.525**	**-**

Section 6

Due from banks - Account 60

6.1 Due from banks: breakdown by products

Kind of transactions/Values	Total 31 06 2009	Total 31 12 2008
A. Due from Central Banks	**142.992**	**-**
1. Time deposits	-	-
2. Compulsory reserve	142.992	-
3. Receivable repos	-	-
4.Other	-	-
B. Due from banks	**871.388**	**6.356**
1. Current accounts and demand deposits	96.431	6.356
2.Time deposits	365.239	-
3.Other loans:	402.740	-
3.1 Receivable repos	312.449	-
3.2 Finance leasing	-	-
3.3 Other	90.291	-
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
5. Impaired assets	6.978	-
Assets sold not derecognised	-	-
Total (book value)	**1.014.380**	**6.356**
Total (fair value)	**1.014.514**	**6.356**

Section 7

Loans to customers – Account 70

7.1 Loans to customers: breakdown by products

Kind of transactions/Values	Total 30 06 2009	Total 31 12 2008
1. Current accounts	2.410.224	-
2. Receivable repos	378	-
3. Mortgage loans	6.559.421	-
4. Credit cards, personal loans and loans on wages	116.735	-
5. Finance leasing	-	-
6. Factoring	-	-
7. Other transactions	2.906.942	-
8. Debt securities	-	-
8.1 Structured securities	-	-
8.2 Other debt securities	-	-
9. Impaired assets	982.881	-
10. Assets sold not derecognised	-	-
Total (book value)	**12.976.581**	**-**
Total (fair value)	**12.932.362**	**-**

Section 10

Equity investments – Account 100

10.2 Equity investments in subsidiaries, jointly controlled companies or in companies under significant influence: accounting information

30 06 2009

Name	Total assets	Total revenues	Profit (Loss)	Net equity	Book value	Fair Value
A. Subsidiaries						
B. Jointly controlled companies						
C. Companies under significant influence						
MPS Group Operations Centre					39	39
Total					**39**	**39**

Section 12

Intangible assets - Account 120

12.1 Intangible assets: breakdown by kind

	Total 30 06 2009		Total 31 12 2008	
Assets/Values	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	x	1.416.919	x	-
A.2 Other intangible assets	288.280	-	-	-
A.2.1 Assets valued at cost:	288.280	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	288.280	-	-	-
A.2.2 Assets valued at fair value:	x	x	x	x
a) Internally generated intangible assets	x	x	x	x
b) Other assets	x	x	x	x
Total	**288.280**	**1.416.919**	**-**	**-**

LIABILITIES

Section 1

Due to banks - Account 10

1.1 Due to banks: breakdown by kind

Kind of transactions/Values	Total 30 06 2009	Total 31 12 2008
1. Due to central banks	-	-
2. Due to banks	4.206.733	-
2.1 Current account and demand deposits	3.638.903	-
2.2 Time deposits	526.619	-
2.3 Loans	41.211	-
2.3.1 Financial lease		
2.3.2 Other	41.211	-
2.4 Debt for repurchase commitments of own shares		
2.5 Liabilities for assets sold not derecognised	-	-
2.5.1 Payable repos	-	-
2.5.2 Other		
2.6 Other debts	-	-
Total	**4.206.733**	**-**
Fair value	**4.206.733**	**-**

LIABILITIES

Section 2

Customer deposits - Account 20

2.1 Customer deposits: breakdown by kinds

Kind of transactions	Total 30 06 2009	Total 31 12 2008
1. Current account and demand deposits	6.655.161	-
2.Time deposits	33.494	-
3. Deposits of third parties under administration	12.589	-
4. Loans	398.837	-
4.1Financial lease	-	-
4.2 Other	398.837	-
5. Debts for repurchase commitments of own shares		
6. Liabilities for assets sold not derecognised	-	-
6.1 Payable repos	-	-
6.2 Other	-	-
7. Other debts	86.407	-
Total	**7.186.488**	**-**
Fair Value	**7.186.488**	**-**

Section 3

Outstanding securities - Account 30

3.1 Outstanding securities: breakdown by kind

Kind of securities	Total 30 06 2009		Total 31 12 2008	
	Book value	fair value	Book value	fair value
A. Quoted securities	-	-	-	-
1. Bonds	-	-	-	-
1.1 structured	-	-	-	-
1.2 other	-	-	-	-
2. Other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
B. Unquoted securities	210.378	210.158	-	-
1. Bonds	65.141	64.921	-	-
1.1 structured	-	-	-	-
1.2 other	65.141	64.921	-	-
2. Other securities	145.237	145.237	-	-
2.1 structured	-	-	-	-
2.2 other	145.237	145.237	-	-
Total	**210.378**	**210.158**	**-**	**-**

