BANCA PROMOS®
SOCIETA' PER AZIONI

FINANCIAL STATEMENTS 2010

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

1980
2010

30th year in operation

Contents

Notice of Annual General Meeting

BANCA PROMOS SpA

Registered Office in Naples at Viale Gramsci 19

Share capital €7,740,000.00 fully paid-up - REA no. 329424

Shareholders are hereby called to the Annual General Meeting to be held in first call at the Bank's Registered Office at Viale Gramsci 19 in Naples at 5.30pm on **29 April 2011**, and, if necessary, in second call at the same place and time on 2 May 2011, to discuss and deliberate on the following:

AGENDA

- Combination of the FTA reserves;
- Approval of the financial statements for the year ended 31 December 2010, the Directors' report on operations and the notes to the financial statements and the report of the Board of Statutory Auditors and related resolutions pursuant to the law;
- Re-election of the Board of Directors and determination of their remuneration;
- Remuneration report for 2010 and revision of the related policies;
- Any other business.

The procedures for attendance at the Annual General Meeting are governed by law and the Articles of Association.

The Chairman of the Board of Directors

Ugo Malasomma

Management and Independent Auditors

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

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

Independent Auditors

Deloitte & Touche SpA

Financial Highlights

Financial position	31/12/2010	31/12/2009
Total asset	**47,283,245**	**39,254,382**
Total loans and advances, including	37,380,915	**32,405,287**
Loans and advances to customers	22,202,252	14,748,462
Loans and advances to banks	3,673,092	6,647,331
Financial assets	11,505,571	11,009,494
Total deposits, including	**28,860,066**	**21,451,797**
Deposits by banks	50,338	50,144
Customers deposits, including	28,809,728	21,401,653
Customers accounts	*20,672,903*	*17,391,311*
Outstanding securities	*8,136,825*	*4,010,342*

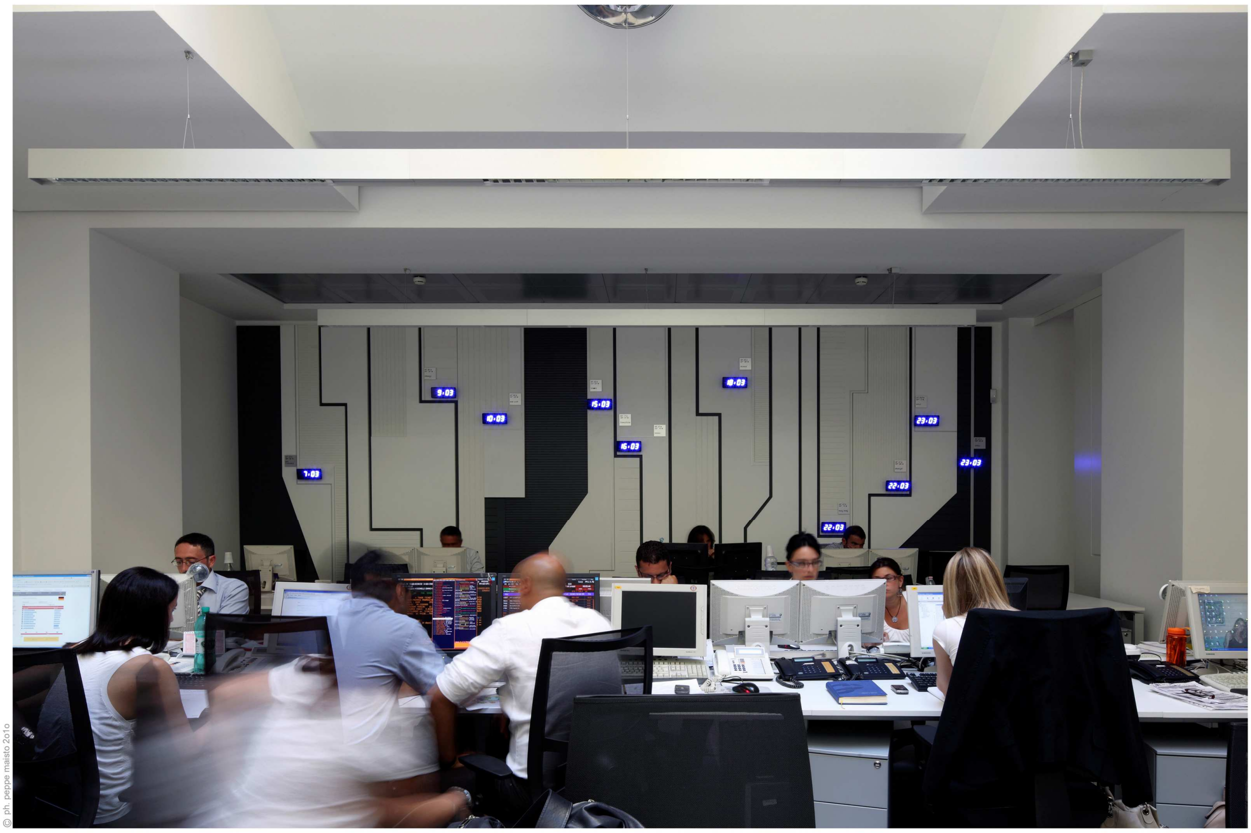
Results of operations	31/12/2010	31/12/2009
Net interest income	813,872	909,896
Net fees and commissions	-360,064	-836,143
Net profit from trading activities	6,676,448	10,133,771
Gross income	**7,130,256**	**10,207,524**
Total costs, including	**-5.690.323**	**-5,728,320**
Administrative expenses	-5,475,728	-5,416,920
Other operating income/costs	260,658	-52,662
Net loan impairments	-21,063	-198,574
Provisions for risk and charges	-3,245	50,532
Net impairments of non-current assets	-450,945	-110,696
Profit on sale of investments	110,785	152,329
Profit before tax	**1,550,718**	**4,631,533**
Taxation	-538,602	-1,651,751
Profit for the year	**1,012,116**	**2,979,782**

Organisation	31/12/2010	31/12/2009
Staff at the end of the period	54	49
Number of branches	3	2

Per share data	31/12/2010	31/12/2009
Number of shares	7,740,000	7,740,000
Profit from banking operations per share	0.92	1.29
Profit from ordinary activities per share	0.20	0.60
Earnings per share	0.13	0.38
Equity per share	1.88	1.77

Ratios	31/12/2010	31/12/2009
Total loan impairments /Gross loans and advances (loan loss coverage ratio)	2,01%	3,19%
Net interest income /Total assets	1,72%	2,32%
Profit from banking operations /Total assets	15,04%	25,50%
Net interest income /Gross income	11,41%	8,91%
Administrative expenses /Gross income	76,80%	53,07%
Profit for the year /Total assets	2,14%	7,59%
Profit for the year /Equity (excluding net profit)	7,46%	27,77%
Gross non-performing loans /Loans and advances to customers	1,53%	2,58%
Net non-performing loans /Loans and advances to customers	0,19%	0,50%
Loans and advances to customers /Total assets	46,96%	37,57%
Customer deposits / Total assets	60,93%	54,52%
ROE - Return On Equity	6,94%	21,73%
ROA - Return On Assets	3,28%	11,80%
DPO - Dividend Pay Out	57,36%	25,98%
Cost to income ratio	79,51%	54,17%

Peppe Maisto



Peppe Maisto

Directors' Report on operations 2010

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Dear shareholders,

The financial statements hereby presented for your approval report profit before tax of €1,550,718 and profit for the year of €1,012,116.

Despite the general slowdown resulting from market conditions, the Bank has again recorded a highly positive performance, above all in comparison to the industry average.

Before examining the operating results for 2010, we will provide information on the operating environment, including a brief review of the international and local economic and financial climate.

Macroeconomic environment

There were widespread signs of economic recovery in 2010, although the pace of the turnaround varied from country to country. The latest estimates from IMF show that, having contracted by 0.6% in 2009, the world economy grew by 5%. This figure, however, obviously masks the different performances registered by emerging nations, where growth was more robust (such as China and India, which both grew by around 10%), and by the more advanced economies, where growth, whilst clearly evident, was slower (such as the USA, which grew 2.9%, compared with a decline of 2.6% in 2009).

In the euro zone, where tensions were first seen in Greece and Portugal at the beginning of the year, before spreading to Ireland and Spain in the autumn, the EU was forced to adopt a permanent bailout mechanism to stabilise the area's finances.

The European recovery was, therefore, rather slow, and was largely driven by the extremely positive performance of the German economy. Average GDP growth in the zone was 1.7% (a decline of 4% in 2009), with average industrial output also recording sustained growth (up 7.1% versus a fall of 14.8% in 2009).

On the foreign exchange markets, the euro fell against the other major currencies.

International monetary policies continued to be expansionary, as in the previous two years. The Federal Reserve kept interest rates close to zero, whilst the ECB kept its key interest rate at the historically low level of 1%, where it has been since May 2009.

Financial markets

This generalised macroeconomic uncertainty also conditioned the performances of the financial markets, which proved highly unstable, a situation that was accentuated in the fourth quarter.
The measures introduced by governments and financial institutions in the major powers, with the aim of finding a solution to the difficulties, were brought up short by the worsening sovereign debt crisis in the above European countries. This led to growing market and stock price volatility, reflected primarily in wildly fluctuating exchange rates and a sharp rise in the yields on European government and corporate bonds.
The uncertainty had a different impact on the various stock sectors around the world, with financial, telecommunications, media and electricity stocks particularly hard hit, whilst indices linked to commodity stocks gained.

Performance of leading equity markets	
Index	**% change versus 2009**
Standard & Poor’s 500 (New York)	+12.8%
Nikkei 225 (Tokyo)	-3%
Dow Jones Euro Stoxx Large (euro area)	+6.2%
FTSE MIB Storico (Milan)	-7.66%

The general lack of visibility also had an impact on the interbank market, which saw a decline in liquidity and increasingly volatile interest rates, above all short-term rates. Despite this, overall the curve was only slightly steeper than at the end of 2009.

On the capital markets, which represent the main segment in which the Bank operates, 2010 was marked by stagnation and a wait-and-see approach: investors remained extremely prudent, due to the crisis in the euro area and ongoing expectations of an interest rate rise, which did not in fact take place. As a result, the market was flat, with trading volumes low and small spreads.

The Italian economy and banking sector

The available figures reveal a reasonable improvement in the Italian economy compared with the dark days of 2009, with industrial output rising (up 5.4%), along with exports (up 6.9%) and imports (up 7.8%).
The pace of recovery is held back, however, not only by the international situation described above, but also by the structural problems faced by our country, above all the weakness of its labour market. This resulted in another rise in the annual average unemployment rate, which stands at 8.5% for 2010, with the young accounting for a large part.
Internal demand remains subdued, whilst consumers continue to be cautious, reflecting the weakness of disposable incomes.
Italian GDP rose 1.3% in 2010, which, alongside a deficit that remains high and a stuttering economic recovery, has meant that the ratio of public debt to GDP has continued to rise, and now stands at 119%.

The Italian banking sector continued to see significant growth in deposits in 2010, although the rate of increase declined: at the end of the year total Italian bank deposits had risen 3%.
Whilst modest, growth in lending provided a clear indication that recovery is underway, in terms of both consumer and corporate loans.

The overall economic situation thus continues to be a source of concern, resulting in a deterioration in credit quality in the Italian banking system: new non-performing loans as a percentage of total lending rose at the same rate as in the previous year (up 2% over the year, according to the partial data available).
At the time of writing, the outlook for credit quality in Italy is subject to a degree of uncertainty, despite a number of encouraging signs (such as, for example, a decline in the exposure to borrowers categorised for the first time as non-performing). In any event, the number of borrowers in temporary difficulty remains high.

Whilst Italian banks overall remain in better shape than their European and International competitors, 2010 witnessed a further reduction in margins and earnings: ROE has fallen to below 4% on average, net profits are down by an average of 13%, and net interest income is around 9% lower.

The economy and the banking sector in Campania

The Campania region showed modest signs of recovery, above all in the first half of the year, with the real economy offering some encouragement, despite significant disparities between the various industrial sectors. The upturn in the manufacturing sector was uneven, whilst there was a more marked and uniform recovery in services (there was a turnaround in air and cruise liner traffic, and in freight traffic around the region’s ports) and exports (a strong rise in pharmaceuticals). The construction sector remained in difficulty.

In terms of the labour market, the available figures confirm the region’s by now historical difficulties, with employment continuing to fall for over two years and a growing number of workers laid off and on income support.

Growth in lending to both businesses and consumers accelerated, reflecting an increase in demand and a relaxation of the restrictive conditions applied by banks in the previous year.

Banca Promos in 2010

The Bank recorded a decline in revenue from its trading on the OTC markets, traditionally its core business, in comparison with the exceptional performance of 2009. The liquidity crisis and stagnation in the capital markets resulted in a reduction in spreads, although this was offset by the fact that trading volumes were in line with the significant levels recorded in 2009.

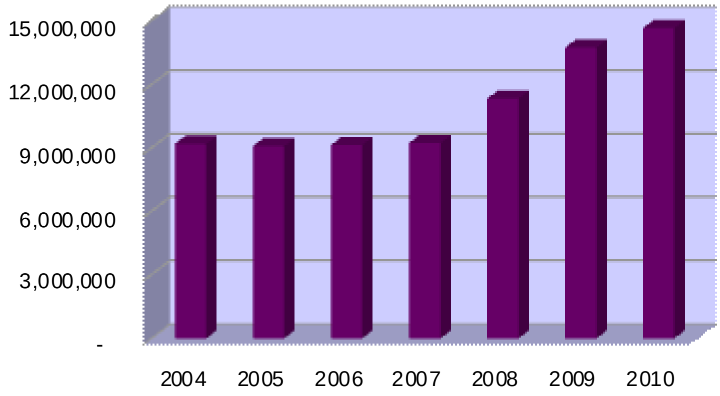
Turnover, which rose from €14 billion in 2008 to €19.7 billion in 2009, was €19.5 billion in 2010, with a significant increase in the number of market counterparties served.

Banking services, on the other hand, continued to grow for the sixth year running, reporting, if anything, an acceleration in the pace of expansion. This has resulted above all in commercial expansion, although this was also reflected in income generation. The substantial increase in deposits, lending and assets under management was accompanied by growth in the number of existing customers and in the volume of transactions, partly thanks to the opening of the third retail branch.

The following graphs show key performance indicators between 2004 and 2010, revealing constant growth in equity, whilst the data for pre- and after-tax profit and total income[NH1] highlights the exceptional nature of the results achieved in 2009. The performance of net interest income, on the other hand, reflects the ongoing decline in rates since the end of 2008.

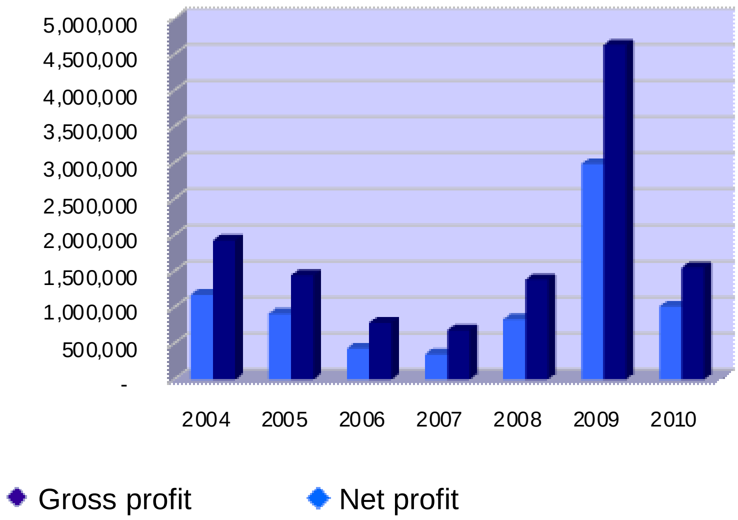
2004 - 2010

EQUITY

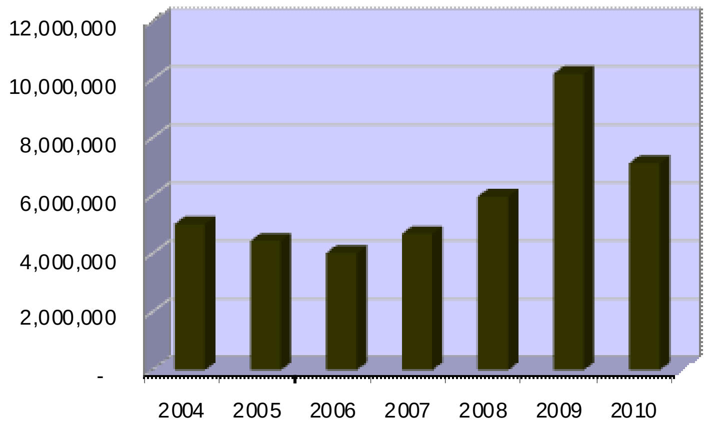


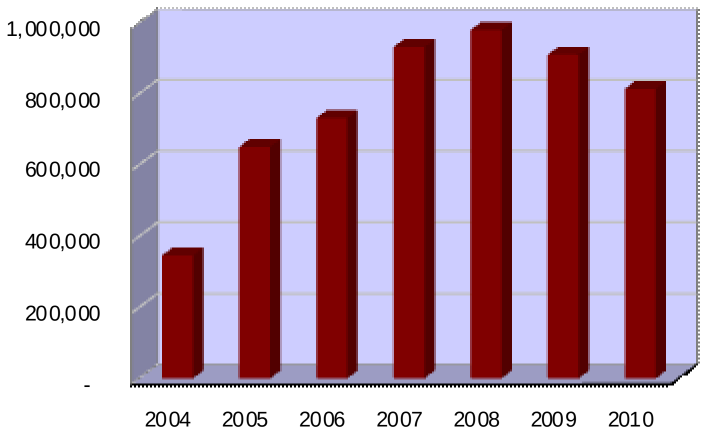
2004 - 2010

PROFIT FOR THE YEAR



2004 - 2010
TOTAL INCOME





2004 - 2010
NET INTEREST INCOME

Financial review

We now go on to analyse key components of the financial statements for the year, which are described in more detail in the notes. The statement of financial position shows strong growth in total assets and continued growth in deposits and loans.

Deposits and loans

Customer deposits, as shown in items "20 – Customer accounts" and "30- Securities in issue", are up 35% on the end of 2009. The improvement reflects growth in both customer accounts and, above all, the Bank's own bonds, which doubled as a result of issues during the year. In April 2010

the Bank completed a new issue of plain vanilla bonds with a term to maturity of three years, denominated BANCA PROMOS SPA 2.75% 13/04/2013. €4 million of these bonds, offering a gross return of 2.75% and a net return of 2.41%, were issued.
The figure for the annual average provides even clearer evidence of the increase in deposits, having risen 17%.
The graph below shows that the most important form is represented by current account deposits, whilst the Bank's bonds in issue account for a greater proportion than before at 30% of the total (15% in 2009), and repurchase agreements have continued to decline, falling to 1% from 7% in the previous year.

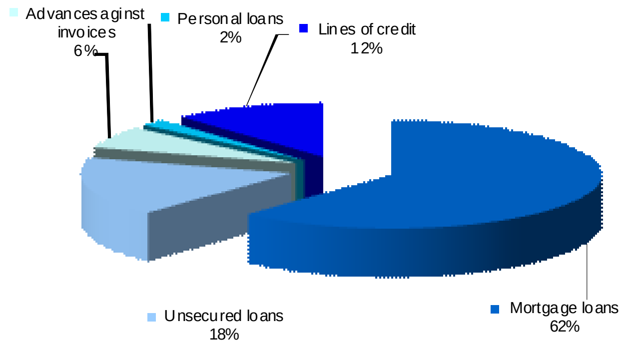
The performance of our branches, which was boosted by the addition of the new office in Via Campanella, a particularly busy area, reflects a reasonable increase in volumes over the year.

The number of current accounts opened was up 9% compared with 2009, whilst savings books are up 22%.

Debit cards saw strong growth, with the number of cards in circulation up 23%, the volume of transactions using our cards rising 28%, and the number of ATM transactions up 18%. POS transactions were also ahead of 2009 (up 11.30%).

