BANCA PROMOS

32° year

Financial Statement at 31 December 2012

www.bancapromos.it

(Translation from the original issued in Italian)

Financial Statement at 31 December 2012

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

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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 **24 April 2012** at 5:30 pm and, if necessary, on second call on 28 April 2012 at 8:00 am, with the following agenda:

AGENDA

1. Approval of the financial statements at 31 December 2012, Directors' Report on Operations, report of the Board of Statutory Auditors and subsequent resolutions according to law provisions;
2. Remuneration policies: disclosure and review;
3. Renewal of the Board of Statutory Auditors and determination of remuneration;
4. Appointment of Mr Federico Cosentino as new Member of the Board of Directors pursuant to article 2386 of the Italian Civil Code;
5. 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

(Translation from the original issued in Italian)

Management and Independent Auditors

Board of Directors

Chairman	Ugo Malasomma
Directors	Tiziana Carano (*CEO*)
	Stefano de Stefano
	Umberto De Gregorio
	Federico Cosentino

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	31/12/2012	31/12/2011
Total assets	**54,288,068**	**50,671,535**
Total loans, of which:	**45,107,993**	**41,082,162**
Loans to customers	27,594,417	26,572,559
Receivables from banks	3,326,495	5,629,258
Financial assets	14,187,081	8,880,345
Total fundraising, of which:	**34,775,681**	**32,429,095**
Payables to banks	4,390,977	0
Direct fund raising, of which:	30,384,704	32,429,095
Trade payables	*26,136,168*	*24,819,807*
Outstanding securities	*4,248,536*	*7,609.288*

Economic Figures	31/12/2012	31/12/2011
Interest margin	983,930	1,046,742
Net commissions	-521,605	-155,333
Net profit (loss) from trading	7,177,789	5,849,526
Brokerage margin	**7,640,114**	**6,740,935**
Total costs, of which:	**-5.871.783**	**-5,324,786**
Administrative expenses	-4,762,775	-4,804,269
Other operating income/expenses	-66,875	-54,922
Net adjustments to receivables	-579,759	-2,618
Allocations for liabilities and charges	-1,193	-10,410
Net adjustments to fixed assets	-461,181	-452,567
Profits from sales of investments	0	0
Gross result	**1,768,331**	**1,416,149**
Taxes	-600,856	-648,014
Net result	**1,167,475**	**768,135**

Structure Data	31/12/2012	31/12/2011
Number of employees at the end of the period	48	51
Number of branches	3	3

Figures per share	31/12/2012	31/12/2011
Number of shares	7,740,000	7,740,000
Net result of financial operations per share	0.91	0.87
Result of ordinary operations per share	0.23	0.18
Net result per share	0.15	0.10
Net equity per share	2.00	1.92

Ratios	31/12/2012	31/12/2011
Overall adjustments to receivables/gross loans (hedging ratio)	3.43%	1.51%
Interest margin/total assets	1.81%	2.07%
Net result of financial operations/total assets	13.01%	13.30%
Interest margin/brokerage margin	12.88%	15.53%
Administrative expenses/brokerage margin	62.34%	71.27%
Profit for the year/total assets	2.15%	1.52%
Profit for the year/net equity (profit excluded)	8.17%	5.46%
Gross non-performing loans/loans to customers	2.92%	1.08%
Net non-performing loans/loans to customers	0.40%	0.23%
Loans to customers/total assets	50.83%	52.44%
Direct fundraising/total assets	55.97%	64.00%
ROE	7.55%	5.17%
ROA	3.26%	2.79%
DPO	39.78%	60.46%
Cost to income ratio	69.27%	78.95%

Directors' Report

Dear Shareholders.

Your Bank closed the Financial Statements at 31 December 2012 with a net profit of € 1,167,475, up 52% compared to 2011.

The results submitted for your approval, while satisfactory, were achieved in a complex economic environment, still affected by the global economic crisis. Hence, we believe it is appropriate to provide, as we customarily do, an outline of the economic and financial scenario prevailing nationally and internationally, before illustrating the Bank's results of operations.

The economic scenario and financial markets

Although the acute phase of the financial markets' crisis of recent years seems to have come to an end, in 2012 the performance of the global economy remained weak as did the market conditions in the Eurozone. Both the imbalance in the United States' public budget and the difficulties of some European countries (the so-called PIIGS: Portugal, Ireland, Italy, Greece and Spain) weighed on the global economy; in particular and despite some signs of improvement, the PIIGS remained under pressure throughout the period, also affecting economies hitherto considered as the most solid. Europe, with its sovereign debt problems, therefore attracted much of the focus of the global economic scenario.

The climate on the financial markets slightly improved over the previous year, cash in circulation increased and at the same time pressure on interest rates spreads somewhat eased in countries most under pressure, among which Italy.

Leaving the record levels of late 2011 behind, when it had risen to more than 500 points, in 2012 the spread between Italian government bonds BTPs and the corresponding ten-year German Bunds lingered at around 200 points, a level considered as acceptable and leading to restored confidence in the markets; this was the result of drastic measures taken by the Monti government to contain public debt.

In the first half institutional investors shied away from Italian and European markets while in the second half of the year, especially in September, there was a come back of large investors. The auctions for the placement of Italian government bonds delivered excellent results. The Italian Treasury also tried to cope with the situation by simplifying procedures and encouraging small savers; for example, through the "BTP Italia" the first Italian inflation-linked bond, which can be subscribed directly on the MOT and which got a great response, collecting a total of over 27 billion Euro.

In addition to the reduction in risk premiums for troubled sovereign countries, stock prices also recovered and stock markets volatility decreased. In Italy the main stock market indicators gained ground since the end of 2011: the FTSE Mib Storico was up 9.79%, the FTSE Italy All Share 8.74%, the FTSE Mib index 8.25%, the FTSE Italy Star 15.80%. Similarly, trade volumes hit record highs in the fixed income markets Extramot and Mot.

National fiscal consolidation policies contributed to these positive developments as did the policies implemented by the ECB, including steps towards the establishment of a European banking union. Greece received renewed support and the Greek government repurchased its outstanding debt with positive effects on the reduction of the debt itself. Turning overseas, the agreement reached in the U.S. to avoid the risk of the so-called fiscal cliff also had a positive impact, preventing a fiscal tightening that might have hurt the economy.

The improvement in sovereign debt markets had a positive impact on the monetary and financial conditions of countries under pressure, which in the last months of the year showed a downward trend for inflation and a modest growth in their currency. In particular, in the euro area the M3 posted a 3.8% increase in November, over the previous twelve months, with a positive, albeit obviously moderate, trend.

At European level, lending instead stagnated in the last months of the year, reflecting a reduction in loans to non-financial private companies which has continued in troubled countries and has begun to affect also France and Germany. Against this background, demand remained weak and supply was under pressure, more markedly in countries where confidence is still lacking, such as Italy.

In the financial markets, stabilization interventions put in place by governments and the European Central Bank determined an overall improved picture; however, the slowdown affecting the real economy increasingly worsened during 2012.

The drastic measures taken by governments, particularly in Italy, led to a 2.4% decline in GDP, emphasizing the negative performance of the main domestic demand aggregates especially in the last months of the year.

Changes in inventories contributed negatively to GDP growth for 0.7 percentage points. Foreign demand instead had a 0.4% positive contribution on GDP.

The banking sector in Italy

Funding conditions for Italian banks improved slightly compared to 2011, although they are not yet back to normal.

The effects of the recession are still evident in the Italian economy; political uncertainties increased in the aftermath of the elections; the prospects for a recovery are fading and the structural problems of the labour market are still there, lacking any effective reforms. The greater stability and international credibility achieved by Italy in 2012, in fact, was in part limited by the perception of the Monti government as a transitional government. The general economic environment therefore continued to pose risks for businesses, in a generally unfavourable economic situation.

Businesses on the one hand and the banking system on the other are being penalized by current difficulties.

Fragile budgets for businesses and households, rising unemployment and prospects for recovery not yet in sight: all this weighed on the credit market which, in line with the European trend, saw a decline in demand that was more pronounced in the South. Supply conditions, however, appeared more stable despite banks continued to behave cautiously.

Bank loans to the non-financial private sector declined in 2012. The decline mainly concerned loans to businesses. The drop in production and investment was reflected, on the one hand, in a decline in demand, while, on the other, banks slowed down supply due to the risks associated with high rates of impaired loans.

Similar dynamics also led to a drop in the demand and supply of loans to households which experienced a dramatic slump, with an unprecedented contraction of real estate loans, down by almost half compared to 2011. According to data published by the Assofin-Crif-Prometeia observatory, new loans for the purchase of the primary residence in the first nine months of 2012 were down 49.6%, and those related to renovations, liquidity, subrogation and replacement, collapsed by almost 75%. These data were indeed reflected in the collapse of real estate sales and purchases.

For these reasons borrowing costs for households and businesses in Italy remained on average higher than in the rest of Europe.

The fact that caused most concern continued to be the deterioration in credit quality and the increase in non-performing loans.

Data from the Bank of Italy's surveys show that a growing number of companies have difficulties in repaying loans: specifically, in the third quarter of 2012 the rate of loans becoming non-performing was 2.2% for all customers and 3.3% for loans to businesses. In November, the share of loans to companies experiencing temporary difficulties (problem loans and restructured loans) increased again.

The deterioration of loans to households was more limited, thanks to the lower level of debt but, in any case, was well above the pre-crisis levels, when, for example, non-performing loans were just above 1.5%.

The situation in Campania

The trends observed at European and national levels were more marked in the South and in particular in Campania. The economy, businesses and families in the region were in fact even more affected by the crisis than the rest of Italy. This is due to long-standing unemployment issues in the area (the employment rate of working age population as at 30 June was an average 39.6%, more than 17 points below the national average) and the greater dependence of local businesses on the domestic market.

According to data from the Bank of Italy, the decline in economic activity in the Campania region increased in the first nine months of 2012 compared to the same period of 2011, and this downward trend continued in the last quarter.

Among industrial enterprises, the level of production and demand fell back to the values of 2009 and turnover was less than in 2011.

The recession particularly affected the construction and real estate sectors, while foreign-oriented companies continued to be supported by a good level of demand. Exports, mainly to the U.S., Japan and the Middle East, increased: 26% in the aircraft industry, 10% for canned food, 8.5% for textiles and 10% for footwear.

In general, consumption in Campania was at very low levels: a very representative example is that of registrations of new motor vehicles, which in the first nine months of 2012 were down by about a third compared with the same period of 2011.

Partially improving this scenario, the tourism and hospitality sector recorded an increased flow of foreign tourists countering the decline of Italian tourists. Airport and sea port traffic also increased, in terms of both passengers and freight.

The difficulties of businesses and households were obviously reflected in the dynamics of funding and loans in the banking sector. Also in Campania the demand for credit by households and businesses continued to decline during 2012, and banks continued to be selective in their lending activities driven by fear of defaults.

Indeed, this was the factor that most markedly affected the dynamics of lending in the region: the substantial increase in non-performing loans and critical exposures. In June 2012, new adjusted non-performing loans compared to outstanding loans in Campania hit 3.1% (from 2.6%), mainly attributable to businesses (up to 4.4% from 3.6%) while in this respect, households figures remained stable. The same trend could also be observed on impaired positions. Overall, impaired loans (non-performing, problem, past-due and impaired loans) accounted for about a third of lending to businesses.

(Sources: Banca d'Italia: *Boll.Economico 67, Jan.2012; Regional economies - The economy of Campania economic update no.39 - Nov.2012)*

Banca Promos core operations

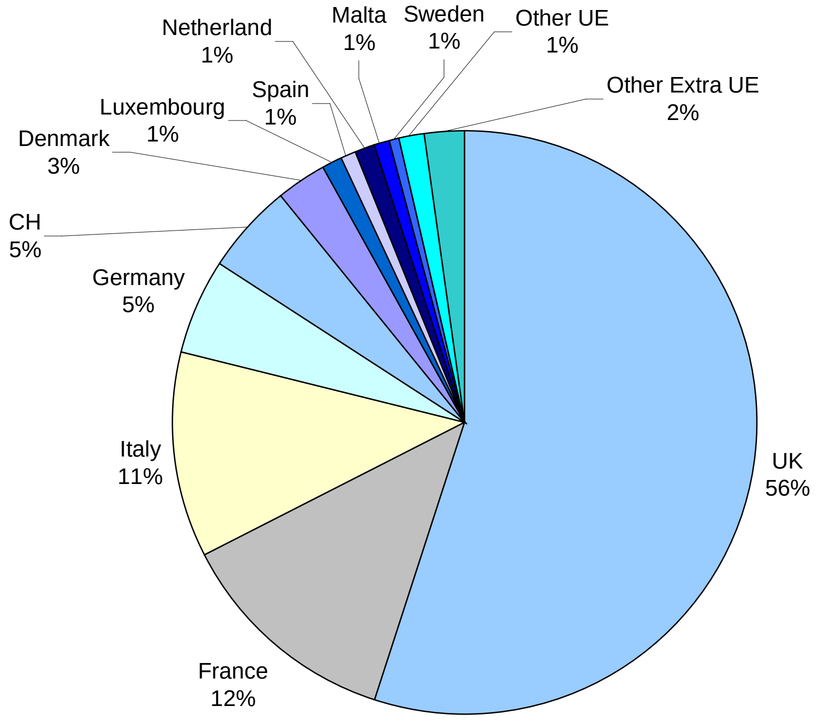
Despite the difficulties in the banking system, 2012 was a year of growth for your bank and the financial results presented herein are fully satisfactory given current conditions.

Profit for the year, net of taxes of over € 600 thousand, amounted to € 1,167,475, up 52% compared to 2011.

As we already mentioned in the half-year report, the growth trend of the years prior to 2011 was confirmed. Following the general improvement in market conditions, activity on capital markets was back to normal levels.

Trading resumed at a fast pace, especially in the middle months of the year. Trading volumes intensified, reaching nearly € 30 billion (+24% compared to 2011) and revenue increased by 10%. In 2012, the number of transactions carried out by the bank was 27,274, +8% compared to 2011, and corresponding to 1 transaction every 4 minutes.

In terms of geographic breakdown, more than half of the activity was concentrated in the United Kingdom (56% of total volumes, for a total of over 16 billion trades), which is typically the reference financial centre for OTC markets. For the second consecutive year the share of activities carried out with France (12%) strengthened while the share with Italy almost doubled, reaching 11% of the total in 2012 with turnover exceeding € 3 billion (in 2011 it accounted for 6% of the volume).



