(Translation from the original issued in Italian)

BANCA PROMOS®
SOCIETA' PER AZIONI

Financial Statements

at 31 December 2011

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".

DES Corp DES

BANCA PROMOS BAPROS2 3/4 04/13 N O T P R I C E D

BAPROS 2 3/4 04/12/13 Corp | 99) Feedback | Page 1/11 Description: Bond

94) Notes | 95) Buy | 96) Sell | 97) Settings

21) Bond Description | 22) Issuer Description

Pages
1) Bond Info
2) Addtl Info
3) Covenants
4) Guarantors
5) Bond Ratings
6) Identifiers
7) Exchanges
8) Inv Parties
9) Fees, Restrict
10) Schedules
11) Coupons

Quick Links
32) ALLQ Pricing
33) QRD Quote Recap
34) TDH Trade Hist
35) CACS Corp Action
36) CF Prospectus
37) CN Sec News
38) HDS Holders

66) Send Bond

Issuer Information

Name	BANCA PROMOS SPA
Type	Commer Banks Non-US

Security Information

Mkt of Issue	Euro-Zone		
Country	IT	Currency	EUR
Rank	Unsecured	Series	
Coupon	2.75	Type	Fixed
Cpn Freq	Annual		
Day Cnt	ACT/ACT	Iss Price	100.00000
Maturity	04/12/2013		
BULLET			
Issue Spread			
Calc Type	(523)ITALY:TRSY BONDS		
Announcement Date	03/25/2010		
Interest Accrual Date	04/12/2010		
1st Settle Date	04/12/2010		
1st Coupon Date	04/12/2011		

Identifiers

BB Number	EI2015580
ISIN	IT0004594468
BBGID	BBG00009RZ84

Bond Ratings

Moody's	NA
S&P	NA
Fitch	NA
DBRS	NA

Issuance & Trading

Amt Issued/Outstanding
EUR 4,000.00 (M) /
EUR 4,000.00 (M)
Min Piece/Increment
10,000.00 / 10,000.00

Par Amount	10,000.00
Book Runner	BANCAP
Exchange	NOT LISTED

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
SN 649577 CEST GMT+2:00 H261-1435-2 24-Apr-2012 10:16:00

DES Corp DES

BANCA PROMOS BAPROS1 10/15/19 N O T P R I C E D

BAPROS 1 10/15/19 Corp | 99) Feedback | Page 1/11 Description: Bond

94) Notes | 95) Buy | 96) Sell | 97) Settings

21) Bond Description | 22) Issuer Description

Pages
1) Bond Info
2) Addtl Info
3) Covenants
4) Guarantors
5) Bond Ratings
6) Identifiers
7) Exchanges
8) Inv Parties
9) Fees, Restrict
10) Schedules
11) Coupons

Quick Links
32) ALLQ Pricing
33) QRD Quote Recap
34) TDH Trade Hist
35) CACS Corp Action
36) CF Prospectus
37) CN Sec News
38) HDS Holders

66) Send Bond

Issuer Information

Name	BANCA PROMOS SPA
Type	Commer Banks Non-US

Security Information

Mkt of Issue	Euro-Zone		
Country	IT	Currency	EUR
Rank	Unsecured	Series	
Coupon	1	Type	Fixed
Cpn Freq	Annual		
Day Cnt	ACT/ACT	Iss Price	100.00000
Maturity	10/15/2019		
BULLET			
Issue Spread			
Calc Type	(523)ITALY:TRSY BONDS		
Announcement Date	10/14/2009		
Interest Accrual Date	10/15/2009		
1st Settle Date	10/15/2009		
1st Coupon Date	10/15/2010		

Identifiers

BB Number	EI0261459
ISIN	IT0004537582
BBGID	BBG000093V07

Bond Ratings

Moody's	NA
S&P	NA
Fitch	NA
DBRS	NA

Issuance & Trading

Amt Issued/Outstanding
EUR 1,550.00 (M) /
EUR 1,550.00 (M)
Min Piece/Increment
10,000.00 / 10,000.00

Par Amount	10,000.00
Book Runner	BANCAP
Exchange	NOT LISTED

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
SN 649577 CEST GMT+2:00 H261-1435-0 24-Apr-2012 10:16:31

Contents

Call of Ordinary Meeting

BANCA PROMOS S.p.A.

Registered Office in Naples, Viale Gramsci 19

Share Capital € 7,740,000.00 fully paid up - Economic and Administrative Index no. 329424

Shareholders are hereby convened at the shareholders' ordinary meeting to be held at Palazzo Alabardieri, Via Alabardieri 38 in Naples, on first call on 29 April 2012 at 8:00 am and, if necessary, on second call on **30 April 2012** at 4:00 pm, with the following agenda:

AGENDA

- Approval of the financial statements at 31 December 2011, Directors' Report on Operations, report of the Board of Statutory Auditors and subsequent resolutions according to law provisions;
- Remuneration policies: disclosure and review;
- Any other business.

The procedures for attendance at the Shareholders' Meeting are governed by law and the by-laws.

The Chairman of the Board of Directors

Ugo Malasomma

Management and Independent Auditors

Board of Directors

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

Board of Statutory Auditors

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

Independent Auditors

Deloitte & Touche S.p.A.

Financial Highlights

Financial Figures	31/12/2011	31/12/2010
Total assets	**50,671,535**	**47,283,245**
Total loans, of which:	**41,082,162**	**37,380,915**
Loans to customers	26,572,559	22,202,252
Receivables from banks	5,629,258	3,673,092
Financial assets	8,880,345	11,505,571
Total fundraising, of which:	**32,429,095**	**28,860,066**
Payables to banks	0	50,338
Direct fund raising, of which:	32,429,095	28,809,728
Trade payables	*24,819,807*	*20,672,903*
Outstanding securities	*7,609,288*	*8,136,825*

Economic Figures	31/12/2011	31/12/2010
Interest margin	1,046,742	813,872
Net commissions	-155,333	-360,064
Net profit (loss) from trading	5,849,526	6,676,448
Brokerage margin	**6,740,935**	**7,130,256**
Total costs, of which:	**-5,324,786**	**-5,690,323**
Administrative expenses	-4,804,269	-5,475,728
Other operating income/expenses	-54,922	260,658
Net adjustments to receivables	-2,618	-21,063
Allocations for liabilities and charges	-10,410	-3,245
Net adjustments to fixed assets	-452,567	-450,945
Profits from sales of investments	0	110,785
Gross result	**1,416,149**	**1,550,718**
Taxes	-648,014	-538,602
Net result	**768,135**	**1,012,116**

Structure Data	31/12/2011	31/12/2010
Number of employees at the end of the period	51	54
Number of branches	3	3

Figures per share	31/12/2011	31/12/2010
Number of shares	7,740,000	7,740,000
Net result of financial operations per share	0.87	0.92
Result of ordinary operations per share	0.18	0.20
Net result per share	0.10	0.13
Net equity per share	1.92	1.88

Ratios	31/12/2011	31/12/2010
Overall adjustments to receivables/gross loans (hedging ratio)	1.51%	2.01%
Interest margin/total assets	2.07%	1.72%
Net result of financial operations/total assets	13.30%	15.04%
Interest margin/brokerage margin	15.53%	11.41%
Administrative expenses/brokerage margin	71.27%	76.80%
Profit for the year/total assets	1.52%	2.14%
Profit for the year/net equity (profit excluded)	5.46%	7.46%
Gross non-performing loans/loans to customers	1.08%	1.53%
Net non-performing loans/loans to customers	0.23%	0.19%
Loans to customers/total assets	52.44%	46.96%
Direct fundraising/total assets	64.00%	60.93%
ROE	5.17%	6.94%
ROA	2.79%	3.28%
DPO	60.46%	57.36%
Cost to income ratio	78.95%	79.51%

Directors' Report

"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".

Dear Shareholders,

the financial statements at 31 December 2011 submitted for your approval, were closed with a gross profit of € 1,416,149, and a net profit of € 768,135.

Before presenting the data on the Bank's ordinary operations, we outline some considerations on the global economic and financial scenario, which may be useful to put into context the results obtained by your Bank.

The economic scenario and financial markets

The year 2011 was a particularly difficult year for the world economy which suffered from a general slowdown, even in emerging areas.

The year began with the socio-political riots in the major North African states (Libya, Egypt, and Tunisia) that upset the markets, and continued with the uncertainties relating to the U.S. public debt and tensions on the sovereign debt of Eurozone countries.

In terms of growth, GDP performance in the various countries confirmed this difficult situation. Overall, the EU's GDP in 2011 grew 1.5%, confirming forecasts, (compared to +2% in 2010), while in the United Kingdom GDP increased 0.9%. Among the Eurozone countries, France, which posted a 1.7% increase and even more, Germany (+3.0%) were an exception. Outside Europe, in the United States, GDP increased 1.7%, while in Japan it fell 0.9%.

In 2011, Europe became the main stage of the crisis. For Greece, two years having gone by, the bankruptcy risk persists, amid European bailouts, attempts at fiscal consolidation that are struggling to take off, and a climate of intense social unrest within the country.

The Greek case remains a crucial issue in the European Union, considering that the impact on the economic and financial stability of other community areas is difficult to predict. In Portugal, Ireland and Spain, in fact, the situation, while not being as extreme, remains serious, and the economic balance appears fragile.

As for Italy, besides the above mentioned international framework, the domestic situation weighed in a decisive manner. The real economy suffered from weak domestic demand, static labour market, and very low consumption just as the level of business confidence. In 2011, GDP grew

0.4%. According to ISTAT data, this result was entirely attributable to foreign demand, which grew 1.4% offsetting the negative contribution of domestic demand (-0.4%) and the trend in inventories (-0.5%). This figure is not only much lower than that of 2010 (when it had risen 1.8%) but it is also below the already conservative expectations of the government (+0.6%).

Since summer 2011, the yield spread between Italian government bonds and the German Bund has been rising sharply, reaching its high since the euro was introduced, standing at more than 500 basis points in November. A similar situation occurred for the government bonds spreads of other European countries.
The most obvious effect of all this was a severe liquidity crisis that further exacerbated wholesale funding difficulties for banks, impacting the whole system.
In an attempt to contain the damage, the European Union leaders, in October and December, adopted a series of measures aimed, among other things, at improving governance, strengthening the instruments of financial stabilization (EFSF - European Financial Stabilization Mechanism and ESM - European Stability Mechanism), and increasing banks capital. These measures added up to internal financial adjustments carried out by the national governments with the goal of achieving fiscal consolidation and normalizing financial markets.

Indeed, the difficult economic situation subsequently spread to the financial markets predictably involving speculative mechanisms, which, after months of stagnation resulted in an extraordinary volatility, especially in the second half of the year.
The year was marked by a clear divergence between the first and second semester: initially the perception of an improving economy encouraged positive movements, subsequently thwarted by the worsening systemic crisis.
Equity and corporate bond markets recorded a sharp fall in demand on high-risk financial assets, mainly hitting securities from the European banking industry, which is considered too exposed to states in difficulty, partly because of the considerable amount of government securities held in the banks' portfolio.
In particular, on capital markets, yields were severely strained, recording wide swings in the spreads over the benchmark German bonds.
At the end of the year, stock exchanges and capital markets resumed a more regular trend, benefiting from the slightly improved outlook.

The foreign exchange market did not escape this contradictory trend. In the first half of the year the euro appreciated against the dollar, benefiting from the expansionary monetary policy implemented by the U.S. Federal Reserve, but, thereafter the economic problems weighed on the European currency, which ended the period with a general depreciation against the major international currencies (dollar, pound, yen, Swiss franc).

The banking sector in Italy and Campania

The turmoil on government bonds adversely affected banks' fundraising. Interest rates and yields performances caused significant disruption in fundraising and loan activities carried out by the banks.

Fundraising by domestic banks in November 2011 posted a 0.7% decrease. The steeper decline concerned foreign liabilities (-4.3%), but also deposits from residents (-0.8%) were down, while bond funding marked a slowdown from the previous twelve months.

In this context, the Government, by Decree Law. 201 of 6 December 2011, converted into Law no.214 of 22 December 2011, introduced measures for the stability of the banking system under which the Ministry of Economy and Finance (MEF) was authorised, up to 30 June 2012, to grant a State guarantee on liabilities newly issued by Italian banks, with the purpose of limiting banks' fundraising difficulties and thus supporting their ability to extend loans to the economy.

As regards the loan sector, according to data available as at November 2011, bank lending to the non-financial private sector grew 4.2%. Corporate loans were up 5.4% while growth in loans to households recorded a slowdown compared to previous data, standing at 2.5%.

Marking a stop in the prevailing trend since 2010, in the third quarter of 2011 the flow of new adjusted non-performing loans worsened, standing at 1.7% of loans.

An important data regards exposure to borrowers classified for the first time as non-performing, which rose significantly over the same period last year, both for households and businesses. Late last November, corporate loans classified as "doubtful", increased as a percentage of total loans to 6.2%.

The economic and financial crisis and the difficulties faced by businesses and banks, appeared, as usual, more marked in the South, and in Campania, compared to other areas of the country.

At the end of the first half of the year, the productive tone in the region was generally subdued, although showing significant differences between the various categories of businesses, according to the degree of dependence on domestic demand, which appeared very weak. Sectors such as exports or tourism services, performed better compared to the construction industry (slowing down since 2008), the real estate sector (where transactions' volume fell 8.6% versus the same period of 2010) and trade businesses, where, according to data relating to the second quarter of 2011 only, sales fell 3.8% while business mortality rate rose.

This situation also affected the already historically low employment levels, with a further reduction in employment (-0.8% in the first half of the year). By contrast, in late September, the number of hours of temporary redundancy fund (CIG) authorized in Campania was up 10.2%

Bank deposits by households and businesses slowed down, resulting in a decline in June 2011 (-0.1%) compared to the corresponding period of 2010.

In June 2011, the growth rate of loans to resident customers fell to 3.4%. The slowdown was mainly related to households, while corporate loans showed stable growth rates, albeit varied depending on sectors and sizes.

In the twelve months ending June 2011, the flow of new adjusted non-performing loans detected in the system in relation to outstanding loans amounted to 3.3%, in line with the previous period. In should be noted that in Campania this ratio is significantly higher than the national average (1.9%). Impaired loans (non-performing, doubtful and overdue loans) in June 2011, stood at 27.6% of loans granted, up 2% over the first half of 2010.

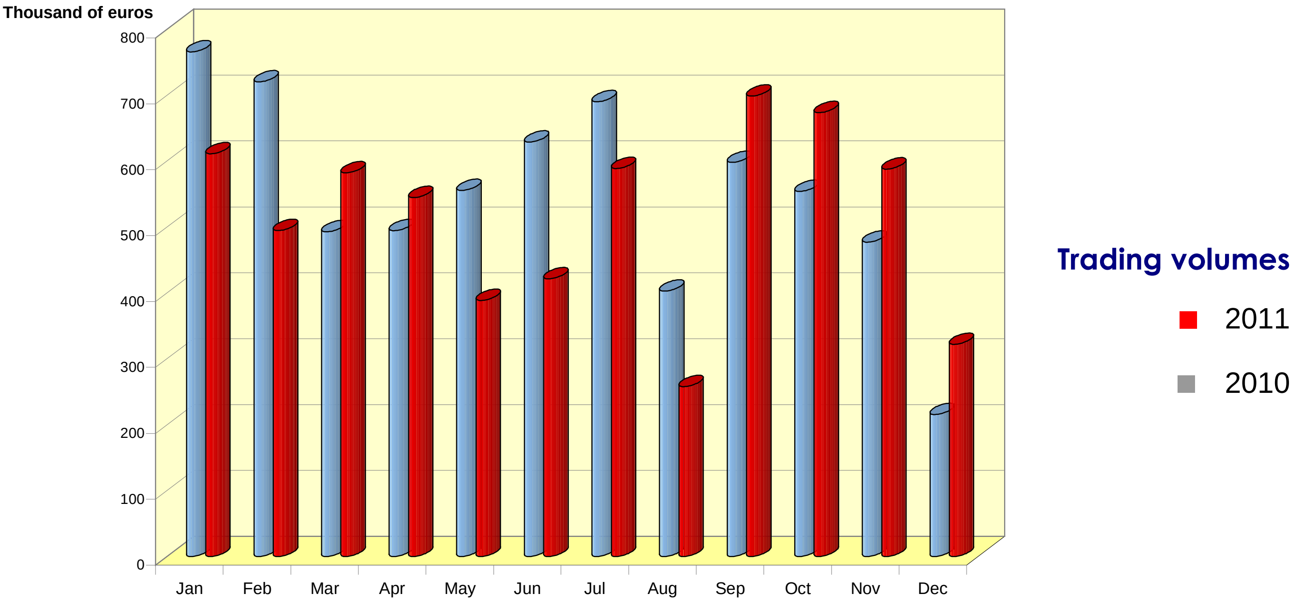
(Sources: Banca d'Italia: *Economic Bulletin no. 67 - January 2012*; *Regional Economies - The economy of Campania Update no.38 - November 2011*)

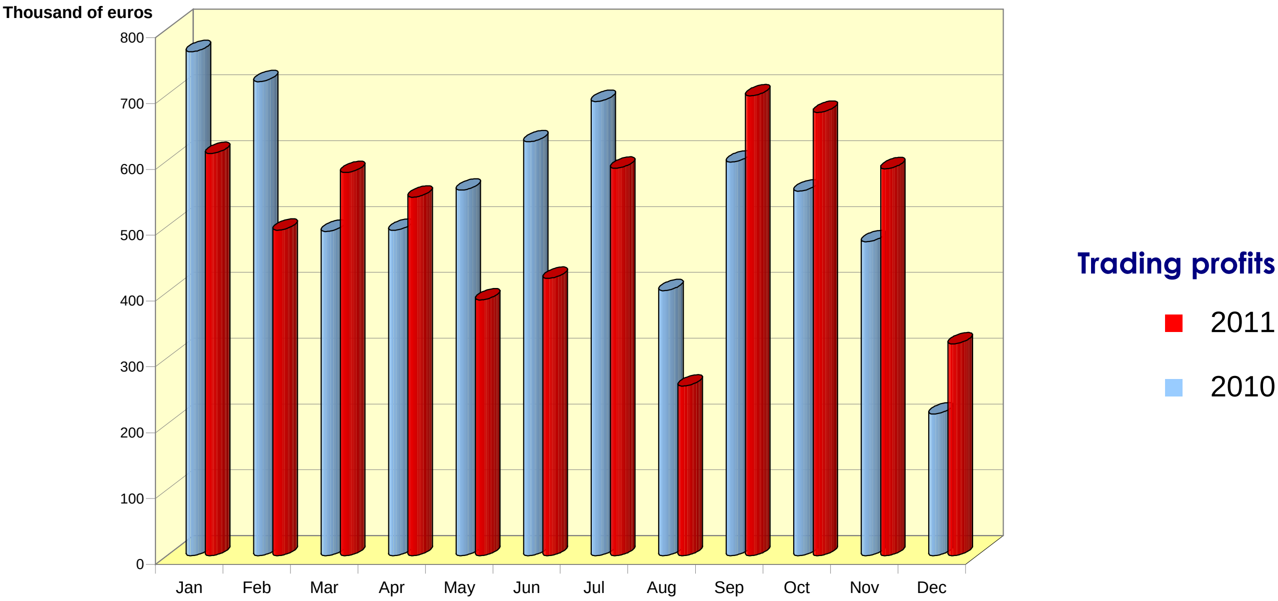
Bank Promos core operations

2011 was a two-speed year for your Bank. The first six months, characterized by a marked slowdown, were followed by an upturn which allowed for a good recovery, so that the bank closed the year with results essentially in line with those of last year. This year, even more than in the past, performance should be distinguished between the two main bank's business areas.

The uncertain political, economic and social climate in the early part of the year greatly affected the capital markets, where operations mainly focused on sovereign debt at the expense of less liquid securities with higher profit margins. This led to a reduction in your bank revenues against a significant increase in trading volumes (+57% in the first half of the year).

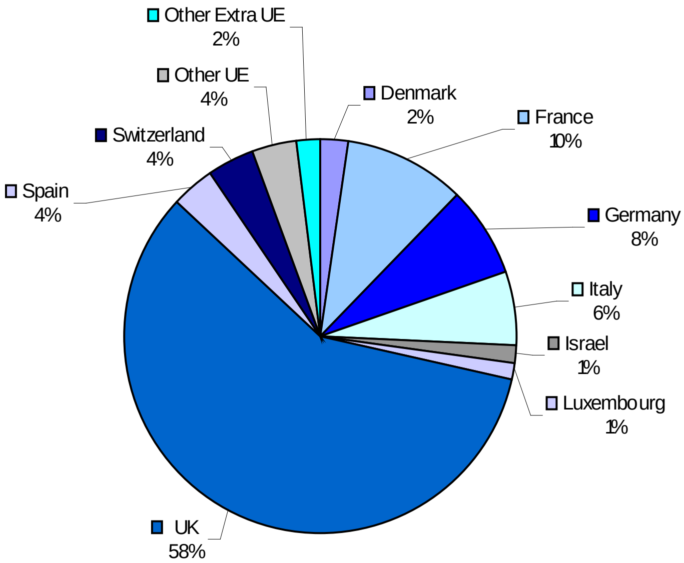
Since August, volatility increased, causing a widening of spreads; trading remained active producing positive effects on financial operations both in terms of trading volumes and revenues, as reflected by the graphs showing the performance on a monthly basis in comparison with 2010.





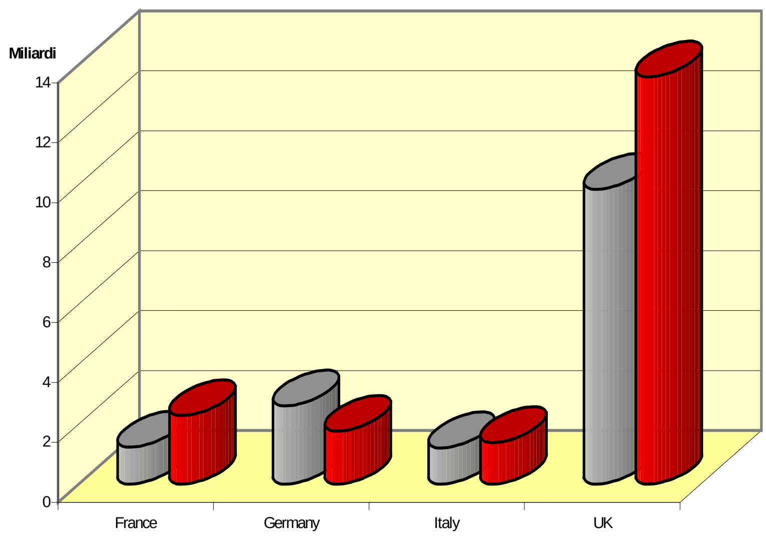
Trading volumes exceeded € 24 billion, up 24% compared to 2010, confirming the bank's commercial development, which in the year acquired new customers and further developed its business in the government securities segment, whose impact on trading volumes is rising.

Compared to the previous year, the volume from transactions with counterparties in the United Kingdom increased as a percentage of total volume (58% of the total, compared to 53% in 2010), reflecting the strong business relationships your Bank has been maintaining for years with the largest banking and financial operators in the U.K. The remainder is divided among several countries, among which the strengthening of operations with France stands out, reaching 10% (in 2010 it was 7%).



Trading volumes

Geographical area



Trading volumes

Geographical area

2011

2010

In parallel, banking services and lending in particular, showed a positive trend in the period, as shown by the figures in the Financial Statements which we will now comment, while for additional details reference should be made to the Notes.