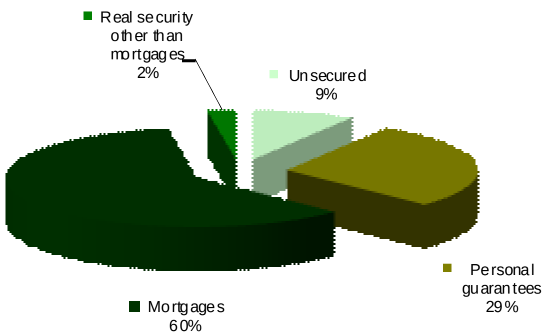
Total deposits, which also include indirect funding, are up 15% on average, continuing the unbroken trend seen over several years.

The increase in loans and advances was even more significant, whilst credit quality remained at a satisfactory level.
Loans and advances to customers are up 51% on the end of the previous year, with the average figure for the year rising 39%.
Mortgage loans continued to represent the primary form of lending (61% of the total), partly as a result of the Bank's prudent strategy of giving preference to low-risk loans.



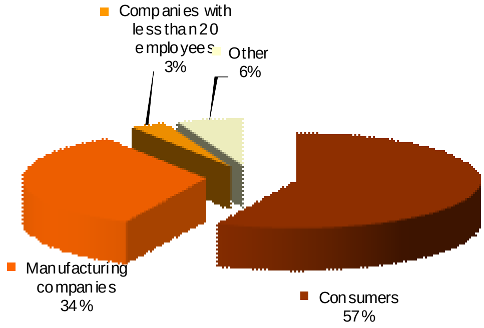
2010 – LOANS BY TYPE

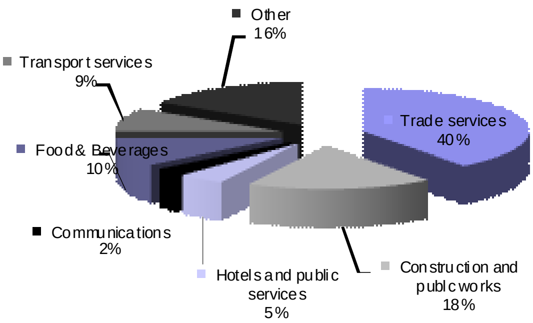
2010 – LOANS BY TYPE OF SECURITY



The following graphs, showing certain key aspects of the loan book, reveal that loans to consumers account for 57% of the total, whilst lending to companies represents 34% and other categories make up the remaining 9%. Among companies, 40% of loans are to small and medium-sized enterprises, 18% to construction companies and 10% to food & beverage companies.

2010 – LOANS
BY ECONOMIC SECTOR





2010 – LOANS
BY INDUSTRIAL SECTOR

Careful selection of loan customers and prudent management of the loan book have enabled us to keep credit quality at a satisfactory level.

Doubtful loans are analysed in detail to identify any aspects that could prejudice the creditworthiness of borrowers. In contrast with the system as a whole, this approach enabled us to end the year without an increase in non-performing loans. Moreover, compared with 31 December 2009, gross non-performing loans have recorded a reduction, reflecting collections during the period of approximately €40 thousand.

In addition, at 31 December 2010 the Bank reports impaired items, represented by past-due and problem loans, amounting to approximately €167 thousand after impairments.

In terms of collective write-downs of loans and advances, given the short life of the Bank and the resulting lack of historical loss experience, a collective write-down of performing loans was based on the experience of a group of banks chosen from those that resemble Banca Promos in terms of size, location and type of business.
The Bank calculated the average percentage applied by the banks in the group to this type of write-down, based on the latest approved financial statements. The resulting percentage was then adjusted to take account of the change in the percentage rate of impairment reported by the Bank of Italy in Campania at 30 June 2010 (up 3.20%). As a result, outstanding performing loans have been written down by 0.653%, net of guarantee deposits of €505,013, and impaired loans not classified as problem or non-performing by 6.653%.

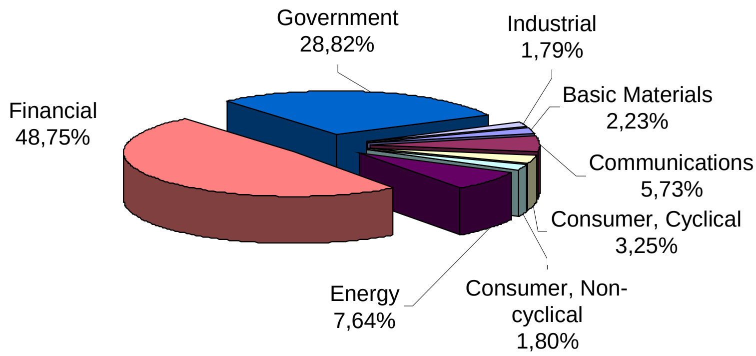
This approach has resulted in a loan loss coverage ratio of 2%.
In addition, the only impaired loan to a bank has also been written down. This regards a loan granted to a bank under special administration. The write-down was determined on the basis of the overall exposure of the bank to the banking system and taking account of indications provided by the administrators and the other banks involved.
The following table shows the performance of performing and non-performing loans and advances to customers and banks.

	Gross amount	**Impairments**	**Net amount**
Loans and advances to customers			
Non-performing	340,628	299,370	41,258
Problem Loans	39,942	6,067	33,875
Past-due	142,388	9,471	132,917
Restructured	-	-	-
Performing	22,135,449	141,247	21,994,202
Total loans and advances to customers	**22,658,407**	**456,155**	**22,202,252**
Loans and advances to banks			
Problem	504,746	44,700	460,046
Performing	3,213,046	-	3,213,046
Total loans and advances to banks	**3,717,792**	**44,700**	**3,673,092**

Proprietary trading

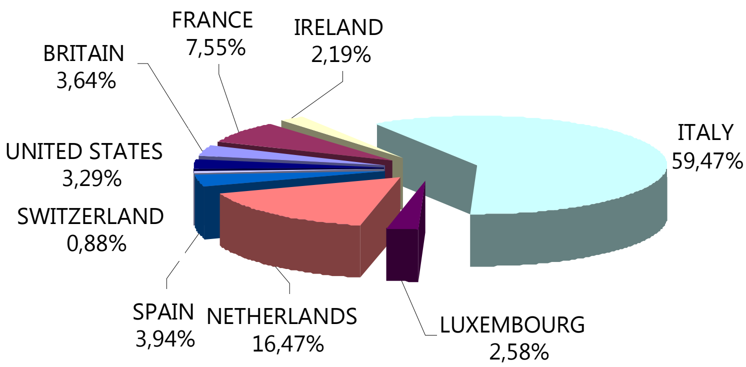
The value of the Bank's trading book is slightly up (4.5%) on 2009 at €11.5 million.

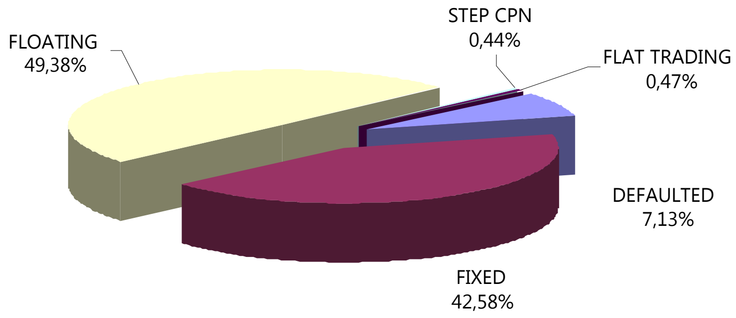
The composition has not undergone significant changes and is balanced from a number of perspectives: as shown in the following graphs, an analysis reveals that instruments issued by financial companies and governments account for the lion's share, whilst, in geographical terms, preference is given to Italian issuers.



2010 – TRADING BOOK
BY INDUSTRIAL SECTOR OF ISSUER

2010 – TRADING BOOK
BY GEOGRAPHICAL AREA OF ISSUER





2010 – TRADING BOOK
BY TYPE OF INSTRUMENT

In line with the increase in market returns, the trading book's return at maturity has risen to approximately 2.50%.
The duration and modified duration are 1.860 and 1.814, respectively.

Market risk indicators (Value at Risk, calculated using the Monte Carlo method with a 99% confidence interval) as a percentage of the market value of the trading book are low (0.45% over a 1-month time horizon, which, with respect to the current market value, results in a Value at Risk of approximately €52 thousand, and 0.78% over a 3-month time horizon, which, with respect to the current market value, results in a Value at Risk of approximately €90 thousand).
These levels of risk are slightly up due to the degree of market volatility, but are in any event well below the maximum thresholds established by internal regulations.
The stress tests carried out, based on the assumption of a sudden shift in interest rates of +/- 100 basis points, also show that the percentage of the market value of the trading book at risk is low. In particular, a downward or upward shift in rates would result in a gain or loss equal to 0.94% of the book's market value, totalling approximately €108 thousand.

The increase in yields on bond holdings generated a number of losses towards the end of the year, above all in the fixed rate segment. These losses were, however, offset by gains generated over the year on the floating rate segment not including government securities and by an increase in the market value of bonds issued by Lehman Brothers, compared with 2009.
After losses of €137,934, gains on financial instruments at 31 December 2010 amount to €80,297.

Other components of the statement of financial position

Following the merger with IM.PA., the investment in the former subsidiary was derecognised, whilst non-current assets increased as a result of recognition of the carrying amount of the property owned by the acquiree at its historical cost of €5,350,500, as confirmed by the independent appraisal dated 24 June 2009.

In addition, the cost of renovating the property, amounting to €1,590,990, has also been capitalised. A further amount of €307,000 regards the purchase, in 2010, of the ground floor of the building for use as a plant room for the new headquarters, and of the surrounding uncovered area.

Other assets have declined significantly, falling to €970,795 as a number of components accounted for at 31 December 2009 were recycled through the income statement in 2010.

Equity is up 6%: the reserves have increased to €4.8 million due to merger surpluses and, above all, to earnings from the previous year, which were retained in order to strengthen the Bank's capital.

Income statement

The income statement for 2010, the Bank's thirtieth year in operation, shows a profit of €1,012,116. The reduction compared with the previous year reflects the return to ordinary levels of trading activity after the boom of 2009. Similarly, 2010 witnessed a reduction in the net profit from trading activities and in total income.

The decline is less marked with reference to the average figures for the last three years.

Despite significant growth in deposits and lending, net interest income has, in line with the available figures for the system, fallen 11%, reflecting the low level of interest rates throughout the period. This item also reflects the decision, prudently taken in view of the current economic situation, to give preference to mortgage loans, which earn lower returns whilst being subject to reduced levels of risk.

The various components of net interest income are shown in the following table.

Composition of net interest income	2010	2009
Interest income	**1,143**	**1,153**
Securities held for trading	324	305
Loans and advances to customers	760	701
Loans and advances to banks	59	147
Other assets	-	-
Interest expense	**329**	**243**
Deposits by banks	38	49
Customer deposits	48	84
Securities in issue	243	110
Net interest income	**814**	**910**

Operating costs underwent a natural increase of 3%.
The 14% reduction in staff costs reflects the reduction in variable pay for commercial staff, linked to the reduction in activity, partially offset by the recruitment of new personnel in time for the opening of the Via Campanella branch.
The increase in other administrative expenses should be viewed alongside the rise in other operating income, with both resulting from relations with IM.PA and the merger.

As shown in the statement of cash flows, cash inflows in 2010 were slightly up on outflows, generating net cash of approximately €82 thousand. Cash inflows were generated by customer deposits, whilst outflows consisted of loans and advances to customers.
Cash is sufficient to meet the Bank's funding requirements.

The various financial ratios indicate the Bank's generally well-balanced structure and highlight improvements in certain areas: the ratio of customer deposits to total assets has risen to 60.93% from the previous 54.52%, whilst the ratio of loans and advances to customers to total assets is up to 46.96% from the previous 37.57%. At the same time the ratio of gross and net non-performing loans to total loans and advances stands at 1.53% (2.58% in 2009) and 0.19% (0.50% in 2009).

The Bank's ROE (Return on Equity) of 6.94% reflects the return to ordinary levels of profit after the boom of 2009. This is more than positive when compared with the available data for Italy's leading banking groups in 2010 (3.7%).

ROA (Return on Assets) is down to 3.28% from the previous 11.80%.

The DPO (Dividend Payout) is 57.36%, reflecting continuation of the Bank's prudent dividend policy, which has seen it propose a dividend of €0.075 per share for 2010.

Despite the contraction in total income, the increase in cost to income ratio reflects the stability of operating costs. The ratio stands at 79.51% for 2010.

As can be seen in Part F of the notes to the financial statements, in spite of the significant increase in lending during the year, the Bank has a high equity cushion, boasting surplus capital. This is reflected in the performance of Tier 1 capital, the prime indicator of a bank's capital adequacy, which has declined to 31.78% from the 36.76% of 2009, compared with the required minimum of 8%.

Operating review

2010 marked Promos's thirtieth year in operation, which the Bank celebrated via two important events: the transfer of our headquarters to new premises and the opening of our third retail branch.

The change of location was necessary in order to provide additional space to accommodate the Bank's expanded operations and, at the same time, move to a location nearer the centre of the city.
We are now based in a historical building, dating back to the early 1900s, in Viale Gramsci, Naples. The premises have been renovated with a view to providing open-plan office space, in keeping with more modern working arrangements.
The Bank's third retail branch is located next door to the headquarters building, with the aim of taking advantage of the enhanced visibility offered by this location. The new branch joins the existing ones in Via Manzoni (again in Naples) and in Salerno. The opening of the new branch, which formed part of the Bank's expansion plans, confirms our strategic commitment to the local area and consolidates the process of diversifying the business embarked on six years ago.

Preparations for the opening of the new branch and, above all, for the transfer of the Bank's offices placed significant demands on all our staff. Their tremendous efforts, above all those of staff with responsibility for IT systems and organisational matters, enabled us to smoothly complete the delicate process of moving office: ordinary operations continued without interruption, with everything working as it should and no disruption to services, thanks to the excellent work of our staff, to whom we are particularly grateful.

The merger of IM.PA Srl, a previously wholly owned subsidiary, with and into Banca Promos was completed in October, with effect for accounting purposes from 1 January 2010.
The initiative was launched on 25 March 2010 when the plan for the merger was approved by the boards of both companies. Following clearance from the Supervisory Authority, the merger was then approved by the shareholders of Banca Promos on 2 August 2010. The process was completed in October with the deposit of the merger deed at the Companies' Register.
The above transaction, which was strategically motivated, was carried out with the aim of streamlining the organization and the corporate structure and cutting administrative costs. It should be noted, in this regard, that the merger did not result in any change to the Bank's Articles of Association or to its share capital, although it did entail derecognition of the previously held investment.

The non-recurring events referred to above naturally had no impact on the Bank's day-to-day operations, which continued to be carried out with the usual attention and dedication by all the Bank's offices and operating units.

The process of optimising internal processes and formalising operating procedures continued, with the Bank engaged in the implementation of a number of new regulations, of which there were again a large number in 2010 and which had a significant impact. This required us to update the various internal documents and regulations.
A summary of the various activities over the last twelve months is provided below:

- the transfer of contracts to and their storage in electronic format. The progressive abandonment of paper documents will, when completed, enable us to streamline our administrative processes and boost their efficiency, resulting in cost savings;
- the PSD (*Payment Services Directive - Directive 2007/64/EC*) was applied, with the drawing up of a specific contract governing payment services, and changes made to IT procedures in order to ensure compliance with the new regulations;
- with regard to anti-money laundering regulations, the Bank has complied with Bank of Italy Ruling 895 of 23 December 2009 containing *"Instructions for implementing the Electronic Data Base (AUI) and the simplified registration procedures introduced by art.37, paragraphs 7 and 8 of Legislative Decree 231 of 21 November 2007*";
- the review of credit processes continued, with further changes to the Credit Regulations regarding the introduction of a more accurate method of calculating impairments, which took place alongside the normal review of contracts and the related forms;
- in response to overall regulatory requirements, which call for the Bank to adopt an effective risk management system, the Risk Management System was approved, describing the process of

managing risks, indicating the various roles and responsibilities of the bodies involved and the related risk management procedures;
- with regard to business continuity, the Bank has introduced the Business Continuity Management Process, setting out the means of analysing the impact on the business and the criteria for preparing the “Business Continuity Plan”, which has been updated, as it is every year.

A number of organisational initiatives have also been implemented in order to support commercial staff working in the Trading department, with the creation of computerised procedures designed to improve the management of institutional counterparties, thanks to the development of applications able to produce periodic reports on the state of transactions involving this customer segment. In this way, trading desk staff have access to a simple monitoring tool that enables them to identify customers that conduct a low volume of business and take steps to remedy the situation.

Within the scope of initiatives promoted by the Italian Bankers’ Association, with a view to helping businesses and consumers in difficulty, in February Banca Promos signed up to the so-called “Family Plan”, offering mortgage holders in evident economic difficulty the chance to opt for a repayment holiday of several months. This is in addition to the Bank’s participation in the “Joint announcement of the suspension of debt repayments to banks by SMEs” from September 2009.

Aware of the fact that the expertise and professionalism of staff play a central role in today’s banking sector, the Bank organised a number of in-house and external staff training and refresher courses during the year, covering a number of different areas.
Above all, following the entry into force of the Bank of Italy’s measures regarding “The transparency of banking and financial transactions and services. Fairness in relations between intermediaries and customers”, a series of in-house seminars for all members of staff were led by the heads of the Bank’s departments and external consultants.
In compliance with occupational safety regulations, the Bank, assisted by consultants with expertise in this area, also organised a seminar for all staff on “Information pursuant to article 36/37 of Legislative Decree 81/08”. Likewise, following enactment of the new law governing Mediation (Legislative Decree 28 of 4 March 2010), a training session was organised, with the presence of an external consultant, in order to brief personnel on the new legislation.

Staff from the Trading department also attended a number of external courses focusing on specific technical issues, including:

- participation in a seminar on the models used in interest rate risk management held at the Federico II University in Naples ("Behavioural models in Asset-Liability Management. Modelling sources of liquidity and interest rate risk in the banking book");
- participation in refresher courses organised by Bloomberg, the world's leading financial information provider and for which Banca Promos acts as a contributor, on the financial analysis tools offered by the Bloomberg system;
- participation in an event entitled "Islamic finance: commercial, regulatory and fiscal aspects for rapid integration in Italy", which was held at Palazzo Altieri in Rome to mark publication of the book of the same name by the Bancaria publishing house.

Within the scope of research and training initiatives, the Bank took part in the organisation of a Conference, promoted by IPE-Istituto per ricerche ed attività educative, on "Reform of the payments system".

The Bank also continued to support the Master in Advanced Finance programme offered by IPE's Advanced Training school, founded by university tutors and entrepreneurs with the aim of helping young people gain access to education, culture and work.

The Bank's commitment to helping young people and contributing to its local community also saw us provide support for the *L'Altra Napoli* non-profit association, which aims to improve the city by tackling environmental and social problems in run down areas.

Workforce

Compared with 2009, the number of staff is up 10%, rising from the previous 49 to stand at 54 at 31 December 2010.

Turnover during the year is shown below by type of contract and position.

Turnover	At 1 Jan 2010	New recruits/ Promotions	Leavers, retirements	At 31 Dec 2010
Permanent contracts, of which:	**38**	**4**	**1**	**41**
Senior managers	1	-	-	1
Middle managers	4	-	-	4
Clerical	32		-	35
Unskilled	1	-	-	1
Fixed-term contracts, of which:	**11**	**4**	**2**	**13**
Clerical	11	4	2	13

The number of women employed (30) is slightly higher than the number of men (24) and is up on the figure for 2009 (25 women).

The Bank continued to give preference to permanent contracts (76% of the total), whilst flexible contracts primarily take the form of training contracts.

Staff are highly educated, with 70% university graduates and 26% high school graduates.

Quantitative and qualitative information in summarised below:

Composition	Senior managers	Middle managers	Clerical	Unskilled	TOTAL
Men	**1**	**1**	**21**	**1**	**24**
Women	**-**	**3**	**27**	**-**	**30**
Average age	49	46	36	45	37
Seniority	4	5	3	10	6
Permanent contracts	1	4	35	1	41
Fixed-term contracts	-	-	1	-	1
Training contracts	-	-	12	-	12
Education – University degree	1	2	35	-	38
Education – Diploma	-	2	12	-	14
Education – High School	-	-	1	1	2

Related party transactions

At 31 December 2010 Banca Promos does not hold investments, after its former subsidiary, Im.Pa. Srl was merged with and into the Bank in October.