Trading volumes

Geographical area

Balance Sheet

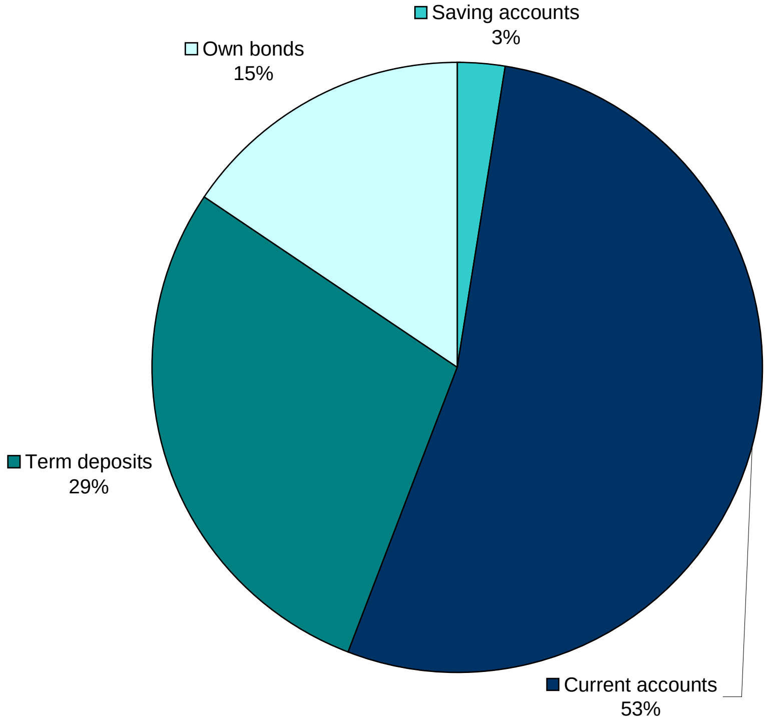
Funding and Lending

As outlined in previous sections of this report, the year 2012 confirmed and accentuated the complex conditions affecting the banking system.
Consequently, the typical banking activities carried out by your Bank were deeply affected by current circumstances. Funding and lending in 2012, although posting a better performance than the previous year, reflected the difficult economic situation, characterized by low consumption levels and the gradual but steady erosion of private savings.

Funding

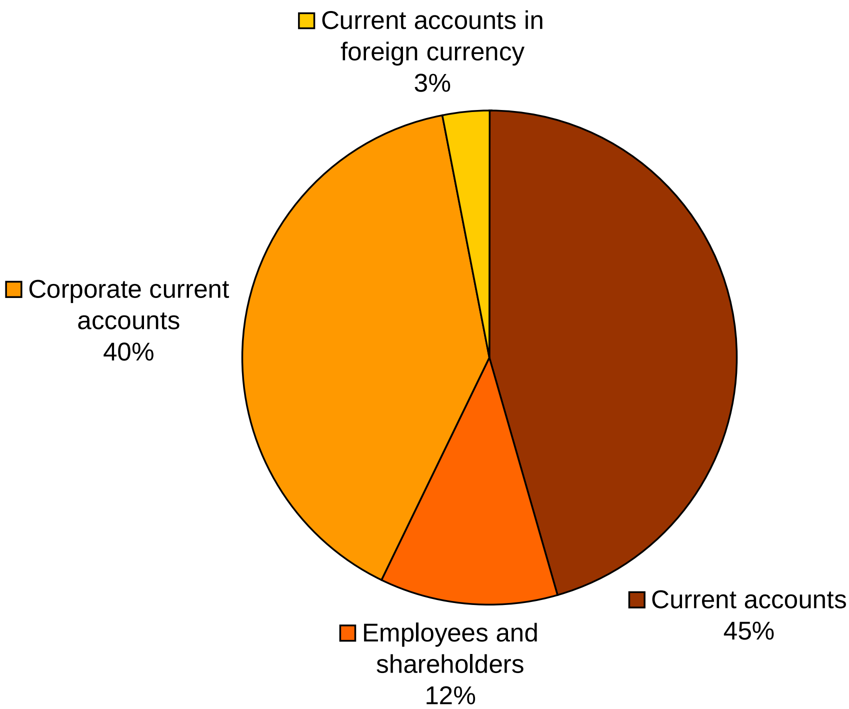
Total funding at 31 December 2012 reached € 34,775,681 (+7.23% compared to 2011).
Direct funding at year-end was down slightly (-6%), although the average figure basically showed a modest improvement over the previous year (+1.29%), with growth particularly in term deposits which ensure customers greater returns.
Current accounts remained the most common form, but their share of the total was down to 53% from 62%, in favour of term deposits, which totalled about a quarter of the total. In particular deposits exceeding six months, accounted for 17% of total deposits.
If we look at the breakdown of current accounts, the main component (65%) related to accounts with private customers while the remaining part referred to businesses.

Due to strong anomalies in the yield curve in the medium and long term, in 2012 the bank did not issue new bonds despite the expiry of previous issues which were met through financing from the ECB.
In February 2012, in fact, the Bank was authorized to participate in the monetary policy operations of the European Central Bank, which in Italy are carried out through Banca d'Italia. The counterparties admitted to the Eurosystem monetary policy transactions must fulfil strict criteria, uniformly set for the countries in the euro area, which relate to the counterparty's financial strength and to specific operational requirements.
The bank therefore participated for a total of 4 million in a three year transaction with interest rate of 1%. More details on this activity can be found in the relevant section of the Notes.



Funding

Technical form



Funding

Breakdown

current accounts

Lending

In terms of lending, the Bank decided to continue its customer supporting policy in accordance with the strategic plan, without penalizing new loans to businesses and households, despite the critical conditions in the Campania region.

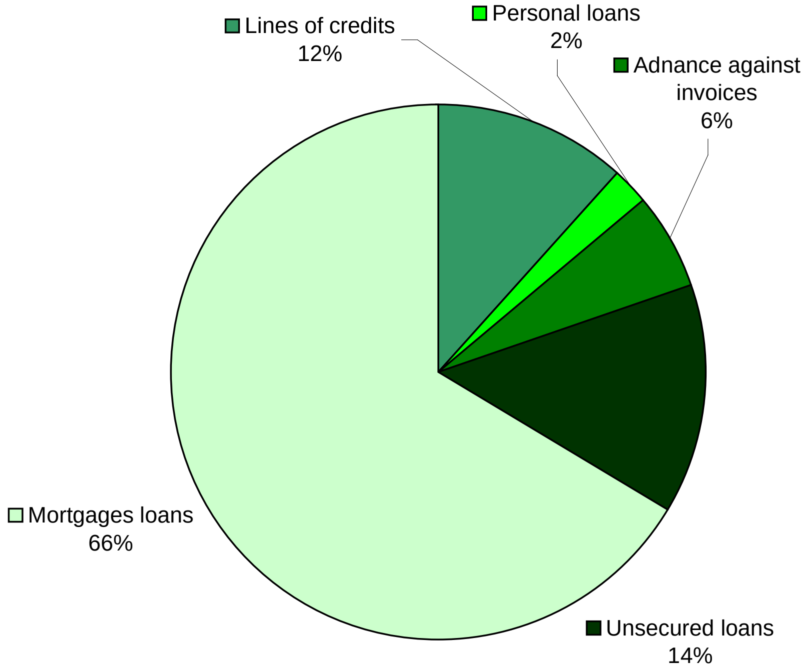
Loans and advances to customers as at 31 December 2012 showed an increase compared to previous year-end figures, rising to € 27,594,417 from 26,572,559 (+3.85%), broadly in line with the average annual increase in lending (+2.21%).

The bank greatly strengthened lending selection activities in order to mitigate credit risk, in an effort to mediate between critical market conditions and the need to support healthy productive entities that, in some cases, constitute excellent businesses in the production arena.

In accordance with the principles of the bank's lending policies, the bank leaned towards forms of financing with more limited inherent risk, despite their more limited return.

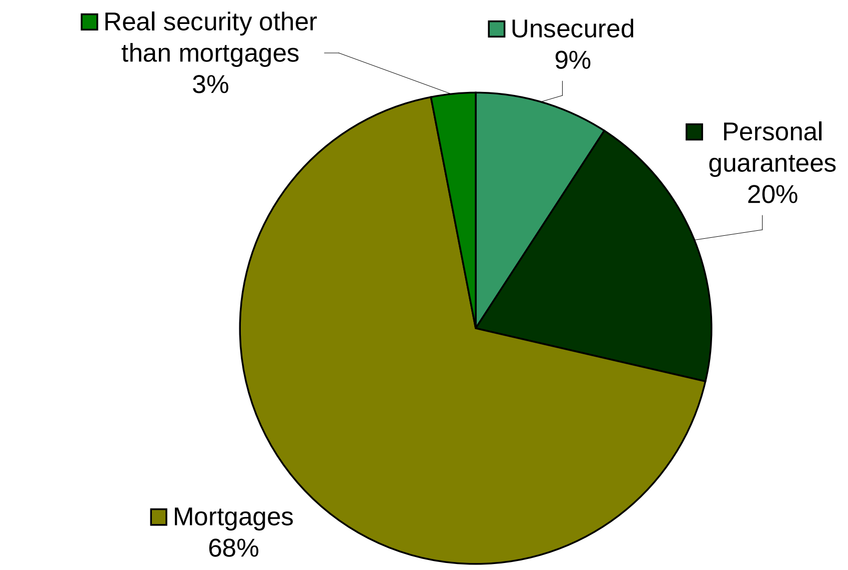
The loan portfolio as at 31 December 2012 mainly consisted of mortgage loans representing 66% of total loans, in line with the previous year.

The portfolio breakdown by business segments shows that the main form of financing was made up of loans to households accounting for 61% of the total. Lending to firms was broken down between small businesses with a 6% share and larger size productive enterprises accounting for 31%. Among the latter, the most represented sector was trade (43% of borrowing companies), while the remaining 57% was evenly distributed between various production areas, reflecting our diversification and risk containment approach.



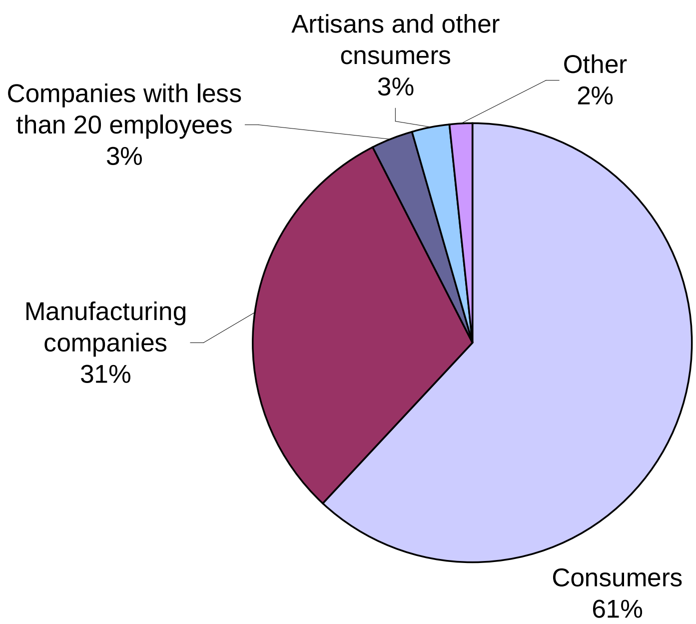
Exposures

Technical form



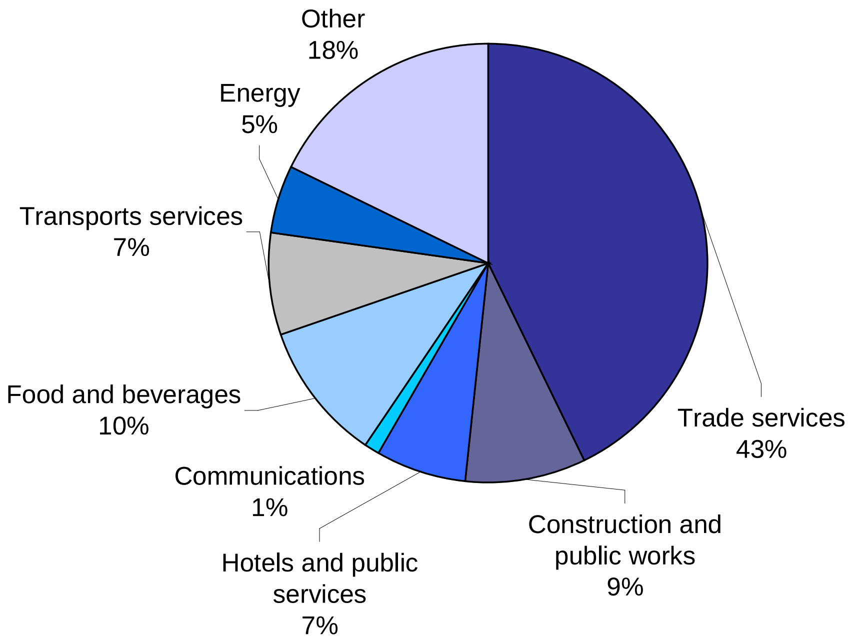
Exposures

Type of guarantee



Exposures

Business areas



Exposures

Branch of activity

At 31 December 2012 total approved loans to ordinary customers amounted to 28 million, of which 25 million outstanding through the activation of 336 new positions.

In light of the worsening macroeconomic scenario, the Bank paid particular attention to unusual indicators in credit exposures, in order to timely detect any insolvency situations and take all the necessary steps to limit their impact. Lending performance, with special evidence of anomalous loans, is constantly monitored by the appropriate "Loan Monitoring" function and is subject to special reporting to the governing bodies and the top management for the timely and correct classification into the appropriate risk categories.

The table below provides a breakdown of loans to customers and the related impairment.

