FINANCIAL STATEMENTS 2008

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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."

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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

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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
Statutory Auditors	Roberto Pascucci
	Settimio Briglia
Sindaci supplenti	Riccardo Elviri
	Sergio Vilone

Independent Auditors

Deloitte & Touche S.p.A.

DIRECTORS' REPORT ON OPERATIONS

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Dear Shareholders,

the financial statements presented here for your approval show profit for the year of €833,848, a significant improvement on last year and considerably ahead of expectations. It is noteworthy that these results were achieved without reclassifying the portfolio of available-for-sale financial assets following the amendment made to IAS 39 by the International Accounting Standards Board. Tax provisions of €552,880 resulted in an effective tax rate of 40%.

Prior to reporting on the Bank's operations and results, we provide a brief description of the international economic and financial environment, which we believe is particularly relevant given the extremely adverse market conditions during the period.

Macroeconomic environment

The crisis of confidence in the US housing loan market in 2007 spread rapidly throughout the world's financial sector in 2008, culminating in September 2008 in the bankruptcy of Lehman Brothers, one of the largest banks in the world, which collapsed because of the toxic assets on the bank's books.

Lehman's bankruptcy exacerbated fears that the international financial system was on the verge of breaking down and had severely shocked the real economy through its effects on consumer and corporate behaviour. The downturn has had the greatest effect on large multinational banking groups rather than medium-to small-sized banks, which, above all in Italy, remained on the fringes of the crisis even though they, too, have also experienced difficulties.

Governments and central banks, however, quickly reacted to the worst crisis since the war through coordinated action to support the economy and banks.

Notwithstanding the immediate action taken to alleviate the financial crisis, economic conditions by the end of the year had sharply deteriorated in all regions throughout the world: the United States, where business and consumer confidence touched record lows, went into recession, whilst there was a significant slowdown in production in Japan and even in emerging economies, such as India and China, that had initially coped well.

One of the immediate consequences of the crisis was the adoption of expansionist monetary policies by central banks which repeatedly reduced interest rates over a very short period of time. The European Central Bank's eurozone benchmark interest rate, for example, was cut 225 basis points in only three months from 4.25% in October 2008 to 2% in December 2008, before being cut still further to 1.5% in March 2009.

The deterioration of the economy did not spare Europe where indicators for 2008 were sharply down for GDP, industrial production, employment and, naturally, consumer and business confidence.

Although the banking crisis was less accentuated in Italy than in other countries, the signs of an economic slowdown were just as severe: a fall in foreign demand and exports (down 3.7%), weak domestic demand and imports of goods and services down 4.5%, a fall in GDP by 1% to its lowest level since 1975, the ratio of the deficit to GDP was 2.7% (it had been at 1.5% in 2007), stagnating consumption (off 0.50%), a declining rate of inflation, and consumer and business confidence at record lows.

Looking at foreign exchange rates, the weakness of the single currency's effective exchange rates, observed above all in the last months of the year, was due to the general and consistent fall of nominal bilateral exchange rates with the Japanese yen, Chinese rinminbi and the US dollar. These movements were marginally offset by the appreciation of the euro against minor currencies. US dollar/euro exchange rates were characterised by sharp fluctuations as a result of turbulent financial markets and touched 1.599 in July and 1.243 in October.

Following a period of sustained global growth, characterised by easy credit, high corporate earnings and low risk premiums, the global economy now finds itself confronted by a sharp slowdown and a crisis in the banking system.

Financial markets

The financial sector has paid a high price for the crisis: interbank trading has fallen; stock prices have collapsed; emerging economies have seen an outflow of foreign capital due to the sale of equities and bonds by banks and investment funds.

On the bond markets, corporate risk premiums are at all-time levels with spreads at record highs, while yields on government securities are at record lows due to the fall in interest rates. The decisive action taken by the monetary authorities to counter the effects of the Lehman bankruptcy, however, somewhat relaxed tense markets, bringing financial indicators at year end to almost normal levels.

The general situation of the global market was also reflected in Italy, where stock market quotations suffered in line with companies' difficulties and market capitalisations fell to almost one half of last year's levels. The MIB was down 49% on year-end 2007 as a result of a rapid and continual deterioration (a maximum of 28,406 points at 2 January 2008 with a minimum of 13,935 at 5 December). The volatility of the index was 30.5% compared to 12.5% for 2007, with an all time historic high of 69% in October; the most volatile on record in the 200-year history of the Italian market.

There were parallel outflows from mutual funds, particularly the most speculative, that had already begun in 2007 and which further reduced assets under management. This had the effect of orienting clients towards more liquid products.

These trends had a sharp effect on the volatility of capital markets, which are the most important for Banca Promos's operations, leading to increased trading volumes and, therefore, margins.

Banca Promos, consequently, recorded good results in the financial segment partly because of its ongoing policy of expansion, which resulted in the establishment of numerous new relationships with institutional counterparties as described below.

The Italian banking sector

The Italian banking system was more solid because it is less exposed to factors of financial stress. Italian banks are segmented into numerous small to medium-sized institutions, the business model of which is lending and retail deposit-taking with a limited inclination to acquire innovative financial assets characterised by high levels of risk.

That said, it cannot be denied that there has been a slowdown in the sector combined with restrictive lending policies.

The cyclical downturn contributed to a deterioration in loan quality as shown by the increase in non-performing loans as a percentage of total loans, particularly in Southern Italy, which has forced banks to become more selective in their choice of customer.

There has, on the other hand, been a significant increase in deposits. The growth rate almost doubled, compared to 2007, to 14.2% according to data for the banking system for the first nine months of 2008.

The incomplete data available for earnings show a general decline in ROE (9%) in addition to a 5% fall in total income.

The economy and the banking sector in Campania

The economic and financial environment in Campania was in line with the indicators for the Italian economy as a whole.

The region's real economy has shown signs of a slowdown in all sectors from industry, where qualitative indicators (orders, production, capacity utilisation), as surveyed by the ISAE, have deteriorated since 2007, to construction, where output and employment have fallen, and finally to services (visits by Italian and international tourists have fallen, reduced cargo volumes at the ports of Naples and Salerno).

Employment in Campania, unlike other Italian regions where there was a slight increase in 2008, continued to decline, as it has done for many years. The crisis was most felt by small to medium-sized companies, particularly in the construction sector.

A closer look at the credit sector shows that loans granted by banks declined, in line with the national average, primarily due to the more prudent stance adopted by banks.

Loan quality also deteriorated as shown by the increase in non-performing loans in the region, which is higher than the national average. There has also been a significant increase in exposures to borrowers experiencing temporary difficulties, which is equally split between consumers and corporate borrowers.

Unlike last year, but in line with national trends, total bank deposit-taking, on the other hand, was strong with deposits up by approximately 8% due, above all, to the impetus provided by consumers' preference for investments in liquid assets.

Banca Promos operating review

The Bank's performance for 2008 ran counter to general sector trends as demonstrated by two fundamental factors: banking operations that continued to expand as in the previous two years; financial activities, the consolidated core business, in which the Bank has know-how and experience and which were rewarded by good results for the year, all the more impressive because of the international environment.

The financial statements we present, therefore, show significant revenue and earnings growth, as well as indicators that are comforting for a number of reasons.

The good results are attributable to the Bank's market niche and its corporate culture. Banca Promos's business model has always been marked by its low inclination to deal in highly speculative products and, unlike many market participants, has never changed the focus of its activities to highly profitable, high risk markets and instruments (e.g., derivatives, ABS, products linked to sub-prime mortgages). This conservative approach has proven to be a strength in the current market conditions. The crisis has resulted in assets flowing into more traditional segments where Banca Promos is strong due to its continual investment in its systems and business units.

Significant events in 2008

2008 was a particularly important and eventful year for the Bank. A second branch was opened; capital was increased; a first ordinary audit was conducted by the Bank of Italy.

The new Salerno branch opened to the public on 1 April 2008 in line with the Bank's two-year strategic plan to gradually increase its coverage of the region by opening branches in provincial towns. The choice of Salerno, the size and entrepreneurial fabric of which is well adapted to the particular characteristics of Banca Promos, has proven to be satisfactory. The city's response to our way of doing business has proved extremely positive, as shown by the branch's initial performance.

The capital increase approved by shareholders was completed in June. The increase, which was undertaken to strengthen the Bank's capitalisation and shareholder base, resulted in the fresh issue of 270,000 ordinary shares with a par value of €2, at a premium of €4. The shares carry dividend rights from 1 July 2008. The share capital, consequently, increased to €7,740,000, which, with reserves and the share premium account, increased equity to over €11 million.

The majority of shares (66.48%) are still held by the largest shareholder. The capital increase resulted in raising the number of shareholders to 73.

The first periodic audit by the Bank of Italy during the year was of great importance to the directors, management and all of the Bank's staff, as it provided a benchmark against which the Bank's general organisational level and internal controls could be measured. The audit of approximately two months was concluded in November without the application of any sanctions.

Financial review

We set out below the key balance sheet aggregates for the year, details of which are shown in the notes to the financial statements.

An analysis of the balance sheet shows a good performance of deposits and loans in addition to growth in total assets.

The amount of customer deposits at 31 December 2008, as shown in item 20 under liabilities, was over €18 million, exceeding the balance at year-end 2007 by approximately 60%. The average growth in deposits for the year (+45%) is also indicative. An analysis of the figure shows that the greatest portion was attributable to straight deposits, whilst deposits in the form of repurchase agreements, amounting to 35% of the total, were not insignificant and were more than triple the 2007 figure.

Loans and advances to banks and customers (items 60 and 70 under Assets) improved both in terms of volumes as well as profitability.

Loans and advances to customers increased 30% to approximately €12 million from €9 million for 2007. The growth was driven by matched and mortgage loans. Loans and advances to banks of over €10 million were double the figure for 2007. Average outstandings for the year were almost double the amount for last year.

The structure of loans and advances once again demonstrates a good balance between short and medium/long-term exposures. The percentage of mortgage loans increased with respect to 2007, whilst the amount of matched loans is not insignificant.

There was also a good sector diversification of businesses financed thus resulting in a healthy diversification of risk.

The pie chart of exposures by security also shows that the amount of unsecured loans is only 16% of the total, compared to the 84% secured.

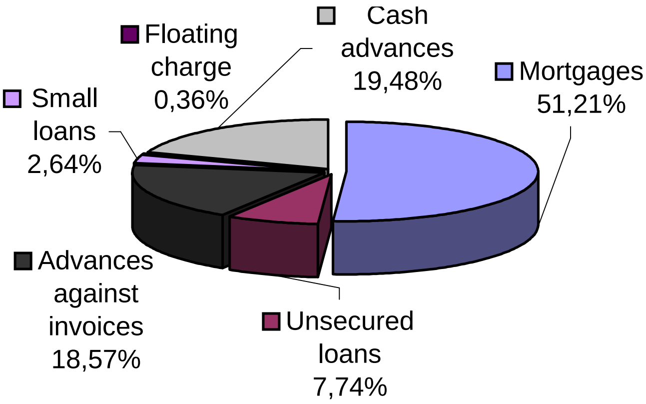
The quality of the loans portfolio remains satisfactory. Exposures of €351 thousand were classified as non-performing during the year, whereas recoveries of €62 thousand were made. Total non-performing loans of €289 thousand, net of impairments of €216 thousand, resulted in the recognition of €73 thousand in net impairment losses or 0.6% of total loans and advances. This amount is consistent with the normal risk inherent in lending and is attributable to the growth in lending during the year. The outlook for recoveries is good. There were no problem or past-due loans at 31 December 2008.

A collective write-down was applied to performing loans by multiplying the percentage of 1.40% (the percentage increase in non-performing loans for the region in the first half of 2008, as shown by Bank of Italy statistics) by the percentage of loss given defaults, totalling 45%.

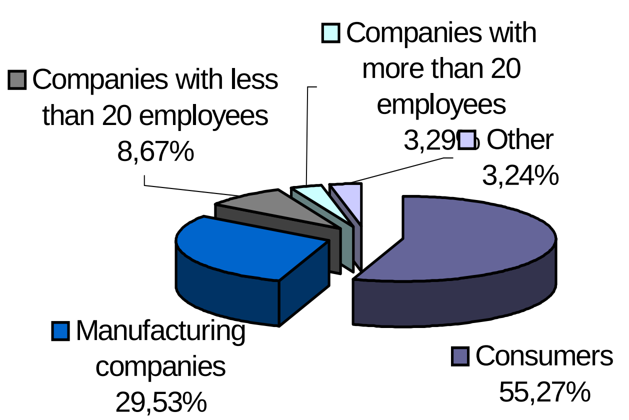
Analysis of the Bank's own portfolio of securities reported in balance sheet asset items 20 and 40 shows that there was only a residual amount, 15% of the total portfolio, classified as available-for-sale (item 40) whilst the greatest part (85%) consists of financial assets held for trading. There was a significant increase during the year in the total amount of 13%.

The Bank's portfolio of held-for-trading securities analysed by issuer demonstrates balanced diversification: 26% government securities, 20% bank securities with the remainder split between issuers in various industrial segments (energy, communications, utilities, etc.). The available-for-sale portfolio, on the other hand, consists of 35% government securities, 43%

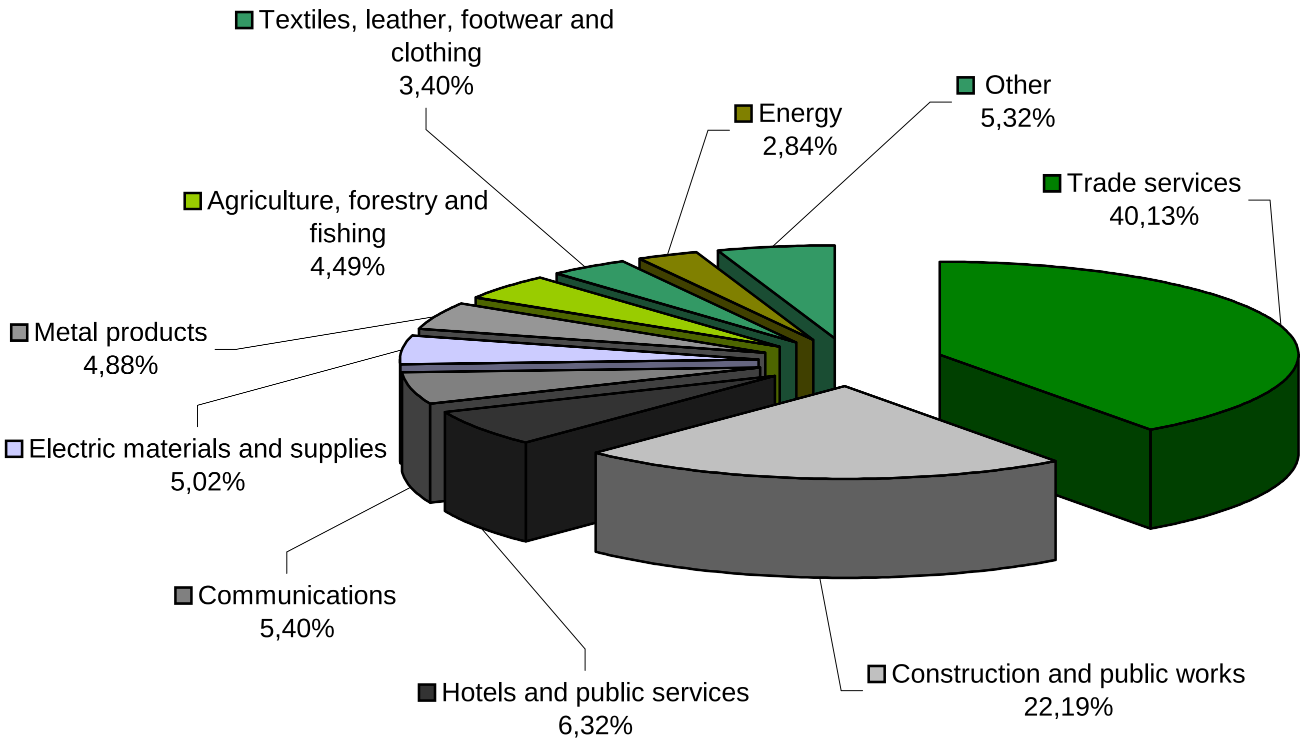
Exposure by type of loan



Exposure by sector



EXPOSURE BY INDUSTRIAL BRANCH

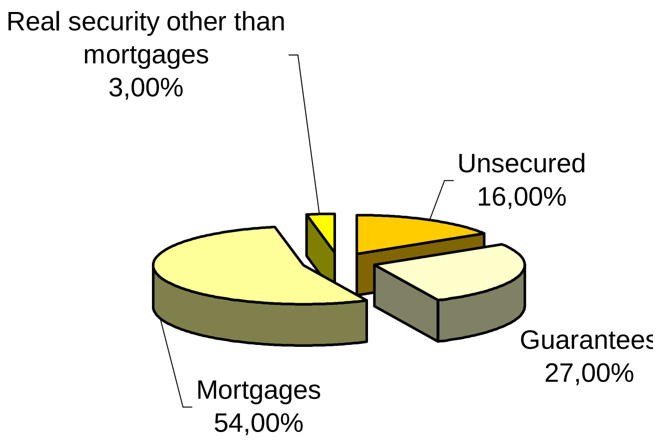


banks and the remaining 22% of insurance companies.