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

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

These documents require the Directors to provide adequate information on the impact of the crisis on the business in the financial reports.

A summary of the relevant information, covering aspects of potential significance for the Bank, is provided below.

- Going concern

Assets and liabilities in the financial statements for the year ended 31 December 2010 were measured on a going concern basis. Based on the healthy performance indicators, it is possible to state, with reasonable certainty, that the Bank will continue to operate indefinitely and that the financial statements were prepared under the going concern concept. The historic, current and projected financial statements used for the Bank's strategic planning show positive cash flow generation and profits. The Bank also has ample financial resources to meet current and future needs, and has healthy earnings that enable it to pay dividends to shareholders.

- Financial risks

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

- Impairment testing

The Directors have carefully tested all assets and ascertained the lack of any impairment. The Bank does not hold available-for-sale securities and has not recognised goodwill in its financial instruments. Moreover, at 31 December 2010 Banca Promos does not hold investments, after its former subsidiary, Im.Pa. Srl was merged with and into the Bank.

- Uncertainty regarding estimates

Loans and advances are measured on the basis of the ordinary policies used for non-performing loans. In this context, therefore, the risk is linked to natural uncertainty within the system and the current economic downturn.

Financial assets are, on the other hand, recognised at fair value. The methods used for determining fair value are set out in a specific policy summarised in Part A of the notes to the financial statements.

- Fair value hierarchy

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

Other information

Although its operations have a limited impact on the environment, Banca Promos has always paid attention to environmental issues and to promoting a culture of sustainable development within the organisation. In particular, with respect to waste disposal, Banca Promos has entered into a contract with a specialist firm in the collection and transportation of special refuse in order to assure compliance with statutory requirements. The company also collects malfunctioning or obsolete hardware for their repair, recycling or disposal.

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

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

In addition, we disclose that:

- in 2010 Banca Promos has revised its Security Planning Document, prepared pursuant to Legislative Decree 196 of 30 June 2003 regarding data protection.
- the Supervisory Body established in accordance with Legislative Decree 231 conducted its activities as required by the annual plan drawn up by the Board itself. During the year, moreover, the Bank implemented an organizational change, with the control activities required by the above legislation being assigned to the Compliance unit. The decision to switch to a single Supervisory Body is based on the principle of proportionality provided for in the supervisory regulations, and meets the dual need of rationalising control activities and cutting costs.
- the Bank has updated its “Business Continuity Plan”, which describes the contingency plans to be implemented 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. Updating of the Plan, which was preceded by an impact analysis, took account of the IT hardware and software installed when the Bank transferred to its new headquarters.

Risk management and internal controls

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

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

- *reputational risk*
- *residual risk*

On this basis and as required by the new supervisory requirements for banks (*Bank of Italy Circular 263 of 27 December 2006*, as subsequently amended and added to), which apply the New Basle Accord on Capital ("Basle II"), the Bank has prepared the "*ICAAP Report"* at 31 December 2010.

This report contains a full and documented evaluation of the basic characteristics of the internal process of assessing capital adequacy, overall risk exposure, and determining the Bank's "Total internal capital".

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

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

Moreover, whilst liquidity risk does not absorb capital, in order to estimate this risk the Bank has adopted the related regulatory guidelines, on the basis of which it has created specific measurement and control systems and procedures.

At the same time, however, estimates of the Bank's exposure to other "non-measurable" risks (*strategic*, *reputational and residual risks*) are based on subjective assessments carried out on the basis of primarily qualitative methods, defined in relation to the nature of each risk.

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

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

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

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

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

Credit risk

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

In particular:

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

Market risk

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

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

Concentration risk

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

Interest rate risk

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

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

Operational risk

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

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

Liquidity risk

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

Strategic risk

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

Reputational risk

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

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

Residual risk

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

Outcome of controls

In parallel with ordinary periodic controls, a number of inspections were carried out during the year. The checks focused on the areas of the Bank most affected by the new regulations and, where necessary, resulted in IT-related or organisational improvements.

The controls confirmed that all the risks identified had been sufficiently mitigated.

Events after 31 December 2010

There have not been any material events after the end of the reporting period.

Outlook

Figures for early 2011 point to a slowdown in activity on the financial markets which, being already affected by concerns relating to interest rate rises, have also been hit by the recent crisis in North Africa.

In this environment it is likely that Banca Promos see a reduction in income of around 10% in the first quarter, compared with the same period of 2009[NH2].

Widespread uncertainty over where the Libyan crisis is heading and regarding the ECB's monetary policies, as well as over the earthquake in Japan, makes it difficult, on the other hand, to formulate reliable medium-term projections, above all in relation to the financial markets.

In contrast, the fact that the new retail branch is fully operational should provide a boost for banking activities in 2011.

Proposed appropriation of profit for the year

We invite you to examine and approve the financial statements for the year ended 31 December 2010, with the attached reports of the independent auditors, Deloitte & Touche SpA, and the Board of Statutory Auditors. We also 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.

Having examined the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, the notes the Directors' report on operations, the report of the Board of Statutory Auditors and the report of the independent auditors, we therefore invite the General Meeting, if in agreement with the above proposal, to adopt the following resolutions:

a) to approve the financial statements for the year ended 31 December 2010, which report profit for the year of €1,012,116;

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

- €50,606 to the legal reserve;
- €580,500 to be paid as a dividend of €0.075 per share;
- €381,010 to be carried forward as retained earnings.

Acknowledgements

We should like to conclude our report by thanking all our shareholders and customers, for their growing trust and confidence over the course of the year.

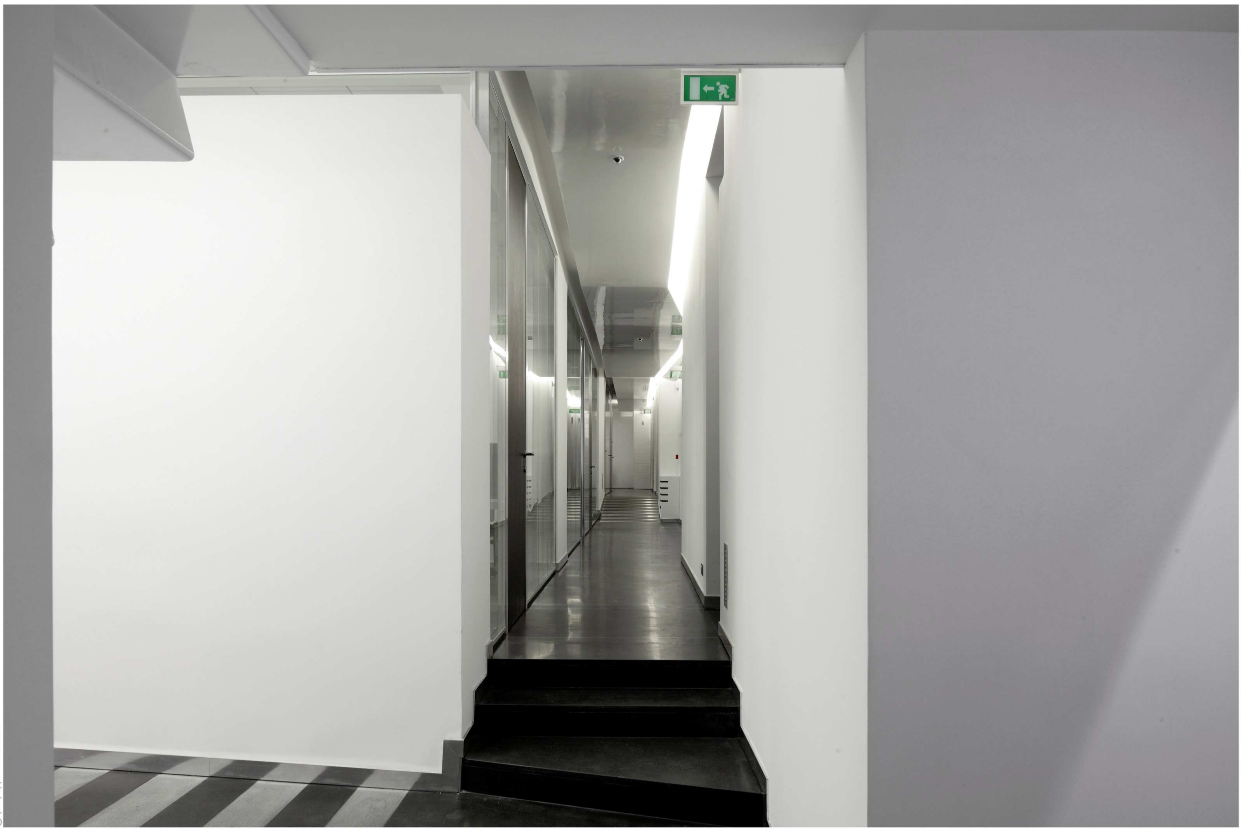
We wish to express our gratitude to the Board of Statutory Auditors and the independent auditors, Deloitte & Touche, for their audit activities and the invaluable assistance provided.

We also wish to say a big thank you to every member of the Bank's staff, regardless of their role and duties, for the commitment they have shown.

We also wish to thank the banking regulators, and above all the staff of the Bank of Italy's local offices, who are responsible for supervising our Bank.

The Board of Directors

Peppe Maisto



Peppe Maisto

BANCA PROMOS SPA
REGISTERED OFFICE: NAPLES – VIALE GRAMSCI 19
TEL. 081 0170111 – 081 7142222

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING PURSUANT TO ART. 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

To the Shareholders of Banca Promos SpA:

Our activities during the year ended 31 December 2010 were based on the Standards of Conduct for Boards of Statutory Auditors as recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (the Italian Accounting Profession).

Audit activities

We monitored compliance with the law and the articles of association and the observance of the principles of proper corporate governance.

We participated in shareholders' meetings and meetings of the Board of Directors, which, as far as we are aware, did violate the law or the articles of association, nor are we aware of transactions that were manifestly imprudent, risky, subject to a potential conflict of interest or such as to place shareholders' equity at risk.

During our meetings with the Directors, we obtained information on the Bank's operations, with respect to which we have no particular observations to report; and on the general operating performance and outlook, and transactions of particular significance, in terms of their size or nature, concluded by the Bank and, on the basis of the information acquired, we have no particular observations to report.

We held meetings with the independent auditors (Deloitte & Touche SpA), which did not give rise to material data or information requiring mention in this report. We held meetings with the head of Internal Audit, which did not give rise to material data or information requiring mention in this report.

We held meetings with the Supervisory Body, which did not provide evidence of critical issues relating to the correct implementation of the organisational model requiring mention in this report.

We have acquired knowledge of and supervised, within the scope of our responsibilities, the adequacy and functionality of the Bank's organisational structure, partly by obtaining information from departmental heads, and in this regard we have no particular observations to make.

We have acquired knowledge of and supervised, within the scope of our responsibilities, the adequacy and functionality of the administrative and accounting system, and its reliability in providing a true and fair view of the Company's operations, by obtaining information from departmental heads and the independent auditors and by examining corporate documents, and in this regard we have no particular observations to make.

We have carried out specific inspections and controls and, based on the information obtained, are not aware of violations of the law, the articles of association or the principles of proper corporate governance, or of irregularities or instances of negligence.

We have overseen compliance with "Data Protection" and "Money Laundering" legislation.

We have not received complaints pursuant to art. 2408 of the Italian Civil Code.

The above audit activities did not reveal material aspects requiring mention in this report.

Financial statements

We have examined the financial statements for the year ended 31 December 2010, which were made available to us within the deadline established by art 2429 of the Italian Civil Code, and with regard to which we provide the following information.

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

STATEMENT OF FINANCIAL POSITION

Total assets		47,283,245
Total liabilities	32,695,211	
Equity:		
- Valuation reserve	(51,921)	
- Share capital	7,740,000	
- Reserves	4,816,927	
- Share premium reserve	1,070,912	
- Profit for the year	1,012,116	
Equity	14,588,034	
Total liabilities and equity		**47,283,245**

INCOME STATEMENT (material items)

Net interest income	813,872

Net fees and commissions	(360,064)	
Total income	7,130,256	
Net impairment losses	(21,063)	
Profit from banking operations	**7,109,193**	
Operating costs	**(5,669,260)**	
Profit from continuing operations before tax	1,550,718	
Taxation	(538,602)	
Profit for the year		1,012,116

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 regarding form and content, and in this regard we have no particular observations to make.

We have verified that the Directors' report on operations has been prepared in compliance with the related laws, and in this regard we have no particular observations to make.

The Directors have not claimed an exemption with respect to the presentation of financial statements under art. 2423, paragraph four of the Italian Civil Code.

Conclusions

In view of the results of the audit carried out by the independent auditors and the opinion expressed in their report on the financial statements, which was made available to us on 29 March 2010, we propose that the Meeting approve the financial statements for the year ended 31 December 2010, as prepared by the Directors.

Naples, 8 April 2011

Il Collegio Sindacale

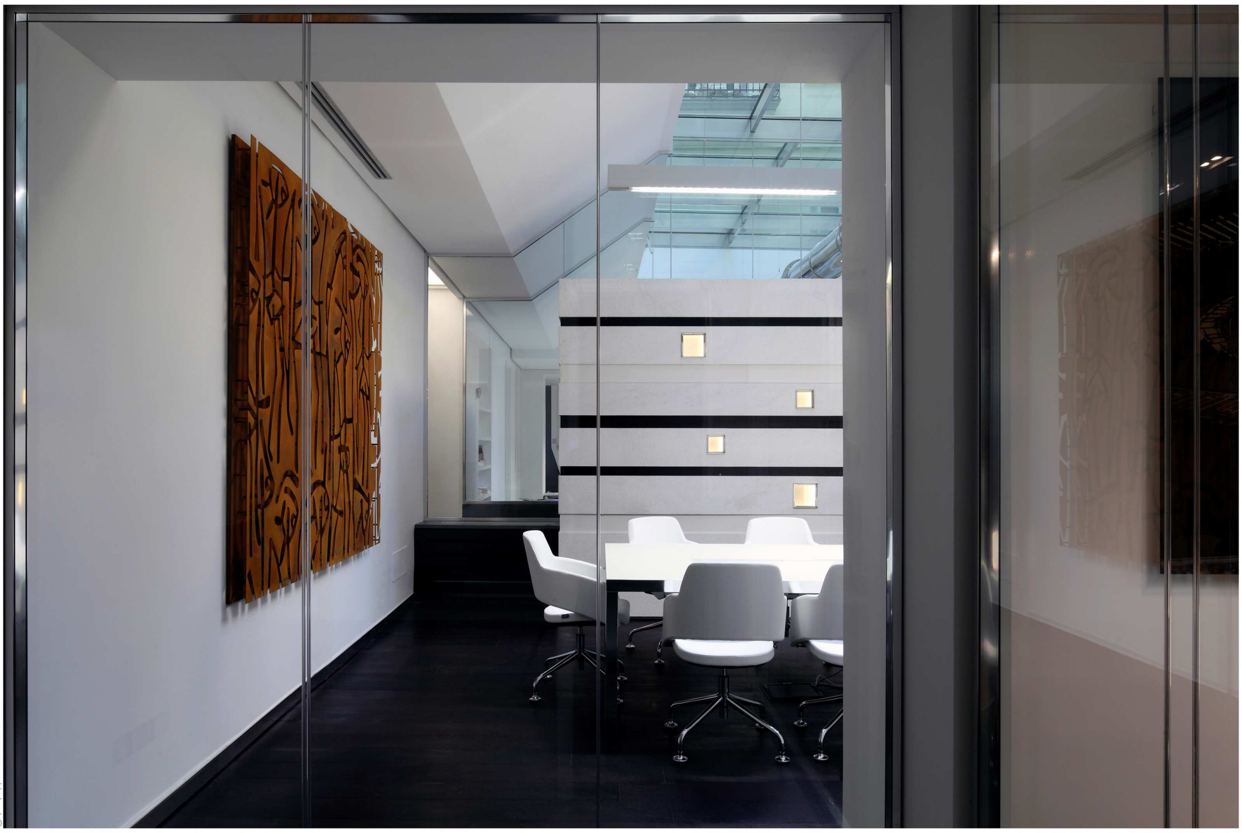
Dr. Ugo Mangia ----------------------------------

Dr Roberto Pascucci ----------------------------------

Rag. Settimio Briglia ----------------------------------

Financial statements for the year ended 31 December 2010

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



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Peppe Maisto

Balance Sheet

(in units of euro)

Assets	31 Dec 2010		31 Dec 2009	
10. Cash and cash equivalents		357,787		276,027
20. Financial assets held for trading		11,505,571		11,009,494
30. Financial assets valued at fair value		-		-
40. Available-for-sale financial assets		-		-
50. Held-to-maturity financial assets		-		-
60. Loans and advances to banks		3,673,092		6,647,331
70. Loans and advances to customers		22,202,252		14,748,462
80. Hedging derivatives		-		-
90. Adjustments for changes in the value of hedged financial assets (+/-)		-		-
100. Equity Investments		-		3,117,619
110. Property, plant and equipment		7,520,972		306,414
120. Intangible assets, of which:		49,380		65,030
- goodwill	-		-	
130. Tax assets		1,003,396		819,951
a) current	*849,564*		*636,676*	
b) deferred	*153,832*		*183,275*	
140. Non-current assets and disposal groups held for sale		-		19,215
150. Other assets		970,795		2,244,839
Total assets		**47,283,245**		**39,254,382**

Liabilities and equity	31 Dec 2010		31 Dec 2009	
10. Deposits by banks		50,338		50,144
20. Customer accounts		20,672,903		17,391,311
30. Outstanding Securities		8,136,825		4,010,342
40. Financial liabilities held for trading		-		-
50. Financial liabilities at fair value		-		-
60. Hedging derivatives		-		-
70. Adjustments for changes in the value				
of hedged financial assets (+/-)		-		-
80. Tax liabilities		1,784,816		1,725,921
a) current	611,698		1,708,273	
b) deferred	1,173,118		17,648	
90. Liabilities included in disposal groups held for sale		-		-
100. Other liabilities		1,369,333		1,813,702
110. Staff termination benefits		594,522		469,951
120. Provisions for risk and charges		86,474		83,230
a) pension funds and similar commitments	-		-	
b) other provisions	86,474		83,230	
130. Valuation reserve		-51,921		-71,088
140. Redeemable shares		-		-
150. Equity instruments		-		-
160. Reserves		4,816,927		1,990,175
170. Share premium account		1,070,912		1,070,912
180. Share capital		7,740,000		7,740,000
190. Treasury shares (-)		-		-
200. Profit/ (loss) for the year (+/-)		1,012,116		2,979,782
Total liabilities and equity		**47,283,245**		**39,254,382**

Income statement

(in units of euro)

	31 Dec 2010		31 Dec 2009	
10. Interest income and similar revenues		1,142,524		1,153,075
20. Interest expense and similar charges		(328,652)		(243,179)
30. Net interest income		**813,872**		**909,896**
40. Fees and commissions receivables		471,135		1,332,449
50. Fees and commissions payable		(831,199)		(2,168,592)
60. Net fees and commissions		**(360,064)**		**(836,143)**
70. Dividends and similar revenues		-		-
80. Net profit/ (loss) from trading activities		6,676,448		10,141,789
90. Net profit/ (loss) from hedging activities		-		-
100. Profits/ (losses) on sale or repurchase of:		-		(8,018)
a) loans and advances	-		-	
b) available-for-sale financial assets	-		(8,018)	
c) held-to-maturity financial assets	-		-	
d) financial liabilities	-		-	
110. Net profit/ (loss) from financial assets and liabilities at fair value		-		-
120. Gross income		**7,130,256**		**10,207,524**
130. Impairment losses/recoveries on:		(21,063)		(198,574)
a) loans and advances	(21,063)		(198,574)	
b) available-for-sale financial assets	-		-	
c) held-to-maturity financial assets				
d) other financial transactions				
140. Net income from financial activities		**7,109,193**		**10,008,950**
150. Administrative expenses		(5,475,728)		(5,416,920)
a) staff costs	(3,201,900)		(3,704,170)	
b) other administrative expenses	(2,273,828)		(1,712,750)	
160. Net provisions for risk and charges		(3,245)		50,532
170. Adjustments to property, plant and equipment		(423,419)		(84,129)
180. Adjustments to intangible assets		(27,526)		(26,567)
190. Other operating costs/income		260,658		(52,662)
200. Operating costs		**(5,669,260)**		**(5,529,746)**
210. Profits/(Losses) on investments		-		-
220. Fair value gains/ (losses) on property, plant and equipment and intangible assets		-		-
230. Goodwill impairment		-		-
240. Profits/ (losses) on sale of investments		110,785		152,329
250. Profit/ (loss) from current operations before tax		**1,550,718**		**4,631,533**
260. Taxation on profit from continuing operations		(538,602)		(1,651,751)
270. Profit/ (loss) from continuing operations after tax		**1,012,116**		**2,979,782**
280. Profit/ (loss) from disposal groups held for sale after tax		-		-
290. Profit/ (loss) for the year		1,012,116		2,979,782