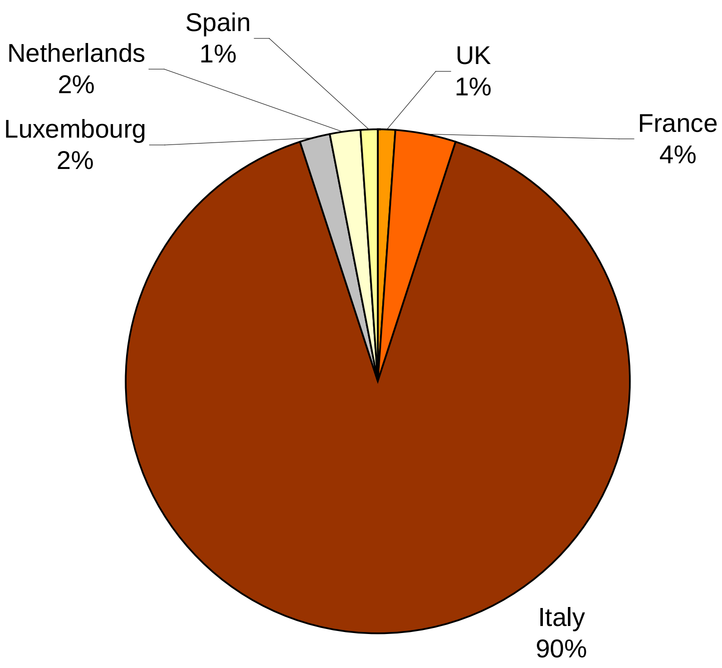
LOANS TO CUSTOMERS	GROSS EXPOSURE	ADJUSTMENTS	NET VALUE	HEDGING RATIO
a) Non-performing	807	695	**112**	86.12%
b) Problem	829	149	**680**	17.97%
c) Past-due exposures	400	14	**386**	3.50%
d) Restructured exposures	-	-	**-**	-
Total impaired positions	*2,036*	*858*	***1,178***	*42.14%*
e) Performing	26,538	121	**26,417**	0.46%
Total loans to customers	**28,574**	**979**	**27,595**	**3.43%**

During the year there was an increase in non-performing loans of € 521 thousand as well as an increase in other impaired loans (problem, restructured and past due loans) of € 134 thousand. During the year, net impairment losses were recognized for a total of € 580 thousand.
Total impairments of total loans amounted to € 979 thousand with a coverage ratio of 3.43%, while the coverage ratio in respect of impaired loans amounted to 42.14%.
Gross NPLs accounted for 2.92% of loans, while the ratio of net non-performing loans to total loans was 0.40%.

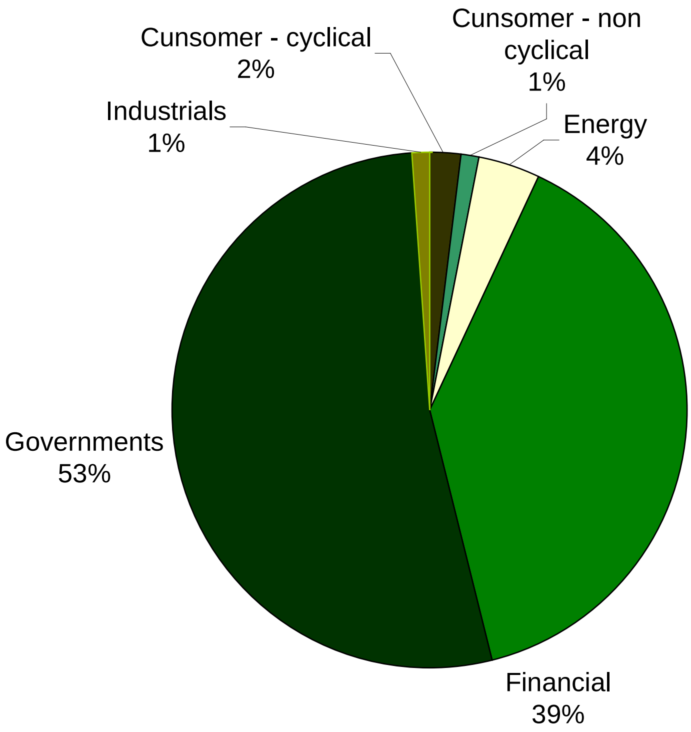
In compliance with the applicable legislation, the Bank carried out the appropriate collective impairments, in order to also take into account the risk of loss inherent in loans performing regularly. Not having adequate proprietary time series, these adjustments were carried out on the basis of the experiences 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 past due/overlimit loans, amounting to 3.54%.

Financial assets
At 31 December 2012, the bank's securities portfolio was significantly strengthened following the recoveries made during the year. The performance of item 20 in the balance sheet assets, which stood at € 14,187,081, reflected the decreased pressure on the sovereign debt of Eurozone countries and the improved perception of country risk which resulted in the BTP-Bund spread going back to acceptable levels. The adoption of fiscal consolidation and debt reduction policies prompted market operators to review their long held negative opinion which resulted in a recovery of investment flows towards Italian Treasury issues.
The bank's portfolio, consisting for the most part of Italian Treasury bonds (53%) and short / medium term securities in the banking sector (39%) recorded capital gains of approximately € 323 thousand and capital losses of € 3 thousand. Among issuers, however, there was a decline in securities issued by foreign States, in favour of Italian issues (90% of the total). The portfolio total yield to maturity remained high at 3.68%, higher than that of comparable securities in terms of duration and rating.
In the last quarter of 2012 the residual position in Lehman Brothers' securities was entirely sold, at an average portfolio price of € 26. Taking into account the overall amounts already received from the bankruptcy proceedings, the transaction was closed with a book profit of approximately € 35 thousand.

Market risk indicators (Value at Risk, the maximum potential loss calculated using the Monte Carlo simulation with a 99% confidence interval) as a percentage of the portfolio market value amounted to 0.74% on a 1 month horizon, which at current market values corresponded to a maximum potential loss of about € 104 thousand, and 0.90% on a 3 month horizon, which at current market values corresponded to a maximum potential loss of about € 176 thousand.
Also the stress tests carried out on the assumption of a sudden 100 bps shift in the interest rates curve, either upward or downward, showed 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 0.79% and 1.26% of the book's market value (about € 110,000 and € 113,000 respectively).



Investment portfolio
Geographical area



Investment portfolio

Industrial sector

Provision for risks and charges

The amount of the provision for risks and charges combined the provision set aside in relation to a labour dispute ongoing at year-end and the potential charges related to long-term benefits payable to the relevant personnel.

In addition, there was also an ongoing litigation with an Iceland counterparty that requested the termination of a transaction completed in 2010 for a total amount of about € 300 thousand.

In this respect, it was not considered necessary to make any allocation to the provision for risks and charges as, in similar processes, the court of Reykjavik considered that the transactions were normal business transactions and did not, therefore, agreed to their termination and also because, on the basis of the views expressed by legal experts, an assessment of the final outcome of the dispute was not possible.

Equity

The share capital at year-end was unchanged compared to 2011, consisting of 7,740,000 shares with a nominal value of € 1 each. Total reserves at 31 December 2012 amounted to € 6,549,000, resulting from retained earnings (€ 5,552,000), the share premium (€ 1,071,000) and the valuation reserve (€ -74,556) which changed due to actuarial adjustment of staff termination benefits. Overall, the increase in reserves amounted to 3.36% compared to 2011. As a result, shareholders' equity posted a new increase of 4.12%, exceeding € 15 million.

In this regard, the Bank, while granting a return on capital to its shareholders, confirmed a prudential approach to profit distribution and prioritized the strengthening of capital, thus also complying with the recent warning by the Supervisory Authority. With a note of 13 March 2013, Banca d'Italia underlined, as it did last year, the need to operate all levers that may contribute to strengthening capital, with particular reference to remuneration policies and the distribution of dividends to shareholders.

Please note that while your bank does not fall within the scope of the instructions provided in the note, as its capital base and the results for the year are well above the levels under consideration, it nevertheless decided to adopt a dividend distribution policy characterized by prudence, in view of the prolonged recession and uncertain prospects for recovery.

As a result, the Dividend Pay Out, corresponding to the ratio of total distributed dividends to profit for the year, decreased to 39.78% (from 72.94% in 2011).

Tier 1, the main capital adequacy indicator, which expresses the ratio between core capital and risk weighted assets, reached 36.54% in 2012, up from 32% the previous year. This value is in any case much above the minimum capital requirement, reflecting the high capital surplus of the bank. Part H of the Notes provides detailed information on shareholders' equity; the following is merely a table providing quantitative information about the regulatory capital.

Categories/amounts	Unweighted amounts		Weighted amounts	
	2012	2011	2012	2011
A. Risk assets				
A.1 Credit and counterparty risk	39,770	42,363	22,325	24,438
1. Standardised method	39,770	42,363	22,325	24,438
2. Internal rating based method	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk	-	-	1,786	1,955
B.2 Market risk	-	-	425	421
1. Standard method	-	-	425	421
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	1,076	1,204
1. Base method	-	-	1,076	1,204
2. Standardised method	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Other elements in the calculation	-	-	-	-
B.6 Total prudential requirements	**-**	**-**	**3,287**	**3,580**
C. Risk assets and regulatory ratios				
C.1 Risk-weighted assets			41,088	44,750
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 Capital ratio)			36.54%	32.00%
C.3 Regulatory capital including Tier 3/Risk-weighted assets (Total capital ratio)			36.54%	32.00%

Income Statement

The profit for the year, gross of taxes, amounted to € 1,768,331, an increase of 25% year-on-year. Item 260, "Taxation on profit from continuing operations", amounted to € 600,856 and net profit therefore stood at € 1,167,475.

The impact of taxes was rather limited due to the reclassification in this item, in accordance with the IAS, of the IRES amount for which a refund has been requested for failing to deduct IRAP related to the costs for employees and similar staff, for the years 2007 to 2011. Such reimbursement amounting to approximately € 132,000, concerns the year 2012.

Net interest income amounted to € 983,930, 6% less than in 2011.

This figure reflects the negative performance of the two relevant sub-items.

On the one hand, the sharp decline in interest rates and the Euribor in particular, which reached historic lows in 2012, slowed down interest income, especially for the component related to floating rate mortgages; on the other hand, the higher cost of funding, mainly due to market conditions strongly influenced by the funding needs of some major intermediaries struggling with potential liquidity crisis.

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

Breakdown of interest	31.12.2012	31.12.2011
Interest income	**1,555**	**1,461**
On securities portfolio	354	287
On loans to customers	1,111	1,150
On receivables from banks	90	24
Interest expense	**571**	**415**
On payables to banks	44	54
On payables to central banks	34	0
On customer accounts	348	98
On securities in issue	145	263
Interest margin	**984**	**1.046**

Gross income posted a 13% increase rising to € 7,640,114 from € 6,740,935 the previous year.

A detailed analysis of the aggregate shows a 12% decline in Fees and commissions receivables, which resulted from the contraction in commissions on investment services and especially the reduction in fees for the placement of third party products, partially offset by the good performance of commissions from banking services (collection and payments and current accounts management).

Fees and commissions payable include variable fees paid to the sales network and therefore reflected the increase in revenue growth.

Breakdown of fees and commissions	31.12.2012	31.12.2011
Fees and commissions receivable, of which	**473**	**540**
Trading of financial instruments	27	34
Placing	20	17
Receipt and transmission of orders	47	100
Distribution of third-party products	33	117
Collection and payment services	171	123
Current accounts management	163	139
Other	12	10
Fees and commissions payable	**-995**	**-695**
Net fees and commissions	**-522**	**-155**

Net profit/ (loss) from trading activities, item 80, benefited from the recoveries on the bank's trading book and the good performance of trading activities, posting a 23% growth.
Net income from financial activities, item 140, grew by 5% to € 7,060,355 despite significant impairment losses of the loan portfolio for € 579,759.

Operating costs, measured at € 5,292,024, were in line with last year levels. It should be noted that for the second year in a row costs did not increase, despite the increase in the VAT rate to 21%.
Staff costs did not show significant deviations from 2011 and even posted a slight decrease (-2%) down to € 3,111,512. This item includes fixed and variable employees' remuneration, the cost for professional training and the remuneration paid to directors and members of the Board of Statutory Auditors. In compliance with applicable supervisory provisions the bank prepared a specific disclosure concerning the remuneration policies, their implementation, and their consistency with the criteria of sound and prudent management.

The cash flow statement reported incoming cash flows greater than outflows, generating cash of approximately € 324,000. In particular, incoming cash flows consisted of interbank funding, while outflows were attributable to the strengthening of the bank's trading book and the repayment of bonds issued by Banca Promos expiring during the year. Cash and cash equivalents were sufficient to meet funding requirements.

Below are some financial ratios that show a substantially balanced performance. In comparison with 2011 there was a slight decrease; the bank's capital base, however, remained at excellent levels and its financial position and operating performance were more than satisfactory. More specifically:

- the ratio between direct fundraising and total assets stands at 56% (64% in 2011);
- the ratio between loans to customers and total assets stands at 51% (52% in 2011);
- the incidence of the interest margin on total assets goes down to 1.81% (from 2.07% recorded in 2011);
- the incidence of the interest margin on the brokerage margin goes to 13% (from the previous 16%);
- the cost-to-income ratio, which is the ratio of operating costs to gross income, improved significantly: at 31.12.2012 it was 69% (79% in 2011), demonstrating the bank's further improvement in operating efficiency.

Owing to the improved results for the year, ROE rose to 7.55%, still significantly better than the average for the industry.

Economic management

From an operational standpoint, your Bank is gradually improving business volumes in many areas. Debit cards in issue, for example, grew by 9%, as did the overall business volume generated by those cards (withdrawals, payments, etc.).
In general, given the difficult period, marketing activities achieved satisfactory results: the number of new customers continued to increase, as did in fact the number of current accounts, savings accounts and safety deposit boxes.

As usual, several actions were carried out affecting the bank's organization across all areas.
In terms of optimization of operating processes of the branches, the contracts' review continued, covering, this year, the interbank corporate banking, the guarantees provided by the Bank, savings deposits, overdrafts and bills and documents collection/acceptance services. Where possible, in order to increase systems' integration, contracts were gathered within a single IT platform thereby streamlining the information-gathering process and the printing of forms.
Furthermore, a special application was developed that allows for the subscription of Time Deposits directly at the branches, thereby contributing to streamlining this process.

As for the Finance Department, in the first place the "securities deposit and provision of financial services" contract was revised, with particular reference to the documentation prepared in compliance with the MiFID. In July, the "Strategy for order execution and transmission" and the "Questionnaire for the purpose of determining customers' investment profile (Appropriateness)" were updated; the latter document is used to correctly define the risk profile of customers that use investment services.