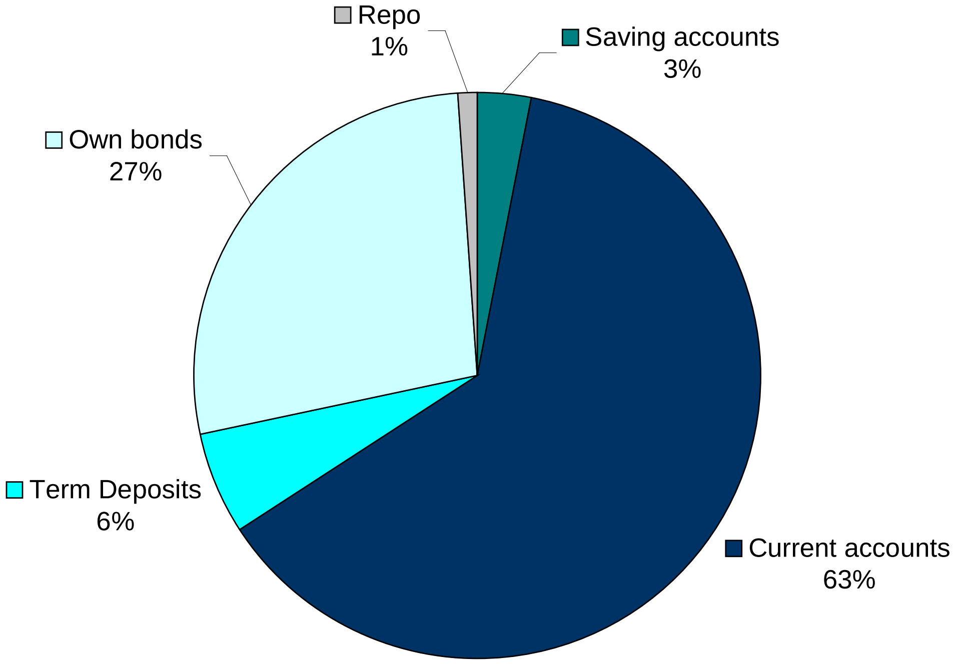
Balance Sheet

Fundraising

At 31 December 2011, direct deposits from customers amounted to € 32,429,095, up 13% compared to the previous year. The average for the year reflects a 20% rise, continuing a growth trend constant over the years, demonstrating the confidence from our customers, and the Bank's ability to attract new customers by offering products and services marked by transparency and financially advantageous.

Despite the difficult competitive environment, the policies implemented during the year have enabled the bank to substantially achieve the objectives set for 2011.

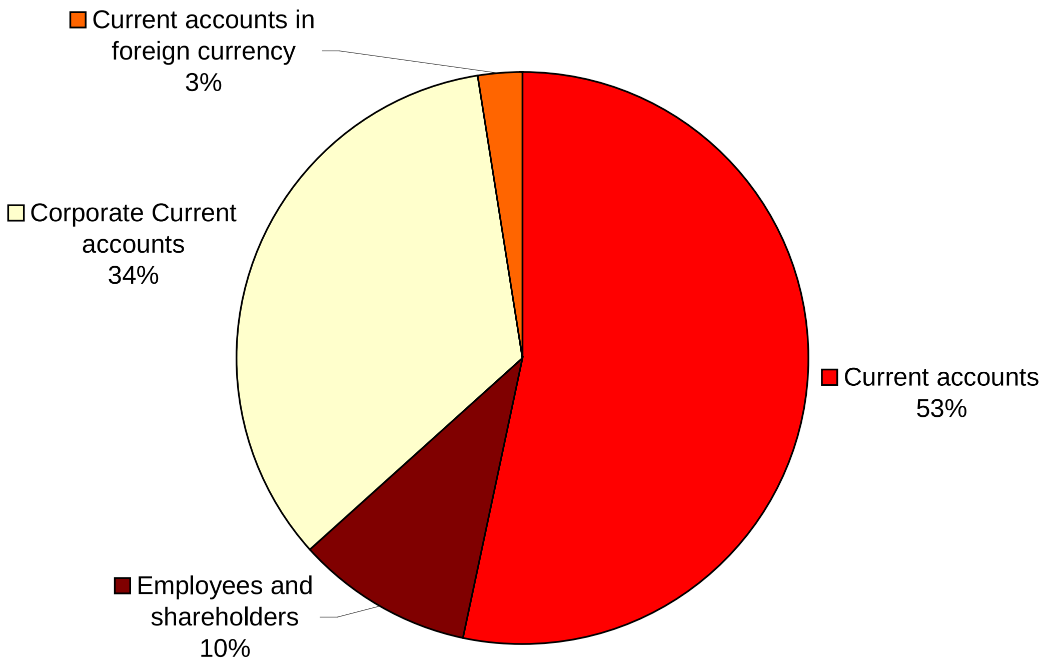
The breakdown by technical form shows a preference for current accounts (63%), while bonds amount to 27% of the total. In both cases there was a slight decrease compared to last year, reflecting a shift to time deposits (6%) which during the year appeared as the favourite instrument selected by customers.



Fundraising

Technical form

As regards current accounts, 34% of the total is attributable to business customers, while the remainder is made up of deposits from retail clients, among which 10% relate to employees and shareholders of the bank.



Fundraising Breakdown current accounts

Total assets under management once again show an improvement, increasing 7% in terms of yearly average over the average of 2010.

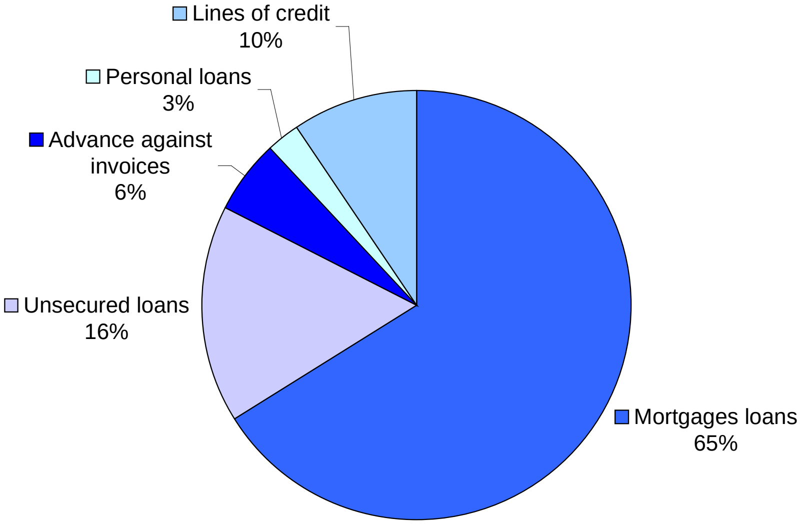
Loans

As regards loans, your bank tried to ensure funding to businesses and especially its customers, and continued developing its loan activity while being more selective and increasing control measures on credit risk.

The Bank relied on a detailed knowledge of its customers and took advantage, in the assessment of creditworthiness, of its spatial and cultural proximity to applicants, so that, despite the difficult environment that marked the past year, the bank managed to achieve the development targets set in the budget.

Transactions were selected with increased caution and meticulous care, which allowed us to meet the demand for credit from households and businesses, while obviously safeguarding the needs to curb risk on the one hand and profitability on the other.

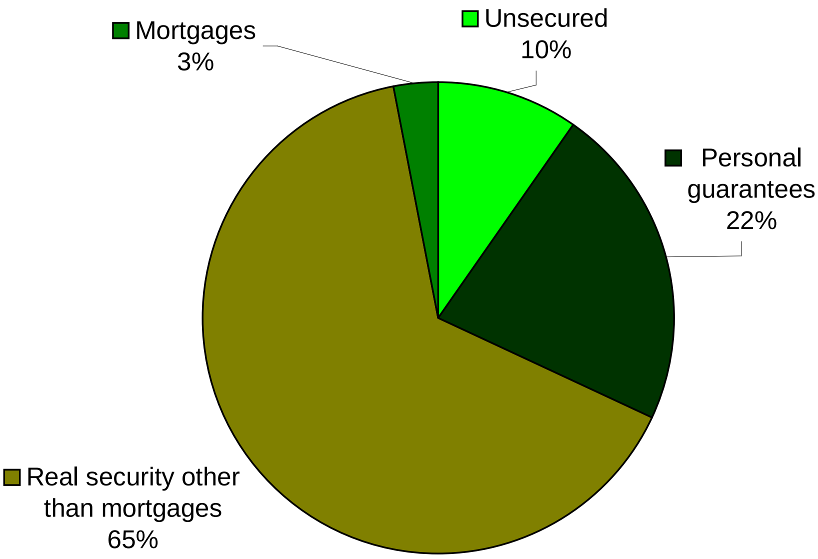
At year end, therefore, loans to customers amounted to € 26,572,559, up 20% compared to 2010, while the average annual marked a 41% increase.



Exposures

Technical form

The portfolio composition is substantially unchanged from the previous year. There was a slight increase in mortgage loans currently amounting to 65% of total exposure, compared to approximately 60% in 2010.

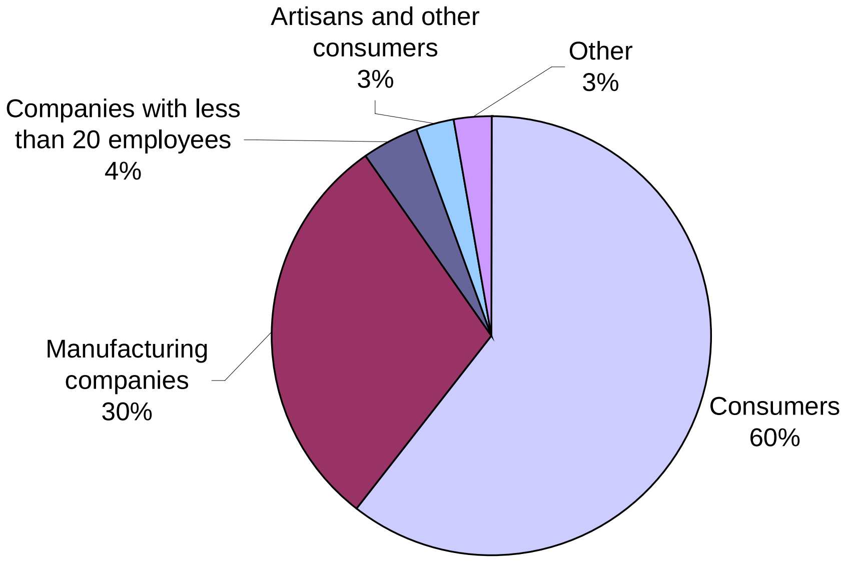


Exposures

Type of guarantee

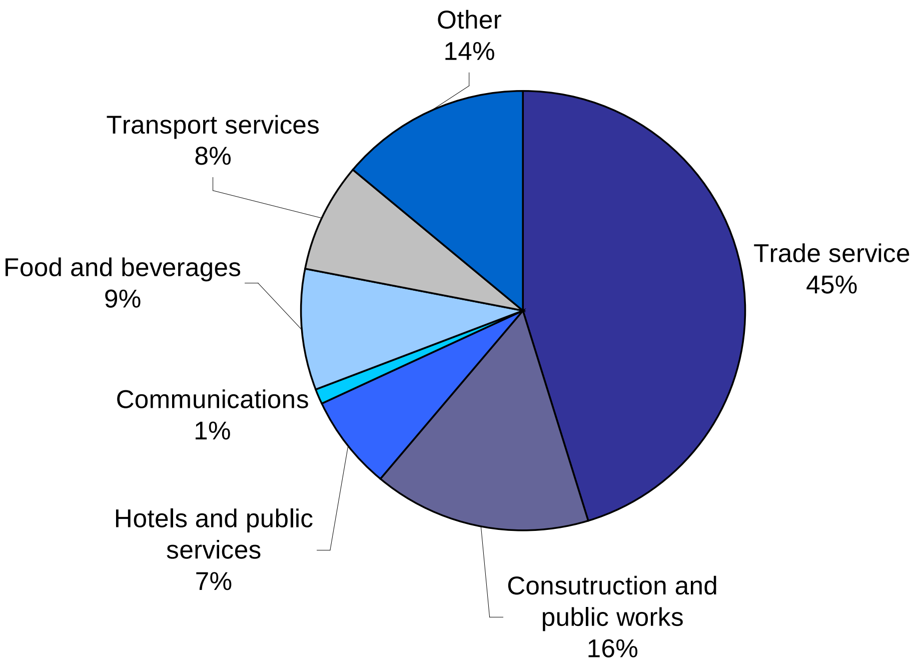
The analysis by type of customers and by industry also marks slight variations compared to the previous year, and reflects an adequate balance between the various production areas in line with our diversification and risk mitigation objectives.

Households are still the majority (60% of outstanding loans). Family and small businesses account for 7%, while 30% of the exposure is towards companies operating mainly in the commercial sector (45%).



Exposures

Business areas



Exposures

Industry

At 31 December 2011 total approved loans to ordinary customers amounted to 27 million, of which 26 million outstanding (96% of total approved loans) through the activation of 302 positions.

In order to promptly identify and limit the impact of insolvencies, the bank has been constantly implementing a policy of careful credit control. This extremely cautious approach was further reinforced in the reporting period, given the difficult state of the economy, especially in the South of Italy.

In general, the loan portfolio has maintained a good credit quality. However, the previously described systemic problems have led to an overall increase in impaired loans, especially with regard to doubtful loans, while total gross NPLs were down (to € 286 thousand from the previous 340 thousand) due to a loan reclassified as credit loss, having become uncollectable following the declaration of bankruptcy.

At year end there were 2 overdue loans (for a total net amount of € 229,661), 6 non-performing loans for an amount net of adjustments of € 61,996, and 6 loans classified as "doubtful loans" (for a total net amount of € 812,539).
The latter also includes a € 511,244 loan to Banca MB which in 2010 was recognised as loans to banks. Following the decree issued by MEF, which put the bank under compulsory winding-up, after revocation of the banking authorization, our receivable, which is expected to be recovered for about 95%, was reclassified as loans to customers and should be cashed in during 2012.
Total write-downs amounted to € 406 thousand, of which 276 thousand on the aforementioned impaired loans and 130 thousand on the performing portfolio.
In compliance with the applicable legislation, the bank carried out the appropriate collective write-downs, in order to take into account also the risk of loss inherent in businesses performing regularly. Not having adequate proprietary time series, these adjustments were carried out on the basis of the experiences of a group of banks chosen from among those that most resemble Banca Promos in terms of size, location and type of business.
In particular, we determined the average rate applied by banks in the group for these types of impairment, based on the last approved financial statements, which was equal to 0.52%. This percentage was then applied to write-down the performing portfolio, without further adjustments.
The same procedure was used to determine the write-down percentage rate to be applied to overdue loans, amounting to 4.677%.

By applying these write-down percentages combined with the analytical write-down of impaired loans, the resulting loan loss coverage ratio - for the entire loan portfolio - was 1.50%.
The table below provides a breakdown of loans to customers.

LOANS TO CUSTOMERS	GROSS EXPOSURE	ADJUSTMENTS	NET VALUE	COVERAGE
a)Non-performing loans	286	224	**62**	78.32%
b)Doubtful loans	854	41	**813**	4.80%
c) Overdue exposures	241	11	**230**	4.56%
d) Restructured exposures	-	-	**-**	-
e) Performing loans	25,598	130	**25,468**	0.51%
Total loans to customers	**26,979**	**406**	**26,573**	1.50%

Proprietary trading

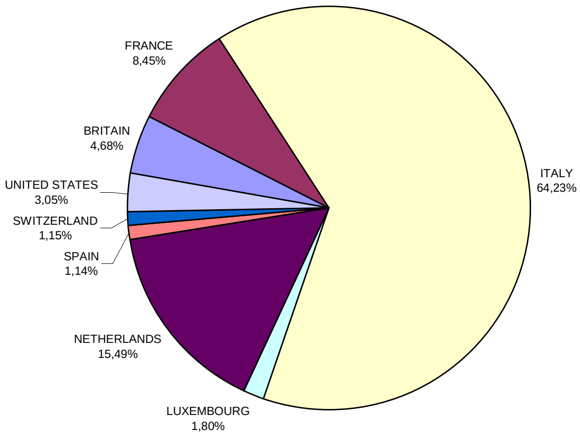
The performance of the bank's trading book, which is included in item "20-Financial assets held for trading" of the financial statements, was strongly affected by the turmoil that affected the financial markets especially in the second half of 2011. As already explained, during the second half of the year, major uncertainties have threatened the stability of the euro, forcing the major European states to extraordinary measures, structural reforms and arrangements for public debt sustainability. Italy was hit by speculative attacks that weighed on the yield curve for government securities, raising the spread with the German Bund to over 500 basis points.

This trend affected the bank's trading book, consisting mostly of Italian Treasury bills and short/medium term bonds of the banking sector, determining capital losses at year end of € 356,662, net of capital gains of € 24,135.

At 31 December 2011, market risk indicators at 1 and 3 months (Value at Risk, i.e. maximum potential loss, calculated with the Monte Carlo method with a 99% confidence interval) are respectively equal to 0.70% and 1.21%, with respect to the current market value, resulting in a Value at Risk of about € 62,000 over a 1 month time horizon and € 107,000 over a 3 month time horizon. These levels meet the maximum thresholds provided by the internal Financial Markets Regulations.

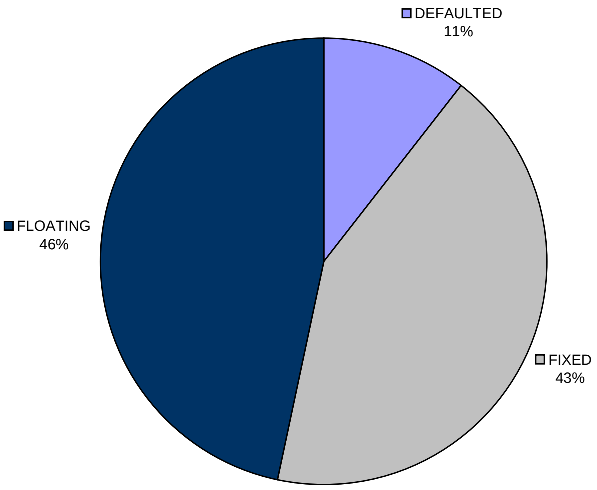
The stress tests carried out on the assumption of a sudden 100 bps shift in the interest rates curve, either upward or downward, show a limited impact in percentage terms on the book's market value. In particular, an upward or downward sudden shift in interest rates would result in capital gains and losses respectively equal to 0.89% and 0.91% of the book's market value (about € 79,000 and € 81,000, respectively).

The portfolio analysis, summarized in the graphs shown here, sheds light on its composition under several respects. The breakdown by geographic areas shows a majority of securities by Italian issuers (64%), a substantial share broken down among the other European countries (33%) and a remaining part of U.S. securities (3%). In terms of type of instrument, the portfolio is well balanced between fixed rate (43%) and variable rate (48%). Finally, securities by financial issuers account for 45% and government securities for 35%.



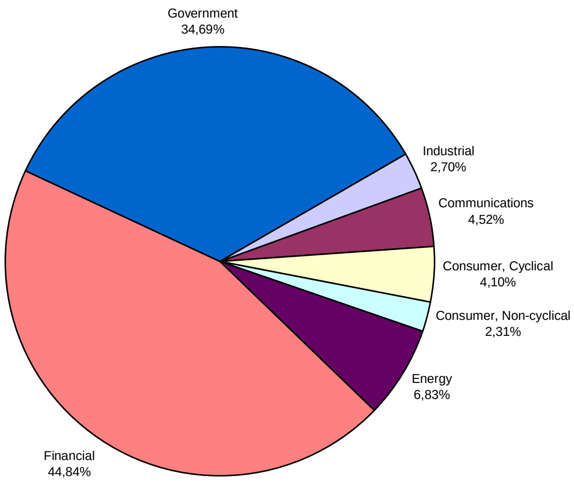
Proprietary trading

Geographical area



Proprietary trading

Type of security



Proprietary trading

Industrial sector

Shareholders' equity

At 31 December 2011, the share capital was made up of 7,740,000 shares, with a par value of € 1 each. At the end of the FY, reserves totalled € 6,335,724, broken down as follows: profits for € 5,248,543, share premiums for € 1,070,912 and valuation reserve for the residual € 16,269. On the whole, reserves were up 9% compared to the previous FY, thus leading to a new increase in net equity, which amounted to € 14,843,859 (+2%).

In this regard, also with reference to guidelines recently received by the Supervisory Body, it should be noted that your bank, while providing shareholders a satisfactory return on invested capital, has consistently adopted a conservative approach in profit distribution, favouring an adequate capitalization level.

Income statement

Despite the difficult situation, pre-tax profit reached € 1,416,149, a slight decrease of 9% compared to the figure of the previous FY. Net of the extraordinary items of 2010 result, the gross profit achieved for the year was basically in line with the result of the previous FY.

This figure is particularly significant considering that the 2011 result was also affected by considerable losses on the trading book.

Net profit totalled € 768,135, compared to € 1,012,116 in 2010, down 24%. In this regard, it is clear that one of the decisive factors determining this drop in net income was the increase in the total tax rate which was up to 46%, mainly due to the IRAP increase for companies operating in Campania, which for 2011 reached 5.72%, impacting also on the dynamics of deferred tax assets/liabilities.

Turning to an analysis of the various components, interest margin performed well, amounting to € 1,046,742, up 29% compared to 2010, confirming the satisfactory development of the banking activity. Also in this case budget's targets were met.

The sub-item recording the best performance is that of interest on loans to customers (+51%) reflecting the previously described increase in loans, while the item interest expense on trade payables shows that funding was carried out at higher rates than last year .

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

BREAKDOWN OF INTEREST MARGIN	31.12.2011	31.12.2010
Interest income	**1,461**	**1,143**
On securities portfolio	287	324
On loans to customers	1,150	760
On receivables from banks	24	59
Interest expense	**415**	**329**
On payables to banks	54	38
On trade payables	98	48
On securities in issue	263	243
Interest margin	**1,046**	**814**

Commission income recorded a 15% growth, attributable to increased commissions received from customers for the provision of investment services and, especially for banking services. In particular there was a 64% increase in commissions on the receipt and transmission of orders, which account for 18% of the total, and a 12% increase in commissions on collection and payment services (23% of total) due to greater volume of activities in various sectors (debit cards, POS terminals installed, cash transfers and other payments channelled through the bank, etc..).
Commission expense, being largely attributable to the variable remuneration of the sales network, decreased proportionately to lower revenues.
Net commissions, therefore, show a positive trend, which is summarized in the following table:

COMMISSION BREAKDOWN	31.12.2011	31.12.2010
Commission income, of which	**540**	**471**
Trading of financial instruments	34	37
Placement	17	19
Receipt and transmission of orders	100	61
Distribution of third-party products	117	130
Collection and payment services	123	110
Current accounts management	139	108
Other	10	**6**
Commission expense	**-695**	**-831**
Net commissions	**-155**	**-360**

Item 80 - Net profit from trading, amounting to € 5,849,526, down 12%, reflects difficulties in trading performance and losses on securities held for trade, as previously mentioned.
The decrease in brokerage margin, however, was overall limited (-5% to € 6,740,935), due to the contribution of interest margin, which partially offset lower income from trading.
Similarly, the net result of financial operations was down 5% to € 6,738,317, after taking into account the write-downs on the loan portfolio.

At the end of the FY operating costs amounted to € 5,322,168 (- 6% on 2010).
This item comprises staff costs and other administrative expenses, provisions for liabilities and charges, adjustments for depreciation and amortisation on tangible and intangible assets, other operating expenses and income.
The performance for the period is positively influenced by the sharp reduction in administrative expenses, down to € 1,619,367 from € 2,302,999 in the previous year, marking a 30% improvement.
A strict policy of operating costs control and rationalization, carried out with consistency and accuracy throughout the year, combined with certain specific costs incurred in the previous year for the transfer of the headquarters in the new premises and no longer incurred in this FY, contributed to this positive result, which, with regard to individual items, is detailed in the Notes. Here we simply highlight, by way of non limiting example, that the following items recorded a decline:

- A 12.16% reduction in the remuneration of professional services, accounting for 4.06% of total costs;
- A 75% reduction in rent payable and condominium expenses (8.11% of total costs);
- A 1.34% reduction in postal and telephone expenses (9.18% of total costs);
- A 68.62% reduction in maintenance and repair costs (1.69% of total costs);
- A 35.82% reduction in advertising and entertainment expenses (2.68% of total costs);
- A 50% reduction in stationery and printed material expenses (2.62% of total costs);
- A 20.69% reduction in travel expenses (1.44% of total costs);
- A 65.35% reduction in consultancy expenses (4.93% of total costs);
- A 15.38% reduction in other expenses (1.37% of total costs).