Statement of comprehensive income

	Items	2010	2009
10.	**Profit/(Loss) for the year**	**1,012**	**2,980**
	Other components of comprehensive income		
20.	Available-for-sale financial assets:	-	(7)
30.	Property, plant and equipment	-	-
40.	Intangible assets	-	-
50.	Hedges of foreign operations	-	-
60.	Cash flow hedges	-	-
70.	Exchange differences	-	-
80.	Non-current assets held for sale	-	-
90.	Actuarial gains/(losses) on defined benefit plans	19	(27)
100.	Share of valuation reserves for investments measured using the equity method	-	-
110.	**Total other components of comprehensive income, after tax**	**19**	**(34)**
120.	**Comprehensive income (Item 10+110)**	**1,031**	**2,946**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2010

	Balance at 31.12.09	Change in opening balances	Balance at 01.01.10	Allocation of profit for prior year		Changing during the year								Shareholders' Equity at 31.12.10
							Equity-related transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Share buybacks	Payment of extraordinary dividends	Changes in equity instruments	Derivatives on own shares	Stock options	Statement of comprehnsive income at 31.12.10	
Share Capital:	7,740	-	7,740	-	-	-	-	-	-	-	-	-	-	7,740
a) ordinary shares	7,740	-	7,740	-	-	-	-	-	-	-	-	-	-	7,740
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium account	1,071	-	1,071	-	-	-	-	-	-	-	-	-	-	1,071
Reserves:	1,990	28	2,018	2,811	-	(12)	-	-	-	-	-	-	-	4,817
a) revenues	1,989	28	2,017	2,811	-	(11)	-	-	-	-	-	-	-	4,817
b) other	1	-	1	-	-	(1)	-	-	-	-	-	-	-	-
Valuation reserves	(71)	-	(71)	-	-	-	-	-	-	-	-	-	19	(52)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/ (loss) for the year	2,980	605	3,585	(2,811)	(774)	-	-	-	-	-	-	-	1,012	1,012
Equity	13,710	633	14,343	-	(774)	(12)	-	-	-	-	-	-	1,031	14,588

The different opening balances at 31 December 2009 and at 1 January 2010 reflect the merger of Im.Pa Srl with and into Banca Promos SpA, with effectiveness for tax and statutory purposes backdated to the beginning of 2010 (as described in Part G of the notes).

The change in the reserves of €11 thousand regards a VAT credit recognised by the acquiree, Im.pa Srl, and accruing in the fourth quarter of 2009. Once the credit was included in the VAT settlement of the acquiree, Banca Promos, it became part of the Bank's pro-rata calculation and was thus no longer deductible.

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

	Balance at 31.12.08	Change in opening balances	Balance at 01.01.09	Allocation of profit for prior year		Changing during the year								Shareholders' Equity at 31.12.09
						Changes in reserves	Equity-related transactions						Statement of comprehnsive income at 31.12.09	
				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:	7,740	-	7,740	-	-	-	-	-	-	-	-	-	-	7,740
a) ordinary shares	7,740	-	7,740	-	-	-	-	-	-	-	-	-	-	7,740
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium account	1,071	-	1,071	-	-	-	-	-	-	-	-	-	-	1,071
Reserves:	1,716	-	1,716	274	-	-	-	-	-	-	-	-	-	1,990
a) revenues	1,715	-	1,715	274	-	-	-	-	-	-	-	-	-	1,989
b) other	1	-	1	-	-	-	-	-	-	-	-	-	-	1
Valuation reserves	(37)	-	(37)	-	-	-	-	-	-	-	-	-	(34)	(71)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/ (loss) for the year	834	-	834	(274)	(560)	-	-	-	-	-	-	-	2,980	2,980
Equity	11,324	-	11,324	-	(560)	-	-	-	-	-	-	-	2,946	13,710

	Cash flow statement (Indirect Method)	2010	2009
A.	**OPERATING ACTIVITIES**		
1.	**Operations**	**2,179**	**5,152**
	- profit for the year	1,012	2,980
	- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	(80)	55
	- gains/losses on hedging activities	-	-
	- impairment losses/recoveries	21	199
	- net impairment losses/recoveries on property, plant and equipment and intangible assets	451	111
	- net provisions for risk and charges and other costs and income	254	197
	- unpaid taxes	539	1,652
	- net impairment losses/recoveries on disposal groups held for sale, net of tax	-	-
	- other adjustments	(18)	(42)
2.	**Cash generated by/used for financial assets**	**(4,281)**	**(4,861)**
	- financial assets held for trading	(416)	(4,582)
	- financial assets at fair value	-	-
	- available-for-sale financial assets	-	1,170
	- loans and advances to banks: on demand	2,975	3,617
	- loans and advances to banks: other	-	-
	- loans and advances to customer	(7,475)	(3,251)
	- other assets	635	(1,815)
3.	**Cash generated by/used for financial liabilities**	**5,319**	**3,377**
	- deposits by banks: on demand	-	50
	- deposits by banks: other	-	-
	- customer accounts	3,318	(876)
	- outstanding securities	4,126	4,010
	- financial liabilities held for trading	-	-
	- financial liabilities at fair value	-	-
	- other liabilities	(2,125)	193
Net cash flows from/for operating activities		**3,217**	**3,668**
B.	**INVESTING ACTIVITIES**		
1.	**Cash generated by**	**11**	**28**
	- sale of investments	-	3
	- dividends received from investments	-	-
	- sale of held to maturity financial assets	-	-
	- sale of property, plant and equipment	11	25
	- sale of intangible assets	-	-
	- sale of business units	-	-
2.	**Cash used for**	**(2,372)**	**(3,206)**
	- purchase of investments	-	(3,118)
	- purchase of held to maturity financial assets	-	-
	- purchase of property, plant and equipment	(2,360)	(27)
	- purchase of intangible assets	(12)	(61)
	- purchase of business units	-	-
Net cash flows from investing activities		**(2,361)**	**(3,178)**
C.	**FINANCING ACTIVITIES**		
	- issue/purchase of own shares	-	-
	- issue/purchase of equity instruments	-	-
	- payment of dividends and other transactions	(774)	(560)
Net cash flows from/for financing activities		**(774)**	**(560)**
NET INCREASE/DECREASE IN CASH		**82**	**(70)**

Reconciliation		
Item	2010	2009
Cash and cash equivalents at beginning of year	276	346
Net increase/Decrease in cash	82	(70)
Cash and cash equivalents: effects of exchange rate fluctuations	-	-
Cash and cash equivalents at end of year	358	276

Notes to the Financial Statements 2010

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

Part A
Accounting policies

A.1 GENERAL INFORMATION

Section 1 Statement of compliance with international financial reporting standards

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

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

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

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

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

Section 2 Basis of presentation

The financial statements have been prepared on the basis of the instructions in the updated version of Circular 262 issued by the Bank of Italy on 22 December 2005 and entitled "Banks' financial statements: formats and compilation instructions". The updated version was issued by the Bank of Italy on 18 November 2009 and published in Official Gazette no. 238 of 21 December 2009.

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

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

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

The offsetting of assets and liabilities or of income and costs has not been carried out, unless expressly required or allowed by an accounting standard or an interpretation, or where required by the above Circular.
The financial statements have been prepared using the euro as the presentation currency.

Section 3 Events after the end of the reporting period

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

Events not requiring an adjustment and reflecting circumstances occurring after the end of the reporting period have been reported on in the report on operations if material and thus capable of influencing the economic decisions of financial statement users.
There are no material events to report, other than those referred to in the report on operations.

Section 4 Other aspects

- *Reclassification of amounts at 31 December 2009*
The Bank has acted on the clarification issued by the Supervisory Authority in a memorandum of 18 February 2011, regarding the correct method of accounting for staff-related costs in the income statement. In particular, the costs incurred in relation to insurance policies and board and lodging for staff on business trips are now recognised in item 150 a) “Staff costs”.
As required by IAS 8, this change resulted in reclassification of comparative amounts in the financial statements for the previous year.

- Merger
Im.Pa. srl was merged with and into Banca Promos in 2010. As this transaction qualifies as a “business combination of entities under common control”, the standards applied are in line with the general criteria set out in IAS 8.
A detailed description of the transaction is provided in Part G of these notes.
As clarified in a memorandum issued by the Bank of Italy on 4 August 2010, comparative amounts relate to the separate financial statements of Banca Promos for the year ended 31 December 2009.

To aid in the comparison of amounts, the pro forma financial statements for the year ended 31 December 2009 (the statement of financial position and the income statement) are attached to the financial statements. These amounts are consistent with the consolidated financial statements for the year ended 31 December 2009, as the merger involved the Bank's only subsidiary (wholly owned) at 31 December 2009 and was effective for accounting and tax purposes from 1 January 2010.

- Disclosure of fees paid to the independent auditors for audit and other services

In order to comply with the revised regulations introduced by Legislative Decree 39/2010 (the "Decree") with regard to the disclosure of fees paid to the independent auditors for audit and other services, the following table shows the fees paid in 2010 to Deloitte & Touche SpA, the firm appointed by shareholder resolution dated 28 April 2010 to audit the Bank's accounts pursuant to the Decree for the financial years 2010/2018.

Type of service	Independent Auditors	Fees	Expenses	VAT
Auditing:	***Deloitte & Touche***			
- audit of the annual financial statements		*29*	*3*	*6*
- audit of the interim financial statements		*8*	*1*	*2*
- quarterly checks		*9*	*1*	*3*
- Preparation of tax declarations		*1*	*0*	*0*
Other services:	***Deloitte & Touche***			
- Mifid Gap Analysis		*12*	*1*	*3*
Total		***59***	***6***	***14***

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 2010 are described below.

Presentation of the accounting standards adopted by Banca Promos Spa focuses on the stages of initial recognition, classification, measurement and derecognition of the various components of assets and liabilities. Where significant, the description of each stage also includes a description of the economic effects.

Section 1 Financial assets held for trading

Classification

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

Recognition

These financial assets are initially recognised at the settlement date, in the case of debt securities and equity instruments, and at the subscription date in the case of derivative financial instruments. Financial assets held for trading are initially recognised at fair value, which normally corresponds to the price paid, without taking account of transaction costs or gains directly attributable to the instrument.

Measurement and recognition of gains and losses

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

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

Derecognition

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

Section 2 Available-for-sale financial assets

Classification

Available-for-sale financial assets are non-derivative financial instruments that are not classified as loans and receivables, financial assets held for trading or as held-to-maturity.

This item includes equity instruments not held for trading and that do not qualify as subsidiaries, associates or joint ventures.

Recognition

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

Available-for-sale financial assets are initially recognised at cost, represented by the fair value of the instrument (see above), including transaction costs or gains directly attributable to the instrument. If recognition follows the reclassification of the instrument from held-to-maturity financial assets, the asset is recognised at fair value at the time of transfer.

Measurement and recognition of gains and losses

After initial recognition, available-for-sale financial assets continue to be recognised at fair value. Any fair value gains or losses are recognised in a separate equity reserve, the "Valuation reserve" until the asset is derecognised or an impairment loss is recognised. When sold or on recognition of an impairment loss, the cumulative gains or losses recognised in the component of equity are recognised in the income statement in "Profit/(loss) on sale or repurchase of available-for-sale financial assets".

Interest calculated using the effective interest method, which includes the amortisation of transaction costs and the amount of any repayments, are recognised in the income statement in "Interest income".

When the fair value of equity instruments and the related derivative financial instruments cannot be reliably determined in accordance with the above guidelines, these assets are accounted for at cost.

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. In the case of equity instruments, information considered significant in determining an impairment includes any changes in the technological, market, economic and legal environment in which the issuer operates. A significant and/or lasting decrease in the fair value of an equity instrument to below its cost may be considered objective evidence of impairment.

Any resulting impairment loss is recognised in the income statement for the period.

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

Derecognition

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

Section 4 Loans

Classification

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

Recognition

Recognition only occurs when the loan is unconditional and the creditor has a contractual right to payment.

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

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

Measurement and recognition of gains and losses

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

Costs and income attributable to loans without a fixed term or to callable loans are recognised directly in the income statement.

The Bank assesses at the end of each reporting period whether there is any objective evidence that a loan is impaired as a result of circumstances occurring after initial recognition. This category includes non-performing, problem, restructured or past-due loans as defined by the Bank of Italy rules in force and in accordance with IAS.

These impaired loans (non-performing, problem and restructured) are subject to analytical measurement and the impairment loss for each loan is equal to the difference between the carrying amount at the time of measurement (amortised cost) and the present value of estimated future cash flows, calculated applying the effective interest rate at the time of classification in impaired loans.

In determining estimated future cash flows, the bank takes account of the expected recovery period, the expected realisable value of any collateral and the costs to be incurred in order to recover the loan. Cash flows deriving from short-term loans are not discounted to present value. The resulting impairment loss is recognised in the income statement. The component of the impairment deriving from the discounting of cash flows is released on an accruals basis in accordance with the effective interest method and recognised in the income statement in “Impairment losses/recoveries on loans and advances”. The original carrying amount of loans is reinstated in future years if the circumstances that resulted in the impairment no longer exist, provided that the measurement is objectively linked to an event that took place after the impairment was recognised. The resulting write-back is recognised in the income statement and may not in any event exceed the amortised cost of the loan had no impairment been recognised.

Loans for which there is no objective evidence of impairment attributable to individual loans, generally consisting of performing loans, and including sovereign risk loans, are subject to collectively assessed losses. The assessment is based on homogeneous categories of loan in terms of credit risk, and the related loss percentages are estimated on the basis of time series, based on observable elements at the assessment date, which result in an estimate of the latent loss for each category of loan. The same treatment is applied to past-due loans or those which are more than 90/180 days overdue. Whilst qualifying as impaired loans in accordance with the regulations, in this case a collective write-down is deemed sufficient, in line with the impairment method applied to performing loans. An additional percentage write-down is, however, applied given that they are, in any event, viewed as being more risky.

Collectively assessed impairment losses are recognised in the income statement. At the end of each reporting period any additional impairment losses or recoveries are recalculated on a differential basis with reference to the performing portfolio at that date.

At the end of the current reporting period, in view of the lack of any significant historical loss experience and in accordance with paragraph AG89 of IAS 39, the collective assessment of losses on performing loans was carried out using “peer group experience for comparable groups of financial assets”.

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 statement of financial position, 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 ventue is a contractual arrangement, based on shareholders' agreements or other forms of agreement, whereby the parties agree to joint control of the business and the joint right to elect directors.

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

Recognition and derecognition

Investments held in portfolio are recognised at cost plus transaction costs.

If there is evidence that an investment is impaired, the recoverable amount of the investment is estimated, taking into account the present value of future cash flows expected to be generated by the investment, including the proceeds on the ultimate disposal of the investment.

If the recoverable amount is lower than the carrying amount, the resulting impairment loss is recognised in the income statement.

When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised.

Financial assets are derecognised when the right to receive cash flows generated by the financial asset ceases to exist or when substantially all risks and rewards from holding the asset are transferred.

Recognition of gains and losses

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

Section 8 Property, plant and equipment

Classification

Property, plant and equipment includes land, operating properties, investment property, plant, furniture and fittings, and all other types of equipment. These assets are owned to be used in production or in the provision of goods and services, to be leased, or for administrative purposes. The Bank intends to use these assets over more than one financial year. This item also includes assets held under finance leases, even though the lessor maintains legal title to the assets.

"Operating assets" are assets either owned by the Bank or held by it under finance leases, which are used in production and in the provision of services or for administrative purposes. These assets have useful lives of more than one financial year.

"Investment assets" are owned by the Bank or held by it under finance leases, with the aim of collecting lease rentals and/or earning a return on the capital invested.

Recognition

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

Measurement and recognition of gains and losses

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

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

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

Derecognition

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

Section 9 Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset without physical substance owned in order to be used over the long term. This category of asset essentially refers to goodwill, representing the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired entity at the date of acquisition. Other intangible assets are recognised as such if they are identifiable and are linked to legal or contractual rights.

Based on the provisions of Bank of Italy Circular 262, the costs of renovating buildings owned by the Bank that do not have functional autonomy are classified in other assets in that do not qualify as being without physical substance, as required by IAS 38 for recognition as an intangible asset.

Measurement and recognition of gains and losses

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

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

Derecognition

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

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

Classification

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

Recognition and measurement

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

Recognition of gains and losses

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

Section 11 Current and deferred taxation

Classification

These items include current and deferred tax assets and liabilities.

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

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

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

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 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. When deferred tax assets and liabilities regard transactions recognised directly in equity, without having any impact on the income statement (such as the measurement of available-for-sale financial assets or of staff termination benefits), they are accounted for in separate equity reserves.

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 end of the reporting period.
No provisions are made for liabilities that are merely potential but not probable, although a description of the nature of the liability is provided in the notes.
"Provisions for pension funds and similar commitments" include provisions accounted for under IAS 19 "Employee benefits" in order to cover the deficit in the fund from which pensions are paid. Determination of the present value, as required by the standard referred to above, is carried out by an independent actuary, using the "projected unit credit method".

Classification

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

Recognition 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 the end of each reporting period 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. The liability is initially recognised at fair value, which is usually the sum collected or the issue price, adjusted for any additional costs/income directly attributable to each funding transaction or issue and not repaid by the creditor. Internal administrative costs are not included.

The fair value of financial liabilities, when issued under conditions that are potentially unfavourable with respect to those available on the market, is estimated only on the basis of observable market inputs and the difference compared with the market value is recognised in the income statement.
Repurchase agreements are accounted for as deposits at the amount paid in cash.

Recognition of gains and losses

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

Derecognition

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

Section 16 Foreign currency transactions

Recognition

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

Measurement and recognition of gains and losses

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

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

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

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

Section 17 Other information

- Employee benefits

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

There are, therefore, the following alternatives:

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

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

Staff termination benefits are accounted for at their actuarial value.

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

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

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

- Treasury shares

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

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

- Leasehold improvements

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

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

- Accruals and deferrals

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

- Dividends and revenue recognition

Revenues are recognised on collection or when it is probable that the economic benefits associated with the transactions will flow to the Bank and that such benefits can be reliably measured.

Dividend income is recognised when the right to receive payment is established, with the exception of those paid by investee companies accounted for using the equity method. The related accounting treatment is described in the section regarding investments.

Revenues from brokerage or the issue of financial instruments, based on the difference between the transaction price and the fair value of the instrument, are recognised in the income statement on recognition of the transaction if the fair value is determinable on the basis of recent indicators or transactions observable on the same market on which the instrument is traded. Otherwise, these revenues are distributed over time based on the term and nature of the instrument.

Income from financial instruments that cannot be measured using the above method is recognised in the income statement over the term of the transaction.

