FINANCIAL STATEMENTS

2009

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS.

Banca Promos S.p.A.

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www.bancapromos.it e-mail: info@bancapromos.it
Share Capital € 7,740,000,00
Enrolled on the Register of Banks
Member of the Interbank Deposit Protection Fund
Member of the National Guaranty Fund
Member of ABI - Italian Banking Association
Member of ICMA - International Capital Market Association

(Translation from the original issued in Italian)

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CORPORATE OFFICERS AND INDEPENDENT AUDITORS

Board of directors

Chairman	Ugo Malasomma
Directors	Tiziana Carano *(Chief Executive Officer)*
	Stefano de Stefano
	Umberto De Gregorio
	Luigi Gargiulo

Statutory Auditors

Chairman	Ugo Mangia
Board of Statutory Auditors	Roberto Pascucci
	Settimio Briglia
Supplementary Auditors	Riccardo Elviri
	Sergio Vilone

Independent Auditors

Deloitte & Touche S.p.A.

FINANCIAL HIGHLIGHTS

Financial position	31 Dec 2009	31 Dec 2008
Total assets	**39,254,382**	**31,685,872**
Total loans and advances, including	**32,405,287**	**29,619,222**
Loans and advances to customers	14,748,462	11,696,374
Loans and advances to banks	6,647,331	10,264,273
Financial assets	11,009,494	7,658,575
Total deposits, including	**21,451,797**	**18,267,090**
Deposits by banks	50,144	0
Customer deposits, including	21,401,653	18,267,090
Customer accounts	*17,391,311*	*18,267,090*
Outstanding securities	*4,010,342*	*0*

Results of operations	31 Dec 2009	31 Dec 2008
Net interest income	909,896	979,240
Net fees and commissions	-836,143	3,269,945
Net profit from trading activities	10,133,771	1,725,393
Gross income	**10,207,524**	**5,974,578**
Total costs, including	**-5,728,320**	**-4,587,850**
Administrative expenses	-5,416,920	-4,017,406
Other operating income/costs	-52,662	-84,191
Net loan impairments	-198,574	-237,186
Provisions for risk and charges	50,532	-159,710
Net impairments of non-current assets	-110,696	-89,357
Profit on sale of investments	152,329	0
Profit before tax	**4,631,533**	**1,386,728**
Taxation	-1,651,751	-552,880
Profit for the year	**2,979,782**	**833,848**

Organisation	31 Dec 2009	31 Dec 2008
Staff at the end of the period	49	45
Number of branches	2	2

Per share data	31 Dec 2009	31 Dec 2008
Number of shares	7,740,000	3,735,000*
Profit from banking operations per share	1.29	1.54
Profit from ordinary activities per share	0.60	0.37
Earnings per share	0.38	0.22
Equity per share	1.77	3.03

**NB. The figure is calculated as the weighted average number of shares in issue during the reporting period and reflects the capital increase in 2008.*

Ratios	31 Dec 2009	31 Dec 2008
Total loan impairments /Gross loans and advances (loan loss coverage ratio)	3.19%	2.40%
Net interest income /Total assets	2.32%	3.09%
Profit from banking operations /Total assets	25.50%	18,11%
Net interest income /Gross income	8.91%	16.39%
Administrative expenses /Gross income	53.07%	67.24%
Profit for the year /Total assets	7.59%	2.63%
Profit for the year /Equity (excluding net profit)	27.77%	7.95%
Gross non-performing loans /Loans and advances to customers	2.58%	2.47%
Net non-performing loans /Loans and advances to customers	0.50%	0.63%
Loans and advances to customers /Total assets	37.57%	36.91%
Customer deposits / Total assets	54.52%	57.65%
ROE - Return On Equity	21.73%	7.36%
ROA - Return On Assets	11.80%	4.38%
DPO - Dividend Pay Out	25.98%	67.19%
Cost to income ratio	54.17%	72.82%

Directors' Report on Operations 2009

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Dear Shareholders,

The financial statements presented here for your approval show profit for the year of €2,979,782, profit before tax of €4,631,533 euro and gross income of €10,207,524. All the indicators report a net improvement on the corresponding figures for 2008.

As usual, we will begin our report with a brief review of key developments in the global economy and their impact on international markets, in addition to taking a look at the Italian and our own regional economies, thus describing the environment in which our Bank operated. We shall then proceed to review the operating performance in 2009.

Macroeconomic environment

During 2009 the crisis, which has been ongoing for two years now, took a new turn, shifting from the financial sector, where it began as a result of uncontrolled growth in subprime mortgages and worsened following the failure of a number of major international banks, to the real economy, hitting jobs and consumption.

Mid-way through the year, however, there were a number of, albeit tentative, signs of recovery in both the leading advanced economies and emerging countries: GDP started to grow again in the various areas; world trade appeared to be on the mend; industrial output began to pick up; in certain areas, such as the US and Japan, the fall in employment even began to slow; and, finally, confidence in general started to return.

Serious uncertainties remained, however, as evidenced by the expansionary policies adopted by all the central banks, which over the year held interest rates at very low levels, reflecting the dire state of the world economy.

Italian economic growth was also sluggish, on the back of concerns regarding weak internal and external demand, with a resulting impact on the labour market.

In terms of exchange rates, the euro and the Japanese yen were both stronger against the US dollar, whilst the rise in the value of emerging currencies was attenuated by the actions of central banks.

Financial markets

The international financial system was in better shape during the year, showing clear signs of recovery, which grew stronger in the second half.

After an initial period of extreme volatility, equity markets gradually stabilised, with share price movements returning to normal levels, after the excesses recorded in recent years.

In Italy, the FTSE MIB Storico index rose 21% compared with the end of 2008, with volatility, down from 30% to 24%, reaching a low in December. The number of listed companies declined, however, as did Italy's stock market capitalisation to GDP ratio.

The bond market recovered even more strongly, with a sharp increase in the volume of issues by non-financial companies, a sign that industrial firms have returned to the markets to raise fresh capital, rather than seeking credit from banks.

Building on an existing trend, capital market activity reached exceptional levels, above all reflecting the extraordinary increase in the number of corporate bond issues. The quantity and value of issues in Europe and the USA, the enormous amount of liquidity in circulation, high trading volumes and price and yield trends enabled this sector to register an exceptional performance.

This international trend was mirrored in Italy, which saw record trading volumes on the MOT which, with over 600 listed instruments, totalled close to €230 billion. The increase in MOT trading volumes (up 13% on the total for 2008) was also a result of the recent propensity, supported by leading global economic and financial institutions, to shift over-the-counter trades on to regulated markets, in order to provide greater market transparency and improve the stability of the system as a whole.

These events also had a very positive impact on Banca Promos's results, as the following financial review will show.

The Italian banking sector

Italian banks came through the credit crisis in better shape than their international competitors: liquidity and capital strengthened in general during 2009, in part due to the anti-crisis measures introduced. The lower level of household debt, combined with the fact that the Italian economy continues to be based mainly on the production of real, as opposed to financial, wealth, enabled the country to weather the downturn better than others.

Despite this, the crisis has still had an impact on the country's real economy, generating a slowdown in banking activity, above all in the corporate segment: at the end of 2009 lending was 3% down on the end of the previous year. On the demand side, this reflects a reduction in companies' borrowing requirements, whilst, on the supply side, the more cautious approach to lending adopted by banks.

Consumer loans are, in contrast, on the rise.

The flow of new non-performing loans, which takes account of all the debtor's outstanding borrowings, based on Bank of Italy figures, amounted to 2.2% in the third quarter of 2009, the highest level for ten years. The deterioration is more marked in the corporate segment (3.1%), above all in relation to businesses located in southern Italy (4.3%), where the volume of new non-performing loans was greater than in the centre and north of the country (2.8%).

Deposits, which rose significantly in 2008, continued to grow in 2009, although at a slower pace. Residents' deposits rose, as did the number of current accounts.

Overall, Italian banks' earnings remained subdued. According to preliminary data, the banking sector recorded a 5% reduction in net interest income and a fall of 16% in net fees and commissions, whilst net profits are down 50%, partly due to increased loan losses. This resulted in a general deterioration in ROE, which is down from 9% to approximately 4%.

The economy and the banking sector in Campania

The economy of this region, which represents the Bank's main market, performed in line with the rest of Italy in 2009. There were signs that the downturn was slowing halfway through the year, although not sufficient to indicate that the area was coming out of recession.

The economy continued to struggle on the whole, with all productive sectors reporting lower profits in 2009. Whilst it is clear that the situation is improving, businesses have had to deal with a significant fall in turnover and a worsening outlook, which has often led to layoffs and closures.

The difficulties for manufacturing, construction and service companies, and the fall in exports, are clearly revealed in labour market figures. According to partial employment data from ISTAT, the region saw a 4.2% drop in employment in 2009, losing more jobs than not only central and northern regions (down 0.6%), but also performing worse than other southern regions (down 2.5%). The loss of jobs regarded both employees and the self-employed, with industry in the strictest sense witnessing an even sharper 10% decline.

The local banking sector has obviously felt the effects of this situation, with lending growing at a slower pace and credit risk on the up.

The fall in lending regarded all categories of borrower, although the decline in loans to businesses was greater than the reduction in consumer loans.

Deposits remained substantially stable, although growth was lower than in the previous year and the national average.

Banca Promos operating review

The brilliant results achieved in 2009 are primarily due to the exception performance of the Bank's capital markets business, which went into overdrive after the recession of 2008, thanks to renewed interest in less speculative products, such as corporate bonds. The large amount of corporate issues, in response to the lack of bank credit and low interest rates, was one of the main features during the period, together with the extreme volatility seen. This brought very positive results for both the sector and, in particular, the Bank, which was able to benefit from the opportunities offered, thanks to its thirty years in the business and its large and highly skilled commercial department.

The results were achieved due to our business model, which focuses less on speculative products and more on maintaining an acceptable risk-return ratio.

Banking services also performed well, as can be seen from the indicators for deposits, lending and customer growth.

Significant events in 2009

The Bank introduced new governance rules in 2009.

The entry into effect of regulations regarding organisation and corporate governance, required the Bank to revise its Articles of Association, which in the version approved by you contain new and more organic rules governing the functions and the roles of the bodies with responsibility for strategic supervision, management and control.

Following the changes to the Articles of Association, new operational guidelines were drawn up and introduced.

New *Remuneration policies* for Directors, employees and external consultants have been adopted, with the aim of rewarding results achieved over the medium to long term. For the first time, all the Bank's staff are involved.

Regulations for the Board of Directors have been drawn up, governing the Board's procedures and responsibilities, in accordance with the law and the new Articles of Association. The Bank has also introduced *Reporting regulations*, defining the form, content, procedures and frequency for internal reporting, as well as the persons involved and the transactions to be included in information provided to the Bank's management and supervisory bodies.

Finally, the Bank has drawn up its *Corporate governance code*, following an in-depth analysis of its organisational structure. The code aims to ensure efficient management and effective controls, in addition to creating value for shareholders by continuously safeguarding the quality of the services provided to customers.

Amendment of the Articles of Association also offered the chance to split Banca Promos shares, by halving their par value. As a result, the total number of ordinary shares that make up the Bank's share capital has doubled from 3,870,000 to 7,740,000. The total share capital remains unchanged.

During the first half the Bank completed the acquisition of a 100% stake in Im.Pa. Srl, the company that owns the property in Viale Gramsci, Naples, that is to host the Bank's new headquarters and a third branch office.

The purchase of new offices marks an extremely important event for the Bank.

On the one hand, moving the headquarters meets the Bank's need for a permanent and more prestigious home whilst, on the other, it represents a further step in expanding its geographical footprint, adding a new branch in an area with a higher profile.

Im.Pa. will be merged with and into Banca Promos during 2010. The process has already begun and is expected to be completed by the summer.

Financial review

We now go on to analyse key components of the financial statements for the year, details of which are shown in the notes.

The balance sheet shows that total assets are up 24%, with ongoing growth in deposits and loans.

Deposits and lending

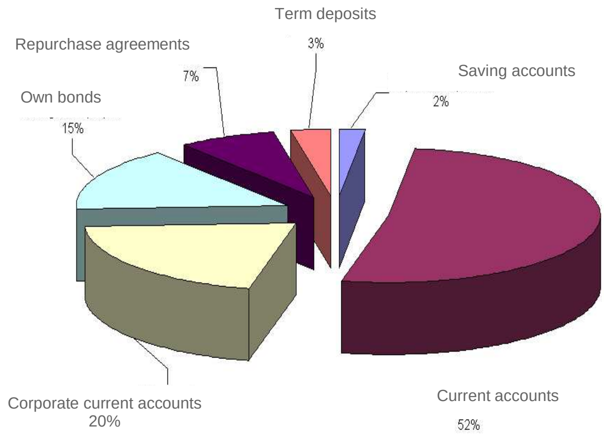
Customer deposits at 31 December 2009, as shown in items "20 – Customer accounts" and "30– Outstanding Securities", are up 17%, reflecting growth in the business conducted by branches and consolidation of the Bank's relations with its customers.

During the year the Bank issued bonds with a total value of almost €5 million. These included ten-year notes denominated "BANCA PROMOS SPA 1.00% 15/10/2019".

This issue enabled the Bank to meet the needs of customers holding bonds issued by the Lehman Brothers group, offering them the opportunity to replace the defaulted Lehman bonds in their portfolios with securities issued by Banca Promos. Customers who took advantage of the offering were able to immediately recoup most of their investment, without having to wait for completion of the complex bankruptcy procedure, which offers no certainty in terms of either timing or recoverable amount. The loan, which is of the plain vanilla type, provides a gross yield of 1.000% and a net yield of 0.875%.

The growth in deposits is even more significant in terms of average volumes, which report an increase of 52%. The chart below shows that the most important form is represented by current account deposits (72% of the total), whilst bonds in issue account for 15%, and repurchase agreements for 7%, marking a decline compared with the previous year.

Customer deposits by form

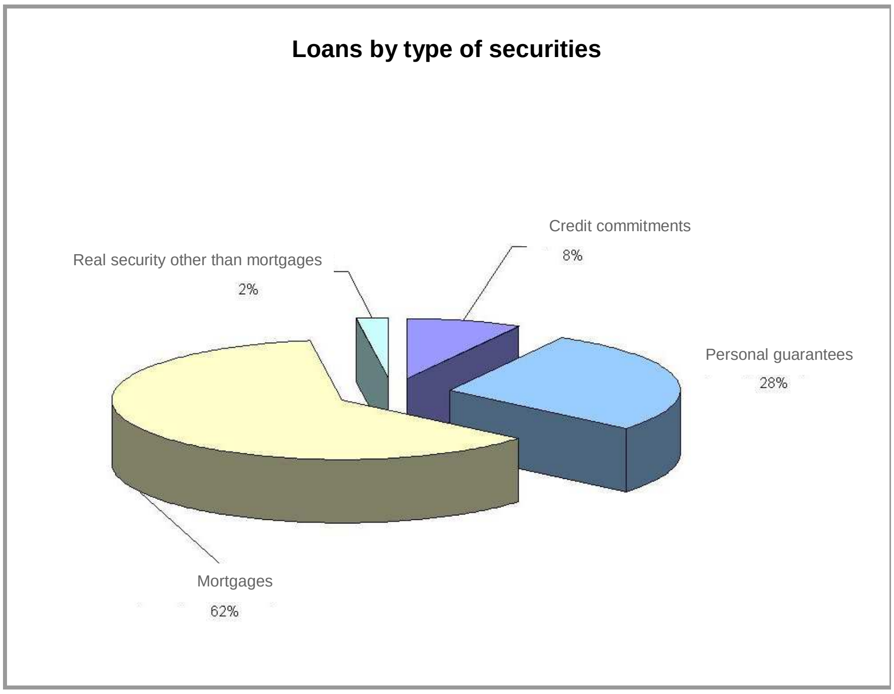


Total deposits, which also takes account of indirect funding, are up 41% in average terms.

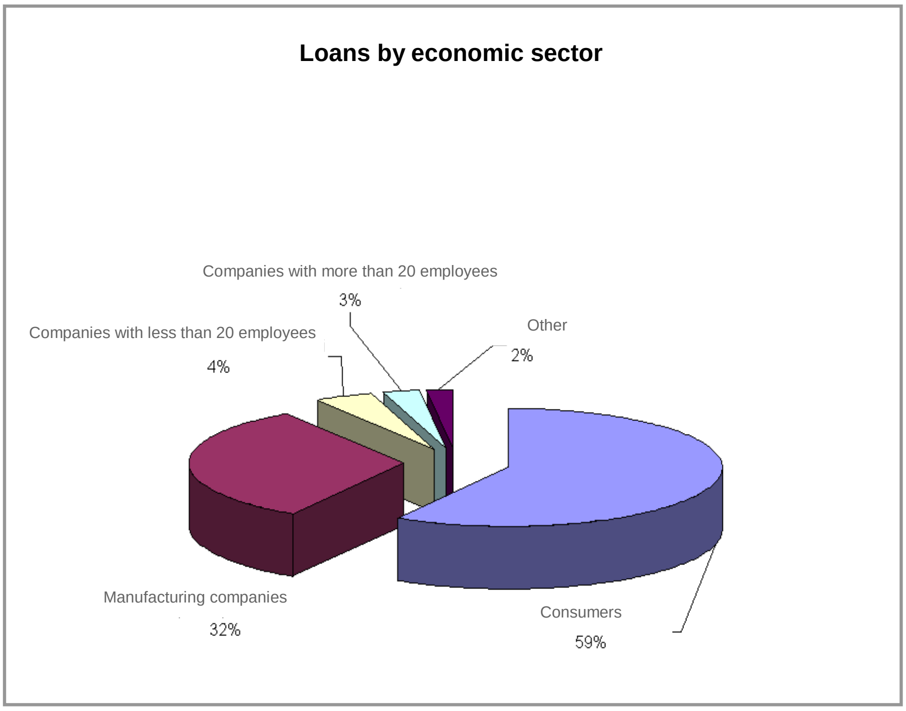
In contrast to the system as a whole, the Bank has seen a notable increase in lending and the quality of its loans.

Loans and advances to customers are up 26% at the end of the period, with the average figure for the year rising 23%.

The following charts show certain characteristics of the Bank's loan book.

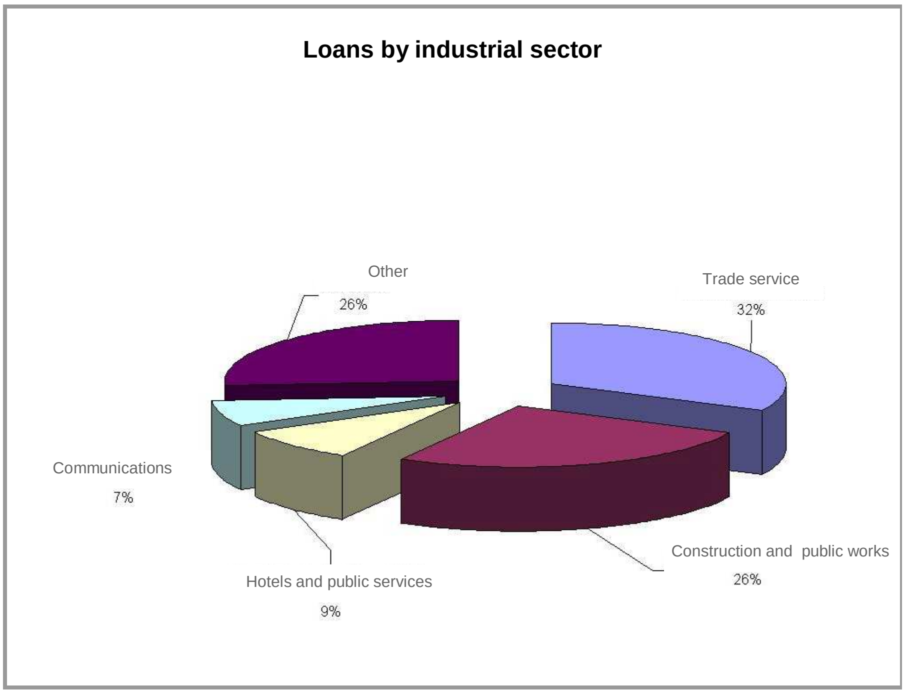


Mortgage loans registered further growth, compared with the previous year, and now account for 67% of total loans and advances (56% secured and 11% credit commitments), whilst matched loans as a proportion of the total have fallen (10%) and current account overdrafts are substantially in line.



In terms of economic sector, the majority of loans are to consumers (59%), whilst there is a balanced distribution of loans to companies operating in the various sectors, with a view to spreading credit risk.

The breakdown by type of security reveals that over 90% of the loan book is secured, above all following expansion of the proportion of loans guaranteed by mortgages, accompanied by a decline in credit commitments, whose share of the total has halved.



The increase in loans and advances was accompanied by an improvement in credit quality, with a reduction in the rate of deterioration of positions. This is primarily due to the adoption of a more analytical method of classifying customers, with a view to differentiating credit risk, combined with rigorous criteria for assessing creditworthiness.

New non-performing loans amount to €94 thousand, around a third of the figure in 2008, whilst recoveries totalled €2 thousand. Total non-performing loans of €381 thousand, after net impairments of €307 thousand, result in net non-performing loans of €74 thousand. The ratio to total loans and advances remains low at 0.5%. This is consistent with the normal risk inherent in lending and in line with the Bank's performance.

Past-due loans at 31 December 2009 were of a modest amount.

In line with the Bank's prudent approach, particularly in view of the current economic situation, the collective write-down of performing loans was based on more cautious criteria. A collective write-down was thus applied to performing loans by multiplying the percentage of 2.40% (the percentage increase in non-performing loans for the region in the third quarter of 2009, as shown by Bank of Italy statistics) by the percentage of loss given defaults, totalling 51.37%. This latter percentage is based on the benchmark for the banking system, given the Bank's recent entry into the loans market. This has enabled us to increase our loan loss coverage ratio from 2.40% to 3.19%.

Loans and advances to customers	Gross amount	Impairments	Net amount	Loss coverage
Non-performing	381,172	307,276	73,896	80.61%
Problem	-	-	-	-
Past-due	28,547	665	27,882	2.33%
Restructured	-	-	-	-
Performing	14,825,427	178,743	14,646,684	1.21%
Total loans and advances to customers	**15,235,146**	**486,684**	**14,748,462**	**3.19%**

Proprietary trading

Analysis of the Bank's proprietary trading portfolio, reported in balance sheet asset item 20, shows strong growth in the Bank's financial assets, which are up 44% on the figure for the end of 2008. The exceptionally low rate of interest on interbank loans led us to gradually shift cash management towards investment in financial instruments, which over the year focused on fixed or floating rate securities depending on market trends.

Analysis of the portfolio, as shown in the following charts, highlights the balance achieved from the various perspectives taken into account, thanks to close attention to reducing risk.

In terms of issuers, the largest component of the portfolio is represented by financial companies (50%), whilst the remaining 50% is equally divided between government securities (26%) and corporate issuers of various type (communications 7%, energy 8%; other 15%).