Personnel costs, amounting to € 3,184,902, were in line with the figures of the previous FY. They include, in addition to fixed and variable employee remuneration, also the remuneration paid to directors and members of the Board of Statutory Auditors, which during the year were reviewed and adjusted in accordance with the "Remuneration policies" approved by the General Meeting in implementation of the relevant supervisory provisions. These policies and their implementation, as well as their consistency with sound and prudent management criteria, are the subject of a special disclosure to the General Meeting and, therefore, discussion thereof is more appropriately referred to that meeting.

The cash flow statement, which describes the cash flows trend during the FY, shows outflows slightly higher than inflows, thus determining absorption of liquidity of almost € 90 thousand. Cash inflows are generated by direct deposits from customers, while outflows can be attributed to uses made in the form of loans. Cash and cash equivalents are in any case sufficient to meet funding requirements.

In line with previous years this document presents some indicators, which reflect a satisfactory overall balance of the bank, in terms of capital, financial position and results.
As further confirmation of the situation described so far, the capital ratios relating to performance of the banking business show an increase, continuing the positive trend already observed in previous years. More specifically:

- the ratio between direct fundraising and total assets increased to 64% (from 60.93%);
- the ratio between loans to customers and total assets increased to 52.44% (from 46.96%);
- the incidence of the interest margin on total assets – 2.07% - also increased (against 1.72% of the comparison figure) and on the brokerage margin (15.53% from 11.41% of the previous FY).

The overall profitability shown by the bank is in any case satisfactory.

ROE, although lower than in 2010, amounted to 5.17%, maintaining a more than satisfactory level, also considering the average figure of the banking system which, for 2011 according to figures provided by ABI (Italian Banker's Association), will amount to 0.30%.
The ratio of operating costs to brokerage margin (cost to income) showed a further, albeit slight progress, falling to 78.95%, confirming the increased management efficiency of the bank.

Tier 1, the main capital adequacy indicator, which expresses the ratio between core capital and risk weighted assets, stands at 32%, in line with 31.78% in 2010, against the 8% regulatory minimum. This reflects the high capital surplus that leaves room for further growth according to the bank's strategic plan.

Business operations

The range of products and services offered by the bank has gradually increased over the years to reach a good level of diversification, appropriate to the current demands from both existing and target customers.
In 2011, we therefore expanded our offerings within existing products, exploring and developing new, more focused and incisive business proposals. In response to the uncertainties caused by the crisis, during the year, customers refocused on traditional savings options, mainly characterised by low risk while assuring sufficient profit.
In this context, Time Deposits, initially conceived as an instrument targeted to corporate customers only, was reshaped to suit retail clients' needs, with a reduction in the minimum amounts and greater maturity flexibility, as well as constantly improved returns in line with market interest rate trends.
Moreover, in June we launched new current account "packages": Promos Young, Promos Family and Promos Business, designed for the needs of the respective categories. The new accounts facilitate Internet banking transactions and are offered alongside existing products.

Commercial activities carried out by our retail branches led to an overall increase in operations, which, in percentage terms, show a positive trend:

- the number of current accounts increased by 15% compared to 2010;
- that of savings books was up 27%;
- traffic on our ATMs increased 7%;
- the volume of transactions carried out using our debit cards grew 12%;
- the segment of safe deposit boxes was up 58%.

With regard to payment services, in October 2011 we signed an agreement with KEY Client Cards & Solutions (ICBPI Group), the first service provider in the e-money sector for POS terminal management. In the two subsequent months we then planned and completed (successfully, and without disruptions to users) the migration of existing POS equipment to Key-Client.
The outsourcing of this service enabled us to optimize costs, increase management efficiency and improve the quality of service offered to customers, which now appears complete and includes the provision and activation of terminals, infrastructure and support services and technical and operational processing.

Also with regard to electronic money, as it may be recalled, in 2010 the bank undertook the complex process to obtain approval by the ATM consortium (*Bancomat*), in order to be able to issue microchip technology cards for greater security and protection against fraud. At the conclusion of that process, in 2011 we started replacing the old magnetic stripe cards and distributing the new cards, which will be operational on the *Bancomat* and *Pagobancomat* national circuits, as well as on the international Cirrus and Maestro circuits.

The above, coupled with an operating reorganization of the branches, led to a further development of the sales network. The branch in Via Manzoni, the first one opened in Naples, met its budget targets, achieving results slightly better than expected. The branch in Salerno almost broke-even, and the branch in via Tommaso Campanella, in its first full year of operations (as you may recall the second branch in Naples began operating in late May 2010) posted growing results exceeding budget.

The internal processes were constantly reviewed and updated, affecting several areas throughout the year, partly in response to supervisory and regulatory measures introduced during the period and concerning many different topics with considerable operational impact.
This is by now a task routinely carried out by the business functions involved, aimed at improving compliance with standards but also at making the service offered to customers more efficient, and at streamlining the daily operating management in the individual business units (branches, trading rooms, back-offices, administrative areas, etc.).

A summary of the main activities undertaken in this regard is provided below.

In the field of information technology, in addition to the ordinary development and maintenance operations of proprietary software, the following investments were carried out:

- development of the new Banca Promos website www.bancapromos.it with a new more customer-oriented look and a different content organization, divided by customer type;
- completion of the server virtualization;

- the implementation of the new data and servers backup system;
- the installation of the new mail server with web access;
- optimization of the SIA-SSB network access through proprietary firewalls.

With regard to governance:

- "remuneration policies" were revised as well as the related "Staff incentives system". The first document, in accordance with the Bank of Italy guidelines, outlines the remuneration policy adopted by the bank, while the second, among other things, aims at encouraging the staff to take part in the company's development and risk control and at providing employees with a vested interest in the achievement of planned results.
- the authority and delegation system was revised. Despite the constant updating carried out over time, it was felt necessary to reorganize and rationalize the whole matter to take into account the new dimensions of the bank and especially the changing organizational structures, which in recent years have seen the introduction of new positions and new business functions. In parallel, in accordance with article 17 of the by-laws, which provides that "in case of absence or impediment, the CEO is replaced in the manner provided for by the ad hoc regulation", such new "Regulation for the replacement of the CEO " was drafted, detailing the persons designated to act in the absence of the CEO.

In terms of internal organization and operating regulations, with a view to adapt the existing regulatory framework to developments in the legislation and changes in the organizational structure, the following documents underwent ordinary review:

- we updated the document describing the "model of organization, management and control" adopted by the bank in accordance with Legislative Decree 231 of 8 June 2001 on the administrative liability of legal entities;
- the "Credit Regulations" and the "Financial Markets Regulations" were updated, with amendments to both the general rules and the specific operating rules;
- the "Business Continuity Plan" and the "Business Continuity Management Process" were updated in order to adapt them to changing organizational, technological and regulatory changes, as required by applicable supervisory provisions;
- several updates to the "Manual of internal procedures" were carried out with supplements/revisions to the procedures relating to the various departments. The main changes concerned the finance area (market abuse), AML (management of suspicious transactions) and branch operations (opening and closing accounts, management of credit cards and safe deposit boxes);
- with the assistance of external consultants, we pursued our commitment to improve the contracts and forms in use. In particular, in the credit department, forms were rationalized, by defining more comprehensive and easy to fill-out forms, and surety, pledge and credit

lines contracts were revised. In addition, we implemented the new legislation on consumer credit by preparing the new related contract and establishing the appropriate operating standards.

In relation to the protection of personal data, a specific Regulation was drawn up, which brings together in a single document all the company's rules on the processing of personal data, with particular reference to security measures.

In this regard, it should also be noted that Decree Law No. 5 of 9 February 2012, which as at the date of this report is being examined by the Parliament, provides for, among other simplifications, the abolition of the minimum security requirements including the requirement to draw up the Security Policy. Document. Pending the conclusion of the law approval process, the bank, however, updated the Security Policy Document, which is part of the organizational measures adopted for risk management purposes.

In the field of risk management and internal controls:

- the Bank of Italy Circular no.263/2006 - 4th update, requires intermediaries to adopt an integrated system to manage liquidity risk, applicable both in the ordinary course of business and to stress situations or liquidity crisis. The document "liquidity risk management and governance Policy" was thus drawn up, describing the governance of the risk in question, identifying roles, tasks and responsibilities of the bodies involved and outlining the activities envisaged in the "Liquidity Risk Management Process". The document is finally completed by the "Contingency Funding Plan" (CFP), an emergency plan that, in accordance with Supervisory regulations, documents the management of any specific or systemic liquidity crisis and therefore describes the response to a stressful situation, intended as a situation different from that of ordinary business.
- the Board of Directors drew up and approved the "Internal Audit Regulations" which govern the characteristics, role, duties and responsibilities of Internal Audit, and the information flows to and from other business functions.

On the subject of anti-money laundering, the primary and secondary legislation changed significantly during the year, with a strong impact on banks.

In particular, the Bank of Italy on 10 March 2011 adopted the "implementing measure regarding organizational aspects, procedures and internal controls to prevent the utilization of intermediaries and other persons engaged in financial activity for the purposes of money laundering and terrorist financing, in accordance with Article 7 paragraph 2 of Legislative Decree No 231 of 21 November 2007".

In response to these provisions, the bank established a special anti-money laundering function responsible for overseeing the bank's prevention and risk management activity associated with money laundering, while at the same time supplementing the existing regulation in this area.
The internal regulations, in addition to the section on Suspicious Transactions in the Organizational Model and the numerous operating procedures included in the Manual of internal procedures, was further extended, in consideration of regulatory changes and the crucial importance taken on by this issue. The following documents were therefore prepared:

- "Anti-Money Laundering Regulations" which describes the anti-money laundering measures in place and identifies the role, duties and responsibilities of the corporate control functions and bodies;
- "Policies for managing money laundering and terrorist financing risks" which formalizes the guidelines and operating measures in place against money laundering and terrorist financing and is brought to the attention of all the Bank's staff.

The provisions of the Bank of Italy also underscored the crucial role of staff training, which the bank recognizes as one of the values underpinning its development.
Training was carried out through in-house advanced seminars organized with the help of industry experts. Some were informative meetings aimed at illustrating to the all staff the new anti-money laundering provisions issued by the Supervisory Body, with a view to increasing general awareness on this subject. For other meetings, instead, which were expressly dedicated to the branch staff, we opted for a more operative approach, focusing on how to handle suspicious transactions (identification, assessment, reporting, etc.) in order to provide employees with practical tools for managing actual situations, being aware that the units in direct contact with customers are the first line of defence for the management of money laundering and terrorist financing risks.

As evidence of the Bank's attention to professional qualification, also this year we confirmed our support to the Institute for Advanced Training of I.P.E. ("Institute for research and educational activities" which operates under the supervision of the Ministry of University) which carries out post-graduate education activities by promoting masters, research and refresher courses.
The collaboration, this year, focused on a coaching project for two students in the Advanced Finance Master; specifically, it was a *Project Work* on liquidity risk aimed at developing a model to calculate the liquidity control ratios set by Basel III and applied to the Bank's data.
As in previous years, the bank is involved in social projects, offering a small support to the non-profit organization "Help us live" which is engaged in solidarity initiatives in Naples' slums. In particular, our contribution helped setting up a medical clinic for the care of drug addicts in the Scampia suburb.

Workforce

At the end of 2011 there were 51 employees, a decrease of 3 compared to 2010.

The breakdown by gender shows a majority of female staff (27 persons) compared to men (24), with a majority of permanent employment contracts (open-ended employment contracts account for 86% of the total).

67% of employees are university graduates while 27% have a high school diploma, confirming the high level of education required from our staff.

61% of staff is employed in operating areas (namely 35% in trading and 25% in the branches), while the remaining 39% operates at the head office where the credit office, the control units and the internal services departments are centralized.

Qualitative and quantitative information on the staff is summarised in the tables below.

TURNOVER	BALANCES AT 01/01/2011	ENGAGEMENT/ TRANSFORMATION	RESIGNATION/ RETIREMENT/ TERMINATION	BALANCES AT 31/12/2011
Permanent contracts, of which:	**41**	**4**	**1**	**44**
Managers	1	**1**	**1**	**1**
Middle management	4	**-**	**-**	**4**
White-collar personnel	35	**2**	**-**	**37**
Blue-collar personnel	1	**1**	**-**	**2**
Temporary contracts of which:	**13**	**-**	**6**	**7**
White-collar personnel	**13**	**4**	**6**	**7**
TOTAL	**54**	**4**	**7**	**51**

BREAKDOWN	MANAGERS	MIDDLE MANAGEMENT	WHITE-COLLAR PERSONNEL	BLUE-COLLAR PERSONNEL	TOTAL
Men	1	1	21	1	**24**
Women	0	3	23	1	**27**
Average age	44	47	37	46	**39**
Average length of service	0	7	6	6	**6**
Permanent contracts	1	4	37	2	**44**
Temporary contracts	0	0	0	0	**0**
Apprenticeship contracts	0	0	7	0	**7**
Education - University Degree	1	2	31	0	**4**
Education - High School Diploma	0	2	12	0	**14**
Education - Middle school certificate	0	0	1	2	**3**

Related parties

In accordance with regulations, transactions with entities identified as related parties pursuant to IAS provisions, were regularly performed during the year and were carried out on an arm's length basis. The required details on the subject are provided in part H of the Notes, along with the required disclosures on transactions between the Bank and its directors and statutory auditors. At 31 December 2011 Banca Promos held no equity investments.

Disclosures required by the Bank of Italy/Consob/Isvap documents no.2 of 6 February 2009 and no. 4 of March 2010

As is known, the documents jointly issued in recent years by the Bank of Italy, Consob and ISVAP, recommend Directors to include in the financial statements adequate information that clarifies the crisis impact on the company.

While in the notes and in other sections of this report the subjects in question are described in details, we summarize here the information required which may have a material impact on the bank.

Going concern assumption

The financial statements for the year 2011 were drawn up on the assumption of the going concern taking into account all assets and liabilities of the company. Given the good performance of available financial and managerial indicators, it is possible to state with reasonable certainty that the financial statements have been prepared on a going concern basis and that the bank will continue to operate in the foreseeable future. The historical and current financial statements and the budgets included in the strategic business plans show positive cash flows and operating profits. Moreover, the funding available is more than adequate to cover current and future needs. The bank shows good profitability and makes regular dividend distributions to its shareholders.

Financial risks

Part E of the notes contains qualitative and quantitative information on key risks, including of a financial nature, to which the Bank is normally exposed, i.e. credit risk, market risk and liquidity risk. Additional information on risks is also provided in other sections of this Report.

Impairment tests

The Directors carefully assessed all Assets reported in the financial statements and did not identify any impairment of such assets. In particular, there are no available for sale securities, and no goodwill is recognised in the financial statements. At 31 December 2011 the Bank held no equity investments.

Uncertainties associated with the use of estimates

With particular reference to loans, positions were evaluated in accordance with the ordinary policies used for non-performing loans. In this segment, therefore, the uncertainty is that inherent in the system and the current economic situation.

Vice versa, financial assets are carried at fair value. The methods for measuring fair value are formalized in the policy summarized in the Notes - Part A.

Fair value hierarchy

In compliance with the amendment to IFRS 7, which introduced the so-called "fair value hierarchy", for the purposes of identifying the different fair value levels, the bank has drawn up the policy included in the Notes which explains the basic methods used for measuring and classifying fair value .

Other information

Banca Promos is aware that the protection of the environment is a civil priority and that development must be pursued in a sustainable manner; therefore we are constantly promoting a culture of environmental awareness inside the Bank and, despite the limited environmental impact of our activity, we are committed to further improve it.

The disposal of special refuse and obsolete hardware is made by an authorised company, in order to ensure compliance with local regulations.

Dear Shareholders, we inform you that at year end Banca Promos:

- did not, either directly or indirectly, hold treasury shares in the portfolio and no treasury shares were sold or purchased during the year;
- was not a member of any banking group;
- did not carry out research and development.

In addition, please note that:

- the Monitoring Body established pursuant to Legislative Decree 231 carried out its activity in accordance with the annual plan prepared by the body itself;
- the "Business Continuity Plan" was updated; this plan was drawn up to ensure continuity of vital business operations and the resumption of normal operations within a reasonable time.

Internal audit

The internal audit system established by Banca Promos consists of the "set of rules, procedures and organizational structures aimed at ensuring compliance with corporate strategies and the achievement of the following purposes:

- effectiveness and efficiency of business processes (administrative, production, distribution, etc..);
- safeguarding of assets and protection against losses;

- reliability and integrity of accounting and management information;
- operations and activities complying with the law, with supervisory regulations and
- with corporate policies, regulations and internal procedures.

To this end, a system based on three levels is in place: in addition to first-level controls (carried out by operating managers) there are the Risk Management, Compliance and Credit Control functions, carrying out second-level controls, while third-level controls are the responsibility of Internal Audit which reports to the Board of Directors.
Internal audit activities are conducted on a continuous basis, periodically or by way of exceptions, including through on site checks.

Results of audit activities
During the year Internal Audit carried out its audit activities in compliance with the plan of activities approved by the Board of Directors and carried out both periodic audits and special audits on specific areas.
More specifically, periodic audit activities covered both the financial sector, with reference to which audits were carried out on the various investment services (trading on own account, execution of customers' orders, receipt and transmission of orders, placement of financial instruments), and the banking sector, in respect of which audits were carried out on money laundering, transparency of banking transactions and services, cash management and related operations and credit management process. In addition, some aspects common to both areas of the bank were audited, such as handling conflicts of interest and managing the accounting system.
These audit activities, carried out on a process basis, were also carried out through on-site checks at the Branches.
During the year, 22 ordinary audits were carried out at the branches, plus 5 targeted inspections, 2 of which involving the management of the CAI procedure (central interbank alarm service) and 3 relating to particular events occurred during the year. In addition a routine inspection was carried out at the office of the financial advisors in Florence.
Specific audits were instead conducted with respect to the ICAAP process, the Business Continuity Plan, the liquidity management process, the remuneration policies and reliability of the service providers to which the cash recirculation activity was outsourced. Furthermore, in accordance with the provisions of the legislation in force, the adequacy and effectiveness of the Compliance function and the newly formed Anti-money laundering function were assessed.

The audits confirmed that adequate safeguards against the identified risks are in place. In any case, the identified improvement areas, mainly related to operational risks, were subject to appropriate specific measures at the units involved.

Risk management

In addition to the comments included in section E of the Notes, notice is hereby given that the bank formalized the risk management process in a specific document ("Risk Management System") describing the role, duties and responsibilities of bodies with administrative, management and control functions and of the various business functions as well as the activities involved in the "Risk management process". The latter, aimed at defining risk management methods, is divided into several stages, namely:

1. *Mapping*
2. *Protecting measures*
3. *Assessment*
4. *Assessment and corrective measures*
5. *Monitoring and reporting*

Mapping

The objective of Risk mapping is to identify the universe of risks to which the Bank is exposed.
In this sense, starting from the knowledge of the Bank's organization, the market in which it operates, the regulatory framework, as well as the strategic and operational objectives and the threats and opportunities arising from them, all the risks associated with providing both banking and financial services were identified, i.e.:

- *Credit risk (*counterparty included)
- *Market risk* (associated with proprietary trading)
  - Position risk
  - Settlement risk
  - Concentration risk
  - Exchange rate risk
- *Market risk* (associated with trading on behalf of third parties)
  - Settlement risk
  - Concentration risk
  - Counterparty risk
- *Operating risk*
  - Legal risk
  - Organisation risk
  - Risk linked to human resources
  - IT risk
  - Risk related to external events
- *Concentration risk*
- *Interest rate risk*

- *Liquidity risk*
- *Strategic risk*
- *Reputational risk*
- *Residual risk*

Protecting measures

Protecting measures refer to the process of selecting and implementing the tools necessary to control, mitigate and, where possible, eliminate and/or transfer risks.

For each significant identified risk, the Bank has put in place mitigating measures, in order to minimize exposure to risk within the limits defined by sound and prudent management.

Estimate

In order to carry out a *Risk estimate,* a preliminary analysis of each risk is performed aimed at defining those factors in the operating business, the so-called "Typical Events", which, as they may cause losses, represent a "threat" to the Bank.

Once the "Typical Events" are identified, the estimate is made taking into account the corrective measures already in place, in order to identify the risks to which the Bank appears to be most exposed.

The estimation process is based on the analysis of two elements: the probability of occurrence of the "Typical Events" and their possible impact. We have used qualitative scales (low / medium / high) to measure both the probability and the impacts.

In particular, for the probability, we consider the likelihood that a given event occurs, i.e. the relative frequency represented by the number of times the event may occur in a given time horizon; for the impact instead, we consider the consequences arising from the occurrence of the risk.

Assessment and corrective measures

The *risk assessment* process is of crucial importance to preserve the capital integrity and financial position of the Bank and to pursue our corporate strategies.

This assessment is based on the analysis of the so-called *"Probability - Impact - Matrix"* which is set for each probability/impact pair for each “Typical Event” obtained from the previous estimate.

By assigning a score in terms of significance, this tool allows for a comparison of the estimated risks, establishing their relative importance and identifying the most relevant ones.

Each score assesses risk exposure using qualitative scales (low/medium/high), enabling the definition of risk acceptance levels and, consequently, of any corrective measures to be taken.

Monitoring and reporting

Monitoring aims to determine, for each significant risk identified, on the one hand, the effectiveness of the protective measures adopted by the Bank and, on the other, the long-term appropriateness of the limits set.

For this purpose, a "control system", was set up, which we already described in the relevant section of this report; this system is integrated and structured in such a way as to avoid multiple audits. In this system each entity must perform its supervisory activities and report the audit results.

The ICAAP process and Capital Adequacy

In compliance with the provisions on the prudential supervision of banks (Circular of the Bank of Italy no. 263 of 27 December 2006 as amended and supplemented), the Bank prepared the *"ICAAP Report "* at 31 December 2011.

This document is a comprehensive and documented assessment of the key features of the internal process used by the Bank to determine capital adequacy, the overall exposure to banking and financial risks, as well as any capital deemed adequate to cope with those risks, both from a current and prospective standpoint, and both in normal conditions and in stress situations, the so-called "Total internal capital"

In preparing this Report, all risks, both "measurable" and "non-measurable", identified as a result of the mapping activity, were taken into account.

In order to determine the "internal capital" in relation to each of the "measurable" risks, the Bank measured its exposure to them. In this sense, as provided for banks belonging to Class 3 and in accordance with the principle of proportionality, the following were deemed most appropriate and, therefore, used as a reference:

- for Pillar I risks (credit, market and operating risks), the quantitative measurement techniques as provided for by regulations for capital requirements calculations, making use of standard methods;
- for Pillar II "measurable" risks (*concentration* and *interest rate risks*), the simplified quantitative measurement methods as provided for by Supervisory regulations.

With regard to liquidity risk, although it does not absorb capital, for the purpose of its estimate the Bank has adopted the guidelines laid down by Supervisory regulations, on the basis of which it has established specific measurement and control procedures and systems.

With reference to *market risk associated with trading on behalf of third parties*, although no specific capital requirement is envisaged, the Bank uses special IT tools through which it can evaluate at all times the exposure in question.

In parallel, however, with reference to the other "non-measurable" risks *(Strategic, reputational* and *residual risks*), which are difficult to quantify due to their intrinsic characteristics, the estimate of the bank's exposure is based on subjective assessments carried out on the basis of mainly qualitative methods defined in relation to the nature of each risk.

To better assess its capital adequacy, the Bank has carried out stress tests consisting of testing the effects of specific events on the risks to which it is exposed. In this sense, we have performed sensitivity analysis aimed at verifying the impact on the bank's balance sheet of "extreme", yet plausible, movements of the following risks (individually assessed):

- Credit risk
- Concentration risk
- Interest rate risk
- Liquidity risk

Through the approach developed by the bank, it is possible to assess the impact both of predefined stress tests, based on standard methodological practices, and of customized tests, based on portfolio characteristics or the economic situation.

Consistent with Supervisory regulations, we calculated the internal capital against Pillar I risks and Pillar II measurable risks for which capital absorption is envisaged for regulatory purposes. These values were used as the starting point for defining the "Total Internal Capital", by applying a Building Blocks approach, consisting in an algebraic sum of the internal capital in relation to each risk.

Finally, the connection was made between the Bank's Regulatory Capital and the different types of "total internal capital" (relating to actual and budgeted data, stressed and non-stressed data), in order to verify its adequacy.

Results from this analysis showed that, under all tested conditions, despite the additional capital requirements resulting from calculation on actual data in a stress situation and prospective data in both normal and stress conditions, the Bank's capitalization is such as to guarantee a significant capital surplus.