Section 4

Financial liabilities held for trading - Account 40

4.1 Financial liabilities held for trading: breakdown by kind

Kind of transactions/Values	Total 30 06 2009			Total 31 12 2008		
	Nominal Value	Fair Value		Nominal Value	Fair Value	
		Quoted	Unquoted		Quoted	Unquoted
A. Liabilities - Cash						
1. Due to banks	-	-	-	-	-	-
2.Customer deposits	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-
3.2.2 Other				-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B.Derivatives						
1. Financial derivatives	x	-	73.388	x	-	-
1.1 held for trading	x	-	73.312	x	-	-
1.2 related to the fair value option	x	-	76	x	-	-
1.3 Other	x	-	-	x	-	-
2. Credit derivatives	x	-	-	x	-	-
2.1 held for trading	x	-	-	x	-	-
2.2 related with the fair value option	x	-	-	x	-	-
2.3 Other	x	-	-	x	-	-
Total B	**x**		**73.388**	**x**	**-**	**-**

FV = fair value

NV = Nominal or notional value

Q = Quoted

UQ = Unquoted

Financial liabilities valued at *fair value* - Account 50

5.1 Financial liabilities valued at fair value: breakdown by kind

Kind of transactions/Values	Total 30 06 2009				Total 31 12 2008		
	NV	FV		FV*	NV	FV	
		Q	UQ			Q	UQ
1. Due to banks	-	-	-		-	-	-
1.1 Structured	-	-	-	x			
1.2 Other	-	-	-	x			
2. Customer deposits	-	-	-		-	-	-
2.1 Structured	-	-	-	x			
2.2 Other	-	-	-	x	-	-	-
3. Debt securities	700.767	-	709.922		-	-	-
3.1 Structured	-	-	-	x	-	-	-
3.2 Other	700.767	-	709.922	x	-	-	-
Total	700.767	-	709.922		-	-	-

FV = fair value

NV = Nominal or notional value

Q = Quoted

UQ = Unquoted

Section 12

Funds for risks and charges - Account 120

12.1 Funds for risks and charges: breakdown

Accounts/values	30 06 2009	31 12 2008
1. Corporate pension funds	-	-
2.Other funds for risks and charges	60.408	-
2.1 legal disputes	53.668	-
2.2 personnel charges	-	-
2.3 other	6.740	-
Total	**60.408**	**-**

Section 14

Shreholders' equity of the bank - Accounts 130, 150, 160, 170, 180, 190 and 200

14.1 Shareholders' equity of the bank: breakdown

Accounts/Values	Total 30 06 2009	Total 31 12 2008
1. Share capital	1.006.300	6.300
2. Share premium	2.200.000	-
3. Reserves	(132)	-
4. (Own shares)	-	-
5. Revaluation reserves	313	-
6. Capital instruments	-	-
7. Profit (Loss) for the year	20.294	(132)
Total	**3.226.775**	**6.168**

14.3 Share capital - Number of shares: annual changes

(no of shares)

Accounts	30 06 2009		31 12 2008	
	Ordinary	Other	Ordinary	Other
A. Outstanding shares at year opening	6.300.000	-	-	-
- fully paid	6.300.000	-	-	-
- not fully paid				
A.1 Own shares (-)	-	-	-	-
A.2 Outstanding shares at year opening	6.300.000	-	-	-
B. Increases	1.000.000.000	-	6.300.000	-
B.1 New issues	1.000.000.000	-	6.300.000	
- against payment:	1.000.000.000	-	6.300.000	-
- mergers of companies	1.000.000.000		6.300.000	
- conversion of bonds			-	
- esercised warrants				
- other	-	-		
- free of charge:	-	-	-	-
- in favour of employees				
- in favour of directors				
- other				
B.2 Sale of own shares	-		-	-
B.3 Other changes				
C. Decreases	-	-	-	-
C.1 Cancellation				
C.2 Purchase of own shares	-		-	
C.3 Sale of companies				
C.4 Other changes				
D. Outstanding shares at year closing	1.006.300.000	-	6.300.000	-
D.1 Own shares (+)	-		-	-
D.2 Outstanding shares at year's closing	1.006.300.000	-	-	-
- fully paid	1.006.300.000	-	6.300.000	-
- not fully paid				