- Determination of fair value

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

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

Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. In addition, the reference to transactions between "knowledgeable parties" indicates the need for a situation of perfect information symmetry between the parties. This means that they have equal access to information sources, including both basic data and financial methods, as well as the professional expertise necessary to measure the financial instruments correctly. The reference to "arm's length" indicates a situation in which the parties have equal bargaining strength.
As a result of the above definition, it follows that the initial stage of the process of measuring fair value is the assessment of the "location" in which the price is determined, referring to the distinction between an "active market" and an "inactive market", considering that the best indication of fair value is the existence of official prices on an active market. If the market for a financial instrument is not active, an entity must determine fair value using a valuation technique.
The breakdown of prices into two categories (listed/not listed) allows for the introduction of a distinction between:

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

These categories imply a further distinction between:

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

Financial instruments listed in active markets

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

39, paragraph AG72). In view of the particular liquidity conditions in regulated markets, the price is based on the official closing price published by the market operator.
In general, the process of applying the Mark to Market technique is based on the sources used to obtain prices as follows:

- in the case of prices quoted in regulated markets, above all the Italian market, the price is based on the official price of each financial instrument quoted on the Italian Stock Exchange;
- in the case of prices quoted in unregulated markets, the price is determined on the basis of the prices quoted by other information providers.

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

Financial instruments not listed in active markets
In the absence of an active market for a certain financial instrument, an internal valuation technique is used.
In order to determine fair value, the bank has opted to apply the Discounted Cash Flow (DCF) technique, based primarily on observable market inputs, for financial instruments whose value may be determined by discounting cash flows generated by the instrument (including debt securities).
In the case of financial instruments other than debt securities, fair value is determined using alternative valuation techniques based on non-observable market inputs.
In general, the DCF technique determines the fair value of the financial instrument by discounting future contractual (or most likely) cash flows at a certain discount rate.
The standards set out (see IAS 39, paragraph AG82) the elements/factors that a model-based valuation technique must observe.
Firstly, it is necessary to take into account interest rate risk. For practical reasons, reference is usually made to well-accepted and readily observable rates, such as EURIBOR and/or a swap rate. In this case, the interest rates used reflect an ‘interbank’ risk, which is limited, but normally above government risk. There are, however, other components other than interest rate risk that determine market risk. The premium to take account of all these other components is represented by a spread added to the risk free rate, at the end of each reporting period, to obtain a rate with which to discount the future cash flows generated by the asset being measured. The Bank calculates the above spread with reference to the Credit Default Swap level of the issuer of the security to which it refers or, if unavailable, of other issuers of a similar size and operating in a similar sector or sector averages.
The elements used in calculating the DCF are, therefore:

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

Calculation of fair value using pricing models is based on market inputs.
The following market inputs used in the valuation techniques applied to financial instruments not listed on an active market are:

- the interest rate curve;
- credit risk.

The main curves used are those for EURIBOR and swap rates.

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

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

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

- Recognition of impairments

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

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

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

- Impairment debt securities

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

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

- Impairment of equity instruments

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

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

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

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

- the fair value of the instrument is less than 20% of its initial carrying amount;
- the fair value reduces to a level below its carrying amount within a six month period.

A.3 FAIR VALUE DISCLOSURES

A.3.1 Transfers between accounting categories

The Bank has not carried out any such transfers.

A.3.2 Fair value hierarchy

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

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

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

Level 3: measurement based on internal valuation techniques.

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

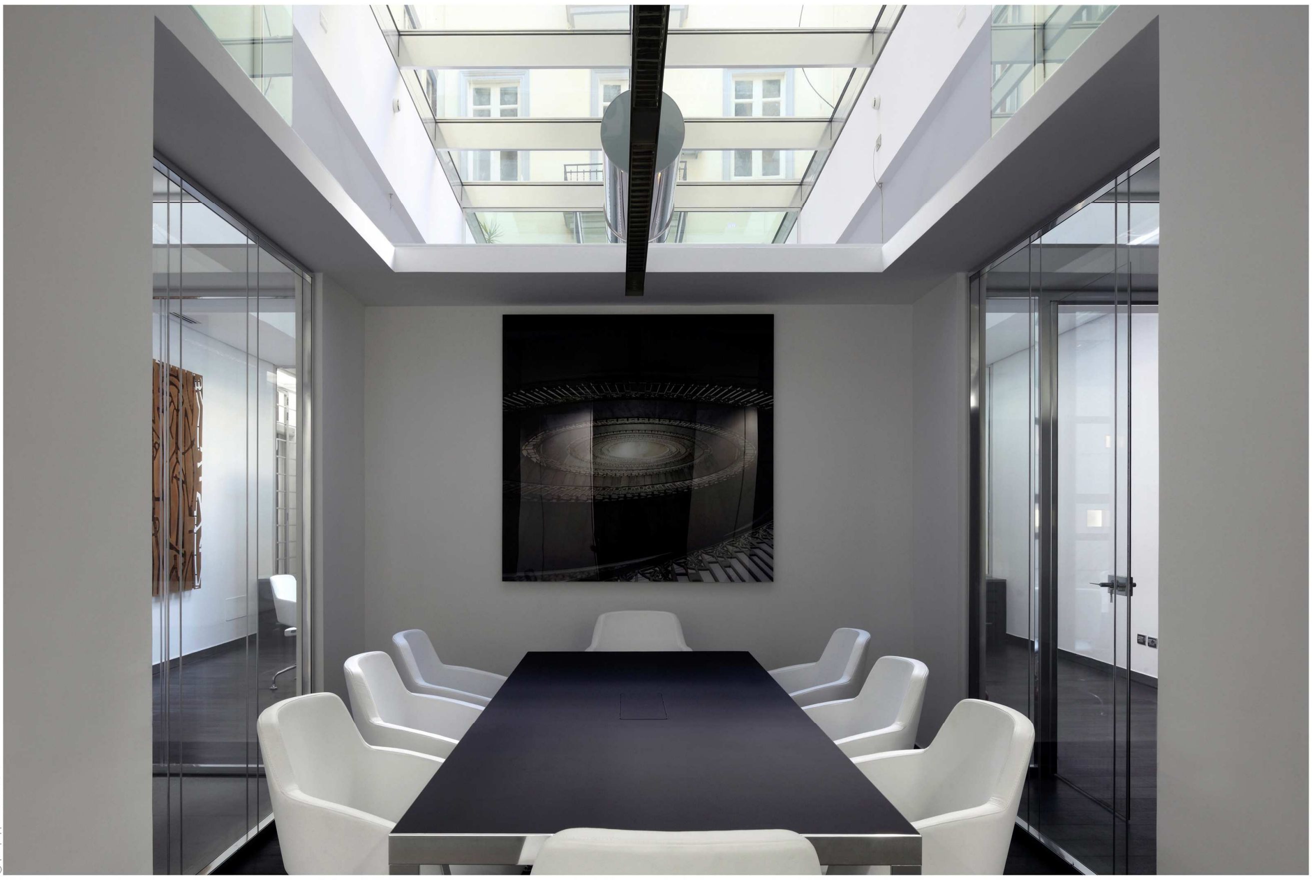
Items/Amounts	2010			2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets/liabilities at fair value						
1. Financial assets held for trading	5,510	5,996	-	3,725	7,284	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	-
4. Hedging derivatives	-	-	-	-	-	-
Total	**5,510**	**5,996**	**-**	**3,725**	**7,284**	**-**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-

A.3.3 Day one profit/loss

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

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

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



Peppe Maisto

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Part B
Notes to the Balance Sheet

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

Assets

Section 1- Item 10 – Cash and cash equivalents

1.1 Cash and cash equivalents: composition

	Total	
	2010	2009
a) Cash	335	246
b) Demand deposits at Central Banks	23	30
Total	**358**	**276**

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

Section 2- Item 20 – Financial assets held for trading

2.1 Financial assets held for trading: composition by type

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

Items/Amounts	Total					
	2010			2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	5,510	5,996	-	3,725	7,284	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	5,510	5,996	-	3,725	7,284	-
2 Equity instruments	-	-	-	-	-	-
3 Units of mutual investment funds	-	-	-	-	-	-
4 Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**5,510**	**5,996**	**-**	**3,725**	**7,284**	**-**
B. Derivative instruments						
1 Financial derivatives:	-	-	-	-	-	-
1.1 trading	-	-	-	-	-	-
1.2 connected with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2 Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	-	-	-	-	-	-
Total (A+B)	**5,510**	**5,996**	**-**	**3,725**	**7,284**	**-**

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

Items/Amounts	Total	
	2010	2009
A. Cash assets		
1 Debt securities	**11,506**	**11,009**
a) Governments and central banks	3,293	2,351
b) Other public entities	-	-
c) Banks	3,903	3,308
d) Other issuers	4,310	5,350
2 Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3 Units of mutual investment funds	-	-
4 Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total A	**11,506**	**11,009**
B. Derivative instruments		
a) Banks	-	-
- fair value	-	-
-	-	-
b) Customers	-	-
- fair value	-	-
-	-	-
Total B	-	-
Total (A+B)	**11,506**	**11,009**

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

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

	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	**11,009**	-	-	-	**11,009**
B Increases	**9,746,125**	**-**	**-**	**-**	**9,746,125**
B1 Purchases	9,738,960	-	-	-	9,738,960
B.1.1 Purchases	-	-	-	-	-
B.1.2 Business combinations	-	-	-	-	-
B2 Positive changes in fair value	218	-	-	-	218
B3 Other changes	6,947	-	-	-	6,947
C Decreases	**9,745,628**	**-**	**-**	**-**	**9,745,628**
C1 Sales	9,743,754	-	-	-	9,743,754
C.1.1 Sales	-	-	-	-	-
C.1.2 Business combinations	-	-	-	-	-
C2 Redemptions	1,350	-	-	-	1,350
C3 Negative changes in fair value	138	-	-	-	138
C4 Transfers to other portfolios	-	-	-	-	-
C5 Other changes	386	-	**-**	**-**	386
D Closing balances	**11,506**	**-**	**-**	**-**	**11,506**

Increases in fair value consist of gains on measurement of €218 thousand.
Other changes under increases consist of profits from trading of €6,947 thousand.
Negative changes in fair value consist of impairment losses of €138 thousand.
Other decreases regard losses from trading of €386 thousand.

Section 6 - Item 60 – Loans and advances to banks

6.1 Loans and advances to banks: composition by type

Types of transaction/Amounts	Total	
	2010	2009
A Loans and advances to central banks	**-**	**-**
1. Term deposits	-	-
2. Compulsory reserves	-	-
3. Reverse repurchase agreements	-	-
4. Other	-	-
B Loans and advances to banks	**3,673**	**6,647**
1. Current accounts and demand deposits	2,926	2,353
2. Term deposits	747	4,294
3. Other loans:	-	-
3.1 Reverse repurchase agreements	-	-
3.2 Finance leases	-	-
3.3 Other	-	-
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
Total (carrying amount)	**3,673**	**6,647**
Total (fair value)	**3,673**	**6,647**

Term deposits also include a problem loan, amounting to €505 thousand, granted to a bank under special administration. An impairment loss of €45 thousand has been recognised in relation to the loan. The write-down was determined on the basis of the overall exposure of the bank to the banking system and taking account of indications provided by the administrators and the other banks involved.
The compulsory reserve is held with the Central Bank for Italian Savings Banks; the amount, totalling €287 thousand, is thus recorded in B.2 Term deposits.
As all loans and advances are either short-term or floating rate, fair value is assumed to equal amortised cost.

Section 7 - Item 70 – Loans and advances to customers

7.1 Loans and advances to customers: composition by type

Types of transaction/Amounts	Total			
	2010		2009	
	Performing	Impaired	Performing	Impaired
1 Current account overdrafts	2,107	76	2,345	87
2 Reverse repurchase agreements	-	-	-	-
3 Mortgage loans	13,107	132	8,541	-
4 Credit cards, personal loans and loans secured by one-fifth of salary	1,409	-	459	-
5 Finance leases	-	-	-	-
6 Factoring	-	-	-	-
7 Other transactions	5,371	-	3,301	15
8 Debt securities	-	-	-	-
8.1 Structured securities	-	-	-	-
8.2 Other debt securities	-	-	-	-
Total (carrying amount)	**21,994**	**208**	**14,646**	**102**
Total (fair value)	**22,018**	**219**	**14,705**	**102**

Loans and advances to customers are net of impairments.

Given the short life of the Bank and the resulting lack of historical loss experience, a collective write-down of performing loans was based on the experience of a group of banks chosen from those that resemble Banca Promos in terms of size, location and type of business.
The Bank calculated the average percentage applied by the banks in the group to this type of write-down, based on the latest approved financial statements. The resulting percentage was then adjusted to take account of the change in the percentage rate of impairment reported by the Bank of Italy in Campania at 30 June 2010 (+3.20%). As a result, outstanding performing loans have been written down by 0.653% and impaired loans by 6.653%.

At 31 December 2010 total non-performing loans of €341 thousand, after net impairments of €300 thousand, result in net non-performing loans of €41 thousand.
The amount and nature of impairments are shown in Part E of these Notes.

Item 7 “Other transactions” includes:

	Total
	2010
Unsecured loans	3,129
Advances with recourse	1,639
Commercial discounts	98
Deposits at clearing houses	482
Guarantee deposits	23
Total	**5,371**

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

Types of transaction/Amounts	Total 2010		Total 2009	
	Performing	Impaired	Performing	Impaired
1 Debt securities	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	-	-	-	-
- non-financial companies	-	-	-	-
- financial companies	-	-	-	-
- insurance companies	-	-	-	-
- other	-	-	-	-
2 Loans to:	**21,994**	**208**	**14,646**	**102**
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	21,994	208	14,646	102
- non-financial companies	8,826	69	5,962	94
- financial companies	30	-	30	-
- insurance companies	-	-	-	-
- other	13,138	139	8,654	8
Total	**21,994**	**208**	**14,646**	**102**

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

Section 10 – Item 100 – Investments

In 2010 Im.Pa Srl was merged with and into the Bank. The Bank does not hold any other investments at 31 December 2010.

10.3 Investments: changes during the year

	Total	
	2010	2009
A Opening balance	**3,118**	**-**
B Increases	**-**	**4,418**
B1 Purchases	-	2,418
B2 Recoveries	-	-
B3 Revaluations	-	-
B4 Other changes	-	2,000
C Decreases	**3,118**	**1,300**
C1 Sales	-	-
C2 Impairments	-	-
C3 Other changes	3,118	1,300
D Closing balance	**-**	**3,118**
E Total revaluations	**-**	-
F Total impairments	**-**	**-**

Section 11 - Item 110 – Property, plant and equipment

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

Assets/Amounts	Total	
	2010	2009
A Operating assets		
1.1 owned by the Bank	**7,521**	**306**
a) land	-	-
b) buildings	6,871	-
c) furniture	444	186
d) electronic equipment	107	66
e) other	99	54
1.2 purchased under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**7,521**	**306**
B Investment assets		
2.1 owned by the Bank	-	-
a) land	-	-
b) buildings	-	-
2.2 purchased under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
Total A+B	**7,521**	**306**

As a result of the merger with Im.Pa Srl, the item “Buildings” has increased with the addition of a property with a value, based on an independent appraisal report dated 24 June 2009, of €5,350 thousand, before depreciation for the period.
The cost of renovation resulting in an increase in future economic benefits, amounting to €1,591 thousand, has been capitalised. Finally, the ground floor of the building and the surrounding uncovered area was purchased for €307 thousand in 2010 for use as a plant room for the new headquarters.

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

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A Gross opening balances	**-**	**-**	**404**	**261**	**206**	**871**
A.1 Total net reductions	-	-	218	195	152	565
A.2 Net opening balances	**-**	**-**	**186**	**66**	**54**	**306**
B Increases	**-**	**7,175**	**469**	**74**	**164**	**7,882**
B.1 Purchases	-	7,175	315	74	73	7,637
B.1.1 Purchases	-	1,898	315	74	73	2,360
B.1.2 Business combinations	-	5,277	-	-	-	5,277
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	-	-	154	-	91	245
C Decreases:	**-**	**304**	**211**	**33**	**119**	**667**
C.1 Sales	-	-	163	-	92	255
C.1.1 Sales	-	-	163	-	92	255
C.1.2 Business combinations	-	-	-	-	-	-
C.2 Depreciation	-	304	48	33	27	412
C.3 Impairments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.4 Reductions in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment assets	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D Net closing balances	**-**	**6,871**	**444**	**107**	**99**	**7,521**
D.1 Total net reductions	-	304	113	228	88	733
D.2 Gross closing balances	**-**	**7,175**	**557**	**335**	**187**	**8,254**
E Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Depreciation of the property was calculated on the basis of the useful life attributed to the asset following the independent appraisal, in accordance with the requirements of IAS 16.
The rate applied to furniture is 12%, whilst electronic equipment and other components are depreciated at a rate of 20%.

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

Section 12 - Item 120 – Intangible assets

12.1 Intangible assets: composition by type of asset

Assets/Amounts	Total			
	2010		2009	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	**49**	**-**	**65**	**-**
A.2.1 Assets measured at cost:	49	-	65	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	49	-	65	-
A.2.2 Assets at fair value:	**-**	**-**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**49**	**-**	**65**	**-**

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

12.2 Intangible assets: changes during the year

	Goodwill	Other intangible assets: Internally generated		Other intangible assets: Other		Total
		FINITE	INDEF	FINITE	INDEF	
A Gross opening balances	**-**	**-**	**-**	**399**	**-**	**399**
A.1 Total net reductions	-	-	-	334	-	334
A.2 Net opening balances	**-**	**-**	**-**	**65**	**-**	**65**
B Increases	**-**	**-**	**-**	**12**	**-**	**12**
B.1 Purchases	-	-	-	12	-	12
B.1.1 Purchases	-	-	-	12	-	12
B.1.2 Business combinations	-	-	-	-	-	-
B.2 Additions of internally generated intangible assets	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C Decreases	**-**	**-**	**-**	**28**	**-**	**28**
C.1 Sales	-	-	-	-	-	-
C.1.1 Sales	-	-	-	-	-	-
C.1.2 Business combinations	-	-	-	-	-	-
C.2 Adjustments	-	-	-	28	-	28
- Amortisation	-	-	-	28	-	28
- Impairments	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Reductions in fair value recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- the income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D Net closing balances	**-**	**-**	**-**	**49**	**-**	**49**
D.1 Total net adjustments	-	-	-	362	-	**362**
E. Gross closing balances	**-**	**-**	**-**	**411**	**-**	**411**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3 Other information

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

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

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

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

13.1 Deferred tax assets: composition

	IRES	IRAP	Total
impairments of loans and advances to customers	91	-	91
other temporary differences	63	-	63
Total	**154**	**-**	**154**

13.2 Deferred tax liabilities: composition

	IRES	IRAP	Totale
surplus provisions for staff termination benefits under IFRS	993	180	1,173
other temporary differences	-	-	-
Total	**993**	**180**	**1,173**

The table shows deferred tax liabilities calculated on the gain resulting from measurement of the property owned by Im.Pa., which has merged with and into the Bank.

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

	Total	
	2010	2009
1. Opening balance	**183**	**121**
2. Increases	**11**	**84**
2.1 Deferred tax assets recognised during the year	11	84
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) recoveries	-	-
d) other	11	84
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**40**	**22**
3.1 Deferred tax assets derecognised during the year	40	22
a) reversals	-	-
b) impairments due to non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	40	22
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	**154**	**183**

At the end of the reporting period the Bank re-assessed its tax position and, in compliance with the accounting standards in force, recognised “deferred tax assets” where there is reasonable certainty that they will be recovered.
The rate applied for IRES was 27.5% and for IRAP 4.97%, which were computed in accordance with current tax legislation.
The difference of €29 thousand between recognised and derecognised deferred tax assets was recognised in the income statement in item 260 “Taxation on profit from continuing operations”.

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

	Total	
	2010	2009
1. Opening balance	**18**	**11**
2. Increases	**1,229**	**7**
2.1 Deferred tax liabilities recognised during the year	-	7
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	-	7
2.2 New taxes or increases in tax rates	4	-
2.3 Other increases	1,225	-
- of which business combinations	1,225	-
3. Decreases	**74**	**-**
3.1 Deferred tax liabilities derecognised during the year	56	-
a) reversals	56	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	18	-
- of which business combinations	-	-
4. Closing balance	**1,173**	**18**

"Deferred tax liabilities” are recognised on temporary differences between the carrying amount of assets and liabilities and their tax base.
The rate applied for IRES was 27.5% and for IRAP 4.97%, which were computed in accordance with current tax legislation.
“Other increases” include deferred tax liabilities calculated on the gain resulting from measurement of the property owned by Im.Pa., which has merged with and into the Bank.
The derecognition of deferred tax liabilities due to reversals refers to taxation on the charge for the period for depreciation of the gain on measurement of the property.