Public disclosure

The Bank, in compliance with the provisions of the Bank of Italy’s Circular 263/2006, as amended and supplemented (Title IV, Chapter 1), prepared and published on its website information on capital adequacy, exposure to risks and the general characteristics of the systems in place to identify, measure and manage those risks (so-called Pillar III).

These documents provide information to interested parties about the level of business risk, the methods used by the bank to quantify and manage its risks, in relation to the size of existing and future capital resources.

Events subsequent to 31 December 2011

After the reporting period ended 31 December 2011 and until the date of preparing this report, no material events or facts occurred that might affect the bank's financial and profit and loss position.
In February 2012 the Bank was authorized by the Bank of Italy to participate in the ECB's monetary policy transactions carried out in Italy by the Bank of Italy itself. The counterparties admitted to the Euro-system monetary policy transactions must fulfil certain criteria, uniformly set for the entire euro area, which relate to the counterparty's financial strength and to specific operational requirements.

Business outlook

The outlook for this year continues to point to a problematic scenario for the national economy, which raises serious concerns especially in relation to the deterioration in credit quality.
Nevertheless, in terms of business outlook, the Bank considers that the goals formulated in the budget can be confirmed.
The early months of 2012 saw a cautious resumption in trading activity owing to the liquidity injected in the system by ECB interventions.
The spread on the Bund is back, and relatively stable, at around 300 basis points for the benefit of share prices which recovered most of the losses recorded last year, also with direct effects on the Bank's portfolio.

Proposed allocation of profit

Based on the information given, the Board of Directors invites you to examine and approve the financial statements for FY 2011, with the attached reports of the Independent Auditors Deloitte & Touche SpA and the Board of Statutory Auditors; the Board of Directors also proposes to allocate part of the net profit for the period to the legal reserve and part as a dividend to shareholders and to carry forward the remainder.
With regard to profits distribution, the Bank of Italy, in a note addressed to all banks, recently pointed out the need to adopt distribution policies aimed at preserving existing and future capital adequacy, in line with the overall risks assumed. For your bank compliance with these guidelines is

part of the conservative distribution approach historically adopted to ensure an adequate level of capitalization.

Therefore, we ask the General Meeting, if in agreement with the proposal and after acknowledging the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statements of Changes in Net Equity, Cash Flow Statement, and the Notes, as well as the Directors' Report, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors, to resolve upon the following:

a) approve the 2011 Financial Statements with a net profit of € 768,135;

b) allocate the profit for the year as follows:

- € 38,407 to the Legal Reserve;
- € 464,400, i.e. € 0.06 per share as dividend to the shareholders;
- to carry forward the residual € 265,328.

Acknowledgements

At the conclusion of this report, the Board of Directors of Banca Promos wishes to express its gratitude to all those individuals or institutions, which with their work and support have made the results presented here possible.

First of all, we wish to thank our Shareholders who in 2011 continued to trust and support us.

Our gratitude also goes to the Statutory Auditors and the independent auditors Deloitte & Touche for the audit work performed and the invaluable assistance provided.

Special thanks to every member of the bank's staff who, year after year with competence and commitment, accompanies and makes possible the growth of our bank.

Finally, we express our heartfelt thanks to the regulators and especially the Bank of Italy for their effective spirit of collaboration.

The Board of Directors

This page has been intentionally left blank

This page has been intentionally left blank

This page has been intentionally left blank

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

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PARAGRAPH 2, ITALIAN CIVIL CODE

To the Shareholders of the Company Banca Promos Spa:

During the FY closed on 31 December 2011, our activity was based upon the regulations contained in the law provisions and in the Code of Ethics of the Board of Statutory Auditors as issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Accounting Boards).

Supervisory Activity

We supervised compliance with the law and the corporate by-laws as well as with the principles of correct administration.

We participated in the Shareholders' Meetings and in the meetings of the Board of Directors, and in this regard, according to the information available, we found no infringements of either the law or the corporate by-laws, or transactions deemed to be careless or unwarrantedly risky, in potential conflict of interests or such as to endanger the share capital of the company.

During the meetings we obtained the following information: - information concerning the company performance, and we do not have any noteworthy remarks to submit; - information on general management operations and their outlook, as well as on any operations of special significance, due to their size or characteristics, carried out by the company, and based upon said information, we do not have any noteworthy remarks to submit.

We have met the entity in charge of audit (Deloitte), and no significant data or information has emerged that need be illustrated in this report. We have met the person in charge of internal audit, and no significant data or information has emerged that need be illustrated in this report.

We have met the Supervisory Board and no critical issues have emerged with regard to the proper implementation of the organizational model that need be illustrated in this report.

As far as we were concerned, we gained information about, and performed monitoring activities on, the suitability and the operation of the organisational structure of the company, also by collecting information from the relevant company officials and, in this regard, we do not have any noteworthy observations to submit.

Furthermore, as far as we were concerned, we gained information about and monitored the suitability and the operation of the management and accounting systems, as well as the reliability of the latter in terms of correctly reporting the information concerning the operations of the company, by obtaining information from the relevant company officials, the body in charge of audit and examining the company's documents; we do not have any noteworthy observations to submit in this regard.

We have performed specific inspections and controls, and, on the basis of the information obtained, we found no infringements of the law, corporate by-laws or principles of proper administration or wrongful acts or irregularities.

We monitored compliance with "Data Protection" and "'Money Laundering" regulations.

We received no claims pursuant to article 2408 of the Italian Civil Code.

In the course of our monitoring activities, as hereinabove described, no other significant facts arose that would have needed to be mentioned in this report.

Financial Statements

We examined the draft financial statements closed at 31/12/2011, which were made available to us according to the provisions of article 2429 of the Italian Civil Code, and we would like you to note as follows., On which we report the following.

The financial statements are summarized as follows (amounts in euro):

BALANCE SHEET			
Total Assets			**<u>50,671,535</u>**
Total Liabilities		35,827,676	
Net Equity:			
- Valuation reserve	16,269		
- Share capital	7,740,000		
- Reserves		5,248,543	
- Share premium account		1,070,912	
- Profit for the year		768,135	
Net Equity	14,843,859		
Total Liabilities and Net Equity			**<u>50,671,535</u>**

INCOME STATEMENT	(relevant figures)	
Interest margin	1,046,742	
Net commissions		(155,333)
Brokerage margin	6,740,935	
Net adjustments	(2,618)	
Net result of financial operations	**6,738,317**	
Operating costs	**(5,322,168)**	
Profit (loss) on current operations before taxes	1,416,149	

Income taxes for the year	(648,014)	
Profit for the year		**768,135**

The Board of Statutory Auditors acknowledges that during the year the directors have prepared the semi-annual and quarterly reports, which were also examined by the said Board; during the year the Board of Statutory Auditors periodically monitored the Bank's accounts and the branches' budgets, as well as the performance of operations by analysing the evolution over time of fundraising and loans, and the level of average rates and key performance indicators.

The Board received no complaints as per article 2408 of the Italian Civil Code or complaints of any other nature.

The Directors' Report and the Notes provide a detailed disclosure on the events occurred in 2011 and those occurred after year end.

Being not in charge of auditing the financial statements, we have monitored the overall approach given to them, their overall compliance with the law in terms of their composition and structure, and in this regard we do not have any noteworthy remarks to submit.

We have verified compliance with the legal regulations regarding the drafting of the Directors’ Report and, in this regard, we do not have any noteworthy observations to submit.

To the best of our knowledge, Directors made no exceptions to the legal provisions in drafting the financial statements, in accordance with Article 2423, paragraph 4 of the Italian Civil Code.

Conclusions

Considering also the audit's results included in the independent auditors' report submitted to us on 12/04/2012, the Board of Statutory Auditors expresses a favourable opinion with regard to the approval of the financial statements for the year ended 31/12/2011, the Directors' Report and the proposed allocation of profit for the year.

Naples 13/04/2012

Il Collegio Sindacale

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

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

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

Financial Statements at 31 December 2011

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

Balance sheet

(In Euros)

Assets	31 Dec 2011		31 Dec 2010	
10. Cash and cash equivalents		268,455		357,787
20. Financial assets held for trading		8,880,345		11,505,571
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		5,629,258		3,673,092
70. Loans and advances to customers		26,572,559		22,202,252
80. Hedging derivatives		-		-
90. Adjustments for changes in the value of hedged financial assets (+/-)		-		-
100. Equity Investments		-		-
110. Property, plant and equipment		7,188,486		7,520,972
120. Intangible assets, of which:		42,685		49,380
- goodwill	-		-	
130. Tax assets		667,150		1,003,396
a) current	*540,853*		*849,564*	
b) deferred	*126,297*		*153,832*	
140. Non-current assets and disposal groups held for sale		-		-
150. Other assets		1,422,597		970,795
Total assets		**50,671,535**		**47,283,245**

Liabilities and equity	31 Dec 2011		31 Dec 2010	
10. Deposits by banks		-		50,338
20. Customer accounts		24,819,807		20,672,903
30. Outstanding Securities		7,609,288		8,136,825
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		1,799,448		1,784,816
a) current	656,676		611,698	
b) deferred	1,142,772		1,173,118	
90. Liabilities included in disposal groups held for sale		-		-
100. Other liabilities		902,222		1,369,333
110. Staff termination benefits		647,327		594,522
120. Provisions for risk and charges		49,584		86,474
a) pension funds and similar commitments	-		-	
b) other provisions	49,584		86,474	
130. Valuation reserve		16,269		(51,921)
140. Redeemable shares		-		-
150. Equity instruments		-		-
160. Reserves		5,248,543		4,816,927
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 (+/-)		768,135		1,012,116
Total liabilities and equity		**50,671,535**		**47,283,245**

Income statement

	31 Dec 2011		31 Dec 2010	
10. Interest income and similar revenues		1,461,430		1,142,524
20. Interest expense and similar charges		(414,688)		(328,652)
30. Net interest income		**1,046,742**		**813,872**
40. Fees and commissions receivables		539,529		471,135
50. Fees and commissions payable		(694,862)		(831,199)
60. Net fees and commissions		**(155,333)**		**(360,064)**
70. Dividends and similar revenues		-		-
80. Net profit/ (loss) from trading activities		5,849,526		6,676,448
90. Net profit/ (loss) from hedging activities		-		-
100. Profits/ (losses) on sale or repurchase of:		-		-
a) loans and advances	-		-	
b) available-for-sale financial assets	-		-	
c) held-to-maturity financial assets	-		-	
d) financial liabilities	-		-	
110. Net profit/ (loss) from financial assets and liabilities at fair value		-		-
120. Gross income		**6,740,935**		**7,130,256**
130. Impairment losses/recoveries on:		(2,618)		(21,063)
a) loans and advances	(2,618)		(21,063)	
b) available-for-sale financial assets	-		-	
c) held-to-maturity financial assets				
d) other financial transactions				
140. Net income from financial activities		**6,738,317**		**7,109,193**
150. Administrative expenses		(4,804,269)		(5,475,728)
a) staff costs	(3,184,902)		(3,172,729)	
b) other administrative expenses	(1,619,367)		(2,302,999)	
160. Net provisions for risk and charges		(10,410)		(3,245)
170. Adjustments to property, plant and equipment		(434,248)		(423,419)
180. Adjustments to intangible assets		(18,319)		(27,526)
190. Other operating costs/income		(54,922)		260,658
200. Operating costs		**(5,322,168)**		**(5,669,260)**
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
250. Profit/ (loss) from current operations before tax		**1,416,149**		**1,550,718**
260. Taxation on profit from continuing operations		(648,014)		(538,602)
270. Profit/ (loss) from continuing operations after tax		**768,135**		**1,012,116**
280. Profit/ (loss) from disposal groups held for sale after tax		**-**		**-**
290. Profit/ (loss) for the year		768,135		1,012,116

Statement of Comprehensive Income

	Items	2011	2010
10.	**Profit/(Loss) for the year**	**768**	**1,012**
	Other components of comprehensive income		
20.	Available-for-sale financial assets:	-	-
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	68	19
100.	Share of valuation reserves for investments measured using the equity method	-	-
110.	**Total other components of comprehensive income, after tax**	**68**	**19**
120.	**Comprehensive income (Item 10+110)**	**836**	**1,031**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2011

	Balance at 31.12.10	Change in opening balances	Balance at 01.01.11	Allocation of profit for prior year		Changing during the year								Shareholders' Equity at 31.12.11
							Equity-related transactions						Statement of comprehnsive income at 31.12.11	
				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		
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:	4,817	-	4,817	432	-	-	-	-	-	-	-	-	-	5,249
a) revenues	4,817	-	4,817	432	-	-	-	-	-	-	-	-	-	5,249
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	(52)	-	(52)	-	-	-	-	-	-	-	-	-	68	16
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/ (loss) for the year	1,012	-	1,012	(432)	(580)	-	-	-	-	-	-	-	768	768
Equity	14,588	-	14,588	-	(580)	-	-	-	-	-	-	-	836	14,844

.

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

		Cash flow statement (Indirect Method)	2011	2010
A.	**OPERATING ACTIVITIES**			
1.	**Operations**		**2,502**	**2,179**
	-	profit for the year	768	1,012
	-	gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	357	(80)
	-	gains/losses on hedging activities	-	-
	-	impairment losses/recoveries	3	21
	-	net impairment losses/recoveries on property, plant and equipment and intangible assets	453	451
	-	net provisions for risk and charges and other costs and income	275	254
	-	unpaid taxes	648	539
	-	net impairment losses/recoveries on disposal groups held for sale, net of tax	-	-
	-	other adjustments	(2)	(18)
2.	**Cash generated by/used for financial assets**		**(4,246)**	**(4,281)**
	-	financial assets held for trading	2,268	(416)
	-	financial assets at fair value	-	-
	-	available-for-sale financial assets	-	-
	-	loans and advances to banks: on demand	(1,956)	2,975
	-	loans and advances to banks: other	-	-
	-	loans and advances to customer	(4,372)	(7,475)
	-	other assets	(186)	635
3.	**Cash generated by/used for financial liabilities**		**2,347**	**5,319**
	-	deposits by banks: on demand	(50)	-
	-	deposits by banks: other	-	-
	-	customer accounts	4,147	3,318
	-	outstanding securities	(528)	4,126
	-	financial liabilities held for trading	-	-
	-	financial liabilities at fair value	-	-
	-	other liabilities	(1,222)	(2,125)
Net cash flows from/for operating activities			**603**	**3,217**
B.	**INVESTING ACTIVITIES**			
1.	**Cash generated by**		**2**	**11**
	-	sale of investments	-	-
	-	dividends received from investments	-	-
	-	sale of held to maturity financial assets	-	-
	-	sale of property, plant and equipment	2	11
	-	sale of intangible assets	-	-
	-	sale of business units	-	-
2.	**Cash used for**		**(114)**	**(2,372)**
	-	purchase of investments	-	-
	-	purchase of held to maturity financial assets	-	-
	-	purchase of property, plant and equipment	(102)	(2,360)
	-	purchase of intangible assets	(12)	(12)
	-	purchase of business units	-	-
Net cash flows from investing activities			**(112)**	**(2,361)**
C.	**FINANCING ACTIVITIES**			
	-	issue/purchase of own shares	-	-
	-	issue/purchase of equity instruments	-	-
	-	payment of dividends and other transactions	(581)	(774)
Net cash flows from/for financing activities			**(581)**	**(774)**
NET INCREASE/DECREASE IN CASH			**(90)**	**82**

Reconciliation		
Item	2011	2010
Cash and cash equivalents at beginning of year	358	276
Net increase/Decrease in cash	(90)	82
Cash and cash equivalents: effects of exchange rate fluctuations	-	-
Cash and cash equivalents at end of year	268	358

PRMN Corp PRMN

Banca Promos Spa
Viale Gramsci 19
80122 Napoli-Italia
Tel: 00 39 081 0170600
Fax: 00 39 081 4620013
Http://www.bancapromos.it

1) Autos
2) Telecoms
3) Utilities
4) Industrials
5) Financials
6) High Ylds & Cross-Overs
7) Structured Notes
8) Eastern EU
9) To Request Information

3178145Z IM € Private Company EquityDES
Page forward for more fundamental data

Page 1/4 Description

Banca Promos SpA (3178145Z IM) BBGID BBG000S0X3X9

Banca Promos SpA is a full-service bank. The Bank accepts deposits, makes loans and provides other services for the public.

Viale Gramsci 19,
Naples, 80123
Italy

T: 011-39-081-017011
F: 011-39-081-462001
Inc. Date

Industry	Commer Banks Non-US
Domicile	ITALY
Incorporated	ITALY
No. of Employees	49
As Of	12/31/2009

1) MGMT Management Profile	Title	Start Date
2) Ugo Malasomma	Chairman	
3) Tiziana Carano	Chief Executive Officer	

5) FA	Financial Analysis	Fiscal Year End	December
6) RELS	Related Securities	9) Revenue	8.55M
7) CACS	Corporate Actions	10) Net Income	1.01M
8) CN	Corporate News	11) Total Assets	47.28M
		Currency	EUR 12) www.bancapromos.it

Notes

"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 SECTION

Section 1 Statement of compliance with International Accounting Standards

These financial statements are prepared in accordance with the international accounting standards (International Accounting Standards - IAS and 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 EU Regulation no. 1606 of 19 July 2002.

For the interpretation and application of new accounting standards, reference has been made to the following documents, although not endorsed by the European Commission:

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

Implementation Guidance, Basis for Conclusions and any other document drafted by IASB or IFRIC to complete the accounting standards issued.

For interpretation purposes, the documents on the adoption of IAS/IFRS in Italy prepared by the Italian Accounting Board (OIC) and the Italian Banking Association (ABI) were also taken into account.

Section 2 General Drafting Principles

The financial statements have been prepared in accordance with the provisions contained in the circular of the Bank of Italy no. 262 of 22 December 2005 - Banks' financial statements, schedules and guidelines for compilation - as updated by the new version issued by the Bank of Italy with Regulation dated 18 November 2009, published in the Official Gazette no. 238 of 21 December 2009.

These financial statements consist of balance sheet, income statement, statement of comprehensive income, statement of changes in net equity, cash flow statement and the notes. They are also accompanied by the directors' report on the Bank's operations and situation.

The financial statements are clear and provide a true and correct representation of the financial position and economic results for the period.

The financial statements were drafted on a going concern basis, applying the accrual accounting method and complying with the principle of providing relevant, significant information and preferring substance over form, with the aim of facilitating consistency with future presentations.

Assets and liabilities, revenues and costs are not offset except in cases where this is expressly required or permitted by a Standard or an Interpretation, or the provisions of the aforementioned circular.

These financial statements were prepared in Euro.

Section 3 Events Subsequent to 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 disclosed in the Directors' Report if material and thus capable of influencing the economic decisions of financial statements users. There are no material events to report that took place after year end, other than those referred to in the Directors' Report.

Section 4 Other issues

Figures reclassified at 31/12/2010

The Bank has implemented the clarifications issued by the Supervisory Authority in a technical note of 14 February 2012, as to the proper recognition in the income statement of staff-related costs. In particular, the adjustment resulted in recognising accommodation and meal costs of staff on business trips as "other administrative expenses" in item 150 b), as these costs are analytical and documented.

As required by IAS 8, this change resulted in the reclassification of comparative amounts in the financial statements of the previous year.

Disclosure of Audit and Non-Audit Fees

In order to comply with the revised regulations introduced by Legislative Decree 39/2010 (the "Decree") with regard to disclosure of fees paid to the independent auditors for audit and other services, the following table shows the fees paid in 2011 to Deloitte & Touche SpA, the firm appointed by shareholders' 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		*30*	*3*	*7*
- audit of the interim financial statements		*8*	*1*	*2*
- quarterly checks		*10*	*1*	*2*
- Preparation of tax declarations		*1*	*0*	*0*
Total		***49***	***5***	***11***

Major accounting standards and interpretations endorsed by the European Union, for which application has become compulsory from 2011

During the year new accounting standards and interpretations were issued; in preparing these financial statements the related indications were taken into account, where applicable:

IAS 24 – On 4 November 2009, the IASB published a reviewed version of IAS 24 – Related Party Disclosures. The new standard in particular simplifies the definition of "Related Party", introduces a principle of symmetry in the identification of related parties and requires a specific disclosure on the remuneration of key management personnel.

IFRIC 14 – On 26 November 2009, the IASB published some amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirements. IFRIC 14 provides interpretations of IAS 19 – Employee benefits. The new amendment is applicable to cases where an entity is subject to minimum funding requirements and makes an immediate payment in relation to this requirement. According to the new amendment, these payments may be recognised as assets.

On 18 February 2011, the European Union has endorsed the improvements made by the IASB in May 2010 to 6 accounting standards and interpretation (IFRIC). The amendments concerned:

- IFRS 1 – First-time adoption of International Financial Reporting Standards
- IFRS 3 – Business combinations
- IFRS 7 – Financial Instruments: Disclosures
- IAS 1 – Presentation of financial statements
- IAS 27 – Consolidated and separate financial statements
- IAS 34 – Interim financial reporting
- IFRIC 13 – Customer Loyalty Programmes.

The entry into force of these accounting standards and interpretations had no impact on the company's balance sheet or income statement.

Clarification of the Bank of Italy on how to recognise certain transactions and information on Major Risks in the financial statements

On 16 February 2011 the Bank of Italy issued letter no. 01425023/11 "Financial statements and supervisory reporting" laying down rules concerning the proper recognition in the financial statements and statistical supervisory reporting of the following transactions:

- finance leases and bankruptcy proceedings
- third party funds under administration
- documentary credits
- own securities not included in assets
- merger transactions by incorporation
- charges functionally related to the staff
- guaranteed funding transactions
- repurchase agreements in respect of own securities issued and repurchased
- structured financial instruments
- insurance capitalisation contracts and "unit-linked" and "index-linked" insurance policies of a financial nature
- electronic money

- adjustments to derivative financial instruments
- guarantees
- statement of changes in consolidated net equity
- statement of comprehensive income
- information on risks and hedging policies
- covered bond

The letter also provides clarification on the detailed disclosure to be provided in the notes on performing loans as from the financial statements for the FY ended or in progress at 31 December 2010.
On 28 February 2011 the Bank of Italy issued another letter no. 0180868/11 providing explanations on how to correctly disclose Major Risks in the notes.

The financial statements of Banca Promos already implemented the classifications, where applicable, indicated in the circular letters mentioned above, and from 31/12/2010 they implement the clarifications expressed by the Supervisory Authority in terms of disclosure.

Communication by the Bank of Italy File no. 0130629/12 of 14/02/2012 - Staff-related costs By letter file no. 0130629/12 of 14 February 2012, the Bank of Italy made it clear that analytical and documented reimbursement of costs for accommodation and meals incurred by staff on business trips must be recognised in Item 150 b) of the Income Statement - Administrative expenses: Other administrative expenses.
Therefore, in order to make the 2011 data comparable with those of 2010, Banca Promos reclassified the 2010 Income Statement data.

A.2 SECTION CONCERNING THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of the financial statements for the year ended 31 December 2011 are described below.
The 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. For each of these stages, where relevant, the description of the related financial impact is provided.

Section1 Financial assets held for trading

Classification criteria

The category includes debt and equity instruments acquired primarily for the purpose of obtaining short-term profit.

Recognition criteria

Financial assets are initially recognised at the transaction date, in the case of debt and equity instruments, and at the subscription date in the case of derivative financial instruments.

On initial recognition, financial assets held for trading are recognized at their fair value which normally corresponds to the price paid, not including transaction costs or gains directly attributable to the instrument.

Valuation and recognition criteria of Income Statement items

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 financial instruments traded in active markets (regulated or OTC), is based on the market prices quoted on the last business day of the year. In the absence of an active market, fair value is based on estimates, which take into account all risk factors related to the instruments on the basis of data available on the market.

Derecognition criteria

Financial assets are derecognised when the contractual rights to cash flows from the assets expire or when a financial asset is sold, substantially transferring all the related risks/benefits

Section 4 Receivables

Classification criteria

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

Recognition criteria

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

Loans are initially recognised at the disbursement date 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.

Any repurchase agreements with the obligation to resell at maturity are recorded as loan transactions for the spot amount paid.