The average residual term to maturity of all securities is very short, which means that the Bank was in a good position to accommodate the interest rate fluctuations of 2008. The duration and the modified duration of the held-for-trading portfolio were 1.77 and 1.18 respectively and 0.46 and 0.16 for the available-for-sale portfolio.

Total losses on securities at 31 December 2008, net of gains, were €141 thousand. It should be noted in this connection that the Bank did not make an election under Regulation (EC) 1004/2008 of 15 October 2008, which permits banks to reclassify financial instruments on the occurrence of certain events in order to mitigate the effect of the financial crisis on income statements. The entire portfolio has, therefore, been measured at fair value, as before.

EXPOSURE BY COLLATERAL



The income statement for the year, the Bank's 28th year of operations, closed with a net profit of €833,848 thousand, which was 138% up on 2007 and, as explained above, in contrast to the general trend in the sector.

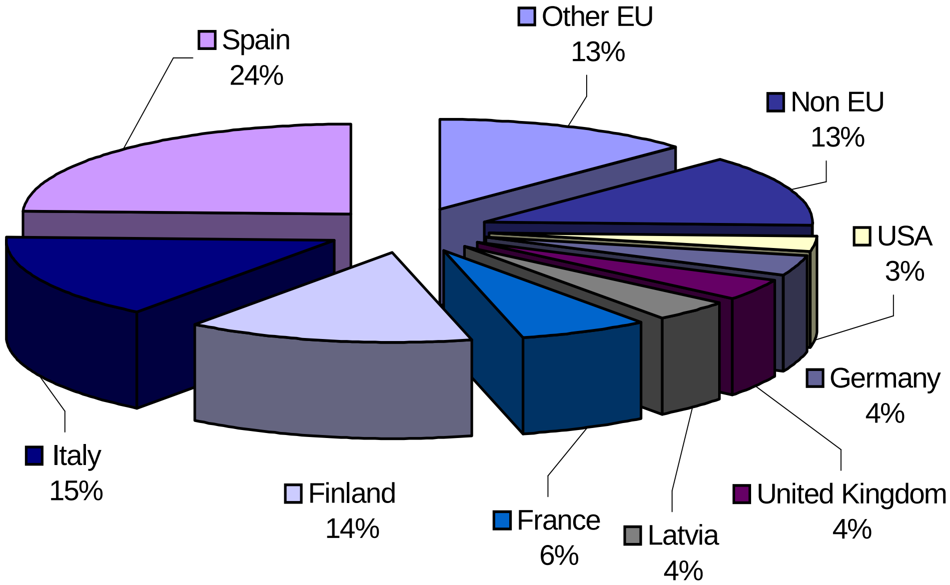
This sharp increase is directly attributable to trading activities (item 80) which, at €1.7 million, was triple the figure for 2007. There was also an 11% increase in net fees and commission income, which includes fees earned on trading in securities on behalf of third parties.

Other indicators of financial activities were also excellent: trading volumes exceeded €14 billion; the number of contracts executed for the twelve months was over 20,500 (an average of 80 contracts per day); a similar increase in income for each transaction. An important contribution to results was made by Treasury, which, established as an independent unit in 2007,
became fully operational in 2008, and from own-account trading, which has further increased in importance.

There has also been a considerable increase in the number of relationships with institutional counterparties, in part due to the increase in the number of employees in the segment. 78 new relationships in this segment were established during the year.

The geographical distribution of the new counterparties, as shown in the following chart, shows a fairly even spread between countries. 13% of new relationships established during the year are in connection with countries that are not members of the European Union, excluding the United States, which alone represents 3%. There has also been strong growth in business with northern European countries

NEW INSTITUTIONAL COUNTERPARTIES BY COUNTRY



(the Baltic republics and, to a greater extent, Finland), whilst the importance of Spain has increased in business with European countries.

Net interest income increased by 5%. Correct interpretation of this figure, however, requires a close look at its constituent elements. The analysis shown below reveals a fall in interest income on securities due

	2007	2006
Interest income	***1,381***	**1,136**
securities in portfolio	*309*	*545*
loans and advances to customers	*796*	*427*
loans and advances to banks	*276*	*143*
other assets	*-*	*21*
Interest expense	**402**	**205**
deposits by banks	38	*72*
customer accounts	364	*133*
Net interest income	**979**	**931**

to the increased focus on conventional banking operations, as confirmed by the growth of interest income on loans and advances to customers as a result of the increase in outstandings. There was also a significant increase in interest paid to customers due to the change in the structure of deposits which, this year, included considerable growth in repurchase agreements and fixed deposits, both of which are remunerated at higher interest rates.

Total income of over €5.9 million increased by 42%, while operating profit after impairments of non-performing loans increased significantly by 38% on the corresponding figure for 2007.

The increase in operating costs was caused by higher administrative expenses, which include staff costs that increased by 47% due to: increased costs as a result of numerous new recruits during the year, and the payment of variable salary components to marketing staff.

Other administrative expenses during the year excludes fees paid to financial advisers, which are now included in “fees and commissions payable”, thus resulting in the decrease.

All provisions at 31 December 2007 were utilised during the year by one payment. A provision was also made in 2008 for contingencies with respect to work in progress at the balance sheet date.

Movements in the increased level of equity at 31 December 2008 reflect the above-mentioned capital increase made during they year. The 270 thousand new shares issued during the year with a total par value of €540 thousand, plus a premium of €1,071 million, resulted in an increase in equity to over €11 million, compared to the €9 million of 2007.

In line with recent years, cash flow generation, as shown in the cash flow statement, was broadly sufficient to cover the Bank’s cash needs. Cash inflows from customer deposits strengthened during the year, whilst outflows consisted primarily of loans and advances to customers. There were no significant investments planned for the year that required financing other than out of equity and cash from customer deposits.

The following financial ratios with comparatives are supplementary to the above comments in order to provide a balanced and exhaustive analysis of the Bank’s operations for the year. As more clearly shown in Part F of the financial statements that 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 44.86% compared to the required minimum of 8%.

ROE (Return on Equity) was 7.36%. ROE is a global indicator of the Bank's profitability. Its improvement reflects 2008 performance.

ROA (Return on Assets) increased from 3.05% to 4.38%.

DPO (Dividend Payout), which is the ratio of dividends distributed to shareholders from the Bank's profit for the year, is high at 67.19% albeit lower than the 92.51% for 2007. As a result of the difficult situation in the markets, dividend policy was cautious in order to accumulate equity partly because of the planned acquisition of new premises for the Bank's management. As a result of the good performance for the year, this did not prevent the proposal of an increase in dividends for 2008 above the 2007 payout.

Analysis of the cost to income ratio shows a significant decrease to 72.61% for 2008 from the 82.60% for 2007 despite the start-up costs incurred for the opening of branches. Although the new facilities resulted in a cost increase for the year, they have not yet made a significant contribution to total income. Performance for the year, however, demonstrates the organisation's greater efficiency both with respect to revenues as well as costs. All of the Bank's organisational units made significant contributions. The performance of business units in 2008 was excellent, whilst back-office units provided the necessary support for the expansion of operations.

Analysis of the other ratios, particularly those relating to the balance sheet, demonstrate a well balanced structure: the ratio of loans and advances to customers and total assets of 37% was slightly below the 40% for last year, whilst deposits as a percentage of total assets increased slightly to 58% from last year's 51%.

Operating review

Operational and strategic policies continue to preserve and develop the Bank's dual local and international banking and financial roles, each of which complement each other while at the same time mitigating the risks and limitations of the other.

In line with strategic objectives for 2008-2009, strictly operational management was focused on increasing diversification, introducing organisational improvements and consolidating the core business.

This, as in previous two years, primarily entailed offering a range of services designed to respond to the various types of customer needs and resulted in the provision of the following corporate and customer services:

- Night safes for cash-based retail businesses for account holders' deposits of cash, cheques and money orders outside normal banking hours for credit to their accounts. The service was made available through the installation of special equipment in conjunction with the Bancomat machines;
- Time deposits permit primarily corporate clients with medium to high deposits to open fixed-term deposits in their names at interest rates that are higher than ordinary deposits;
- Safe-deposit boxes entailing the provision by the Bank of special high-security facilities for private customers for the safekeeping of various types of valuables;
- Savings account passbooks, also primarily for retail customers, above-all small investors with straightforward investment requirements.

Analysis of the indicators also shows an expansion of banking operations: the number of current accounts, for example, has doubled since 2007 partially as a result of the opening of the Salerno branch. The number of point-of-sale terminals has quadrupled, which also promoted the use of Pagobancomat, with nearly 50,000 transactions during the year. In addition, partly because of the installation of an ATM at the Salerno branch and the increase in the number of our Bancomat cards in issue, this segment's business increased significantly through the doubling of the number of transactions.

The introduction of new services cannot, naturally, ignore operations that, although at times unseen, are nonetheless important. The introduction of new products and services was preceded by a systematic and close analysis of all processing phases starting from statutory requirements and proceeding to the development and implementation of electronic and operational instruments most suitable for the new activities.

In addition to preparations for the provision of new services, numerous organisational measures were planned and implemented during the year with respect to the compliance of internal procedures with new legislation, and the revision of all procedures relating to loan administration.

The revision of loan administration procedures was in response to the need to introduce operations that are more adapted to sustaining the expansion of the lending business through the mitigation and correct management of credit risk.

This has entailed considerable commitment by the Bank's organisational units, which in continual close cooperation with external experts and qualified advisers, redeveloped the Credit Regulations in October. The new Regulations have redefined the duties and responsibilities of the segment's staff in compliance with the requirement to separate marketing from credit analysis. A thorough analysis of various credit processes was conducted that resulted in a new and more appropriate separation of duties.

The existing credit function was split into two separate units, one of which was specifically for monitoring in order to improve internal controls in the segment.

Once again, the greatest part of investment was for technology and increased personnel.

Information Technology, characterised by continual and rapid technical innovation, played a pivotal role. Banca Promos has outsourced certain of its IT systems while retaining development and operation of certain other important systems. The excellent results achieved by the Bank in IT are worthy of special note. As you know, Borsa Italiana's electronic services are now provided by the London Stock Exchange due to the recent merger of the stock markets. Banca Promos's internally developed E-trading software successfully passed all of the tests required by the UK authorities and obtained a certificate of conformity with London

Stock Exchange standards. The certification is doubtlessly a result of the work of our IT department, to whom we are indebted.

The other area, to which high levels of investment were directed, is personnel. At 31 December 2008, the trend in headcount observed in previous years continued with total employees increasing by 25% over the last twelve months. We underline that this considerable increase in staff runs counter to the trend in the region, which is afflicted by high unemployment. The increase in the number of employees, on the other hand, is a reflection of the Bank's objectives. New personnel were required to staff the Salerno Branch, the securities trading unit and the Internal Audit department.

Analysis of the composition of staff reveals a perfect balance between males (23) and females (22), most of whom (78%) were employed on permanent contracts. 22% of staff were employed under fixed-term contracts, most of whom were trainees. Contracts of this type permit the employment of young graduates, thus assuring their adequate professional training and correlated internal promotion.

Composition	Senior Managers	Middle Managers	Clerical	Unskilled	TOTAL
Males	***1***	***1***	***20***	***1***	***23***
Females	**-**	***3***	***19***	**-**	***22***
Average age	*47*	*45*	*35*	*43*	
Seniority	*2*	*4*	*4*	*9*	
Permanent contracts	*1*	*4*	*29*	*1*	*35*
Fixed-term contracts	-	-	*4*	-	*4*
Training contracts	-	-	*6*	-	*6*
Education – University degree	*1*	*2*	*25*	-	*28*
Education – Diploma	-	*2*	*13*	-	*15*
Education – Secondary school	-	-	1	1	2

Turnover during the year was fairly low thus resulting in staff stability.

Turnover	01.01.2008	New recruits	Leavers, retirements	12.31.2008
Permanent contracts, of which:	**31**	**5**	**2**	**34**
Senior Managers	**1**	**-**	**-**	**1**
Middle Managers	**3**	**1**	**-**	**4**
Clerical	**26**	**4**	**2**	**28**
Unskilled	**1**	**-**		**1**
Fixed-term contracts of which:	**5**	**7**	**1**	**11**
Clerical	*5*	*7*	*1*	*11*

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.

As demonstrated by financial and operational ratios as well as other indicators, it is reasonably certain that the Bank will continue its operations in the foreseeable future so that these financial statements have been prepared under the going concern concept. Both historic and the 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 with sound earnings combined with the payment of dividends to shareholders.

The Directors have carefully tested all assets and ascertained the lack of any impairment. The Bank has not recognised goodwill in its financial statements and has valued all available-for-sale financial instruments, which are in the form of bonds, and has not ascertained the existence of any default by issuers and, therefore, has determined that these, too, are not impaired.

Estimates have not been used in the preparation of these financial statements for the valuation of securities held in portfolio since they are measured at the prices provided daily by the main sources of financial information. The principal source used is Bloomberg generic.