Furthermore, in order to increase the support tools for the trading floor, an automated procedure was implemented for the preparation of a daily report, called "Fixed Income Daily Market Report" which contains a summary of bond markets' key figures such as, for example, interest rates, exchange rates, spreads, trend in public debt.
The "Regulations on Finance" was also updated. In particular we have better defined the guidelines for the management of the proprietary portfolio, identifying for each type of portfolio (Held to Maturity - HTM, Held for Trading - HFT, Available for Sale- AFS) the composition, limits and authorities. The update in question also involved the set of rules and obligations that the Bank has to meet as part of its proprietary trading activity.
Finally, in the last months of the year a reorganization was undertaken involving the entire department. In order to promote the growth and development of the department, a new Commercial Function was set up (Sales Team) that will be working alongside the Trading Function (Trading-Team).

In compliance with the new supervisory provisions on cash recirculation (Bank of Italy measure of 14 February 2012 - "Provisions relating to the authenticity and fitness checking of euro banknotes and recirculation") and to meet the growing attention being paid to this matter, the Bank launched the "Regulations on Cash Management" which aims to illustrate the organizational structure adopted by the Bank in order to manage cash in a manner consistent with applicable regulations.
Sono state inoltre aggiornate ed integrate le procedure operative esistenti (“Movimentazione valori” e “Trattamento banconote logore/false”) per recepire gli aggiornamenti normativi.
A specific training on this matter was carried out in collaboration with external consultants, with the aim of raising employees' awareness about the importance of this issue.
Moreover, for many years the importance of proper and regular staff training has been recognized by the Bank as one of its core value, in the belief that it is one of the best tools to promote the growth and professional development of its employees.
During the year, additional training activities were carried out focusing on consumer credit and banking transparency, as well as other regulatory issues.

As prescribed by the Bank of Italy Circular 263 of 27 December 2006, Title V, Chapter 4 - 9th update of 12 December 2011, the Bank drew up the "Regulations of transactions with Connected Parties". The above cited regulation sets forth the obligation for financial intermediaries to monitor the risk that close relationships between certain persons and decision-makers might compromise the objectivity and impartiality of decisions on lending and other transactions with those persons, leading to potential distortions in resource allocation, exposure to risks that are not adequately measured or controlled and potential damage to depositors and shareholders. The Regulation therefore sets out appropriate internal rules to ensure the transparency and the substantial and procedural correctness of transactions carried out with such parties.

To complete the picture of company regulations on the subject in question, the Bank also defined the internal policy on the control of risky activities and conflicts of interest vis-à-vis "Connected Parties" and a framework resolution was defined that specifies the types of transactions that may be carried out with certain categories of "Connected Parties".

The mentioned update of Circular 263 also provides rules on the reduction of risk associated with excessive assets being tied up as a result of equity investments in non-financial companies. In response to these provisions, the Bank drew up the document "Internal Policies on investments in non-financial companies" describing the organizational structure and the system of internal controls designed to prevent and properly handle potential conflicts of interest between the investment activity in non-financial companies and other bank's activities, especially lending.

The ordinary review of internal regulations included the updates of the Process of Business Continuity Management, the Business Continuity Plan, the Regulations of the Board of Directors and the Staff Incentive Scheme. In June the update of the "Manual of internal procedures" was completed with supplements/revisions to the procedures relating to the various departments.

In the IT sector, in addition to the ordinary development and maintenance of the proprietary software, the Bank carried out development and maintenance activities on the Datacenter hardware/software infrastructure and specific actions to enable access to the MIT Platform of the Italian Stock Exchange.

Workforce

At 31 December 2012 there were 48 employees, 3 less than in 2011.
The staff was equally divided between men and women, with a small majority of women (26).
Again this year, permanent employment contracts accounted for almost all the employment contracts in place (96%), confirming our preference for stable forms of contracts.
Most of our employees, 65%, have a university degree, while the others have high school diplomas. The strictly operational areas (branches and trading) account for 60% of the workforce.

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

Turnover	Balances at 01/01/2012	Engagement/ Transformation	Resignation/ retirement/ termination/ transformation	Balances at 31/12/2012
Permanent contracts, of which	**44**	**4**	**2**	**46**
Managers	**1**	**-**	**1**	**0**
Middle management	**4**	**1**	**-**	**5**
White-collar personnel	**37**	**3**	**1**	**39**
Blue-collar personnel	**2**	**-**	**-**	**2**
Temporary contracts, of which:	**7**	**-**	**5**	**2**
White-collar personnel	**7**	**-**	**5**	**2**
TOTAL	**51**	**4**	**7**	**48**

BREAKDOWN	MANAGERS	MIDDLE MANAGEMENT	WHITE-COLLAR PERSONNEL	BLUE-COLLAR PERSONNEL	TOTAL
Men	0	2	18	1	**21**
Women	0	3	23	1	**27**
Average age	0	48	39	47	**40**
Average length of service	0	7	7	7	**7**
Permanent contracts	0	5	39	2	**46**
Temporary contracts	0	0	0	0	**0**
Apprenticeship contracts	0	0	2	0	**2**
Qualification – University	0	2	29	0	**31**
Qualification – High School	0	3	11	0	**14**
Qualification – Middle School	0	0	1	2	**3**

Related parties

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. Please refer to Part H of the Notes, where in compliance with applicable regulations, we provide the relevant details as well as the information required by regulations on relations with the Bank's directors and statutory auditors.

At 31 December 2012 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 2012, presented herein, were drawn up on a going concern basis taking into account all assets and liabilities of the company. The resulting financial and operating indicators are positive and constitute grounds for stating that the financial statements have been prepared on a going concern basis and that the bank will continue operating for 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. This report also provides additional information on risks.

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 2012 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

Dear Shareholders, at year end your Bank:

- 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.

The following additional information is also provided:

- 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.

We would like to point out that, continuing along a path undertaken in previous years, the Bank paid attention to environmental issues: although by their very nature banking activities have a low environmental impact, management constantly makes sustainable-oriented decisions (recycling, waste reduction awareness with regard to materials, special waste disposal, etc.). In particular, the disposal of special refuse and obsolete hardware is made by an authorised company, in order to ensure compliance with local regulations.

Internal audit

The bank has a system of internal controls in place, that is built on principles that promote sound and prudent management. It consists of rules, procedures and organizational structures that, on the one hand, aim at ensuring compliance with corporate strategies and, on the other hand, allow us to achieve a number of objectives, namely:

- 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;

- compliance of operations and activities with the law, with supervisory regulations and with company policies and internal regulations and procedures.

The system consists of three levels, responsibility of which is assigned to different structures and units: operating managers are in charge of first level controls; Risk Management, Compliance and Credit Control functions are in charge of second level controls while third-level controls, are the responsibility of the Internal Audit Department, 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 audits were carried out in compliance with the "Plan of Activities" approved by the Board of Directors. In addition to periodic audits, specific audits focused on particular areas were also carried out.
More specifically, periodic audit activities regarded the banking and the financial sector. With reference to the banking sector, audits were carried out on money laundering, transparency of banking transactions and services, cash management and related cash transactions and credit management process. With reference to the financial sector, the audits concerned various investment services (trading on own account, execution of customers' orders, receipt and transmission of orders, placement of financial instruments).
These audit activities, conducted on a process basis, were also carried out through on-site checks at the Branches.
In addition, some aspects common to both areas of the bank were audited, such as the handling of conflicts of interest and the management of the accounting system.

During the year 25 ordinary audits were carried out at the Branches, plus 2 targeted inspections 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 the reliability of service providers to which the cash recirculation activity has been outsourced. Furthermore, in accordance with the provisions of the legislation in force, the adequacy and effectiveness of the Compliance function and the Anti-money laundering function were assessed.

Risk management

The bank attaches great importance to the measurement and control of risks, as it is aware that adequate control arrangements in the various identified risk areas are the main guarantee for sound and prudent management.

Section E of the Notes summarizes the information on risks and the related hedging policies. However, it is worth noting that for many years the bank has formalized the risk management process in a specific document ("Risk Management System") that describes the role, duties and responsibilities of the Bodies with administrative, management and control functions and of the various business functions as well as the activities comprised 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. *Estimate*
4. *Assessment and corrective measures*
5. *Monitoring and reporting*

Mapping

Through Risk mapping the Bank has identified the universe of risks to which it is exposed. 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 related threats and opportunities, 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
- *Operational 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 related mitigating measures, in order to minimize exposure to risk within the limits that meet sound and prudent management criteria.

Estimate

The assessment of risks requires some preliminary tasks: first, an analysis of each risk is performed in order to define 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, an 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 two elements: the probability of occurrence of the "Typical Events " and their possible impact. To this end, specific qualitative scales (low / medium / high) were used to evaluate both the likelihood and the impacts.

In particular, for 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 step is of crucial importance to preserve the Bank's asset and financial integrity and to implement corporate strategies.

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

A score, in terms of significance, is subsequently assigned which allows for a comparison of the estimated risks, by establishing their relative importance and identifying the most relevant ones.

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

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 of the operating structures. In this system each entity must perform its supervisory activities and report the audits results.

The ICAAP process and Capital Adequacy

In compliance with the provisions on the prudential supervision of banks (Circular of Banca d'Italia no. 263 of 27 December 2006 as amended and supplemented), the Bank prepared the "ICAAP Report " at 31 December 2012.

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 the above 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 techniques 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 the standardized approach;
- 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 require additional capital, for the purpose of its estimate the Bank has adopted the guidelines laid down by Supervisory regulations, on the basis of which the Bank has established specific measurement and control procedures and systems.

With reference to market risk related to 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 which consist in testing the effects of specific events on the risks to which it is exposed. The Bank therefore performed sensitivity analysis aimed at verifying the impact on the bank's balance sheet of "extreme", yet plausible, changes in the following risks (individually assessed):

- Credit
- Concentration
- Interest rate
- Liquidity

The defined approach allows for an assessment of both the impact 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 which require capital 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 algebraical sum of the internal capital related to each type of 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 required increase in capital resulting from calculation on actual data in a stress situation and prospective data in both normal and stress conditions, the Bank's capital is such as to guarantee a significant capital surplus.

Public disclosure

As required by the Bank of Italy Circular 263/2006, the Bank has provided disclosure on capital adequacy, risk exposure and the general features of the systems used to identify, measure and manage those risks (i.e. Pillar III).

The document, which is available on the Bank's website www.bancapromos.it, provides information 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 2012

After the reporting period ended 31 December 2012 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.

Notice should be taken about a mortgage financing transaction that was carried out with a syndicate of three banks of the Campania region. We hope that this is the first of many such initiatives, with a view to creating a spirit of collaboration among local banks, to the benefit of firms operating in Southern Italy.

In addition, following resolution by the Board of Directors, the Bank bought the building in Via Manzoni in Naples, where the Branch is currently located and which was formerly leased.

Business outlook

The early months of 2013 were marked by political uncertainty, seriously undermining the prospects for a possible recovery in the short term. Following the stalemate due to the waiting for the elections' results in February, Italy plunged in a state of confusion in the aftermath of the elections which still persisted at the time of writing this report. The difficulty of setting up a government in Italy is raising concern throughout Europe, which, in turn, is under other internal pressures and continues to be shaken by a general crisis of confidence.

All this is obviously reflected in the far from optimistic attitude of the financial markets.

In the first quarter of the year, your Bank recorded a significant drop in volumes and revenues in the financial segment, while some signs of improvement, albeit modest, showed up in the lending segment.

We hope that a clarification of the political situation, sought by many, may restore market confidence and promote a resumption of activities to ordinary levels.

Proposed allocation of profit

Dear Shareholders, the Board of Directors submits for your approval the financial statements for 2012, with the attached reports of the Independent Auditors, Deloitte & Touche SpA, and the Statutory Auditors. The Board of Directors also proposes to allocate the profit for the reporting period in part to the Legal Reserve and in part as dividends to shareholders, carrying forward the remaining part.

Therefore, the Meeting, 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 Auditing Firm, shall resolve upon the following:

a) approve the 2012 Financial Statements showing a net profit of € 1,167,475;

b) allocate the profit for the year as follows:

- € 58,374 to the Legal Reserve;
- € 464,400, i.e. € 0.06 per share as dividend to the shareholders;
- to carry forward the residual € 644,701.

Acknowledgements

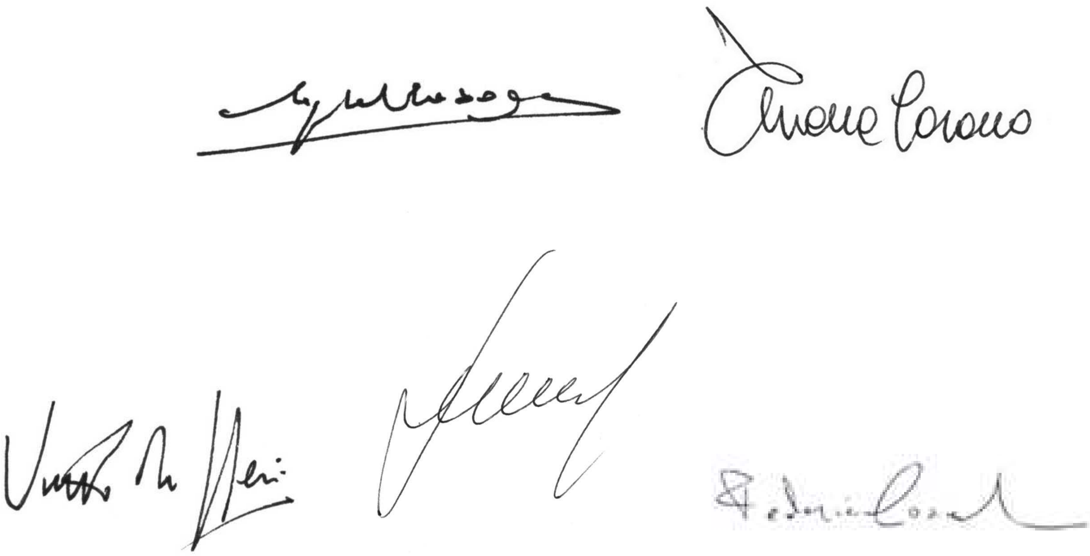
At the end of this presentation, we wish to thank former Director Luigi Gargiulo who, in compliance with the ban on interlocking directorships, resigned from his position in April 2012. We would like to express Mr. Gargiulo our appreciation for his precious collaboration with the bank during these crucial years in which he actively contributed to the growth and development of the bank. At the same time, we are pleased to welcome here the new director, Mr. Federico Cosentino, whose appointment will be specifically discussed during the Shareholders' meeting, and to whom we extend our best wishes for a fruitful collaboration.