Valuation and recognition criteria of Income Statement items

After initial recognition, loans are accounted for at amortised cost, which corresponds to the initially recognised amount less/plus any principal repayments, impairment losses/reversals 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 determined by calculating the rate that equates the present value of future cash flows from the loan, for principal and interest, to the amount disbursed, including the cost/income attributable to the loan. This accounting method, by using a financial logic, makes it possible to spread the financial effect of the cost /income over the remaining life of the loan. The amortised cost method is not used for short-term loans, as the effect of discounting to present value is deemed to be immaterial. These loans are valued at historical cost and the costs/income attributable to them are recognised in the income statement over the term of the loan agreement. The same method is applied to loans without a defined maturity or callable on demand.

For loans without a defined maturity or callable on demand, the costs and revenues are recognized in the income statement.

At the end of each annual or interim reporting period, loans are assessed to determine 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, doubtful, restructured or overdue loans as defined by the Bank of Italy rules in force and in accordance with IAS.

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

The expected cash flows take into account the expected recovery period, the estimated realizable value, any existing guarantees and the costs to be incurred in order to recover the loan. Cash flows related to loans that are expected to be recovered in the short term are not discounted to present value. The impairment loss is recognized in the income statement. The impairment component resulting from cash flows discounting is released on an accruals basis in accordance with the effective interest method and recognised in the income statement in “Impairment losses/reversals due to loans impairment". The original carrying amount of loans is reinstated in future years if the circumstances that resulted in the impairment no longer exist, provided that this assessment 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, including loans to counterparties located in risky countries, are collectively evaluated for impairment. This assessment is based on homogeneous categories of loans 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 loans. The same applies to loans that are 90/180 days overdue or overdrawn, for which, although identified by law as impaired loans, a collective write-down is considered adequate, in line with the impairment methods applied to performing loans, with an additional percentage write-down, as they are in any event viewed as more risky.

Collectively assessed impairment losses are recognised in the income statement. At the end of each annual or interim reporting period any additional impairment losses or reversals are recalculated on a differential basis with reference to the entire 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 impairment test on performing loans was carried out using “a similar group experience for comparable groups of financial assets”.

Derecognition criteria

Loans that have been sold are derecognised only if through the sale all the risks and benefits associated with the loans have substantially been transferred. Conversely, if any risks and benefits related to the loans sold are retained, those loans continue to be recognized as an asset in the financial statements, even though their legal title has been transferred. If it is not possible to ascertain the substantial transfer of the risks and benefits of the loans, they are derecognized provided that the bank has not retained any kind of control over them. Otherwise, when even partial control is retained, the loans continue to be recognised in the financial statements to the extent of the residual involvement, which is measured by the bank's exposure to changes in the value of the loans sold and to changes in the related cash flows. Finally, the loans sold are derecognised if the Bank retains the contractual right to the related cash flows but at the same time it assumes a contractual obligation to pay precisely those cash flows to third parties.

Section 7 Equity investments

Classification criteria

This item includes investments held in:

- subsidiaries, carried at cost;
- associates, initially carried at cost and subsequently carried at equity. Associates are companies in which the bank owns 20% or more of the voting rights and, regardless of the amount held, companies over which it exerts significant influence, as a result of legally binding agreements, such as participation in shareholders' agreements, or if it has the power to participate in management and financial decisions of the investee companies;

- companies under joint control, which are initially recognised at cost and subsequently measured using the equity method (by choice given that IAS 31 offers alternative solutions). Joint control exists when there are contractual arrangements, based on shareholders' agreements or other agreements, for the joint management of the business and the joint appointment of the directors.

The remaining non-controlling shareholdings are classified in the categories specified in IAS 39. In particular, investments not held for trading are recognised as available for sale financial assets.

Recognition and derecognition criteria

The equity investments included in the equity investment portfolio are carried at cost, including incidental costs.

If there is evidence that the value of an investment may be impaired, the recoverable amount of the investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the proceeds on its final disposal.

If the recoverable value is lower than the book value, the difference is reported in the income statement.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in the income statement (said reversals cannot exceed the amount of the impairment previously reported).

Financial assets are derecognised when the right to receive the cash flows from the financial assets ends or when all the risks and benefits connected with certain assets are transferred.

Recognition criteria of Income Statement items

Dividends from equity investments are recorded when the Shareholders’ Meeting approves payment thereof.

Section 8 Tangible fixed assets

Classification criteria

Tangible fixed assets include land, operating properties, investment property, plants, 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 to others, or for administrative purposes and the Bank expects to use them for more than one period. 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 capital gain on the invested capital.

Recognition criteria

Tangible assets are initially recorded at cost, which includes, in addition to the purchase price, any costs directly attributable to the purchase and incurred to put the asset in operation. 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.

Valuation and recognition criteria of Income Statement items

Tangible fixed assets, including investment property, are carried a cost, after deducting any depreciation and impairment. Assets are depreciated over their useful life using the straight-line method, except for:
land, whether purchased separately or incorporated in the value of the buildings, as it has an indefinite useful life. If the value of the land is included in that of the building, under the components approach, land can be accounted for separately from the building; the allocation between the value of the land and the value of the building is carried out on the basis of independent experts 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.
At the end of each annual or interim period, if there is any indication that an asset may have been impaired, the bank compares the carrying value of the asset and its recoverable value, equal to the higher between the fair value, net of any selling costs and the value in use, intended as the present value of future cash flows generated by the asset. Any adjustments are recognised in the Income Statement. If the reasons that led to the recognition of the loss no longer exist, the impairment is reversed; the value after write-back cannot exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognised.

Derecognition criteria

A tangible asset is derecognised when disposed of or when the asset has been decommissioned and no future economic benefits are expected from its disposal.

Section 9 Intangible fixed assets

Classification criteria

Intangible assets are identifiable non-monetary assets, without physical substance, which are held in order to be used over a number of years. They mainly refer to goodwill, which represents the positive difference between the purchase price and the fair value of assets and liabilities acquired. Other intangible assets are recognized as such if they are identifiable and arise from 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 they do not qualify as being without physical substance, as required by IAS 38 for recognition as an intangible asset.

Recognition criteria of Income Statement items

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

An intangible asset can be recorded as goodwill when the positive difference between the fair value of assets acquired and liabilities assumed and the acquisition cost of the investment or the cash generating unit (including ancillary charges) is representative of the future earning capacity of the investment or the cash generating unit acquired (goodwill). If this difference is negative (badwill) or in the event that goodwill is not justified by the future earning capacity of the investee company or the 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 impairment). To this end, the cash generating unit to which goodwill can be attributed is identified The amount of any impairment is determined on the basis of the difference between the carrying value of goodwill and its recoverable value, if lower. This recoverable value is the greater between the fair value of the cash generating unit, net of any selling costs, and its pertinent value in use. Subsequent adjustments are recognised in the Income Statement.

Derecognition criteria

An intangible asset is derecognised upon disposal or when no future economic benefits are expected.

Section 10 Non-current assets and disposal groups

Classification criteria

Non-current assets and liabilities and groups of assets and liabilities held for sale are included in this item.

Valuation criteria

Pursuant to IFRS 5, the above-mentioned assets and liabilities are carried at the lower between book value and fair value, net of sales costs. *Fair Value* is the value specified in the preliminary sale with the buyer.

Recognition of Income Statement items

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

Section 11 Current and deferred taxes

Classification criteria

These items include current and deferred tax assets and liabilities.

Current tax items include advances paid (current assets) and debt obligations to be fulfilled (current liabilities) in relation to the income taxes for the period.

Vice versa, deferred tax items comprise income taxes recoverable in the future for “temporary deductible differences” (deferred assets) and income taxes payable in future periods for “temporary taxable differences” (deferred liabilities). "Temporary taxable differences" are those that in future periods will determine taxable amounts and "temporary deductible differences" are those that in future years will determine deductible amounts.

The current tax assets and liabilities shall be paid by the Bank on a net basis, as there is a legal right to offset, and their net balance is shown in the balance sheet.

Valuation criteria

Deferred taxation is determined on the basis of the so-called balance sheet liability method, taking into account the tax effect related to temporary differences between the carrying amounts of assets and liabilities and their tax value which will determine taxable or deductible amounts in future periods. Deferred taxation is calculated by applying the tax rates established by the applicable provisions of law to taxable temporary differences and deductible temporary differences which are likely to be recovered in future periods.

Recognition criteria of Income Statement items

If the deferred tax assets and liabilities relate to items affecting the income statement, the contra item is income taxes. When deferred tax assets and liabilities regard transactions recognised directly in equity, with no impact on the income statement (such as the measurement of available-for-sale financial assets or of staff termination benefits), they are recognised in separate equity reserves.

Income taxes, calculated in compliance with national tax laws are recognized as an expense on an accrual basis, consistent with the recognition in the financial statements of the costs and revenues that generated them. They are therefore the balance of current and deferred income taxes for the period.

Section 12 Provisions for liabilities and charges

Recognition criteria

The provisions for liabilities and charges consist of liabilities with uncertain timing or amount, which are recognised in the financial statements if:

- There is a current (legal or implicit) obligation as a consequence of a past event;
- it is likely that resources will be needed capable of producing the economic benefits necessary to settle the obligation;
- A reliable estimate of the presumed future outlay can be made.

The sub-item "other provisions" includes amounts set aside to cover the estimated losses on lawsuits, including revocatory actions, estimated outlays for customer complaints in connection with the bank's brokerage services and other payments in respect of estimated legal or constructive obligations existing at year end.
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.
The sub-item "Provision for pensions and similar obligations" include provisions recognised pursuant to IAS 19 "Employee benefits" in order to cover the technical deficit of the fund set up to pay pensions. 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 criteria
This item includes provisions for liabilities and charges pursuant to IAS 37. These provisions include allocations made to cover the estimated losses on lawsuits, including revocatory actions.

Valuation criteria
Where the effect of timing differences is material in respect of the future charge, the Bank calculates the provisions and allocations in an amount equal to the present value of the expenses likely to be incurred to settle the obligations.
Where provisions are discounted to present value, the amount of provisions recognised in the financial statements will increase in each period to reflect the passage of time.
Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Section 13 Payables, outstanding securities and subordinated liabilities

Classification criteria
The items "Payables to Banks", "Trade Payables", "Outstanding Securities" and "Subordinated Liabilities" include the various forms of interbank funding, funding from customers and fundraising through certificates of deposit and bonds outstanding, net, therefore, of any repurchased amounts. They also include payables recognised by the lessee under finance leases, and repurchase agreements.

Recognition criteria
Financial liabilities are initially recognised on receipt of the money raised or issuance of debt securities. Liabilities are initially recognised at fair value, which is normally the amount collected or the issue price, plus any additional costs/income directly attributable to individual funding or issue transactions and not reimbursed by the creditor. This item does not include internal administrative expenses.

The fair value of any financial liabilities issued at less favourable conditions than those available on the market, is specifically estimated solely on the basis of observable market data and the difference compared to market value is recognized in the income statement.
Any repurchase agreements with the obligation to repurchase at maturity are recognised as funding transactions for the spot amount paid.

Recognition criteria of Income Statement items
After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Short-term liabilities, for which the time factor is negligible, are excluded from this method and are recognised at the amount collected and any costs charged are recognised in the income statement.

Derecognition criteria
Financial liabilities are derecognised when they expire or are extinguished. Derecognition also occurs when securities previously issued are repurchased. The difference between the liability's carrying amount and the amount paid to repurchase it is recognised in the income statement. Securities previously repurchased and placed back on the market are considered as a new issue and are recognised at the new issue price, with no effect on the income statement.

Section 16 Foreign Currency Transactions

Recognition criteria
Upon initial recognition foreign currency transactions are recorded in the reporting currency, converting the foreign currency amount using the exchange rate ruling at the transaction date.

Valuation and recognition criteria of Income Statement items
At the end of each annual or interim period, the balance sheet items in foreign currencies are valued as follows:

- Monetary items are converted using the year-end rate;
- Non-monetary items carried at historical cost are converted using the rate ruling at the transaction date;
- Non-monetary items carried at fair value are converted using the rate ruling at the year end.

Exchange differences arising from the settlement of monetary items or from the conversion of either monetary items at rates other than the initially used ones, or of the previous financial statements, are recognised in the income statement of the period when they arise.
When a gain or a loss relating to a non-monetary item is recognised in net equity, the exchange difference relating to such element is also recorded in net equity. Conversely, when a gain or a loss is recognised in the income statement, also the related exchange difference is recorded in the income statement.

17 Other information

Employee benefits

In accordance with Law no. 296 of 27 December 2006 (2007 Budget Act), companies with a minimum of 50 employees are obliged to pay on a monthly basis – and in accordance with the employee's wishes – the Employee Severance Indemnity accrued after 1 January 2007 to the supplementary pension scheme as per Legislative Decree 252/05 or to a special Fund managed by INPS for the payment of employee severance indemnity to private sector employees pursuant to article 2120 of the Italian Civil Code (hereinafter the Treasury Fund).

The following options are therefore available:

a) the severance indemnity accrued after 1 January 2007 is paid to supplementary pension schemes;
b) the severance indemnity accrued after 1 January 2007 is kept in the company (for companies with fewer than 50 employees);
c) the severance indemnity accrued after 1 January 2007 is transferred to INPS Treasury Fund (for those who, despite having chosen not to allocate the severance indemnity to supplementary pensions schemes, work in companies with at least 50 employees).

In the cases referred to in b), which specifically apply the bank, the total severance indemnity liability shall be assessed pursuant to IAS; the actuarial valuation shall be carried out according to the usual criteria set out in IAS 19, except for the exclusion of the pro rata relating to employees who decided to transfer their entire accrued amount to supplementary pension schemes, in order to preserve methodological consistency as indicated by the Board of Actuaries with regard to other pension schemes.

The Employee severance indemnity (TFR) is recognised on the basis of its actuarial value.

Discounting is made using the "projected unit credit" method that involves projecting future payments based on historical, statistical and demographic analysis and discounting these flows based on the market interest rate at year end with maturity equal to the average maturity of the liability.

The actuarial analysis is conducted annually by an independent actuarial and statistics consulting firm.

The cost for the severance indemnity accrued during the year and recognized in the income statement as staff costs is the sum of the present value of employee benefits accrued during the year, and the annual interest accrued on the present value of existing liabilities at the beginning of the year. Gains or losses resulting from changes in actuarial assumptions with respect to previous year estimates, are charged to a separate reserve in equity.

Treasury shares

Any treasury shares hold are entered as a reduction of net equity.

Similarly, their original cost and the gains or losses resulting from their subsequent sale are recognized as changes in equity.

Leasehold improvements and incremental capital expenditures

These costs were recognised as "Other assets", as the conditions for their classification as "tangible assets", as provided for by the Bank of Italy regulations, are not met.

The related depreciation was recognised in "Other operating expenses/income"

Accruals and deferrals

Accruals and deferrals that include income and expenses accrued during the period on assets and liabilities, are recognized as adjustments to the assets and liabilities to which they relate.

Dividends and recognition of revenue

Revenues are recognized when received or when it is probable that benefits will be received and these benefits can be reliably measured.

Dividend income is recognised in the income statement when the resolution to distribute them is passed, except for those paid by investee companies accounted for at equity. The relating accounting treatment is described in the section on equity investments.

Revenues from securities brokerage or issuing, resulting from the difference between the transaction price and the instrument fair value, are recognized in the income statement on recognition of the transaction if the fair value can be determined with reference to parameters or recent transactions observed in the same market where the instrument is traded; otherwise, they are spread over time, taking into account the maturity and nature of the instrument.

Income relating to financial instruments that cannot be measured as above, flows into the income statement over the term of the transaction.

Determination of fair value

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

The fair value is the amount at which an asset may be sold or a liability settled in a transaction between knowledgeable and independent parties.

The fair value is therefore not the amount that an entity would receive or pay in case of a forced transaction, involuntary liquidation or a distressed sale. Moreover, the reference to transactions between "knowledgeable" parties highlights the need for perfect information symmetry between the parties, namely, equal access to information sources, which include raw data and financial methods, as well as the professional skills necessary to correctly evaluate the financial instruments. Finally, the reference to the parties' independence refers to a situation where they have equal bargaining power.

From the above definition, it follows that the initial stage of the fair value measurement process is the assessment of the "place" where the price is formed, namely the distinction between "active market" and "inactive market", given that the best evidence of fair value is the existence of quoted prices in an active market. If the market for a financial instrument is not active, an entity shall determine fair value using a valuation technique. The break-down of prices in categories (listed/unlisted) introduces a distinction between:

- instruments listed on active markets
- instruments not listed on active markets

These categories involve a further distinction between:

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

Financial instruments listed on active markets

According to AG71 of IAS 39 "the existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure the financial asset or financial liability" Therefore, the process of defining Fair Value begins with the verification of the existence of an active market from which quoted prices can be obtained regularly.

With regard to regulated markets, they are usually considered as active markets except for any regulated markets that Risk Management should identify as "not active". With reference to non-regulated markets (OTC markets) the presence of active contributors is assessed.

If, as a result of this process, the existence of an active market for the listed instruments is established, fair value of the instrument coincides with the price quoted on the valuation date (Mark to Market).

The current market price more appropriate for an asset held or a liability to be issued is usually the current bid price, while for an asset to be purchased or a liability held, it is the asking price (see IAS 39 § AG72). Given the specific liquidity prevailing on regulated markets, the official price published by the market operator is taken as reference price.

In general, the application of the Mark to Market process based on price sources is carried out as follows:

- for prices quoted in regulated markets, in particular in the Italian market, the price is determined on the basis of the price quoted on the Italian Stock Exchange for each financial instrument in the portfolio;
- in the case of prices quoted in unregulated markets, the price is determined by identifying the prices quoted by other Information Providers .

Securities in the portfolio measured according to the above methods are classified, respectively, in levels 1 and 2 of the fair value hierarchy.

Financial instruments not listed on active markets

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

For the purposes of fair value determination, the Bank has chosen to apply the discounted cash flow method, mainly based on observable market inputs, for instruments that can be measured by discounting the related cash flows (including debt securities).

Should we consider financial instruments other than debt securities, alternative valuation techniques, also based on non-observable market inputs, shall be taken into account.

In general, through the DCF method, the fair value of financial instruments can be determined by discounting the future contractual cash flows (or those deemed most likely) at an established interest rate.

The legislation explicitly states (see § IAS 39 AG82) the elements/factors that a model-based valuation technique must necessarily include.

First, the interest rate risk must be taken into account; in the usual practice, reference is made to well-accepted and recognized rates, such as the Euribor and/or the Swap rates. In this case, the interest rates used reflect an 'interbank' risk, which is limited, albeit usually higher than government risk. There are, however, other components besides interest rate risk that determine market risk. The premium for all these other components can be summarized in a "spread" to be added to the "Risk Free" curve, for each reference maturity, to obtain a curve which can be used to discount the future cash flows generated by the asset being valued. The Bank calculates this "Spread" with reference to the so-called "Credit Default Swaps" quoted for the issuer of the security to be measured, or, if unavailable, for other issuers of similar size and sector or industry averages.

Therefore, the elements useful for the DCF calculation are:

- Timing, maturity and amount (certain or estimated) of the instrument's future cash flows;
- Appropriate discount rate (depending on the credit risk associated with the debtor);
- Currency in which the instrument's cash flows will be paid.

The pricing models for the fair value calculation are based on market inputs.

The main market inputs used in valuation techniques for measuring financial instruments not listed on active markets are:

- the interest rate curves;
- credit risk.

In particular, the main curves used are the Euribor rates and Swap rates curves.

The curves reflecting the issuer's creditworthiness are obtained by summing the zero coupon yield curve (or risk free rates) to a "Spread" which expresses the issuer's creditworthiness; these curves are generally used to evaluate bonds not listed on active markets.

To this end, the operator should use the following hierarchy of information:

- credit spreads derived from the Credit Default Swaps (CDS);
- curves for similar sector/rating classes

The instruments measured using the Mark to Model technique will be classified in Tier 3 of the fair value hierarchy.

Recognition criteria for impairment

Financial instruments other than those included in the portfolio of "Financial assets held for trading" are tested for impairment (evaluation of impairment dependent on the deterioration of the issuer's creditworthiness) whenever events occur such as to indicate that the investment has been impaired. The test is divided into two steps:

identification of any situation of issuers' deteriorated creditworthiness and identification of impaired assets;

measurement of the permanent losses arising from the impairment.

The criteria applied by the Bank to identify an impairment distinguish between debt and equity securities and are as follows:

- Impairment of debt securities

In the case of bonds with a "rating", it is appropriate to assess any deterioration in the issuer's credit rating. In this respect the accounting standard clarifies that "a downgrade of an entity's credit rating is not, in itself, evidence of impairment, although this may be indicative of impairment when considered in conjunction with other information available "(IAS 39 § 60). Therefore we consider that a downgrade which results in debt securities being classified below the "Investment Grade" threshold is indicative of the need to test those securities for impairment, whilst in other cases, the downgrade in credit rating should be evaluated in conjunction with other available factors.

In the case of bonds, we consider the specialized sources available (such as investment guidelines provided by financial institutions, rating reports, etc..) or information available on the "Information Providers", through which the significance of the issuer downgrading can be more accurately evaluated.

- Impairment of equity instruments

With reference to equity instruments classified as "Available for sale", it is reasonable to assume that the write-down of shares in the portfolio would precede the write-down of bonds issued by the same issuer; therefore, impairment indicators of debt securities issued by an entity, or the write-down of debt securities, are in themselves strong impairment indicators for the equity securities of that issuer.

More generally, to determine whether there is evidence of impairment for an equity instrument, in addition to the loss events referred to in § 59 of IAS 39, the following two events should be considered above all:

- significant changes with adverse impact on the technological, economic or legal environment in which the entity operates (IAS 39 § 61);
- significant or prolonged decline in the fair value below the purchase cost. This with reference to equity instruments only.

The following parameters imply an impairment for which the valuation reserve has to be charged to the income statement.

- the fair value of the instrument is less than 20% of its initial carrying amount;
- the fair value is less than the carrying amount for a period exceeding 6 months.

A.3 FAIR VALUE REPORTING

A.3.1 Transfers between accounting portfolios

The bank has not carried out any transfers between portfolios.

A.3.2 Hierarchy of Fair Value

The bank classified its financial assets and liabilities (as shown in section 17) in the different fair value levels on the basis of the following principles:

- Level 1: instrument measured at market price obtained from prices quoted in an active market;
- Level 2: measurement based on prices quoted by reliable info providers;
- Level 3: measurement based on internal evaluation techniques.

A.3.2.1 Accounting portfolios: breakdown by fair value levels

Items/Amounts	2011			2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets/liabilities at fair value						
1. Financial assets held for trading	5,214	3,666	-	5,510	5,996	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	-
4. Hedging derivatives	-	-	-	-	-	-
Total	**5,214**	**3,666**	**-**	**5,510**	**5,996**	**-**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-

A.3.3 Information on the so-called "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.”

The application of paragraph AG76 may result in no gain or loss being recognized on initial recognition of a financial asset or liability. In this case, IAS 39 requires that a gain or loss shall be recognized 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 of the period in which the instrument was issued, and shall not amortise it throughout its term to maturity (as required by IAS 39, paragraphs AG76/AG76A) using the fair value "spread adjustment" method.

This page has been intentionally left blank

Part B
Information on 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: breakdown

	Total	
	2011	2010
a) Cash	248	335
b) Demand deposits at Central Banks	20	23
Total	**268**	**358**

The amounts in sub-item "Cash" are entirely in euros.
The sub-item "Demand deposits with central banks" refers to deposits held with the Bank of Italy.
The amount does not include the mandatory Reserve which is included in Assets in item 60 "Receivables from banks".

Section 2 – Item 20 – Financial assets held for trading

2.1 Financial assets held for trading: commodity breakdown

This item includes all financial assets allocated to the trading book.

Items/Amounts	Total					
	2011			2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	5,214	3,666	-	5,510	5,996	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	5,214	3,666	-	5,510	5,996	-
2 Equity instruments	-	-	-	-	-	-
3 Units of mutual investment funds	-	-	-	-	-	-
4 Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**5,214**	**3,666**	**-**	**5,510**	**5,996**	**-**
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)	**5,214**	**3,666**	**-**	**5,510**	**5,996**	**-**

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

Items/Amounts	Total 2011	Total 2010
A. Cash assets		
1 Debt securities	**8,880**	**11,506**
a) Governments and central banks	3,041	3,293
b) Other public entities	-	-
c) Banks	2,380	3,903
d) Other issuers	3,459	4,310
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	**8,880**	**11,506**
B. Derivative instruments		
a) Banks	-	-
- fair value	-	-
-	-	-
b) Customers	-	-
- fair value	-	-
-	-	-
Total B	-	-
Total (A+B)	**8,880**	**11,506**

The breakdown of financial assets by issuers' industry was made according to the classification criteria set by the Bank of Italy.