The distribution by type of instrument reveals that there is parity between fixed rate (46%) and floating rate (47%) securities. The remaining 5.75% regards defaulted Lehman Brothers bonds, accounted for at their market value.

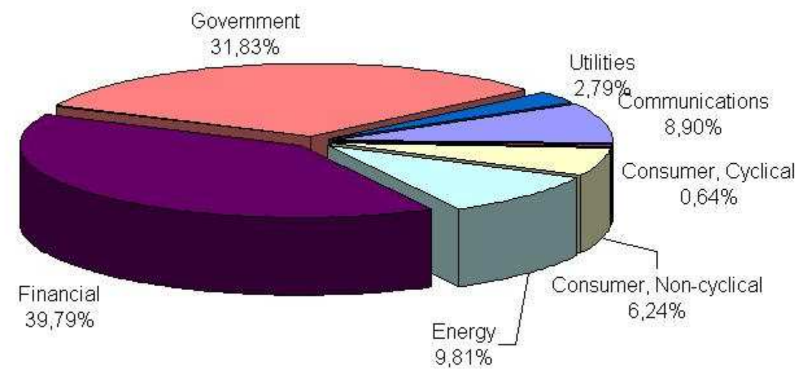
The geographical distribution of issuers shows that 50% of the portfolio consists of securities issued in Italy, with the remainder regarding securities issued mainly in other EU countries (the Netherlands 16%, France 12%, Ireland 6%) and, to a lesser extent, the USA (3%) and Norway (5%).

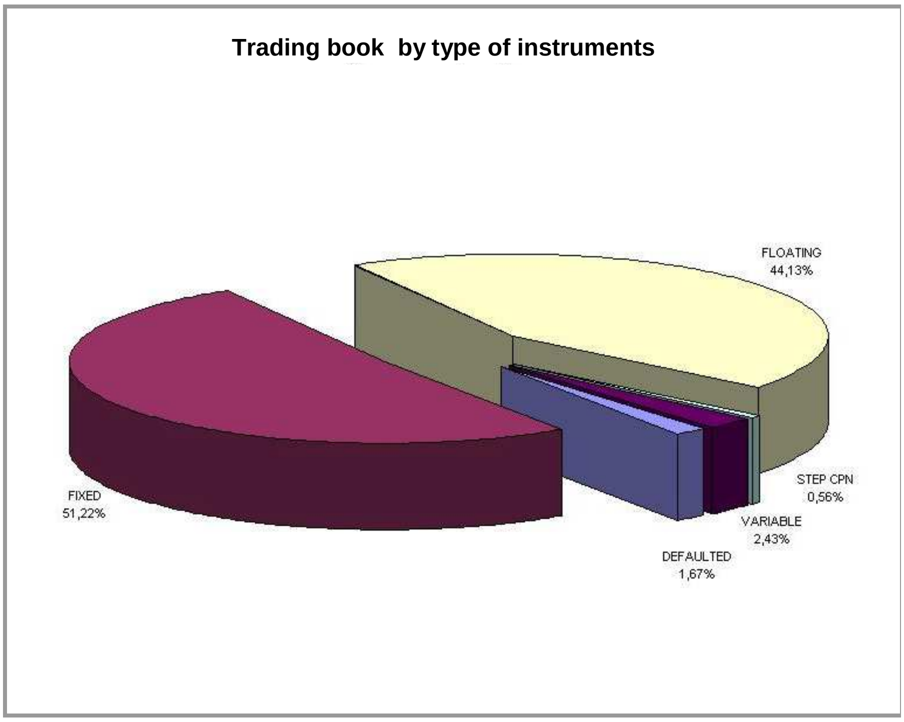
The duration and modified duration are 2.03 and 1.99, respectively.

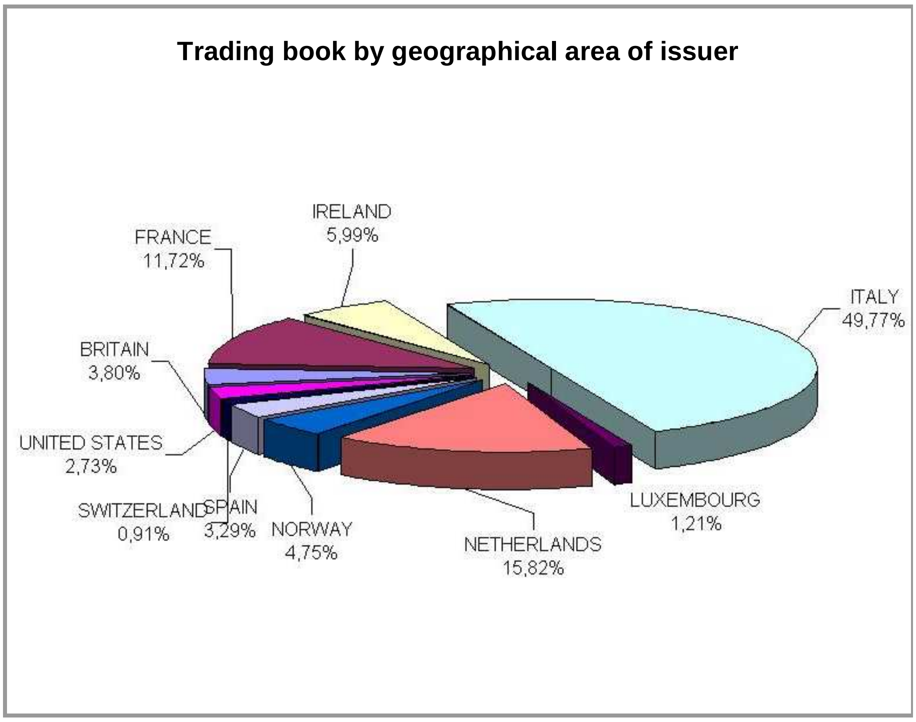
Sensitivity analysis, based on an unexpected upward or downward shift in interest rates of 100 basis points, over a period of one day, results in a projected loss of approximately €112 thousand and a projected profit of approximately €101 thousand with respect to the market value of the portfolio.

Total losses on securities at 31 December 2009, net of gains, were €704 thousand, due primarily to the issue of bonds linked to Lehman Brothers' securities. The performance of the trading portfolio was heavily influenced by this issue, which was described above. The transaction involved the purchase of Lehman bonds at an approximate par value of €2.5 million, resulting in a loss in the order of €1 million. This was offset by the amount saved in terms of funding costs: the Banca Promos bonds were not issued at market conditions, given that the fair value of the loan is today around 60% of the par value. This has resulted in recognition of income of over €600,000 in the financial statements for 2009, accounted for in the income statement in item "80 – Net profit/(loss) from trading activities".

Trading book by industrial sector of issuer







Income statement

The income statement for the year, the Bank's 29th year of operations, closed with a net profit of €2,979,782.

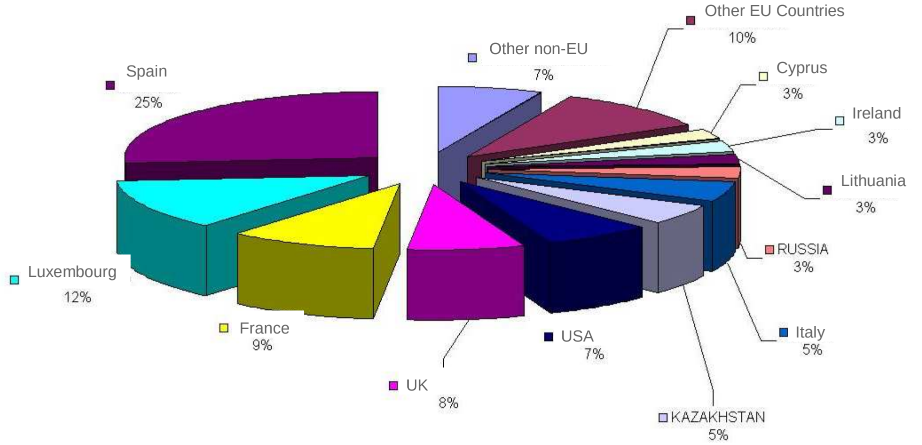
As usual, the results should be interpreted in the light of the peculiar characteristics of Banca Promos, which, on the one hand, continues to strengthen its core business year on year, consolidating its position in the capital markets, increasing its trading volumes, improving its operating margins, and expanding its customer base to take in new geographical areas, whilst, on the other, reporting moderate, if constant and solid, growth in its banking services.

The largest contribution to the exceptional result achieved in 2009 came, in absolute terms, from the Bank's trading activities, which registered a profit of more than €10 million.

Other indicators of trading activities were also excellent: trading volumes exceeded €20 billion (up 43%) and the number of new relationships with institutional counterparties also increased significantly to account for 17% of the total, marking growth of 50% on the figure for 2008.

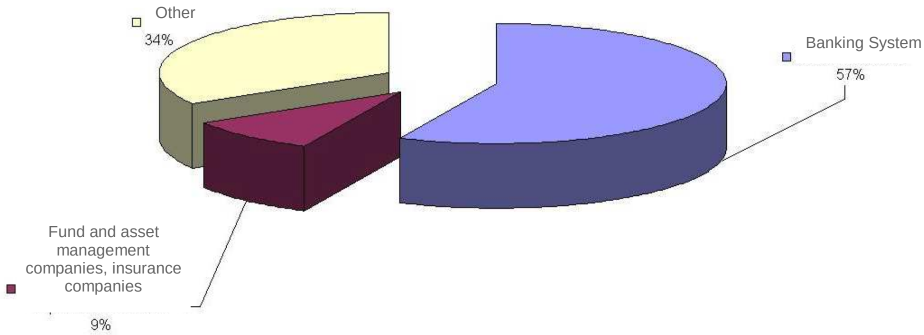
The geographical distribution of new counterparties, as shown in the following chart, shows that over 70% of new counterparties come from the EU, but also indicates growing penetration of emerging markets, such as Kazakhstan (5% of new counterparties) and the Russian Federation (3%).

New counterparties by geographical area



Finally, the breakdown by economic sector reveals that over half (57%) of existing relationships involve the Italian and overseas banking system.

Active counterparties by sector of activity



The various components of net interest income registered an overall reduction of 7%, as a result of the decline in market interest rates, as shown in the following table:

	2009	2008
Interest income	**1,153**	**1,381**
Securities held for trading	*305*	*309*
Loans and advances to customers	*701*	*796*
Loans and advances to banks	*147*	*276*
Other assets	*-*	*-*
Interest expense	**243**	**402**
Deposits by banks	*49*	*38*
Customer deposits	*84*	*364*
Own securities	*110*	*-*
Net interest income	**910**	**979**

Gross income, which benefited from the performance of the financial markets, is up 71% to over €10.2 million.

The profit from banking operations, which is obtained by deducting net loan impairments from total income, is up 74% compared with the comparative figure for 2008.

Operating costs are up 27%, due above all to the increase in staff costs resulting from the recruitment of new personnel.

The figure for net provisions reflected a recovery, following the outcome of a labour dispute that resulted in a charge that was lower than the relevant provision.

Finally, the balance of item 240 “Profit on the sale of investments” regards the profit made on the sale of shares in Equity Sud Advisor Srl. The residual interest is accounted for in the balance sheet in assets held for sale.

Equity has risen 21%, reflecting the continuous strengthening of the Bank’s capital base in order to support the Bank’s growth and development, above all in view of the difficult economic situation.

The change in reserves had a small impact on comprehensive income for 2009.

In line with recent years, cash flow generation, as shown in the cash flow statement, was sufficient to cover the Bank’s cash needs. Cash inflows were generated by customer deposits, whilst outflows consisted of loans and advances to customers. Any planned investments were financed with equity and cash from customer deposits.

The following financial ratios and 2008 comparatives are supplementary to the above description, in order to provide a fuller and more effective analysis of the Bank’s operations for the year. As more clearly shown in Part F of the notes to the financial statements, which contains information on equity, the Bank has a high equity cushion that is more than ample to support new lending.

Tier 1 capital, which is the prime index of banks’ capital adequacy, is 36.76% compared with the required minimum of 8%.

The Bank’s ROE (Return on Equity) is up to 21.73% from the previous 7.36%, reflecting the significant improvement in net profit. The figure for the banking system as a whole is around 4%.

ROA (Return on Assets) has increased from the 4.38% of the previous year to 11.80%, signalling the continuous improvement in the Bank’s profitability.

The DPO (Dividend Payout), which is down to 25.98% from the 67.19% of 2008, reflects a dividend policy designed to reinforce the Bank’s capital base. Despite this, after taking account of the above-mentioned share split, the dividend is up by a third on 2008, in absolute terms.

The cost to income ratio has fallen for the second year running, having decreased from 72.82% in 2008 to 54.17% for 2009. This reflects the efficiency improvements achieved thanks to the efforts of both front-line and back office staff.

Analysis of the other ratios, particularly those relating to the balance sheet, demonstrate a well balanced and healthy structure: the ratio of loans and advances to customers and total assets of 37.57% is substantially in line with the 36.91% of last year, whilst customer deposits as a percentage of total assets are down from 57.65% to 54.52%.

Quantitative data regarding operations is also positive and reflects the ongoing growth of the business. Active current accounts are up 21% on 2008. The volume of counter transactions has risen 70%, accompanied by a significant increase in the use of debit cards, with the number of cards in circulation at 31 December 2009 being double the figure of one year earlier. This also had a sizeable impact on the total number of ATM/Debit card transactions (up 77%), above all those carried out using our cards.

Operating review

2009 again witnessed a large number of regulatory changes that the Bank had to comply with, including a number of new first and second level regulations issued by the various authorities.

The series of legislative and regulatory measures introduced during the period required the Bank to make significant changes to its internal regulations, to redesign its processes and operating procedures, and monitor the correct application of the new regulations.

A summary of the most significant activities carried out is provided below.

- Simplification of the fee structure applied to overdrafts, with elimination of the charge based on the maximum overdrawn amount, and changes to the conditions applied in terms of value dates and availability of amounts deposited, in response to a range of “anti-crisis” legislation;
- Compliance with the Bank of Italy’s dispositions of 11 August 2009, containing *“Instructions for reporting average overall interest rates pursuant to anti-usury legislation”*;
- Compliance with the Bank of Italy Ruling of 18 June 2009, containing *“Dispositions regarding systems for the out-of-court settlement of disputes over banking and financial transactions and services”*; in this regard, in addition to implementing a new complaints procedure, the Bank has agreed to participate in the *Financial Ombudsman* scheme and has set up a *Complaints Office*, which is responsible for handling any disputes;
- Preparation for application of the measures announced by the Bank of Italy on 29 July, 20 November and 27 November, containing *“Disposition regarding the transparency of banking and financial transactions and services – Fairness in relations between intermediaries and customers”*; to comply with the new regulations that came into effect on 31 December, by the end of the year the Bank had introduced new terms and conditions for current accounts and set up a training programme to ensure that sales staff are aware of the changes;
- Application of the Data Protection Authority ruling, containing *“Measures and procedures for Data Controllers responsible for the electronic processing of information relating to the assignment of the role of System Administrator”*;
- Preparation of procedures for managing application of the recent *“tax shield”* and the return of assets held offshore.

During the year, Banca Promos took part in the various national and local initiatives promoted by the Italian Bankers’ Association, with a view to helping businesses and consumers.

These included the “Joint announcement of the suspension of debt repayments to banks by SMEs”, designed to ensure that SMEs had the necessary cash to get through the economic downturn. Banca Promos signed up to the initiative in September 2009.

Within the scope of the so-called “Family plan”, the Bank also took part in the “Suspension of mortgage repayments” initiative, aimed at postponing repayments for several months for people in financial difficulty. In keeping with its local roots, the Bank also took part in the initiative promoted by the Municipality of Naples, offering easy-term mortgages for people wishing to purchase a council house.

Furthermore, as part of the continual review process for its Management and Control Organisational Model, consisting of the Bank's various internal regulations, a number of additions and changes were made to existing documents and new regulations were introduced. This was done in response to both regulatory and internal requirements. As a result, therefore:

- the *Code of Ethics* drawn up for the purposes of Legislative Decree 231/01 was updated;
- there were further additions to the *Credit Regulations*, above all with regard to classification and impairment criteria, and first, second and third level monitoring and controls.
- the *Trading Regulations* were updated, bringing them into line with regulatory changes and the Bank's switch in focus from trading on behalf of third parties to proprietary trading; this primarily involved implementation of computerised controls designed to ensure rigorous respect of the related limits and the monitoring of risk exposures.
- the *Conflict of interest management policy*, drawn up in accordance with Mifid, was updated with the "Mapping of potential conflicts of interest" for each investment service and the various financial instruments dealt with;
- internal procedures, governing the Bank's operations, were updated from time to time;
- the *Staff communication system* was reviewed, with implementation of a software application capable of managing the mailing of regulatory and operating announcements for staff, ensuring traceability of the entire process.

All the above initiatives and actions required a packed programme of refresher courses, involving a large number of staff in the relevant departments throughout the year.

The Bank once again supported I.P.E., an institute that carries out educational research and activities, whose philosophy and approach we share. The institute aims to help young people gain access to education, culture and work, organising masters and advanced training courses, granting scholarships and promoting conferences.

As part of its sports sponsorship, Banca Promos supported the yacht, "SHERE KHAN", crewed by a promising young team of yachtsmen from the "Circolo del remo e della vela ITALIA" yacht club, one of the oldest and most prestigious in Naples. The boat successfully took part in MELGES24 class regattas held in Italy and Europe between May and September, coming first in its class.

Workforce

The number of staff increased by a further 9%.

At 31 December 2009 Banca Promos employs 49 staff, compared with 45 at the end of 2008.

Turnover during the year is shown below:

Turnover	01.01.2009	New recruits	Leavers, retirements	12.31.2009
Permanent contracts, of which:	**38**	**-**	**-**	**38**
Senior Managers	1	-	-	1
Middle Managers	4	-	-	4
Clerical	32	-	-	32
Unskilled	1	-	-	1
Fixed-term contracts, of which:	**7**	**5**	**1**	**11**
Clerical	7	5	1	11

The bank employs 24 males and 25 females, representing a perfect balance. Most staff (78%) are employed on permanent contracts, whilst flexible contracts primarily take the form of training contracts.

Staff are highly educated, with 67% university graduates and 29% high school graduates.

Quantitative and qualitative information in summarised below:

Composition	Senior Managers	Middle Managers	Clerical	Unskilled	TOTAL
Males	**1**	**1**	**21**	**1**	**24**
Females	**-**	**3**	**22**	**-**	**25**
Average age	48	46	35	44	43
Seniority	3	4	3	9	5
Permanent contracts	1	4	32	1	38
Fixed-term contracts	-	-	2	-	2
Training contracts	-	-	9	-	9
Education – University degree	1	2	30	-	33
Education – Diploma	-	2	12	-	14
Education – Secondary school	-	-	1	1	2

Related party transactions

As already mentioned, the Bank acquired Im.Pa. Srl at the end of the first half of 2009.

In full compliance with the regulations in force, related party transactions, as defined by IAS, were conducted on an arm's length basis and were recurring in nature. The relevant disclosures are provided in the notes to the financial statements, which also include the required disclosures regarding transactions between Directors and Statutory Auditors and the Bank.

Bank of Italy/CONSOB/ISVAP documents no. 2 of 6 February 2009 and no. 4 of March 2010

These documents require the Directors to provide adequate information on the impact of the crisis on the business in the financial reports.
A summary of the relevant information, covering aspects of potential significance for the Bank, is provided below.

- **Going concern**

Assets and liabilities in the financial statements for the year ended 31 December 2009 were measured on a going concern basis. Based on the healthy performance indicators, it is possible to state, with reasonable certainty, that the Bank will continue to operate indefinitely and that the financial statements were prepared under the going concern concept. The historic, current and projected financial statements used for the Bank's strategic planning show positive cash flow generation and profits. The Bank also has ample financial resources to meet current and future needs, and has healthy earnings that enable it to pay dividends to shareholders.

- **Financial risks**

Part E of the notes provides qualitative and quantitative disclosures on the principal financial and other risks to which the Bank is normally exposed. Additional information on risks is also provided in other sections of this report.

- **Impairment testing**

The Directors have carefully tested all assets and ascertained the lack of any impairment. The Bank does not hold available-for-sale securities and has not recognised goodwill in its financial instruments. The only investment, which was acquired in June, does not show evidence of impairment, as confirmed by the expert appraisal of the value of the property owned by the investee company and which represents its sole asset.

- **Uncertainty regarding estimates**

Loans and advances are measured on the basis of the ordinary policies used for non-performing loans. In this context, therefore, the risk is linked to natural uncertainty within the system and the current economic downturn. Financial assets are, on the other hand, recognised at fair value. The methods used for determining fair value are set out in a specific policy summarised in Part A of the notes to the financial statements.

- **Fair value hierarchy**

In compliance with amendments to IFRS 7, which have introduced the so-called "fair value hierarchy", the Bank has drawn up the above-mentioned policy described in the notes, describing the method of determining and classifying fair value.

Other information

Although its operations have a limited impact on the environment, Banca Promos's policy is to promote environmental responsibility and to develop an environmentally friendly culture. In particular with respect to waste disposal, Banca Promos has entered into a contract with a specialist firm in the collection and transportation of special refuse in order to assure compliance with statutory requirements. The company also collects malfunctioning or obsolete hardware for their repair, recycling or disposal.

We inform shareholders that at the end of the reporting period Banca Promos:

- did not hold treasury shares and that such shares were not purchased or sold during the year;
- is not a member of any banking group.

In addition, we disclose that:

- the Bank did not engage in research and development;
- in 2009 Banca Promos has revised its Security Planning Document, prepared pursuant to Legislative Decree 196 of 30 June 2003 regarding data protection. A System Administrator has also been appointed, pursuant to article 29 of the above decree and in compliance with the Data Protection Authority Ruling of 27 November 2008, containing "*Measures and procedures for Data Controllers responsible for the electronic processing of information relating to the assignment of the role of System Administrator*".
- the Supervisory Board established in accordance with Legislative Decree 231 conducted its activities as required by the annual plan drawn up by the Board itself.

In compliance with instructions issued by the regulators, the "Business continuity plan" was revised. The Plan contains the procedures to be followed in event of disruption, in order to return to normal business within a reasonable period of time.

Risk management and internal controls

In addition to the information provided in Part E of the notes to the financial statements, in view of its activities and the market in which it operates, Banca Promos has identified all the following risks to which it is exposed as a result of its banking and trading activities as "significant":

- *credit risk*
- *market risk*
- *concentration risk*
- *interest rate risk*
- *operational risk*
- *liquidity risk*
- *strategic risk*
- *reputational risk*
- *residual risk*

On this basis and as required by the new supervisory requirements for banks (*Bank of Italy Circular 263 of 27 December 2006*), which apply the New Basel Accord on Capital ("Basel II"), the Bank has prepared the "*ICAAP Report"* at 31 December 2009. This report contains a full and documented evaluation of the basic characteristics of the internal process of assessing capital adequacy, overall risk exposure, and determining the Bank's "Total internal capital".

