cassa di risparmio di fermo s.p.a.

2010 ANNUAL REPORT

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BOARD OF DIRECTORS
Meeting of 25 March 2011

Directors' report

Dear shareholders,

Before presenting the bank's financial statements as at and for the year ended 31 December 2010, we feel it necessary to comment on the further serious worsening in the general economic situation during the year which led to a generalised loss of confidence in the markets affecting many European states.

Following the 2008 crisis involving the banking sector, the economic upheaval rapidly spread to the business world, leading to worldwide recession which affected the western economies the most.

Last year, we commented on how the persistent signs of the far-reaching and deep-rooted economic distress had led governments and central banks to adopt expansionary measures both to stabilise the money markets and tax and social systems.

This has led to visible cracks in public finances due to smaller GDP levels and the greater need to intervene to keep businesses afloat and provide welfare support.

The crisis has led to an increase in the public deficit of all the developed countries of more than 6% of their GDP and in public debt of nearly 25%, up to just under 100% of GDP in the last three years.

During 2010, the governments began to smooth out the imbalances in their public finances with different sorts of intervention and approaches.

The negative performance of the government bonds of certain Euro zone countries accentuated the risk of continued imbalances.

The Italian public debt/GDP ratio at around 120% is only expected to improve in 2012, when the government plans to have returned the annual deficit to below 3% of production.

The measures adopted by many European countries proved themselves immediately to be difficult to maintain, mainly as a result of their unpopularity, such to entail a serious drop in confidence levels about the sovereign debt of many of them.

This led to the market's distrust about the capacity of the countries, firstly and foremost the "peripheral" ones, to honour their commitments with respect to their rising public debt by significantly adjusting their state accounts.

This has had far-reaching and unforeseeable consequences, also considering that the confidence crisis was not limited to major banks like in 2008 or leading manufacturers like in 2009 but relates to the public debt of EU sovereign states.

The Euro shield was no longer sufficient to exorcise the fears of a further crisis and the aid measures coordinated by the EU states only partly mitigated the situation, after being also very difficult to arrive at.

The financial markets immediately identified government bonds, especially the German ones, as a sort of refuge. Many banks accordingly sold their state securities of other countries, namely Portugal, Greece, Ireland and Spain, triggering large drops in their prices.

By April, there had been a rapid rise in the risk premium attributed to the public debt of those countries. Prices of credit default swaps (CDS) took off and the Bond's spread raced up to more than 500 bp.

The above summary of the events of the last three years leads us to draw the conclusion that the crises have at least two common characteristics:

1. high correlation;
2. rapid diffusion and far-reaching effects.

The crises immediately and rapidly spread to Italy, which is well-known for its high public debt, leading to a fall in government bond prices. While this fall was perhaps less dramatic than in the above peripheral countries, it was wide-scale and, to some extent, unjustified.

The markets do not seem to have considered at all the authoritative studies of the Bank for International Settlements (BIS), according to which, Italian debt will be at 200% of GDP in 2040 in its 30-year projections and assuming that no corrective measures will be implemented.

This is of course huge but less than the forecast 300% for Germany, 400% for the US and France and 600% for Japan.

Moreover and as is well-known, the trading rooms of the major financial institutions are populated by traders, and not economists, who have to guess what the other traders will do and their shared belief is that Italy is one of the EU's weak links in the chain in the time of crisis.

This explains the breadth of the fall in Italian government bond prices, mostly due to speculation, which led to large losses for our bank, impacting both the results of operations and its cash flow management quite considerably.

Carifermo's operational model is heavily based on prudence. Applying this approach to its securities portfolio, the bank favoured Italian government bonds rather than other forms of investment, which would certainly be more profitable but have greater credit and market risks, especially after the 2008 crisis.

We believe that, despite the large losses, the operational model has once again proven itself as we are convinced that the 2010 year-end prices of the securities portfolio do not embody a real risk of default but solely the effects of the aforesaid speculation which will, being such, disappear in the near future.

Banca d'Italia's inspection ended in 2010 and its findings were presented by the inspectors to the board of directors on 8 April 2010 with a satisfactory outcome.