2.3 Financial assets in cash held for trading: annual changes

	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	**11,506**	-	-	-	**11,506**
B Increases	**12,055,482**	**-**	**-**	**-**	**12,055,482**
B1 Purchases	12,048,716	-	-	-	12,048,716
B.1.1 Purchases	-	-	-	-	-
B.1.2 Business combinations	-	-	-	-	-
B2 Positive changes in fair value	24	-	-	-	24
B3 Other changes	6,742	-	-	-	6,742
C Decreases	**12,058,108**	**-**	**-**	**-**	**12,058,108**
C1 Sales	12,055,854	-	-	-	12,055,854
C.1.1 Sales	-	-	-	-	-
C.1.2 Business combinations	-	-	-	-	-
C2 Redemptions	1,413	-	-	-	1,413
C3 Negative changes in fair value	381	-	-	-	381
C4 Transfers to other portfolios	-	-	-	-	-
C5 Other changes	460	-	**-**	**-**	460
D Closing balances	**8,880**	**-**	**-**	**-**	**8,880**

Positive changes in fair value include capital gains on valuation for € 24 thousand.
The other increases include € 6,742 thousand of trading profits.
Negative changes in fair value include capital losses on valuation for € 381 thousand.
Other decreases include trading losses for € 460 thousand.

Section 6 – Item 60 – Receivables from banks

6.1 Receivables from banks: commodity breakdown

Types of transaction/Amounts	Total	
	2011	2010
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	**5,629**	**3,673**
1. Current accounts and demand deposits	5,282	2,926
2. Term deposits	347	747
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)	**5,629**	**3,673**
Total (fair value)	**5,629**	**3,673**

The item time deposits decreased by the amount receivable from Banca MB, which in 2010 was included in loans to banks. Following the MEF decree, which placed Banca MB in compulsory winding-up, after withdrawal of the banking authorisation, the receivable was reclassified as loans to customers. In addition, this item was not discounted to present value as the bank's receivable was fully accepted and should be collected before the end of 2012.

The mandatory reserve requirement is met via the Istituto Centrale delle Banche Popolari Italiane; the amount, therefore, is presented in item B.2 time deposits.
As these are entirely short-term and/or variable rate loans, fair value is assumed to be equal to the amortised cost.

Section 7 – Item 70 – Trade receivables

7.1 Trade receivables: commodity breakdown

Types of transaction/Amounts	Total			
	2011		2010	
	Performing	Impaired	Performing	Impaired
1 Current account overdrafts	1,978	780	2,107	76
2 Reverse repurchase agreements	-	-	-	-
3 Mortgage loans	17,809	318	13,107	132
4 Credit cards, personal loans and loans secured by one-fifth of salary	1,431	7	1,409	-
5 Finance leases	-	-	-	-
6 Factoring	-	-	-	-
7 Other transactions	4,250	-	5,371	-
8 Debt securities	-	-	-	-
8.1 Structured securities	-	-	-	-
8.2 Other debt securities	-	-	-	-
Total (carrying amount)	**25,468**	**1,105**	**21,994**	**208**
Total (fair value)	**26,317**	**1,136**	**22,018**	**219**

Loans to customers are entered net of write-down adjustments.

For *performing* exposures, given the short history of the bank and the lack of adequate proprietary time series, the write-downs were carried out on the basis of the experiences of a group of banks chosen from among those that most resemble Banca Promos in terms of size, location and type of business.
In particular, we determined the average rate applied by banks in the group for these types of impairment, based on the last approved financial statements, which was equal to 0.52%.
At 31/12/2011 total non performing loans for € 286 thousand, net of analytical write-downs for € 224 thousand resulted in net non-performing loans recognised in the financial statements of € 62 thousand.
The amount and breakdown of the impairments are shown in Part E of these Notes.

The sub-item 7 “Other transactions” include:

	Total
	2011
Unsecured loans	2,038
Advances with recourse	1,507
Commercial discounts	58
Deposits at clearing houses	621
Guarantee deposits	26
Total	**4,250**

7.2 Trade receivables: breakdown by debtor/issuer

Types of transaction/Amounts	Total 2011		Total 2010	
	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:	**25,468**	**1,105**	**21,994**	**208**
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	25,468	1,105	21,994	208
- non-financial companies	9,125	263	8,826	69
- financial companies	12	476	30	-
- insurance companies	-	-	-	-
- other	16,331	366	13,138	139
Total	**25,468**	**1,105**	**21,994**	**208**

The breakdown of financial assets by issuers' industry was made according to the classification criteria set by the Bank of Italy.

Section 10 – Item 100 – Equity investments

At 31/12/2011 the Bank held no equity investments.

10.3 Equity investments: annual changes

	Total 2011	Total 2010
A Opening balance	**-**	**3,118**
B Increases	**-**	**-**
B1 Purchases	-	-
B2 Recoveries	-	-
B3 Revaluations	-	-
B4 Other changes	-	-
C Decreases	**-**	**3,118**
C1 Sales	-	-
C2 Impairments	-	-
C3 Other changes	-	3,118
D Closing balance	**-**	**-**
E Total revaluations	**-**	**-**
F Total impairments	**-**	**-**

Section 11 – Item 110 – Tangible fixed assets

11.1 Tangible fixed assets: breakdown of assets carried at cost

Assets/Amounts	Total	
	2011	2010
A Operating assets		
1.1 owned by the Bank	**7,188**	**7,521**
a) land	-	-
b) buildings	6,567	6,871
c) furniture	411	444
d) electronic equipment	87	107
e) other	123	99
1.2 purchased under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**7,188**	**7,521**
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	**7,188**	**7,521**

11.3 Functional tangible fixed assets: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A Gross opening balances	**-**	**7,175**	**557**	**335**	**187**	**8,254**
A.1 Total net reductions	-	304	113	228	88	733
A.2 Net opening balances	**-**	**6,871**	**444**	**107**	**99**	**7,521**
B Increases	**-**	**-**	**28**	**16**	**59**	**103**
B.1 Purchases	-	-	28	15	59	102
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	-	-	-	1	-	1
C Decreases:	**-**	**304**	**61**	**36**	**35**	**436**
C.1 Sales	-	-	-	2	-	2
C.1.1 Sales	-	-	-	-	-	-
C.1.2 Business combinations	-	-	-	-	-	-
C.2 Depreciation	-	304	61	34	35	434
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	**-**	**6,567**	**411**	**87**	**123**	**7,188**
D.1 Total net reductions	-	608	174	261	123	1,166
D.2 Gross closing balances	**-**	**7,175**	**585**	**348**	**246**	**8,354**
E Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The depreciation of the property was determined on the basis of its useful life resulting from a technical appraisal, in accordance with the rules laid down in IAS 16.
The depreciation rate for furniture is 12%, for electronic systems and other components is 20%.

Total accumulated depreciation is reported in Lines A.1 and D.1-Total net reductions.
No amounts are reported in Sub-item E - Measurement at cost - as this item is intended only for tangible assets measured at fair value, which the Bank does not own.

Section 12 – Item 120 – Intangible fixed assets

12.1 Intangible fixed assets: breakdown by type of asset

Assets/Amounts	Total			
	2011		2010	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	**43**	**-**	**49**	**-**
A.2.1 Assets measured at cost:	43	-	49	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	43	-	49	-
A.2.2 Assets at fair value:	**-**	**-**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**43**	**-**	**49**	**-**

The other intangible assets with a finite life are software costs and licenses purchased entirely from third parties which were amortised on a straight-line basis over their estimated 5 year useful life. There are no internally generated intangible assets.

12.2 Intangible fixed assets: annual changes

	Goodwill	Other intangible assets: Internally generated		Other intangible assets: Other		Total
		FINITE	INDEF	FINITE	INDEF	
A Gross opening balances	**-**	**-**	**-**	**411**	**-**	**411**
A.1 Total net reductions	-	-	-	362	-	362
A.2 Net opening balances	**-**	**-**	**-**	**49**	**-**	**49**
B Increases	**-**	**-**	**-**	**12**	**-**	**12**
B.1 Purchases	-	-	-	12	-	12
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	**-**	**-**	**-**	**18**	**-**	**18**
C.1 Sales	-	-	-	-	-	-
C.1.1 Sales	-	-	-	-	-	-
C.1.2 Business combinations	-	-	-	-	-	-
C.2 Adjustments	-	-	-	18	-	18
- Amortisation	-	-	-	18	-	18
- 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	**-**	**-**	**-**	**43**	**-**	**43**
D.1 Total net adjustments	-	-	-	380	-	380
E. Gross closing balances	**-**	**-**	**-**	**423**	**-**	**423**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Key:
DEF: with a finite life
INDEF: with an indefinite life

12.3 Other information

According to the requirements of IAS 38, paragraphs 122 and 124 the Bank provides the following information: the Bank has not

- placed its intangible assets as collateral for its liabilities
- taken commitments to purchase intangible assets, as at the date of the financial statements
- purchased intangible assets through finance or operating leases.

Section 13 – Item 130 of assets and Item 80 of liabilities – Tax assets and liabilities

This item includes tax assets (current and deferred) and liabilities (current and deferred) recorded, respectively, in item 130 of the Assets and item 80 of the Liabilities.
Deferred tax assets and liabilities are accounted for in accordance with the accrual principle, in order to match costs and revenues that determine the result for the period.
Deferred tax assets were recognised on the assumption that future taxable income will likely be achieved, sufficient to absorb the costs resulting from the reversal of these assets.

13.1 Deferred tax assets: breakdown

	IRES	IRAP	Total
impairments of loans and advances to customers	85	-	85
other temporary differences	41	-	41
Total	**126**	**-**	**126**

13.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Totale
surplus provisions for staff termination benefits under IFRS	946	197	1,143
other temporary differences	-	-	-
Total	**946**	**197**	**1,143**

13.3 Change in prepaid taxes (offsetting entry to income statement)

	Total	
	2011	2010
1. Opening balance	**154**	**183**
2. Increases	**9**	**11**
2.1 Deferred tax assets recognised during the year	9	11
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) recoveries	-	-
d) other	9	11
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**37**	**40**
3.1 Deferred tax assets derecognised during the year	37	40
a) reversals	-	-
b) impairments due to non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	37	40
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	**126**	**154**

At end of the reporting period, the Bank reviewed its tax position and, in accordance with applicable accounting standards, it recognised "deferred tax assets" according to the probability of their recovery.
For IRES a 27.5% rate was applied, whilst for IRAP the rate applied was 5.72%. The recognition was made in compliance with current tax laws.

The net balance between deferred tax assets recognized and derecognised during the year was recognised in the income statement, in item 260 "Income taxes on continuing operations" for about € 27 thousand.

13.4 Change in deferred taxes (offsetting entry to income statement)

	Total	
	2011	2010
1. Opening balance	**1,173**	**18**
2. Increases	**27**	**1,229**
2.1 Deferred tax liabilities recognised during the year	-	-
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	27	4
2.3 Other increases	-	1,225
- of which business combinations	-	1,225
3. Decreases	**57**	**74**
3.1 Deferred tax liabilities derecognised during the year	57	56
a) reversals	57	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	**1,143**	**1,173**

"Deferred tax liabilities" are recognized for temporary differences between the carrying amount of an asset or liability and its tax value.
For IRES a 27.5% rate was applied, whilst for IRAP the rate applied was 5.72%. The recognition was made in compliance with current tax laws.
The derecognition of deferred tax liabilities for reversals refers to taxes calculated on the depreciation charge for the period relating to the property's capital gain.

13.5 Change in prepaid taxes (offsetting entry to net equity)

In the current year no deferred tax assets were recognised directly in equity.

13.6 Change in deferred taxes (offsetting entry to net equity)

In the current year no deferred tax liabilities were recognised directly in equity.

13.7 Other information

Current tax assets and liabilities refer to the following taxes payable to the Revenue Agency, net of advances paid and taxes withheld.

Current tax assets

Items/Amounts	2011	2010
IRES	356	623
IRAP	185	227
Indirect and other taxes	-	-
Total	**541**	**850**

Current tax liabilities

Items/Amounts	2011	2010
IRES	421	421
IRAP	236	191
Indirect and other taxes	-	-
Total	**657**	**612**

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

14.1 Non-current assets and disposal groups: breakdown by type of asset

In the current year the Bank did not recognize any non-current assets and disposal groups held for sale.

Section 15 – Item 150 – Other assets

15.1 Other assets: breakdown

	2011	2010
Non-current assets in progress and advances	-	-
Amounts to be charged to customers	136	85
Leasehold improvements	145	243
Sundry tax assets	158	228
Pending direct debits payable	501	311
Fees and commissions to be invoiced	-	-
other minor items	476	83
Accrued income and prepayments	7	21
Total	**1,423**	**971**

This section includes the residual accrued income and prepayments not attributable to specific balance sheet items, as well as costs incurred for leasehold improvements. The most significant changes relate to temporary entries, which are included in the item only for as long as it is necessary to process the transaction and recognize it in the appropriate item.

Liabilities

Section 1 – Item 10 – Payables to banks

1.1 Payables to banks: commodity breakdown

Types of transaction/Amounts	Total	
	2011	2010
1 Deposits by central banks	**-**	**-**
2 Deposits by banks	**-**	**50**
2.1 Current accounts and demand deposits	-	50
2.2 Term deposits	-	-
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Liabilities deriving from commitments to repurchase own shares	-	-
2.5 Other payables	-	-
Total	**-**	**50**
Fair value	**-**	**50**

Section 2 – Item 20 – Trade payables

2.1 Trade payables: commodity breakdown

Types of transaction/Amounts	Total	
	2011	2010
1 Current accounts and demand deposits	18,861	20,478
2 Term deposits	5,959	-
3 Loans	-	195
3.1 Repurchase agreements	-	195
3.2 Other	-	-
4 Liabilities deriving from commitments to repurchase own shares	-	-
5 Other payables	-	-
Total	**24,820**	**20,673**
Fair value	**24,820**	**20,673**

As this item includes only current accounts, demand deposits and time deposits maturing within 12 months, fair value is assumed to be equal to the amortised cost.

Section 3 – Item 30 – Outstanding securities

3.1 Outstanding securities: commodity breakdown

Types of transaction/Amounts	Total 2011				Total 2010			
	Carrying amount	*Fair value* Level 1	Level 2	Level 3	Carrying amount	*Fair value* Level 1	Level 2	Level 3
A. Securities	**7,609**	**-**	**7,897**	**-**	**8,137**	**-**	**8,277**	**-**
1. Bonds	7,609	-	7,897	-	8,137	-	8,277	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	7,609	-	7,897	-	8,137	-	8,277	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**7,609**	**-**	**7,897**	**-**	**8,137**	**-**	**8,277**	**-**

The fair value of bonds issued, considered in chronological order of issuance, amounts respectively to € 3,091,800, € 968,750 and € 3,836,800.
In order to measure fair value, reference was made to the linearly interpolated swap rate curve at 31/12/2011, and to the credit spreads for banks rated BBB (Senior).

Section 8 – Tax liabilities – Item 80

The breakdown and changes in deferred tax liabilities is included in the Assets section 13.

Section 10 – Item 100 – Other liabilities

10.1 Other liabilities: breakdown

	2011	2010
Subject to collection portfolio	59	335
Bank transfers awaiting clearance	-	-
Bankers' drafts issued	23	5
Amounts payable to tax authorities on behalf of customers and staff	225	242
Trade payables	238	457
Amounts payable to other entities	146	123
Accrued expenses	12	6
Remuneration payable to staff and related social security contributions	130	81
Amounts payable to customers	64	111
Other third-parties payables	5	9
Total	**902**	**1,369**

Section 11 – Item 110 – Employee severance indemnity

11.1 Employee severance indemnity: annual changes

	Total	
	2011	2010
A Opening balance	**595**	**470**
B Increases	**167**	**153**
B.1 Provisions for the year	167	153
B.2 Other changes	-	-
C Decreases	**115**	**28**
C.1 Benefits paid	47	9
C.2 Other changes	68	19
D Closing balance	**647**	**595**
Total	**647**	**595**

This item includes the Employee Severance Indemnity (T.F.R.) recognised in accordance with the requirements of IAS 19.
At the balance sheet date, the bank has elected to recognise actuarial gains and losses incurred in the year in a separate equity reserve.
The Employee Severance Indemnity accrued after 1 January 2007 continues to be kept in the company, as, at 31/12/2011, the Bank did not exceed the minimum threshold of 50 employees, as provided for by law no. 296 of 27 December 2006.

Section 12 – Item 120 – Provisions for liabilities and charges

12.1 Provisions for liabilities and charges: breakdown

Items/Amounts	Total	
	2011	2010
1. Company pensions funds	**-**	**-**
2. Other provisions	**50**	**86**
2.1 litigation	44	86
2.2 staff costs	-	-
2.3 other	6	-
Total	**50**	**86**

The amount of the provision for liabilities and charges was set aside as safeguard in relation to two labour disputes.
The residual item "other" includes potential charges relating to long-term benefits to be paid to "relevant personnel"; the charge for the period was recognised in the income statement in the item "staff costs".

12.2 Provisions for liabilities and charges: annual changes

	Pension funds	Other provisions	Total
A Opening balances	**-**	**86**	**86**
B Increases	**-**	**50**	**50**
B.1 Provisions for the year	-	50	50
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to modification of discount rate	-	-	-
B.4 Other increases	-	-	-
C Decreases	**-**	**86**	**86**
C.1 Uses during the year	-	52	52
C.2 Changes due to modification of discount rate	-	-	-
C.3 Other decreases	-	34	34
D Closing balances	**-**	**50**	**50**

At 31/12/2011 there were two labour related lawsuits pending against the Bank, for which provisions were set aside amounting to € 44 thousand. It should also be noted that during the year, one of the labour disputes pending at the end of the previous year was concluded with an outlay below the amount set aside, which resulted in the related provision being released for about € 34 thousand.

Section 14 – Items 130, 150, 160, 170, 180, 190 and 200 – Corporate equity

The section reports the composition of the Bank's capital and reserves.

14.1 Share capital and Treasury shares: breakdown

Items/Amounts	Total	
	2011	2010
1. Share capital	7,740	7,740
Total	**7,740**	**7,740**

At the date of these financial statements, the company held no treasury shares.

14.2 Share capital – Number of shares: annual changes

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 solely of no. 7,740,000 shares, with a par value of € 1.00 each. There are no rights, privileges or restrictions on the shares.
All subscribed shares are paid up and the company does not hold treasury shares.

14.4. Profit reserves: other information

Items/Components	Total	
	2011	2010
1. Legal reserve	694	644
2. FTA reserve:	115	115
3. Retained earnings	621	621
4.Profit for prior year	3,819	3,437
Total	**5,249**	**4,817**

Other information

1. Guarantees granted and commitments

Transaction	Total 2011	Total 2010
1. Financial guarantees provided	377	163
a) Banks	62	-
b) Customers	315	163
2. Commercial guarantees provided	-	-
a) Banks	-	-
b) Customers	-	-
3. Firm commitments to disburse funds	8	-
a) Banks	-	-
i) certain to be used	-	-
ii) not certain to be used	-	-
b) Customers	8	-
i) certain to be used	8	-
ii) not certain to be used	-	-
4. Commitments underlying credit derivatives: sale of protection	-	-
5. Assets pledged as security for third-party obligations	-	-
6. Other commitments	-	-
Total	**385**	**163**

4. Third-party management and brokerage

Types of service	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	9,636
1. settled	9,445
2. unsettled	191
b) Sales	8,868
1. settled	8,868
2. unsettled	-
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)	26,525
1. securities issued by the reporting bank	14,904
2. other securities	11,621
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	26,525
d) proprietary securities deposited with third parties	11,638
4. Other transactions	

Part C
Information on 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 and similar income: breakdown

Items/Forms	Debt securities	Loans	Other transactions	Total 2011	Total 2010
1 Financial assets held for trading	287	-	-	287	324
2 Available-for-sale financial assets	-	-	-	-	-
3 Held-to-maturity financial assets	-	-	-	-	-
4 Loans and advances to banks	-	24	-	24	59
5 Loans and advances to customers	-	1,150	-	1,150	760
6 Financial assets at fair value	-	-	-	-	-
7 Hedging derivatives	-	-	-	-	-
8 Other assets	-	-	-	-	-
Total	**287**	**1,174**	**-**	**1,461**	**1,143**

Interest on "impaired loans" to customers amounted to € 5,091.

1.3.1 Interest income on financial assets in foreign currency

Interest receivable on financial assets in foreign currency amounted to € 720.

1.4 Interest and similar expenses: breakdown

Items/Forms	Deposits	Securities	Other transactions	Total 2011	Total 2010
1. Deposits by central banks	-	-	-	-	-
2. Deposits by banks	54	-	-	54	38
3. Customer accounts	98	-	-	98	48
4. Outstanding securities	-	263	-	263	243
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**152**	**263**	**-**	**415**	**329**

1.6.1 Interest expense on financial liabilities in other currencies

Interest payable on financial liabilities in foreign currency amounted to € 21,547.

Section 2 – Items 40 and 50 – Commissions

These items include income and expenses relating, respectively, to services provided by and to the bank.

Income and expenses taken into account in the determination of the effective interest rate of financial assets and liabilities are excluded (as they are included in items 10 - Interest and similar income and 20 - Interest and similar expenses).

2.1 Commission income: breakdown

Types of service/Amounts	Total 2011	Total 2010
a) guarantees issued	7	2
b) credit derivatives	-	-
c) management, brokerage and advisory services:	271	251
1. trading in financial instruments	34	37
2. foreign currency trading	-	-
3. asset management	-	-
3.1 individual	-	-
3.2 collective	-	-
4. custody and administration of securities	3	4
5. depositary bank	-	-
6. securities placement	17	19
7. order collection	100	61
8. advisory services	-	-
8.1 regarding investment	-	-
8.2 regarding financial structure	-	-
9. distribution of third-party services	117	130
9.1 asset management	-	-
9.1.1. individual	-	-
9.1.2 collective	-	-
9.2 insurance products	-	-
9.3 other products	117	130
d) collection and payment services	123	110
e) servicing for securitisation transactions	-	-
f) factoring transactions	-	-
g) tax collection	-	-
h) management of multilateral trading systems	-	-
i) current account services	139	108
j) other services	-	-
Total	**540**	**471**

2.2 Commission income: distribution channels of products and services

Channels/Amounts	Total 2011	Total 2010
a) through own branches:	**117**	**94**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	117	94
b) door-to-door sales:	**17**	**19**
1. asset management	-	-
2. securities placement	17	19
3. third-party services and products	-	-
c) other distribution channels	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	-	-

2.3 Commission expense: breakdown

Services/Amounts	Total	
	2011	2010
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) management and brokerage services:	656	789
1. Trading in financial instruments	649	781
2. Foreign currency trading	-	-
3. Asset management	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	7	8
5. Placement of financial instruments	-	-
6. Door-to-door sales of financial instruments, products and services	-	-
d) Collection and payment services	32	34
e) Other services	7	8
Total	**695**	**831**

Section 4 – Item 80 – Net result on trading activity

4.1 Net result on trading activity: breakdown

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	**24**	**6,742**	**381**	**476**	**5,909**
1.1 Debt securities	24	6,742	381	460	5,925
1.2 Equity instruments	-	-	-	-	-
1.3 Units of mutual investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	16	(16)
2 Financial liabilities held for trading	**-**	**-**	**-**	**59**	**(59)**
2.1 Debt securities	-	-	-	59	(59)
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	**24**	**6,742**	**381**	**535**	**5,850**

The item includes:
a) the balance of profits and losses on transactions classified as "financial assets held for trading" and "financial liabilities held for trading", including the results on the valuation of such transactions.
b) the balance of profits and losses on financial transactions in foreign currencies including the results on the valuation of these transactions.

c) capital gains, amounting to € 24 thousand, and capital losses amounting to € 381 thousand on securities in the portfolio as at 31/12/2011.