In particular, for the purposes of measuring the Bank's exposure to the identified risks, in accordance with the Bank of Italy's requirements for banks belonging to Class 3 and the principle of proportionality, it was deemed more appropriate to use the following method:

- in the case of Pillar I risks (*credit, market and operational risks*), which are by nature "measurable", the standardised method was used, in conformity with the quantitative techniques required by current regulations to calculate minimum capital requirements;
- in the case of "measurable" Pillar II risks (*concentration and interest rate risks*), the quantitative methods provided for by regulatory requirements were used.

Moreover, whilst liquidity risk does not absorb capital, in order to estimate this risk the Bank has adopted the related regulatory guidelines, on the basis of which it has created specific measurement and control systems and procedures. At the same time, however, estimates of the Bank's exposure to other "non-measurable" risks (*strategic*, *reputational and residual risks*) are based on subjective assessments carried out on the basis of primarily qualitative methods, defined in relation to the nature of each risk.

Risk management focuses on the identification of methods designed to mitigate each type of risk in order to limit the Bank's exposure in accordance with sound and prudent management practices. The Bank's control systems, for these purposes, are divided into three levels to determine the effectiveness of risk mitigation.

First-level or front-line controls are used to assure that transactions are conducted properly and primarily take the form of internal control parameters used by IT systems. Compliance with limits is determined by the operational managers as part of day to day operations.

Second-level controls, which aim to support the definition of risk measurement methods, are applied by the various back-office, Credit Monitoring, Risk Management and Compliance units.

Third-level controls are conducted by the internal audit department through ex-post assessment of any problems, procedural irregularities and non-compliance with procedures, and assesses the overall functionality of the internal control system.

A summary of the controls for each risk to which the Bank is exposed and the outcome of controls are listed below.

Credit risk

Various units in the Bank are responsible for controlling credit procedures.

In particular:

- during credit analysis, the Branches and the Credit department determine the existence of the minimum requisites for the granting of a loan (creditworthiness of the borrower, sufficiency of collateral), with reference to the limits established by internal credit policy and relevant external regulations. They also monitor exposures of their own various operations;
- the Credit Monitoring department verifies limit excesses daily in additions to loans with unusual movements to assure their proper classification and administration;
- Risk Management periodically assesses overall exposure to credit risk with respect to the performance of loans;
- the Compliance department carries out controls to verify compliance with internal and external regulations;
- finally, Internal Audit, conducts regular audits of the credit process by analysing random samples of higher risk exposures with respect to the propriety of credit analysis, the sufficiency of collateral, the effectiveness of monitoring activities and their revision.

Market risk

The initial control of market risk is conducted through the input of limits and operational authorities for proprietary trading into the IT system. This automated control is supplemented by the following:

- daily back-office controls of limit and authority excesses, in addition to the propriety of the settlement of financial transactions;

- periodic checks by Risk Management of the total exposure to relevant risks as a result of market movements, the nature of the instruments traded and the relevant counterparties and issuers;
- periodic controls by Internal Audit, based on random samples of all investment services provided by the Bank, verifying compliance with and the propriety of limits and the correct exercise of authorities with respect to transactions above a certain amount.

Concentration risk

Due to the fact that concentration risk is a part of credit and market risks, the controls are similar to those for these risks.

Interest rate risk

First-level controls for interest risk are the responsibility of the Treasury department, which verifies the consistency of the interest rates applied to assets and liabilities in the banking book. In addition the following controls are conducted by:

- Risk Management in respect of the overall exposure to interest rate risk;
- Internal Audit which, as part of its regular audits, determines the propriety of conditions applied to deposits and loans with respect to the Bank's products (repurchase agreements, current accounts, loans and advances).

Operational risk

First-level controls for operational risk are the responsibility of the operating units involved in the Bank's processes, in accordance with the operations manual. In addition the following controls are conducted by:

- Compliance, which, through analysis of the various statutory requirements to which the Bank is subject, verifies the existence and propriety of internal controls in order to assure compliance of the Bank's procedures with statutory requirements;
- Internal Audit, which periodically audits Bank processes by verifying the effectiveness and efficiency of internal procedures and external regulations and the adequacy of information systems supporting these activities.

Liquidity risk

Liquidity risk is controlled by the Treasury department by verifying that cash inflows and outflows are matched through deposit-taking and lending. In addition, Risk Management verifies overall exposure to liquidity risk, whilst Internal Audit assures compliance with liquidity risk limits.

Strategic risk

Controls of strategic risk are made through the periodic monitoring of the achievement of strategic targets and objectives. This is combined with analyses made by the Compliance function, together with the relevant operating units, with respect to the development of new financial products to assure the existence of sufficient controls. Finally, Internal Audit verifies the overall functionality of the Bank's operational control system.

Reputational risk

The first-level control of reputational risk is made by the operating units involved in the Bank's processes, in accordance with the operations manual. In addition the following controls are conducted by:

- Compliance, which, through analysis of the various statutory requirements to which the Bank is subject, verifies the existence and propriety of internal controls in order to assure compliance of the Bank's procedures with statutory requirements;
- Internal Audit that, as part of its regular audits, verifies compliance with procedures by the relevant units of the Bank.

Residual risk

The residual risk control system is similar to the controls for credit risk.

Outcome of controls

Controls in 2009 showed that all the risks identified had been sufficiently mitigated. Changes were made in connection with new legislation regarding the financial and banking sectors, whilst more wide-ranging projects designed to boost the effectiveness and efficiency of the Bank's procedures were launched, in order to ensure adequate support for the growth of the Bank's business.

Events after 31 December 2009

At the date of preparation of this report, work is underway on renovating the property that is going to be home to the Bank's new headquarters and a new branch office.

The merger of Im.Pa with and into the Bank is also in progress.

A new bond issue is being looked at.

Outlook

Early 2010 witnessed a number of contrasting signals regarding the global economic and financial situation. In very general terms, the financial markets, whilst some way off the peaks registered in 2009, have continued on a positive track, unlike the real economy which, above all in Campania, is showing signs of tensions and difficulties that are far from being resolved.

The above conditions once again make it far from easy to make reliable forecasts, with any projections necessarily based on prudent assumptions.

In terms of trading, the volume of transactions during the first two months of the year appear to indicate that 2010 will be in line with the average growth trend over the last three years.

Banking activities will, on the other hand, receive a boost from the opening of the new Naples branch, the Bank's third, which is expected to make a significant contribution in terms of deposits and lending. In this regard, it should be noted that the branch is due to open during the second quarter and will thus have a partial impact on the results for 2010.

Proposed appropriation of profit for the year

The Board of Directors hereby submits the financial statements for the year ended 31 December 2009, with the attached reports of the independent auditors, Deloitte & Touche, and the Board of Statutory Auditors, for your examination and eventual approval. We propose to take a portion of profit for the year to the legal reserve, to pay out a portion in the form of a dividend, and to take the residue to retained earnings.

However, we would also like to explain the thinking behind the proposal. The current economic downturn, in addition to the Bank's commitments and the investment carried out, have led us to adopt a dividend policy that, without wishing to penalise our shareholders, aims to strengthen the Bank's capital base. This decision also reflects the recent recommendations from the Bank of Italy which, in response to the financial crisis of autumn 2008, highlight the need to boost both the quantity and the quality of banks' capital, in part by retaining a portion of earnings.

Having said this, we propose to take 74% of profit for the year to the reserves and distribute the remaining 26% to shareholders.

Therefore, having examined the balance sheet, the income statement, the notes, the Directors' report on operations, the report of the Board of Statutory Auditors and the report of the independent auditors, we invite the General Meeting, if in agreement with the above proposal, to adopt the following resolutions:

a) to approve the financial statements for 2009, which report profit for the year of €2,979,782;

b) to approve the appropriation of profit for the year as follows:

- €148,989 to the legal reserve;

- €774,000 to be paid as a dividend of €0.10 per share;
- €2,056,793 to be carried forward as retained earnings.

Acknowledgements

We should like to close our operating and financial review by thanking everyone, whose faith and confidence in us has enabled the Bank to achieve the results presented to you today. Our warmest thanks are therefore due to our shareholders and all our customers, both institutional and private alike.

We also wish to express are deepest gratitude to the Bank's personnel, for the commitment and skills shown by every member of staff, regardless of their role and duties.

We also express our appreciation to the Board of Statutory Auditors and the external auditors who have, as always, carried out their tasks with commitment, professionalism and expertise.

Finally, we wish to say a big thank you to the banking regulators, and above all to the staff of the Bank of Italy's local offices responsible for supervising our Bank, for their spirit of collaboration and the invaluable advice provided.

The Board of Directors

Ugo Malasomma

Tiziana Carano

Stefano de Stefano

Umberto De Gregorio

Luigi Gargiulo

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

To the Shareholders of
BANCA PROMOS S.P.A.

1. We have audited the financial statements of Banca Promos S.p.A., which comprise the balance sheet as of December 31, 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1 and requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005, reference should be made to our auditors' report issued on April 3, 2009.

3. In our opinion, the financial statements give a true and fair view of the financial position of Banca Promos S.p.A. as of December 31, 2009, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of Banca Promos S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the report on operations is consistent with the financial statements of Banca Promos S.p.A. as of December 31, 2009.

DELOITTE & TOUCHE S.p.A.

Signed by
Raffaele Fontana
Partner

Rome, Italy
April 6, 2010

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

BANCA PROMOS SPA

REGISTERED OFFICE AND OPERATING HEADQUARTERS

VIA STAZIO 5 – 80123 NAPLES – ITALY

TEL. 081 0170111 – 081 7142222

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS OF BANCA PROMOS SPA FOR THE YEAR ENDED 31 DECEMBER 2009

Dear Shareholders,

The financial statements for the year ended 31 December 2009, hereby submitted for your approval, consist of the balance sheet, income statement and notes, and are accompanied by the Directors' report on operations. The financial statements, which were delivered to the Board within the deadline established by art. 2429 of the Italian Civil Code, have been prepared in accordance with International Financial Reporting Standards, the implementing provisions of Legislative Decree 87 of 27 January 1992 and the instructions issued by the Bank of Italy, specifically including Circular 262 of 22 December 2005.

The statement of changes in equity and the cash flow statement are provided as annexes to the notes, of which they are an integral part.

The form and content of the balance sheet and income statement are those required by law. Prior year amounts are presented for each item in the financial statements for comparative purposes, as required by law.

Having checked the disclosures and information in the financial statements, the Board of Statutory Auditors is of the opinion that the amounts reported are reliable and that the correct accounting standards have been used, and considers the judgements and estimates applied by the Directors to be adequate and prudent. The financial statements have, therefore, been clearly prepared and give a true and fair view of the financial position and results of operations of the Company.

The financial statements may be summarised as follows (in euros):

BALANCE SHEET

Total assets		**39,254,382**
Total liabilities	25,544,601	
Equity:		
- Share capital	7,740,000	
- Reserves	1,919,087	
- Share premium account	1,070,912	
- Profit for the year	**2,979,782**	
Equity	13,718,781	
Total liabilities and equity		**39,254,382**

INCOME STATEMENT (material items)

Net interest income	909,896	
Net fees and commissions	(836,143)	
Total income	10,207,524	
Profit from banking operations	**10,008,950**	
Operating costs	**(5,529,746)**	
Profit from continuing operations before tax	4,631,533	
Taxation	(1,651,751)	
Profit for the year		**2,979,782**

Information regarding transactions with a material impact on the Company's results of operations, financial position and cash flow during 2009 and subsequent to the balance sheet date is provided in the notes and the report on operations. We have carefully examined this information are in agreement with the content thereof.

In view of the fact that we are not responsible for auditing the financial statements, our duties entailed the verification of general presentation and overall compliance with the laws in force. We are of the opinion that the financial statements accurately reflect the events and information of which we became aware in meetings with the Company's management, the checks carried out and information obtained from the independent auditors.

The accounts and the financial statements for the year ended 31 December 2009 have been audited by the independent auditors, Deloitte & Touche SpA.

The independent auditors have kept us informed, through periodic meetings with us during the year, of the results of their audit of the financial statements.

Based on the checks carried out and our attendance of Board of Directors' meetings, we confirm that the Directors have acted in compliance with the law and the articles of association and in accordance with sound management practice. The organisational structure and administrative and accounting systems are operational and under development. Above all, the Company's internal controls are in the process of being strengthened in order to minimise business risk and safeguard the Bank's capital. The Supervisory Board required by Decree 231/2001 is responsible for such activities.

We acknowledge that, during 2009, we were kept regularly informed of the controls carried out by the Internal Audit department.

Finally, we confirm that, to date, no aspects requiring notification to regulatory bodies or mention in this Report have come to light.

We have verified implementation of the procedures necessary in order to comply with the data protection requirements of Legislative Decree 196/2003.

In view of the above, the Board of Statutory Auditors invites you to approve the financial statements for the year ended 31 December 2009 and the appropriation of profit for the year, as proposed by the Board of Directors.

As the current Board's term of office has expired, we invite the General Meeting to re-elect the members of the Board of Statutory Auditors.

We thank you for the confidence you have thus far shown in us.

Naples, 13/04/2010

The Board of Statutory Auditors:

Dr. Ugo Mangia

Dr. Roberto Pascucci

Rag. Settimio Briglia

Banca Promos S.p.A.

Financial Statements for the year ended 31 December 2009

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS.

BALANCE SHEET

(units of euro)

Assets	31 Dec 2009		31 Dec 2008	
10. Cash and cash equivalents		276,027		345,806
20. Financial assets held for trading		11,009,494		6,482.058
30. Financial assets valued at fair value		-		-
40. Available-for-sale financial assets		-		1,176,517
50. Held-to-maturity financial assets		-		-
60. Loans and advances to banks		6,647,331		10,264,273
70. Loans and advances to customers		14,748,462		11,696,374
80. Hedging derivatives		-		-
90. Adjustments for changes in the value of hedged financial assets (+/-)		-		-
100. Investments		3,117,619		-
110. Property, plant and equipment		306,414		363,237
120. Intangible assets		65,030		30,228
of which:				
- goodwill	-		-	
130. Tax assets		819,951		389,139
a) current	*636,676*		*268,613*	
b) deferred	*183,275*		*120,526*	
140. Non-current assets and disposal groups held for sale		19,215		21,887
150. Other assets		2,244,839		916,353
Total assets		**39,254,382**		**31,685,872**

BALANCE SHEET
(units of euro)

Liabilities and equity	31 Dec 2009		31 Dec 2008	
10. Deposits by banks		50,144		-
20. Customer accounts		17,391,311		18,267,090
30. Outstanding Securities		4,010,342		-
40. Financial liabilities held for trading		-		-
50. Financial liabilities at fair value		-		-
60. Hedging derivatives		-		-
70. Adjustments for changes in the value of hedged financial assets (+/-)		-		-
80. Tax liabilities		1,725,921		646,609
a) current	*1,708,273*		*635,187*	
b) deferred	*17,648*		*11,422*	
90. Liabilities included in disposal groups held for sale		-		-
100. Other liabilities		1,813,702		960,212
110. Staff termination benefits		469,951		328,159
120. Provisions for risk and charges		83,230		159,710
a) pension funds and similar commitments	-		-	
b) other provisions	83,230		159,710	
130. Valuation reserve		(71,088)		(37,245)
140. Redeemable shares		-		-
150. Equity instruments		-		-
160. Reserves		1,990,175		1,716,577
170. Share premium account		1,070,912		1,070,912
180. Share capital		7,740,000		7,740,000
190. Treasury shares (-)		-		-
200. Profit/ (loss) for the year (+/-)		2,979,782		833,848
Total liabilities and equity		**39,254,382**		**31,685,872**

INCOME STATEMENT

(units of euro)

	31 Dec 2009		31 Dec 2008	
10. Interest income and similar revenues		1,153,075		1,381,358
20. Interest expense and similar charges		(243,179)		(402,118)
30. Net interest income		**909,896**		**979,240**
40. Fees and commissions receivables		1,332,449		3,831,816
50. Fees and commissions payable		(2,168,592)		(561,871)
60. Net fees and commissions		**(836,143)**		**3,269,945**
70. Dividends and similar revenues		-		-
80. Net profit/ (loss) from trading activities		10,141,789		1,720,918
90. Net profit/ (loss) from hedging activities		-		-
100. Profits/ (losses) on sale or repurchase of:		(8,018)		(4,475)
a) loans and advances	-		-	
b) available-for-sale financial assets	*(8,018)*		*(4,475)*	
c) held-to-maturity financial assets	-		-	
d) financial liabilities	-		-	
110. Net profit/ (loss) from financial assets and liabilities at fair value		-		-
120. Gross income		**10,207,524**		**5,974,578**
130. Impairment losses/recoveries on:		(198,574)		(237,186)
a) loans and advances	(198,574)		*(237,186)*	
b) available-for-sale financial assets	-		-	
c) held-to-maturity financial assets	-		-	
d) other financial transactions	-		-	
140. Net income from financial activities		**10,008,950**		**5,737,392**
150. Administrative expenses		(5,416,920)		(4,017,406)
a) staff costs	(3,673,082)		(2,578,563)	
b) other administrative expenses	(1,743,838)		(1,438,843)	
160. Net provisions for risk and charges		50,532		(159,710)
170. Adjustments to property, plant and equipment		(84,129)		(74,342)
180. Adjustments to intangible assets		(26,567)		(15,015)
190. Other operating costs/income		(52,662)		(84,191)
200. Operating costs		**(5,529,746)**		**(4,350,664)**
210. Profits/(Losses) on investments		-		-
220. Fair value gains/ (losses) on property, plant and equipment and intangible assets		-		-
230. Goodwill impairment		-		-
240. Profits/ (losses) on sale of investments		152,329		-
250. Profit/ (loss) from current operations before tax		**4,631,533**		**1,386,728**
260. Taxation on profit from continuing operations		(1,651,751)		(552,880)
270. Profit/ (loss) from continuing operations after tax		**2,979,782**		**833,848**
280. Profit/ (loss) from disposal groups held for sale after tax		**-**		**-**
290. Profit/ (loss) for the year		**2,979,782**		**833,848**

STATEMENT OF COMPREHENSIVE INCOME

(units of euro)

Items	2009	2008
10. Profit/(Loss) for the year	**2,980**	**834**
Other components of comprehensive income		
20. Available-for-sale financial assets:	(7)	14
30. Property, plant and equipment	-	-
40. Intangible assets	-	-
50. Hedges of foreign operations	-	-
60. Cash flow hedges	-	-
70. Exchange differences	-	-
80. Non-current assets held for sale	-	-
90. Actuarial gains/(losses) on defined benefit plans	(27)	(27)
100. Share of valuation reserves for investments measured using the equity method	-	-
110. Total other components of comprehensive income, after tax	**(34)**	**(13)**
120. Comprehensive income (Item 10+110)	**2,946**	**821**

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY AS AT 2009

	Balance at 31.12.08	Change in opening balances	Balance at 01.01.09	Allocation of profit for prior year		Changing during the year								Sharehold-ers’ Equity at 31.12.09
				Reserves	Dividends and other allocations	Changes in reserves	Equity-related transactions						Statement of com-prehnsive income at 31.12.09	
							Issue of new shares	Share buybacks	Payment of extraordi-nary dividends	Changes in equity instru-ments	Deriva-tives on own shares	Stock options		
Share Capital:	7,740	-	7,740	-	-	-	-	-	-	-	-	-	-	**7,740**
a) ordinary shares	7,740	-	7,740	-	-	-	-	-	-	-	-	-	-	**7,740**
B) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium account	1,071	-	-	-	-	-	-	-	-	-	-	-	-	**1,071**
Reserves:	1,716	-	1,716	274	-	-	-	-	-	-	-	-	-	**1,990**
a) revenues	1,715	-	1,715	274	-	-	-	-	-	-	-	-	-	**1,989**
b) other	1	-	1	-	-	-	-	-	-	-	-	-	-	**1**
Valuation reserves	(37)	-	(37)	-	-	-	-	-	-	-	-	-	(34)	**(71)**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit/ (loss) for the year	834	-	834	(274)	(560)	-	-	-	-	-	-	-	2,980	**2,980**
Equity	11,324	-	11,324	-	(560)	-	-	-	-	-	-	-	2,946	**13,710**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 2008

	Balance at 31.12.07	Change in opening balances	Balance at 01.01.08	Allocation of profit for prior year		Changing during the year								Shareholders' Equity at 31.12.08
							Equity-related transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Share buybacks	Payment of extraordinary dividends	Changes in equity instruments	Derivatives on own shares	Stock options	Statement of comprehnsive income at 31.12.08	
Share Capital: a) ordinary shares B) other shares	7,200 7,200 -	- - -	7,200 7,200 -	- - -	- - -	- - -	540 540 -	- - -	- - -	- - -	- - -	- - -	- - -	**7,740** **7,740** **-**
Share premium account	-	-	-	-	-	-	1,071	-	-	-	-	-	-	**1,071**
Reserves: a) revenues b) other	1,673 1,672 1	- - -	1,673 1,672 1	26 26 -	- - -	17 17 -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	**1,716** **1,715** **1**
Valuation reserves	(7)	-	(7)	-	-	(17)	-	-	-	-	-	-	(13)	**(37)**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit/ (loss) for the year	**350**	**-**	**350**	**(26)**	**(324)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	834	**834**
Equity	**9,216**	**-**	**9,216**	**-**	**(324)**	**-**	**1,611**	**-**	**-**	**-**	**-**	**-**	821	**11,324**

Cash flow statement (Indirect Method)	2009	2008
A. OPERATING ACTIVITIES		
1. Operations	**5,152**	**2,239**
- profit for the year	2,980	834
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	55	152
- gains/losses on hedging activities	-	-
- impairment losses/recoveries	199	257
- net impairment losses/recoveries on property, plant and equipment and intangible assets	111	89
- net provisions for risk and charges and other costs and income	197	380
- unpaid taxes	1,652	553
- net impairment losses/recoveries on disposal groups held for sale, net of tax	-	-
- other adjustments	(42)	(26)
2. Cash generated by/used for financial assets	**(4,861)**	**(9,376)**
- financial assets held for trading	(4,582)	(3,327)
- financial assets at *fair value*	-	-
- available-for-sale financial assets	1,170	2,338
- loans and advances to banks: on demand	3,617	(5,049)
- loans and advances to banks: other	-	-
- loans and advances to customer	(3,251)	(2,977)
- other assets	(1,815)	(361)
3. Cash generated by/used for financial liabilities	**3,377**	**6,274**
- deposits by banks: on demand	50	(400)
- deposits by banks: other	-	-
- customer accounts	(876)	6,815
- outstanding securities	4,010	-
- financial liabilities held for trading	-	-
- financial liabilities at *fair value*	-	-
- other liabilities	193	(141)
Net cash flows from/for operating activities	**3,668**	**(863)**
B. INVESTING ACTIVITIES		
1. Cash generated by	**28**	**15**
- sale of investments	3	-
- dividends received from investments	-	-
- sale of held to maturity financial assets	-	-
- sale of property, plant and equipment	25	15
- sale of intangible assets	-	-
- sale of business units	-	-
2. Cash used for	**(3,206)**	**(223)**
- purchase of investments	(3,118)	-
- purchase of held to maturity financial assets	-	-
- purchase of property, plant and equipment	(27)	(217)
- purchase of intangible assets	(61)	(6)
- purchase of business units	-	-
Net cash flows from investing activities	**(3,178)**	**(208)**
C. FINANCING ACTIVITIES		
- issue/purchase of own shares	-	**1,611**
- issue/purchase of equity instruments	-	-
- payment of dividends and other transactions	(560)	(324)
Net cash flows from/for financing activities	**(560)**	**1,287**
Net increase/Decrease in cash	**(70)**	**216**

Reconciliation		
Item	2009	2008
Cash and cash equivalents at beginning of year	346	130
Net increase/Decrease in cash	(70)	216
Cash and cash equivalents: effects of exchange rate fluctuations	-	-
Cash and cash equivalents at end of year	276	346

Notes
To the Financial Statements 2009

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS.