The inspection report confirms the bank's sound management practices and encourages us to continue along our way.

During 2010, the bank's relevant bodies prepared and approved a business plan for 2010 through 2012 after a thorough analysis of the most suitable strategies for its organisation and commercial positioning. This plan has had a strong impact on the bank's structure as it includes certain recommendations made by Banca d'Italia.

2010 saw a new drive towards the ongoing improvement of the bank's products, impacting its statement of financial position and revenue from services.

The bank's business lending business underwent tailored expansion which is sufficient nonetheless to provide assistance to the local businesses.

Direct deposits increased on average.

The year-end figure, shown in the financial statements, shows a decline in the total due to the higher interest rates, which are clearly out of the market range, offered by certain banks, especially around year end, with the sole scope of creating misleading statistics but which also damage not only the income statement but also relationships with customers over the medium term.

Indirect deposits, and specifically assets under management, were negatively affected by both the general uncertainty on financial markets and expectations (still vague and uncertain) about the reform of taxes on savings, which has been communicated on several occasions but never concluded.

The performance of administered funds grew slightly confirming savers' generalised uncertainty about the future along with a decrease in the amount of funds managed both for the bank and nationally.

While the bank made a modest profit for the year, its income statement was heavily affected by large impairment losses on securities and the unfavourable interest rates which continue to be very low and squeezed net interest income.

However, the characteristic banking indicators improved which is interesting, namely fee and commission income was satisfactory while administrative expenses decreased.

The bank's securities trading business showed itself to be particularly profitable with net trading income considerably higher than the already very positive 2009 results.

The credit collection business, reflected in the reversals of impairment losses on loans, has a policy characterised by three dominant lines:

1. careful monitoring when the loan/facility is agreed;

2. prudent assessment of performing and irregular loans, as seen by the adequate hedging percentages;
3. proactive management of the recovery of irregular loans despite the unfavourable economic climate.

After examining the international and domestic situation in more detail, we will comment on the financial statements captions and their trends later in this report.

INTERNATIONAL SITUATION

Signs of recovery began to be seen in 2010. The most recent available indicators show more solid growth in the last quarter of the year. Inflation continues to be contained in the more developed economies despite the rise in prices of raw materials and foodstuffs.

Inflation has risen sharply in the more dynamic emerging economies due to the twofold effect of the aforesaid increase in raw materials prices and the strong economic recovery.

The **US** economy continued to regain strength in the fourth quarter of 2010. Initial forecasts place real GDP growth rates at 0.8% compared to the third quarter and at 3.2% on a year-on-year basis. This reflects the upswing in consumption and the positive contribution of the balance of payments, showing that exports have continued to grow and imports to decrease.

Investments in equipment and software have also increased, although at a pace below that forecast. However, the significantly negative contribution of stockpiling acted as a brake. In volume terms, fourth quarter GDP levels exceeded the maximum reached in the fourth quarter of 2007 before the recession for the first time. Recovery is expected to remain stable in the medium term.

Price pressure continued to be modest in the US in a context characterised by large unused capacity. Annual inflation increased to 1.5% in December, the first time above the tight interval of 1.1%-1.2% within which it had remained since June 2010. The rise in consumables prices is mainly due to the impact of the hike in energy prices. Net of the food and energy components, inflation is unchanged in December at 0.8% while the annual average for 2010 decreased to 1% (from 1.7% in 2009).

The FOMC's statement of 26 December 2010 confirmed a very expansionary monetary policy and an official rate of between 0 and 0.25%. The Federal Reserve reiterated that the overall economic conditions should justify the exceptional low rates on the Federal Funds for a long period.

Statistics available for **Japan** show a smaller rise in production in the last quarter of 2010, mainly due to weak household spending, which dropped for the third consecutive time in the year to 3.3% in December. However, the available data are positive in part with indications of an upturn in sectors that export their goods. In fact, exports improved in both November and December.

Industrial production increased in November for the first time in six months. It is probable that the economy will pick up slightly in the first quarter of 2011, driven mainly by the continued robustness of the emerging Asian countries. However, private consumption will continue to be modest without additional tax stimulus programmes.