Section 8 – Item 130 – Net adjustments/write-backs for impairment

8.1 Net adjustments/write-backs for impairment: breakdown

Transactions/Components of income	Impairment losses			Recoveries				Total	
	Specific		Collective	Specific		Collective			
	Cancellations	Other		interest	other	interest	other	2011	2010
A. Loans and advances to banks	-	-	-	-	-	-	-	-	(45)
- Loans	-	-	-	-	-	-	-	-	(45)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	(92)	(44)	-	7	99	-	27	(3)	24
- Loans	(92)	(44)	-	7	99	-	27	(3)	24
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(92)**	**(44)**	**-**	**7**	**99**	**-**	**27**	**(3)**	**(21)**

Value adjustments in the column "Specific - write-off" refer to a loan written-off as it had become uncollectable due to the company's declaration of bankruptcy.
Value adjustments in the column "Specific - other" refer to analytical write-downs of receivables.
The write-backs in the column "Specific" refer to:
- with regard to "Interest", reductions of doubtful loans in relation to the receivable that became uncollectable
- with regard to "other":
  - reductions of doubtful loans and use of the existing provision, following the write-off of impaired loans for € 76 thousand;
  - write-backs from valuations for € 23 thousand.

The write-backs in the column "Portfolio" refer to collective write-downs, which in 2011 led to a reversal of previous impairments.

Section 9 – Item 150 – Administrative expenses

9.1 Staff expenses: breakdown

Types of expense/Amounts	Total	
	2011	2010
1) Employees	2,710	2,720
a) wages and salaries	1,985	2,027
b) social security contributions	496	499
c) staff termination benefits paid	-	-
d) pension contributions	-	-
e) provisions for staff termination benefits	167	153
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	62	41
2) Other staff	-	-
3) Directors and Statutory Auditors	475	453
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	**3,185**	**3,173**

Sub-item a) includes the portion of production bonus recognized to the commercial staff.
Sub-item e) provision for employee severance indemnity - consists of:

- Current Service Cost for € 141 thousand
- Interest Cost for € 26 thousand

Item 3) directors includes the remuneration of directors and statutory auditors including social security contributions paid by the company.

The Bank has implemented the clarification issued by the Supervisory Authority in a technical note of 14 February 2012, as to the proper recognition in the income statement of staff-related costs. In particular, the adjustment resulted in recognising accommodation and meal costs of staff on business trips as "other administrative expenses" in item 150 b), as these costs are analytical and documented; the above costs were previously recognised as staff expenses for € 23 thousand.
As required by IAS 8, this change resulted in the reclassification of comparative amounts in the financial statements of the previous year for € 29 thousand.

9.2 Average number of staff by category

	2011
Employees	
a) Senior managers	1
b) Total middle managers	4
- of which: grades 3 and 4	2
c) Remaining employees	45
Other staff	-

The average number of employees is calculated in terms of weighted average, where the weight is the number of months worked by each person during the year. Part-time employees are accounted for at 50%.

9.5 Other administrative expenses: breakdown

	2011	2010
Other administrative costs:		
– indirect taxation and duties:	**17**	**17**
– other	17	17
– other:	**1,602**	**2,286**
– fees paid to external consultants	65	74
– auditors' fees	65	79
– lease rentals and running expenses	130	520
– IT services	712	705
– postage and telecommunications	147	149
– maintenance and repairs	27	86
– advertising and public relations	43	67
– energy and fuel	53	44
– insurance	21	21
– printing and stationery	42	84
– office cleaning	10	30
– transport and travel expenses	23	29
– lease rentals and hire charges	49	44
– legal and other consultants' fees	79	228
– membership dues and similar charges	105	92
– security	9	8
– other	22	26
Total	**1,619**	**2,303**

Following the clarification issued by the Supervisory Authority in a technical note of 14 February 2012, as to the proper recognition in the income statement of staff-related costs, the accommodation and meal costs of staff on business trips, previously recognised as staff expenses, were reclassified as "other administrative expenses" in item 150 b), as these costs are analytical and documented.
As required by IAS 8, this change resulted in the reclassification of comparative amounts in the financial statements of the previous year for approximately € 29 thousand.

Section 10 – Item 160 – Net allocations to provisions for liabilities and charges

10. Net allocations to provisions for liabilities and charges: breakdown

	2011	2010
Provisions for risk and charges		
other provisions:	(44)	(3)
-for litigation	*(44)*	*(3)*
Recovery of provisions for risk and charges		
other provisions:	34	-
-for litigation	*34*	-
Total	**(10)**	**(3)**

At 31/12/2011 there were two labour related lawsuits pending against the Bank, for which provisions were set aside amounting to € 44 thousand.
It should also be noted that during the year, one of the labour disputes pending at the end of the previous year was concluded with an outlay below the amount set aside, which resulted in the related provision being released for about € 34 thousand.

Section 11 - Item 170 - Net adjustments to tangible fixed assets

11.1 Net adjustments to tangible fixed assets: breakdown

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	(434)	-	-	(434)
- Operating assets	(434)	-	-	(434)
- Investment assets	-	-	-	-
A.2 Purchased under financial leases	-	-	-	-
- Operating assets	-	-	-	-
- Investment assets	-	-	-	-
Total	**(434)**	**-**	**-**	**(434)**

Depreciation on tangible fixed assets amounted to € 434 thousand and includes depreciation on the property which is recognised on the basis of its useful life, resulting from a technical appraisal.

Section 12 – Item 180 – Net adjustments to intangible fixed assets

12.1 Net adjustments to intangible fixed assets: breakdown

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	(18)	-	-	(18)
- Internally generated	-	-	-	-
- Other	(18)	-	-	(18)
A.2 Purchased under finance leases	-	-	-	-
Total	**(18)**	**-**	**-**	**(18)**

Section 13 – Item 190 – Other operating income and expenses

13.1 Other operating expenses: breakdown

	2011	2010
contingent liabilities	(11)	(31)
amortisation of Leasehold improvements	(98)	(98)
other	(4)	(5)
Total	**(113)**	**(134)**

13.2 Other operating income: breakdown

	2011	2010
Expense recoveries	45	66
Grant pursuant to Law 388/2000	-	10
Contingent assets	13	19
Other	-	300
Total	**58**	**395**

Section 17 – Item 240 – Profits (Losses) on disposal of investments.

17.1 Profits (losses) on disposal of investments: breakdown

Components of income/Amounts	Total	
	2011	2010
A. Properties	-	-
- Profit on sales	-	-
- Loss on sales	-	-
B. Other assets	-	111
- Profit on sales	-	111
- Loss on sales	-	-
Net profit/(loss)	**-**	**111**

Section 18 – Item 260 – Income taxes for the year on current operations

18.1 Income taxes for the year on current operations: breakdown

Components of income/Amounts	Total	
	2011	2010
1. Current tax expense	(657)	(612)
2. Change in current tax expense for previous years	7	33
3. Reduction in current tax expense for the year	-	-
4. Change in deferred tax assets	(28)	(29)
5. Change in deferred tax liabilities	30	69
6. Tax charge for the year	(648)	(539)

18.2 Reconciliation of notional and actual tax burden (IRES)

Components/Amounts	2011
Profit/(Loss) from continuing operations before tax (item 250 c/e)	**1,416**
Tax charge calculated at statutory rate of 27.50% for IRES	**389**
Tax on increases	98
Tax on reductions	(66)
Effective tax rate for IRES - 27,14%	**421**
IRAP	**236**
Current tax expense for the year	**657**

The increases are mainly determined by the directors' remuneration and loans write-downs.
The decreases primarily relate to reversals resulting from the use of provisions.

Section 21 – EPS

Earnings per share for the year 2011 is € 0.10; as provided for by law, it is calculated by dividing the result for the period by the average number of shares outstanding during the year.

Part D
Comprehensive Income

"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".

	Items	Gross amount	Taxation	Net amount
10.	**Profit/(Loss) for the year**	**1,416**	**648**	**768**
	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	68	-	68
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**	**68**	**-**	**68**
120.	**Comprehensive income (Item 10+110)**	**1484**	**648**	**836**

Part E
Information on risks and hedging policies

"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".

In compliance with the provisions of the Bank of Italy circular no.263/2006 as amended and supplemented (Title IV, Chapter 1), the Bank announces that information on capital adequacy and risk exposure is published on its website at www.bancapromos.it

Section 1 – Credit risk

Credit risk, also known as counterparty risk, generally expresses the risk that the customer/counterparty does not perform its obligations in the manner and timing provided for by the contract due to lack of funds.
It is specifically the risk that in a loan transaction the customer-debtor fails to fulfil even part of its obligation to reimburse principal and pay interest.
Credit risk, therefore, includes solvency, concentration and Country risks.[1].

Qualitative information

1. General aspects
During 2011 the Bank continued to expand its core banking activities, such as deposit-taking and lending, in line with its strategic objectives aimed at diversifying its business
In particular, loans, which increased 20% over the previous year, consisted of:
- a major component (65%) is represented by medium-long term real estate loans secured by mortgage;
- a significant portion of the bank's exposure consists of unsecured loans, i.e. medium-term loans not secured by mortgage (16%);
- a sizeable amount of the bank's exposure is represented by credit lines that are part of the ordinary cash lending business (11%);
- a residual part is represented by advances on invoices subject to collection (6%), through which companies are ensured the immediate availability of cash against their trade receivables not yet due and by personal loans (3%).

Loans were granted with a view to limiting and spreading risk on the basis of:
- careful selection of individual counterparties through an appropriate prior creditworthiness assessment, i.e. during the credit approval process, and an ongoing subsequent monitoring of their ability to fulfil obligations;
- diversification of credit risk, by targeting primarily small amount loans, by limiting exposure concentration on groups of related customers, business groups or individual sectors of the economy;
- performance monitoring of individual positions carried out with our IT systems and through constant monitoring of relationships showing any irregularities.

[1] Country risk is the risk associated with international transactions, when the foreign customers-debtors do not fulfil their obligations, due to the macroeconomic conditions in the country in which they operate

2. Credit risk management policies

2.1 Organisational issues
Aware that risk of an adverse evolution is inherent in the lending business, the Bank pays great attention to controlling this type of risk.
To this end, the Bank implements management policies and control systems aimed at minimizing exposure to risk within the limits of sound and prudent management and in doing so it is guided by the general guidelines established by the Board of Directors.
They respond to the twofold need of:
- regulating lending operations according to specific business objectives in terms of risk / return;
- complying with the Supervisory Instructions laying down the minimum capital requirements which the Bank must ensure as a safeguard against risk and which must be met at all times.

2.2 Management, measurement and control systems
The management of credit risk depends on lending policies. For this purpose, the Board of Directors provides the general principles governing lending to customers, approves the strategic directions and policies for loan disbursement and risk management, through the definition of specific indicators (type of loans, percentage of funding to be used in lending).
Consistent with these policies, the Board of Directors defined and approved the methods for measuring credit risk and monitoring performance.
The entire lending process, from the preliminary assessment to disbursement, from monitoring positions to reviewing the credit lines through to responding to abnormal situations, was formalized in the "Credit Regulations", approved by the Board of Directors and periodically audited.
The regulations cover: credit authorities, prudential limits, acceptable collateral, loans classification, credit monitoring, control and reporting system.
Proper management of the credit process also requires an adequate risk measurement and control system.
In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organized differently according to the various levels within the Bank; each person involved in the system is responsible on the one hand for the supervisory activities and, on the other, for reporting on the results of their audits.

The system is organised in the three levels outlined below:
1) line controls or first level controls, to ensure that operations are properly carried out; they are performed by the commercial staff;
2) second-level controls, that are the responsibility of:
   - the Credit Control and Litigation function which as part of its ordinary activities, carries out checks with regard to loans applications, granting and classification as well as audits on any unusual use of funds in the early stages of the loan and on loans performing in anomalous ways and therefore impaired;
   - the Risk Management function which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed also in relation to loans performance;
   - the Compliance function which verifies compliance with internal and external regulations.
3) third level controls, carried out by Internal Audit which, on the basis of an ad hoc activities plan, verifies any deficiencies or violations of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal controls system.

Moreover, the following activities are carried out:
- preventive controls, taking place prior to granting the credit line and specifically aimed at verifying compliance with credit authority limits, guarantee standards, the completeness and adequacy of all documents delivered and/or signed by the customer .
- ongoing controls, taking place after the loan has been granted and disbursed, involving monitoring of the positions in their various operating aspects, with particular reference to risk management (unauthorised overdrafts, compliance with guarantee margins, etc.), in order to verify the loan recoverability at all times.

Finally, the Bank uses a management tool to carry out first-line controls through which the Credit Control Office and the branches can periodically monitor existing positions; this procedure uses historical internal databases and assigns a risk rating to each customer. Ratings are determined at the head Office Number level, and any anomalies and data that contributed to their formulation are historized.

2.3 Credit risk mitigation techniques

Credit risk mitigation is pursued by granting loans only to customers with sound financial positions and proved credit standing.

Where necessary, lending transactions are backed by various types of guarantees according to the type of loan granted:

- personal guarantees;
- collateral (mortgages and other collateral).

With regard to personal guarantees, sureties on first demand are accepted, issued by Italian and foreign banks or by natural or legal persons of proved solvency.

With regard to collateral, the Bank accepts the following guarantees:

- mortgages;
- pledge on deposits in euro or foreign currency;
- pledge on securities.

Credit lines for trading purposes must be backed by securities, which are evaluated according to their nature and riskiness and also taking into account the ratings assigned by specialized agencies. A discount from market value is applied to the securities pledged as collateral, to an extent related to the nature of the securities. The Bank accepts securities as collateral at its own discretion, and can apply higher discounts to securities it deems riskier.

The guarantee may also consist of a cash balance, in which case no discount is applied.

Real estate mortgage loans are granted against first mortgage on the real estate.

The acquisition of guarantees requires careful evaluation, not only to determine the guarantees' value, on which the maximum amount of credit that can be extended is based, but also to verify any restrictions or impediments that would somehow limit their validity.

2.4 Impaired financial assets

With regard to the technical and organizational procedures and methods used in managing and controlling impaired assets, as determined by the internal "Credit Regulations", the method used to classify loans preforming irregularly are described below:

- "overdue loans", i.e. loans that exceed the time limit criteria established by the Supervisory regulations;
- "doubtful" loans, i.e. loans to entities considered to be in a temporary and objective difficult situation, which is expected to be resolved within a reasonable period of time, including through an efficient action by the Branches. Loans classified as "doubtful" do not necessarily lead to the next step of "non-performing" loans, as, an effective action vis à vis the customer may reverse this classification, once the situation of temporary difficulty has been resolved.
- loans "under restructuring", i.e. those for which a debt restructuring is in place or is being negotiated, which provides for a remuneration at lower than market rates;
- "non-performing" loans, i.e. loans to borrowers deemed to be in default or in substantially equivalent situations. Recoverability is evaluated analytically based on a conservative assessment of the debtor and any guarantor, the progress of any legal action, and, where applicable, on a conservative appraisal of the realisable value of collateral.

All impaired loans (overdue, doubtful, in restructuring, non-performing loans) are evaluated analytically by the units involved in the lending process.

The CEO is responsible for classifying non-performing loans.

Accordingly, as at 31.12.2011, not all loans are classified as "performing".

In particular, with regard to impaired financial assets, the following should be noted:

- the presence of overdue loans to customers, accounting for 0.87% of total loans;
- the presence of doubtful loans to customers, accounting for 3.06% of total loans;

- the presence of non-performing loans to customers, accounting for 0.23% of total loans.

Quantitative information

A. Credit quality

A.1. Impaired and performing exposures: amounts, adjustments, trend, financial and territorial distribution

A.1.1 Breakdown of exposures by portfolio and credit quality (book values)

Portfolio/Quality	Non-performing	Problem	Restructured	Past-due	Other assets	Total
1. Financial assets held for trading	-	-	-	-	8,880	8,880
2. Available-for-sale financial assets	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	-	5,629	5,629
5. Loans and advances to customers	62	813	-	230	25,468	26,573
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total 2011	**62**	**813**	**-**	**230**	**39,977**	**41,082**
Total 2010	41	494	-	133	36,713	37,381

A.1.2 Breakdown of exposures by portfolio and credit quality (gross and net values)

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	-	-	-	-	-	8,880	8,880
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	5,629	-	5,629	5,629
5. Loans and advances to customers	1,381	276	1,105	25,598	130	25,468	26,573
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 2011	**1,381**	**276**	**1,105**	**31,227**	**130**	**39,977**	**41,082**
Total 2010	1,028	360	668	25,348	141	36,713	37,381

Loans to customers include the following overdue exposures.

Length of time in arrears	Exposures renegotiated as a result of collective agreements	Other exposures	Total performing loans
not in arrears	-	24,069	24,069
up to 3 months in arrears	-	1,391	1,391
from 3 to 6 months in arrears	-	8	8
from 6 months to 1 year in arrears	-	-	-
over 1 year in arrears	-	-	-
Total performing loans	**-**	**25,468**	**25,468**

At 31 December 2011 there were no loans 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 Cash and off-balance sheet exposure with banks: gross and net values

Types of exposure/Amounts	Gross exposure	Specific impairments	Collective impairments	Net exposure
A. On-balance sheet exposures				
a) Non-performing	-	-	-	-
b) Problem	-	-	-	-
c) Restructured	-	-	-	-
d) Past-due	-	-	-	-
e) Other assets	8,009	-	-	8,009
Total A	**8,009**	**-**	**-**	**8,009**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	62	-	-	62
Total B	**62**	**-**	**-**	**62**
Total A+B	**8,071**	**-**	**-**	**8,071**

A.1.4 Cash exposures with banks: dynamics of gross impaired exposures

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**-**	505	-	-
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 transfers from performing loans	-	-	-	-
B.2 transfers from other categories of impaired asset	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	**-**	**505**	**-**	**-**
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	-	505	-	-
D Gross exposure at end of year	**-**	**-**	**-**	**-**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

A.1.5 Cash exposures with banks: adjustment trend

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Total impairment losses at beginning of year	**-**	**45**	**-**	**-**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**
B.1 impairment losses	-	-	-	-
B.2 transfers from other categories of impaired asset	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	**-**	**45**	**-**	**-**
C.1 value recoveries	-	-	-	-
C.2 value recoveries from collection	-	-	-	-
C.3 derecognition	-	-	-	-
C.4 transfers to other categories of impaired asset	-	-	-	-
C.5 other decreases	-	45	-	-
Total impairment losses at end of year	**-**	**-**	**-**	**-**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

The impaired exposure with banks consisting of the receivable from Banca MB was reclassified as impaired exposures with customers.

A.1.6 Cash and off-balance sheet exposure with clients: gross and net values

Types of exposure/Amounts	Gross exposure	Specific impairments	Collective impairments	Net exposure
A. On-balance sheet exposures				
a) Non-performing	286	224	-	62
b) Problem	854	41	-	813
c) Restructured	-	-	-	-
d) Past-due	241	11	-	230
e) Other assets	32,098	-	130	31,968
Total A	**33,479**	**276**	**130**	**33,073**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	315	-	-	315
Totale B	**315**	**-**	**-**	**315**

A.1.7 Cash exposures with clients: dynamics of gross impaired exposures

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**341**	40	-	**142**
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**37**	**900**	**-**	**197**
B.1 transfers from performing loans	-	302	-	197
B.2 transfers from other categories of impaired asset	26	93	-	-
B.3 other increases	11	505	-	-
C. Decreases	**92**	**86**	**-**	**98**
C.1 transfers to performing loans	-	-	-	-
C.2 derecognition	92	-	-	-
C.3 collection	-	55	-	5
C.4 amounts realised on transfer	-	-	-	-
C.5 transfers to other categories of impaired asset	-	26	-	93
C.6 other decreases	-	5	-	-
D Gross exposure at end of year	**286**	**854**	**-**	**241**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

A.1.8 Cash exposures with clients: overall adjustment trend

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**300**	**6**	**-**	**9**
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**15**	**61**	**-**	**8**
B.1 transfers from performing loans	10	10	-	8
B.2 transfers from other categories of impaired asset	5	6	-	-
B.3 other increases	-	45	-	-
C. Decreases	**91**	**26**	**-**	**6**
C.1 transfers to performing loans	8	-	-	-
C.2 derecognition	-	1	-	-
C.3 collection	83	-	-	-
C.4 amounts realised on transfer	-	5	-	6
C.5 other decreases	-	20	-	-
D Gross exposure at end of year	**224**	**41**	**-**	**11**
- of which: transferred assets not derecognised	-	-	-	-

The cash exposures with clients include the Bank's receivable from Banca MB.
The item "other decreases" include a write-back relating to discounting as the bank's receivable was fully accepted and should be collected before the end of 2012.

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

A.2.1 Distribution of cash and off-balance sheet exposures by external rating classes

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	**202**	**5,232**	**1,542**	**103**	**-**	**-**	**34,003**	**41,082**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to disburse funds	-	-	-	-	-	-	**-**	**-**
Total	**202**	**5,232**	**1,542**	**103**	**-**	**-**	**34,003**	**41,082**

The risk classes for external ratings in this table refer to those used by the agency Moody's.

A.2.2 Distribution of cash and off-balance sheet exposures by internal rating classes

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

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured credit exposures with banks:

This table is not provided as to this day the Bank has no secured cash exposures with banks.

A.3.2 Secured credit exposures with 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	**22,886**	**16,894**	**580**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,275**	**22,749**
1.1 fully secured	22,841	16,894	535	-	-	-	-	-	-	-	-	-	5,275	22,704
- of which impaired	561	318	-	-	-	-	-	-	-	-	-	-	243	561
1.2 partially secured	45	-	45	-	-	-	-	-	-	-	-	-	-	45
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures	**315**	**-**	**245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**245**
2.1 fully secured	165	-	165	-	-	-	-	-	-	-	-	-	-	165
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	150	-	80	-	-	-	-	-	-	-	-	-	-	80
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Distribution and concentration of credit exposures

B.1 Distribution of cash and off-balance sheet exposures with clients by sector (book values) – <u>Part 1</u>

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	**3,041**	**-**	**-**	**-**	**-**	**-**
Total A	**3,041**	**-**	**-**	**-**	**-**	**-**
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) 2011	**3,041**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2010	3,293	-	-	-	-	-

B.1 Distribution of cash and off-balance sheet exposures with clients by sector (book values) – 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	475	-	25	-	-	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-
A.5 Other	2,126	-	-	185	-	-
Total A	**2,601**	**-**	**25**	**185**	**-**	**-**
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) 2011	**2,601**	**-**	**25**	**185**	**-**	**-**
Total (A+B) 2010	2,790	-	-	-	-	-

B.1 Distribution of cash and off-balance sheet exposures with clients by sector (book values) -– 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	56	208	-	6	16	-
A.2 Problem	208	10	-	130	6	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	-	-	-	230	11	-
A.5 Other	10,285	-	48	16,331	-	82
Total A	**10,549**	**218**	**48**	**16,697**	**33**	**82**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	292	-	-	23	-	-
Total B	**292**	**-**	**-**	**23**	**-**	**-**
Total (A+B) 2011	**10,841**	**218**	**48**	**16,720**	**33**	**82**
Total (A+B) 2010	10,586	296	58	13,299	19	83

B.2 Distribution of cash and off-balance sheet exposures with clients by territory (book values)

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	62	224	-	-	-	-	-	-	-	-
A.2 Problem	813	42	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	230	11	-	-	-	-	-	-	-	-
A.5 Other	29,598	130	2,202	-	168	-	-	-	-	-
Total A	**30,703**	**407**	**2,202**	**-**	**168**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	315	-	-	-	-	-	-	-	-	-
Total B	**315**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2011	**31,018**	**407**	**2,202**	**-**	**168**	**-**	**-**	**-**	**-**	**-**
Total 2010	26,426	456	3,172	-	207	-	-	-	-	-

B.3 Distribution of cash and off-balance sheet exposures with banks by territory (book values)

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	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	3,830	-	4,081	-	98	-	-	-	-	-
Total A	**3,830**	**-**	**4,081**	**-**	**98**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	62	-	-	-	-	-	-	-	-	-
Total B	**62**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2011	**3,892**	**-**	**4,081**	**-**	**98**	**-**	**-**	**-**	**-**	**-**
Total 2010	5,284	45	2,124	-	169	-	-	-	-	-

B.4 Major risks

At 31.12.2011 there are risk positions representing a major risk for a nominal value of € 8,528 thousand. These positions include € 3,042 thousand in Italian government securities which for supervisory purposes are included in the trading book and € 5,486 thousand in interbank demand deposits taken up before 31.12.2009. Therefore, in compliance with supervisory regulations, the weighted value of these exposures is zero.