PART A

Accounting Policies

The notes show amounts in thousands of euros.

A.1 GENERAL INFORMATION

Section 1 Statement of compliance with international financial reporting standards

The financial statements have been prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission through to the end of 2005, pursuant to EC Regulation 1606 of 19 July 2002.

In interpreting and applying the new accounting standards, reference has been made to the following documents, even if not endorsed by the European Commission:

Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board (IASB);

Implementation Guidance, Basis for Conclusions and other documents published by the IASB or IFRIC in addition to the accounting standards issued.

Interpretation also took account of the documents on the adoption of IFRS in Italy prepared by the Italian Accounting Standards Setter (the *OIC*) and the Italian Bankers' Association (*ABI*).

Section 2 Basis of presentation

The financial statements have been prepared on the basis of the instructions in Circular 262 of 22 December 2005 issued by the Bank of Italy, entitled "Banks' financial statements: formats and compilation instructions". This document establishes the format to be used for the financial statements, the disclosures to be provided in the notes and the related method of compilation, in addition to the criteria for preparing the report on operations. On 18 November 2009, the Bank of Italy issued an updated version of Circular 262/2005 (1st update), which is effective from the financial statements for periods ended 31 December 2009. Very briefly, the update has:

- amended the Circular to take account of recent changes to IFRS, above all with regard to: the completely revised IAS 1 "Presentation of Financial Statements", which has introduced the statement of comprehensive income; IFRS 8 "Operating segments", which has introduced changes to segment reporting requirements; and changes to IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosures";
- rationalised and in part simplified the form and content of the notes, with the aim of bringing the financial statements of banks more into line with the standardised regulatory IFRS format adopted at European level;
- applied a number of clarifications and explanations already announced in previous rulings published by the Bank of Italy.

In addition to the changes to financial statement presentation introduced by IAS 1 (in particular, the addition of the statement of comprehensive income), the update of Bank of Italy Circular 262 Bank has required the Bank to reclassify certain comparative prior year amounts in the financial statements and notes, in order to provide a consistent basis for comparison. These reclassifications, which are described below, are not of material importance within the context of the Bank's financial statements, and have had no effect of profit for the year or equity at 31 December 2008.

Based on the above update of Bank of Italy Circular 262 of 18 November 2009, the Bank has carried out the following reclassifications of the financial statements for the previous year:

Income statement:

- fees and commissions on current accounts with a credit balance, previously accounted for in item 190 "Other operating costs/income" have been reclassified to item 40 "Fees and commissions receivable";
- the costs incurred in order to take out liability insurance on behalf of the Directors and Statutory Auditors, previously accounted for in "Other administrative expenses", have been reclassified to "Staff costs".

Balance sheet:

- the reserve for actuarial gains and losses on defined benefit plans, previously accounted for in item 160 "Reserves", has been reclassified to item 130 "Valuation reserves".

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

The financial statements have been prepared clearly and provide a true and fair view of the Bank's financial position, results of operations and cash flows.

The financial statements have been prepared on a going concern basis and in accordance with the matching principle, the materiality principle, the concept of substance over form and the consistency principle.

The offsetting of assets and liabilities or of income and costs has not been carried out, unless expressly required or allowed by an accounting standard or an interpretation, or where required by the above Circular.

These financial statements have been prepared using the euro as the presentation currency.

Section 3 Events after the end of the reporting period

Where appropriate, amounts reported in these financial statements have been adjusted to reflect events after the end of the reporting period which, pursuant to IAS 10, require an adjustment to be made.

Events not requiring an adjustment and reflecting circumstances occurring after the end of the reporting period have been reported on in the report on operations if material and thus capable of influencing the economic decisions of financial statement users.

There are no material events to report, other than those referred to in the report on operations.

A.2 ACCOUNTING STANDARDS APPLIED TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of the financial statements for the year ended 31 December 2009, which, unless changes or additions are required by future modifications to regulations or interpretations, will be applied in future financial statements, are described below.

Section 1 Financial assets held for trading

Classification

The category includes debt securities and equity instruments acquired principally for the purpose of selling in the short term.

Recognition

These financial assets are initially recognised at the settlement date, in the case of debt securities and equity instruments, and at the subscription date in the case of derivative financial instruments.

Financial assets held for trading are initially recognised at fair value, which normally corresponds to the price paid, without taking account of transaction costs or gains directly attributable to the instrument.

Measurement and recognition of gains and losses

After initial recognition, financial assets held for trading are measured at fair value, with any gains or losses recognised in the income statement in “Net profit/(loss) from trading activities” and interest in “Interest income”.

The fair value of instruments quoted on active markets (regulated or OTC) is determined on the basis of the market prices prevailing on the last day of the period. The fair value of instruments not quoted on an active market is determined on the basis of estimates (discounted cash flow method) that take account of all the related risks and that are based on readily available market data.

Derecognition

Financial assets are derecognised when the Company no longer has the right to receive cash flows from the investment or when it has been sold, thereby substantially transferring all the related risks and rewards.

Section 2 Available-for-sale financial assets

Classification

Available-for-sale financial assets are non-derivative financial instruments that are not classified as loans and receivables, financial assets held for trading or as held-to-maturity. This item includes equity instruments not held for trading and that do not qualify as subsidiaries, associates or joint ventures.

Recognition

These financial assets are initially recognised at the settlement date, in the case of debt securities and equity instruments, and at the disbursement date in the case of loans and receivables. Available-for-sale financial assets are initially recognised at cost, represented by the fair value of the instrument (see above), including transaction costs or gains directly attributable to the instrument. If recognition follows the reclassification of the instrument from held-to-maturity financial assets, the asset is recognised at fair value at the time of transfer.

Measurement and recognition of gains and losses

After initial recognition, available-for-sale financial assets continue to be recognised at fair value. Any fair value gains or losses are recognised in a separate equity reserve, the “Valuation reserve” until the asset is derecognised or an impairment loss is recognised. When sold or on recognition of an impairment loss, the cumulative gains or losses recognised in the component of equity are recognised in the income statement in “Profit/(loss) on sale or repurchase of available-for-sale financial assets”.
Interest calculated using the effective interest method, which includes the amortisation of transaction costs and the amount of any repayments, are recognised in the income statement in “Interest income”. When the fair value of equity instruments and the related derivative financial instruments cannot be reliably determined in accordance with the above guidelines, these assets are accounted for at cost.
The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. In the case of equity instruments, information considered significant in determining an impairment includes any changes in the technological, market, economic and legal environment in which the issuer operates. A significant and/or lasting decrease in the fair value of an equity instrument to below its cost may be considered objective evidence of impairment.
Any resulting impairment loss is recognised in the income statement for the period.

When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed through the income statement in the case of loans and receivables or debt securities, or through equity in the case of equity instruments. The reversal may not, however, exceed the amortised cost of the instrument that would have been determined had no impairment loss been recognised.

Derecognition

Financial assets are derecognised when the Bank no longer has the right to receive cash flows from the investment or when it has been sold, thereby substantially transferring all the related risks and rewards.

Section 4 Loans

Classification

Loans include loans and advances to customers and banks, whether disbursed directly or acquired from third parties, with fixed or determinable payments. They are not quoted an active market and are not initially classified as available-for-sale financial assets. Loans also include repurchase agreements.

Recognition

Recognition only occurs when the loan is unconditional and the creditor has a contractual right to payment. Loans are initially recognised at the date of disbursement and at the amount disbursed, including costs/income directly attributable to the individual loan and determinable at origin, even where settled at a later date. Costs that, despite having the above characteristics, are repaid by the debtor or may be classified as ordinary administrative expenses are excluded.
The fair value of loans subject to other than market conditions is determined by using appropriate valuation techniques. The difference with respect to the amount disbursed or the subscription price is recognised directly in the income statement. Repurchase agreements are accounted for as loans at the amount paid in cash.

Measurement and recognition of gains and losses

After initial recognition, loans are accounted for at amortised cost, which corresponds to the initially recognised amount less/plus any principal repayments, impairment losses/recoveries and amortisation – calculated using the effective interest method – of the difference between the amount disbursed and the amount repayable at maturity, generally corresponding to costs/income directly attributable to the individual loan. The effective interest rate is obtained by calculating the discount rate at which the present value of future cash flows from the loan, in both principal and interest, is equal to the amount disbursed including costs/income directly attributable to the loan. This accounting method makes it possible to spread the economic effect of the costs/ income over the remaining life of the loan. The amortised cost method is not applied to short-term loans, as the effect of discounting to present value is deemed to be immaterial. These loans are accounted for at historical cost and the attributable costs/income recognised in the income statement on a straight-line basis over the term to maturity of the loan. A similar method is adopted for loans without a fixed term or callable loans.

The Bank assesses at the end of each reporting period whether there is any objective evidence that a loan is impaired as a result of circumstances occurring after initial recognition. This category includes non-performing, problem, restructured or past-due loans as defined by the Bank of Italy rules in force and in accordance with IAS. These impaired loans (non-performing, problem and restructured) are subject to analytical measurement and the impairment loss for each loan is equal to the difference between the carrying amount at the time of measurement (amortised cost) and the present value of estimated future cash flows, calculated applying the effective interest rate at the time of classification in impaired loans. In determining estimated future cash flows, the bank takes account of the expected recovery period, the expected realisable value of any collateral and the costs to be incurred in order to recover the loan. Cash flows deriving from short-term loans are not discounted to present value. The resulting impairment loss is recognised in the income statement. The component of the impairment deriving from the discounting of cash flows is released on an accruals basis in accordance with the effective interest method and recognised in the income statement in “Impairment losses/recoveries on loans and advances”. The original carrying amount of loans is reinstated in future years if the circumstances that resulted in the impairment no longer exist, provided that the measurement is objectively linked to an event that took place after the impairment was recognised. The resulting write-back is recognised in the income statement and may not in any event exceed the amortised cost of the loan had no impairment been recognised.

Loans for which there is no objective evidence of impairment attributable to individual loans, generally consisting of performing loans, and including sovereign risk loans, are subject to collectively assessed losses.

The assessment is based on homogeneous categories of loan in terms of credit risk, and the related loss percentages are estimated on the basis of time series, based on observable elements at the assessment date, which result in an estimate of the latent loss for each category of loan. The same treatment is applied to past-due loans or those which are more than 90/180 days overdue. Whilst qualifying as impaired loans in accordance with the regulations, in this case a collective write-down is deemed sufficient, in line with the impairment method applied to performing loans. An additional percentage write-down is, however, applied given that they are, in any event, viewed as being more risky.

Collectively assessed impairment losses are recognised in the income statement. At the end of each reporting period any additional impairment losses or recoveries are recalculated on a differential basis with reference to the performing portfolio at that date. At the end of the current reporting period, in view of the lack of time series, the collective assessment of losses on performing loans was carried out on the basis of banking industry indicators, based on the benchmark for the banking system, given the Bank's recent entry into the loans market.

Derecognition

Loans that have been transferred are derecognised only if all the related risks and rewards of ownership have substantially been transferred. However, if the Bank has retained the related risks and rewards of ownership, the loans remain on the balance sheet, even when legal title to the loan has effectively been transferred. If it is not possible to ascertain whether or not the risks and rewards of ownership have been transferred, the loans are derecognised provided that the Bank has not retained any form of control. However, if the Bank has retained full or partial control of the loans, it continues to recognise them to the extent of its continuing involvement. This is measured on the basis of the Bank's exposure to changes in the value of the loans transferred and to movements in the related cash flows. Finally, transferred loans are derecognised if the Bank retains the right to the related cash flows but assumes a contractual obligation to pay those cash flows to third parties.

Section 7 Investments

Classification

This item includes investments in:

- subsidiaries, which are accounted for at cost;
- associates, which are initially accounted for at cost and subsequently measured using the equity method. Associates are companies in which the Bank owns 20% or more of the voting rights and, regardless of the interest held, over which it exerts significant influence, as a result of legally binding agreements, such as shareholder pacts, or when it has the power to participate in the financial and operating policy decisions of the investee company;
- joint ventures, which are initially accounted for at cost and subsequently measured using the equity method (by choice given that IAS 31 offers alternative solutions). A joint venture is a contractual arrangement, based on shareholders' agreements or other forms of agreement, whereby the parties agree to joint control of the business and the joint right to elect directors.

Other minority shareholdings are classified in the categories provided for by IAS 39. Above all, investments not held for trading are accounted for in available-for-sale financial assets.

Recognition and derecognition

Investments held in portfolio are recognised at cost plus transaction costs. If there is evidence that an investment is impaired, the recoverable amount of the investment is estimated, taking into account the present value of future cash flows expected to be generated by the investment, including the proceeds on the ultimate disposal of the investment.

If the recoverable amount is lower than the carrying amount, the resulting impairment loss is recognised in the income statement. When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised. Financial assets are derecognised when the right to receive cash flows generated by the financial asset ceases to exist or when substantially all risks and rewards from holding the asset are transferred.

Recognition of gains and losses

Dividends received are recognised when their distribution is approved by shareholders.

Section 8 Property, plant and equipment

Classification

Property, plant and equipment includes land, operating properties, investment property, plant, furniture and fittings, and all other types of equipment. These assets are owned to be used in production or in the provision of goods and services, to be leased, or for administrative purposes. The Bank intends to use these assets over more than one financial year. This item also includes assets held under finance leases, even though the lessor maintains legal title to the assets.
“Operating assets” are assets either owned by the Bank or held by it under finance leases, which are used in production and in the provision of services or for administrative purposes. These assets have useful lives of more than one financial year.
“Investment assets” are owned by the Bank or held by it under finance leases, with the aim of collecting lease rentals and/or earning a return on the capital invested.

Recognition

Property, plant and equipment is initially accounted for at cost, which, in addition to the purchase price, included any directly attributable costs of purchase and of making the asset ready for its intended use. Non-routine maintenance expenses, resulting in an increase of the future economic benefits, are recognised as an increase in the value of the asset, whilst routine maintenance costs are recognised in the income statement.

Measurement and recognition of gains and losses

Property, plant and equipment, including non-operating buildings, are measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the expected useful life of the asset, with the exception of:

- land, whether purchased on its own or as part of the value of a building, in that it has an indefinite useful life. If land pertains to the value of a building, under the component approach land accounted for separately from the building. The allocation of the overall value to the land and to the building is based on independent appraisals only in the case of entire buildings;
- works of art, since their useful lives cannot be estimated and their value is normally not expected to decline over time.

The Bank assesses at the end of each reporting period whether there is any evidence of impairment. This is done by comparing the carrying amount of the asset and its recoverable amount, corresponding to the lower of an asset’s fair value less costs to sell and its value in use, represented by the present value of the future cash flows expected from the asset. Any impairment loss is then recognised in the income statement. When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and had depreciation been charged.

Derecognition

A component of property, plant and equipment is derecognised when disposed of or when the asset has been retired and its sale is not expected to provide future economic benefits.

Section 9 Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset without physical substance owned in order to be used over the long term. This category of asset essentially refers to goodwill, representing the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired entity at the date of acquisition. Other intangible assets are recognised as such if they are identifiable and are linked to legal or contractual rights.
Based on the provisions of Bank of Italy Circular 262, the costs of renovating buildings owned by the Bank that do not have functional autonomy are classified in other assets in that do not qualify as being without physical substance, as required by IAS 38 for recognition as an intangible asset.

Measurement and recognition of gains and losses

Intangible assets are accounted for at cost, as adjusted for incidental costs, only if the future economic benefits attributable to the asset are likely to be realized and if the cost of the asset can be reliably determined. Otherwise the cost of intangible assets is expensed as incurred. The cost of intangible assets is amortised on a straight-line basis over the useful life of the asset. Intangible assets with indefinite useful lives are not amortised, being periodically tested for impairment. At the end of each reporting period, if there is evidence of impairment the recoverable amount of the asset is estimated. The impairment loss, which is recognised in the income statement, is equal to the difference between the carrying amount of the asset and its recoverable amount.

An intangible asset may be account for as goodwill when the positive difference between the fair value of the assets acquired and the liabilities and contingent liabilities assumed, and the cost of acquiring the related investment or cash generating unit (including transaction costs) represents the future earnings capacity of the acquired investment or cash generating unit (goodwill). Should this difference be negative (badwill) or where the recognition of goodwill is not justified by the future earnings capacity of the acquired investment or cash generating unit, the difference is recognised directly in the income statement. Goodwill is tested for impairment at least once a year (or whenever there is evidence of an impairment). To this end, the cash generating unit to which goodwill is attributed is identified. The amount of any impairment is determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if this is lower. The carrying amount is equal to the greater of the fair value of the cash generating unit, less costs to sell, and the relevant value in use. Any impairment loss is then recognised in the income statement.

Derecognition

An intangible asset is derecognised when disposed of or when it is not expected to provide future economic benefits.

Section 10 Non-current assets and disposal groups held for sale

Classification

Assets and the associated non-current liabilities and disposal groups of assets and liabilities held for sale are classified in this item.

Recognition and measurement

These assets and liabilities are accounted for at the lower of their carrying amount and fair value less costs to sell as required by IFRS 5. Fair value is the amount initially determined for the sale with the purchaser.

Recognition of gains and losses

Any after-tax gains or losses are recognised in the income statement in "Profit/(loss) from disposal groups held for sale after tax".

Section 11 Current and deferred taxation

Classification

These items include current and deferred tax assets and liabilities.

Current taxes consist of prepayments (current assets) and amounts to be paid (current liabilities) with respect to income taxation for the year.

Deferred taxes, on the other hand, are income taxes that can be recovered in future periods in respect of deductible temporary differences (deferred tax assets) or income taxes payable in future periods in respect of taxable temporary differences (deferred tax liability). Taxable temporary differences are those that will result in taxable amounts in determining taxable profits (tax loss) of future periods whereas deductible temporary differences will result in amounts that are deductible in determining taxable profit (tax loss) of future periods.

Current tax assets and liabilities are paid by the Bank on a net basis, in accordance with its legal right to offset, and the offset balances are shown in the balance sheet.

Recognition and measurement

The balance sheet liability method is used to account for deferred taxes. This entails the recognition of the effect on taxes of temporary differences between the balance sheet carrying amount of assets and liabilities and their tax base that will result in taxable income or deductions from taxable income in future periods. Deferred tax liabilities and assets are computed using current tax rates that are applied to taxable temporary differences and deductible temporary differences, which are likely to be recovered in future periods.

Recognition of gains and losses

Where deferred tax assets and liabilities relate to items that have had an effect on the income statement, the contra is included in taxation.

Income taxes, calculated in accordance with Italian tax laws, are accrued as costs in a manner consistent with the recognition of the costs and revenues that have generated the taxes. The charge thus represents the balance of current and deferred income taxes for the year.

Section 12 Provisions

Recognition

Provisions for risk and charges regard liabilities for which the payment date or amount is uncertain and are recognised in the financial statements if:

- the Bank has a present (actual or constructive) obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- the related amount has been reliably estimated.

“Other provisions” include amounts set aside for assumed liabilities deriving from disputes, including revocatory actions, amounts payable for claims from customers in connection with the Bank’s brokerage services and other estimated amounts payable as a result of actual or constructive obligations at the end of the reporting period.

No provisions are made for liabilities that are merely potential but not probable, although a description of the nature of the liability is provided in the notes.

“Provisions for pension funds and similar commitments” include provisions accounted for under IAS 19 “Employee benefits” in order to cover the deficit in the fund from which pensions are paid. Determination of the present value, as required by the standard referred to above, is carried out by an independent actuary, using the “projected unit credit method”.

Classification

This item includes provisions and charges made in accordance with IAS 37 and include provisions for losses that are likely as a result of litigation including revocatory actions.

Recognition

Whenever a deferred charge is considered material, the Bank calculates the amount of the provisions as the current value of the future expense that is expected to be made in settlement.

When provisions are discounted to present value, the amount of provisions will increase every year as a result of the passage of time.

Provisions are reviewed at the end of each reporting period and adjusted to reflect current estimates.

Section 13 Deposits, outstanding securities and subordinated liabilities

Classification

“Deposits by banks”, “Customer accounts”, “Outstanding securities ” and “Subordinated liabilities” include the different types of funding obtained in the interbank market and from customers or via the issue of certificates of deposit and bonds, net of any repurchased amount. These items also include the liability payable to lessors under finance leases, and repurchase agreements.

Recognition

These financial liabilities are initially recognised upon receipt of the sums deposited or of the proceeds of debt securities issued. The liability is initially recognised at fair value, which is usually the sum collected or the issue price, adjusted for any additional costs/income directly attributable to each funding transaction or issue and not repaid by the creditor. Internal administrative costs are not included.

The fair value of financial liabilities, when issued under conditions that are potentially unfavourable with respect to those available on the market, is estimated only on the basis of observable market inputs and the difference compared with the market value is recognised in the income statement.

Repurchase agreements are accounted for as deposits at the amount paid in cash.

Recognition of gains and losses

After initial recognition, financial liabilities are accounted for at amortised cost using the effective interest method. Short-term liabilities are not accounted for using this method as the effect of discounting any such amount to present value would be immaterial. Short-term items are accounted for at the amount collected and any attributable costs recognised in the income statement.

Derecognition

Financial liabilities are derecognised when they mature or are extinguished. Derecognition can also take the form of the repurchase of securities previously issued. The difference between the carrying amount of the liability and the amount paid to purchase it is recognised in the income statement. The re-sale of own securities following their repurchase is considered a new issue, with recognition of the new offering price, without any effect on the income statement.

Section 16 Foreign currency transactions

Recognition

Foreign currency transactions are initially recognised in the reporting currency by applying to the foreign currency the spot rate prevailing on the transaction date.

Measurement and recognition of gains and losses

At the end of each reporting period foreign currency items are measured as follows:

- monetary items are translated at closing exchange rates;
- non-monetary items are translated at their historical cost are translated at the spot exchange rate prevailing on the transaction date;
- non-monetary items designated at fair value ate translated using closing exchange rates.