Risk management and internal controls

In addition to the information provided in Part E of the Notes, Banca Promos's operations mean that it is exposed to the following risks:

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

As required by the new supervisory requirements for banks (Bank of Italy Circular 263 of 27 December 2006) of the New Basle Accord on Capital ("Basle II"), all risks have been classified either as Pillar I risks, i.e., credit, market and operational risks, or Pillar II/other risks which include concentration, interest rate, liquidity, residual, strategic and reputational risks.

The Bank has, therefore, introduced the ICAAP (Internal Capital Adequacy Assessment Process) as required by Basle II, which entails the self-assessment of capital adequacy, both current and projected, with respect to risks assumed and the Bank's corporate strategies, to have prepared the Structured ICAAP Report at 31 december 2008.

The preparation of the Report primarily entailed the measurement of risks in order to determine "total internal capital", which is the percentage of capital required to permanently cover all risks to which the Bank could be exposed.

The measurement of risks and, for those risks which cannot be quantified, the assessment of the exposure to risk were made using methods that are consistent with Bank of Italy requirements for institutions having the operational and organisational characteristics of a Bank (membership of Class 3 and the principle of proportionality).

Pillar I risks can, by their nature, be measured so that the standardised method was used in conformity with current regulations to calculate minimum capital requirements.

Pillar II risks have been subdivided into two categories with reference to the method of measurement used: measurable risks, which include interest rate, concentration and liquidity risks, that can be measured using quantitative methods for the determination of "internal capital"; and, non-measurable risks (residual, strategic and reputational risks) which, due to their intrinsic nature, must be monitored and/or mitigated.

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 various back-office and risk management 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 exposure performance;
- 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.

Market risk

The first level control for Market risk is made through the input of limits and operational authorities into the IT system. This automated control is supplemented by the following:

- the back-office controls limit and authorities excesses daily in addition to the propriety of the settlement of financial transactions;
- Risk Management periodically verifies total exposure to relevant risks as a result of market movements, the nature of instruments traded and the relevant counterparties and issuers;
- Internal Audit periodically control random samples of all investment services provided by the Bank verifying compliance 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

The first-level control for interest risk is made by 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 made by:

- Risk Management of 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

The first-level control for operational risk is made by the operating units involved in the Bank's procedures in accordance with the operations manual. In addition the following controls are made by:

- the Compliance function that, 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 the 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 procedures, in accordance with the operations manual. In addition the following controls are made by:

- the Compliance function that, 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 2008 showed that all risks identified had been sufficiently mitigated. The areas of improvement in 2008 that were largely in connection with new legislation regarding the financial and banking sectors were promptly addressed. In addition, projects for greater effectiveness and efficiency of the Bank's procedures are currently being planned in order to assure adequate support for the growth of the Bank's operations.

Other information

We inform shareholders that at year-end Banca Promos:

- did not hold treasury shares at the balance sheet date and that such shares were not purchased or sold during the year;
- was not a member of any banking group and, consequently, did not engage in related party transactions.

In addition, we disclose that:

- the Bank did not engage in research and development;
- Banca Promos has revised its Security Planning Document pursuant to Legislative Decree 196 of 30 June 2003 on data protection;
- 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.

Events after 31 December 2008 and outlook

Important events occurring after year-end include the sale of a percentage of the investment in Equity Sud Advisor srl, an investment advisory firm belonging to the private equity fund, "Promo equity sud". This specialises in small to medium-sized companies in southern Italy and is managed by Vegagest SGR Spa.

Negotiations with an institutional investor were successfully completed in January 2009 through the investor's signature on 6 February 2009 of a preliminary agreement for 27.5% of the share capital, including a residual 20%. The sale of the investment generated a good return for the Bank, which will be recognised in 2009. Banca Promos also received a mandate from Vegagest to place shares in the fund and obtained subscriptions worth €40 million from public and private funds. Banca Promos assisted Vegagest in the preparation of a bid to the Department of Technological Innovation, which is part of the Ministry of Public Administration and Innovation, to act as a fund manager for investments intended to promote the inflow of risk capital to small and medium-sized companies located in southern Italy. Vegagest was, subsequently, awarded a €20 million share of the investments, as formalised in a Ministerial Decree of 15 December 2008.

Banca Promos made its first bond issue on 26 January 2009. The total issue amounts to €3 million, is redeemable on 26 January 2012 and was issued at par. The effective gross yield is 3.50% whilst the net yield is 3.06%. The issue, which was fully subscribed, is a part of the plan to expand deposits and the proceeds of the bond issue are to be used for the Bank's ordinary lending business.

The issue did not constitute a public offering pursuant to article 116 of the Consolidated Finance Act.

With respect to operations, it should be noted that general economic forecasts for 2009 have been repeatedly revised downwards by the International Monetary Fund and other Italian and supranational organisations. World economic growth is expected to be severely impacted by the turbulence in the financial markets that marked the last quarter of 2008 and the slowdown of the US economy.

General conditions in Banca Promos's market are characterised by pessimism and instability, which demand prudence in making forecasts of the Bank's future results. In the first 45 days of the year, however, an encouraging growth trend was observed. In particular, own-account securities trading confirmed the positive trend that emerged in the last months of 2008. There was a slight increase in deposits, although the overall trend has been obviously influenced by adverse market conditions. This can be more clearly seen in lending which has slowed in line with the economy.

Proposed appropriation of profit for the year

This year's financial statements disclose net profits of €833,848, which are a clear improvement on last year.

The Board of Directors hereby submits the financial statements for the year ended 31 December 2008, 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.

Therefore, having examined the balance sheet, income statement, notes, the Directors' report on operations, the report of the independent auditors and the report of the Board of Statutory 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 2008, which report profit for the year of €833,848;
b) to approve the appropriation of profit for the year as follows:

- € 41,693 to the legal reserve;
- €560,250 to be paid as a dividend of €0.15 per share for shares with full dividend rights and €0.075 per share for those with prorated dividend rights;
- €231,905 to be carried forward as retained earnings.

Acknowledgements

We would like to finish this report by remembering Cosimo Capasso, a Director, who passed away on 5 August. An outstanding promoter of entrepreneurship in Campania for more than forty years, Cosimo Capasso played a very important role on our Board of Directors, of which he was a member from the Bank's foundation and who, therefore, followed the foundation and growth of the Bank with outstanding intellectual vitality. His continual attentiveness meant that his immediate recognition of the potential benefits and possible risks of innovations, his energy and his analytical expertise were guiding lights for us all.

Prior to closing we would like to express our personal gratitude to employees of the Bank at all levels, with whom have we have worked throughout the year and who distinguished themselves as efficient, skilled and committed and made day to day contributions to the Bank's growth. We also express our appreciation to the Board of Statutory Auditors and external auditors who have, as always, fulfilled their audit work with accuracy and expertise. We additionally thank the Bank of Italy and particularly the staff of the Naples Branch for their assistance and the spirit of cooperation that they have always demonstrated.

In thanking our customers and shareholders for their confidence in the Bank and their generous support, we would particularly like to thank our new shareholders who responded to our offer with enthusiasm, thus bringing new energy and momentum. We welcome them to the Bank which, by tradition and policy, has always been particularly attentive to maintaining and developing relations with shareholders. This is something we intend to continue in the hope of representing, also for our new shareholders, a stable reference point, and thus ensuring their participation in a business that is full of energy and committed to creating value for our region.

Finally, we would like to welcome Dr. Luigi Gargiulo, who recently joined the Board of Directors and whose experience and professionalism, we are certain, will be an important contribution to the growth and development of the Bank.

The Board of Directors

Ugo Malasomma

Tiziana Carano

Stefano de Stefano

Umberto De Gregorio

Luigi Gargiulo

Deloitte.

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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, 2008, and the income statement, 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 generally accepted in Italy. 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, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 11, 2008.

3. In our opinion, the financial statements present fairly the financial position of Banca PROMOS S.p.A. as of December 31, 2008, and 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 Directors' Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report on Operations with the financial statements, as required by art. 2409-ter, paragraph 2, letter e), of the Italian Civil Code. 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 Directors' Report on Operations is consistent with the financial statements of Banca PROMOS S.p.A as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.

Signed by
Raffaele Fontana
Partner

Rome, Italy
April 3, 2009

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

REPORT OF THE BOARD OF STATUTORY AUDITORS

Dear Shareholders,

The financial statements for the year ended 31 December 2008, 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		**31,685,872**
Total liabilities	20,361,780	
Equity:		
Share capital	7,740,000	
Reserves	1,671,936	
Valuation reserves	1,070,912	
Profit for the year	833,848	
Equity	11,324,092	
Total liabilities and equity		**31,685,872**
INCOME STATEMENT (material items)		
Net interest income	979,240	
Net fees and commissions	3,225,292	
Total income	5,929,925	
Profit from banking opera-	**5,692,739**	
Operating costs	**- 4,306,011**	
Profit for the before taxes	1,386,728	
Taxation	552,880	
Profit for the year		**833,848**

Information regarding transactions with a material impact on the Company's results of operations, financial position and cash flow during 2008 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 2008 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 and is drawing up the organisational model.

We acknowledge that, during 2008, we were kept regularly informed of the controls carried out by the Internal Audit department.

During the year we also had meetings with the supervisory authorities at the Bank of Italy in order to discuss the activities carried out by Banca Promos.

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 2008 and the appropriation of profit for the year, as proposed by the Board of Directors.

We thank you for the confidence you have thus far shown in us, and invite you to elect a new Board of Statutory Auditors.

Naples, 10 April 2009

Board of Statutory Auditors

Dr. Ugo Mangia

Ugo Mangia

Dr. Roberto Pascucci

Roberto Pascucci

Rag. Settimio Briglia

Settimio Briglia

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The financial statements have been translated from those issues in Italy, from the Italian into English language solely for the convenience of international readers. 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	12/31/08		12/31/07	
10. Cash and cash equivalents		345,806		129,744
20. Financial assets held for trading		6,482,058		3,306,701
30. Financial assets at fair value		-		-
40. Available-for-sale financial assets		1,176,517		3,500,266
50. Held-to-maturity financial assets		-		-
60. Loans and advances to banks		10,264,273		5,215,667
70. Loans and advances to customers		11,696,374		8,976,097
80. Hedging derivatives		-		-
90. Adjustments for changes in the value of hedged financial assets (+/-)		-		-
100. Investments		-		21,887
110, Property, plant and equipment		363,237		220,514
120. Intangible assets		30,228		38,936
of which:				
- goodwill	-		-	
130. Tax assets		438,760		420,068
a) current	*318,234*		*383,503*	
b) deferred	*120,526*		*36,565*	
140. Non-current assets and disposal groups held for sale		21,887		-
150, Other assets		866,732		556,745
Total assets		**31,685,872**		**22,386,624**

BALANCE SHEET (units of euro)				
Liabilities and equity		**12/31/08**		**12/31/07**
10. Deposits by banks		-		400,200
20. Customer accounts		18,267,090		11,452,157
30. Debt securities in issue		-		-
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		646,609		275,445
a) current	*635,187*		*269,167*	
b) deferred	*11,422*		*6,278*	
90. Liabilities included in disposal groups held for sale		-		-
100. Other liabilities		960,212		766,887
110. Staff termination benefits		328,159		211,237
120. Provisions		159,710		65,000
a) pension funds and similar commitments	-		-	
b) other provisions	*159,710*		*65,000*	
130. Valuation reserve		7,396		(7,280)
140. Redeemable shares		-		-
150. Equity instruments		-		-
160. Reserves		1,671,936		1,672,753
170. Share premium account		1,070,912		-
180. Share capital		7,740,000		7,200,000
190. Treasury shares (-)		-		-
200. Profit/ (loss) for the year (+/-)		833,848		350,225
Total liabilities and equity		**31,685,872**		**22,386,624**

INCOME STATEMENT (unit of euro)	12/31/08		12/31/07	
10. Interest income and similar revenues		1,381,358		1,136,286
20. Interest expense and similar charges		(402,118)		(204,863)
30. Net interest income		**979,240**		**931,422**
40. Fees and commissions receivables		3,787,163		3,408,129
50, Fees and commissions payable		(561,871)		(631,260)
60. Net fees and commissions		**3,225,292**		**2,776,868**
70. Dividends and similar revenues		-		-
80. Net profit/ (loss) from trading activities		1,720,918		487,344
90. Net profit/ (loss) from hedging activities		-		-
100. Profits/ (losses) on sale or repurchase of:		4,475		(21,491)
a) loans and advances	-		-	
b) available-for-sale financial assets	*4,475*		*(21,491)*	
c) held-to-maturity financial assets	-		-	
d) financial liabilities	-		-	
110. Net profit/ (loss) from financial assets and liabilities at fair value		-		-
120. Total income		**5,929,925**		**4,174,143**
130, Impairment losses/recoveries on:		(237,186)		(41,700)
a) loans and advances	*(237,186)*		*(41,700)*	
b) available-for-sale financial assets	-		-	
c) held-to-maturity financial assets	-		-	
d) other financial transactions	-		-	
140. Net income from financial activities		**5,692,739**		**4,132,443**
150. Administrative expenses				
a) staff costs		(2,571,840)		(1,781,513)
b) other administrative expenses		(1,445,566)		(1,349,261)
160. Net provisions		(159,710)		(65,000)
170. Impairment losses/recoveries on property, plant and equipment:		(74,342)		(59,228)
180. Impairment losses/recoveries on intangible assets		(15,015)		(18,432)
190. Other operating costs/income		(39,538)		(174,337)
200. Operating costs		**(4,306,011)**		**(3,447,771)**
210. Profits/ (losses) on investments		-		(1,863)
220. Fair value gains/ (losses) on property, plant and equipment and intangible assets		-		-
230. Goodwill impairment		-		-
240. Profits/ (losses) on sale of investments		-		-
250. Profit/ (loss) from current operations before tax		**1,386,728**		**682,808**
260. Taxation on profit from current operations		(552,880)		(332,584)
270. Profit/ (loss) from current operations after tax		**833,848**		**350,225**
280. Profit/ (loss) from disposal groups held for sale after tax		-		-
290. Profit/ (loss) for the year		**833,848**		**350,225**

STATEMENT OF CHANGES IN EQUITY FOR 2008

	At 12.31.07	Change to opening balances	At 01.01.08	Allocation of profit for prior year		Changing during the year								Equity at 12.31.08
						Changes in reserves	Equity-related transactions						Profit/ (loss) for the year 2008	
				Reserves	Dividends and other allocations		Issue of new shares	Share buybacks	Payment of extraordinary dividends	Changes in equity instruments	Derivatives on own shares	Stock options		
Share Capital:	7,200	-	7,200	-	-	-	540	-	-	-	-	-	-	**7,740**
a) ordinary shares	7,200	-	7,200	-	-	-	540	-	-	-	-	-	-	**7,740**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium account	-	-	-	-	-	-	1,071	-	-	-	-	-	-	**1,071**
Reserves:	1,673	-	1,673	26	-	(27)	-	-	-	-	-	-	-	**1,672**
a) revenues	1,672	-	1,672	26	-	(27)	-	-	-	-	-	-	-	**1,671**
b) other	1	-	1	-	-	-	-	-	-	-	-	-	-	**1**
Valuation reserves:	(7)	-	(7)	-	-	14	-	-	-	-	-	-	-	**7**
a) available-for-sale	(7)	-	(7)	-	-	14	-	-	-	-	-	-	-	**7**
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Trasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit/ (loss) for the year	**350**	**-**	**350**	**(26)**	**(324)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**834**	**834**
Equity	**9,216**	**-**	**9,216**	**-**	**(324)**	**(13)**	**1,611**	**-**	**-**	**-**	**-**	**-**	**834**	**11,324**