C.2 Disposals

C.2.1 Financial assets disposed of (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	2011	2010
A. On-balance sheet assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**195**
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	195
2. Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 2010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**195**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Key:
a = disposed financial assets, recognised in full (book value)
b= disposed financial assets, partially recognised (book value)
c= disposed financial assets, partially recognised (full value)

C.2.2 Financial liabilities for financial assets disposed of, 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	-	-	-	-	-	-	-
a) associated with assets recognised in full	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Total 2009	195	-	-	-	-	-	195

Section 2 – Market risks

Market risk is the general risk associated to the unpredictable performance of macro-economic variables. Therefore, the development of operations on the financial markets and trading in securities and currencies may lead to increased risks associated with changes in market prices that result in:

- Interest rate risk
- Price/equity risk
- Exchange rate risk

Before analysing each risk category, please note that for the purposes of this Section, the quantitative and qualitative information is reported with reference to the "trading book" and the "banking book" as defined in the legislation governing supervisory reporting. In particular, the trading book comprises all the financial instruments subject to capital requirements for market risks.

Section 2.1 – Interest rate risk and price risk – Regulatory Trading Book

Qualitative information

A. General aspects

The regulatory trading book is composed exclusively of euro denominated debt securities of issuers from Zone A countries, with a rating falling in the so-called "investment grade" category, from Aaa to Baa3 (Moody's), except for a small part that has not been rated.
Furthermore the Bank does not take speculative positions in derivatives and does not trade equities.

B. Measurement and management of market rate risk and price risk

Interest rate risk is the effect on price due to changes in interest rates on financial markets. This effect depends on the characteristics of the instrument, such as for example its residual life, the coupon rate and any early repayment options.
Therefore, the risk that a change in interest rates will adversely impact on the Bank's financial situation is inherent in the trading business, as the Bank's performance is affected by the fluctuations in interest rates in Europe and in the other markets where it carries out its business.
Given this and given the inability to fully predict the changes in securities and currencies prices and, in general, the markets' evolution, the Bank implements management policies and control systems which ensure sound and prudent management of market risks, in line with the general guidelines established by the Board of Directors.
They respond to the twofold need of:

- regulating operations in the financial markets area according to specific business objectives in terms of risk/return;
- complying with the directions given by the Bank of Italy, in terms of capital requirements.

In particular, in order to limit the risk of changes in interest rates and fluctuations in market prices, the activity on the regulatory trading book is governed by the operating limits established in the "Financial Markets Regulation", approved by the Board of Directors and regularly audited.

These limits were set with reference to the following control parameters which are built in the Bank's IT system:

- "modified duration", an indicator generally used for bond-like instruments
- "VAR", a model for evaluating the risk involved in a given financial portfolio;
- short sales;
- stop loss.

In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organized differently according to the various levels within the Bank; each person involved in the system is responsible, on the one hand, for the supervisory activities and, on the other, for reporting on the results of their audits.

The system is organised in the three levels outlined below:

1. first level controls or line checks, aimed at ensuring that operations are properly carried out; these controls are carried out directly by operating managers, who, during daily operations, verify compliance with the limits set in the system. Moreover, with particular reference to financial activities, first level controls are ensured automatically by the IT system on the basis of the control parameters set in the system;
2. second level controls, that are the responsibility of:
   - Back Office which, in the ordinary course of transaction processing, verifies compliance with the system of limits and the proper exercise of authorities. It identifies any uncompleted transactions due to non-compliance with one or more of the control parameters established and urges their approval by the persons in charge;
   - the Risk Management function which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed in relation to market trends, the nature of the instruments traded and the issuers and the counterparties involved.
3. third level controls, carried out by Internal Audit which, on the basis of an ad hoc activities plan, verifies any deficiencies or violations of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal controls system.

Quantitative information

1. 1. Regulatory trading book: breakdown of cash financial assets and liabilities and financial derivatives by residual term (repricing date)
Currency: EUR

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	**294**	**3,623**	**1,626**	**398**	**2,753**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	294	3,623	1,626	398	2,753	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1. Regulatory trading book: breakdown of cash financial assets and liabilities and financial derivatives by residual term (repricing date)
Currency: GBP

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	**-**	**186**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	186	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-

1. Regulatory trading book: breakdown of cash financial assets and liabilities and financial derivatives by residual term (repricing date)
Currency: <u>all</u>

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	**294**	**3,809**	**1,626**	**398**	**2,753**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	294	3,809	1,626	398	2,753	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
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 assessed its vulnerability to adverse market scenarios through stress tests; in accordance with regulations, it has applied an assumed shift of +/-100 bps in interest rates to the regulatory trading book.
This scenario would determine for the bank, respectively, the following percentage changes:
- -7.72%/+7.55% on the interest margin;
- -10.52%/+10.29% on the result for the year;
- -0.54%/+0.53% on net equity.

2. Regulatory trading book: breakdown of equity share and share index exposure by the major listing market Countries

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

Section 2.2 – Interest rate risk and price risk – Banking book

Qualitative information

A. General aspects, measurement and management of market rate risk and price risk

The risk that a change in interest rates will adversely impact on the Bank's financial situation is inherent in the banking book.
The banking book consists mainly of:
- receivables
- various forms of fundraising

The Bank's exposure is measured by considering all assets and liabilities.
In particular, in order to limit exposure to this risk, the risk of changes in interest rates is monitored through maturity analysis.
This consists in a measurement system where asset and liability positions are broken down in maturity brackets according to the residual life until interest rate renegotiation date, as required by supervisory regulations. The different positions that fall into each maturity bracket are weighted on the basis of weights that approximate the positions' "financial duration". Within each bracket assets are offset with liabilities, thus obtaining a net position.
This analysis provides the summary index envisaged by the Bank of Italy, i.e. the "risk index", which is expressed as the ratio of the "exposure to interest rate risk" to Regulatory Capital.

B. Fair value hedging

The Bank does not enter into accounting or economic fair value hedges.

C. Cash flow hedging

The Bank does not enter into cash flow hedges.

Quantitative information

1. **Banking book: breakdown of financial assets and liabilities by residual term (by date of repricing) – Part 1 – Currency: EUR**

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	4,852	332	-	-	-	-	-	-
1.3 Loans and advances to customers	10,212	15,116	93	239	753	160	-	-
- current account overdrafts	2,695	37	1	6	19	-	-	-
- other loans	7,517	15,079	92	233	734	160	-	-
- callable	-	-	-	-	-	-	-	-
- other	7,517	15,079	92	233	734	160	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	18,479	4,038	271	877	773	-	-	-
- current account overdrafts	17,647	-	-	-	-	-	-	-
- other loans	832	4,038	271	877	773	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	832	4,038	271	877	773	-	-	-
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	3,015	-	-	4,032	562	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	3,015	-	-	4,032	562	-	-
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: breakdown of financial assets and liabilities by residual term (by date of repricing) – Part 2 – Currency: USD**

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	425	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	-	-	-	-	-	-	-
- current account overdrafts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	363	-	-	-	-	-	-	-
- current account overdrafts	363	-	-	-	-	-	-	-
- 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: breakdown of financial assets and liabilities by residual term (by date of repricing) – Part 3 – Currency: GBP**

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	20	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	-	-	-	-	-	-	-
- current account overdrafts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	19	-	-	-	-	-	-	-
- current account overdrafts	19	-	-	-	-	-	-	-
- 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: breakdown of financial assets and liabilities by residual term (by date of repricing) – Part 4 – Currency: all

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	5,297	332	-	-	-	-	-	-
1.3 Loans and advances to customers	10,212	15,116	93	239	753	160	-	-
- current account overdrafts	2,695	37	1	6	19	-	-	-
- other loans	7,517	15,079	92	233	734	160	-	-
- callable	-	-	-	-	-	-	-	-
- other	7,517	15,079	92	233	734	160	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	18,861	4,038	271	877	773	-	-	-
- current account overdrafts	18,029	-	-	-	-	-	-	-
- other loans	832	4,038	271	877	773	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	832	4,038	271	877	773	-	-	-
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	3,015	-	-	-	4,032	562	-
- callable	-	-	-	-	-	-	-	-
- other	-	3,015	-	-	-	4,032	562	-
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 assessed its vulnerability to adverse market scenarios through stress tests; in accordance with regulations, it has applied an assumed shift of +/-100 bps in interest rates to the banking book. This scenario would determine for the Bank, respectively, the following percentage changes: -/+35.84% on interest margin; -/+48.84% on net profit and -/+2.53% on net equity.

Section 2.3 – Exchange rate risk

Exchange rate risk is the risk of a loss in the purchasing power of a currency held and of an impairment in receivables resulting from adverse changes in the foreign exchange rates.

Qualitative information

A. General aspects, management and measurement of exchange rate risk

The exchange rate risk to which the Bank is exposed is assessed with reference to the receivables and payables denominated in foreign currency. Receivables in foreign currency consist exclusively of deposits with clearing houses and/or banks, made up of commissions generated from securities trading on OTC markets (Eurobonds), which takes place in the instrument's currency of denomination.
The primary balances generally consist of cash deposits in U.S. dollars, which are considered as a strategic currency from the point of view of volumes.
In order to limit exchange rate risk, the Bank has in place management policies and control systems which ensure sound and prudent risk management, in line with the general guidelines established by the Board of Directors.
In particular, the "Financial Markets Regulations" lay down limitations on the assumption of foreign currency positions both in terms of currency and volume.
In addition, exposure to currency risk is measured through a method that reflects the requirements of the relevant supervisory regulations.
This is based on the calculation of the "net foreign exchange positions", i.e. the net balance of all assets and liabilities (on and off balance-sheet) for each currency.
The internal control system previously described provides for the periodic verification of the adequacy of and compliance with the limits set by the Regulations.

B. Currency exchange hedge

At the reporting date of 31 December 2011 there were no outstanding foreign currency hedges.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currency					
	US dollar	Sterling	Yen	Canadian dollars	Swiss franc	Other
A. Financial assets	**425**	**206**	**-**	**-**	**-**	**-**
A.1 Debt securities	-	186	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans and advances to banks	425	20	-	-	-	-
A.4 Loans and advances to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	**363**	**19**	**-**	**-**	**-**	**-**
C.1 Deposits by banks	-	-	-	-	-	-
C.2 Customer accounts	363	19	-	-	-	-
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	**425**	**206**	**-**	**-**	**-**	**-**
Total liabilities	**363**	**19**	**-**	**-**	**-**	**-**
Balance	**62**	**187**	**-**	**-**	**-**	**-**

The amounts in the table relate to current accounts cash balances and deposits with banks for trading activity.
During the current year an overall foreign exchange loss was incurred amounting to € 16 thousand, which is due to the impact of exchange rates fluctuations on trading commissions.

Section 3 – Liquidity risk

It is the risk that:

- in relation to banking activities:
  - in a lending transaction, the customer-debtor fails to fulfil its monetary obligations within the agreed time limits;
  - the Bank is unable to fulfil its obligations as they fall due;

- in relation to financial brokerage activities, in a securities transaction, it is difficult to liquidate market positions within the desired time limits.

Qualitative information

A. General aspects, management and measurement of liquidity risk

Banks are naturally exposed to liquidity risk – or rather, the risk of not being able to fulfil their payment obligations due to the inability to gather funding in the market (funding liquidity risk) or to ensure asset disposal (market liquidity risk) – due to the transformation of maturities.
Having access to an adequate system for regulating and managing this risk takes on a fundamental role in maintaining stability not only for the individual bank, but also for the market in general, considering that the imbalances of a single financial institute may have repercussions across the board.
In this respect, consistent with prudential Supervisory requirements, the Bank has adopted, on the one hand, a specific "Policy" (*Policy of liquidity risk management*) for managing liquidity in the normal course of business and, on the other, a "Plan" (*Contingency Funding Plan*) setting out the objectives and describing processes and action strategies to be implemented under emergency conditions.

1. Policy of liquidity risk management

In consideration of the size and complexity of operations, as well as the type of activities carried out and services provided, the “Policy” adopted by the Bank describes, inter alia:

- role, duties and responsibilities of the corporate bodies and the various control functions involved;
- activities envisaged in the "liquidity risk management process".

With reference to the entities involved in the governance and management of liquidity risk, on the one hand, responsibility rests, according to their respective duties, with the various Corporate Bodies which must be fully aware of the level of the Bank's exposure to this risk.
On the other hand, in accordance with the general principles laid down by Supervisory provisions on organization and internal controls, with specific reference to liquidity risk, the Bank has adopted formal procedures for collecting and processing data, according to adequate timetables and which ensure that reliable and timely information is provided by the bank's control functions.

Vice versa, the liquidity risk management process is designed to ensure that a sufficient amount of liquid assets is maintained over time, even in the presence of stress scenarios relating to events affecting the bank and the market.

The process, having the objective of evaluating the Bank's structural capacity to preserve a balance between cash inflows and out flows, both in normal conditions and in the event of external shocks, includes the following activities:

1. Identifying and measuring liquidity risk
2. Conducting stress tests
3. Identifying tools for reducing liquidity risk
4. Control
5. Reporting

Revisions and updates of the "Policy for liquidity risk management" are approved by the Board of Directors.

2. Contingency Funding Plan

In order to mitigate liquidity risk under stress conditions, the Bank has put in place a specific instrument, the so-called "Contingency Funding Plan."

The Plan's main objective is to protect the Bank's assets in situations of liquidity drain by putting in place crisis management strategies and procedures to obtain funding in case of emergency.

In particular, the CFP documents the management of any specific or systemic liquidity crisis in terms of mitigating actions available to the Bank and responsibilities assigned to the relevant corporate functions.

The Plan, therefore, responds to stress conditions, intended as situations other than ordinary business, in which the Bank is able to meet its liquidity requirements through its self-funding ability.

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

Quantitative information

1. Time distribution by residual contract term of financial assets and liabilities
Part 1 – Currency: EUR

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	-	-	-	-	604	101	501	1,835	-	-
A.2 Other debt securities	-	-	100	416	611	558	320	3,293	355	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8,372	97	359	218	1,550	1,290	1,722	6,938	11,932	-
- Banks	4,852	-	-	-	332	-	-	-	-	-
- Customers	3,520	97	359	218	1,218	1,290	1,722	6,938	11,932	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	18,479	702	226	1,201	1,909	271	877	773	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	18,479	702	226	1,201	1,909	271	877	773	-	-
B.2 Debt securities	-	-	-	3,015	-	-	-	4,032	562	-
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	315	-	-	-	-	-	-	-	-	-

1. Time distribution by residual contract term of financial assets and liabilities – Part 2 – Currency: USD

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	425	-	-	-	-	-	-	-	-	-
- Banks	425	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	363	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	363	-	-	-	-	-	-	-	-	-
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 by residual contract term of financial assets and liabilities – Part 3 – Currency: GBP

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	-	-	-	-	-	-	-	-	-	186
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	20	-	-	-	-	-	-	-	-	-
- Banks	20	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	19	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	19	-	-	-	-	-	-	-	-	-
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 by residual contract term of financial assets and liabilities – Part 4 – Currency: all

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	604	101	501	1,835	-	-
A.2 Other debt securities	-	-	100	416	611	558	320	3,293	355	186
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8,817	97	359	218	1,550	1,290	1,722	6,938	11,932	-
- Banks	5,297	-	-	-	332	-	-	-	-	-
- Customers	3,520	97	359	218	1,218	1,290	1,722	6,938	11,932	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	18,861	702	226	1,201	1,909	271	877	773	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	18,861	702	226	1,201	1,909	271	877	773	-	-
B.2 Debt securities	-	-	-	3,015	-	-	-	4,032	562	-
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	315	-	-	-	-	-	-	-	-	-

Section 4 – Operational risks

It is the risk of incurring unexpected losses resulting from inadequate or malfunctioning processes, human resources and information systems, caused by human error, technical failures and/or deficiencies in procedures and controls, or by external events.

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk, as such, is a pure risk as it is associated to events having only adverse effects. It comprises all the anomalies that by affecting the company's output exclusively result in:

- financial loss;
- higher operating costs;
- lower income.

Aware that operational risk is inherent in the banking business, the Bank pays great attention to controlling this type of risk.
For this purpose, the internal audit system that the company employs is based on principles of prudent and effective management. Furthermore, the system is periodically reviewed to determine whether it is adequate and functions properly in terms of efficacy (the system's capacity to achieve the goals) and efficiency (the system's capacity to achieve the above goals in terms of costs, risks and profitability consistent with those achieved by similar companies).
In this context, i.e. to ensure that risks are managed properly, the Bank has regulated every step of each process and set appropriate audit levels. It has also created specific units within its organisational structure in charge of overseeing these levels of control.
In order to evaluate risk exposure and the effects that adequate mitigation measures have on such exposure, qualitative and quantitative information need to be appropriately combined. The qualitative component ("self-risk assessment") can be summarized as the assessment of the risk profile of each organizational unit, in terms of potential future losses, efficiency of the control system and appropriate management of risk mitigation techniques. The quantitative component, on the other hand, is based mainly on the statistical analysis of historical loss data. As the available information on losses, with reference to certain types of events, is not always relevant, internal data can be supplemented with system data.
In case of loss resulting from one of the above events, the Bank will feed the internal database of incurred operating losses, to be used in the future when applying its internal risk calculation model.
As part of business continuity, the Bank has adopted a "process of business continuity management" which prescribes the methods for analysing the impact on business and the criteria for drawing up the "Business Continuity Plan", which was regularly updated every year.
The "Plan" explains how to deal with emergencies, in order to ensure, where appropriate, the continuity of the bank's vital operations and the return to normal operation within a reasonable time.
The update of the document, preceded by an impact analysis, took into account the technical and IT changes implemented when the Bank moved to the new headquarters.
Both documents were approved by the Board of Directors of the Bank.

Quantitative information

The monitoring of operational risk events, carried out in 2011, revealed that during the year unexpected losses, arising from external events, were incurred.
In particular, the Bank suffered a robbery during which about € 31 thousand were stolen, 90% of which was indemnified by the insurance company. Therefore, the net loss for the Bank was slightly above € 3 thousand.
Furthermore, with reference to the legal risk associated with legal proceedings pending against the Bank, at 31/12/2011 there were some ongoing labour related lawsuits, for which the necessary provisions were allocated in the financial statements in accordance with accounting standards, amounting to € 44 thousand.

Finally, it should be noted that during the year, one of the labour disputes pending at the end of the previous year was concluded with an outlay below the amount set aside, which resulted in the related provision being released for about € 34 thousand.

Part F
Information on Equity

"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 principles and practices other than IAS/IFRS."

Section 1 – Corporate equity

A. Qualitative Information

At 31 December 2011, equity totalled € 14,844 million.
The valuation reserves consist of the actuarial gains and losses relating to employee severance indemnities as provided for by law.

B. Quantitative Information

B.1 Corporate equity: breakdown

Items/Amounts	Amount	
	2011	2010
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	5,249	4,816
- revenue	5,249	4,816
a) legal	694	643
b) statutary	-	-
c) treasury shares	-	-
d) other	4,555	4,173
- other	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	16	(51)
- 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	16	(51)
- Share of valuation reserves for investments measured using the equity method	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	768	1,012
Total	**14,844**	**14,588**

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

This table is not provided as the Bank does not hold any available for sale financial assets.

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

This table is not provided as the Bank does not hold any available for sale financial assets.

Section 2 - Regulatory capital and capital ratios

2.1 Regulatory Capital

A. Qualitative Information

The Bank's regulatory capital at 31/12/2011 consisted exclusively of the Core capital (Tier 1) amounting to €14,321 thousand.

1. Tier 1 capital
Tier 1 capital comprises the following positive components: the share capital, retained earnings, including the proposed allocation of profits for the year 2011, for a total of € 14,363 thousand; the negative components, which amount to approximately € 42 thousand, are represented by other intangible assets recognised in the financial statements; the net Tier 1 capital therefore amounts to € 14,321 thousand.

2. TIER 2 capital
During the current year no components of Tier 2 capital were recognised.

3. Tier 3 capital
During the current year no components of Tier 3 capital were recognised.

B. Quantitative Information

	2011	2010
A. Tier 1 capital (Basic Capital) before prudential filters	**14,321**	**14,010**
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)	**14,321**	**14,010**
D. Deductions from Tier 1 capital (Basic Capital)	**-**	**-**
E. Total Tier 1 capital (C-D)	**14,321**	**14,010**
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)	**14,321**	**14,010**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**14,321**	**14,010**

2.2 Capital adequacy

A. Qualitative Information

The Bank must comply with a solvency ratio of 8% of risk weighted assets, i.e. the regulatory capital must not be less than 8% of risky assets calculated according to the risk weighting system provided for by current legislation.
The solvency ratio resulting from data in the 2011 financial statements amounts to 58.60%. On the basis of this figure, along with estimates of Basel 2 indicators, the bank's capital is considered sufficient to support the investment programme envisaged in the Bank's strategic plans.
In any case, the sizeable capital of the Bank adequately covers the overall exposure to credit risk, market risk and operational risk, with a capital surplus that at the balance sheet date amounted to € 10,741.

B. Quantitative Information

Categories/Amounts	Unweighted amounts		Weighted amounts	
	2011	2010	2011	2010
A. Risk assets				
A.1 Credit and counterparty risk	42,363	35,651	24,438	23,488
1. Standardised method	42,363	35,651	24,438	23,488
2. Internal ratings based method	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk	-	-	1,955	1,879
B.2 Market risk	-	-	421	482
1. Standard method	-	-	421	482
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	1,204	1,166
1. Base method	-	-	1,204	1,166
2. Standardised method	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Other elements in the calculation	-	-	-	-
B.6 Total prudential requirements	**-**	**-**	**3,580**	**3,527**
C. Risk assets and regulatory ratios				
C.1 Risk weighted assets			44,750	44,088
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			32.00%	31.78%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)			32.00%	31.78%

The risk weighted amounts in Item A1 are obtained by multiplying the amount of regulatory capital for credit risk and counterparty risk (item B.1) by the reciprocal of the minimum required ratio for credit risks; Item C.1 is determined by multiplying the total capital requirements (Item B.6) by the reciprocal of the minimum required ratio for risks

Part H
Transactions with Related Parties

"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."

1. Information on the remuneration of key management personnel

Remuneration for FY 2011 in favour of key management personnel, including the directors and members of the Board of Statutory Auditors, may be summarized as follows:

Nature of item	2011	2010
Directors	440	417
Members of Board of Statutory Auditors	35	36
Short-term employee benefits	85	114
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	5	27
Share-based payments	-	-
Total	**565**	**594**

The amounts were determined in accordance with IAS 24 par.16.

2. Information on transactions with related parties

Related parties were identified according to the definition provided in IAS 24. In particular, related parties can be summarized as subsidiaries and/or associates, directors, statutory auditors and key management personnel (members of the General Management), the immediate families of the above persons, and the subsidiaries and/or associates of any of the above entities. Immediate family includes the person's cohabiting partner and children, the partner's children and other dependants of the person or partner.

Nature of item	Assets	Liabilities	Costs	Income
Directors	7	133	-	-
Statutory Auditors	-	7	-	-
Key managers	2	-	-	-
Relatives	-	8	-	-
Other related parties	-	14	-	-

Relationships and transactions with related parties do not give rise to critical issues, were carried out as part of ordinary banking business, and developed during the year on the basis of contingent needs and benefits. The individual relationships or transactions with related parties were carried out on an arm's length basis.
Revenues and expenses corresponding to the disclosed assets and liabilities are not included in the table as they are below the minimum reportable figures.

Pictures

- Cover: “Guerrieri”, by Sergio Fermariello – Banca Promos, Direzione Generale
- Pages 2 and 54: Banca Promos pages from Bloomberg

Banca Promos S.p.a
Sede Legale e Direzione Generale: viale Antonio Gramsci, 19 - 80122 Napoli Italia
Tel. +39.081.0170111 - +39.081.7142222
www.bancapromos.it - info@bancapromos.it
Iscritta all'Albo delle Banche- Aderente al FITD
Aderente Fondo Nazionale Garanzia
Membro I.C.M.A. - Membro ABI