Of course, we are grateful to each of you Shareholders who have renewed your trust in our work and have been providing constant support.

We also thank the Board of Auditors, the independent auditors and the supervisory authorities.

Let us, finally, give a special thank to the staff of the bank. All employees, regardless of rank, department or tasks, throughout the years have shown commitment to work and spirit of service, which combined with the professionalism they have acquired are essential elements for the attainment of our goals.

The Board of Directors



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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 2012, 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 Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili (National Accounting Board).

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 mentioned 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 31/12/2012, 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.

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

BALANCE SHEET		
Total Assets		<u>54,288,068</u>
Total Liabilities	38,831,959.00	
Net Equity:		
- Valuation reserve	(74,556.00)	
- Share capital	7,740,000.00	
- Reserves	5,552,278.00	
- Share premium account	1,070,912.00	
- Profit for the year	**1,167,475.00**	
<u>Net equity</u>	15,456,109.00	
Total Liabilities and Net Equity		**54,288,068**

INCOME STATEMENT	(relevant figures)	
Interest margin	983,930.00	
Net fees and commissions	(521,605.00)	
Brokerage margin	7,640,114.00	
Net adjustments	(579,759.00)	
Net result of financial operations	**7,060,355.00**	
Operating costs	**(5,292,024.00)**	
Profit (loss) on current operations before taxes	1,768,331.00	
Income taxes for the year	(600,856.00)	
Profit for the year		**1,167,475.00**

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 funding and lending, 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 2012 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 09/04/2013, along with the annual confirmation of their independence and the communication of the services other than auditing they have provided, pursuant to art. 17, paragraph 9, letter a), of Legislative Decree 239/2010, the Board of Statutory Auditors expresses a favourable opinion with regard to the approval of the financial statements for the year ended 31/12/2012, the Directors' Report and the proposed allocation of profit for the year.

Naples 09/04/2013

Il Collegio Sindacale

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

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

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

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Financial Statements
at 31 December 2012

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	31/12/12		31/12/11	
10. Cash and cash equivalents		591,605		268,455
20. Financial assets held for trading		14,187,081		8,880,345
30. Financial assets valued at fair value		-		-
40. Available-for-sale financial assets		-		-
50. Held-to-maturity financial assets		-		-
60. Loans and advances to banks		3,326,495		5,629,258
70. Loans and advances to customers		27,594,417		26,572,559
80. Hedging derivatives		-		-
90. Adjustments for changes in the value of hedged financial assets (+/-)		-		-
100. Equity Investments		-		-
110. Property, plant and equipment		6,762,856		7,188,486
120. Intangible assets, of which:		51,437		42,685
- goodwill	-		-	
130. Tax assets		916,020		667,150
a) current	*656,147*		*540,853*	
b) deferred	*259,873*		*126,297*	
- as per Law no. 214/2011	*215,874*		*85,578*	
140. Non-current assets and disposal groups held for sale		-		-
150. Other assets		858,157		1,422,597
Total assets		**54,288,068**		**50,671,535**

Liabilities and equity	31/12/12		31/12/11	
10. Deposits by banks		4,390,977		-
20. Customer accounts		26,136,168		24,819,807
30. Outstanding Securities		4,248,536		7,609,288
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		2,008,944		1,799,448
a) current	923,614		656,676	
b) deferred	1,085,330		1,142,772	
90. Liabilities included in disposal groups held for sale		-		-
100. Other liabilities		1,156,739		902,222
110. Staff termination benefits		869,023		647,327
120. Provisions for risk and charges		21,572		49,584
a) pension funds and similar commitments	-		-	
b) other provisions	21,572		49,584	
130. Valuation reserve		(74,556)		16,269
140. Redeemable shares		-		-
150. Equity instruments		-		-
160. Reserves		5,552,278		5,248,543
170. Share premium account		1,070,912		1,070,912
180. Share capital		7,740,000		7,740,000
190. Treasury shares (-)		-		-
200. Profit/ (loss) for the year (+/-)		1,167,475		768,135
Total liabilities and equity		**54,288,068**		**50,671,535**

Income Statement

(in Euros)

	31/12/12		31/12/11	
10. Interest income and similar revenues		1,555,161		1,461,430
20. Interest expense and similar charges		(571,231)		(414,688)
30. Net interest income		**983,930**		**1,046,742**
40. Fees and commissions receivables		473,659		539,529
50. Fees and commissions payable		(995,264)		(694,862)
60. Net fees and commissions		**(521,605)**		**(155,333)**
70. Dividends and similar revenues		-		-
80. Net profit/ (loss) from trading activities		7,177,789		5,849,526
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		**7,640,114**		**6,740,935**
130. Impairment losses/recoveries on:		(579,759)		(2,618)
a) loans and advances	(579,759)		(2,618)	
b) available-for-sale financial assets	-		-	
c) held-to-maturity financial assets		-		-
d) other financial transactions		-		-
140. Net income from financial activities		**7,060,355**		**6,738,317**
150. Administrative expenses		(4,762,775)		(4,804,269)
a) staff costs	(3,111,512)		(3,184,902)	
b) other administrative expenses	(1,651,263)		(1,619,367)	
160. Net provisions for risk and charges		(1,193)		(10,410)
170. Adjustments to property, plant and equipment		(436,199)		(434,248)
180. Adjustments to intangible assets		(24,982)		(18,319)
190. Other operating costs/income		(66,875)		(54,922)
200. Operating costs		**(5,292,024)**		**(5,322,168)**
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		-		-
250. Profit/ (loss) from current operations before tax		**1,768,331**		**1,416,149**
260. Taxation on profit from continuing operations		(600,856)		(648,014)
270. Profit/ (loss) from continuing operations after tax		**1,167,475**		**768,135**
280. Profit/ (loss) from disposal groups held for sale after tax		**-**		**-**
290. Profit/ (loss) for the year		1,167,475		768,135

Statement of Comprehensive Income

	Items	2012	2011
10.	**Profit/(Loss) for the year**	**1,167**	**768**
	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	(91)	68
100.	Share of valuation reserves for investments measured using the equity method	-	-
110.	**Total other components of comprehensive income, after tax**	**(91)**	**68**
120.	**Comprehensive income (Item 10+110)**	**1,076**	**836**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2012

	Balance at 31.12.11	Change in opening balances	Balance at 01.01.12	Allocation of profit for prior year		Changing during the year								Shareholders' Equity at 31.12.12
						Changes in reserves	Equity-related transactions						Statement of comprehnsive income at 31.12.12	
				Reserves	Dividends and other allocations		Issue of new shares	Share buybacks	Payment of extraordinary dividends	Changes in equity instruments	Derivatives on own shares	Stock options		
Share Capital:	7,740	-	7,740	-	-	-	-	-	-	-	-	-	-	7,740
a) ordinary shares	7,740	-	7,740	-	-	-	-	-	-	-	-	-	-	7,740
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium account	1,071	-	1,071	-	-	-	-	-	-	-	-	-	-	1,071
Reserves:	5,249	-	5,249	304	-	-	-	-	-	-	-	-	-	5,553
a) revenues	5,249	-	5,249	304	-	-	-	-	-	-	-	-	-	5,553
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	16	-	16	-	-	-	-	-	-	-	-	-	(91)	(75)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/ (loss) for the year	768	-	768	(304)	(464)	-	-	-	-	-	-	-	1,167	1,167
Equity	14,844	-	14,844	-	(464)	-	-	-	-	-	-	-	1,076	15,456

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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

		Cash flow statement (Indirect Method)	2012	2011
A.		**OPERATING ACTIVITIES**		
1.		**Operations**	**2,900**	**2,502**
	-	profit for the year	1,167	768
	-	gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	(320)	357
	-	gains/losses on hedging activities	-	-
	-	impairment losses/recoveries	580	3
	-	net impairment losses/recoveries on property, plant and equipment and intangible assets	461	453
	-	net provisions for risk and charges and other costs and income	253	275
	-	unpaid taxes	733	648
	-	net impairment losses/recoveries on disposal groups held for sale, net of tax	-	-
	-	other adjustments	26	(2)
2.		**Cash generated by/used for financial assets**	**(4,196)**	**(4,246)**
	-	financial assets held for trading	(4,987)	2,268
	-	financial assets at fair value	-	-
	-	available-for-sale financial assets	-	-
	-	loans and advances to banks: on demand	2,303	(1,956)
	-	loans and advances to banks: other	-	-
	-	loans and advances to customer	(1,602)	(4,372)
	-	other assets	90	(186)
3.		**Cash generated by/used for financial liabilities**	**2,128**	**2,347**
	-	deposits by banks: on demand	4,391	(50)
	-	deposits by banks: other	-	-
	-	customer accounts	1,316	4,147
	-	outstanding securities	(3,361)	(528)
	-	financial liabilities held for trading	-	-
	-	financial liabilities at fair value	-	-
	-	other liabilities	(218)	(1,222)
Net cash flows from/for operating activities			**832**	**603**
B.		**INVESTING ACTIVITIES**		
1.		**Cash generated by**	**-**	**2**
	-	sale of investments	-	-
	-	dividends received from investments	-	-
	-	sale of held to maturity financial assets	-	-
	-	sale of property, plant and equipment	-	2
	-	sale of intangible assets	-	-
	-	sale of business units	-	-
2.		**Cash used for**	**(44)**	**(114)**
	-	purchase of investments	-	-
	-	purchase of held to maturity financial assets	-	-
	-	purchase of property, plant and equipment	(11)	(102)
	-	purchase of intangible assets	(33)	(12)
	-	purchase of business units	-	-
Net cash flows from investing activities			**(44)**	**(112)**
C.		**FINANCING ACTIVITIES**		
	-	issue/purchase of own shares	-	-
	-	issue/purchase of equity instruments	-	-
	-	payment of dividends and other transactions	(464)	(581)
Net cash flows from/for financing activities			**(464)**	**(581)**
NET INCREASE/DECREASE IN CASH			**324**	**(90)**

Reconciliation		
Item	2012	2011
Cash and cash equivalents at beginning of year	268	358
Net increase/Decrease in cash	324	(90)
Cash and cash equivalents: effects of exchange rate fluctuations	-	-
Cash and cash equivalents at end of year	592	268

Notes

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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,:

- 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.

The data, in the notes, unless otherwise stated, are shown in thousands of 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

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 2012 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		*31*	*3*	*7*
- audit of the interim financial statements		*9*	*1*	*2*
- quarterly checks		*10*	*1*	*2*
- Preparation of tax declarations		*1*	*0*	*0*
Total		***51***	***5***	***12***

Adoption of new accounting standards and interpretations issued by the IASB

- On 7 October 2010 the IASB published some amendments to IFRS 7 – Financial Instruments: Additional information. The amendments were issued with the aim of improving disclosure of the transfer (derecognition) of financial assets. In particular, the amendments require greater transparency on exposure to risk in transactions where a financial asset has been transferred but the transferor retains some form of continuing involvement in the asset. The amendments also require additional information in the event that a disproportionate amount of these transactions take place near the end of an accounting period. The adoption of this amendment had no impact on the information regarding the financial statements.

- On 20 December 2010, the IASB issued an amendment to **IAS 12** - Income taxes - which requires an entity to measure the deferred tax relating to investment property measured at fair value based on the manner in which the carrying amount of the asset will be recovered (through use or through sale). Specifically, the amendment establishes a rebuttable presumption that the carrying amount of an investment property measured at fair value in accordance with IAS 40 is made entirely through the sale and that the measurement of deferred taxes in jurisdictions where tax rates are different, reflects the rate on the sale. The adoption of this amendment had no impact on the determination of deferred taxes at 31 December 2012.

- On 12 May 2011, the IASB issued **IFRS 13** – Fair value measurement, which explains how fair value should be determined for financial statement purposes and is applicable to all the circumstances where the standards require or permit fair value measurement or information to be presented on the basis of fair value, with some limited exclusions. In addition, the standard requires more extensive disclosure on fair value measurement (fair value hierarchy) than is currently required by IFRS 7. The principle is applicable prospectively from 1 January 2013.

- On 16 December 2011, the IASB published some amendments to **IFRS 32** – Financial Instruments: Presentation to clarify (but actually complicating) the application of some criteria for offsetting financial assets and financial liabilities in IAS 32. The amendments are effective retrospectively from the financial years beginning on or after 1 January 2014.

- On 16 December 2011, the IASB published some amendments to **IFRS 7** – Financial Instruments: additional disclosures. The amendment requires information on the effect or potential effect on an entity's financial position of netting arrangements of financial assets and liabilities. The amendments are applied to the financial years beginning on or after 1 January 2013. The information must be provided retrospectively.

- On 16 June 2011, the IASB issued amendments to **IAS 1** – Presentation of financial statements which requires entities to group together all the components presented under "Other comprehensive income/(loss)" statement depending on whether they are potentially reclassifiable to profit or loss subsequently. This amendment is applicable to the financial years beginning on or after 1 July 2012.

- On 16 June 2011, the IASB issued an amendment to **IAS 19** - Employee benefits - which eliminates the option to defer the recognition of actuarial gains and losses with the corridor method, requiring that all actuarial gains or losses be recognized immediately in Other

Comprehensive Income so that the full net amount of the defined benefit plans (net of the plan's assets) is recognized in the statement of financial position. The amendments also provide that changes from one year to the next of the defined benefit obligation and the plan assets must be broken down into three components: the cost components relating to the service provided in the period must be recognized in profit or loss as "service costs"; net interest calculated by applying the appropriate discount rate to the net defined benefit liability(assets) at the start of the period must be recognized in profit or loss as such; actuarial gains and losses from the remeasurement of assets and liabilities must be recognized in "Other comprehensive income". Moreover, the return on assets included in net interest expense (as mentioned above) shall be calculated on the basis of the liability discount rate rather than the expected return on assets. The amendment finally introduces new disclosure to be provided in the notes. The amendment is effective retrospectively from the financial year beginning on or after 1 January 2013. This amendment is not expected to determine any significant effects on the Bank's financial statements.