	At 12.31.06	Change to opening balances	At 01.01.07	Allocation of profit for prior year		Changing during the year								Equity at 12.31.07
							Equity-related transactions							
				Reserves	Dividends and other allocations	Changes in re-serves	Issue of new shares	Share buybacks	Payment of extraordi-nary dividends	Changes in equity instru-ments	Deriva-tives on own shares	Stock options	Profit/ (loss) for the year 2006	
Share Capital:	7.200	-	7.200	-	-	-	-	-	-	-	-	-	-	**7.740**
a) ordinary shares	7.200	-	7.200	-	-	-	-	-	-	-	-	-	-	**7.740**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium account	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Reserves:	1,524	-	1,524	160	-	(11)	-	-	-	-	-	-	-	**1,673**
a) revenues	1,523	-	1,523	160	-	(11)	-	-	-	-	-	-	-	**1,672**
b) other	1	-	1	-	-	-	-	-	-	-	-	-	-	**1**
Valuation reserves:	(31)	-	(31)	-	-	24	-	-	-	-	-	-	-	**(7)**
a) available-for-sale	(31)	-	(31)	-	-	24	-	-	-	-	-	-	-	**(7)**
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Trasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit/ (loss) for the year	**430**	**-**	**430**	**(160)**	**(270)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**350**	**350**
Equity	**9,123**	**-**	**9,123**	**-**	**(270)**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**350**	**9,216**

(Translation from the original issued in Italian)

Cash flow statement	2008	2007
A. OPERATING ACTIVITIES		
1. Operations	**2,239**	**468**
- profit for the year	834	350
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	152	41
- gains/losses on hedging activities	-	-
- impairment losses/recoveries	257	42
- net adjustments to property, plant and equipment and intangible assets	89	78
- net provisions and other costs and income	380	65
- unpaid taxes	553	(114)
- net adjustments to disposal groups held for sale net of tax effect	-	-
- other adjustments	(26)	6
2. Cash generated by/used for financial assets	**(9,376)**	**(8,018)**
- financial assets held for trading	(3,327)	(3,307)
- financial assets at *fair value*	-	-
- available-for-sale financial assets	2,338	6,593
- loans and advances to banks: on demand	(5,049)	(1,828)
- loans and advances to banks: other	-	-
- loans and advances to customer	(2,977)	(6,285)
- other assets	(361)	(3,191)
3. Cash generated by/used for financial liabilities	**6,274**	**7,963**
- deposits by banks: on demand	(400)	359
- deposits by banks: other	-	-
- customer accounts	6,815	4,285
- debt securities in issue	-	-
- financial liabilities held for trading	-	-
- financial liabilities at *fair value*	-	-
- other liabilities	(141)	3,319
Net cash flows from operating activities	**(863)**	**413**
B. INVESTING ACTIVITIES		
1. Cash generated by	**15**	**32**
- sale of investments	-	-
- dividends received from investments	-	-
- sale of held to maturity financial assets	-	-
- sale of property, plant and equipment	15	32
- sale of intangible assets	-	-
- sale of business units	-	-
2. Cash used for	**(223)**	**(137)**
- purchase of investments	-	(22)
- purchase of held to maturity financial assets	-	-
- purchase of property, plant and equipment	(217)	(115)
- purchase of intangible assets	(6)	-
- purchase of business units	-	-
Net cash flows from investing activities	**(208)**	**(105)**
C. FINANCING ACTIVITIES		
- issue/purchase of own shares	**1,611**	-
- issue/purchase of equity instruments	-	-
- payment of dividends and other allocations	(324)	(270)
Net cash flows from financing activities	**1,287**	**(270)**
Net increase/Decrease in cash	**216**	**38**

Reconciliation		
Items	**2008**	**2007**
Cash and cash equivalents at beginning of year	**130**	**92**
Net increase/Decrease in cash	216	38
Cash and cash equivalents: effects of exchange rate fluctuations	-	-
Cash and cash equivalents at end of year	**346**	**130**

NOTES TO THE FINANCIAL STATEMENTS

The financial statements have been translated from those issues in Italy, from the Italian into English language solely for the convenience of international readers. 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 Banking Association (*ABI*).

Section 2 Basis of preparation

The financial statements consist of the balance sheet, income statement and these notes, accompanied by the report on operations.
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”.
The financial statements have been prepared clearly and provide a true and fair view of the Company’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 and interpretation, or where required by the above Circular.
These financial statements have been prepared using the euro as the presentation currency.

Section 3 Subsequent events

Where appropriate, amounts reported in these financial statements have been adjusted to reflect events after the balance sheet date, which, pursuant to IAS 10, require an adjustment to be made.

Events not requiring an adjustment and reflecting circumstances occurring after the balance sheet date have been reported on in the report on operations if material and thus capable of influencing the economic decisions of financial statement users.
No events occurred after the balance sheet date that were material except for those disclosed 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 2007 and 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 (bid, asking or average prices) is determined on the basis of the market prices prevailing on the last day of the financial period. The fair value of instruments not quoted on an active market is determined on the basis of estimates and valuation techniques that take account of the related risks and that are based on readily available market data: methods based on the market price of comparable instruments, on discounting future cash flows, option pricing models, or on the prices applied in recent comparable transactions.

The Bank has not made an election under Regulation (EC) 1004/2008 of 15 October 2008, which permits banks to reclassify financial instruments on the occurrence of certain events in order to mitigate the effect of the financial crisis on income statements. The entire portfolio has, therefore, been measured at fair value.

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 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 each balance sheet date 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 outstanding 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, normally 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 each balance sheet date 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 overdue loans as defined by the Bank of Italy rules in force and in accordance with IAS. These impaired loans 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 original effective interest rate. 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. Collectively assessed impairment losses are recognised in the income statement. At each balance sheet date any additional impairment losses or recoveries are recalculated on a differential basis with reference to the performing portfolio at that date.
Moreover, in view of the lack of time series at the balance sheet date, the collective assessment of losses on performing loans was carried out on the basis of banking industry indicators published by the regulator (IAS 39 AG 89).

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. 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 expensed as incurred.

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 each balance sheet date 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.

Recognition 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 realised 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 each balance sheet date, 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.

Income statement recognition

Any after-tax gains or losses are recognised in the income statement in "Profit/(loss) after tax on non-current assets held for sale".

Section 11 Current and deferred taxation

Classification

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 timing differences are those that will result in taxable amounts in determining taxable profits (tax loss) of future periods whereas deductible timing 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. Current tax assets regard advances and tax credits deriving from withholding taxes paid.

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 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 balance sheet date.

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 and measurement

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 each balance sheet date and adjusted to reflect current estimates.

Section 13 Deposits, debt securities in issue and subordinated liabilities

Classification

“Deposits by banks”, “Customer accounts”, “Debt securities in issue” 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. These liabilities are initially recognised at fair value, which normally corresponds to the amount 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.

Repurchase agreements are accounted for as funding transactions 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 on a straight-line basis over the contractual term of the related liability.

Derecognition

Financial liabilities are derecognised when they mature or are cancelled. 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 15 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 each balance sheet date 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 16 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 balance sheet date 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.

Reclassification of amounts at 31 December 2007
In order to improve presentation in the financial statements, as of the year ended 31 December 2008 the Bank recognises fees payable to financial advisors in income statement item 050 "Fees and commissions payable" instead of item 150 "Administrative expenses". The Bank has also transferred unsettled invoices from balance sheet item 150 "Other Assets" to the with-recourse portfolio under item 100 "Other Liabilities". The correction of these errors has led to the restatement at 31 December 2007 of the same income statement and balance sheet items, as required by IAS 8, paragraph 42.
Finally, based on the Bank of Italy's revision of Circular 262/05, which is applicable to the financial statements for the year ended 31 December 2008, Statutory Auditors' remuneration is now included in the sub-item for Directors' remuneration.
Comparative amounts for 2007 have been restated in accordance with IAS 8.

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.

Valuation reserves
Valuation reserves include reserves deriving from the measurement of available-for-sale financial assets and cash flow hedges.

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 the 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 on 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
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.

Financial instruments quoted in an active market
A financial instrument is regarded as quoted on an active market if examination of the substance of a transaction indicates the existence of counterparties, trades and volumes that assure prices reflect current value.
Fair value is determined with reference to:
- the closing bid price for assets held or liabilities to be issued;
- the closing asking price for liabilities already in issue and assets to be acquired.

Active markets also include alternative trading systems (e.g., Bloomberg Professional), if the prices are quoted in the manner described above.
If there are no quotations in an active market for a composite financial instrument but there are active markets for its components, fair value is measured with reference to relevant market prices for its constituent parts.

Financial instruments not quoted in an active market
If a market for a financial instrument is not active, one of the following valuation techniques should be used in the order shown below:
1. reference to the fair value of financial instruments that are substantially the same (for unquoted investments funds, use of the fund's NAV);
2. pricing models.

In light of the explanation provided in AG77 of IAS 39, the use of pricing models entails the analysis of discounted cash flows which is made in three steps:
1. cash flow projections: cash flows expected to be generated and distributed by the instrument over its contractual life;
2. selection of a discount rate curve consistent with the instrument's risk;
3. calculation of the instrument's present value at the measurement date.

A present value curve is then calculated for the cash flow streams by using the technique known as the discount rate adjustment approach that considers both interest rate and credit risks.
Fair value can then be calculated as the sum of the present values of the future cash flows of the financial instrument.
The valuation techniques used for types of financial instruments, listed below, are suitable for the specific characteristics of the instrument:
1. Equity instruments
   The following are used for equities:
   - Prices at which the share being valued or analogous shares have been traded;
   - Professional valuations;
   - Stock market multiples of similar sized companies in the same sector;
   - Valuation models commonly used by the market.

   Securities are only rarely valued at cost.
2. Forward foreign exchange contracts
   These contracts are valued with reference to forward exchange rates quoted at year end for contracts maturing on the same date as the original forward contract.
3. Loans and receivables
   All of these items are allocated to the loans and receivables portfolio and are measured at amortised cost. Their fair value is only calculated for information purposes, which is determined by discounting contractual cash flows net of expected losses calculated with reference to the credit rating of the borrower by using interbank rates for the same

maturities.

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 of 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.

On the date of the presentation of these financial statements the Bank only held listed debt securities in its available-for-sale portfolio, for which there were no indications of impairment.

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	
	12.2008	12.2007
a) Cash	345	90
b) Demand deposits at Central Banks	1	40
Total	**346**	**130**

Cash holdings are entirely in euros.
Demand deposits at central banks are balances held at the Bank of Italy but do 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 portfolio. At 31 December 2007 there were no financial assets classified as held-for-trading.

Items/Amounts	Total			
	Quoted		Unquoted	
	12.2008	12.2007	12.2008	12.2007
a Cash assets				
1 Debt securities	4,123	3,206	-	101
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	4,123	3,206	-	101
2 Equity instruments	-	-	-	-
3 Units of mutual investment funds	-	-	-	-
4 Loans	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5 Impaired assets	-	-	-	-
6 Transferred assets not derecognised	2,359	-	-	-
Total (A)	**6,482**	**3,206**	**-**	**101**
b Derivative instruments				
1 Financial derivatives:	-	-	-	-
1.1 trading	-	-	-	-
1.2 connected with the fair value option	-	-	-	-
1.3 other	-	-	-	-
2 Credit derivatives	-	-	-	-
2.1 trading	-	-	-	-
2.2 connected with the fair value option	-	-	-	-
2.3 other	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**
Total (A+B)	**6,482**	**3,206**	**-**	**101**

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

Items/Amounts	Total	
	12.2008	12.2007
A. Cash assets		
1 Debt securities	**4,123**	**3,307**
a) Governments and central banks	365	-
b) Other public entities	-	-
c) Banks	1,216	1,196
d) Other issuers	2,542	2,111
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	-	-
5 Impaired assets	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
6 Transferred assets not derecognised	**2,359**	**-**
a) Governments and central banks	1,300	-
b) Other public entities	-	-
c) Banks	98	-
d) Other issuers	961	-
Total A	**6,482**	**3,307**
B. Derivatives instruments		
a) Banks	-	-
b) Customers	-	-
Total B	**-**	**-**
Total (A+B)	**6,482**	**3,307**

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

2.4 Cash financial assets held for trading other than those transferred and not derecognised and those that are impaired: changes during the year

Items/amounts	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	**3,307**	-	-	-	**3,307**
B Increases	**1,288,584**	**-**	**-**	**-**	**1,288,584**
B1 Decreases	1,286,305	-	-	-	1,286,305
B2 Positive changes in fair value	85	-	-	-	85
B3 Other changes	2,194	-	-	-	2,194
C Decreases	**1,287,768**	**-**	**-**	**-**	**1,287,768**
C1 Sales	1,285,063	-	-	-	1,285,063
C2 Redemptions	2,225	-	-	-	2,225
C3 Negative changes in fair value	237	-	-	-	237
C4 Other changes	243	-	**-**	**-**	243
D Closing balances	**4,123**	**-**	**-**	**-**	**4,123**

Increases in fair value consist of gains on revaluation amounting to €85 thousand.
Other changes under additions consist of accrued interest income of €110 thousand and profits from trading of €2,084 thousand.
Other changes under reductions consist of impairment losses of €237 thousand.
Other reductions regard accrued coupon interest of €41 thousand at the beginning of the year and losses from trading of €202 thousand.

Section 4 - Item 40 – Available-for-sale financial assets
4.1 Available-for-sale financial assets: composition by type

Items/amounts	Total			
	Quoted		Unquoted	
	12.2008	12.2007	12.2008	12.2007
1. Debt securities	**1,177**	**3,500**	**-**	**-**
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	1,177	3,500	-	-
2. Equity instruments	-	**-**	**-**	**-**
2.1 Designated at fair value	-	-	-	-
2.2 Valued at cost	-	-	-	-
3. Units of mutual investments funds	-	**-**	**-**	**-**
4. Loans	-	**-**	**-**	**-**
5. Impaired assets	-	**-**	**-**	**-**
6. Transferred assets not derecognised	-	**-**	**-**	**-**
Total	**1,177**	**3,500**	**-**	**-**

This item includes assets allocated to the “available-for-sale” portfolio.
This portfolio consists solely of listed debt securities maturing within 2009.
The significant reduction in this item is offset by the increase in Item 20 “Financial assets held for trading” and is a reflection of the increase in the volume of trading on own account.
The possibility of impairments has been excluded given that these are solely debt securities of issuers whose ratings throughout the year have remained above "investment grade".