14.5 Breakdown of the "Reserves" account

	30 06 2009	
Profit reserve :		(132)
Legal reserve	-	
Own share reserve	-	
Statutory reserve	-	
Reserve as per art.10 of the Legislative Decree no. 252/2005	-	
Extraordinary reserve	-	
Reserve for profit assignment to the employees	-	
Reserve as per art.19 of the Legislative Decree no. 87/92	-	
Reserve as per Legislative Decree no. 153/99	-	
Carried forward profits/losses	(132)	
Reserve for FTA IAS profits, HFT differences, exchanges, hedging (art. 7 sub-	-	
Reserve for available FTA IAS profits, reversal of depreciation funds (art.7	-	
Reserve of unavailable profits remaining from FTA IAS (art. 7 sub-par 7 of	-	
Other reserves :		-
Reserve Act no. 218/90	-	
Merger surplus	-	
Total		**(132)**

14.7 Valuation reserves: breakdown

Account	Total 30 06 2009	Total 31 12 2008
1. Financial assets available for sale	313.322	-
2. Tangible assets	x	x
3. Intangible assets	x	x
4. Foreign investments hedging	-	-
5. Financial flows hedging	-	-
6. Exchange differences	-	-
7. Non-current assets being sold	-	-
8. Special revaluation laws	-	-
Total	**313.322**	**-**

14.9 Valuation reserves of financial assets available for sale: breakdown

Assets / values	30 06 2009			31 12 2008		
	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
1. Debt securities	-	-	-	-	-	-
2.Capital securities	740	(427)	313	-	-	-
3. Quotas of U.C.I.T.S.	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	740	(427)	313	-	-	-

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Part C
Information on the Income Statement

Section 1

interest - Accounts 10 and 20

1.1 Interest and similar income: breakdown

Accounts/Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total 30 06 2009
	Debt securities	Loans			
1. Financial assets held for trading	-	-	-	1.208 -	1.208
2. Financial assets available for sale	-		-	-	-
3. Financial assets held to maturity	-			-	-
4. Due from banks	-	44.402	-	-	44.402
5. Customers loans	-	253.593	11.448	-	265.041
6. Financial assets valued at fair value	-			-	-
7. Hedging derivatives	X	X	X	-	-
8. Financial assets sold but not derecognised	-	-	-	-	-
9.Other assets	X	X	X	114	114
Totale	**-**	**297.995**	**11.448**	**1.322**	**310.765**

1.4 Interest and similar expenses: breakdown

Accounts / Technical forms	Debts	Securities	Other liabilities	Total 30 06 2009
1. Due to banks	57.439	X	-	57.439
2. Customer deposits	32.835	X	-	32.835
3. Outstanding securities	X	1.582	-	1.582
4. Financial liabilities held for trading	-		-	-
5. Financial liabilities valued at fair value	-	4.454	-	4.454
6. Financial liabilities related to assets sold not derecognised	-	-	-	-
7. Other liabilities	X	X	-	-
8. Hedging derivatives	X	X	-	-
Total	**90.274**	**6.036**	**-**	**96.310**

Section 2

Commissions -Accounts 40 and 50

2.1 Commissions receivable: breakdown

Kinds of services / Values	Total 30 06 2009
a) guarantees issued	4.152
b) credit derivatives	-
c) management, intermediation and advisory services	25.042
1. trading of financial instruments	695
2.currency trading	2.032
3. asset management	250
3 1 individual	250
3.2 collective	-
4. security custody and administration	1.748
5. depositary bank	201
6. placement of securities	3.377
7. customer instructions	-
8. advisory	-
9. distribution of third parties' services	16.739
9.1 asset management	-
9.1.1 individual	-
9.1.2 collective	-
9.2 insurance products	1.119
9.3 other products	15.620
d) collection and payment services	9.052
e) securitization servicing	-
f) factoring	-
g) tax collection	-
h) other services	53.978
Total	**92.224**

2.3 Commissions payable: breakdown

Kinds of services / Values	Total 30 06 2009
a) guarantees received	(37)
b) credit derivatives	-
c) management and intermediation:	(302)
1. trading of financial instruments	(276)
	-
2. currency trading	-
3. asset management:	(26)
3.1 own portfolio	-
3.2 third parties' portfolio	(26)
4. security custody and administration	-
	-
5.placement of financial instruments	-
	-
6. off-site distribution of financial instruments, products and services	-
d) collection and payment services	(1.210)
e) other services	(8.561)
Total	**(10.110)**