- On 12 November 2009 the IASB published **IFRS 9** - Financial instruments; the same standard was subsequently amended on 28 October 2010. The standard, applicable from 1 January 2015, retrospectively, is the first part of a multi-step process that aims to fully replace IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, with regard to financial assets, the new standard uses a unified approach based on how an entity manages its financial instruments and the characteristics of contractual cash flows of the financial assets to determine the measurement criteria, replacing the different rules in IAS 39. For financial liabilities, the main change introduced concerns the accounting treatment of changes in fair value of a financial liability designated as a financial liability at fair value through profit or loss, if these changes are due to a variation in the creditworthiness of the liability itself. According to the new standard these changes should be recognised in the "Other comprehensive income and loss" statement and no longer through profit or loss.

  Steps two and three of the project on financial instruments, respectively related to the impairment of financial assets and to hedge accounting, are still in progress. The IASB is also considering limited improvements to IFRS 9 for the part relating to the Classification and measurement of financial assets.

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 2012 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.

The amendment to IAS 19 issued on 16 June 2011 did not result in any significant effects for the Bank.

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	2012			2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets/liabilities at fair value						
1. Financial assets held for trading	10,758	3,429	-	5,214	3,666	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	-
4. Hedging derivatives	-	-	-	-	-	-
Total	**10,758**	**3,429**	**-**	**5,214**	**3,666**	**-**
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 recognised on the initial recognition of a financial asset or financial liability. In such a case, IAS 39 requires that a gain or loss shall be recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

In recognising the difference between the fair value on initial recognition and the amount determined at that date using the chosen valuation technique based on observable market inputs (the so-called "day one gain/loss", see paragraph 28 of IFRS 7), the Bank will, therefore, recognise the difference in the income statement 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.

As at 31/12/2012 the Bank had not entered into any transactions for which at the time of initial recognition of a financial instrument, a difference had arisen between the transaction price and the value of the instrument obtained through an internal evaluation technique.

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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	
	2012	2011
a) Cash	384	248
b) Demand deposits at Central Banks	208	20
Total	**592**	**268**

The amounts in sub-item "Cash" are entirely in euros.
The sub-item "Demand deposits at central banks" refers to deposits held with Banca d'Italia.
The amount does not include the mandatory Reserve which is included in Assets in item 60 "Loans and advances to 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					
	2012			2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	10,758	3,429	-	5,214	3,666	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	10,758	3,429	-	5,214	3,666	-
2 Equity instruments	-	-	-	-	-	-
3 Units of mutual investment funds	-	-	-	-	-	-
4 Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**10,758**	**3,429**	**-**	**5,214**	**3,666**	**-**
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)	**10,758**	**3,429**	**-**	**5,214**	**3,666**	**-**

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

Items/Amounts	Total	
	2012	2011
A. Cash assets		
1 Debt securities	**14,187**	**8,880**
a) Governments and central banks	7,455	3,041
b) Other public entities	-	-
c) Banks	5,137	2,380
d) Other issuers	1,595	3,459
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	**14,187**	**8,880**
B. Derivative instruments		
a) Banks	-	-
- fair value	-	-
-	-	-
b) Customers	-	-
- fair value	-	-
-	-	-
Total B	-	-
Total (A+B)	**14,187**	**8,880**

The breakdown of financial assets by issuers' industry was made according to the classification criteria set by Banca d'Italia.

2.3 Financial assets in cash held for trading: year-on-year changes

	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	**8,880**	-	-	-	**8,880**
B Increases	**14,921,599**	**-**	**-**	**-**	**14,921,599**
B1 Purchases	14,914,109	-	-	-	14,914,109
B2 Positive changes in fair value	323	-	-	-	323
B3 Other changes	7,167	-	-	-	7,167
C Decreases	**14,916,292**	**-**	**-**	**-**	**14,916,292**
C1 Sales	14,911,516	-	-	-	14,911,516
C2 Redemptions	4,476	-	-	-	4,476
C3 Negative changes in fair value	3	-	-	-	3
C4 Transfers to other portfolios	-	-	-	-	-
C5 Other changes	297	-	-	-	297
D Closing balances	**14,187**	**-**	**-**	**-**	**14,187**

Positive changes in fair value include capital gains on valuation for € 323 thousand.
The other increases include € 7,167 thousand of trading profits.
Negative changes in fair value include capital losses on valuation for € 3 thousand.
Other decreases include trading losses for € 297 thousand.

Section 6 – Item 60 – Receivables from banks

6.1 Receivables from banks: commodity breakdown

Types of transaction/Amounts	Total	
	2012	2011
A Loans and advances to central banks	**-**	**-**
1. Term deposits	-	-
2. Compulsory reserves	-	-
3. Reverse repurchase agreements	-	-
4. Other	-	-
B Loans and advances to banks	**3,326**	**5,629**
1. Current accounts and demand deposits	3,162	5,282
2. Term deposits	164	347
3. Other loans:	-	-
3.1 Reverse repurchase agreements	-	-
3.2 Finance leases	-	-
3.3 Other	-	-
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
Total (carrying amount)	**3,326**	**5,629**
Total (fair value)	**3,326**	**5,629**

The mandatory reserve requirement is met via the Istituto Centrale delle Banche Popolari Italiane; the amount, therefore, is presented in item B.2 Term 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 Loans to customers: commodity breakdown

Types of transaction/Amounts	Total					
	2012			2011		
	Performing	Impaired		Performing	Impaired	
1 Current account overdrafts	2,502	-	418	1,978	-	780
2 Reverse repurchase agreements	-	-	-	-	-	-
3 Mortgage loans	17,388	-	462	17,809	-	318
4 Credit cards, personal loans and loans secured by one-fifth of salary	881	-	298	1,431	-	7
5 Finance leases	-	-	-	-	-	-
6 Factoring	-	-	-	-	-	-
7 Other transactions	5,645	-	-	4,250	-	-
8 Debt securities	-	-	-	-	-	-
8.1 Structured securities	-	-	-	-	-	-
8.2 Other debt securities	-	-	-	-	-	-
Total (carrying amount)	**26,416**	**-**	**1,178**	**25,468**	**-**	**1,105**
Total (fair value)	**27,378**	**-**	**1,241**	**26,317**	**-**	**1,136**

Loans to customers are entered net of amendments for write-downs.

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 31/12/2012 total non-performing loans for € 807 thousand, net of analytical impairments for € 695 thousand resulted in net non-performing loans recognised in the financial statements of € 112 thousand. The amount and breakdown of the impairments are shown in Part E of these Notes.

The sub-item 7 “Other transactions” include:

	Total
	2012
Unsecured loans	832
Advances with recourse	1,589
Commercial discounts	71
Deposits at clearing houses	3,127
Guarantee deposits	26
Total	**5,645**

7.2 Loans to customers: breakdown by debtor/issuer

Types of transaction/Amounts	Total					
	2012			2011		
	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:	**26,416**	**-**	**1,178**	**25,468**	**-**	**1,105**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	26,416	-	1,178	25,468	-	1,105
- non-financial companies	8,188	-	477	9,125	-	263
- financial companies	-	-	220	12	-	476
- insurance companies	-	-	-	-	-	-
- other	18,228	-	481	16,331	-	366
Total	**26,416**	**-**	**1,178**	**25,468**	**-**	**1,105**

The breakdown of financial assets by issuers' industry was made according to the classification criteria set by Banca d'Italia.

Section 10 – Item 100 – Investments

At 31/12/2012 the Bank held no investments.

Section 11 – Item 110 – Property, land and equipment

11.1 Property, land and equipment: breakdown of assets carried at cost

Assets/Amounts	Total	
	2012	2011
A Operating assets		
1.1 owned by the Bank	**6,763**	**7,188**
a) land	-	-
b) buildings	6,263	6,567
c) furniture	349	411
d) electronic equipment	66	87
e) other	85	123
1.2 purchased under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**6,763**	**7,188**
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	**6,763**	**7,188**

11.3 Functional tangible fixed assets: year-on-year changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A Gross opening balances	**-**	**7,175**	**585**	**348**	**246**	**8,354**
A.1 Total net reductions	-	608	174	261	123	1,166
A.2 Net opening balances	**-**	**6,567**	**411**	**87**	**123**	**7,188**
B Increases	**-**	**-**	**-**	**11**	**-**	**11**
B.1 Purchases	-	-	-	11	-	11
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	-	-	-	-	-	-
C Decreases:	**-**	**304**	**62**	**31**	**39**	**436**
C.1 Sales	-	-	-	-	-	-
C.1.1 Sales	-	-	-	-	-	-
C.1.2 Business combinations	-	-	-	-	-	-
C.2 Depreciation	-	304	62	31	39	436
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	**-**	**6,263**	**349**	**67**	**84**	**6,763**
D.1 Total net reductions	-	912	236	292	162	1,602
D.2 Gross closing balances	**-**	**7,175**	**585**	**359**	**246**	**8,365**
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 assets

12.1 Intangible assets: breakdown by type of asset

Assets/Amounts	Total			
	2012		2011	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	**51**	**-**	**43**	**-**
A.2.1 Assets measured at cost:	51	-	43	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	51	-	43	-
A.2.2 Assets at fair value:	**-**	**-**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**51**	**-**	**43**	**-**

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 assets: year-on-year changes

	Goodwill	Other intangible assets: Internally generated		Other intangible assets: Other		Total
		DET	INDET	DET	INDET	
A Gross opening balances	**-**	**-**	**-**	**423**	**-**	**423**
A.1 Total net reductions	-	-	-	380	-	380
A.2 Net opening balances	**-**	**-**	**-**	**43**	**-**	**43**
B Increases	**-**	**-**	**-**	**33**	**-**	**33**
B.1 Purchases	-	-	-	33	-	33
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	**-**	**-**	**-**	**25**	**-**	**25**
C.1 Sales	-	-	-	-	-	-
C.1.1 Sales	-	-	-	-	-	-
C.1.2 Business combinations	-	-	-	-	-	-
C.2 Adjustments	-	-	-	25	-	25
- Amortisation	-	-	-	25	-	25
- 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	**-**	**-**	**-**	**51**	**-**	**51**
D.1 Total net adjustments	-	-	-	405	-	405
E. Gross closing balances	**-**	**-**	**-**	**456**	**-**	**456**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Key:
DET.: determined duration
UNDET.: undetermined duration

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	216	-	216
other temporary differences	44	-	44
Total	**260**	**-**	**260**

13.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Totale
surplus provisions for staff termination benefits under IFRS	898	187	1,085
other temporary differences	-	-	-
Total	**898**	**187**	**1,085**

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

	Total	
	2012	2011
1. Opening balance	**126**	**154**
2. Increases	**141**	**9**
2.1 Deferred tax assets recognised during the year	141	9
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) recoveries	-	-
d) other	141	9
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**7**	**37**
3.1 Deferred tax assets derecognised during the year	7	37
a) reversals	-	-
b) impairments due to non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	7	37
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
a) amounts reclassified as tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	**260**	**126**

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 difference in deferred tax assets recognized/reversed during the year was recognised in the income statement, in item 260 "Taxation on profit from continuing operations" for about € 133 thousand.

13.3.1 Change in deferred tax assets pursuant to Law n. 214/2011 (contra entry to the income statement)

	Total	
	2012	2011
1. Opening balance	**86**	**91**
2. Increases	**130**	**-**
3. Decreases	**-**	**5**
3.1 reversals	-	-
3.2 Amounts reclassified as tax credits	-	-
a) resulting from losses for the period	-	-
b) resulting from tax losses	-	-
2.2 New taxes or increases in tax rates	-	5
3.3 Other decreases	**216**	**86**
4. Closing balance	**-**	**-**

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

	Total	
	2012	2011
1. Opening balance	**1,143**	**1,173**
2. Increases	**-**	**27**
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
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**58**	**57**
3.1 Deferred tax liabilities derecognised during the year	58	57
a) reversals	58	57
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	**1,085**	**1,143**

"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 reversal of deferred tax liabilities refers to taxes calculated on the depreciation charge for the period relating to the property 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	2012	2011
IRES	419	356
IRAP	237	185
Indirect and other taxes	-	-
Total	**656**	**541**

Current tax liabilities

Items/Amounts	2012	2011
IRES	651	421
IRAP	273	236
Indirect and other taxes	-	-
Total	**924**	**657**

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

	2012	2011
Non-current assets in progress and advances	-	-
Amounts to be charged to customers	227	136
Leasehold improvements	47	145
Sundry tax assets	335	158
Pending direct debits payable	118	501
Fees and commissions to be invoiced	-	-
other minor items	124	476
Accrued income and prepayments	7	7
Total	**858**	**1,423**

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 transactions, which are included in the item only for as long as it is necessary before processing and final recognition.

Liabilities

Section 1 – Item 10 – Payables to banks

1.1 Payables to banks: commodity breakdown

Types of transaction/Amounts	Total	
	2012	2011
1 Deposits by central banks	**4,034**	**-**
2 Deposits by banks	**357**	**-**
2.1 Current accounts and demand deposits	357	-
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	**357**	**-**
Fair value	**4,391**	**-**

Deposits by central banks is the debt to the European Central Bank for the three year financing outstanding as at 31/12/2012 (due February 2015), at a rate of 1%, for a total of 4 million, which is part of long-term loans granted by the ECB against securities deposit.

Section 2 – Item 20 – Customer accounts

2.1 Customer accounts: commodity breakdown

Types of transaction/Amounts	Total	
	2012	2011
1 Current accounts and demand deposits	17,860	18,861
2 Term deposits	8,276	5,959
3 Loans	-	-
3.1 Repurchase agreements	-	-
3.2 Other	-	-
4 Liabilities deriving from commitments to repurchase own shares	-	-
5 Other payables	-	-
Total	**26,136**	**24,820**
Fair value	**26,136**	**24,820**

As this item includes only sight deposits (current accounts and demand deposits) and term 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 2012				Total 2011			
	Carrying amount	*Fair value*			Carrying amount	*Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**4,249**	**-**	**4,339**	**-**	**7,609**	**-**	**7,897**	**-**
1. Bonds	4,249	-	4,339	-	7,609	-	7,897	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	4,249	-	4,339	-	7,609	-	7,897	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**4,249**	**-**	**4,339**	**-**	**7,609**	**-**	**7,897**	**-**

The fair value of bonds issued, considered in chronological order of issuance, amounts respectively to € 3,666,425 and € 672,980.
In order to measure fair value, reference was made to the linearly interpolated swap rate curve at 31/12/2012, and the expected credit spreads for banks rated BBB (Senior).
During the year the bonds maturing January 2012 were reimbursed for an amount of € 3 million.