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

Items/amounts	Total	
	12.2008	12.2007
1 Debt securities	**1,177**	**3,500**
a) Governments and Central banks	408	667
b) Other public entities	-	-
c) Banks	511	1,069
d) Other issuers	258	1,764
2 Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3 Units of mutual investments funds	-	**-**
4 Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
5 Impaired assets	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
6 Transferred assets not derecognised	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**1,177**	**3,500**

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

4.5 Available-for-sale financial assets other than those transferred and not derecognised and those that are impaired: changes during the year

	Debt securities	Equity instruments	Units of mutual investments funds	Loans	Total
A Opening balances	**3,500**	**-**	**-**	**-**	**3,500**
B Increases	**42**	**-**	**-**	**-**	**42**
B1 Decreases	-	-	-	-	-
B2 Positive changes in fair value	11	-	-	-	11
B3 recoveries	-	-	-	-	-
- recognised in the income statement	-	-	-	-	-
- recognised in equity	-	-	-	-	-
B4 Transfers to other portfolios	-	-	-	-	-
B5 Other changes	31	-	-	-	31
C Decreases	**2,365**	**-**	**-**	**-**	**2,365**
C1 Sales	-	-	-	-	-
C2 Redemptions	2,355	-	-	-	2,355
C3 Negative changes in fair value	-	-	-	-	-
C4 Impairments	-	-	-	-	-
- recognised in the income statement	-	-	-	-	-
- recognised in equity	-	-	-	-	-
C5 Transfers to other portfolios	-	-	-	-	-
C6 Other changes	10	-	-	-	10
D Closing balances	**1,177**	**-**	**-**	**-**	**1,177**

Positive changes in fair value are gains on revaluation at 31 December 2008.
Other changes under additions and reductions regard income statement components resulting from the sum of interest, adjustments, value recoveries, coupon interest and accruals.

<u>Section 6 - Item 60 – Loans and advances to banks</u>

6.1 Loans and advances to banks: composition by type

Type of transaction/amounts	Total	
	12.2008	12.2007
A Loans and advances to central banks	**-**	**-**
1. Term Deposits	-	-
2. Compulsory reserves	-	-
3. Reserve repurchase agreements	-	-
4. Other	-	-
B Loans and advances to banks	**10,264**	**5,216**
1. Current accounts and demand deposits	3,637	1,034
2. Term Deposits	6,627	4,182
3. Other loans:	-	-
3.1 Reserve repurchase agreements	-	-
3.2 Finance lease	-	-
3.3 Other	-	-
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Transferred assets not derecognised	-	-
Total (carrying amount)	**10,264**	**5,216**
Total (fair Value)	**10,264**	**5,216**

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

Type of transaction/amounts	Total	
	12.2008	12.2007
1 Current account	2,336	2,490
2 Reserve repurchase agreements	-	-
3 Mortgage loans	5,769	3,009
4 Credit cards, personal loans, loans secured by one fifth of salary	338	180
5 Financial lease	-	-
6 Factoring	-	-
7 Other transactions	3,180	3,297
8 Debt securities	-	-
8.1 Structured securities	-	-
8.2 Other debt securities	-	-
9 Impaired assets	73	-
10. Transferred assets not derecognised	-	-
Total (carrying amount)	**11,696**	**8,976**
Total (fair Value)	**11,497**	**9,039**

Loans and advances to customers are net of impairments.

General provisions have been made for performing loans based on multiplying the percentage of 1.40% (representing the inflow of new non-performing loans in the region during the first half of 2008) by the percentage of LGDs (*Loss given defaults*) of 45%.
At 31 December 2008 total non-performing loans of €289 thousand, less specific provisions of €216 thousand, result in net non-performing loans of €73 thousand.

The amount and nature of impairments are shown in Part E of these Notes.

Item 7 “Other transactions” includes:

Type of transaction/amounts	Total
	12.2008
Unsecured loans	833
Advances with recourse	2,089
Commercial discount	33
Deposits at clearing houses	198
Guarantee deposits	27
Total	**3,180**

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

Type of transaction/amounts	Total	
	12.2008	12.2007
1 Debt securities	**-**	**-**
a) Governments	-	-
b) Other public entities	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2 Loans to:	**11,623**	**8,976**
a) Governments	-	-
b) Other public entities	-	-
c) Other entities	11,623	8,976
- non-financial companies	5,101	4,754
- financial companies	22	-
- insurance companies	-	-
- other	6,500	4,222
3 Impaired assets	**73**	
a) Governments	-	-
b) Other public entities	-	-
c) Other entities	73	-
- non-financial companies	65	-
- financial companies	-	-
- insurance companies	-	-
- other	8	-
4 Transferred assets not derecognised	**-**	
a) Governments	-	-
b) Other public entities	-	-
c) Other entities	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	**11,696**	**8,976**

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

Section 10 - Item 100 – Investments

10.3 Investments: changes during the year

	Total 2008	Total 2007
A Opening balances	**22**	**-**
B Increases	**-**	**24**
B1 Purchases	-	24
B2 Recoveries	-	-
B3 Revaluations	-	-
B4 Other changes	-	-
C Decreases	**22**	**2**
C1 Sales	**-**	-
C2 Adjustments	-	2
C3 Other changes	22	-
D Closing balances	-	**22**
E Total revaluations	-	**-**
F Total adjustments	-	**2**

The investment in “Equity Sud Advisor”, reported in asset item 100 at 31 December 2007, has been reclassified to asset item 140 “Non-current assets and disposal groups held for sale”, given that at 31 December 2008 negotiations are underway regarding the sale of the investment by the end of 2009.

Section 11 - Item 110 – Property, plant and equipment

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

Assets/Amounts	Total	
	12.2008	12.2007
A Operating assets		
1.1 owned by the bank	363	**221**
a) land	-	-
b) buildings	-	-
c) furniture	217	122
d) electronic equipment	73	73
e) other	73	26
1.2 purchased under finance lease	-	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**363**	**221**
B Investments assets		
2.1 owned by the bank	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
2.2 purchased under finance lease	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
Total B	**-**	**-**
Total A + B	**363**	**221**

The increase in property, plant and equipment was primarily due to capital expenditure for furnishings and equipment for the new branch in Salerno.
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	Furni-ture	Electronic equipment	Other	Total
A Gross opening balances	**-**	**-**	**303**	**245**	**151**	**699**
A.1 Net total reductions	-	-	181	172	125	478
A.2 Net opening balances	-	-	122	73	26	221
B Increases	**-**	**-**	**123**	**45**	**63**	**231**
B.1 Purchases	-	-	123	30	63	216
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	-	-	-	15	-	15
C Decreases	**-**	**-**	**28**	**45**	**16**	**89**
C.1 Sales	-	-	-	15	-	15
C.2 Depreciation	-	-	28	30	16	74
C.3 Impairments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.4 Decreases 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	-	-	**217**	**73**	**73**	**363**
D.1 Net total reductions	-	-	185	189	131	505
D.2 Gross closing balances	-	-	402	262	204	868
E Valuation at cost	-	-	-	-	-	-

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

Section 12 - Item 120 – Intangible assets

12.1 Intangible assets: composition by type of asset

Assets/amounts	Total			
	Finite life		Indefinite life	
	12.2008	12.2007	12.2008	12.2007
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	**30**	**39**	**-**	**-**
A.2.1 Assets valued at cost:	30	39	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	30	39	-	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**30**	**39**	**-**	**-**

Other finite life intangible assets are usage and license costs for software all of which was supplied by external parties and which was 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	Indefinite	Finite	Indefinite	
A Gross opening balances	**-**	**-**	**-**	**331**		**331**
A.1 Net total reductions	-	-	-	292		292
A.2 Net opening balances	-	-	-	39		39
B Increases	**-**	**-**	**-**	**6**		**6**
B.1 Purchases	-	-	-	6		6
B.2 Addition for 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	**-**	**-**	**-**	**15**		**15**
C.1 Sales	-	-	-	-	-	-
C.2 Reductions in value	-	-	-	15		15
Amortisation	-	-	-	15		15
Impairment	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.3 Decreases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) 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	**-**	**-**	**-**	**30**		**30**
D.1 Net total reductions in value	-	-	-	307		**307**
D.2 Gross closing balances	-	-	-	337		337
E Valuation 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 financial or operating leases.

Section 13 - Item 130 in assets and Item 80 in liabilities – 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 items 130 in assets and item 80 in liabilities.

13.1 Deferred tax assets: composition

	IRES	IRAP	Total
- impairment of loans and advances to customers	58	-	58
- other temporary differences	63	-	63
Total	**121**	**-**	**121**

13.2 Deferred tax liabilities: composition

	IRES	IRAP	Total
- surplus provisions for staff termination benefits under IFRS	11	-	11
- other temporary differences	-	-	-
Total	**11**	**-**	**11**

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

	12.2008	12.2007
1. Opening balance	**33**	**90**
2. Increases	**109**	**22**
2.1 Deferred tax assets recognised during the year	109	22
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) recoveries	-	-
d) other	109	22
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**21**	**79**
3.1 Deferred tax assets derecognised during the year	-	-
a) reversals	-	-
b) impairment due to non-recoverability	-	-
c) due to change in accounting policies	-	-
3.2 Reduction in tax rates	-	2
3.3 Other decreases	21	77
4. Closing balance	**121**	**33**

At the balance sheet date 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 4.90%, which were computed in accordance with current tax legislation.
The difference of €87 thousand between recognised and derecognised deferred tax assets was recognised in the income statement in item 260 “Taxation on profit from current operations”.

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

	12. 2008	12. 2007
1. Opening balance	**6**	**-**
2. Increases	**5**	**6**
2.1 Deferred tax liabilities recognised during the year	5	6
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	5	6
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Reductions	**-**	**-**
3.1 Deferred tax liabilities derecognised during the year	-	-
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other reductions	-	-
4. Closing balance	**11**	**6**

"Deferred taxes” are recognised for 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 4.90%, which were computed in accordance with current tax legislation.
The difference of €5 thousand between recognised and derecognised deferred tax assets and liabilities were recognised in the income statement in item 260 “Taxation on profit from current operations”.

13.5 Change in deferred tax assets (recognised in equity)

	12.2008	12.2007
1. Opening balance	**3**	**19**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised during the year	-	-
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
d) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**3**	**16**
3.1 Deferred tax assets derecognised during the year	3	15
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	3	15
3.2 Reduction in tax rates	-	1
3.3 Other decreases	-	-
4. Closing balance	**-**	**3**

The full amount of deferred tax assets relating to impairments of AFS securities were derecognised and the relevant equity reduced.

13.6 Change 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	12.2008	12.2007
IRES	186	254
IRAP	82	86
Indirect and other taxes	50	44
Totals	**318**	**384**

Current tax liabilities

Items/Amounts	12.2008	12.2007
IRES	480	187
IRAP	155	82
Indirect and other taxes	-	-
Totals	**635**	**269**

Section 14 - Item140 - 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

	12.2008	12.2007
A Individual assets		
A.1 Investments	22	-
A.2 Property, plant and equipment	-	-
A.3 Intangible assets	-	-
A.4 Other non-current assets	-	-
Total A	**22**	**-**
B Disposal groups		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated 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 non-current assets held for sale		
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C		
D Liabilities included in disposal groups		
D.1 Deposits by banks	-	-
D.2 Customer accounts	-	-
D.3 Debt securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D - -		

Item 140 includes the investment in Equity Sud Advisor srl, which the bank was negotiating to sell at 31 December 2008. 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 that will be recognised in 2009.

Section 15 – Item 150 – Other assets

15.1 Other assets: composition

	12.2008	12.2007
- Assets in progress and advances	-	-
- Amounts to be charged to customers	78	21
- Leasehold improvements	460	297
- Unsettled invoices	-	-
- Pending direct debits payable	239	28
- International bank transfers received	-	155
- Other minor items	74	38
- Accrued income and prepayments	16	18
Total	**867**	**557**

To improve presentation, unsettled invoices, amounting to € 2,415 thousand at 31 December 2008, have been reclassified from item 150 “Other assets” to item 100 “Other liabilities”.
Correction of this error, as required by IAS 8, paragraph 42, has necessitated the corresponding reclassification of this item at 31 December 2007.

LIABILITIES AND EQUITY

Section 1 - Item 10 – Deposits by banks

1.1 Deposits by banks: composition by type

Type of transaction/amounts	Total	
	12.2008	12.2007
1 Deposits by central banks	**-**	**-**
2 Deposits by banks	**-**	**400**
2.1 Current accounts and demand deposits	-	-
2.2 Term deposits	**-**	400
2.3 Loans	-	-
2.3.1 Finance lease	-	-
2.3.2 Other	-	-
2.4 Liabilities deriving from commitments to repurchase in own shares	-	-
2.5 Liabilities deriving from transferred assets not recognised	-	-
2.5.1 Repurchase agreements	-	-
2.5.2 Other	-	-
2.6 Other payables	-	-
Total	-	**400**
Fair value	-	**400**

The bank did not hold deposits by banks during the year.

Section 2 - Item 20 – Customer accounts

2.1 Customer accounts: composition by type

The liabilities sold and not derecognised reported in 6.1 relate to repurchase agreements and were not derecognised as a

Type of transaction/amounts	Total	
	12.2007	12.2006
1 Current accounts and demand deposits	**14.560**	**8,677**
2 Term deposit	**1.381**	**-**
3 Fund under managements	**-**	**-**
4 Loans	**-**	**-**
4.1 Finance leases	-	-
4.2 Other	-	-
5 Liabilities deriving from commitments to repurchase in own shares	**-**	**-**
6 Liabilities deriving from transferred assets not recognised	**2.326**	**2,775**
6.1 Repurchase agreements	2.326	2,775
6.2 Other	-	-
7 Other payables	**-**	**-**
Total	**18.267**	**11,452**
Fair value	**18.267**	**11,452**

result of the fact that the structure of the transaction (securities sold combined with a contractual commitment to repurchase the same securities at a future date) does not entail the transfer of the associated risks and rewards.
Due to the fact that all items are demand deposits (current accounts and demand deposits) or repurchase agreements, it has been assumed that fair value is equal to amortised cost.

Section 8 - Item 80 Tax liabilities

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

	12.2008	12.2007
- Subject to collection portfolio	149	24
- Bank transfers awaiting clearence	13	84
- Bankers' drafts issued	-	-
- Amounts due to tax authorities as witholding tax on interest	41	22
- VAT payable to tax authorities	1	6
- Amounts due to tax authorities on behalf of customers and staff	152	62
- Trade payables	330	317
- Amounts payable to other entities	134	80
- Accrued expenses	13	48
- Other third-parties payables	127	124
Total	**960**	**767**

The subject to collection portfolio is shown less unsettled invoices reclassified from the corresponding asset item.
"Other third-party payables" primarily include invoices to be received for charges relating to the year under examination.

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

	Total	
	12.2008	12.2007
A Opening balance	**211**	**177**
B Increases	**124**	**69**
B.1 Provision for the year	97	58
B.2 Other increases	27	11
C Decreases	**7**	**35**
C.1 Benefits paid	7	35
C.2 Other decreases	-	-
D Closing balance	**328**	**211**
Total	**328**	**211**

This item relates to the Provision for staff termination benefits that has been 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 2008 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
12.1 Provisions: composition

Item/amounts	Total	
	12.2008	12.2007
1. Pension fund and similar commitments	**-**	**-**
2. Other provisions	**160**	**65**
2.1 litigation	160	65
2.2 staff costs	-	-
2.3 other	-	-
Total	**160**	**65**

Existing provisions at 31 December 2007 were used in full following conclusion of the related dispute.
Provisions for 2008 were made in relation to potential liabilities deriving from two labour disputes outstanding at 31 December 2008.