4.1 Net result from trading : breakdown

Transactions /Income components	Capital gains	Trading profit	Capital losses	Trading losses	Net Result 30/06/2009
1. Financial assets held for trading	**-**	**624**	**-**	**-**	**624**
1.1 Debt securities	-	622	-	-	622
1.2 Capital securities	-	-	-	-	-
1.3 Quotas of U.C.I.T.S	-	-	-	-	-
1.4 Loans					-
1.5 Other		2		-	2
2.Financial liabilities held for trading	-	-	-	-	**-**
2.1 Debt securities					-
2.2 Debts					-
2.3 Other					-
3. Other financial assets and liabilities: exchange differences	x	x	x	x	**(1.362)**
4. Derivatives	**66.156**	**94.897**	**(67.729)**	**(93.849)**	**(448)**
4.1 Financial derivatives:	66.156	94.897	(67.729)	(93.849)	(448)
- on debt securities and interest rates	58.522	46.836	(59.389)	(45.969)	-
- on equities and stock indexes	5.389	47.830	(6.095)	(47.649)	(526)
- on currencies and gold	x	x	x	x	78
- other	2.245	231	(2.245)	(231)	-
4.2 Credit derivatives	-	-	-	-	-
Total	**66.156**	**95.521**	**(67.729)**	**(93.849)**	**(1.186)**

Section 7

Net result on financial assets and liabilities valued at fair value - Account 10

7.1 Net change in financial assets/liabilities valued at fair value: breakdown

Transactions/Income components	Capital gains	Collection profit	Capital losses	Collection losses	Total 30 06 2009
1. Financial assets	-	-	-	-	-
1.1 Debt securities		-			-
1.2 Equities	-				-
1.3 Quotas of U.C.I.T.S.					-
1.4 Loans					-
2. Financial liabilities	102	-	(4.802)	-	(4.700)
2.1 Outstanding securities	102	-	(4.802)	-	(4.700)
2.2 Due to banks					-
2.3 Customer deposits					-
3. Currency financial assets and liabilities: exchange differences	x	x	x	x	-
4. Derivatives					
4.1 Financial derivatives	4.108	-	(151)	-	3.957
- on debt securities and interest rates	4.108	-	(151)	-	3.957
- on equities and stock indexes	-	-	-	-	-
- on currencies and gold	-	x	-	x	-
- other	-		-	-	-
4.2 Credit derivatives					-
Total derivatives	4.108	-	(151)	-	3.957
Total	4.210	-	(4.953)	-	(743)

Section 8

Net value adjustments/recoveries for impairment - Account 130

8.1Net value adjustments for credit impairments: breakdown

Transactions/Income components	Value adjustments			Value recovery				Total
	Specific		Portfolio	Specific		portfolio		30 06 2009
	Write-offs	Other		A	B	A	B	
A. Due from banks	-	56	615	238	68		86	(279)
B. Customer loans	2.137	108.743	-	16.006	24.455		991	(69.428)
C. Total	**2.137**	**108.799**	**615**	**16.244**	**24.523**	**-**	**1.077**	**(69.707)**

A=from interest rates

B=other recovery

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

Transactions/Income components	Value adjustments			Value recovery				Total
	Specific		Portfolio	Specific		portfolio		30 06 2009
	Write-offs	Other		A	B	A	B	
A. Guarantees issued		-	-		-		1.158	1.158
B. Credit derivatives			-					-
C. Commitments to lend funds								-
D. Other transactions		-	-			-	-	-
E. Total	**-**	**-**	**-**	**-**	**-**	**-**	**1.158**	**1.158**

A=from interest

B=other recoveries

Section 9

Administrative expenses - Account 150

9.1 Personnel expenses: breakdown

Kind of expense / Values	30 06 2009
1. Employees	(98.335)
a) wages and salaries	(73.634)
b) social charges	(17.431)
c) severance pay	-
d) social security charges	-
e) allocation to staff severance pay provision	(732)
f) allocation to pension fund and similar provisions:	-
- defined contribution	-
- defined benefit	-
g)payments to supplementary pension funds:	(6.230)
- defined contribution	(6.230)
- defined benefit	-
h) costs resulting from share based payment	-
i) other staff benefits	(308)
2. Other staff	(3.795)
3. Directors	(339)
Total	**(102.469)**

Section 10

Net provisions for risks and charges - Account 160

10.1 Net provisions for risks and charges: breakdown

Accounts/Values	30 06 2009			
	Legal disputes	Personnel costs	Other	Total
Provisions for the year	(5.039)	-	(860)	(5.899)
Value recovery	2.193	-	465	2.658
Total	(2.846)	-	(395)	(3.241)

Section 12

12.1 Net value adjustments on intangible assets: breakdown

Assets/Income components	Depreciation	Value adjustments for impairment	Value recovery	Net profit
				30 06 2009
A. Intangible assets				
A.1 owned	(14.467)	-	-	(14.467)
- Internally generated by the company	-	-		-
- Other	(14.467)	-		(14.467)
A.2 Finance lease				-
Total	**(14.467)**	**-**	**-**	**(14.467)**