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

	2012	2011
Subject to collection portfolio	259	59
Bank transfers awaiting clearance	7	-
Bankers' drafts issued	27	23
Amounts payable to tax authorities on behalf of customers and staff	249	225
Trade payables	352	238
Amounts payable to other entities	114	146
Accrued expenses	13	12
Remuneration payable to staff and related social security contributions	85	130
Amounts payable to customers	48	64
Other third-parties payables	3	5
Total	**1,157**	**902**

Section 11 – Item 110 – Staff termination benefits

11.1 Staff termination benefits: year-on-year changes

	Total	
	2012	2011
A Opening balance	**647**	**595**
B Increases	**154**	**167**
B.1 Provisions for the year	154	167
B.2 Other changes	-	-
C Decreases	**(68)**	**115**
C.1 Benefits paid	23	47
C.2 Other changes	(91)	68
D Closing balance	**869**	**647**
Total	**869**	**647**

This item includes Staff termination benefits (T.F.R.) recognised in accordance with the requirements of IAS 19.
In particular it should be noted that the annual discount rate used to calculate the present value of Staff termination benefits was determined in accordance with paragraph 78 of IAS 19, with reference to the IBoxx Eurozone Corporate AA index with duration over 10 years as quoted on 31/12/2012.

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 Staff termination benefits (T.F.R.) accrued after 1 January 2007 continue to be kept in the company, as, at 31/12/2012, 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 risks and charges: breakdown

Items/Amounts	Total	
	2012	2011
1. Company pensions funds	**-**	**-**
2. Other provisions	**22**	**50**
2.1 litigation	9	44
2.2 staff costs	-	-
2.3 other	13	6
Total	**22**	**50**

The amount of the provision for risks 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 accruing in the period was recognised in the income statement in the item "staff costs".
In addition, there was also an ongoing litigation with an Iceland counterparty that requested the termination of a transaction completed in 2010 for a total amount of about € 300 thousand.
In this respect, it was not considered necessary to make any allocation to the provision for risks and charges as, in similar processes, the court of Reykjavik considered that the transactions were normal business transactions and did not, therefore, agreed to their termination and also because, on the basis of the views expressed by legal experts, an assessment of the final outcome of the dispute was not possible.

12.2 Provisions for liabilities and charges: year-on-year changes

	Pension funds	Other provisions	Total
A Opening balances	**-**	**50**	**50**
B Increases	**-**	**10**	**10**
B.1 Provisions for the year	-	10	10
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to modification of discount rate	-	-	-
B.4 Other increases	-	-	-
C Decreases	**-**	**38**	**38**
C.1 Uses during the year	-	36	36
C.2 Changes due to modification of discount rate	-	-	-
C.3 Other decreases	-	2	2
D Closing balances	**-**	**22**	**22**

At 31/12/2012 there was one labour related lawsuit pending against the Bank, for which provisions were set aside amounting to € 9 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 for about € 4 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	
	2012	2011
1. Share capital	7,740	7,740
Total	**7,740**	**7,740**

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

14.2 Share capital – Number of shares: year-on-year 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	
	2012	2011
1. Legal reserve	733	694
2. FTA reserve:	115	115
3. Retained earnings	621	621
4.Profit for prior year	4,083	3,819
Total	**5,552**	**5,249**

Other information

1. Guarantees granted and commitments

Transaction	Total	
	2012	2011
1. Financial guarantees provided	497	377
a) Banks	47	62
b) Customers	450	315
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	**497**	**385**

2. Assets pledged as collateral for own liabilities and commitments.

	2012	2011
1. Financial assets held for trading	4,370	-
2. Financial assets valued at fair value	-	-
3. Attività finanziarie disponibili per la vendita	-	-
4. Held-to-maturity financial assets	-	-
5. Loans and advances to banks	-	-
6. Loans and advances to customers	-	-
7. Property, plant and equipment	-	-
Totale	**4,370**	**-**

The table shows the securities used as collateral against the loan received from the European Central Bank.

4. Third-party management and brokerage

Types of service	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	11,894
1. settled	11,894
2. unsettled	-
b) Sales	10,221
1. settled	10,221
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)	37,732
1. securities issued by the reporting bank	11,614
2. other securities	26,118
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	37,732
d) proprietary securities deposited with third parties	15,055
4. Other transactions	

Part C
Information on the Income Statement

Section 1 – Items 10 and 20 – Interest

1.1 Interest income and similar revenue: breakdown

Items/Forms	Debt securities	Loans	Other transactions	Total 2012	Total 2011
1 Financial assets held for trading	354	-	-	354	287
2 Available-for-sale financial assets	-	-	-	-	-
3 Held-to-maturity financial assets	-	-	-	-	-
4 Loans and advances to banks	-	90	-	90	24
5 Loans and advances to customers	-	1,111	-	1,111	1,150
6 Financial assets at fair value	-	-	-	-	-
7 Hedging derivatives	-	-	-	-	-
8 Other assets	-	-	-	-	-
Total	**354**	**1,201**	**-**	**1,555**	**1,461**

Interest on “impaired loans” to customers amounted to € 13,235 and were totally written down.

1.3.1 Interest income on financial assets in foreign currency

Interest income on financial assets in foreign currency amounted to € 539.

1.4 Interest expense and similar charges: breakdown

Items/Forms	Deposits	Securities	Other transactions	Total 2011	Total 2010
1. Deposits by central banks	34	-	-	34	-
2. Deposits by banks	44	-	-	44	54
3. Customer accounts	348	-	-	348	98
4. Outstanding securities	-	145	-	145	263
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**426**	**145**	**-**	**571**	**415**

The item Deposits by central banks include interest expense related to the financing from the European Central Bank.

1.6.1 Interest expense on financial liabilities in other currencies

Interest expense on financial liabilities in foreign currency amounted to € 14,061.

Section 2 – Items 40 and 50 – Fees and commissions

These items include income and expenses relating, respectively, to services provided and services received by 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 income and similar revenues and 20 - Interest expense and similar charges).

2.1 Fees and commissions receivable: breakdown

Types of service/Amounts	Total	
	2012	2011
a) guarantees issued	8	7
b) credit derivatives	-	-
c) management, brokerage and advisory services:	132	271
1. trading in financial instruments	27	34
2. foreign currency trading	-	-
3. asset management	-	-
3.1 individual	-	-
3.2 collective	-	-
4. custody and administration of securities	5	3
5. depositary bank	-	-
6. securities placement	20	17
7. order collection	47	100
8. advisory services	-	-
8.1 regarding investment	-	-
8.2 regarding financial structure	-	-
9. distribution of third-party services	33	117
9.1 asset management	-	-
9.1.1. individual	-	-
9.1.2 collective	-	-
9.2 insurance products	-	-
9.3 other products	33	117
d) collection and payment services	171	123
e) servicing for securitisation transactions	-	-
f) factoring transactions	-	-
g) tax collection	-	-
h) management of multilateral trading systems	-	-
i) current account services	163	139
j) other services	-	-
Total	**474**	**540**

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

Channels/Amounts	Total	
	2012	2011
a) through own branches:	**33**	**117**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	33	117
b) door-to-door sales:	**20**	**17**
1. asset management	-	-
2. securities placement	20	17
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 payable: breakdown

Services/Amounts	Total	
	2012	2011
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) management and brokerage services:	948	656
1. Trading in financial instruments	944	649
2. Foreign currency trading	-	-
3. Asset management	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	4	7
5. Placement of financial instruments	-	-
6. Door-to-door sales of financial instruments, products and services	-	-
d) Collection and payment services	34	32
e) Other services	13	7
Total	**995**	**695**

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

4.1 Net profit/(loss) from trading activities: 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	**323**	**7,177**	**3**	**297**	**7,200**
1.1 Debt securities	323	7,167	3	297	7,190
1.2 Equity instruments	-	-	-	-	-
1.3 Units of mutual investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	10	-	-	10
2 Financial liabilities held for trading	**-**	**-**	**-**	**22**	**(22)**
2.1 Debt securities	-	-	-	22	(22)
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	**323**	**7,177**	**3**	**319**	**7,178**

The item includes:
a) the net profit (loss) 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 net profit (loss) on financial transactions in foreign currencies including the results on the valuation of these transactions.
c) capital gains, amounting to € 323 thousand, and capital losses amounting to € 3 thousand on securities in the portfolio as at 31/12/2012.

Section 8 – Item 130 – Net impairment losses/recoveries

8.1 Net impairment losses/recoveries: breakdown

Transactions/Components of income	Impairment losses			Recoveries				Total	
	Specific		Collective	Specific		Collective			
	Cancellat	Other		interest	other	interest	other	2012	2011
A. Loans and advances to banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	(7)	(640)	-	-	59	-	8	(580)	(3)
Impaired loans purchased	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other	(7)	(640)	-	-	59	-	8	(580)	(3)
- Loans	(7)	(640)	-	-	59	-	8	(580)	(3)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(7)**	**(640)**	**-**	**-**	**59**	**-**	**8**	**(580)**	**(3)**

Impairment losses in the column "Specific - Cancellations" refer to the write-off of receivables that are no longer recoverable.
Impairment losses in the column "Specific - other" refer to analytical impairments of receivables.
The item "recoveries" in the column "Specific" refer to:

- reductions in doubtful loans, with utilization of the existing provision
- recoveries for valuations for € 53 thousand.

The item "recoveries" in the column "Collective" refer to collective write-downs, which in 2012 led to a reversal of previous impairments.

Section 9 – Item 150 – Administrative expenses

9.1 Staff expenses: breakdown

Types of expense/Amounts	Total	
	2012	2011
1) Employees	2,602	2,710
a) wages and salaries	1,890	1,985
b) social security contributions	481	496
c) staff termination benefits paid	-	-
d) pension contributions	-	-
e) provisions for staff termination benefits	154	167
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	77	62
2) Other staff	8	-
3) Directors and Statutory Auditors	502	475
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	**3,112**	**3,185**

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

- Current Service Cost for € 122 thousand
- Interest Cost for € 32 thousand

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

9.2 Average number of staff by category

	2012
Employees	
a) Senior managers	-
b) Total middle managers	5
- of which: grades 3 and 4	2
c) Remaining employees	43
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

	2012	2011
Other administrative costs:		
– indirect taxation and duties:	**26**	**17**
– other	26	17
– other:	**1,625**	**1,602**
– fees paid to external consultants	19	65
– auditors' fees	72	65
– lease rentals and running expenses	134	130
– IT services	724	712
– postage and telecommunications	143	147
– maintenance and repairs	44	27
– advertising and public relations	59	43
– energy and fuel	44	53
– insurance	24	21
– printing and stationery	38	42
– office cleaning	3	10
– transport and travel expenses	34	23
– lease rentals and hire charges	50	49
– legal and other consultants' fees	111	79
– membership dues and similar charges	93	105
– security	11	9
– other	22	22
Total	**1,651**	**1,619**

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

10. Net provisions for liabilities and charges: breakdown

	2012	2011
Provisions for risk and charges		
other provisions:	(5)	(44)
-for litigation	*(5)*	*(44)*
Recovery of provisions for risk and charges		
other provisions:	4	**34**
-for litigation	*4*	**34**
Total	**(1)**	**(10)**

At 31/12/2011 there was one labour related lawsuit pending against the Bank, for which provisions were set aside amounting to € 5 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 € 4 thousand.

Section 11 - Item 170 - Net adjustments to property, plant and equipment

11.1 Net adjustments to property, plant and equipment: 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	(436)	-	-	(436)
- Operating assets	(436)	-	-	(436)
- Investment assets	-	-	-	-
A.2 Purchased under financial leases	-	-	-	-
- Operating assets	-	-	-	-
- Investment assets	-	-	-	-
Total	**(436)**	**-**	**-**	**(436)**

Depreciation on tangible fixed assets amounted to € 436 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 assets

12.1 Net adjustments to intangible 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	(25)	-	-	(25)
- Internally generated	-	-	-	-
- Other	(25)	-	-	(25)
A.2 Purchased under finance leases	-	-	-	-
Total	**(25)**	**-**	**-**	**(25)**

Section 13 – Item 190 – Other operating income and expenses

13.1 Other operating expenses: breakdown

	2012	2011
contingent liabilities	(39)	(11)
amortisation of Leasehold improvements	(98)	(98)
other	(6)	(4)
Total	**(143)**	**(113)**

13.2 Other operating income: breakdown

	2012	2011
Expense recoveries	54	45
Grant pursuant to Law 388/2000	-	-
Contingent assets	21	13
Other	1	-
Total	**76**	**58**

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	
	2012	2011
1. Current tax expense	(924)	(657)
2. Change in current tax expense for previous years	131	7
3. Reduction in current tax expense for the year	-	-
4. Change in deferred tax assets	134	(28)
5. Change in deferred tax liabilities	58	30
6. Tax charge for the year	(601)	(648)

As from 2012, the IRAP tax related to staff costs (net of deductions to which the bank is entitled) is considered as fully tax-deductible for IRES purposes.
This rule may be applied retroactively with reference to the previous years 2007-2011, for which the Bank submitted a refund application pursuant to the ruling issued by the Revenue Agency on 17 December 2012.
The amount in item 2. "Change in current tax expense for previous years" therefore, represents the tax credit for the period 2007-2011, resulting from the deductibility, for IRES purposes, of IRAP related to staff costs, for a total of approximately € 131 thousand.

18.2 Reconciliation of notional and actual tax burden (IRES)

Components/Amounts	2012
Profit/(Loss) from continuing operations before tax (item 250 c/e)	**1,768**
Tax charge calculated at statutory rate of 27.50% for IRES	**486**
Tax on increases	237
Tax on reductions	(72)
Effective tax rate for IRES - 36,82%	**651**
IRAP	**273**
Current tax expense for the year	**924**

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

Section 21 – EPS

Earnings per share for the year 2012 is € 0.15; 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

	Items	Gross amount	Taxation	Net amount
10.	**Profit/(Loss) for the year**	**-**	**-**	**1,167**
	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	(91)	-	(91)
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**	**(91)**	**-**	**(91)**
120.	**Comprehensive income (Item 10+110)**	**(91)**	**-**	**1076**

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 2012 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 4% over the previous year, consisted of:
- a major component (66%) 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 (14%);
- a sizeable amount of the bank's exposure is represented by credit lines that are part of the ordinary cash lending business (12%);
- 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 (2%).