13.5 Changes in deferred tax assets (recognised in equity)

No deferred tax assets were recognised in equity during the year.

13.6 Changes in deferred tax liabilities (recognised in equity)

No deferred tax liabilities were recognised in equity during the year.

13.7 Other information

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

Current tax assets

Items/Amounts	2010	2009
IRES	623	479
IRAP	227	158
Indirect and other taxes	-	-
Total	**850**	**637**

Current tax liabilities

Items/Amounts	2010	2009
IRES	421	1,340
IRAP	191	368
Indirect and other taxes	-	-
Total	**612**	**1,708**

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

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

	Total	
	2010	2009
A Individual assets		
A.1 Financial assets	-	-
A.2 Investments	-	19
A.3 Property, plant and equipment	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**19**
B Disposal groups		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity financial assets	-	-
B.5 Loans and advances to banks	-	-
B.6 Loans and advances to customers	-	-
B.7 Investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	-	-
C Liabilities associated with individual assets held for sale		
C.1 Deposits	-	-
C.2 Debt securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
D Liabilities included in disposal groups		
D.1 Deposits by banks	-	-
D.2 Customer accounts	-	-
D.3 Outstanding securities	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	-	-

The Bank did not account for any non-current assets or disposal groups held for sale in 2010.

15.1 Other assets: composition

	2010	2009
Non-current assets in progress and advances	-	373
Amounts to be charged to customers	85	117
Leasehold improvements	243	341
Sundry tax assets	228	76
Pending direct debits payable	311	289
Fees and commissions to be invoiced	-	589
other minor items	83	77
Accrued income and prepayments	21	383
Total	**971**	**2,245**

This section includes the remaining accrued income and prepayments not attributable to specific components of the statement of financial position, in addition to leasehold improvements.
The reduction in other assets reflects items recycled through the income statement in 2010.

Liabilities and equity

Section 1 - Item 10 – Deposits by banks

1.1 Deposits by banks: composition by type

Types of transaction/Amounts	Total	
	2010	2009
1 Deposits by central banks	**-**	**-**
2 Deposits by banks	**50**	**50**
2.1 Current accounts and demand deposits	50	50
2.2 Term deposits	-	-
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Liabilities deriving from commitments to repurchase own shares	-	-
2.5 Other payables	-	-
Total	**50**	**50**
Fair value	**50**	**50**

Section 2 - Item 20 – Customer accounts

2.1 Customer accounts: composition by type

Types of transaction/Amounts	Total	
	2010	2009
1 Current accounts and demand deposits	20,478	16,624
2 Term deposits	-	-
3 Loans	195	767
3.1 Repurchase agreements	195	767
3.2 Other	-	-
4 Liabilities deriving from commitments to repurchase own shares	-	-
5 Other payables	-	-
Total	**20,673**	**17,391**
Fair value	**20,673**	**17,391**

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

Section 3 - Item 30 – Debt Securities in issue

3.1 Debt Securities in issue: composition by type

Types of transaction/Amounts	Total 2010				Total 2009			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**8,137**	**-**	**8,277**	**-**	**4,010**	**-**	**4,010**	**-**
1. Bonds	8,137	-	8,277	-	4,010	-	4,010	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	8,137	-	8,277	-	4,010	-	4,010	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**8,137**	**-**	**8,277**	**-**	**4,010**	**-**	**4,010**	**-**

In addition to the bonds issued in 2009 (€3,000,000 at 3.50% and €1,550,000 at 1%), in April 2010 the Bank launched a new thirty-year bond issue. These bonds pay a gross annual yield of 2.75% and a total of €4 million were issued.
The fair values of the bond issues, in chronological order of issue, are €3,113,100, €1,131,035 and €4,032,800.
Fair value was determined on the basis of the swap rate at 31 December 2010 after linear interpolation and 2 and 3-year BBB (Senior) credit spreads.

Section 8 - Tax liabilities - Item 80

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

Section 10 - Item 100 – Other liabilities

10.1 Other liabilities: composition

	2010	2009
Subject to collection portfolio	335	208
Bank transfers awaiting clearance	-	14
Bankers' drafts issued	5	7
Amounts payable to tax authorities on behalf of customers and staff	242	125
Trade payables	457	674
Amounts payable to other entities	123	114
Accrued expenses	6	11
Remuneration payable to staff and related social security contributions	81	638
Amounts payable to customers	111	14
Other third-parties payables	9	9
Total	**1,369**	**1,814**

Section 11 - Item 110 – Staff termination benefits

11.1 Staff termination benefits: changes during the year

	Total	
	2010	2009
A Opening balance	**470**	**328**
B Increases	**153**	**156**
B.1 Provisions for the year	153	129
B.2 Other changes	-	27
C Decreases	**28**	**14**
C.1 Benefits paid	9	14
C.2 Other changes	19	-
D Closing balance	**595**	**470**
Total	**595**	**470**

This item relates to provisions for staff termination benefits recognised in accordance with IAS 19.
The Bank has elected, as permitted under international accounting standards, to recognise actuarial gains and losses for the year in a separate equity reserve.
Accrued staff termination benefits continued to be held by the Bank at 31 December 2010 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

Items/Amounts	Total	
	2010	2009
1. Company pensions funds	**-**	**-**
2. Other provisions	**86**	**83**
2.1 litigation	86	83
2.2 staff costs	-	-
2.3 other	-	-
Total	**86**	**83**

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

12.2 Provisions: changes during the year

	Pension funds	Other provisions	Total
A Opening balances	**-**	**83**	**83**
B Increases	**-**	**3**	**3**
B.1 Provisions for the year	-	3	3
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to modification of discount rate	-	-	-
B.4 Other increases	-	-	-
C Decreases	**-**	**-**	**-**
C.1 Uses during the year	-	-	-
C.2 Changes due to modification of discount rate	-	-	-
C.3 Other decreases	-	-	-
D Closing balances	**-**	**86**	**86**

Section 14 - Items 130, 150, 160, 170, 180, 190, 200 – Equity

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

14.1 Share capital and treasury shares: composition

Items/Amounts	Total	
	2010	2009
1. Share capital	7,740	7,740
Total	**7,740**	**7,740**

The Bank does not hold treasury shares at the end of the reporting period.

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

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

14.3 Share capital: other information

The share capital consists exclusively of 7,740,000 shares with a par value of €1.00 each. There are no rights, privileges or restrictions applying to the shares.
There are no unpaid shares and the Bank does not hold treasury shares.

14.4 Revenue reserves: other information

Items/Components	Total	
	2010	2009
1. Legal reserve	644	495
2. FTA reserve:	115	115
Available-for-sale financial assets	-	(28)
Adjustment to provisions for staff termination benefits	-	2
Adjustment to other provisions	-	141
3. Retained earnings	621	-
4.Profit for prior year	3,437	1,380
Total	**4,817**	**1,990**

Other information

1. Guarantees issued and commitments

Transaction	Total	
	2010	2009
1. Financial guarantees provided	163	-
a) Banks	-	-
b) Customers	163	-
2. Commercial guarantees provided	-	-
a) Banks	-	-
b) Customers	-	-
3. Firm commitments to disburse funds	-	113
a) Banks	-	-
i) certain to be used	-	-
ii) not certain to be used	-	-
b) Customers	-	113
i) certain to be used	-	-
ii) not certain to be used	-	113
4. Commitments underlying credit derivatives: sale of protection	-	-
5. Assets pledged as security for third-party obligations	-	-
6. Other commitments	-	-
Total	**163**	**113**

4. Management and brokerage on behalf of third parties

Types of service	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	10,630
1. settled	10,507
2. unsettled	123
b) Sales	8,517
1. settled	8,161
2. unsettled	356
2. Asset management	
a) individual	-
b) collective	-
3. Custody and administration of securities	
a) third-party securities held on deposit: linked to role as depositary bank (excluding asset management)	28,566
1. securities issued by the reporting bank	15,664
2. other securities	12,902
b) third-party securities held on deposit (excluding asset management): other	**-**
1. securities issued by the reporting bank	-
2. other securities	-
c) third-party securities deposited with third parties	28,566
d) proprietary securities deposited with third parties	13,037
4. Other transactions	

Part C
Notes to the Income Statement

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

Section 1 – Items 10 and 20 - Interest

1.1 Interest income and similar revenues: composition

Items/Forms	Debt securities	Loans	Other transactions	Total	
				2010	2009
1 Financial assets held for trading	324	-	-	324	283
2 Available-for-sale financial assets	-	-	-	-	22
3 Held-to-maturity financial assets	-	-	-	-	-
4 Loans and advances to banks	-	59	-	59	147
5 Loans and advances to customers	-	760	-	760	701
6 Financial assets at fair value	-	-	-	-	-
7 Hedging derivatives	-	-	-	-	-
8 Other assets	-	-	-	-	-
Total	**324**	**819**	**-**	**1,143**	**1,153**

Interest on "impaired loans and advances" to customers amounts to €6,899.

1.4 Interest expense and similar charges: composition

Items/Forms	Deposits	Securities	Other transactions	Total	
				2010	2009
1. Deposits by central banks	-	-	-	-	-
2. Deposits by banks	38	-	-	38	49
3. Customer accounts	48	-	-	48	84
4. Outstanding securities	-	243	-	243	110
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**86**	**243**	**-**	**329**	**243**

Section 2 – Items 40 and 50 - Fees and commissions

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

2.1 Fees and commissions receivable: composition

Types of service/Amounts	Total	
	2010	2009
a) guarantees issued	2	-
b) credit derivatives	-	-
c) management, brokerage and advisory services:	251	1,149
1. trading in financial instruments	37	361
2. foreign currency trading	-	-
3. asset management	-	-
3.1 individual	-	-
3.2 collective	-	-
4. custody and administration of securities	4	3
5. depositary bank	-	-
6. securities placement	19	604
7. order collection	61	56
8. advisory services	-	-
8.1 regarding investment	-	-
8.2 regarding financial structure	-	-
9. distribution of third-party services	130	125
9.1 asset management	-	-
9.1.1. individual	-	-
9.1.2 collective	-	-
9.2 insurance products	-	-
9.3 other products	130	125
d) collection and payment services	110	92
e) servicing for securitisation transactions	-	-
f) factoring transactions	-	-
g) tax collection	-	-
h) management of multilateral trading systems	-	-
i) current account services	108	85
j) other services	-	6
Total	**471**	**1,332**

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

Channels/Amounts	Total	
	2010	2009
a) through own branches:	**94**	**125**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	94	125
b) door-to-door sales:	**19**	**604**
1. asset management	-	-
2. securities placement	19	604
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 2010	Total 2009
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) management and brokerage services:	789	1,811
1. Trading in financial instruments	781	1,795
2. Foreign currency trading	-	-
3. Asset management	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	8	16
5. Placement of financial instruments	-	-
6. Door-to-door sales of financial instruments, products and services	-	-
d) Collection and payment services	34	34
e) Other services	8	324
Total	**831**	**2,169**

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

4.1 Net profit/(loss) from trading activities: composition

Transactions/Components of income	Gains A	Profits from trading B	Losses C	Losses from trading D	Net profit/(loss) [(A+B)-(C+D)]
1 Financial assets held for trading	**218**	**6,974**	**138**	**386**	**6,668**
1.1 Debt securities	218	6,947	138	386	6,641
1.2 Equity instruments	-	-	-	-	-
1.3 Units of mutual investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	27	-	-	27
2 Financial liabilities held for trading	**-**	**8**	**-**	**-**	**8**
2.1 Debt securities	-	8	-	-	8
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3 Financial assets and liabilities: exchange differences	**-**	**-**	**-**	**-**	-
4 Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indexes	-	-	-	-	-
- on foreign exchange and gold	-	-	-	-	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**218**	**6,982**	**138**	**386**	**6,676**

This item includes:
a) the balance of profits and losses on "financial assets held for trading" and on "financial liabilities held for trading", including gains and losses on the measurement of these items.
b) the balance of profits and losses on foreign currency transactions, including gains and losses on the measurement of the transactions;
c) gains of €218 thousand and losses of €138 thousand on securities held in portfolio at 31 December 2010;

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

6.1 Profits/(Losses) on sales and repurchases: composition

Items/Components of income	Total 2010			Total 2009		
	Profits	Losses	Net profit/(loss)	Profits	Losses	Net profit/(loss)
Financial assets	**-**	**-**	**-**	**7**	**(15)**	**(8)**
1. Loans and advances to banks	-	-	-	-	-	-
2. Loans and advances to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	7	(15)	(8)
3.1 Debt securities	-	-	-	7	(15)	(8)
3.2 Equity instruments	-	-	-	-	-	-
3.3 Units of mutual investment funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**7**	**(15)**	**(8)**
Financial liabilities	-	-	-	-	-	-
1. Deposits by banks	-	-	-	-	-	-
2. Customer accounts	-	-	-	-	-	-
3. Outstanding securities	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

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

8.1 Impairment losses/recoveries on loans and advances: composition

Transactions/Components of income	Impairment losses			Recoveries				Total	
	Specific		Collective	Specific		Collective			
	Cancellations	Other		interest	other	interest	other	2010	2009
A. Loans and advances to banks	-	(45)	-	-	-	-	-	(45)	-
- Loans	-	(45)	-	-	-	-	-	(45)	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	-	(14)	-	-	15	-	23	24	(198)
- Loans	-	(14)	-	-	15	-	23	24	(198)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**(59)**	**-**	**-**	**15**	**-**	**23**	**(21)**	**(198)**

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 under “Specific – Other” refer to reductions in doubtful loans following the collection or write-off of impaired loans and advances.
Recoveries under the "Collective" column refer to collective write-downs, which, as a result of the new criteria adopted, resulted in a reversal of previous impairments in 2010.

Section 9 – Item 150 - Administrative expenses

9.1 Staff costs: composition

Types of expense/Amounts	Total	
	2010	2009
1) Employees	2,749	3,123
a) wages and salaries	2,027	2,344
b) social security contributions	499	570
c) staff termination benefits paid	-	-
d) pension contributions	-	-
e) provisions for staff termination benefits	153	129
f) provisions for pension funds and similar commitments:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
g) provisions for external supplementary pension funds:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
h) cost of share-based payments	-	-
i) other employee benefits	70	80
2) Other staff	-	-
3) Directors and Statutory Auditors	453	581
4) Staff on leave	-	-
5) Recovery of expenses for employes seconded to other companies	-	-
6) Reimbursement of expenses for third-party employees seconded to the Bank	-	-
Total	**3,202**	**3,704**

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

- Current service cost of €132 thousand
- Interest cost of €21 thousand

Item 2) Other staff costs include payments to temporary staff.

Item 3) Directors consists of directors’ emoluments including social security contributions paid by the Bank.

The Bank has acted on the clarification issued by the Supervisory Authority in a memorandum of 18 February 2011, regarding the correct method of accounting for staff-related costs in the income statement. In particular, the Bank has reclassified costs of €32 thousand incurred in relation to insurance policies and board and lodging for staff on business trips, which are now recognised in item 150 a) “Staff costs”, having previously been allocated to “Other administrative expenses”.
As required by IAS 8, this change resulted in reclassification of comparative amounts in the financial statements for the previous year, totalling €31 thousand.

9.2 Average number of employees by category

	2010
Employees	
a) Senior managers	1
b) Total middle managers	4
- of which: grades 3 and 4	2
c) Remaining employees	47
Other staff	-

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

9.5 Other administrative expenses: composition

	2010	2009
Other administrative costs:		
– indirect taxation and duties:	**17**	**12**
– other	17	12
– other:	**2,257**	**1,701**
– fees paid to external consultants	74	129
– auditors' fees	79	67
– lease rentals and running expenses	520	284
– IT services	705	610
– postage and telecommunications	149	155
– maintenance and repairs	86	19
– advertising and public relations	67	53
– energy and fuel	44	28
– insurance	21	12
– printing and stationery	84	57
– office cleaning	30	28
– transport and travel expenses	-	-
– lease rentals and hire charges	44	45
– legal and other consultants' fees	228	102
– membership dues and similar charges	92	88
– security	8	9
– other	26	15
Total	**2,274**	**1,713**

Following clarification issued by the Supervisory Authority in a memorandum of 18 February 2011, regarding the correct method of accounting for staff-related costs in the income statement, the Bank has reclassified costs incurred in relation to insurance policies and board and lodging for staff on business trips, which are now recognised in item 150 a) “Staff costs”, having previously been allocated to “Other administrative expenses”.
As required by IAS 8, this change resulted in reclassification of comparative amounts in the financial statements for the previous year, totalling €31 thousand.

Section 10 – Item 160 – Net provisions

10. Net provisions: composition

	2010	2009
Provisions for risk and charges		
other provisions:	(3)	(3)
-for litigation	*(3)*	*(3)*
Recovery of provisions for risk and charges		
other provisions:	-	**54**
-for litigation	-	**54**
Total	**(3)**	**51**

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

11.1 Adjustments to property, plant and equipment: composition

Assets/Components of income	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned by the Bank	(412)	(11)	-	(423)
- Operating assets	(412)	(11)	-	(423)
- Investment assets	-	-	-	-
A.2 Purchased under financial leases	-	-	-	-
- Operating assets	-	-	-	-
- Investment assets	-	-	-	-
Total	**(412)**	**(11)**	**-**	**(423)**

Depreciation of property, plant and equipment amounts to €412 thousand, and includes depreciation of the property recognised on the basis of the useful life of the asset resulting from the independent appraisal carried out.

Section 12 – Item 180- Adjustments to intangible assets

12.1 Adjustments to intangible assets: composition

Assets/Components of income	Amortisation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned by the Bank	(28)	-	-	(28)
- Internally generated	-	-	-	-
- Other	(28)	-	-	(28)
A.2 Purchased under finance leases	-	-	-	-
Total	**(28)**	**-**	**-**	**(28)**

Section 13 – Item 190 - Other operating costs/income

13.1 Other operating costs: composition

	2010	2009
contingent liabilities	(31)	(12)
amortisation of Leasehold improvements	(98)	(119)
other	(5)	(3)
Total	**(134)**	**(134)**

13.2 Other operating income: composition

	2010	2009
Expense recoveries	66	51
Grant pursuant to Law 388/2000	10	10
Contingent assets	19	20
Other	300	-
Total	**395**	**81**

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

17.1 Profits/(Losses) on sale of investments: composition

Components of income/Amounts	Total	
	2010	2009
A. Properties	-	-
- Profit on sales	-	-
- Loss on sales	-	-
B. Other assets	111	152
- Profit on sales	111	152
- Loss on sales	-	-
Net profit/(loss)	**111**	**152**

The profit on the sale of investments regards the gain realised on the sale of the Bank's remaining interest in Equity Sud Advisor Srl.

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

18.1 Taxation on profit from continuing operations: composition

Components of income/Amounts	Total	
	2010	2009
1. Current tax expense	(612)	(1,708)
2. Change in current tax expense for previous years	33	-
3. Reduction in current tax expense for the year	-	-
4. Change in deferred tax assets	(29)	63
5. Change in deferred tax liabilities	69	(7)
6. Tax charge for the year	(539)	(1,652)

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

Components/Amounts	2010
Profit/(Loss) from continuing operations before tax (item 250 c/e)	**1,551**
Tax charge calculated at statutory rate of 27.50% for IRES	**427**
Tax on increases	120
Tax on reductions	(126)
Effective tax rate for IRES - 27,14%	**421**
IRAP	**191**
Current tax expense for the year	**612**

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

Section 21 – Earnings per share

Earnings per share for 2010 is €0.13, calculated, in accordance with the regulations in force, by dividing profit for the year by the weighted average number of shares in issue during the period.