12.2 Provisions: changes during the year

	Pension funds	Other	Total
A Opening balance	**-**	**65**	**65**
B Increases	**-**	**160**	**160**
B.1 Provision for the year	-	160	160
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to modification of discount rate	-	-	-
B.4 Other increases	-	-	-
C Decreases	**-**	**65**	**65**
C.1 Uses during the year	-	65	65
C.2 Changes due to modification of discount rate	-	-	-
C.3 Other decreases	-	-	-
D Closing balance	**-**	**160**	**160**

Section 14 - Items 130, 160, 180, 190, 200 – Equity

This Section reports the composition of the Bank's equity and reserves.

14.1 Equity: composition

Item/amounts	Total	
	12.2008	12.2007
1. Share Capital	7,740	7,200
2. Share premium account	1,071	-
3. Reserves	1,672	1,673
4. (Treasury shares)	-	-
5. Valuation reserves	7	(7)
6. Equity instruments	-	-
7. Profit/ (loss) for the year	834	350
Total	**11,324**	**9,216**

The Bank carried out a capital increase in 2008, raising its share capital from €7,200 thousand to €7,740 thousand, and resulting in a share premium account of €1,071 thousand after deducting the cost of the above transaction as required by IAS 32.
The reserves on line 3 include existing revenue reserves (legal reserve) as well as positive and negative reserves that arose on the adoption of international accounting standards that were not recognised elsewhere in equity.
The valuation reserves on line 5 relate to available-for-sale financial assets.

14.2 Share capital and treasury shares: composition

The capital increase resulted in the issue of 270,000 new shares with full rights from 1 July 2008.
The Bank's share capital consists entirely of par value €2.00, ordinary shares.
There are no unpaid shares and the Company holds no treasury shares.
.

14.3 Share capital – Number of shares: changes during the year

Items/type	Ordinary	Other
A Shares at beginning of year	**3,600,000**	**-**
- fully paid-up	3,600,000	-
- not fully paid-up	-	-
A.1 Treasury shares(-)	-	-
A.2 Shares outstanding: opening balance	**3,600,000**	**-**
B Increases	**270,000**	**-**
B.1 New issues	270,000	-
- right issues:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrant	-	-
- other	-	-
- scrip issues:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of Treasury shares	-	-
B.3 Other changes	-	-
C Decreases	**-**	**-**
C.1 Cancellations	-	-
C.2 Shares buybacks	-	-
C.3 Demergers	-	-
C.4 Other changes	-	-
D Shares outstanding: closing balance	**3,870,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares at end of year	**3,870,000**	**-**
- fully paid-up	-	-
- not fully paid-up	-	-

14.5 Revenue reserves: other information

Items/Components	Total	
	12.2008	12.2007
1. Legal reserve	453	435
2. Actuarial gains (losses) reserve	(45)	(17)
3. FTA reserve:	115	115
Available-for-sale financial assets	(28)	(28)
Adjustments to provisions for staff termination benefits	2	2
Adjustments to other provisions	141	141
Retained earnings brought forward	1,149	1,140
Total	**1,672**	**1,673**

14.7 Valuation reserves: composition

Items/components	Total	
	12.2008	12.2007
1. Available-for-sale financial assets	7	(7)
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedges of the net investment in foreign operation	-	-
5. Cash flow hedges	-	-
6. Exchanges differences	-	-
7. Assets held for sale	-	-
8. Special revaluation laws	-	-
Total	**7**	**(7)**

The above reserve refers to unrealised gains and losses (net of tax) of financial assets classified as available-for-sale in accordance with IAS 39.
The gains and losses are transferred from the valuation reserve to the income statement when the financial asset is derecognised or in the event of a permanent impairment.

14.8 Valuation reserves: changes during the year

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Hedges of the net investment in foreign operation	Cash flow hedges	Exchanges differences	Assets held for sale	Special revaluation laws
A Opening balance	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B Increases	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B1 Increases in fair value	11	-	-	-	-	-	-	-
B2 Other changes	7	-	-	-	-	-	-	-
C Decreases	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C1 Decreases in fair value	-	-	-	-	-	-	-	-
C2 Other changes	4	-	-	-	-	-	-	-
D Closing balance	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Other changes in sub-item B2 refer to redemptions of available-for-sale financial assets, whilst other changes in sub-item C2 refer to the change in the tax component.

14.9 Valuation reserves for available-for-sale financial assets: composition

ASSET/AMOUNTS	Total (t)			
	Positive Reserve		Negative Reserve	
	12.2008	12.2007	12.2008	12.2007
1. Debt securities	7	-	-	7
2. Equity instruments	-	-	-	-
3. Unites of mutual investments funds	-	-	-	-
4. Loans	-	-	-	-
Total	**7**	**-**	**-**	**7**

14.10 Valuation reserves for available-for-sale financial assets: changes during the year

	Debt securities	Equity instru-ments	Unites of mutual in-vestments funds	Loans
A Opening balance	**(7)**	**-**	**-**	**-**
B Increases	**18**	**-**	**-**	**-**
2.1 Increases in fair value	11	-	-	-
2.2 Reversal of negative reserves through the income statement	7	-	-	-
- from impairment	-	-	-	-
- from realisation	7	-	-	-
2.3 Other changes	-	-	-	-
3 Decreases	**4**	**-**	**-**	**-**
3.1 Decreases in fair value	-	-	-	-
3.2 Reversal of positive reserves through the income statement: from realisation	-	-	-	-
3.3 Other changes	4	-	-	-
4 Closing balance	**7**	**-**	**-**	**-**

<u>Other information</u>

4. Management and brokerage on behalf of third parties

TYPE OF SERVICES	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	**5,966,123**
Settled	5,964,506
Unsettled	1,617
b) Sales	**5,964,222**
Settled	5,962,630
Unsettled	1,592
2. Asset management	
a) individual	-
b) collective	-
3. Custody and administration of securities	
a) third-party securities held on deposit: linked to the bank's operations	**33,161**
securities issued by the reporting bank	7,664
Other securities	25,497
b) third-party securities held on deposit (excluding asset management):	**-**
securities issued by the reporting bank	-
Other securities	-
c) third-party securities deposited with third parties	**33,161**
d) portfolio securities deposited with third parties	**7,731**
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	Performing financial assets		Impaired financial assets	Other assets	Total (t)	
	Debt securities	Loans				
	12.2008	12.2008	12.2008	12.2008	12.2008	12.2007
1 Financial assets held for trading	253	-	-	-	253	302
2 Available-.for-sale financial assets	56	-	-	-	56	243
3 held-to-maturity financial assets	-	-	-	-	-	-
4 Loans and advances to banks	-	276	-	-	276	143
5 Loans and advances to customers	-	788	8	-	796	427
6 Financial assets at fair value	-	-	-	-	-	-
7 Hedging derivatives	-	-	-	-	-	-
8 Transferred financial assets not derecognised	-	-	-	-	-	-
9 Other assets	-	-	-	-	-	21
10 Total	**309**	**1,064**	**8**	**-**	**1,381**	**1,136**

1.3.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets	Amount	
	12.2008	12.2007
Interest income	2	6

1.4 Interest expense and similar charges: composition

ITEMS/FORMS	Deposits	Securities	Other liabilities	Total	
	12.2008	12.2008	12.2008	12.2008	12.2007
1. Deposits by banks	38	-	-	38	72
2. Customers accounts	364	-	-	364	133
3. Debt securities	-	-	-	-	-
4. Financial liabilities held for trading	-	-	-	-	-
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities associated with transferred assets not derecognised	-	-	-	-	-
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**402**	**-**	**-**	**402**	**205**

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 reimbursed costs which have been included in other operating income.
The also exclude income and costs included in 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

TYPE OF SERVICES/AMOUNTS	Total	
	12.2008	12.2007
a guarantees issued	-	-
b credit derivatives	-	-
c management, brokerage and advisory services:	**3,691**	**3,363**
1 trading in financial instruments	3,581	3,188
2 foreign currency trading	-	-
3 Asset management	-	-
3.1 individual	-	-
3.2 collective	-	-
4 Custody and administration of securities	4	4
5 Depositary bank	-	-
6 Securities placement	16	24
7 order collection	90	147
8 advisory services	-	-
9 distribution of third-party services	-	-
9.1 Asset management	-	-
9.1.1. individual	-	-
9.1.2 collective	-	-
9.2 insurances products	-	-
9.3 other products	-	-
d collection and payment services	**66**	**24**
e servicing for securitisation transactions	**-**	**-**
f factoring transactions	**-**	**-**
g tax collection	**-**	**-**
h other services	**30**	**21**
Total	**3,787**	**3,408**

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

CHANNELS/AMOUNTS	Total	
	12.2008	12.2007
a) through own branches:	**-**	**1**
1. Asset management	-	-
2. Securities placement	-	1
3. third-party services and products	-	-
b) door-to-door sales:	**16**	**23**
1. Asset management	-	-
2. Securities placement	16	23
3. third-party services and products	-	-
c) other distribution channels	**-**	**-**
1. Asset management	-	-
2. Securities placement	-	-
3. Third-party services and products	-	-

2.3 Fees and commissions payable: composition

SERVICES/AMOUNTS	Total	
	12.2008	12.2007
a guarantees issued	-	-
b credit derivatives	-	-
c management, brokerage and advisory services:	**535**	**547**
1 trading in financial instruments	515	521
2 foreign currency trading	-	-
3 Asset management	**-**	**-**
3.1 own portfolio	-	-
3.2 third-party portfolio	-	-
4. Custody and administration of securities	11	13
5. Placement of financial instruments	4	7
6. door-to-door sales of securities, products and services	5	6
d) collection and payment services	**24**	**16**
e) other services	**3**	**68**
Total	**562**	**631**

Fees payable to financial advisors have been included in fees and commissions payable and no longer in other administrative expenses.
To improve presentation, the corresponding items for 2007 have been reclassified.

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

TRANSACTIONS/COMPONENTS OF EARNINGS	Gains	Profit from trading	Losses	Losses from trading	Net profit/ (loss)
	12.2008	12.2008	12.2008	12.2008	12.2008
1 **Financial assets held for trading**	**85**	**2,084**	**(237)**	**(211)**	**1,721**
1.1 Debt securities	85	2,084	(237)	(202)	1,730
1.2 Equity instruments	-	-	-	-	-
1.3 Unites of mutual investments funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	(9)	(9)
2 Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3 Other Financial assets and liabilities: exchanges differences	-	-	-	-	-
4 Derivatives instruments	-	-	-	-	-
4.1 Derivatives Financial instruments	-	-	-	-	-
On Debt securities and interest rates	-	-	-	-	-
On Equity instruments and share indexes	-	-	-	-	-
On foreign exchange and gold	-	-	-	-	-
Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**85**	**2,084**	**(237)**	**(211)**	**1,721**

The total net of the following amounts is shown in the table below:
a) the difference between profits and losses on “financial assets held for trading” and on “financial liabilities held for trading” include gains and losses on the measurement of those items.
b) the difference between profits and losses on financial transactions in foreign currencies include gains and losses on the measurement of those transactions.

Section 6 – Item 100 – Profits/(losses) on sale/repurchase

6.1 Profits/(losses) on sale/repurchase: composition

ITEMS/COMPONENTS OF EARNINGS	Total			Total		
	Profits	losses	Net profit/ (loss)	Profit	losses	Net profit/ (loss)
	2008	2008	2008	2007	2007	2007
Financial assets	**11**	**(7)**	**4**	**-**	**(21)**	**(21)**
1. Loans and advances to banks	-	-	-	-	-	-
2. Loans and advances to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	11	(7)	4	-	(21)	(21)
3.1 Debt securities	11	(7)	4	-	(21)	(21)
3.2 Equity instruments	-	-	-	-	-	-
3.3 Unites of mutual investments funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
Total assets	**11**	**(7)**	**4**	**-**	**(21)**	**(21)**
Financial liabilities	-	-	-	-	-	-
1. Deposits by banks	-	-	-	-	-	-
2. Customers accounts	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

With regard to sub-item 3. “Available-for-sale financial assets”, the loss derives from the transfer of €7 thousand from the valuation reserve to the income statement.

Section 8 – Item 130 – Impairment losses/recoveries

8.1 Impairment losses/recoveries on loans and advances: composition

TRANSACTIONS / COMPONENTS OF EARNINGS	Impairment losses			Recoveries				Total	
	Specific		Collective	Specific		Collective			
	Cancella-tions	Other		a	b	a	b		
	12.2008	12.2008	12.2008	12.2008	12.2008	12.2008	12.2008	12.2008	12.2007
A. Loans and advances to banks	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	(4)	(236)	(21)	-	24	-	-	(237)	(42)
Total	**(4)**	**(236)**	**(21)**	**-**	**24**	**-**	**-**	**(237)**	**(42)**

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

TYPE OF EXPENSES/ AMOUNTS	Total	
	12.2008	12.2007
1 Employees	**2,166**	**1,422**
a wages and salaries	1,632	1,082
b social security contributions	416	270
c staff termination benefits paid	-	-
d pension contributions	-	-
e provisions for staff termination benefits	101	58
f provisions for pension funds and similar commitments	-	-
a defined-contribution	-	-
a defined-benefit	-	-
g provisions for external supplementary pension funds	-	-
a defined-contributions	-	-
a defined-benefit	-	-
h costs deriving from payment agreements based on own shares	-	-
l other employee benefits	17	12
2 Other staff costs	**4**	**38**
3 Directors	**402**	**322**
Total	**2,572**	**1,782**

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

- Current service cost of €90 thousand
- Interest cost of €11 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. In addition, as required by the Bank of Italy, the remuneration paid to the Statutory Auditors has also been included in this item, having been classified in other administrative expenses in 2007. In accordance with IAS 8, the same items for 2007 have been reclassified.

9.2 Average number of employees by category

	12.2008
1 Employees	
a) Executives	**1**
b) middle managers	**2**
- of which: grade 3 and 4	1
c) Remaining Employees	**37**
Other	-

The average is calculated as the arithmetic mean number of employees at the end of the year, totalling 45, and the number at the end of the previous year, totalling 35, rounded off to the nearest whole number.

9.5 Other administrative expenses: composition

	12.2008	12.2007
Other administrative expenses:		
– indirect taxation and duties:	**22**	**12**
– stamp duty	-	-
– Other	*22*	*12*
– Other :	**1,424**	**1,337**
– fees paid to financial advisors	*60*	*171*
– auditors' fees	*59*	*53*
– lease rentals and running expenses	*208*	*153*
– IT services	*507*	*432*
– postage, telecommunications and telegraphy	*121*	*128*
– maintenance and repairs	*18*	*4*
– advertising	*39*	*32*
– energy and fuel	*25*	*20*
– insurance	*17*	*14*
– printing and stationery	*60*	*48*
– office cleaning	*26*	*15*
– transport and travel expenses	*40*	*32*
– lease rentals	*36*	*31*
– legal and others consultants' fees	*36*	*75*
– membership dues and similar changes	*74*	*83*
– security	*6*	*3*
– other	*92*	*43*
Total	**1,446**	**1,349**

Section 10 – Item 160 – Net provisions

10. Net provisions: composition

	12.2008	12.2007
Provisions		
c) other provisions:	160	65
- for litigation	*160*	*65*
Total	**160**	**65**

Section 11 – Item 170 – Adjustments to property, plant and equipment

11.1 Adjustments to property, plant and equipment: composition

ASSET/COMPONENT OF EARNINGS	Deprecia-tion (a)	Impairment losses (b)	Recover-ies (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	**(74)**	**-**	**-**	**(74)**
- Operating assets	(74)	-	-	(74)
- Investment assets	-	-	-	-
A.2 Held under finance lease	-	-	-	-
- Operating assets	-	-	-	-
- Investment assets	-	-	-	-
Total	**(74)**	**-**	**-**	**(74)**

Depreciation of property, plant and equipment amounts to €74 thousand.