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Part E
Information on Risks and on Relative Hedging Policies

Quantitative information

A. Credit Quality

A.1 Impaired and performing loans: amounts, value adjustments, changes, distribution by industry and territory

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

30 06 2009

Kind of exposures/Values	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash exposure				
a) Non-performing loans	1.229.837	755.196	-	474.641
b) Watchlist credits	441.859	61.834	-	380.025
c) Restrucutured loans	72.782	3.042	-	69.740
d) Past due	58.615	2.946	-	55.669
e) Country risk	1	x	-	1
f) Other assets	12.059.567	x	63.062	11.996.505
Total A	13.862.661	823.018	63.062	12.976.581
B. Off-balance sheet exposures				
a) Impaired	53.219	8.194	130	44.895
b) Other	1.331.564	x	1.829	1.329.735
Total B	1.384.783	8.194	1.959	1.374.630

B.5 Large risks (according to the supervisory regulations)

	30 06 2009	31 12 2008
a) Amount (euro '000)	186.240	-
b) Number	1	-

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Part F
Information on net equity

Section 1

Shareholders' equity

A. Qualitative information

B.Quantitative information

Section 2

Shareholders' equity and regulatory ratios

B. Quantitaive iInformation

	30 06 2009	30 06 2008
A. Tier I before application of prudential filters	**1.606.752**	**-**
B. Prudential filters of Tier I	(308)	
B1 - Positive prudential IAS/IFRS filters (+)	-	-
B2 - Negative prudential IAS/IFRS filters (-)	(308)	-
C. Tier I before deduction of A+B elements	**1.606.444**	**-**
D. Elements to be deducted from Tier I	-	-
E. Total Tier I (C - D)	**1.606.444**	**-**
F. Tier II before application of prudential filters	**-**	**-**
G. Prudential filters of Tier II	-	
G1. - Positive prudential IAS/IFRS filters (+)	-	
G2. - Negative prudential IAS/IFRS filters (-)	-	-
H. Tier II before deduction of F+G elements	**-**	**-**
J. Elements to be deducted from total Tier I and Tier II	-	-
L. Total Tier II (H - J)	**-**	**-**
M. Elements to be deducted from Tier I and Tier II	-	-
N. Capital for regulatory purposes (E+L - M)	**1.606.444**	**-**
O. Tier III	-	-
P. Capital for regulatory purposes including Tier III (N+O)	**1.606.444**	**-**

2.3 Capital adequacy

A. Qualitative information

B. Quantitative information

Categories/Values	Non-weighted amounts		Weighted amounts/requirements	
	30 06 2009	30 06 2008	30 06 2009	30 06 2008
A. RISK ASSETS				
A.1 Credit risk and counterpart risk	15.402.222	-	11.818.283	-
1. Standardized methodology	15.402.222	-	11.818.283	-
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. CAPITAL REQUIREMENTS FOR REGULATORY PURPOSES				
B.1 Credit risk and counterpart risk	x		945.463	-
B.2 Market risk	x		-	-
1. Standard methodology	x		-	-
2. Internal models	x	x	-	-
B.3 Operational risk	x	x	58.871	-
1. Basic method	x	x	-	-
2. Standardized method	x	x	-	-
3. Advanced method	x	x	58.871	-
		x		
B.4 Other prudential requirements	x	x	-	-
B.5 Total prudential requirements (1)	x	x	753.250	-
C. RISK ASSETS AND REGULATORY RATIOS	x	x		
C.1 Weighted risk assets (2)	x	x	9.415.625	-
C.2 Tier I/weighted risk assets (Tier 1 capital ratio)	x	x	17,06%	-
C.3 Capital for reguatory purposes including TIER III/Weighted risk assets (Total capital ratio)	x	x	17,06%	-

(1) The amount is reported after the 25% reduction provided for banks belonging to banking groups
(2) Total prudential requirements multiplied by the contrary of the minimum compulsory ratio (8%)

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Part H
Transactions with related parties

2.c Transactions with executives with strategic responsibilities and other related parties

Account/Value	30 06 2009		31 12 2008	
	Excutives with strategic responsibilities	Other related parties	Executives with strategic responsibilities	Other related parties
Total financial assets	-	33.315	-	-
Total financial liabilities	-	202.668	-	-
Total operating costs	-	-	-	-
Guarantees issued	-	1.177	-	-
Guarantees received	-	489	-	-