Exchange differences arising from the payment or translation of monetary items at exchange rates other than those applied initially, or applied in the previous financial statements, are recognised through the income statement for the period in which they occur.

When a gain or loss on a non-monetary item is recognised in equity, the exchange difference relating to this item is also recognised in equity. However, when a gain or loss is recognised in the income statement, the related exchange difference is also recognised in the income statement.

Section 17 Other information

- Employee benefits

Based on Law 296 of 27 December 2006 (the 2007 Finance Act), companies with at least 50 employees are required to make monthly payments in compliance with employees' instructions, of staff termination benefits accruing subsequent to 1 January 2007, to a supplementary pension fund pursuant to Legislative Decree 252/05 or to the special fund established at INPS for the payment of staff termination benefits for private sector employees, pursuant to art. 2120 of the Italian Civil Code (the "Treasury Fund"). There are, therefore, the following alternatives:

a) payment of accrued staff termination benefits to the supplementary pension fund;

b) accrued staff termination benefits continue to be held by the company (for companies with less than 50 employees);

c) transfer of accrued staff termination benefits to the INPS Treasury Fund (for employees who did not elect to have staff termination benefits paid to a supplementary pension fund and are employed by a company with at least 50 employees).

For those employees classified under b), as is specifically the case for the Bank, international accounting standards require the liability for all staff termination benefits be measured by actuarial techniques in the manner prescribed by IAS 19, unless past service benefits for employees transferring all accrued staff termination benefits to a supplementary pension fund are not prorated in accordance with the requirements of the Italian Institute of Actuaries, providing for the uniform treatment of the other cases.

Staff termination benefits are accounted for at their actuarial value.

The present value of the obligation is calculated using the "projected unit credit" method, which projects future liabilities on the basis of time series analysis and demographic forecasts, and discounts future cash flows using the market interest rate at the end of the reporting period for instruments with the same residual average term as the liabilities.

The actuarial valuation is performed annually by a consultant firm of independent actuaries.

The cost of termination benefits accrued during the year and recognised in the income statement in staff costs corresponds to the present value of the accrued benefits of staff in service during the year, and annual interest accrued on the present value of existing obligations at the beginning of the year. Actuarial gains and losses arising as a result of changes in actuarial assumptions from the previous year's estimates are allocated to a separate equity reserve.

- Treasury shares

Any treasury shares are accounted for as a reduction of equity.

The original cost of the shares and any gains or losses generated by their subsequent sale are recognised as changes in equity.

- Leasehold improvements

The costs incurred for leasehold improvements are accounted for in “Other assets”, as they do not qualify for recognition in “Property, plant and equipment”, as provided for in Bank of Italy regulations.

Depreciation charges are recognised in “Other operating costs/income”.

- *Accruals and deferrals*

Accruals and deferrals relating to accrued costs and income on assets and liabilities are accounted for as adjustments to the assets and liabilities to which they refer.

- Dividends and revenue recognition

Revenues are recognised on collection or when it is probable that the economic benefits associated with the transactions will flow to the Bank and that such benefits can be reliably measured. Dividend income is recognised when the right to receive payment is established, with the exception of those paid by investee companies accounted for using the equity method. The related accounting treatment is described in the section regarding investments.

Revenues from brokerage or the issue of financial instruments, based on the difference between the transaction price and the fair value of the instrument, are recognised in the income statement on recognition of the transaction if the fair value is determinable on the basis of recent indicators or transactions observable on the same market on which the instrument is traded. Otherwise, these revenues are distributed over time based on the term and nature of the instrument. Income from financial instruments that cannot be measured using the above method is recognised in the income statement over the term of the transaction.

- Determination of fair value

The Bank has adopted a policy governing the determination of fair value for financial instruments in accordance with the current IFRS issued by the International Accounting Standards Board (IASB), taking account of the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the 1st update of Bank of Italy Circular 262.

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. In addition, the reference to transactions between “knowledgeable parties” indicates the need for a situation of perfect information symmetry between the parties. This means that they have equal access to information sources, including both basic data and financial methods, as well as the professional expertise necessary to measure the financial instruments correctly. The reference to “arm’s length” indicates a situation in which the parties have equal bargaining strength.

As a result of the above definition, it follows that the initial stage of the process of measuring fair value is the assessment of the “location” in which the price is determined, referring to the distinction between an “active market” and an “inactive market”, considering that the best indication of fair value is the existence of official prices on an active market. If the market for a financial instrument is not active, an entity must determine fair value using a valuation technique. The breakdown of prices into two categories (listed/not listed) allows for the introduction of a distinction between:

- instruments listed on active markets;
- instruments not listed on active markets.

These categories imply a further distinction between:

- instruments priced directly via market prices and price quotations (Mark to Market);
- instruments prices via valuation techniques and models (Mark to Model).

Financial instruments listed in active markets

According to AG71 of IAS 39 “the existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure the financial asset or financial liability”. The process of defining fair value, therefore, begins with the process of verifying the existence of an active market providing regular price information for the instruments listed in it. Regulated markets are normally considered to be active, unless the Risk Management unit should decide that a regulated market is “not active”. In the case of unregulated markets (OTC markets), the presence of active contributors is assessed. Should this process result in identifying the existence of an active market for listed instruments, the fair value of the instrument will coincide with the quoted price at the measurement date (Mark to Market).

The most appropriate current market price for an asset held or for a liability to be issued is usually the current bid price and, for an asset to be purchased or a liability held, the asking price (see IAS 39, paragraph AG72). In view of the particular liquidity conditions in regulated markets, the price is based on the official closing price published by the market operator.

In general, the process of applying the Mark to Market technique is based on the sources used to obtain prices as follows:

- in the case of prices quoted in regulated markets, above all the Italian market, the price is determined automatically using the ETServer procedure, linked directly to Borsa Italiana to determine the official price of each financial instrument held;
- in the case of prices quoted in unregulated markets, the price is determined on the basis of the prices quoted by the Information Provider, Bloomberg, in the following order of preference: Bloomberg Generic BGN, Bloomberg Fair Value BFV, quotations taken from active contributors on Bloomberg.

Financial instruments measured on the basis of the above methods are classified, respectively, as **level 1 and level 2 in the fair value hierarchy.**

Financial instruments not listed in active markets

In the absence of an active market for a certain financial instrument, an internal valuation technique is used.

In order to determine fair value, the bank has opted to apply the Discounted Cash Flow (DCF) technique, based primarily on observable market inputs, for financial instruments whose value may be determined by discounting cash flows generated by the instrument (including debt securities).

In the case of financial instruments other than debt securities, fair value is determined using alternative valuation techniques based on non-observable market inputs.

In general, the DCF technique determines the fair value of the financial instrument by discounting future contractual (or most likely) cash flows at a certain discount rate.

The standards set out (see IAS 39, paragraph AG82) the elements/factors that a model-based valuation technique must observe.

Firstly, it is necessary to take into account interest rate risk. For practical reasons, reference is usually made to well-accepted and readily observable rates, such as EURIBOR and/or a swap rate. In this case, the interest rates used reflect an ‘interbank’ risk, which is limited, but normally above government risk. There are, however, other components other than interest rate risk that determine market risk. The premium to take account of all these other components is represented by a spread added to the risk free rate, at the end of each reporting period, to obtain a rate with which to discount the future cash flows generated by the asset being measured. The Bank calculates the above spread with reference to the Credit Default Swap level of the issuer of the security to which it refers or, if unavailable, of other issuers of a similar size and operating in a similar sector or sector averages.

The elements used in calculating the DCF are, therefore:

- the timing, maturity and amount (certain or estimated) of the instrument’s future cash flows;
- the appropriate discount rate (depending on the credit risk linked to the debtor);
- the currency in which the instrument’s cash flows will be paid.

Calculation of fair value using pricing models is based on market inputs.

The following market inputs used in the valuation techniques applied to financial instruments not listed on an active market are:

- the interest rate curve;
- credit risk.

The interest rate curve is reported by the Information Provider, Bloomberg. The main curves used are those for EURIBOR and swap rates.

The rates that measure the creditworthiness of the issuer are obtained by adding a spread to the zero coupon (or risk-free) rate. This spread represents the issuer's creditworthiness. These rates are generally used to measure bonds not listed on active markets. To this end, the entity should use the following hierarchy of information, reported by the Information Provider, Bloomberg:

- credit spreads derived from Credit Default Swaps (CDS);
- rates for uniform classes of Sector/Rating (page FMCH of Bloomberg).

Financial instruments measured using the Mark to Model technique are classified as **level 3** in the fair value hierarchy.

- Recognition of impairments

Financial instruments other than those held for trading are tested for impairment (recognition of impairment losses due to the deterioration of the issuer's solvency) on the occurrence of an event that results in the permanent loss in value of an investment. The impairment is measured in two steps:

- identification of any deterioration in the solvency of an issuer and identification of the impaired asset;
- measurement of the permanent losses arising on the impairment.

Two separate methods are used by the Bank for the recognition of impairments of debt securities and equity instruments as shown below:

- Impairment debt securities

The impairment of rated debt securities is measured with reference to the issuer's credit rating. The relevant accounting policy is that "a downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information" (IAS 36, paragraph 60). In application of this policy, the downgrade of any debt securities to a non-investment grade credit rating is considered to be an indication of the need to verify the existence of an impairment whilst, in other cases, the downgrade of a credit rating is to be assessed together with other available information.

Such information for bonds is provided by specialist sources (e.g., investment recommendations by financial institutions, rating reports, etc.) or information from "info providers" (e.g., Bloomberg Generic, etc.), which is then used to determine the extent of the deterioration of the issuer's credit standing.

- Impairment of equity instruments

It is reasonable to assume that the impairment of equity instruments classified as available-for-sale would precede an impairment of the same issuer's bonds. As a result, indications of the impairment of debt securities issued by a company or the impairment of such debt securities are, of themselves, indication of an impairment of that company's equity instruments.

More in general, the following two factors are above all considered in addition to the loss events listed in paragraph 59, IAS 39 in order to determine whether an equity instrument has been impaired:

- significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates (IAS 39, paragraph 61);
- significant or prolonged decline in the fair value below its cost, exclusively with reference to equity instruments.

The following conditions are necessary for the existence of an impairment:

- the fair value of the instrument is less than 20% of its initial carrying amount;

- the fair value reduces to a level below its carrying amount within a six month period.

A.3 FAIR VALUE DISCLOSURES

A.3.1 Transfers between accounting categories

The Bank has not carried out any such transfers.

A.3.2 Fair value hierarchy

The Bank has classified its financial assets and liabilities (as described in Section 17) according to the different levels of fair value on the following basis:

Level 1: measurement of the instrument based on quoted prices in active markets;

Level 2: measurement based on prices quoted by reliable information providers;

Level 3: measurement based on internal valuation techniques.

A.3.2.1 Accounting categories: breakdown by level of fair value

Items/Amounts	2009			2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets/liabilities at fair value						
1. Financial assets held for trading	3,725	7,284	-	43	6,439	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	1,177	-
4. Hedging derivatives	-	-	-	-		-
Total	**3,725**	**7,284**	**-**	**43**	**7,616**	**-**
1. Financial liabilities held for trading	-	-	-	-		-
2. Financial assets at fair value	-	-	-	-		-
3. Hedging derivatives	-	-	-	-		-
Total	-	-	-	-		-

A.3.3 Day one profit/loss

According to paragraph AG76 of IAS 39 “The best evidence of the fair value of a financial instrument at initial recognition is the transaction price [i.e. the fair value of the consideration given or received] unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.”

Application of paragraph AG76 may result in no gain or loss being recognised on the initial recognition of a financial asset or liability. In this case, IAS 39 requires that a gain or loss shall be recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

In recognising the difference between the fair value on initial recognition and the amount determined at that date using the chosen valuation technique based on observable market inputs (the so-called “day one gain/ loss”, see paragraph 28 of IFRS 7), the Bank will, therefore, recognise the difference in the income statement for the period in which the instrument was issued, and not amortise it throughout its term to maturity (as required by IAS 39, paragraphs AG76/AG76A) using the fair value spread adjustment mechanism.

PART B

Notes to the Balance Sheet

Assets

Section 1- Item 10 – Cash and cash equivalents
1.1 Cash and cash equivalents: composition

Cash and cash equivalents: composition	Total	
	12.2009	12.2008
a) Cash	246	345
b) Demand deposits at Central Banks	30	1
Total	**276**	**346**

Cash holdings are entirely in euros.
Demand deposits at central banks are balances held at the Bank of Italy.
This amount does not include compulsory reserves that are reported in asset item 60 “Loans and advances to banks”.

Section 2- Item 20 – Financial assets held for trading
2.1 Financial assets held for trading: composition by type

This item includes all financial assets held in the trading book.

Items/Amounts	Total					
	2009			2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	3,725	7,284	-	43	6,439	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	3,725	7,284	-	43	6,439	-
2 Equity instruments	-	-	-	-		-
3 Units of mutual investment funds	-	-	-	-		-
4 Loans	-	-	-	-		-
4.1 Reverse repurchase agreements	-	-	-	-		-
4.2 Other	-	-	-	-		-
Total (A)	**3,725**	**7,284**	**-**	**43**	**6,439**	**-**
B. Derivative instruments						
1 Financial derivatives:	-	-	-	-		-
1.1 trading	-	-	-	-		-
1.2 connected with fair value option	-	-	-	-		-
1.3 other	-	-	-	-		-
2 Credit derivatives	-	-	-	-		-
2.1 trading	-	-	-	-		-
2.2 connected with fair value option	-	-	-	-		-
2.3 other	-	-	-	-		-
Total B	-	-	-	**-**		**-**
Total (A+B)	**3,725**	**7,284**	**-**	**43**	**6,439**	**-**

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

Items/Amounts	Total 2009	Total 2008
A. Cash assets		
1 Debt securities	**11,009**	**6,482**
a) Governments and central banks	2,351	1,665
b) Other public entities	-	-
c) Banks	3,308	1,314
d) Other issuers	5,350	3,503
2 Equity instruments	-	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3 Units of mutual investment funds	-	-
4 Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total A	**11,009**	**6,482**
B. Derivative instruments		
a) Banks	-	-
- fair value	-	
b) Customers	-	-
- fair value	-	
Total B	-	-
Total (A+B)	**11,009**	**6,482**

The classification of financial assets by industry sector of the issuer is consistent with Bank of Italy classifications.

2.3 On-balance sheet financial assets held for trading: changes during the year

	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	**6,482**	-	-	-	**6,482**
B Increases	**9,883,096**	**-**	**-**	**-**	**9,883,096**
B1 Purchases	9,871,396	-	-	-	9,871,396
B2 Positive changes in fair value	246	-	-	-	246
B3 Other changes	11,454	-	-	-	11,454
C Decreases	**9,878,569**	**-**	**-**	**-**	**9,878,569**
C1 Sales	9,873,860	-	-	-	9,873,860
C2 Redemptions	2,501	-	-	-	2,501
C3 Negative changes in fair value	951	-	-	-	951
C4 Transfers to other portfolios	-				
C5 Other changes	1,257	-	**-**	**-**	1,257
D Closing balances	**11,009**	**-**	**-**	**-**	**11,009**

The opening balances include financial assets classified as “sold and not derecognised” in the financial

statements for the previous year and excluded from the corresponding statement of changes.
Increases in fair value consist of gains on measurement of €246 thousand.
Other changes under increases consist of accrued interest income of €133 thousand and profits from trading of €11,321 thousand.
Other changes under decreases consist of impairment losses of €951 thousand.
Other decreases regard accrued coupon interest of €110 thousand at the beginning of the year and losses from trading of €1,147 thousand.

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

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

Items/Amounts	Total					
	2009			2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	-	-	-	**1,177**	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	**1,177**	-
2. Equity instruments	-	-	-	-	-	-
2.1 Designated at fair value	-	-	-	-	-	-
2.2 Valued at cost	-	-	-	-	-	-
3. Units of mutual investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	-	-	-	-	**1,177**	-

This item includes assets allocated to the “available-for-sale” portfolio.
These assets have all been extinguished at 31 December 2009 as the remaining securities were redeemed in 2009.

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

Items/Amounts	Total	
	2009	2008
1 Debt securities	**-**	**1,177**
a) Governments and central banks	-	408
b) Other public entities	-	-
c) Banks	-	511
d) Other issuers	-	258
2 Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3 Units of mutual investment funds	**-**	**-**
4 Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**-**	**1,177**

The classification of financial assets by industry sector of the issuer is consistent with Bank of Italy classifications.

4.4 Available-for-sale financial assets: changes during the year

	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	**1,177**	**-**	**-**	**-**	**1,177**
B Increases	**6**	**-**	**-**	**-**	**6**
B1 Purchases	-	-	-	-	-
B2 Positive changes in fair value	-	-	-	-	-
B3 Recoveries	-	-	-	-	-
- recognised in the income statement	-	-	-	-	-
- recognised in equity	-	-	-	-	-
B4 Transfers from other portfolios	-	-	-	-	-
B5 Other changes	6	-	-	-	6
C Decreases	**1,183**	**-**	**-**	**-**	**1,183**
C1 Sales	-	-	-	-	-
C2 Redemptions	1,150	-	-	-	1,150
C3 Negative changes in fair value	-	-	-	-	-
C4 Impairments	-	-	-	-	-
- recognised in the income statement	-	-	-	-	-
- recognised in equity	-	-	-	-	-
C5 Transfers to other portfolios	-	-	-	-	-
C6 Other changes	33	-	-	-	33
D Closing balances	**-**	**-**	**-**	**-**	**-**

Other changes under additions and reductions regard income statement components resulting from the sum of interest, adjustments, value recoveries, coupon interest and accruals.

Section 6 - Item 60 – Loans and advances to banks

6.1 Loans and advances to banks: composition by type

Types of transaction/Amounts	Total	
	2009	2008
A Loans and advances to central banks	**-**	**-**
1. Term deposits	-	-
2. Compulsory reserves	-	-
3. Reverse repurchase agreements	-	-
4. Other	-	-
B Loans and advances to banks	**6,647**	**10,264**
1. Current accounts and demand deposits	2,353	3,637
2. Term deposits	4,294	6,627
3. Other loans:	-	-
3.1 Reverse repurchase agreements	-	-
3.2 Finance leases	-	-
3.3 Other	-	-
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
Total (carrying amount)	**6,647**	**10,264**
Total (fair value)	**6,647**	**10,264**

The compulsory reserve is held with the Central Bank for Italian Savings Banks; the amount is thus recorded in B.2 Term deposits.
Impairment losses have not been recognised on loans and advances to banks due to the fact that they are all considered to be recoverable. As all loans and advances are either short-term or floating rate, fair value is equal to amortised cost.

Section 7 - Item 70 - Loans and advances to customers

7.1 Loans and advances to customers: composition by type

Types of transaction/Amounts	Total			
	2009		2008	
	Performing	Impaired	Performing	Impaired
1 Current account overdrafts	2,345	87	2,336	73
2 Reverse repurchase agreements	-	-	-	-
3 Mortgage loans	8,541	-	5,769	-
4 Credit cards, personal loans and loans secured by one-fifth of salary	459	-	338	-
5 Finance leases	-	-	-	-
6 Factoring	-	-	-	-
7 Other transactions	3,301	15	3,180	-
8 Debt securities	-	-	-	-
8.1 Structured securities	-	-	-	-
8.2 Other debt securities	-	-	-	-
Total (carrying amount)	**14,646**	**102**	**11,623**	**73**
Total (fair value)	**14,705**	**102**	**11,497**	**73**

Loans and advances to customers are net of impairments.

A collective write-down was applied to performing loans by multiplying the percentage of 2.40% (the percentage increase in non-performing loans for the region in the third quarter of 2009) by the percentage of loss given defaults, totalling 51.37%. This latter percentage is based on the benchmark for the banking system, given the Bank’s recent entry into the loans market.
At 31 December 2009 total non-performing loans of €381 thousand, after net impairments of €307 thousand, result in net non-performing loans of €74 thousand.
The amount and nature of impairments are shown in Part E of these Notes.

Item 7 “Other transactions” includes:

	Total
	2009
Unsecured loans	1,743
Advances with recourse	1,308
Commercial discounts	26
Deposits at clearing houses	198
Guarantee deposits	26
Total	**3,301**

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

Types of transaction/Amounts	Total 2009		Total 2008	
	Performing	Impaired	Performing	Impaired
1 Debt securities	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	-	-	-	-
- non-financial companies	-	-	-	-
- financial companies	-	-	-	-
- insurance companies	-	-	-	-
- other	-	-	-	-
2 Loans to:	**14,646**	**102**	**11,623**	**73**
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	14,646	102	11,623	73
- non-financial companies	5,962	94	5,101	65
- financial companies	30	-	22	-
- insurance companies	-	-	-	-
- other	8,654	8	6,500	8
Total	**14,646**	**102**	**11,623**	**73**

The classification of financial assets by industry sector of the issuer is consistent with Bank of Italy classifications.

Section 10 – Item 100 – Investments

10.1 Investments in subsidiaries, joint ventures or associates: by type of investment

Name	Registered office	% interest	% of voting rights
A. Subsidiaries			
1) Im.pa srl	Naples	100%	100%
B. Joint ventures			
C. Associates			

During 2009 the Bank completed the acquisition of a 100% stake in Im.Pa. Srl, the company that owns the property in Viale Gramsci, Naples, that is to host the Bank's new headquarters.

10.2 Investments in subsidiaries, joint ventures or associates: accounting information

Name	Total assets	Total revenue	Profit/ (Loss)	Equity	Carrying amount	Fair value
A. Subsidiaries						
1) Im.pa srl	5,318	222	(71)	3,739	3,118	3,118
B. Joint ventures						
C. Associates						

The amounts shown above regard reclassified amounts extracted from the IFRS financial statements of Im.Pa. Srl for the year ended 31 December 2009.
As the acquisition was completed in 2009, fair value was assumed to equal purchase cost.

10.3 Investments: changes during the year

	Total 2009	Total 2008
A Opening balance	**-**	**22**
B Increases	**4,418**	**-**
B1 Purchases	2,418	-
B2 Recoveries	-	-
B3 Revaluations	-	-
B4 Other changes	2,000	-
C Decreases	**1,300**	**22**
C1 Sales	-	-
C2 Impairments	-	-
C3 Other changes	1,300	22
D Closing balance	**3,118**	**-**
E Total revaluations	**-**	**-**
F Total impairments	**-**	**-**

The investment in Im.Pa. Srl at the transaction date amounted to €2,418 thousand, corresponding to the acquisition of all the company's share capital.
On 23 September 2009, the Bank approved a capital contribution of €2 million to the subsidiary. This was done to enable it to carry out early termination of a property lease and purchase the leased property, and to finance the renovation of the building. After extinguishing the lease agreement, Im.Pa. Srl assumed full ownership of the property that will be home to the Bank's new headquarters. Subsequently, on 20 November 2009, the company repaid €1,300 thousand of the loan obtained, as this sum was surplus to requirements.