Part D
Comprehensive income

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	Items	Gross amount	Taxation	Net amount
10.	**Profit/(Loss) for the year**	**1,551**	**539**	**1,012**
	Other components of comprehensive income	-	-	-
20.	Available-for-sale financial assets:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	- impairment losses	-	-	-
	- relaised gains or losses	-	-	-
	c) other changes	-	-	-
30.	Property, plant and equipment	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges of foreign operations:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	c) other changes	-	-	-
60.	Cash flow hedges:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	c) other changes	-	-	-
70.	Exchange differences:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial gains/(losses) on defined benefit plans	19	-	19
100.	Share of valuation reserves for investments measured using	-	-	-
	a) changes in fair value	-	-	-
	b) through the income statement	-	-	-
	- impairment losses	-	-	-
	- relaised gains or losses	-	-	-
	c) other changes	-	-	-
110.	**Total other components of comprehensive income**	**19**	**-**	**19**
120.	**Comprehensive income (Item 10+110)**	**1570**	**539**	**1031**

Part E
Financial risk management and hedging policies

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

Section 1 – Credit risk

Credit risk 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 [1].

Qualitative disclosure

1. General information

During 2010 the Bank continued to expand its typical banking activities, such as deposit-taking and lending, in line with its strategic objectives aimed at diversifying its business.
Moreover, the composition of loans, which have grown in volume by 51% compared with the previous year, breaks down as follows:

- a significant component (61%) represented by medium/long-term housing loans secured by mortgages;
- a large proportion of exposures relating to unsecured term loans, consisting of medium-term loans without security in the form of a mortgage (18%);
- a sizable portion of the Bank's exposure represented by lines of credit in connection with normal on-balance sheet lending (12%);
- a residual portion represented by advances against invoices with recourse (7%), permitting companies to immediately obtain cash against invoices which are not yet due for payment and personal loans (2%).

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

- careful selection and accurate assessment of creditworthiness during the credit approval process and continuous monitoring of the borrower's ability to meet obligations;
- diversification of credit risk through the targeting low value loans and by limiting concentration of exposures to related customers, groups of companies or individual sectors of the economy;
- use of IT systems 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

[1] Country risk is the risk linked to international transactions, when the overseas customer or counterparty does not fulfil their obligations, due to the macroeconomic conditions in the country in which they operate.

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

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

2.2 Management, measurement and control systems

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

The control system operates on three levels:

1) front-line controls, which aim to ensure that transactions are conducted correctly, are carried out by front-office staff;
2) second-level controls that are the responsibility of:
   - the Credit Control and Litigation unit, which in the ordinary course of business carries out controls during the credit granting, finalisation and classification phases and carries out checks on problems arising once the credit has been drawn down and on impaired loans;
   - the Risk Management unit, which monitors the activities carried out, overseeing transactions and effecting an overall assessment of the Bank's risk exposure, based also on the performance of loans;
   - the Compliance unit, which checks compliance with internal and external regulations.
3) third-level controls by the Internal Audit department through ex-post assessment of any problems, procedural irregularities and violations of internal and external regulations, and assessment of the overall functionality of the internal control system.

In addition, the following are also carried out:

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

Finally, the Bank uses a management tool to carry out front-line controls, enabling branches and the Credit Control unit to periodically monitor existing exposures. The procedure uses information already in the Bank's possession, assigning a risk rating to each customer. The ratings are calculated for each

Head Office Number assigned to customers, and the problems and related data used to arrive at the ratings are placed in a historical context.

2.3 Credit risk mitigation techniques

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

Acceptable forms of personal guarantees are letters of indemnity payable on first request issued by Italian and international banks or by creditworthy physical persons or legal entities.
The bank accepts the following forms of collateral:
- mortgages;
- pledges of deposits in euros or another currency;
- pledges of securities.

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

2.4 Impaired financial assets

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

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

All doubtful exposures (problem, non-performing, restructured) are subject to analytic assessment by the unit involved in the credit process.
The Chief Executive Officer is responsible for classifying doubtful loans.
Despite these precautions, not all loans were performing at 31 December 2010.
The performance of impaired financial assets reflects:

- a “problem” loan to a customer, accounting for 0.15% of total loans;

- a “problem” loan to a bank, accounting for 2.00% of total loans;
- a reduction in “non-performing” loans from 0.5% to 0.19% of total loans.

Quantitative disclosure

A. Credit quality

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

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

Portfolio/Quality	Non-performing	Problem	Restructured	Past-due	Other assets	Total
1. Financial assets held for trading	-	-	-	-	11,506	11,506
2. Available-for-sale financial assets	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-
4. Loans and advances to banks	-	460	-	-	3,213	3,673
5. Loans and advances to customers	41	34	-	133	21,994	22,202
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total 2010	**41**	**494**	**-**	**133**	**36,713**	**37,381**
Total 2009	74	-	-	28	32,302	32,404

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

Portfolio/Quality	Impaired assets			Performing assets			Total (net exposure
	Gross exposure	Specific impairments	Net exposure	Gross	Collective impairments	Net	
1. Financial assets held for trading	-	-	-	-	-	11,506	11,506
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-
4. Loans and advances to banks	505	45	460	3,213	-	3,213	3,673
5. Loans and advances to customers	523	315	208	22,135	141	21,994	22,202
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 2010	**1,028**	**360**	**668**	**25,348**	**141**	**36,713**	**37,381**
Total 2009	410	308	102	21,472	179	32,302	32,404

Loans to customers include the following past-due exposures.

Length of time in arrears	Exposures renegotiated as a result of collective agreements	Other exposures	Total performing loans
not in arrears	-	21,710	21,710
up to 3 months in arrears	-	284	284
from 3 to 6 months in arrears	-	-	-
from 6 months to 1 year in arrears	-	-	-
over 1 year in arrears	-	-	-
Total performing loans	**-**	**21,994**	**21,994**

At 31 December 2010 the Bank does not report loans that have been renegotiated as a result of collective agreements (framework agreements with the Italian Bankers' Association, the Ministry of the Economy and Finance and households).

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

Types of exposure/Amounts	Gross exposure	Specific impairments	Collective impairments	Net exposure
A. On-balance sheet exposures				
a) Non-performing	-	-	-	-
b) Problem	505	45	-	460
c) Restructured	-	-	-	-
d) Past-due	-	-	-	-
e) Other assets	7,117	-	-	7,117
Total A	**7,622**	**45**	**-**	**7,577**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B	**-**	**-**	**-**	**-**
Total A+B	**7,622**	**45**	**-**	**7,577**

A.1.4 On-balance sheet exposures to banks: changes in gross impaired loans

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**-**	-	-	-
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**-**	**505**	**-**	**-**
B.1 transfers from performing loans	-	505	-	-
B.2 transfers from other categories of impaired asset	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 transfers to performing loans	-	-	-	-
C.2 derecognition	-	-	-	-
C.3 collection	-	-	-	-
C.4 amounts realised on transfer	-	-	-	-
C.5 transfers to other categories of impaired asset	-	-	-	-
C.6 other decreases	-	-	-	-
D Gross exposure at end of year	**-**	**505**	**-**	**-**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

A.1.5 On-balance sheet exposures to banks: changes in total impairments

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Total impairment losses at beginning of year	**-**	**-**	**-**	**-**
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**-**	**45**	**-**	**-**
B.1 impairment losses	-	45	-	-
B.2 transfers from other categories of impaired asset	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 value recoveries	-	-	-	-
C.2 value recoveries from collection	-	-	-	-
C.3 derecognition	-	-	-	-
C.5 transfers to other categories of impaired asset	-	-	-	-
C.6 other decreases	-	-	-	-
Total impairment losses at end of year	**-**	**45**	**-**	**-**
- of which: transferred assets not derecognised	-	-	-	-

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

Types of exposure/Amounts	Gross exposure	Specific impairments	Collective impairments	Net exposure
A. On-balance sheet exposures				
a) Non-performing	341	300	-	41
b) Problem	40	6	-	34
c) Restructured	-	-	-	-
d) Past-due	142	9	-	133
e) Other assets	29,738	-	141	29,597
Total A	**30,261**	**315**	**141**	**29,805**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	163	-	-	163
Totale B	**163**	**-**	**-**	**163**

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

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**381**	-	-	**29**
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**7**	**54**	**-**	**144**
B.1 transfers from performing loans	-	26	-	142
B.2 transfers from other categories of impaired asset	-	28	-	-
B.3 other increases	7	-	-	2
C. Decreases	**47**	**14**	**-**	**31**
C.1 transfers to performing loans	-	-	-	-
C.2 derecognition	7	-	-	-
C.3 collection	40	14	-	3
C.4 amounts realised on transfer	-	-	-	-
C.5 transfers to other categories of impaired asset	-	-	-	28
C.6 other decreases	-	-	-	-
D Gross exposure at end of year	**341**	**40**	**-**	**142**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

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

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**307**	**-**	**-**	**1**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**
B. Increases	**7**	**13**	**-**	**23**
B.1 transfers from performing loans	-	5	-	6
B.2 transfers from other categories of impaired asset	-	8	-	-
B.3 other increases	7	-	-	17
C. Decreases	**14**	**7**	**-**	**15**
C.1 transfers to performing loans	-	-	-	-
C.2 derecognition	3	7	-	7
C.3 collection	6	-	-	-
C.4 amounts realised on transfer	-	-	-	8
C.5 other decreases	5	-	-	-
D Gross exposure at end of year	**300**	**6**	**-**	**9**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

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

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

Exposures	Class of external rating						No rating	Total
	Aaa/Aa3	A1/A3	Baa1/ Baa3	Ba1/Ba3	B1/B3	Inferiore a B3		
A. On-balance sheet	**4,901**	**2,871**	**1,689**	**107**	**-**	**53**	**27,760**	**37,381**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	**-**	**-**
D. Commitments to disburse funds	-	-	-	-	-	-	**-**	**-**
Total	**4,901**	**2,871**	**1,689**	**107**	**-**	**53**	**27,760**	**37,381**

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

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

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

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured exposures to banks

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

A.3.2 Secured exposures to customers

	Net exposure	Collateral (1)			Personal guarantees (2)									Total (1+2)
					Credit derivatives					Credit commitments				
						Altri derivati								
		Properties	Securities	Other collateral	CLNs	Governm. and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured on-balance sheet exposures	**19,520**	**13,241**	**336**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,908**	**19,485**
1.1 fully secured	19,520	13,241	336	-	-	-	-	-	-	-	-	-	5,908	19,485
- of which impaired	42	132	-	-	-	-	-	-	-	-	-	-	-	132
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures	**163**	**-**	**163**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**163**
2.1 fully secured	163	-	163	-	-	-	-	-	-	-	-	-	-	163
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Credit distribution and concentration

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

Exposures / Borrowers	Governments and central banks			Other public entities		
	Net exposure	Specific impairments	Collective impairments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	**-**	**-**	**-**	**-**	**-**	**-**
A.2 Problem	**-**	**-**	**-**	**-**	**-**	**-**
A.3 Restructured	**-**	**-**	**-**	**-**	**-**	**-**
A.4 Past-due	**-**	**-**	**-**	**-**	**-**	**-**
A.5 Other	**3,293**	**-**	**-**	**-**	**-**	**-**
Total A	**3,293**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2010	**3,293**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2009	2,351	-	-	-	-	-

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

Exposures / Borrowers	Financial companies			Insurance companies		
	Net exposure	Specific impairments	Collective impairments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-
A.5 Other	**2,790**	-	-	-	-	-
Total A	**2,790**	-	-	-	-	-
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-
Total B	-	-	-	-	-	-
Total (A+B) 2010	**2,790**	-	-	-	-	-
Total (A+B) 2009	3,299	-	-	211	-	-

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

Exposures / Borrowers	Non-financial companies			Other entities		
	Net exposure	Specific impairments	Collective impairments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	36	290	-	6	10	-
A.2 Problem	34	6	-	-	-	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	-	-	-	133	9	-
A.5 Other	10,376	-	58	13,137	-	83
Total A	**10,446**	**296**	**58**	**13,276**	**19**	**83**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	140	-	-	23	-	-
Total B	**140**	**-**	**-**	**23**	**-**	**-**
Total (A+B) 2010	**10,586**	**296**	**58**	**13,299**	**19**	**83**
Total (A+B) 2009	7,926	298	74	8,775	10	104

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

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet exposures										
A.1 Non-performing	41	300	-	-	-	-	-	-	-	-
A.2 Problem	34	6	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	133	9	-	-	-	-	-	-	-	-
A.5 Other	26,218	141	3,172	-	207	-	-	-	-	-
Total A	**26,426**	**456**	**3,172**	**-**	**207**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2010	**26,426**	**456**	**3,172**	**-**	**207**	**-**	**-**	**-**	**-**	**-**
Total 2009	18,249	487	4,181	-	133	-	-	-	-	-

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

Esposizione/aree geografiche	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net Exposures	Total impairments
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Problem	460	45	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	4,824	-	2,124	-	169	-	-	-	-	-
Total A	**5,284**	**45**	**2,124**	**-**	**169**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2010	**5,284**	**45**	**2,124**	**-**	**169**	**-**	**-**	**-**	**-**	**-**
Total 2009	7,684	-	2,107	-	164	-	-	-	-	-

B.4 Major risks

In its 6th update of Circular 263/2006 "New Prudential requirements for banks" dated 27 December 2010, which, among other things, has revisited the Prudential requirements governing risk concentration, the Bank of Italy clarified that fact that the amount for risk positions representing a major risk should be reported with reference to both the carrying amount and the weighted value.

At 31 December 2010, therefore, risks positions representing a major risk amount to a face value of €5,462 thousand. These positions include €3,292 thousand in Italian government securities forming part of the trading book for supervisory purposes and €2,170 thousand in interbank demand deposits assumed prior to 31 December 2009. In accordance with supervisory requirements, the weighted value of these positions is, therefore, zero.

C.2 Loan transfers

C.2.1 Transferred financial assets not derecognised

Forms/Portfolios	Financial assets held for trading			Financial assets at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Loans and advances to banks			Loans and advances to customers			Total	
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c	2010	2009
A. On-balance sheet assets	**195**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**195**	**774**
1. Debt securities	195	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	195	774
2. Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 2010	**195**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**195**	-
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 2009	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**774**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Key:
a = transferred financial assets recognised in full (carrying amount)
b = transferred financial assets recognised in part (carrying amount)
c = transferred financial assets recognised in part (full value)

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

Liabilities/Asset portfolios	Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and advances to banks	Loans and advances to customers	Total
1. Customer accounts	**195**	-	-	-	-	-	**195**
a) associated with assets recognised in full	195	-	-	-	-	-	195
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 2010	**195**	-	-	-	-	-	**195**
Total 2009	767	-	-	-	-	-	767

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.

Section 2.1 Interest rate and price risk – Supervisory trading book

Qualitative disclosure

A. General information

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

B. Management policies and interest rate and price risk measurement methods

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

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

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

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

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

The control system operates on three levels:

1. front-line controls, which aim to ensure that transactions are conducted correctly, are carried out directly by traders, which over the trading day check compliance with the system of limits. In addition, with particular reference to financial assets, front-line controls are initially carried out automatically with reference to the control parameters integrated into the IT systems;
2. second-level controls that are the responsibility of:
   - the Back Office, which in the ordinary course of processing transactions checks compliance with the system of limits, and the correct exercise of authorities. It identifies any transactions that have been suspended as not compliant with one or more of the control parameters established and requests authorisation from the relevant managers;
   - the Risk Management unit, which monitors the activities carried out, overseeing transactions and effecting an overall assessment of the Bank's risk exposure, based on market trends, the nature of the instruments held, and the counterparties and issuers involved;
3. third-level controls by the internal audit department, based on a specially prepared programme of activities, through ex-post assessment of any problems, procedural irregularities and violations of internal and external regulations, and assessment of the overall functionality of the internal control system.

Quantitative disclosure

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

Denominated in euros

Type/Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeterminate term to maturity
1. On-balance sheet assets								
1.1 Debt securities	**296**	**4,479**	**1,861**	**1,247**	**3,574**	**49**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	296	4,479	1,861	1,247	3,574	49	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities								
2.1 Repurchase agreements	-	195	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The Bank has used stress testing to assess its exposure to adverse markets conditions, applying an assumed shift in interest rates of +/-100 bps to the supervisory trading book. This would result in percentage changes in net interest of -/+13.29%, in profit for the year of -/+10.69% and in equity of -/+0.74%.

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

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

2.2 Interest rate and price risk – Banking Book

Qualitative disclosure

A. General information, management policies and interest rate and price risk measurement methods

The risk of that a change in interest rates can have an adverse effect on the Bank's financial condition is an inherent risk of Banking Book assets.
The Banking Book primarily consists of:
- loans;
- various types of deposit.

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

B. Fair value hedges

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

C. Cash flow hedges

The Bank does not engage in cash flow hedging.

Quantitative disclosure

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

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	2,330	287	-	-	-	-	-	-
1.3 Loans and advances to customers	12,280	8,356	369	215	738	244	-	-
- current account overdrafts	2,139	-	-	-	-	-	-	-
- other loans	10,141	8,356	369	215	738	244	-	-
- callable	-	-	-	-	-	-	-	-
- other	10,141	8,356	369	215	738	244	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	19,954	-	-	-	-	-	-	-
- current account overdrafts	19,047	-	-	-	-	-	-	-
- other loans	907	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	907	-	-	-	-	-	-	-
2.2 Deposits by banks	50	-	-	-	-	-	-	-
- current accounts	50	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	6,584	1,553	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	6,584	1,553	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

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

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	478	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	-	-	-	-	-	-	-
- current account overdrafts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	411	-	-	-	-	-	-	-
- current account overdrafts	411	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

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

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	118	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	-	-	-	-	-	-	-
- current account overdrafts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	113	-	-	-	-	-	-	-
- current account overdrafts	113	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

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

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	2,926	287	-	-	-	-	-	-
1.3 Loans and advances to customers	12,280	8,356	369	215	738	244	-	-
- current account overdrafts	2,139	-	-	-	-	-	-	-
- other loans	10,141	8,356	369	215	738	244	-	-
- callable	-	-	-	-	-	-	-	-
- other	10,141	8,356	369	215	738	244	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	20,478	-	-	-	-	-	-	-
- current account overdrafts	19,571	-	-	-	-	-	-	-
- other loans	907	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	907	-	-	-	-	-	-	-
2.2 Deposits by banks	50	-	-	-	-	-	-	-
- current accounts	50	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	6,584	1,553	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	6,584	1,553	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The Bank has used stress testing to assess its exposure to adverse markets conditions, applying an assumed shift in interest rates of +/-100 bps to the banking book. This would result in percentage changes in net interest of -/+67.03%, in profit for the year of -/+53.90% and in equity of -/+3.74%.

2.3 Foreign exchange risk

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

Qualitative disclosure

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

The extent to which the Bank is exposed to foreign exchange risk is determined by the level of foreign currency assets and liabilities. Foreign currency assets consist entirely of deposits at clearing house organisations and/or banks of commissions earned on trading of financial instruments on over the counter markets (eurobonds). These commissions are denominated in the currency of the relevant security.
The relevant amounts are generally deposits of US dollar cash holdings which is considered to be a strategic currency for trading. All other currencies are considered to be residual and, therefore, when minimum tradable amounts are reached they are exchanged for euro.
In order to mitigate exchange risk, the Bank has implemented management policies and control systems that guarantee sound and prudent management of market risk through the issuance of general guidelines by the Board of Directors.
The “Financial Markets Regulations” establish limits on the assumption of foreign currency positions.
Moreover, the same method is used to measure exposure to exchange risk that is required by relevant supervisory regulations.
It is based on the calculation of “net currency positions" which is the difference between all assets and all liabilities (on and off-balance sheet) in any one currency.
The system of internal controls includes periodic verification of the propriety and compliance with limits established in the above regulations.

B. Foreign Exchange hedges

There are no outstanding foreign exchange hedges at 31 December 2010.

Quantitative disclosure

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

Items	Currency					
	US dollar	Sterling	Yen	Canadian dollars	Swiss franc	Other
A. Financial assets	**478**	**114**	**-**	**-**	**-**	**4**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans and advances to banks	478	114	-	-	-	4
A.4 Loans and advances to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	**411**	**109**	**-**	**-**	**-**	**4**
C.1 Deposits by banks	-	-	-	-	-	-
C.2 Customer accounts	411	109	-	-	-	4
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	-	-
Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
other derivatives	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
Total assets	**478**	**114**	**-**	**-**	**-**	**4**
Total liabilities	**411**	**109**	**-**	**-**	**-**	**4**
Balance	**67**	**5**	**-**	**-**	**-**	**-**

The amounts in the table regard cash balances in current accounts and deposits held at banks in relation to trading activities.
The total foreign exchange gain amounts to €26,726 and represents the effect of favourable exchange rate fluctuations on dealing fees and commissions.