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;

[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

- 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.

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 31.12.2012, 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 1.40% of total loans;
- the presence of doubtful loans to customers, accounting for 2.46% of total loans;
- the presence of non-performing loans to customers, accounting for 0.41% 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	-	-	-	-	14,187	14,187
2. Available-for-sale financial assets	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	-	3,326	3,326
5. Loans and advances to customers	112	680	-	386	26,416	27,594
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total 2012	**112**	**680**	**-**	**386**	**43,929**	**45,107**
Total 2012	62	813	-	230	39,977	41,082

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	Net exposure	Gross	Collective impairments	Net	
1. Financial assets held for trading	-	-	-	-	-	14,187	14,187
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	3,326	-	3,326	3,326
5. Loans and advances to customers	2,036	858	1,178	26,537	121	26,416	27,594
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 2012	**2,036**	**858**	**1,178**	**29,863**	**121**	**43,929**	**45,107**
Total 2011	1,381	276	1,105	31,227	130	39,977	41,082

At 31 December 2012 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	8,463	-	-	8,463
Total A	**8,463**	**-**	**-**	**8,463**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	47	-	-	47
Total B	**47**	**-**	**-**	**47**
Total A+B	**8,510**	**-**	**-**	**8,510**

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	807	695	-	112
b) Problem	829	149	-	680
c) Restructured	-	-	-	-
d) Past-due	400	14	-	386
e) Other assets	35,587	-	121	35,466
Total A	**37,623**	**858**	**121**	**36,644**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	450	-	-	450
Totale B	**450**	**-**	**-**	**450**

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	**286**	**854**	-	**241**
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**531**	**508**	**-**	**680**
B.1 transfers from performing loans	240	3	-	675
B.2 transfers from other categories of impaired asset	271	488	-	-
B.3 other increases	20	17	-	5
C. Decreases	**10**	**533**	**-**	**521**
C.1 transfers to performing loans	-	-	-	-
C.2 derecognition	7	-	-	-
C.3 collection	3	265	-	30
C.4 amounts realised on transfer	-	-	-	-
C.5 transfers to other categories of impaired asset	-	268	-	491
C.6 other decreases	-	-	-	-
D Gross exposure at end of year	**807**	**829**	**-**	**400**
- 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	**224**	**41**	**-**	**11**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**
B. Increases	**528**	**124**	**-**	**14**
B.1 transfers from performing loans	415	113	-	14
B.2 transfers from other categories of impaired asset	16	11	-	-
B.3 other increases	97	-	-	-
C. Decreases	**57**	**16**	**-**	**11**
C.1 transfers to performing loans	-	-	-	-
C.2 derecognition	-	-	-	-
C.3 collection	7	-	-	-
C.4 amounts realised on transfer	-	16	-	11
C.5 other decreases	50	-	-	-
D Gross exposure at end of year	**695**	**149**	**-**	**14**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

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	**-**	**629**	**9,239**	**96**	**813**	**-**	**34,331**	**45,108**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	**-**	**-**
D. Commitments to disburse funds	-	-	-	-	-	-	**-**	**-**
E. Other	-	-	-	-	-	-	**-**	**-**
Total	**-**	**629**	**9,239**	**96**	**813**	**-**	**34,331**	**45,108**

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:

		Collateral (1)			Personal guarantees (2)									
					Credit derivatives					Credit commitments				
						Altri derivati								
	Net exposure	Properties	Securities	Other collateral	CLNs	Governm. and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	Total (1+2)
1. Secured on-balance sheet exposures	**22,050**	**51,946**	**640**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**88**	**4,479**	**57,153**
1.1 fully secured	21,908	51,946	600	-	-	-	-	-	-	-	-	88	4,394	57,028
- of which impaired	528	1,005	-	-	-	-	-	-	-	-	-	-	73	1,078
1.2 partially secured	142	-	40	-	-	-	-	-	-	-	-	-	85	125
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures	**450**	**-**	**280**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**280**
2.1 fully secured	180	-	180	-	-	-	-	-	-	-	-	-	-	180
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	270	-	100	-	-	-	-	-	-	-	-	-	-	100
- 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) – __Part 1__

Exposures / Borrowers	Governments and central banks			Other public entities		
	Net exposure	Specific impairments	Collective impairments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	**-**	**-**	**-**	**-**	**-**	**-**
A.2 Problem	**-**	**-**	**-**	**-**	**-**	**-**
A.3 Restructured	**-**	**-**	**-**	**-**	**-**	**-**
A.4 Past-due	**-**	**-**	**-**	**-**	**-**	**-**
A.5 Other	**6,212**	**-**	**-**	**-**	**-**	**-**
Total A	**6,212**	**-**	**-**	**-**	**-**	**-**
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) 2012	**6,212**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2011	3,041	-	-	-	-	-

B.1 Distribution of cash and off-balance sheet exposures with clients by sector (book values) – <u>Part 2</u>

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	220	25	-	-	-	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-
A.5 Other	693	-	-	-	-	-
Total A	**913**	**25**	**-**	**-**	**-**	**-**
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) 2012	**913**	**25**	**-**	**-**	**-**	**-**
Total (A+B) 2011	2,601	-	-	-	-	-

B.1 Distribution of cash and off-balance sheet exposures with clients by sector (book values) -– <u>Part 3</u>

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	89	650	-	23	45	-
A.2 Problem	5	-	-	455	124	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	383	14	-	3	-	-
A.5 Other	10,333	-	43	18,228	-	79
Total A	**10,810**	**664**	**43**	**18,709**	**169**	**79**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	450	-	-	-	-	-
Total B	**450**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2012	**11,260**	**664**	**43**	**18,709**	**169**	**79**
Total (A+B) 2011	10,841	218	48	16,720	33	82

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	112	695	-	-	-	-	-	-	-	-
A.2 Problem	680	149	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	386	14	-	-	-	-	-	-	-	-
A.5 Other	34,591	121	875	-	-	-	-	-	-	-
Total A	**35,769**	**979**	**875**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	450	-	-	-	-	-	-	-	-	-
Total B	**450**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2012	**36,219**	**979**	**875**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2011	31,018	407	2,202	-	168	-	-	-	-	-

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	7,056	-	1,407	-	-	-	-	-	-	-
Total A	**7,056**	**-**	**1,407**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	47	-	-	-	-	-	-	-	-	-
Total B	**47**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2012	**7,103**	**-**	**1,407**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2011	3,892	-	4,081	-	98	-	-	-	-	-

B.4 Major risks

At 31.12.2012 there are risk positions representing a major risk for a nominal value of € 9,301 thousand. These positions include € 7,272 thousand in Italian government securities which for supervisory purposes are included in the trading book and € 2,029 thousand in interbank demand deposits. Therefore, in compliance with supervisory regulations, the weighted value of these exposures is € 2,029 thousand.

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.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	**559**	**4,381**	**4,675**	**1,479**	**3,093**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	559	4,381	4,675	1,479	3,093	-	-	-
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: 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	**559**	**4,381**	**4,675**	**1,479**	**3,093**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	559	4,381	4,675	1,479	3,093	-	-	-
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:

- -11.25%/+11.54% on the interest margin;
- -9.48%/+9.72% on the result for the year;
- -0.72%/+0.73% 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	2,886	164	-	-	-	-	-	-
1.3 Loans and advances to customers	11,334	15,140	92	152	758	118	-	-
- current account overdrafts	2,823	61	-	14	58	8	-	-
- other loans	8,511	15,079	92	138	700	110	-	-
- callable	-	-	-	-	-	-	-	-
- other	8,511	15,079	92	138	700	110	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	25,886	-	-	-	-	-	-	-
- current account overdrafts	25,043	-	-	-	-	-	-	-
- other loans	843	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	843	-	-	-	-	-	-	-
2.2 Deposits by banks	4,391	-	-	-	-	-	-	-
- current accounts	357	-	-	-	-	-	-	-
- other	4,034	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	3,577	672	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	3,577	672	-	-
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	-	-	-	-	-	-	-	-
4 Other off-balance sheet transactions								
+ 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	276	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	-	-	-	-	-	-	-
- current account overdrafts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	250	-	-	-	-	-	-	-
- current account overdrafts	250	-	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-
4 Other off-balance sheet transactions								
+ 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	3,162	164	-	-	-	-	-	-
1.3 Loans and advances to customers	11,334	15,140	91	152	758	119	-	-
- current account overdrafts	2,823	61	-	14	58	8	-	-
- other loans	8,511	15,079	91	138	700	111	-	-
- callable	-	-	-	-	-	-	-	-
- other	8,511	15,079	91	138	700	110	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	26,136	-	-	-	-	-	-	-
- current account overdrafts	25,293	-	-	-	-	-	-	-
- other loans	843	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	843	-	-	-	-	-	-	-
2.2 Deposits by banks	4,391	-	-	-	-	-	-	-
- current accounts	357	-	-	-	-	-	-	-
- other	4,034	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	3,577	-	672	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	3,577	-	672	-
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	-	-	-	-	-	-	-	-
4 Other off-balance sheet transactions								
+ 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:

- -44.54%/+28.58% on interest margin;
- -37.53%/+24.09% on net profit;
- -2.84%/+1.82% 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 2012 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	**276**	**-**	**-**	**-**	**-**	**-**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans and advances to banks	276	-	-	-	-	-
A.4 Loans and advances to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	**250**	**-**	**-**	**-**	**-**	**-**
C.1 Deposits by banks	-	-	-	-	-	-
C.2 Customer accounts	250	-	-	-	-	-
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	**276**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**250**	**-**	**-**	**-**	**-**	**-**
Balance	**26**	**-**	**-**	**-**	**-**	**-**

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 € 10 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	-	-	-	-	-	500	1,050	4,380	-	-
A.2 Other debt securities	-	-	-	300	1,950	800	400	4,295	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	9,017	145	319	365	1,377	1,002	1,475	6,811	10,799	164
- Banks	2,850	-	-	-	-	-	-	-	-	164
- Customers	6,167	145	319	365	1,377	1,002	1,475	6,811	10,799	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	18,144	50	100	1,924	3,195	1,467	1,141	220	-	-
- Banks	462	-	-	-	-	-	-	-	-	-
- Customers	17,682	50	100	1,924	3,195	1,467	1,141	220	-	-
B.2 Debt securities	-	-	-	-	-	3,650	-	-	770	-
B.3 Other liabilities	-	-	-	-	-	-	-	4,000	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

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	276	-	-	-	-	-	-	-	-	-
- Banks	276	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	251	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	251	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Time distribution by residual contract term of financial assets and liabilities – Part 3 – Currency: other

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	74	-	-	-	-	-	-	-	-	-
- Banks	1	-	-	-	-	-	-	-	-	-
- Customers	73	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

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	-	-	-	-	-	500	1,050	4,380	-	-
A.2 Other debt securities	-	-	-	300	1,950	800	400	4,295	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	9,368	145	319	365	1,377	1,002	1,475	6,811	10,963	-
- Banks	3,128	-	-	-	-	-	-	-	164	-
- Customers	6,240	145	319	365	1,377	1,002	1,475	6,811	10,799	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	18,394	50	100	1,924	3,195	1,467	1,141	220	-	-
- Banks	462	-	-	-	-	-	-	-	-	-
- Customers	17,932	50	100	1,924	3,195	1,467	1,141	220	-	-
B.2 Debt securities	-	-	-	-	-	3,650	-	-	770	-
B.3 Other liabilities	-	-	-	-	-	-	-	4,000	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

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 2012, revealed that during the year the following events took place:
- with reference to the legal risk associated with legal proceedings pending against the Bank, at 31/12/2012 there was one ongoing labour related lawsuit, for which the necessary provisions were allocated in the financial statements in accordance with accounting standards, amounting to € 9 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 € 4 thousand.

Part F
Information on Equity

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Section 1 – Corporate equity

A. Qualitative Information
At 31 December 2012, equity totalled € 15,456 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	
	2012	2011
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	5,553	5,249
- revenue	5,553	5,249
a) legal	733	694
b) statutory	-	-
c) treasury shares	-	-
d) other	4,820	4,555
- other	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	(75)	16
- 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	(75)	16
- Share of valuation reserves for investments measured using the equity method	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	1,167	768
Total	**15,456**	**14,844**

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 31/12/2012 consisted exclusively of the Core capital (Tier 1) amounting to €15,015 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 2012, for a total of € 15,066 thousand; the negative components, which amount to approximately € 51 thousand, are represented by other intangible assets recognised in the financial statements; the net Tier 1 capital therefore amounts to € 15,015 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

	2012	2011
A. Tier 1 capital (Basic Capital) before prudential filters	**15,015**	**14,321**
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)	**15,015**	**14,321**
D. Deductions from Tier 1 capital (Basic Capital)	**-**	**-**
E. Total Tier 1 capital (C-D)	**15,015**	**14,321**
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)	**15,015**	**14,321**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**15,015**	**14,321**

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 2012 financial statements amounts to 67.26%. 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 € 11,727 thousand.

B. Quantitative Information

Categories/Amounts	Unweighted amounts		Weighted amounts	
	2012	2011	2012	2011
A. Risk assets				
A.1 Credit and counterparty risk	39,770	42,363	22,325	24,438
1. Standardised method	39,770	42,363	22,325	24,438
2. Internal ratings based method	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk	-	-	1,786	1,955
B.2 Market risk	-	-	425	421
1. Standard method	-	-	425	421
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	1,076	1,204
1. Base method	-	-	1,076	1,204
2. Standardised method	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Other elements in the calculation	-	-	-	-
B.6 Total prudential requirements	**-**	**-**	**3,287**	**3,580**
C. Risk assets and regulatory ratios				
C.1 Risk weighted assets			41,088	44,750
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			36.54%	32.00%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)			36.54%	32.00%

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

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1. Information on the remuneration of key management personnel

Remuneration for FY 2012 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	2012	2011
Directors	465	440
Members of Board of Statutory Auditors	37	35
Short-term employee benefits	77	85
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	5
Share-based payments	-	-
Total	**579**	**565**

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	4	678	-	-
Statutory Auditors	-	7	-	-
Key managers	-	-	-	-
Relatives	-	5	-	-
Other related parties	-	645	-	-

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.