Section 11 - Item 110 – Property, plant and equipment

11.1 Property, plant and equipment: composition of assets measured at cost

Assets/Amounts	Total 2009	Total 2008
A Operating assets		
1.1 owned by the Bank	**306**	**363**
a) land	-	-
b) buildings	-	-
c) furniture	186	217
d) electronic equipment	66	73
e) other	54	73
1.2 purchased under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**306**	**363**
B Investment assets		
2.1 owned by the Bank	**-**	**-**
a) land	-	-
b) buildings	-	-
2.2 purchased under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
Total A+B	**306**	**363**

The rate of depreciation for furniture is 12%, whilst for electronic equipment and the remaining components it is 20%.

11.3 Operating property, plant and equipment: changes during the year

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A Gross opening balances	**-**	**-**	**402**	**262**	**204**	**868**
A.1 Total net reductions	-	-	185	189	131	505
A.2 Net opening balances	**-**	**-**	**217**	**73**	**73**	**363**
B Increases	**-**	**-**	**2**	**48**	**2**	**52**
B.1 Purchases	-	-	2	23	2	27
B.2 Capitalised improvements	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	25	-	25
C Decreases:	**-**	**-**	**33**	**55**	**21**	**109**
C.1 Sales	-	-	-	25	-	25
C.2 Depreciation	-	-	33	30	21	84
C.3 Impairments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.4 Reductions in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment assets	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D Net closing balances	**-**	**-**	**186**	**66**	**54**	**306**
D.1 Total net reductions	-	-	218	195	152	565
D.2 Gross closing balances	**-**	**-**	**404**	**261**	**206**	**871**
E Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Total accumulated depreciation is included in A.1 and D.1 Total net reductions.
Item E - Measurement at cost - has not been used due to the fact that it is only for property, plant and equipment not owned by the Bank and measured at fair value.

Section 12 - Item 120 – Intangible assets

12.1 Intangible assets: composition by type of asset

Assets/Amounts	Total 2009		Total 2008	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**-**	**-**	**-**	**-**
A.2 Other intangible assets	**65**	**-**	**30**	**-**
A.2.1 Assets measured at cost:	**65**	**-**	**30**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	65	-	30	-
A.2.2 Assets at fair value:	**-**	**-**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**65**	**-**	**30**	**-**

Other intangible assets with finite lives regard the cost of licences for software, all of which was supplied by external parties and is amortised on a straight-line basis over its useful life of an estimated five years.
There are no internally generated intangible assets.

12.2 Intangible assets: changes during the year

	Goodwill	Other intangible assets: Internally generated		Other intangible assets: Other		Total
		FINITE	INDEF	FINITE	INDEF	
A Gross opening balances	**-**	**-**	**-**	**337**	**-**	**337**
A.1 Total net reductions	-	-	-	307	-	307
A.2 Net opening balances	**-**	**-**	**-**	**30**	**-**	**30**
B Increases	**-**	**-**	**-**	**62**	**-**	**62**
B.1 Purchases	-	-	-	62	-	62
B.2 Additions of internally generated intangible assets	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C Decreases	**-**	**-**	**-**	**27**	**-**	**27**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	27	-	27
- Amortisation	-	-	-	27	-	27
- Impairments	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Reductions in fair value recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- the income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D Net closing balances	**-**	**-**	**-**	**65**	**-**	**65**
D.1 Total net adjustments	-	-	-	334	-	334
E. Gross closing balances	**-**	**-**	**-**	**399**	**-**	**399**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3 Other information

The following information is provided in compliance with paragraphs 122 and 124 of IAS 38. The Bank has no:

- intangible assets that have been pledged as security for liabilities;
- contractual commitments for the acquisition of intangible assets;
- intangible assets acquired through finance or operating leases.

Section 13 - Item 130 in assets and item 80 in liabilities – Deferred tax assets and liabilities

Information is provided in this note regarding tax assets (current and deferred) and tax liabilities (current and deferred) reported, respectively, in item 130 in assets and item 80 in liabilities.
Deferred tax assets and liabilities are accounted for on an accruals basis.
Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

13.1 Deferred tax assets: composition

	IRES	IRAP	Total
- impairments of loans and advances to customers	97	-	97
- other temporary differences	86	-	86
Total	**183**	**-**	**183**

13.2 Deferred tax liabilities: composition

	IRES	IRAP	Total
- surplus provisions for staff termination benefits under IFRS	18	-	18
- other temporary differences	-	-	-
Total	**18**	**-**	**18**

13.3 Changes in deferred tax assets (recognised in the income statement)

	Total	
	2009	2008
1. Opening balance	**121**	**33**
2. Increases	**84**	**109**
2.1 Deferred tax assets recognised during the year	84	109
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) recoveries	-	-
d) other	84	109
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**22**	**21**
3.1 Deferred tax assets derecognised during the year	22	-
a) reversals	-	-
b) impairments due to non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	22	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	21
4. Closing balance	**183**	**121**

At the end of the reporting period the Bank re-assessed its tax position and, in compliance with the accounting standards in force, recognised “deferred tax assets” where there is reasonable certainty that they will be recovered.
The rate applied for IRES was 27.5% and for IRAP 4.82%, which were computed in accordance with current tax legislation.
The difference of €63 thousand between recognised and derecognised deferred tax assets was recognised in the income statement in item 260 “Taxation on profit from continuing operations”.

13.4 Changes in deferred tax liabilities (recognised in the income statement)

	Total	
	2009	2008
1. Opening balance	**11**	**6**
2. Increases	**7**	**5**
2.1 Deferred tax liabilities recognised during the year	7	5
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	7	5
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised during the year	-	-
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**18**	**11**

“Deferred tax liabilities” are recognised on temporary differences between the carrying amount of assets and liabilities and their tax base.
The rate applied for IRES was 27.5% and for IRAP 4.82%, which were computed in accordance with current tax legislation.
The difference of €6 thousand between recognised and derecognised deferred tax assets and liabilities were recognised in the income statement in item 260 “Taxation on profit from continuing operations”.

13.5 Changes in deferred tax assets (recognised in equity)
No deferred tax assets were recognised in equity during the year.

13.6 Changes in deferred tax liabilities (recognised in equity)
No deferred tax liabilities were recognised in equity during the year.

13.7 Other information
Current tax assets and liabilities refer to the following taxes payable after deducting advances and withholding tax paid.

Current tax assets

Items/Amounts	2009	2008
IRES	479	186
IRAP	158	82
Indirect and other taxes	-	-
Total	**637**	**268**

Current tax liabilities

Items/Amounts	2009	2008
IRES	1,340	480
IRAP	368	155
Indirect and other taxes	-	-
Total	**1,708**	**635**

Section 14 – Item 140 – Non-current assets and disposal groups held for sale

14.1 Non-current assets and disposal groups held for sale: composition by type of asset

	Total	
	2009	2008
A Individual assets		
A.1 Financial assets	-	-
A.2 Investments	19	22
A.3 Property, plant and equipment	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**19**	**22**
B Disposal groups		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity financial assets	-	-
B.5 Loans and advances to banks	-	-
B.6 Loans and advances to customers	-	-
B.7 Investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**-**	**-**
C Liabilities associated with individual assets held for sale		
C.1 Deposits	-	-
C.2 Debt securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D Liabilities included in disposal groups		
D.1 Deposits by banks	-	-
D.2 Customer accounts	-	-
D.3 Outstanding securities	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**

Item 140 includes the investment in Equity Sud Advisor srl.
On 14 January 2009 the Bank sold 27.50% of Equity Sud Advisor and signed a preliminary agreement for the sale of the remaining 20%.
The investment being sold has been accounted for at its carrying amount as this is lower than fair value less costs to sell.
The sale has generated a gain €152 thousand, which has been recognised in item 240 in the income statement.
The amount of €19 thousand in the above table represents the sum of the remaining €9 thousand and a capital increase of €10 thousand subscribed during the year.

Section 15 - Item 150 – Other assets

15.1 Other assets: composition

	2009	2008
- Non-current assets in progress and advances	373	-
- Amounts to be charged to customers	117	78
- Leasehold improvements	341	460
- Sundry tax assets	76	49
- Pending direct debits payable	289	239
- Fees and commissions to be invoiced	589	-
- Other minor items	77	74
- Accrued income and prepayments	383	16
Total	**2,245**	**916**

The increase in other assets reflects changes in various components:

- renovation work on the new headquarters building, totalling €373 thousand;
- fees and commissions to be invoiced in respect of the placement of the private equity fund launched in 2009 in partnership with Vegagest SGR;
- minor tax assets included in this item in accordance with the new classification introduced by the 1st update of Bank of Italy Circular 262; the amount at 31 December 2008 has been reclassified;
- prepayments in the form of lease rentals payable by Im.pa. for 2010, but already paid in 2009.

Liabilities and equity

Section 1 - Item 10 – Deposits by banks
1.1 Deposits by banks: composition by type

Types of transaction/Amounts	Total 2009	Total 2008
1 Deposits by central banks	**-**	**-**
2 Deposits by banks	**50**	**-**
2.1 Current accounts and demand deposits	50	-
2.2 Term deposits	-	-
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Liabilities deriving from commitments to repurchase own shares	-	-
2.5 Other payables	-	-
Total	**50**	**-**
Fair value	**50**	**-**

Section 2 - Item 20 – Customer accounts
2.1 Customer accounts: composition by type

Types of transaction/Amounts	Total 2009	Total 2008
1 Current accounts and demand deposits	16,624	14,560
2 Term deposits	-	1,381
3 Loans	767	2,326
3.1 Repurchase agreements	767	2,326
3.2 Other	-	-
4 Liabilities deriving from commitments to repurchase own shares	-	-
5 Other payables	-	-
Total	**17,391**	**18,267**
Fair value	**17,391**	**18,267**

Due to the fact that all items are demand deposits (current accounts and demand deposits), it has been assumed that fair value is equal to amortised cost.

Section 3 - Item 30 – Outstanding securities
3.1 Outstanding securities: composition by type

Types of transaction/Amounts	Total 2009				Total 2008			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**4,010**	**-**	**4,010**	**-**	**-**	**-**	**-**	**-**
1. Bonds	4,010	-	4,010	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	4,010	-	4,010	-	-	-	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**4,010**	**-**	**4,010**	**-**	**-**	**-**	**-**	**-**

On 26 January 2009 Banca Promos issued its first bonds, amounting to €3 million. The bonds, which were fully subscribed, mature on 26 January 2012 and were issued at par. The gross effective yield is 3.50%.

On 23 September 2009 the Bank approved a further bond issue restricted to customers of Banca Promos holding bonds issued by the Lehman Brothers group, offering them the opportunity to replace the defaulted Lehman bonds in their portfolios with securities issued by Banca Promos, thus recouping a large part of their capital. The total value of this 10-year bond issue was €3 million and the bonds pay a fixed rate of 1%. The placement closed on 14 October 2009, with customers having subscribed bonds with a value of €1,550 thousand.
On initial recognition, these borrowings were accounted for at fair value, amounting to €3,100,200 and €910,160, respectively. Fair value was determined on the basis of the swap rate at 31 December 2009 after linear interpolation and 2 and 3-year BBB (Senior) credit spreads (for the first issue) and 9 and 10-year BBB (Senior) credit spreads (for the second issue) for banks.

Section 8 - Tax liabilities - Item 80

The composition and changes in deferred tax liabilities are reported in Section 13 under assets.

Section 10 - Item 100 – Other liabilities
10.1 Other liabilities: composition

	2009	2008
Subject to collection portfolio	208	149
Bank transfers awaiting clearance	14	13
Bankers' drafts issued	7	-
Amounts payable to tax authorities on behalf of customers and staff	125	194
Trade payables	674	139
Amounts payable to other entities	114	134
Accrued expenses	11	13
Remuneration payable to staff and related social security contributions	638	191
Amounts payable to customers	14	54
Other third-parties payables	9	73
Total	**1,814**	**960**

The significant increase in other liabilities primarily reflects the growth in amounts payable to staff. The increase in trade payables is due to commission expense relating to the placement of the private equity fund launched in 2009 in partnership with Vegagest SGR.

Section 11 - Item 110 – Staff termination benefits
11.1 Staff termination benefits: changes during the year

	Total	
	2009	2008
A Opening balance	**328**	**211**
B Increases	**156**	**124**
B.1 Provisions for the year	129	97
B.2 Other changes	27	27
C Decreases	**14**	**7**
C.1 Benefits paid	14	7
C.2 Other changes	-	-
D Closing balance	**470**	**328**
Total	**470**	**328**

This item relates to provisions for staff termination benefits recognised in accordance with IAS 19.
The Bank has elected, as permitted under international accounting standards, to recognise actuarial gains and losses for the year in a separate equity reserve.
Accrued staff termination benefits continued to be held by the Bank at 31 December 2009 as permitted by Law 296 of 27 December 2006, due to the fact that the number of employees did not exceed the maximum of 50.

Section 12 - Item 120 – Provisions for risk and charges
12.1 Provisions for risk and charges: composition

Items/Amounts	Total	
	2009	2008
1. Company pensions funds	-	-
2. Other provisions	83	160
2.1 litigation	83	160
2.2 staff costs	-	-
2.3 other	-	-
Total	**83**	**160**

Provisions for risk and charges have been made to cover the charges relating to an ongoing labour dispute.

12.2 Provisions for risk and charges: changes during the year

	Pension funds	Other provisions	Total
A Opening balances	**-**	**160**	**160**
B Increases	**-**	**3**	**3**
B.1 Provisions for the year	-	3	3
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to modification of discount rate	-	-	-
B.4 Other increases	-	-	-
C Decreases	**-**	**80**	**80**
C.1 Uses during the year	-	26	26
C.2 Changes due to modification of discount rate	-	-	-
C.3 Other decreases	-	54	54
D Closing balances	**-**	**83**	**83**

Provisions for risk and charges have decreased following settlement of a labour dispute, involving payment of €26 thousand, which was less than the provision made at 31 December 2008. This resulted in the recovery of €54 thousand, recognised in item 160 in the income statement.

Section 14 - Items 130, 150, 160, 170, 180, 190 and 200 – Equity
This Section reports the composition of the Bank's equity and reserves.

14.1 Equity: composition

Items/Amounts	Total	
	2009	2008
1. Share capital	7,740	7,740
Total	**7,740**	**7,740**

At the end of the reporting period the Bank did not hold treasury shares.

14.2 Share capital and treasury shares: composition

Items/Types	Ordinary	Other
A. Shares at beginning of year	**3,870,000**	**-**
- fully paid-up	3,870,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
B.2 Shares outstanding: opening balance	**3,870,000**	
B. Increases	**3,870,000**	**-**
B.1 New issues	-	-
- rights issues:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- scrip issues:	-	-
- to staff	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	3,870,000	-
C Decreases	**-**	**-**
C.1 Cancellations	-	-
C.2 Share buybacks	-	-
C.3 Demergers	-	-
C.4 Other changes	-	-
D Shares outstanding: closing balance	**7,740,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares at end of year	7,740,000	-
- fully paid-up	7,740,000	-
- not fully paid-up	-	-

The amendment of the Articles of Association, approved by the General Meeting of 19 June 2009, also resulted in a share split, with the par value of the Bank’s shares being reduced from €2.00 to €1.00. As a result, the number of ordinary shares outstanding has doubled from 3,870,000 to 7,740,000.

14.3 Share capital: other information

The share capital consists exclusively of 7,740,000 shares with a par value of €1.00 each. There are no rights, privileges or restrictions applying to the shares.
There are no unpaid shares and the Company holds no treasury shares.

14.4 Revenue reserves: other information

Items/Components	Total	
	2009	2008
1. Legal reserve	495	453
2. FTA reserve:	115	115
Available-for-sale financial assets	(28)	(28)
Adjustment to provisions for staff termination benefits	2	2
Adjustment to other provisions	141	141
3. Retained earnings	1,380	1,149
Total	**1,990**	**1,717**

Other information
4. Management and brokerage on behalf of third parties

Types of service	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	135,996
1. settled	135,991
2. unsettled	5
b) Sales	134,968
1. settled	134,934
2. unsettled	34
2. Asset management	
a) individual	-
b) collective	-
3. Custody and administration of securities	
a) third-party securities held on deposit: linked to role as depositary bank (excluding asset management)	34,076
1. securities issued by the reporting bank	12,154
2. other securities	21,922
b) third-party securities held on deposit (excluding asset management): other	-
1. securities issued by the reporting bank	-
2. other securities	-
c) third-party securities deposited with third parties	34,076
d) proprietary securities deposited with third parties	12,587
4. Other transactions	

PART C

Notes to the Income Statement

Section 1 – Items 10 and 20 - Interest

1.1 Interest income and similar revenues: composition

Items/Forms	Debt securities	Loans	Other transactions	Total	
				2009	2008
1 Financial assets held for trading	283	-	-	283	253
2 Available-for-sale financial assets	22	-	-	22	56
3 Held-to-maturity financial assets	-	-	-	-	-
4 Loans and advances to banks	-	147	-	147	276
5 Loans and advances to customers	-	701	-	701	796
6 Financial assets at fair value	-	-	-	-	-
7 Hedging derivatives	-	-	-	-	-
8 Other assets	-	-	-	-	-
Total	**305**	**848**	**-**	**1,153**	**1,381**

1.3.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets	Amount	
	2009	2008
Interest income	-	2

1.4 Interest expense and similar charges: composition

Items/Forms	Deposits	Securities	Other transactions	Total	
				2009	2008
1. Deposits by central banks	-	-	-	-	-
2. Deposits by banks	49	-	-	49	38
3. Customer accounts	84	-	-	84	364
4. Outstanding securities	-	110	-	110	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**133**	**110**	**-**	**243**	**402**

Section 2 – Items 40 and 50 – Fees and commissions

These items consist of income and expenses regarding services provided by and to the Bank.
They exclude income and costs included in the determination of the effective interest rates (such amounts have been included in items 10 - Interest income and similar revenues and 20 - Interest expense and similar charges) of financial assets and liabilities.

2.1 Fees and commissions receivable: composition

Types of service/Amounts	Total 2009	Total 2008
a) guarantees issued	-	-
b) credit derivatives	-	-
c) management, brokerage and advisory services:	1,149	3,691
1. trading in financial instruments	361	3,581
2. foreign currency trading	-	-
3. asset management	-	-
3.1 individual	-	-
3.2 collective	-	-
4. custody and administration of securities	3	4
5. depositary bank	-	-
6. securities placement	604	16
7. order collection	56	90
8. advisory services	-	-
8.1 regarding investment	-	-
8.2 regarding financial structure	-	-
9. distribution of third-party services	125	-
9.1 asset management	-	-
9.1.1. individual	-	-
9.1.2 collective	-	-
9.2 insurance products	-	-
9.3 other products	125	-
d) collection and payment services	92	66
e) servicing for securitisation transactions	-	-
f) factoring transactions	-	-
g) tax collection	-	-
h) management of multilateral trading systems	-	-
i) current account services	85	45
j) other services	6	30
Total	**1,332**	**3,832**

2.2 Fees and commissions receivable: distribution channels for products and services

Channels/Amounts	Total	
	2009	2008
a) through own branches:	**125**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	125	-
b) door-to-door sales:	**604**	**16**
1. asset management	-	-
2. securities placement	604	16
3. third-party services and products	-	-
c) other distribution channels	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	-	-

The above item includes fees and commissions receivable in relation to placement of the private equity fund launched in 2009 in partnership with Vegagest SGR.

2.3 Fees and commissions payable: composition

Services/Amounts	Total	
	2009	2008
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) management and brokerage services:	1,811	535
1. Trading in financial instruments	1,795	515
2. Foreign currency trading	-	-
3. Asset management	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	16	11
5. Placement of financial instruments	-	4
6. Door-to-door sales of financial instruments, products and services	-	5
d) Collection and payment services	34	24
e) Other services	324	3
Total	**2,169**	**562**

"Other services" includes commission expense relating to the placement of the private equity fund launched in 2009 in partnership with Vegagest SGR.

Section 4 – Item 80 - Net profit/(loss) from trading activities
4.1 Net profit/(loss) from trading activities: composition

Transactions/Components of income	Gains A	Profits from trading B	Losses C	Losses from trading D	Net profit/(loss) E
1 Financial assets held for trading	**246**	**11,343**	**951**	**1,147**	**9,491**
1.1 Debt securities	246	11,321	951	1,147	9,469
1.2 Equity instruments	-	-	-	-	-
1.3 Units of mutual investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	22	-	-	22
2 Financial liabilities held for trading	**650**	**1**	**-**	**-**	**651**
2.1 Debt securities	650	1	-	-	651
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3 Financial assets and liabilities: exchange differences	**-**	**-**	**-**	**-**	**-**
4 Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indexes	-	-	-	-	-
- on foreign exchange and gold	-	-	-	-	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**896**	**11,344**	**951**	**1,147**	**10,142**

This item includes:
a) the balance of profits and losses on “financial assets held for trading” and on “financial liabilities held for trading”, including gains and losses on the measurement of those items;
b) the balance of profits and losses on foreign currency transactions, including gains and losses on the measurement of the transactions;
c) gains of €246 thousand and losses of €18 thousand on securities held in portfolio at 31 December 2009;
d) the gain on the bonds issued by Banca Promos on 23 September 2009 at a rate of 1%, and therefore at below market rates, resulting in a gain of €650 thousand in the financial statements for 2009 (as described in the note on “Day one profit/loss” in section A.3.3);
e) the loss of €933 thousand on measurement at 31 December 2009 of the Lehman Securities purchased from customers in connection with the bond issue of 23 September 2009.

As a result of the transaction referred to in the last two points, relating to the issue of bonds to customers holding Lehman securities, the Bank has recognised a total loss of €283 thousand.

Section 6 – Item 100 - Profits/(Losses) on sales and repurchases
6.1 Profits/(Losses) on sales and repurchases: composition

Items/Components of income	Total 2009			Total 2008		
	Profits	Losses	Net profit/ (loss)	Profits	Losses	Net profit/ (loss)
Financial assets	**7**	**(15)**	**(8)**	**11**	**(7)**	**4**
1. Loans and advances to banks	-	-	-	-	-	-
2. Loans and advances to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	7	(15)	(8)	11	(7)	4
3.1 Debt securities	7	(15)	(8)	11	(7)	4
3.2 Equity instruments	-	-	-	-	-	-
3.3 Units of mutual investment funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
Total assets	**7**	**(15)**	**(8)**	**11**	**(7)**	**4**
Financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
1. Deposits by banks	-	-	-	-	-	-
2. Customer accounts	-	-	-	-	-	-
3. Outstanding securities	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Section 8 – Item 130 - Impairment losses/recoveries on loans and advances
8.1 Impairment losses/recoveries on loans and advances: composition

Transactions/Components of income	Impairment losses			Recoveries				Total	
	Specific		Collective	Specific		Collective			
	Cancellations	Other		interest	other	a	b	2009	2008
A. Loans and advances to banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	-	(111)	(107)	-	(20)	-	-	(198)	(237)
- Loans	-	(111)	(107)	-	(20)	-	-	(198)	(237)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**(111)**	**(107)**	**-**	**(20)**	**-**	**-**	**(198)**	**(237)**

The impairment losses under “Specific – Other” relate to analytical impairment losses on loans and advances.