Section 3 – Liquidity risk

Liquidity risk is:

- in relation to the banking business:
    - a borrower becomes unable to service debt on the agreed dates;
    - the bank becomes unable to service its own debt obligations on maturity;

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

Qualitative disclosure

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

Banks are by their nature exposed to liquidity risk. This is the risk that the entity is unable to settle its obligations as it is incapable of raising the necessary funds (funding liquidity risk), or that the entity is unable to convert its assets into cash (market liquidity risk), due to maturity transformation.
Adoption of an adequate system for managing this type of risk plays a key role in maintaining the stability not only of individual banks, but also of the market, given that the difficulties of one financial institution can have repercussions for the whole system.
As a result, in accordance with the Supervisory Authority's Prudential requirements, the Bank has adopted, on the one hand, a specific "Policy" (the Liquidity Risk Management Policy) aimed at managing liquidity in the ordinary course of business and, on the other, a "Plan" (the Contingency Funding Plan) establishing the objectives and describing the process and strategies to be implemented in the event of an emergency.

1. Liquidity risk management policy

Given the size of its operations its organisational complexity, the nature of the activities carried out and the type of services provided, the "Policy" adopted by the Bank describes, among other things:

- the roles, duties and responsibilities of the various corporate bodies and of the different controllers involved;
- the activities included in the "Liquidity risk management process".

In terms of the entities involved in managing liquidity risk, on the one hand, responsibility is assigned according to the respective roles of corporate bodies, who must be fully aware of the level of the Bank's exposure to this risk.
On the other, in accordance with the general standards laid down by the Supervisory Authority with regard to organisation and internal controls, with specific reference to liquidity risk, the Bank has adopted formal procedures for gathering and processing data with the necessary frequency, and in such a way as to ensure the production of reliable and timely information by the various controllers.

The "Liquidity risk management process", in contrast, aims to ensure that, over time, the Bank has adequate access to a sufficient volume of liquid instruments to draw upon under stress conditions linked to events affecting the Bank and the market.

As the Policy aims to assess the Bank's structural capacity to manage the match between cash inflows and outflows under both normal conditions and in the event of an external shock, it includes the following activities:

1. the identification and measurement of liquidity risk;
2. stress testing;
3. the identification of instruments to mitigate liquidity risk;

4. control;
5. reporting.

Revisions and updates of the “Liquidity Risk Management Policy” are approved by the Board of Directors.

2. Contingency Funding Plan

In order mitigate liquidity risk under stress conditions, the Bank has adopted a specific toll, the so-called “Contingency Funding Plan” (CFP).
The main objective of this “Plan” is to protect the Bank’s capital in the event of liquidity drainage by preparing crisis management strategies and procedures, designed to raise funds in the event of an emergency.
The CFP documents management of any specific or systemic liquidity crisis in terms of the mitigating actions available to the bank and the responsibilities attributed to the various departments.
The CFP is thus a response to situations of stress that are not seen in the ordinary course of business, in which the Bank is able to meet its liquidity requirements through its own ability to raise funds.

Revisions and updates of the “Contingency Funding Plan” are approved by the Board of Directors.

Quantitative disclosure

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

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	475	2,818	-	-
A.2 Other debt securities	-	-	-	-	466	576	1,106	5,770	295	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	5,424	285	227	124	1,119	977	1,178	6,780	9,165	-
- Banks	2,617	-	-	-	-	-	-	460	-	-
- Customers	2,807	285	227	124	1,119	977	1,178	6,320	9,165	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	20,004	-	-	-	-	-	-	-	-	-
- Banks	50	-	-	-	-	-	-	-	-	-
- Customers	19,954	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	6,584	1,553	-
B.3 Other liabilities	-	-	-	-	195	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	23	-	140	-	-

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

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	478	-	-	-	-	-	-	-	-	-
- Banks	478	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	411	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	411	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

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

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	118	-	-	-	-	-	-	-	-	-
- Banks	118	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	113	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	113	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

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

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	475	2,818	-	-
A.2 Other debt securities	-	-	-	-	466	576	1,106	5,770	295	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	6,020	285	227	124	1,119	977	1,178	6,780	9,165	-
- Banks	3,213	-	-	-	-	-	-	460	-	-
- Customers	2,807	285	227	124	1,119	977	1,178	6,320	9,165	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	20,528	-	-	-	-	-	-	-	-	-
- Banks	50	-	-	-	-	-	-	-	-	-
- Customers	20,478	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	6,584	1,553	-
B.3 Other liabilities	-	-	-	-	195	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	23	-	140	-	-

Section 4 – Operational risk

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

Qualitative disclosure

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

Operational risk is a pure risk in that it only relates to events having adverse effects. It is the sum total of all irregularities that, alone, through negating company output can:

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

Aware that operational risk is an inherent part of its activities, the Bank gives great importance to controlling this type of risk.
The Bank's internal control system, therefore, is based on principles aimed at ensuring sound and prudent management. The system is subject to periodic checks in order to assess its adequacy and functionality in terms of both effectiveness (the system's ability to meet established objectives) and efficiency (its ability to meet established objectives in terms of costs, risks and profitability in line with those of similar companies).
In order to ensure the management of risks, the Bank has created regulations for each stage of each process, establishing adequate levels of control and, within the organisational structure, specific units with responsibility for overseeing controls.
In order to assess risk exposure and the effects that effective mitigation measures have on the exposure, it is necessary to combine qualitative and quantitative disclosures. The qualitative component ("self risk assessment") can be summed up as the assessment of the risk profile of each organisational unit, in terms of potential future losses, efficiency of control systems and adequate management of risk mitigation techniques. The quantitative component, on the other hand, is essentially based on statistical and time series analysis of data regarding losses. As the available information on losses resulting from certain types of event are not always relevant, it is possible to integrate the data with data from the system.
Should a loss deriving from such an event occur, the Bank will input the information into its internal database of operating losses, to be used in the future when applying its internal risk calculation model.
With regard to business continuity, the Bank has introduced the Business Continuity Management Process, setting out the means of analysing the impact on the business and the criteria for preparing the "Business Continuity Plan", which has been updated, as it is every year.
The "Plan" describes the contingency plans to be implemented 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.
Updating of the Plan, which was preceded by an impact analysis, took account of the IT hardware and software installed when the Bank transferred to its new headquarters.
Both documents have been approved by the Bank's Board of Directors .

Quantitative disclosure

Operational risks controls during 2010 revealed that unexpected losses were incurred due to exogenous events.
Above all, the Bank was the victim of a robbery that resulted in the theft of valuables with a total value of just over €13 thousand, of which 80% was covered by insurance. The resulting net loss thus amounted to €2.5 thousand.

Part F
Equity

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Section 1 – The Bank's equity

A. Qualitative disclosure

At 31 December 2010 equity amounts to €14,588 million.
The valuation reserves include the reserve for actuarial gains and losses on staff termination benefits, in accordance with regulatory requirements.

B. Quantitative disclosure

B.1 Equity: composition

Items/Amounts	Amount	
	2010	2009
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	4,816	1,990
- revenue	4,816	1,990
a) legal	643	494
b) statutary	-	-
c) treasury shares	-	-
d) other	4,173	1,496
- other	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	(51)	(71)
- Available-for-sale financial assets	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign operations	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Non-current assets held for sale	-	-
- Actuarial gains/(losses) on defined benefit plans	(51)	(71)
- Share of valuation reserves for investments measured using the equity method	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	1,012	2,980
Total	**14,588**	**13,710**

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

This table is not provided as the Bank did not hold available-for-sale financial assets at the end of the reporting period.

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

This table is not provided as the Bank did not hold available-for-sale financial assets at the end of the reporting period.

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

A. Qualitative disclosure

The Bank's regulatory capital consists of Tier 1 (Basic) capital, amounting to €14,010 thousand at 31 December 2010.

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 2010, amounting to €14,059 thousand. The negative components, totalling approximately €49 thousand, regard other intangible assets recognised in the financial statements. The net value of Tier 1 capital is thus €14,010 thousand.

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

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

B. Quantitative disclosure

	2010	2009
A. Tier 1 capital (Basic Capital) before prudential filters	**14,010**	**12,871**
B. Prudential filters applied to Tier 1 capital	**-**	**-**
B.1 - Positive IFRS prudential filters	-	-
B.2 - Negative IFRS prudential filters	-	-
C. Tier 1 capital (Basic Capital) before deductions (A+B)	**14,010**	**12,871**
D. Deductions from Tier 1 capital (Basic Capital)	**-**	**-**
E. Total Tier 1 capital (C-D)	**14,010**	**12,871**
F. Tier 2 capital (Supplementary Capital) before prudential filters	**-**	**-**
G. Prudential filters applied to Tier 2 capital	**-**	**-**
G.1 - Positive IFRS prudential filters	-	-
G.2 - Negative IFRS prudential filters	-	-
H. Tier 2 capital before deductions (F+G)	**-**	**-**
I. Deductions from Tier 2 capital	**-**	**-**
L. Total Tier 2 capital (H-I)	**-**	**-**
M. Deductions from Tier 1 and Tier 2 capital	**-**	**-**
N. Regulatory capital (E+L-M)	**14,010**	**12,871**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**14,010**	**12,871**

2.2 Capital adequacy

A. Qualitative disclosure

The Bank is obliged to comply with a theoretical solvency ratio equal to 8% of risk assets. In brief, regulatory capital must not fall below 8% of total risk assets calculated in accordance with the risk-weighted system required by the Bank of Italy.
The solvency ratio calculated on the basis of the financial statements for 2010 stands at 59.65%. This, combined with estimates of the result of compliance with the prudential requirements that have emerged as a result of introduction of the new Basle 2 parameters, leads the Bank to believe that its equity is sufficient to support the investments envisaged in the Bank's strategic plans.
At any rate, ample capital sufficiently covers overall exposure to credit, market and operational risks, with capital exceeding requirements by €10,483 thousand at the end of the reporting period.

B. Quantitative disclosure

Categories/Amounts	Unweighted amounts		Weighted amounts	
	2010	2009	2010	2009
A. Risk assets				
A.1 Credit and counterparty risk	35,651	27,672	23,488	14,938
1. Standardised method	35,651	27,672	23,488	14,938
2. Internal ratings based method	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk	-	-	1,879	1,195
B.2 Market risk	-	-	482	588
1. Standard method	-	-	482	588
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	1,166	1,018
1. Base method	-	-	1,166	1,018
2. Standardised method	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Other elements in the calculation	-	-	-	-
B.6 Total prudential requirements	**-**	**-**	**3,527**	**2,801**
C. Risk assets and regulatory ratios				
C.1 Risk weighted assets			44,088	35,013
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			31.78%	36.76%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)			31.78%	36.76%

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

Part G
Business combinations

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1.1 Business combinations

Following the deposit at the Naples Companies' Register on 18 October 2010 of the deed drawn up on the same date, the merger of Im.Pa Srl with and into Banca Promos SpA was completed.
During the first half of 2009 the Bank completed the acquisition of a 100% stake in Im.Pa. Srl, the company that owned the property in Viale Gramsci, Naples, that was to host the Bank's new headquarters and its third branch.
In March 2010 the boards of both companies approved the plan for their merger. Following clearance from the Supervisory Authority, the merger was then approved by the shareholders of Banca Promos on 2 August 2010.
The transaction qualifies as a "business combination of entities under common control". For this reason, it is excluded from the scope of application of IFRS 3 and the standards applied are in line with the general criteria set out in IAS 8 and the Preliminary Guidance on IFRS provided by Assirevi, the Italian Association of Audit Firms (OPI no. 1). Given that the nature of the transaction means that it has not had a material influence on the cash flows of the merged companies, the choice of accounting treatment must, therefore, give preference to standards that ensure the continuity of amounts.
Application of this principle means recognition of the pre-existing control relationship between the two companies involved in the merger, and of the cost incurred by the acquirer in the original acquisition of its investment in the acquiree. This cost, and its allocation to the present value of the acquiree's assets and liabilities, are reported in the consolidated financial statements prepared at the end of the previous year.
The inclusion of Im.Pa Srl's assets and liabilities in Banca Promos's separate financial statements does not result in an increase in present values compared with the amounts reported in the consolidated financial statements for 2009.
Effectiveness of the transaction for tax and statutory purposes has thus been backdated to the beginning of 2010. As a result, amounts in these financial statements also include the impact of the balance sheet and income statement items of the acquiree, Im.Pa. Srl.

1.1 BUSINESS COMBINATIONS OF ENTITIES UNDER COMMON CONTROL

Cost of transaction	Percentage of ordinary voting shares acquired	Net profit
3,117,618	100%	620,971

Amounts in the column "Profit/(Loss) attributable to owners of the parent" are calculated by assuming that the business combinations completed during the current year were all executed at the beginning of that year.
The merger surplus of €621 thousand represents the difference between the carrying amount of the investment in the acquiree and the carrying amount of the assets and liabilities reported in the Bank's consolidated financial statements for the year ended 31 December 2009, which solely included the merged companies.

Recognition of merger surplus		
Equity of Im.pa Srl	3,738,589	
Investment		3,117,618
Merger surplus		620,971

Part H
Related party transactions

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1. Remuneration of key managers

The remuneration paid to key managers, who include the Directors and members of the Board of Statutory Auditors, during 2010 may be summarised as follows:

Nature of item	2010	2009
Directors	417	544
Members of Board of Statutory Auditors	36	37
Short-term employee benefits	114	113
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	27	21
Share-based payments	-	-
Total	**594**	**715**

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

2. Related party disclosures

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

Nature of item	Assets	Liabilities	Costs	Income
Directors	2	207	-	-
Statutory Auditors	-	7	-	-
Key managers	22	-	-	1
Relatives	-	6	-	-
Other related parties	-	-	-	-

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.

Annexes to the Financial Statements for the year ended 31 December 2010

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To aid in understanding the impact on the Bank's financial position and results of operations of the merger of Im.Pa Srl with and into Banca Promos, the pro forma financial statements for the year ended 31 December 2009 (the statement of financial position and the income statement) are attached to the financial statements. These amounts are consistent with the consolidated financial statements for the year ended 31 December 2009, as the merger involved the Bank's only subsidiary (wholly owned) at 31 December 2009 and was effective for accounting and tax purposes from 1 January 2010.

A detailed description of the transaction is provided in Part G of the notes to the financial statements.

BALANCE SHEET Assets	31/12/10		31/12/09		Pro-forma at 31/12/2009	
10. Cash and cash equivalents		357,787		276,027		276,825
20. Financial assets held for trading		11,505,571		11,009,494		11,009,494
30. Financial assets valued at fair value		-		-		-
40. Available-for-sale financial assets		-		-		-
50. Held-to-maturity financial assets		-		-		-
60. Loans and advances to banks		3,673,092		6,647,331		6,648,223
70. Loans and advances to customers		22,202,252		14,748,462		14,748,462
80. Hedging derivatives		-		-		-
90. Adjustments for changes in the value of hedged financial assets (+/-)		-		-		-
100. Investments		-		3,117,619		-
110. Property, plant and equipment		7,520,972		306,414		5,583,773
120. Intangible assets, of which:		49,380		65,030		65,030
- goodwill	0		0		0	
130. Tax assets		1,003,396		819,951		821,195
a) current	849564		636676		637921	
b) deferred	*153,832*		*183,275*		*183,274*	
140. Non-current assets and disposal groups held for sale		0		19,215		19,215
150. Other assets		970,795.00		2,244,839		1,886,155
Total assets		47,283,245		39,254,382		41,058,372

BALANCE SHEET Assets and liabilities	31/12/10		31/12/09		Pro-forma at 31/12/2009	
10. Deposits by banks		50,338		50,144		50,144
20. Customer accounts		20,672,903		17,391,311		17,355,040
30. Outstanding Securities		8,136,825		4,010,342		4,010,342
40. Financial liabilities held for trading		-		-		-
50. Financial liabilities at fair value		-		-		-
60. Hedging derivatives		-		-		-
70. Adjustments for changes in the value of hedged financial assets (+/-)		-		-		-
80. Tax liabilities		1,784,816		1,725,921		2,954,656
a) current	*611,698*		*1,708,273*		*1,708,273*	
b) deferred	*1,173,118*		*17,648*		*1,246,383*	
90. Liabilities included in disposal groups held for sale		-		-		-
100. Other liabilities		1,369,333		1,813,702		1,792,258
110. Staff termination benefits		594,522		469,951		469,951
120. Provisions for risk and charges		86,474		83,230		83,230
a) pension funds and similar commitments	-		-		-	
b) other provisions	*86,474*		*83,230*		*83,230*	
130. Valuation reserve		(51,921)		(71,088)		(71,088)
140. Redeemable shares		-		-		-
150. Equity instruments		-		-		-
160. Reserves		4,816,927		1,990,175		2,018,276
170. Share premium account		1,070,912		1,070,912		1,070,912
180. Share capital		7,740,000		7,740,000		7,740,000
190. Treasury shares (-)		-		-		-
200. Profit/ (loss) for the year (+/-)		1,012,116		2,979,782		3,584,651
Total liabilities and equity		**47,283,245**		**39,254,382**		**41,058,372**

INCOME STATEMENT	31/12/10		31/12/09		Pro-forma at 31/12/2009	
10. Interest income and similar revenues		1,142,524		1,153,075		1,153,075
20. Interest expense and similar charges		(328,652)		(243,179)		(295,240)
30. Net interest income		**813,872**		**909,896**		**857,835**
40. Fees and commissions receivables		471,135		1,332,449		1,332,386
50. Fees and commissions payable		(831,199)		(2,168,592)		(2,169,835)
60. Net fees and commissions		**(360,064)**		**(836,143)**		**(837,449)**
70. Dividends and similar revenues		-		-		-
80. Net profit/ (loss) from trading activities		6,676,448		10,141,789		10,141,789
90. Net profit/ (loss) from hedging activities		-		-		-
100. Profits/ (losses) on sale or repurchase of:		-		(8,018)		(8,018)
a) loans and advances	-		-		-	
b) available-for-sale financial assets	-		(8,018)		(8,018)	
c) held-to-maturity financial assets	-		-		-	
d) financial liabilities	-		-		-	
110. Net profit/ (loss) from financial assets and liabilities at fair value		-		-		-
120. Gross income		**7,130,256**		**10,207,524**		**10,154,157**
130. Impairment losses/recoveries on:		(21,063)		(198,574)		(198,574)
a) loans and advances	(21,063)		(198,574)		(198,574)	
b) available-for-sale financial assets	-		-		-	
c) held-to-maturity financial assets						
d) other financial transactions						
140. Net income from financial activities		**7,109,193**		**10,008,950**		**9,955,583**
150. Administrative expenses		(5,475,728)		(5,416,920)		(5,393,743)
a) staff costs	(3,201,900)		(3,704,170)		(3,692,551)	
b) other administrative expenses	(2,273,828)		(1,712,750)		(1,701,192)	
160. Net provisions for risk and charges		(3,245)		50,532		50,532
170. Adjustments to property, plant and equipment		(423,419)		(84,129)		(195,460)
180. Adjustments to intangible assets		(27,526)		(26,567)		(26,567)
190. Other operating costs/income		260,658		(52,662)		108,962
200. Operating costs		**(5,669,260)**		**(5,529,746)**		**(5,456,276)**
210. Profits/(Losses) on investments		-		-		664,338
220. Fair value gains/ (losses) on property, plant and equipment and intangible assets		-		-		-
230. Goodwill impairment		-		-		-
240. Profits/ (losses) on sale of investments		110,785		152,329		152,329
250. Profit/ (loss) from current operations before tax		**1,550,718**		**4,631,533**		**5,315,974**
260. Taxation on profit from continuing operations		(538,602)		(1,651,751)		(1,731,323)
270. Profit/ (loss) from continuing operations after tax		**1,012,116**		**2,979,782**		**3,584,651**
280. Profit/ (loss) from disposal groups held for sale after tax		**-**		**-**		**-**
290. Profit/ (loss) for the year		1,012,116		2,979,782		3,584,651