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

ASSET/COMPONENT OF EARNINGS	Deprecia-tion (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	**(15)**	**-**	**-**	**(15)**
- Internally generated	-	-	-	-
- Other	(15)	-	-	(15)
A.2 Held under finance lease	**-**	**-**	**-**	**-**
Total	**(15)**	**-**	**-**	**(15)**

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

	12.2008	12.2007
- contingent liabilities	(9)	(3)
- leasehold improvements	(119)	(95)
- other costs	(2)	(134)
Total	**(130)**	**(232)**

13.2 Other operating income: composition

	12.2008	12.2007
Fees, royalties and recovery of account charges	66	41
Grant pursuant to Law 388/2000	-	-
contingent assets	24	14
other	-	3
Total	**90**	**58**

Section 14 – Item 210 – Profits (losses) on investments
14.1 Profits/(losses) on investments: composition

Income component/amounts	Total	
	12.2008	12.2007
a. Profits	**-**	**-**
1. Revaluations	-	-
2. Profit on sale	-	-
3. Recoveries	-	-
4. Other additions	-	-
b. Losses	**-**	**(2)**
1. Reductions in value	-	(2)
2. Impairments	-	-
3. Loss on sale	-	-
4. Other reductions	-	-
Net profit (loss)	**-**	**(2)**

Section 18 – Item 260 – Taxation on profit from current operations

18.1 Taxation on profit from current operations: composition

COMPONENT/AMOUNT	Total	
	12.2008	12.2007
1. Current taxation	(635)	(269)
2. Change in current taxation for previous years	-	-
3. Reduction in current taxation for the year	-	-
4. Change in deferred tax assets	87	(57)
5. Change in deferred tax liabilities	(5)	(6)
6. Tax charge for the year	**(553)**	**(332)**

18.2 Reconciliation of expected and effective tax charge (IRES)

COMPONENTS/AMOUNTS	2008
Profit/(loss) from current operations before tax (Item 250)	**1,387**
Tax calculated on basis of national rate - 27.50% IRES	**381**
Tax on increases	134
Tax on reductions	(35)
Effective rate for IRES - 34.61%	**480**
IRAP	**155**
Effective tax charge	**635**

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 it website at www.bancapromos.it.

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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.

Above all, in accordance with its expansion plan, 1 April saw the opening of our second branch in Salerno.

Moreover, the composition of loans, which have grown in volume by 30% compared with the previous year, breaks down as follows:

- a significant component (more than 50%) represented by medium/long-term housing loans secured by mortgages;
- a sizable portion of the Bank's exposure represented by advances against invoices with recourse (approximately 19%), permitting companies to immediately obtain cash against invoices which are not yet due for payment, and lines of credit in connection with normal on-balance sheet lending lines of credit in connection with normal on-balance sheet lending (approximately 20%);
- a residual portion represented by unsecured term loans, consisting of medium-term loans without security in the form of a mortgage (approximately 8%) and personal loans (approximately 3%).

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.

All credit procedures from analysis to approval, from disbursement to revision, and finally the steps taken with respect to problem loans regulated:

- the granting of lending authorities by the Board of Directors to various corporate bodies and units involved in lending;
- regulations and internal controls for the sector;
- operational systems of internal control.

In terms of policies and strategies, 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).

2.2 Management, measurement and control systems

It is necessary to have an adequate risk measurement and control system as part of a correct approach to managing the lending process. The "Credit regulations" establish operational limits for the different types credit exposure, in order to keep the related risks within prudent limits. There are also limits on the credit risk authority granted to the different operating units, which are established with regard to the different categories of risk identified (category one, two, three and four risks).

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, which aim to support the definition of risk measurement methods and verify compliance with the limits assigned to the various operating units, are carried out by the Credit Monitoring Department;
3) third level controls by the internal audit department through ex-post assessment of any problems, procedural irregularities and rule violations, and assesses the overall functionality of the internal control system.

The risk management unit analyses any problems arising as a result of the activities of the Credit Monitoring Department and, where it identifies a risk exposure in excess of the established limits, requests remedial action.

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.

The Bank uses a management tool to carry out front-line controls, enabling branches and the Credit Department to periodically monitor existing exposures. The procedure uses information already in the Bank's possession and external information from the Interbank Risk Service, 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:

- "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;
- "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;
- "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.

- "past-due loans" are loans that have exceeded the repayment terms established by Basle 2.

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 2008.

Impaired financial assets registered an increase in loans classified as "non-performing" by the Board of Directors.

These exposures, which account for 0.6% of total loans, are considered normal within the context of the increase in lending during the year.

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	Doubtful	Restructured	Past-due	Sovereign risk	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	6,482	6,482
2. Available for sale financial assets	-	-	-	-	-	1,177	1,177
3. Held to maturity financial assets	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	-	-	10,264	10,264
5. Loans and advances to customers	73	-	-	-	-	11,623	11,696
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total	**73**	**-**	**-**	**-**	**-**	**29,546**	**29,619**
Total 2007	-	-	-	-	-	20,999	20,999

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

PORTFOLIO/QUALITY	Impaired assets				Other assets			Total (Net exposure)
	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Collective impairment losses	Net exposure	
1. Financial assets held for trading	-	-	-	-	6,482	-	6,482	6,482
2. Available for sale financial assets	-	-	-	-	1,177	-	1,177	1,177
3. Held to maturity financial assets	-	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	-	10,264	-	10,264	10,264
5. Loans and advances to customers	289	216	-	73	11,695	72	11,623	11,696
6. Financial assets at fair value	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total	**289**	**216**	**-**	**73**	**29,618**	**72**	**29,546**	**29,619**
Total 2007	4	4	-	-	21,050	51	20,999	20,999

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

TYPE OF EXPOSURE/AMOUNTS	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures				
a) Non-performing	-	-	-	-
b) Doubtful	-	-	-	-
c) Restructured	-	-	-	-
d) Past-due	-	-	-	-
e) Sovereign risk	-	-	-	-
f) Other assets	12,089	-	-	12,089
Total A	**12,089**	**-**	**-**	**12,089**
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B	**-**	**-**	**-**	**-**

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

TYPE OF EXPOSURE/AMOUNTS	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures				
a) Non-performing	289	216	-	73
b) Doubtful	-	-	-	-
c) Restructured	-	-	-	-
d) Past-due	-	-	-	-
e) Sovereign risk	-	-	-	-
f) Other assets	17,529	-	72	17,457
Total A	**17,818**	**216**	**72**	**17,530**
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B	**-**	**-**	**-**	**-**

A.1.7 On- and off-balance sheet exposures to customers: performance of gross impaired exposures and those subject to sovereign risk

REASON/CATEGORY	Non-performing	Problem	Restructured	Past-due	Sovereign risk
A. Total impairment losses at beginning of year	4	-	-	-	-
including: transferred assets not derecognised	-	-	-	-	-
B. Increases	351	-	-	-	-
B.1 transfers from performing loans	342	-	-	-	-
B.2 transfers from other categories of impaired asset	-	-	-	-	-
B.3 other increases	9	-	-	-	-
C. Decreases	66	-	-	-	-
C.1 transfers to performing loans	-	-	-	-	-
C.2 derecognition	4	-	-	-	-
C.3 collection	62	-	-	-	-
C.4 amounts realised on transfer	-	-	-	-	-
C.5 transfers to other categories of impaired asset	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D Total impairment losses at end of year	289	-	-	-	-
including: transferred assets not derecognised	-	-	-	-	-

A.1.8 On- and off-balance sheet exposures to customers: trend in overall value adjustments

REASON/CATEGORY	Non-performing	Problem	Restructured	Past-due	Sovereign risk
A. Total impairment losses at beginning of year	4	-	-	-	-
including: transferred assets not derecognised	-	-	-	-	-
B. Increases	**236**	**-**	**-**	**-**	**-**
B.1 impairment losses	236	-	-	-	-
B.2 transfers from other categories of impaired asset	-	-	-	-	-
B.3 other increases	-	-	-	-	-
C. Decreases	**24**	**-**	**-**	**-**	**-**
C.1 value recoveries	-	-	-	-	-
C.2 value recoveries from collection	20	-	-	-	-
C.3 derecognition	4	-	-	-	-
C.4 amounts realised on transfer	-	-	-	-	-
C.5 transfers to other categories of impaired asset	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D Total impairment losses at end of year	**216**	**-**	**-**	**-**	**-**
including: 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							Total
	Aaa/aaa-	A+/a-	Bbb+/bbb-	Bb+/bb-	B+/b-	Below B-	No rating	
A. On-balance sheet exposures	**4,826**	**2,135**	**572**	**-**	**-**	**-**	**22,086**	**29,619**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**4,826**	**2,135**	**572**	**-**	**-**	**-**	**22,086**	**29,619**

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 Guaranteed on-balance sheet exposures to banks and customers – part 1

	Exposure	Collateral (1)		
		Property	Securities	Other assets
1. Secured exposures to banks:	**-**	**-**	**-**	**-**
1.1 Fully secured	-	-	-	-
1.2 partially secured	-	-	-	-
2 Secured exposures to customers	**11,709**	**6,019**	**565**	**-**
1.1 Fully secured	11,146	6,019	384	-
1.2 partially secured	563	-	181	-

A.3.1 Guaranteed on-balance sheet exposures to banks and customers – part 2

	Personal guarantees (2)								Total (1+2)
	Credit derivatives				guarantees facilities				
	States	Other public entities	Banks	Other entities	States	Other public entities	Banks	Other entities	
1. Secured exposures to banks:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Fully secured	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-
2 Secured exposures to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,912**	**11,496**
1.1 Fully secured	-	-	-	-	-	-	-	4,744	11,147
1.2 Partially secured	-	-	-	-	-	-	-	168	349

B. Credit distribution and concentration

B.1. Distribution of on- and off-balance sheet exposures to customers by sector - part 1

EXPOSURES/ BORROWERS	Government and Central banks				Other public entities			
	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Restructured	-	-	-	-	-	-	-	-
Past-due	-	-	-	-	-	-	-	-
Other	2,074	-	-	2,074	-	-	-	-
Total A	**2,074**	**-**	**-**	**2,074**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Other Impaired assets	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,074**	**-**	**-**	**2,074**	**-**	**-**	**-**	**-**
Total 2007	667	-	-	667	-	-	-	-

B.1 - Distribution of on- and off-balance sheet exposures to customers by sector - part 2

EXPOSURE/ BORROWERS	Financial companies				Insurance companies			
	Gross expo-sure	Specific impairment losses	Collective impairment losses	Net exposure	Gross expo-sure	Specific impair-ment losses	Collective impairment losses	Net expo-sure
A. On-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Restructured	-	-	-	-	-	-	-	-
Past-due	-	-	-	-	-	-	-	-
Other	2,104	-	-	2,104	573	-	-	573
Total A	**2,104**	**-**	**-**	**2,104**	**573**	**-**	**-**	**573**
B. Off-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Other Impaired assets	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,104**	**-**	**-**	**2,104**	**573**	**-**	**-**	**573**
Total 2007	2,630	-	-	2,630	359	-	-	359

B.1 - Distribution of on- and off-balance sheet exposures to customers by sector - part 3

EXPOSURES/ BORROWERS	Non-financial companies				Other entities			
	Gross expo-sure	Specific impairment losses	Collective impairment losses	Net expo-sure	Gross expo-sure	Specific impair-ment losses	Collective impairment losses	Net expo-sure
A. On-balance sheet exposures								
Non-performing	275	210		65	14	6	-	8
Doubtful	-	-	-	-	-	-	-	-
Restructured	-	-	-	-	-	-	-	-
Past-due	-	-	-	-	-	-	-	-
Other	6,238	-	32	6,206	6,540	-	40	6,500
Total A	**6,513**	**210**	**32**	**6,271**	**6,554**	**6**	**40**	**6,508**
B. Off-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Other Impaired assets	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-
Total A + B	**6,513**	**210**	**32**	**6,271**	**6,554**	**6**	**40**	**6,508**
Total 2007	5,667	-	28	5,639	4,250	4	23	4,223

B.3- Distribution of on- and off-balance sheet exposures to customers by geographical area

EXPOSURE/ GEOGRAPHICAL AREA	Italy		Other European countries		America		Asia		Rest of the world	
	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.
A. On-balance sheet exposures										
A.1 Non-performing	289	73	-	-	-	-	-	-	-	-
A.2 Doubtful	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	14,669	14,597	2,654	2,654	206	206	-	-	-	-
Total A	**14,958**	**14,670**	**2,654**	**2,654**	**206**	**206**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Doubtful	-	-	-	-	-	-	-	-	-	-
B.3 Other Impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-	-	-
total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A+ B	**14,958**	**14,670**	**2,654**	**2,654**	**206**	**206**	**-**	**-**	**-**	**-**
Total 2007	9,999	9,944	2,133	2,133	1,440	1,440	-	-	-	-

B.4 Distribution of on- and off-balance sheet exposures to banks by geographical area

EXPOSURE/ GEOGRAPHICAL AREA	Italy		Other European countries		America		Asia		Rest of the world	
	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Doubtful	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	10,389	10,389	1,562	1,562	138	138	-	-	-	-
Total A	**10,389**	**10,389**	**1,562**	**1,562**	**138**	**138**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Doubtful	-	-	-	-	-	-	-	-	-	-
B.3 Other Impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A + B	**10,389**	**10,389**	**1,562**	**1,562**	**138**	**138**	**-**	**-**	**-**	**-**
Total 2007	5,540	5,540	1,773	1,773	168	168	-	-	-	-

B.5 Major risks
At 31 December 2008 there were no risks classified in this category.

C.2 Loan transfers
C.2.1 Transferred financial assets not derecognised

FORM/PORTFOLIO	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	
A. On-balance sheet assets	**2,359**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,359**
1. Debt securities	2,359	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,359
2. Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,359**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,359**
Total 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

FORM/PORTFOLIO	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	**2,326**	**-**	**-**	**-**	**-**	**-**	**2,326**
a) associated with assets recognised in full	2,326	-	-	-	-	-	2,326
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	**2,326**	**-**	**-**	**-**	**-**	**-**	**2,326**
Total 2007	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 risk – Supervisory trading book

Qualitative disclosure

A. General information

Own account trading in financial instruments, albeit increased with respect to last year, is a sector which is still in development.

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 (Moodys).

The Bank does not take speculative positions in derivative instruments and does not trade in equity instruments.

B. Management procedures and interest rate 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". The modified duration method is generally used to calculate the degree of risk with respect to bonds.