The impairment losses under the "Collective" column are in the nature of general provisions.
Recoveries refer to reductions in doubtful loans following the collection of previously impaired loans and advances.

Section 9 – Item 150 - Administrative expenses
9.1 Staff costs: composition

Types of expense/Amounts	Total 2009	Total 2008
1) Employees	3,092	2,166
a) wages and salaries	2,344	1,632
b) social security contributions	570	416
c) staff termination benefits paid	-	-
d) pension contributions	-	-
e) provisions for staff termination benefits	129	101
f) provisions for pension funds and similar commitments:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
g) provisions for external supplementary pension funds:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
h) cost of share-based payments	-	-
i) other employee benefits	49	17
2) Other staff	-	4
3) Directors and Statutory Auditors	581	409
4) Staff on leave	-	-
5) Recovery of expenses for employes seconded to other companies	-	-
6) Reimbursement of expenses for third-party employees seconded to the Bank	-	-
Total	**3,673**	**2,579**

Sub-item a) includes the portion of performance-related bonuses paid to retail staff.
Sub-item e) provisions for staff termination benefits, employees, consists of the following amounts:

- Current service cost of €114 thousand;
- Interest cost of €15 thousand.

Line 2) Other staff costs include payments to temporary staff.
Line 3) Directors consists of directors' emoluments including social security contributions paid by the Bank.

9.2 Average number of employees by category

	2009
Employees	
a) Senior managers	1
b) Total middle managers	4
- of which: grades 3 and 4	2
c) Remaining employees	41
Other staff	-

The average number of employees is calculated as the weighted average, weighted on the basis of the number of months worked by each employee during the year. Part-time staff are counted at 50%.

9.5 Other administrative expenses: composition

	2009	2008
Other administrative costs		
– indirect taxation and duties:	**12**	**22**
– other	*12*	*22*
– other:	**1,732**	**1,417**
– fees paid to external consultants	*129*	*60*
– auditors' fees	*67*	*59*
– lease rentals and running expenses	*284*	*208*
– IT services	*610*	*507*
– postage and telecommunications	*155*	*121*
– maintenance and repairs	*19*	*18*
– advertising and public relations	*58*	*39*
– energy and fuel	*28*	*25*
– insurance	*12*	*10*
– printing and stationery	*57*	*60*
– office cleaning	*28*	*26*
– transport and travel expenses	*26*	*40*
– lease rentals and hire charges	*45*	*36*
– legal and other consultants' fees	*102*	*36*
– membership dues and similar charges	*88*	*74*
– security	*9*	*6*
– other	*15*	*92*
Total	**1,744**	**1,439**

Section 10 – Item 160 – Net provisions for risk and charges
10. Net provisions for risk and charges: composition

	2009	2008
Provisions for risk and charges		
other provisions:	(3)	(160)
-for litigation	*(3)*	*(160)*
Recovery of provisions for risk and charges		
other provisions:	54	-
-for litigation	*54*	-
Total	**51**	**(160)**

Section 11 – Item 170 - Adjustments to property, plant and equipment
11.1 Adjustments to property, plant and equipment: composition

Assets/Components of income	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned by the Bank	-	-	-	-
- Operating assets	-	-	-	-
- Investment assets	(84)	-	-	(84)
A.2 Purchased under financial leases	-	-	-	-
- Operating assets	-	-	-	-
- Investment assets	-	-	-	-
Total	**(84)**	**-**	**-**	**(84)**

Depreciation of property, plant and equipment amounts to €84 thousand.

Section 12 – Item 180- Adjustments to intangible assets
12.1 Adjustments to intangible assets: composition

Assets/Components of income	Amortisation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned by the Bank	(27)	-	-	(27)
- Internally generated	-	-	-	-
- Other	(27)	-	-	(27)
A.2 Purchased under finance leases	-	-	-	-
Total	**(27)**	**-**	**-**	**(27)**

Section 13 – Item 190 - Other operating costs/income
13.1 Other operating costs: composition

	2009	2008
- contingent liabilities	(12)	(9)
- amortisation of leasehold improvements	(119)	(119)
- other	(3)	(2)
Total	**(134)**	**(130)**

13.2 Other operating income: composition

	2009	2008
Expense recoveries	51	21
Grant pursuant to Law 388/2000	10	-
Contingent assets	20	24
Other	-	-
Total	**81**	**45**

Section 17 – Item 240 – Profits/(Losses) on sale of investments
17.1 Profits/(Losses) on sale of investments: composition

Components of income/Amounts	Total	
	2009	2008
A. Properties	-	-
- Profit on sales	-	-
- Loss on sales	-	-
B. Other assets	152	-
- Profit on sales	152	-
- Loss on sales	-	-
Net profit/(loss)	**152**	**-**

Section 18 – Item 260 - Taxation on profit from continuing operations
18.1 Taxation on profit from continuing operations: composition

Components of income/Amounts	Total	
	2009	2008
1. Current tax expense	(1,708)	(635)
2. Change in current tax expense for previous years	-	-
3. Reduction in current tax expense for the year	-	-
4. Change in deferred tax assets	63	87
5. Change in deferred tax liabilities	(7)	(5)
6. Tax charge for the year	(1,652)	(553)

18.2 Reconciliation of tax charge at statutory rate and effective tax charge (IRES)

Components/Amounts	2009
Profit/(Loss) from continuing operations before tax (item 250 c/e)	**4,632**
Tax charge calculated at statutory rate of 27.50% for IRES	**1,274**
Tax on increases	129
Tax on reductions	(63)
Effective tax rate for IRES - 28.93%	**1,340**
IRAP	**368**
Current tax expense for the year	**1,708**

Increases primarily regard Directors' remuneration and loan impairments. Reductions primarily regard recoveries as a result of the use of provisions.

Section 21 – Earnings per share

Earnings per share for 2009 is €0.38, calculated, in accordance with the regulations in force, by dividing profit for the year by the weighted average number of shares in issue during the period.

PART D

Statement of comprehensive income

	Items	Gross amount	Taxation	Net amount
10.	**Profit/(Loss) for the year**	**4,632**	**1,652**	**2,980**
	Other components of comprehensive income	**-**	**-**	**-**
20.	Available-for-sale financial assets:	(7)	-	(7)
	a) changes in fair value	-	-	-
	b) through the income statement	(7)	-	(7)
	- impairment losses	-	-	-
	- relaised gains or losses	(7)	-	(7)
	c) other changes	-	-	-
30.	Property, plant and equipment	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges of foreign operations:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	c) other changes	-	-	-
60.	Cash flow hedges:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	c) other changes	-	-	-
70.	Exchange differences:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial gains/(losses) on defined benefit plans	(33)	(6)	(27)
100.	Share of valuation reserves for investments measured using the equity method	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	- impairment losses	-	-	-
	- relaised gains or losses	-	-	-
	c) other changes	-	-	-
110.	**Total other components of comprehensive income**	**(40)**	**(6)**	**(34)**
120.	**Comprehensive income (Item 10+110)**	**4,592**	**1,646**	**2,946**

PART E

Financial risk management and hedging policies

In compliance with Bank of Italy circular 263/2006, section IV, paragraph 1, the Bank announces that information on its capital adequacy and risk exposures is available on its website at www.bancapromos.it.

Section 1 – Credit risk

Credit or counterparty risk is the general risk that a customer or counterparty will not fulfil obligations at the agreed time due to a lack of funds.
It is above all the risk for banks that loans or interest will not be fully or only partly repaid by customers.
Credit risk, therefore, also includes liquidity, concentration and country risks .

Qualitative disclosure
1. General information

During 2008 the Bank continued to expand its typical banking activities, such as deposit-taking and lending, in line with its strategic objectives aimed at diversifying its business.

Moreover, the composition of loans, which have grown in volume by 26% compared with the previous year, breaks down as follows:

- a significant component (56%) represented by medium/long-term housing loans secured by mortgages;
- a large proportion of exposures relating to lines of credit in connection with normal on-balance sheet lending (more than 20%);
- a sizable portion of the Bank's exposure represented by advances against invoices with recourse (10%), permitting companies to immediately obtain cash against invoices which are not yet due for payment, and unsecured term loans, consisting of medium-term loans without security in the form of a mortgage (11%);
- a residual portion represented by personal loans (2%).

Lending has always been guided by the desire to limit and diversify risk through:

- careful selection and accurate assessment of creditworthiness during the credit approval process and continuous monitoring of the borrower's ability to meet obligations;
- diversification of credit risk through the targeting low value loans and by limiting concentration of exposures to related customers, groups of companies or individual sectors of the economy;
- use of IT to monitor the performance of individual exposures as well as continual controls of relationships showing signs of irregularity.

2. Credit risk management policies
2.1 Organisational aspects

Aware that risk is an inherent part of granting credit, the Bank gives great importance to controlling this type of risk.
The Bank has, for that purpose, implemented management policies and control systems to limit risk exposure consistent with sound and prudent management through general guidelines developed by the Board of Directors, the purpose of which is twofold:

- regulation of lending activities in accordance with detailed objectives with respect to risks and returns;
- continual compliance with the Bank of Italy's prudential instructions regarding the adequacy of capital to absorb risk.

2.2 Management, measurement and control systems

Credit risk management procedures are linked to the policies that govern the granting of credit. To this end, the Board of Directors is responsible for establishing a framework for the granting
of credit, approving strategic guidelines and credit approval and risk management policies, via the definition of specific indicators (type of loan, proportion of funding to be loaned).
In line with these policies, the Board of Directors has drawn up and approved credit risk measurement methods, and techniques for monitoring credit performance.
All credit procedures, from analysis to disbursement, from the monitoring of positions to the review of lines of credit, through to the steps taken with respect to problem loans, are set out in the "Credit regulations", approved by the Board of Directors and periodically revisited.
This governs: credit authorities, prudential limits, acceptable guarantees, credit classification, credit monitoring, and the control and reporting system.
It is necessary to have an adequate risk measurement and control system as part of a correct approach to managing the lending process.
To this end, the Bank oversees the effectiveness of the systems adopted through a "Control system", which is organised differently according to the various levels of control within the Bank. On this basis, each controller is required to carry out their oversight activities, on the one hand, and report on the outcomes of their controls, on the other.

The control system operates on three levels:

1) front-line controls, which aim to ensure that transactions are conducted correctly, are carried out by front-office staff;

2) second-level controls that are the responsibility of:
   - the Credit Monitoring department, which in the ordinary course of business carries out controls during the credit granting, finalisation and classification phases and carries out checks on problems arising once the credit has been drawn down and on impaired loans;
   - the Risk Management unit, which monitors the activities carried out, overseeing transactions and effecting an overall assessment of the Bank's risk exposure, based also on the performance of loans;
   - the Compliance unit, which checks compliance with internal and external regulations.

3) third-level controls by the internal audit department through ex-post assessment of any problems, procedural irregularities and violations of internal and external regulations, and assessment of the overall functionality of the internal control system.

In addition, the following are also carried out:
- preventive controls, which take place prior to approval of the line of credit and specifically aim to ensure compliance with credit authority limits and guarantee standards, and the completeness and adequacy of all the documents submitted and/or signed by the customer;
- ongoing controls, which take place after approval and disbursement of the loan, with the various positions monitored in relation to their various operational aspects, above all with regard to risk management (borrowing limits being exceeded, compliance with guarantee limits, etc.), in order to verify compliance with loan repayment conditions.

Finally, the Bank uses a management tool to carry out front-line controls, enabling branches and the Credit Monitoring department to periodically monitor existing exposures. The procedure uses information already in the Bank's possession, assigning a risk rating to each customer. The ratings are calculated for each Head Office Number assigned to customers, and the problems and related data used to arrive at the ratings are placed in a historical context.

2.3 Credit risk mitigation techniques

Credit risk is mitigated by the fact that loans are only granted to customers with sound creditworthiness and proven personal reliability.
When necessary, loans are secured by different forms of collateral depending on the type of loan:

- personal guarantees;
- collateralisation of assets and mortgages of property.

Acceptable forms of personal guarantees are letters of indemnity payable on first request issued by Italian and international banks or by creditworthy physical persons or legal entities.

The bank accepts the following forms of collateral:

- mortgages;
- pledges of deposits in euros or another currency;
- pledges of securities.

The granting of credit to finance trading is guarantees by securities, which are valued according to their nature and riskiness and taking account of the ratings assigned by specialist agencies. A discount to market value is then applied to the financial instruments pledged, depending on the nature of the instrument. The Bank has the right to decide whether or not the securities to be pledged are acceptable and to vary the percentage discount for high-risk equity instruments.
Loans may also be cash collateralised, without the application of a discount.
Mortgage loans are granted in return for a first mortgage on the properties concerned.
Guarantees are only accepted after careful assessment not only with respect to the maximum amount of credit that may be granted, but also in terms of the presence of any encumbrances or obstacles that may in some way limit validity.

2.4 Impaired financial assets

With regard to the technical and organisational procedures and methods used in managing and controlling impaired assets, as established in the internal “Credit regulations” the means of classifying doubtful loans is set out below:

- “past-due and/or overdue”, regarding loans where the related due dates for repayment established by regulatory requirements have been exceeded;
- “problem” loans are loans to entities considered to be temporarily in a position of objective difficulty, which may be resolved in a reasonable length of time, also through the efficient action of branches. Loans classified as “problem” are not necessarily then reclassified as “non-performing”, in that effective action in respect of the customer can result in a reversal of the classification once the temporary difficulty has been resolved;
- “loans in the process of being restructured” are loans that are undergoing a restructuring process or for which a restructuring is close to being finalised, based on the payment of interest at below market rates;
- “non-performing” loans are loans to debtors who are considered to be either insolvent or in substantially similar situations. Recoverability is analytically assessed on the basis of a prudent valuation of the position of debtors and any guarantors, the state of progress of any legal actions, and a prudent appraisal of the realisable value of collateral, where obtained.

All doubtful exposures (problem, non-performing, restructured) are subject to analytic assessment by the unit involved in the credit process.
The Board of Directors is responsible for classifying doubtful loans.
Despite these precautions, not all loans were performing at 31 December 2009.
Impaired financial assets registered a reduction in loans classified as “non-performing” by the Board of Directors, with these exposures accounting for 0.5% of total loans, as opposed the 0.6% of one year earlier.

Quantitative disclosure

A. Credit quality

A.1. Impaired and performing exposures: amounts, adjustments, changes, distribution by industry and geographical area

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Non-performing	Problem	Restructured	Past-due	Other assets	Total
1. Financial assets held for trading	-	-	-	-	11,009	**11,009**
2. Available-for-sale financial assets	-	-	-	-	-	**-**
3. Held-to-maturity financial assets	-	-	-	-	-	**-**
4. Loans and advances to banks	-	-	-	-	6,647	**6,647**
5. Loans and advances to customers	74	-	-	28	14,646	**14,748**
6. Financial assets at fair value	-	-	-	-	-	**-**
7. Financial assets held for sale	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	-	-	**-**
Total 2009	**74**	**-**	**-**	**28**	**32,302**	**32,404**
Total 2008	73	-	-	-	29,546	29,619

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net amounts)

Portfolio/Quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific impairments	Net exposure	Gross exposure	Collective impairments	Net exposure	
1. Financial assets held for trading	-	-	-	-	-	11,009	11,009
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	6,647	-	6,647	6,647
5. Loans and advances to customers	410	308	102	14,825	179	14,646	14,748
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 2009	**410**	**308**	**102**	**21,472**	**179**	**32,302**	**32,404**
Total 2008	289	216	73	29,618	72	29,546	29,619

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

Types of exposure/Amounts	Gross exposure	Specific impairments	Collective impairments	Net exposure
A. On-balance sheet exposures				
a) Non-performing	-	-	-	-
b) Problem	-	-	-	-
c) Restructured	-	-	-	-
d) Past-due	-	-	-	-
e) Other assets	9,955	-	-	9,955
Total A	**9,955**	**-**	**-**	**9,955**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B	**-**	**-**	**-**	**-**
Total A+B	**9,955**	**-**	**-**	**9,955**

A.1.4 On-balance sheet exposures to banks: changes in gross impaired loans
This table is not provided as the Bank has not so far recognised gross impaired loans to banks.

A.1.5 On-balance sheet exposures to banks: changes in total impairments
This table is not provided as, given that the Bank has not so far recognised gross impaired loans to banks, no such impairments have been recognised.

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

Types of exposure/Amounts	Gross exposure	Specific impairments	Collective Impairments	Net exposure
A. On-balance sheet exposures				
a) Non-performing	381	307	-	**74**
b) Problem	-	-	-	**-**
c) Restructured	-	-	-	**-**
d) Past-due	29	1	-	**28**
e) Other assets	22,527	-	179	**22,348**
Total A	**22,937**	**308**	**179**	**22,450**
B. Off-balance exposures				
a) Impaired	-	-	-	**-**
b) Other	113	-	-	**113**
Total B	**113**	**-**	**-**	**113**

A.1.7 On-balance sheet exposures to customers: changes in gross impaired loans

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**289**	**-**	**-**	**-**
- of which: transferred assets not derecognised	-	-	-	**-**
B. Increases	**94**	**-**	**-**	**29**
B.1 transfers from performing loans	85	-	-	**29**
B.2 transfers from other categories of impaired asset	-	-	-	**-**
B.3 other increases	9	-	-	**-**
C. Decreases	**2**	**-**	**-**	**-**
C.1 transfers to performing loans	-	-	-	**-**
C.2 derecognition	-	-	-	**-**
C.3 collection	2	-	-	**-**
C.4 amounts realised on transfer	-	-	-	**-**
C.5 transfers to other categories of impaired asset	-	-	-	**-**
C.6 other decreases	-	-	-	**-**
D Gross exposure at end of year	**381**	**-**	**-**	**29**
- of which: transferred assets not derecognised	-	-	-	

A.1.8 On-balance sheet exposures to customers: changes in total impairments

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Total impairment losses at beginning of year	**216**	**-**	**-**	**-**
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**111**	**-**	**-**	**1**
B.1 impairment losses	102	-	-	1
B.2 transfers from other categories of impaired asset	-	-	-	-
B.3 other increases	9	-	-	-
C. Decreases	**20**	**-**	**-**	**-**
C.1 value recoveries	-	-	-	-
C.2 value recoveries from collection	-	-	-	-
C.3 derecognition	-	-	-	-
C.4 transfers to other categories of impaired asset	-	-	-	-
C.5 other decreases	20	-	-	-
D. Total impairment losses at end of year	**307**	**-**	**-**	**1**
- of which: transferred assets not derecognised	-	-	-	-

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

A.2.1 Distribution of on- and off-balance sheet exposures by class of external rating

Exposures	Class of external rating						No rating	Total
	Aaa/Aa3	A1/A3	Baa1/Baa3	Ba1/Ba3	B1/B3	Below B3		
A. On-balance sheet exposures	**5,101**	**2,884**	**1,485**	**-**	**-**	**-**	**22,934**	**32,404**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**113**	**113**
Total	**5,101**	**2,884**	**1,485**	**-**	**-**	**-**	**23,047**	**32,517**

The classes for external ratings used in the following table refer to those used by Moody’s.

A.2.2 Distribution of on- and off-balance sheet exposures by class of internal rating

This table is not provided as the Bank has not so far used internal ratings to manage credit risk.

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured exposures to banks

This table is not provided as the Bank has so far not recognised secured on-balance sheet exposures to banks.

A.3.2 Secured exposures to customers

		Collateral (1)			Personal guarantees (2)									
					Credit derivatives					Credit commitments				
						Other derivatives								
	Net exposure	Properties	Securities	Other collateral	CLNs	Governm. and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	Total (1+2)
1. Secured on-balance sheet exposures	**12,763**	**8,900**	**291**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,560**	**12,751**
1.1 fully secured	12,726	8,900	265	-	-	-	-	-	-	-	-	-	3,560	12,725
- of which impaired	28	-	-	-	-	-	-	-	-	-	-	-	26	26
1.2 partially secured	37	-	26	-	-	-	-	-	-	-	-	-	-	26
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Secured off-balance sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Credit distribution and concentration

B.1 Distribution of on- and off-balance sheet exposures to customers by sector (carrying amounts) - Part 1

Exposures / Borrowers	Governments and central banks			Other public entities		
	Net exposure	Specific impair-ments	Collective impair-ments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-
A.5 Other	2,351	-	-	-	-	-
Total A	**2,351**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2009	**2,351**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2008	**2,074**	**-**	**-**	**-**	**-**	**-**

B.1 Distribution of on- and off-balance sheet exposures to customers by sector (carrying amounts) - Part 2

Exposures / Borrowers	Financial companies			Insurance companies		
	Net exposure	Specific impair-ments	Collective impair-ments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-
A.5 Other	3,299	-	-	211	-	-
Total A	**3,299**	**-**	**-**	**211**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2009	**3,299**	**-**	**-**	**211**	**-**	**-**
Total (A+B) 2008	**2,104**	**-**	**-**	**573**	**-**	**-**

B.1 Distribution of on- and off-balance sheet exposures to customers by sector (carrying amounts) - Part 3

Exposures / Borrowers	Non-financial companies			Other entities		
	Net exposure	Specific impairments	Collective impairments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	68	297	-	6	10	-
A.2 Problem	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	26	1	-	2	-	-
A.5 Other	7,832	-	74	8,654		104
Total A	**7,926**	**298**	**74**	**8,662**	**10**	**104**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	-	-	-	113	-	-
Total B	**-**	**-**	**-**	**113**	**-**	**-**
Total (A+B) 2009	**7,926**	**298**	**74**	**8,775**	**10**	**104**
Total (A+B) 2008	**6,271**	**210**	**32**	**6,508**	**6**	**40**

B.2 Distribution of on- and off-balance sheet exposures to customers by geographical area (carrying amounts)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet exposures										
A.1 Non-performing	74	307	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	28	1	-	-	-	-	-	-	-	-
A.5 Other	18,034	179	4,181	-	133	-	-	-	-	-
Total A	**18,136**	**487**	**4,181**	**-**	**133**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	113	-	-	-	-	-	-	-	-	-
Total B	**113**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2009	**18,249**	**487**	**4,181**	**-**	**133**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2008	**14,670**	**288**	**2,654**	**-**	**206**	**-**	**-**	**-**	**-**	**-**

B.3 Distribution of on- and off-balance sheet exposures to banks by geographical area (carrying amounts)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net expo-sure	Total impair-ments	Net expo-sure	Total impair-ments	Net expo-sure	Total impair-ments	Net expo-sure	Total impair-ments	Net expo-sure	Total impair-ments
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	7,684	-	2,107	-	164	-	-	-	-	-
Total A	**7,684**	**-**	**2,107**	**-**	**164**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2009	**7,684**	**-**	**2,107**	**-**	**164**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2008	**10,389**	**-**	**1,562**	**-**	**138**	**-**	**-**	**-**	**-**	**-**

B.4 Major risks

The Bank reports only one risk position representing a major risk, as defined by the Bank of Italy, at 31 December 2009. This amounts to €3,118 thousand.

This exposure regards the investment in a non-financial company, Im.Pa. Srl.

C.2 Loan transfers

C.2.1 Transferred financial assets not derecognised

Forms/Portfolios	Financial assets held for trading			Financial assets at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Loans and advances to banks			Loans and advances to customers			Total	
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c	2009	2008
A. On-balance sheet assets	**774**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**774**	**2,359**
1. Debt securities	774	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	774	2,359
2. Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2009	**774**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**774**	**-**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 2008	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,359**
of which impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.2.2 Financial liabilities associated with transferred financial assets not derecognised

Liabilities/Asset portfolios	Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and advances to banks	Loans and advances to customers	Total
1. Customer accounts	**767**	**-**	**-**	**-**	**-**	**-**	**767**
a) associated with assets recognised in full	767	-	-	-	-	-	767
b) associated with assets recognised in part	-	-	-	-	-	-	-
2. Deposits by banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) associated with assets recognised in full	-	-	-	-	-	-	-
b) associated with assets recognised in part	-	-	-	-	-	-	-
Total 2009	**767**	**-**	**-**	**-**	**-**	**-**	**767**
Total 2008	1,237	-	1,538	-	-	-	2,775

Section 2 – Market risk

Market risk is the general risk relating to unforeseeable variations of macroeconomic variables.
These trends can have an effect on financial markets and securities and foreign exchange trading that can result in increased risk with respect to changes in market prices as reflected in:

- interest rate risk
- equity price risk
- foreign exchange risk

The quantitative data used for the analysis of each risk category relates to the trading and banking books as defined by instructions regarding supervisory reporting procedures. The trading book consists of all financial instruments for which capital adequacy requirements relating to market risk must be met.

2.1 Interest rate and price risk – Supervisory trading book

Qualitative disclosure

A. General information
The Supervisory Trading Book consists entirely of euro denominated debt securities of issuers in Zone A countries with investment grade ratings from AAA to BBB- (Standard & Poor's) and from Aaa to Baa3 (Moody's).
The Bank does not take speculative positions in derivative instruments and does not trade in equity instruments.

B. Management policies and interest rate and price risk measurement methods
Interest rate risk is the effect on price due to changes in interest rates on the financial market. The extent of the effect depends on the terms and conditions of the instrument such as, for example, residual life to maturity, coupon, and the existence of any call options.
The risk that a change in interest rates can have an adverse effect on the Bank's financial condition is an inherent risk of trading in that the Bank's performance will always be influenced by European interest rate trends and fluctuations and those of any other markets in which it operates.
Due to the fact that it is impossible to foresee all variations in securities' prices and foreign exchange rates and, generally, market developments, the Bank has implemented management policies and control systems that guarantee sound and prudent management of market risk through the issuance of general guidelines by the Board of Directors, the purpose of which is twofold:

- regulation of financial market activities in accordance with detailed objectives with respect to risks and returns;
- compliance with the Bank of Italy's prudential instructions regarding capital adequacy.

Above all, in order to mitigate the risk of changes in interest rate, Supervisory Trading Book transactions are subject to limits set out in the "Financial Markets Regulations", approved by the Board of Directors and periodically reviewed.
These limits have been fixed with reference to the following control parameters, which have been integrated into the Bank's IT systems:

- "modified duration", an indicator generally used for bonds;
- "VAR", a risk assessment model applied to a certain financial portfolio;
- short selling;
- "stop loss".

The Bank oversees the effectiveness of the systems adopted through a "Control system", which is organised differently according to the various levels of control within the Bank. On this basis, each controller is required to carry out their oversight activities, on the one hand, and report on the outcomes of their controls, on the other.

The control system operates on three levels:

1. front-line controls, which aim to ensure that transactions are conducted correctly, are carried out directly by traders, which over the trading day check compliance with the system of limits. In addition, with particular reference to financial assets, front-line controls are initially carried out automatically with reference to the control parameters integrated into the IT systems;

2. second-level controls that are the responsibility of:
   - the Back Office, which in the ordinary course of processing transactions checks compliance with the system of limits, and the correct exercise of authorities. It identifies any transactions that have been suspended as not compliant with one or more of the control parameters established and requests authorisation from the relevant managers;
   - the Risk Management unit, which monitors the activities carried out, overseeing transactions and effecting an overall assessment of the Bank's risk exposure, based on market trends, the nature of the instruments held, and the counterparties and issuers involved;

3. third-level controls by the internal audit department, based on a specially prepared programme of activities, through ex-post assessment of any problems, procedural irregularities and violations of internal and external regulations, and assessment of the overall functionality of the internal control system.

Quantitative disclosure

1. Supervisory Trading Book: distribution of on-balance sheet financial assets and liabilities and financial derivatives by remaining term to maturity (by repricing date)

Denominated in euros

Type/Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeterminate term to maturity
1. On-balance sheet assets								
1.1 Debt securities	-	4,369	1,156	1,214	4,270	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	4,369	1,156	1,214	4,270	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities								
2.1 Repurchase agreements	-	767	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The Bank has used stress testing to assess its exposure to adverse markets conditions, applying an assumed shift in interest rates of +/-100 bps to the supervisory trading book. This would result in percentage changes in net interest of -12.31%/+11.14%, in profit for the year of -3.76%/+3.40% and in equity of -0.82%/+0.74%.

2. Supervisory Trading Book: distribution of equity instruments and equity indexes by principal country of listing

This table is not provided as the Bank did not hold equity instruments or equity indexes at the end of the reporting period.

2.2 Interest rate and price risk – Banking Book

Qualitative disclosure

A. General information, management policies and interest rate and price risk measurement methods
The risk of that a change in interest rates can have an adverse effect on the Bank's financial condition is an inherent risk of Banking Book assets.

The Banking Book primarily consists of:
- loans;
- various types of deposit.

The Bank's exposure is measured by taking all assets and liabilities into account.
Above all, in order to limit risk exposure, interest rate risk is monitored through analysis of maturities.
Measurement is made by distributing long and short positions in residual term to maturity bands to the interest rate resetting date in compliance with supervisory requirements. The positions within each band are weighted with respect to the financial duration of each position. Assets and liabilities in the same band are netted to give the net position.
The analysis produces the composite index required by the Bank of Italy which is the "risk index" on the form of the ratio of exposure to interest rate risk to prudential capital.

B. Fair value hedges
The Bank does not engage in accounting or treasury fair value hedges.

C. Cash flow hedges
The Bank does not engage in cash flow hedging.

Quantitative disclosure

1. Banking Book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date)
Part 1 - Denominated in euros

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	1,609	4,294	-	-	-	-	-	-
1.3 Loans and advances to customers	3,002	1,046	468	611	3,987	2,760	2,800	74
- current account overdrafts	2,373	-	-	-	-	-	-	-
- other loans	629	1,046	468	611	3,987	2,760	2,800	74
- callable	-	-	-	-	-	-	-	-
- other	629	1,046	468	611	3,987	2,760	2,800	74
2 On-balance sheet liabilities								
2.1 Customer accounts	15,941	-	-	-	-	-	-	-
- current account overdrafts	15,305	-	-	-	-	-	-	-
- other loans	636	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	636	-	-	-	-	-	-	-
2.2 Deposits by banks	50	-	-	-	-	-	-	-
- current accounts	50	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	3,099	911	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	3,099	911	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking Book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date)
Part 2 - Denominated in US dollars

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeterminate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	725	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	-	-	-	-	-	-	-
- current account overdrafts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	668	-	-	-	-	-	-	-
- current account overdrafts	668	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking Book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date)
Part 3 - Denominated in other currencies

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeterminate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	19	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	-	-	-	-	-	-	-
- current account overdrafts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	15	-	-	-	-	-	-	-
- current account overdrafts	15	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking Book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date)
Part 4 - All

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeterminate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	2,353	4,294	-	-	-	-	-	-
1.3 Loans and advances to customers	3,002	1,046	468	611	3,987	2,760	2,800	74
- current account overdrafts	2,373	-	-	-	-	-	-	-
- other loans	629	1,046	468	611	3,987	2,760	2,800	74
- callable	-	-	-	-	-	-	-	-
- other	629	1,046	468	611	3,987	2,760	2,800	74
2 On-balance sheet liabilities								
2.1 Customer accounts	16,624	-	-	-	-	-	-	-
- current account overdrafts	15,988	-	-	-	-	-	-	-
- other loans	636	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	636	-	-	-	-	-	-	-
2.2 Deposits by banks	50	-	-	-	-	-	-	-
- current accounts	50	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	3,099	911	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	3,099	911	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The Bank has used stress testing to assess its exposure to adverse markets conditions, applying an assumed shift in interest rates of +/-100 bps to the banking book. This would result in percentage changes in net interest of -/+20.19%, in profit for the year of -/+6.15% and in equity of -/+1.34%.

2.3 Foreign exchange risk

Foreign exchange risk is the risk of future losses in purchasing power of a currency held and the permanent impairment of loans as a result of adverse changes in exchange rates.

Qualitative disclosure

A. General information, management policies and foreign exchange risk measurement methods

The extent to which the Bank is exposed to foreign exchange risk is determined by the level of foreign currency assets and liabilities. Foreign currency assets consist entirely of deposits at clearing house organisations and/ or banks of commissions earned on trading of financial instruments on over the counter markets (eurobonds). These commissions are denominated in the currency of the relevant security.

The relevant amounts are generally deposits of US dollar cash holdings which is considered to be a strategic currency for trading. All other currencies are considered to be residual and, therefore, when minimum tradable amounts are reached they are exchanged for euro.

In order to mitigate exchange risk, the Bank has implemented management policies and control systems that guarantee sound and prudent management of market risk through the issuance of general guidelines by the Board of Directors.

The “Financial Markets Regulations” establish limits on the assumption of foreign currency positions.

Moreover, the same method is used to measure exposure to exchange risk that is required by relevant supervisory regulations.

It is based on the calculation of “net currency positions" which is the difference between all assets and all liabilities (on and off-balance sheet) in any one currency.

The system of internal controls includes periodic verification of the propriety and compliance with of limits established in the above regulations.

B. Foreign Exchange hedges

There are no outstanding foreign exchange hedges at 31 December 2009.

Quantitative disclosure

1. Distribution of assets, liabilities and derivatives by currency of denomination

Items	Currency					
	US dollar	Sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	**725**	**-**	**-**	**-**	**-**	**19**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans and advances to banks	725	-	-	-	-	19
A.4 Loans and advances to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**668**	**-**	**-**	**-**	**-**	**15**
C.1 Deposits by banks	-	-	-	-	-	-
C.2 Customer accounts	668	-	-	-	-	15
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities						
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
Total assets	**725**	**-**	**-**	**-**	**-**	**19**
Total liabilities	**668**	**-**	**-**	**-**	**-**	**15**
Balance	**57**	**-**	**-**	**-**	**-**	**4**

The amounts in the table regard cash balances in current accounts and deposits held at banks in relation to trading activities.
The total foreign exchange gain amounts to €21,302 and represents the effect of favourable exchange rate fluctuations on dealing fees and commissions.

Section 3 – Liquidity risk

Liquidity risk is:

- in relation to the banking business:
  - a borrower becomes unable to service debt on the agreed dates;
  - the bank becomes unable to service its own debt obligations on maturity;
- in relation to financial intermediation, difficulties in selling financial instruments in portfolio on the dates required.

Qualitative disclosure

A. General information, management policies and liquidity risk measurement methods

Management of short- and medium/long-term assets and liabilities can result in cash flow gaps unless asset and liability maturities are matched.
To reduce the likelihood of gaps, the Bank has taken steps to restrict the use of short-term funding to finance longer term assets.
Controlling liquidity risk is made in compliance with recommendations of the Supervisory Authority.
In particular, the policy developed to control mismatched asset and liability maturities are designed to:

- assure that investments in properties and other companies do not exceed equity;
- guarantee sufficient excess liquidity sufficient to assure short-term solvency;
- assure that medium-term deposits and loans are matched by limiting the use of less stable deposits to fund medium/long-term assets.

The Treasury Department is responsible for managing liquidity. This is done through forecasting loans and, particularly, the timing of cash inflows and outflows.

Quantitative disclosure

1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 1 – Denominated in euros

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	2,352	-	-
A.2 Other debt securities	-	-	-	-	-	402	983	6,618	654	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	4,611	-	1,604	135	3,314	468	611	3,989	5,560	361
- Banks	1,609	-	1,501	-	2,506	-	-	-	-	287
- Customers	3,002	-	103	135	807	468	611	3,989	5,560	74
On-balance sheet liabilities										
B.1 Deposits and current accounts	15,991	-	-	-	-	-	-	-	-	-
- Banks	50	-	-	-	-	-	-	-	-	-
- Customers	15,941	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	3,099	911	-
B.3 Other liabilities	-	-	-	234	533	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	113	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	113	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 2 – Denominated in US dollars

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	-	-	-	-	-	-	-	-	-	-
- Banks	725	-	-	-	-	-	-	-	-	-
- Customers	725	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	668	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	668	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	234	533	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 3 – Denominated in other currencies

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	19	-	-	-	-	-	-	-	-	-
- Banks	19	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	15	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	15	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 4 – All

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	2,351	-	-
A.2 Other debt securities	-	-	-	-	-	402	983	6,618	654	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	5,355	-	1,604	135	3,313	468	611	3,989	5,560	361
- Banks	2,353	-	1,501	-	2,506	-	-	-	-	287
- Customers	3,002	-	103	135	807	468	611	3,989	5,560	74
On-balance sheet liabilities										
B.1 Deposits and current accounts	16,674	-	-	-	-	-	-	-	-	-
- Banks	50	-	-	-	-	-	-	-	-	-
- Customers	16,624	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	3,099	911	-
B.3 Other liabilities	-	-	-	234	533	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	113	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	113	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Section 4 – Operational risk

Operational risk relates to losses that could be incurred as a result of inadequate or malfunctioning procedures, human resources and information systems due to human error, technical problems and/or weak procedures and controls or exogenous events.

Qualitative disclosure

A. General information, management policies and operational risk measurement methods
Operational risk is a pure risk in that it only relates to events having adverse effects. It is the sum total of all irregularities that, alone, through negating company output can:

- result in losses;
- increase operating expenses;
- reduce revenues.

Aware that operational risk is an inherent part of its activities, the Bank gives great importance to controlling this type of risk.
The Bank’s internal control system, therefore, is based on principles aimed at ensuring sound and prudent management. The system is subject to periodic checks in order to assess its adequacy and functionality in terms of both effectiveness (the system’s ability to meet established objectives) and efficiency (its ability to meet established objectives in terms of costs, risks and profitability in line with those of similar companies).
In order to ensure the management of risks, the Bank has created regulations for each stage of each process, establishing adequate levels of control and, within the organisational structure, specific units with responsibility for overseeing controls.
In order to assess risk exposure and the effects that effective mitigation measures have on the exposure, it is necessary to combine qualitative and quantitative disclosures. The qualitative component (“self risk assessment”) can be summed up as the assessment of the risk profile of each organisational unit, in terms of potential future losses, efficiency of control systems and adequate management of risk mitigation techniques. The quantitative component, on the other hand, is essentially based on statistical and time series analysis of data regarding losses. As the available information on losses resulting from certain types of event are not always relevant, it is possible to integrate the data with data from the system.
Should a loss deriving from such an event occur, the Bank will input the information into its internal database of operating losses, to be used in the future when applying its internal risk calculation model.

The Board of Directors has approved a “Business continuity plan” that was developed in accordance with Bank of Italy instructions regarding internal controls (Title IV, Chapter 11) that require intermediaries to prepare contingency plans for information systems to assure, when needed, the continuity of operations essential for the Bank’s business and the return, within a reasonable period of time, to normal operations.
The Bank has also used the services of an outsourcer for information services that has developed a business continuity plan to supplement the plan prepared by Banca Promos.

Finally, with regard to the legal risk relating to pending court cases, a labour dispute pending at the end of the previous year was resolved during 2009, with the final charge being less than the provision made. This resulted in a recovery of approximately €54 thousand.

Quantitative disclosure

Operational risks controls during 2009 did not reveal any negative events during the year.

PART F

Equity

Section 1 – The Bank's equity

A. Qualitative disclosure

At 31 December 2009 equity amounts to €13,710 million.
The valuation reserves include the reserve for actuarial gains and losses on staff termination benefits, in accordance with regulatory requirements.

B. Quantitative disclosure

B.1 Equity: composition

Items/Amounts	Amount	
	2009	2008
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	1,990	1,716
- revenue	1,990	1,716
a) legal	494	453
b) statutary	-	-
c) treasury shares	-	-
d) other	1,496	1,263
- other	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	(71)	(37)
- Available-for-sale financial assets	-	7
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign operations	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Non-current assets held for sale	-	-
- Actuarial gains/(losses) on defined benefit plans	(71)	(44)
- Share of valuation reserves for investments measured using the equity method	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	2,980	834
Total	**13,710**	**11,324**

B.2 Valuation reserves for available-for-sale financial assets

Assets/Amounts	Total			
	2009		2008	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	7	-
2. Equity instruments	-	-	-	-
3. Units of mutual investment funds	-	-	-	-
4. Loans	-	-	-	-
Total	**-**	**-**	**7**	**-**

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

	Debt securities	Equity instruments	Units of mutual investment funds	Loans
1. Opening balances	**7**	**-**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**
2.1 Increases in fair value	-	-	-	-
2.2 Recycling of negative reserves through income statement	-	-	-	-
- from impairment losses	-	-	-	-
- on realisation	-	-	-	-
2.3 other changes	-	-	-	-
3. Decreases	**7**	**-**	**-**	**-**
3.1 Reductions in fair value	-	-	-	-
3.2 Impairment losses				
3.3 Recycling of positive reserves through income statement: on realisation	7	-	-	-
3.4 Other changes	-	-	-	-
4. Closing balances	**-**	**-**	**-**	**-**

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

A. Qualitative disclosure

The Bank's regulatory capital consists of Tier 1 (Basic) capital, amounting to €12,871 thousand at 31 December 2009.

1. Tier 1 capital (Basic capital)

Tier 1 capital consists of the following positive components: share capital and revenue reserves, including the proposed dividend for 2009, amounting to €12,936 million. The negative components, totalling approximately €65 thousand, regard other intangible assets recognised in the financial statements. The net value of Tier 1 capital is thus €12,871 thousand.

2. Tier 2 capital (Supplementary capital)

No components of Tier 2 capital were recognised during the year.

3. Tier 3 capital

No components of Tier 3 capital were recognised during the year.

B. Quantitative disclosure

	2009	2008
A. Tier 1 capital (Basic Capital) before prudential filters	**12,871**	**10,726**
B. Prudential filters applied to Tier 1 capital	**-**	**-**
B.1 - Positive IFRS prudential filters	-	-
B.2 - Negative IFRS prudential filters	-	-
C. Tier 1 capital (Basic Capital) before deductions (A+B)	**12,871**	**10,726**
D. Deductions from Tier 1 capital (Basic Capital)	**-**	**-**
E. Total Tier 1 capital (C-D)	**12,871**	**10,726**
F. Tier 2 capital (Supplementary Capital) before prudential filters	**-**	**7**
G. Prudential filters applied to Tier 2 capital	**-**	**(3)**
G.1 - Positive IFRS prudential filters	-	-
G.2 - Negative IFRS prudential filters	-	(3)
H. Tier 2 capital before deductions (F+G)	**-**	**4**
I. Deductions from Tier 2 capital	**-**	**-**
L. Total Tier 2 capital (H-I)	**-**	**4**
M. Deductions from Tier 1 and Tier 2 capital	**-**	**-**
N. Regulatory capital (E+L-M)	**12,871**	**10,730**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**12,871**	**10,730**

2.2 Capital adequacy

A. Qualitative disclosure

The Bank is obliged to comply with a theoretical solvency ratio equal to 8% of risk assets. In brief, regulatory capital must not fall below 8% of total risk assets calculated in accordance with the risk-weighted system required by the Bank of Italy.
The solvency ratio calculated on the basis of the financial statements for 2009 stands at 86.16%. This, combined with estimates of the result of compliance with the prudential requirements that have emerged as a result of introduction of the new Basle 2 parameters, leads the Bank to believe that its equity is sufficient to support the investments envisaged in the Bank's strategic plans.
At any rate, ample capital sufficiently covers overall exposure to credit, market and operational risks, with capital exceeding requirements by €10,070 thousand at the end of the reporting period.

B. Quantitative disclosure

Categories/Amounts	Unweighted amounts		Weighted amounts	
	2009	2008	2009	2008
A. Risk assets				
A.1 Credit and counterparty risk	27,672	28,272	14,938	10,740
1. Standardised method	27,672	28,272	14,938	10,740
2. Internal ratings based method	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk	-	-	1,195	859
B.2 Market risk	-	-	588	321
1. Standard method	-	-	588	321
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	1,018	733
1. Base method	-	-	1,018	733
2. Standardised method	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Other elements in the calculation	-	-	-	-
B.6 Total prudential requirements	-	-	2,801	1,913
C. Risk assets and regulatory ratios				
C.1 Risk weighted assets			35,013	23,909
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)			36.76%	44.86%
C.3 Regulatory capital including Tier 3/ Risk-weighted assets (Total capital ratio)			36.76%	44.88%

Item A.1 is obtained by multiplying regulatory capital requirements to cover credit and counterparty risk (item B.1) by the reciprocal of the minimum regulatory capital ratio for credit risk; item C.1 is obtained by multiplying total prudential requirements (item B.6) by the reciprocal of the minimum regulatory capital ratio for credit risk.

PART H

Related party transactions

1. Remuneration of key managers

The remuneration paid to key managers, who include the Directors and members of the Board of Statutory Auditors, during 2009 may be summarised as follows:

Nature of item	2009	2008
Directors	544	341
Members of Board of Statutory Auditors	37	30
Short-term employee benefits	113	97
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	21	14
Share-based payments	-	-
Total	**715**	**482**

Amounts are determined in accordance with IAS 24, paragraph 16.

2. Related party disclosures

Related party transactions are identified in accordance with IAS 24. Related parties may include subsidiaries and/or associates, Directors, Statutory Auditors and key managers (headquarters staff), in addition to their close relatives. Close relatives are held to include cohabitants and children of the related party, children of the cohabitant and other persons dependent on the related party or the cohabitant.

Nature of item	Assets	Liabilities	Costs	Income
Directors		64	-	-
Statutory Auditors	-	-	-	-
Key managers	-	1	-	-
Relatives	-	13	-	-
Other related parties	-	191	1	-

“Other related parties” refers to the subsidiary, Im.pa. Srl.

Related party relationships and transactions do not give rise to critical issues, regard the provision of ordinary banking services, and were normally conducted during the year based on contingent needs and requirements. Individual relationships or related party transactions were conducted on an arm’s length basis.