In addition, internal controls have also been introduced in the form of:

- daily front-line controls by traders;
- second-level back-office controls and risk monitoring by the risk management unit, based on market trends, the nature of the instruments held, and the counterparties and issuers involved;
- third-level controls carried out periodically by the Internal Audit department, with the aim of checking compliance with the system of limits and operational authorities, and with the existing related internal regulations and the overall functionality of the internal control system.

Quantitative disclosure

1. Supervisory Trading Book: distribution of cash financial assets and liabilities and financial derivatives by remaining term to maturity (by repricing date) – denominated in euro

Type / Remaining maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**2,022**	**1,011**	**584**	**2,865**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	2,022	1,011	584	2,865	-	-	-
1.2 Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2 Cash liabilities								
2.1 Repurchase agreements	**-**	**2,326**	**-**	**-**	**-**	**-**	**-**	**-**
2.2 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3 Derivative financial instruments								
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	-	-	-	-	-	-	-	-

2.2 Interest rate risk – Banking book

Qualitative disclosure

A. General information, management policies and interest rate 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 is primarily comprised of:

- loans;
- various types of deposits;
- debt instruments.

Banking book debt instruments consist of entirely of debt securities of issuers in Zone A countries;

- denominated in euro;
- with an investment grade ratings from AAA to BBB- (Standard & Poor's) and from Aaa to Baa3 (Moodys);
- maturing within 12 months.

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.

Above all, in order to mitigate the risk of changes in interest rates, Supervisory Banking Book transactions are subject to limits set out in the "Financial Markets Regulations". The modified duration method is generally used to calculate the degree of risk with respect to bonds.

Finally, the internal control system adopted involves:

- front-line controls, carried out by the Treasury department, which measures the consistency of the interest rates applied to assets and liabilities included in the banking book. In addition, operating units carry out controls on the correct application of the rates applied to deposits and loans;
- second-level back-office controls focusing on trading and controls carried out by the risk management unit in order to assess overall interest rate risk exposure;
- third-level controls carried out periodically by the Internal Audit department, with the aim of checking the propriety of the conditions applied to deposits and loans with respect to the Bank's products.

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 euro

Type / Remaining maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**919**	**258**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	919	258	-	-	-	-	-
1.2 Loans to banks	**258**	**6,510**	**-**	**-**	**-**	**-**	**-**	**3,348**
1.3 Loans to customers	**10,379**	**45**	**61**	**124**	**721**	**279**	**36**	**73**
- current accounts overdraft	2,336	-	-	-	-	-	-	-
- other loans	8,043	45	61	124	721	279	36	73
- callable	-	-	-	-	-	-	-	-
- other	8,043	45	61	124	721	279	36	73
2 Cash liabilities								
2.1 Customer accounts	**14,544**	**1,381**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	14,544	-	-	-	-	-	-	-
- other deposits	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	1,381	-	-	-	-	-	-
2.2 Deposits by banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
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	-	-	-	-	-	-	-	-

Quantitative disclosure

1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 2 - denominated in US dollar

Type / Remaining maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Loans to banks	**139**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.3 Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Customer accounts	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	16	-	-	-	-	-	-	-
- other deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
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	-	-	-	-	-	-	-	-

Quantitative disclosure

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 maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Loans to banks	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.3 Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Customer accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
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	-	-	-	-	-	-	-	-

Quantitative disclosure

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

Type / Remaining maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**919**	**258**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	919	258	-	-	-	-	-
1.2 Loans to banks	**406**	**6,510**	**-**	**-**	**-**	**-**	**-**	**3,348**
1.3 Loans to customers	**10,379**	**45**	**61**	**124**	**721**	**279**	**36**	**73**
- current accounts overdraft	2,336	-	-	-	-	-	-	-
- other loans	8,043	45	61	124	721	279	36	73
- callable	-	-	-	-	-	-	-	-
- other	8,043	45	61	124	721	279	36	73
2 Cash liabilities								
2.1 Customer accounts	**14,560**	**1,381**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	14,560	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	1,381	-	-	-	-	-	-
2.2 Deposits by banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
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	-	-	-	-	-	-	-	-

2.3 Price risk – Supervisory Trading Book

At 31 December 2008 the Supervisory trading book was not exposed to price risk, in that it did not include equity instruments or units of mutual investment funds.

2.4 Price risk – Banking book

At 31 December 2008, the banking book was not exposed to price risk, in that it did not include equity instruments or units of mutual investment funds.

2.5 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.

The effect of such variations on expected cash flows and on the fair value of assets and liabilities denominated in foreign currency is measured *ex post*.

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 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 Regulations.

B. Foreign exchange risk hedging

Quantitative disclosure

Items	Currency					
	US dollar	Sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	**139**	**-**	**-**	**-**	**-**	**9**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans and advances to banks	139	-	-	-	-	9
A.4 Loans and advances to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**16**	**-**	**-**	**-**	**-**	**-**
Deposits by banks	-	-	-	-	-	-
Customer accounts	16	-	-	-	-	-
Debt securities	-	-	-	-	-	-
D. Other liabilities	-	**-**	**-**	**-**	**-**	**-**
E. Derivative financial instruments	-	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
Total assets	**139**	**-**	**-**	**-**	**-**	**9**
Total liabilities	**16**	**-**	**-**	**-**	**-**	**-**
Balance	**123**	**-**	**-**	**-**	**-**	**9**

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 loss amounts to €23,949 and represents the effect of exchange rate fluctuations on dealing fees and commissions. The impact of exchange rate fluctuations on total income was 0.51%, 6.80% on profit for the year and 0.26% on equity.

Section 3 – Liquidity risk

Liquidity risk is:

- in relation to 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 the selling financial instruments in portfolio on the dates required.

Qualitative disclosure

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

Management of current and medium to 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 funds 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 to 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 – currency of denomination: euro

ITEMS/TIME PERIOD	On demand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years	Indeterminate maturity
Cash assets										
A.1 Government securities	**-**	**-**	**-**	**-**	**-**	**595**	**408**	**1,071**	**-**	**-**
A.2 Quoted debt securities	**-**	**510**	**-**	**516**	**103**	**464**	**678**	**3,312**	**-**	**-**
A.3 Other debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.4 Units of mutual investment funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.5 Loans	**7,951**	**1,001**	**3,558**	**2,009**	**282**	**194**	**318**	**2,318**	**3,967**	**73**
Banks	3,490	1,001	3,507	2,002	-	-	-	-	-	-
customers	4,461	-	51	7	282	194	318	2,318	3,967	73
Cash liabilities										
B.1 Deposits	**14,544**	**1,251**	**-**	**-**	**130**	**-**	**-**	**-**	**-**	**-**
Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
customers	14,544	1,251	-	-	130	-	-	-	-	-
B.2 debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.3 other liabilities	**-**	**-**	**900**	**829**	**596**	**-**	**-**	**-**	**-**	**-**
Off-balance sheet transactions										
C.1 Derivative financial instruments with exchange of capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.2 Deposits and loans to be received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 2 – currency of denomination: US dollar

ITEMS/TIME PERIOD	On demand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years	Indeterminate maturity
Cash assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.5 Loans	**139**	-	-	-	-	-	-	-	-	-
Banks	139	-	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities										
B.1 Deposits	**16**	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-	-
customers	16	-	-	-	-	-	-	-	-	-
B.2 debt securities	-	-	-	-	-	-	-	-	-	-
B.3 other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Derivative financial instruments with exchange of capital	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 3 – currency of denomination: other

ITEMS/TIME PERIOD	On demand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years	Indeterminate maturity
Cash assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.5 Loans	**9**	-	-	-	-	-	-	-	-	-
Banks	9	-	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities										
B.1 Deposits	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-	-
B.2 debt securities	-	-	-	-	-	-	-	-	-	-
B.3 other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Derivative financial instruments with exchange of capital	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 4 – currency of denomination: all

ITEMS/TIME PERIOD	On demand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years	Indeterminate maturity
Cash assets										
A.1 Government securities	**-**	**-**	**-**	**-**	**-**	**595**	**408**	**1,071**	**-**	**-**
A.2 Quoted debt securities	**-**	**510**	**-**	**516**	**103**	**464**	**678**	**3,312**	**-**	**-**
A.3 Other debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.4 Units of mutual investment funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.5 Loans	**8,099**	**1,001**	**3,558**	**2,009**	**282**	**194**	**318**	**2,318**	**3,967**	**73**
Banks	3,638	1,001	3,507	2,002	-	-	-	-	-	-
customers	4,461	-	51	7	282	194	318	2,318	3,967	73
Cash liabilities										
B.1 Deposits	**14,560**	**1,251**	**-**	**-**	**130**	**-**	**-**	**-**	**-**	**-**
Banks	-	-	-	-	-	-	-	-	-	-
customers	14,560	1,251	-	-	130	-	-	-	-	-
B.2 debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.3 other liabilities	**-**	**-**	**900**	**829**	**596**	**-**	**-**	**-**	**-**	**-**
Off-balance sheet transactions										
C.1 Derivative financial instruments with exchange of capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
long positions	**-**	-	-	-	-	-	-	-	-	-
short positions	**-**	-	-	-	-	-	-	-	-	-

2. Distribution of financial liabilities by sector

EXPOSURES/COUNTERPARTIES	Govern-ments and Central banK	Other public entities	Financial compa-nies	Insurance compa-nies	Non-financial companies	Other entities	Total
1. Customer accounts	-	29	1,556	-	1,291	9,399	11,452
2. Debt securities in issue	-	-	-	-	-	-	-
3. Financial liabilities held for trading	-	-	-	-	-	-	-
4. Financial liabilities at fair value	-	-	-	-	-	-	-
Total	**-**	**29**	1,556	**-**	**1,291**	**9,399**	**11,452**
Total 2006	-	**25**	**737**	-	**1,291**	**9,399**	**11,452**

3. Distribution of financial liabilities by geographical area

EXPOSURES/COUNTERPARTIES	Italy	Other european countries	America	Asia	Rest of the word	Total
1. Customer accounts	18,194	30	43	-	-	18,267
2. Deposits by banks	-	-	-	-	-	-
2. Debt securities in issue	-	-	-	-	-	-
3. Financial liabilities held for trading	-	-	-	-	-	-
4. Financial liabilities at fair value	-	-	-	-	-	-
Total	18,194	30	43	-	-	18,267
Total 2006	11,833	1	18	-	-	**11,852**

<u>Section 4 – Operational risk</u>

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.

Operational risk also includes legal risk. Strategic and reputational risks, however, are not included.

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;
- increased 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, the Bank is involved in a number of outstanding labour disputes at 31 December 2008. Provisions of approximately €160 thousand have been made in accordance with the accounting standards in force.

Quantitative disclosure

Operational risk controls during 2008 identified an unexpected loss incurred during the year as a result of an external event.

The Bank suffered a robbery that resulted in the loss of cash amounting to approximately €8 thousand, 90% of which was covered by insurance. The final loss was, therefore, approximately €800.

PART F - EQUITY

Section 1 – The Bank's equity

Qualitative disclosure

At 31 December 2008 equity amounts to € 11,324 million.
Other reserves are actuarial gains and losses on staff termination benefits as described under Item 11 of liabilities.

Quantitative disclosure

NATURE OF ENTRY	Amount	Potential use	Distributable portion
Share capital (3.870.000 ordinary shares with a par value of euro 2,00)	**7,740** 7,740		
Capital reserves Share premium accounts	**1,071** 1,071		
Valuations reserves Reserve for special revaluation laws Reserve for valuation of AFS financial assets	**7** - 7		**7** - 7
Revenue reserves Legal Reserve Retained earnings IFRS transition reserve Other reserves	**1,672** 453 1,149 115 (45)	 B A-B-C A-B-C 	**1,672** 453 1,149 115 (45)
TOTAL RESERVES	**1,679**		**1,679**
Profit for the year	**834**		
Total equity	**11,324**		
*A= to increase capital; B= to cover losses; C= to distribute to shareholders			

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

Qualitative disclosure

The Bank's regulatory capital consists of Tier 1 (Basic) capital and Tier 2 (Supplementary) capital, amounting to €10,730 million.

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 2008, amounting to € 10,756 million. The negative components, totalling approximately € 30 thousand, regard unrealised losses on available-for-sale securities and other intangible assets recognised in the financial statements. The net value of Tier 1 capital is thus € 10,726 million.

2. Tier 2 capital (Supplementary Capital)

Tier 2 capital includes the positive component represented by the reserve for the valuation of AFS financial assets, which amounts to approximately €7 thousand, after deducting the non-computable portion, amounting to 50%.

Quantitative disclosure

	2008	2007
A. Tier 1 capital (Basic Capital) before prudential filters	**10,726**	**8,860**
B. Prudential filters applied to Tier 1 capital	-	**(7)**
B.1 - Positive IFRS prudential filters	-	-
B.2 - Negative IFRS prudential filters	-	(7)
C. Tier 1 capital (Basic Capital) before deductions (A+B)	**10,726**	**8,853**
D. Deductions from Tier 1 capital (Basic Capital)	-	
E. Total Tier 1 capital (C-D)	**10,726**	**8,853**
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. Elements to be deducted from Tier 1 and Tier 2 capital	-	**-**
F. Regulatory capital (E+L-M)	**10,730**	**8,853**
O. Tier 3 capital	-	**-**
P. Regulatory capital including Tier 3 (N+O)	**10,730**	**8,853**

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 Regulator.

The solvency ratio calculated on the basis of the financial statements for 2008 stands at 99.91%. 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 €8,817 thousand at the balance sheet date.

CATEGORIES/AMOUNTS	Unweighted amounts		Weighted amounts	
	2008	2007	2008	2007
A. Risk assets				
A.1 Credit and counterpartie risk	**28,272**	**20,011**	**10,740**	**10,422**
1. Standard Method	28,272	20,011	10,740	10,422
2. Internal ratings based Method (1)	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterpartie risk	-	-	**859**	**834**
B.2 Market risk	**-**	**-**	**321**	**31**
1. Standard Method	-	-	321	31
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	**733**	**-**
1. Base Method	-	-	733	-
2. Standardized Method	-	-	-	**-**
3. Advanced Method	-	-	-	-
B.4 Other prudential requirements	-	-	-	**-**
B.5 Total prudential requirements	**-**	**-**	**1,913**	**865**
C. Risk assets and regulatory ratios				
C.1 Risk-weighted assets				
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)				
C.3 Regulatory capital/ Risk-weighted assets (Total capital ratio)				

Item C.1 is obtained by multiplying total prudential requirements (item B.5) by the reciprocal of the minimum regulatory capital ratio for credit risk.

PART H - RELATED PARTY TRANSACTIONS

1 – Remuneration of Directors and managers

NATURE OF POSITION	2008	2007
Directors	341	265
Managers	97	96
Statutory auditors	30	29

"Managers" includes remuneration paid to Commercial director.

2. Related Party transactions

Related party transactions are identified in accordance with IAS 24. Given that the Bank is not part of a banking group, related parties consist of Directors, Statutory Auditors and key managers (Head Office staff), in addition to close relatives of such persons, and the subsidiaries or associates of these related parties. 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 POSITION	Assets	Liabilities	Costs	Income
Directors	-	341	4	-
Statutory auditors	-	-	-	-
Key Managers	-	4	-	-
Relatives	-	65	1	-
Other related parties	-	42	-	-

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.