The year-on-year consumer inflation rate was zero in December, after having picked up in both November and October. Net of foodstuffs, the rate was -0.4% while, net of fresh foodstuffs and energy products, it was -0.7%.

The Bank of Japan decided to maintain its objective for the unsecured overnight deposit rate unchanged at between 0.0% and 0.1% on 25 January 2011.

Real GDP growth in **China** increased by 9.8% in the fourth quarter of 2010 from 9.6% in the third quarter, demonstrating the economy's stamina, even after the stimulus measures were withdrawn during the year. Investments continued to be the main driving force while the contribution of consumption decreased and is currently below the long-term historical average.

Net exports continued to contribute positively in the fourth quarter, thanks to the greater impetus of foreign demand.

In December, the annual inflation rate measured using the consumption price index decreased to 4.6% from 5.1% in November, as a result of underlying effects and the smaller rise in the cost of foodstuffs following the administrative measures introduced in November. However, the inflationary tendency should continue to be strong in the first half of 2011 due to the high prices for raw materials and the abundant internal liquidity. Real estate prices also continued to increase in December for the fourth consecutive month.

Bank lending activities remained lively in December and the total new loans disbursed in 2010 exceeded the set objective of Renmimbi 7,500 billion set by the authorities (approximately € 809 billion at the closing rates).

Thanks to the ample internal liquidity and steady inflationary pressure, the Chinese central bank continued to tighten its monetary policies. Indeed, it increased the reserve obligation by 50 bp on 20 January 2011, bringing it to 19% for the large banks and to 17% for the small and mid-sized banks.

Unlike in the rest of the world, the economic recovery slowed down in the **UK** in the last few months of the year. Preliminary forecasts show that real GDP decreased by 0.5% on a quarterly basis in the fourth quarter of 2010 after improving by 0.7% in the third quarter.

The English GDP was negatively affected by the poor performance of the real estate sector where house prices continued to fall in the last few months. However, the Bank of England's monetary stimulus policies, stockpiling, foreign demand and the pound sterling's previous depreciation should help the economy in the future.

On the other hand, the continued restrictive credit access conditions and the tough tax measures continue to act as a brake on internal demand.

Year-on-year inflation compared to consumption remained high in December at 3.7% compared to 3.3% in November. The delayed effects of the pound sterling's depreciation, the hike in raw material prices and the rise in VAT rates from January 2011 are expected to push up consumer prices again.

The Bank of England has kept the official rate for merchant banks' reserves at 0.5%.

Business activities picked up steadily in the **Euro zone** in 2010. The most recent figures confirm that the economy's positive performance has continued through to the fourth quarter of 2010, after the 0.3% increase on the previous quarter in terms of the Euro zone's real GDP.

Real GDP trends should be assisted by the continued pick up in the international economy. Considering that the confidence level in business is relatively good, internal demand in the private sector should steadily drive up growth, including as a result of the accommodating trend of monetary policies and measures adopted to return the financial system to normal. However, the concurrent policy of governments to reduce imbalances is expected to slow down the recovery.

However, not all the indicators demonstrate the ongoing recovery to be universal.

In fact, one of the indicators available for the fourth quarter, retail sales, is down in November compared to the previous month. Therefore, the quarterly retail sales growth rate should be weak for the fourth quarter.

The consumer confidence indicator increased in the last quarter of 2010 compared to the previous three months to a level well above the average of the last while. However, expectations about durable goods purchases remained unchanged for the fourth quarter at a relatively low level. During the current recovery stage, the rise in consumption was slightly more modest than forecasts.

Private consumption is providing a relatively modest contribution to growth in the current climate. Authoritative analysts believe that consumption expenditure is held back by a rise in prudent savings due to the uncertainty about future earnings prospects.

Another factor that is currently contributing to the growth although to a lesser extent that in the past is state spending.

Capital expenditure also had a seesaw performance. Gross capital expenditure in the third quarter of 2010 decreased by 0.3% on the previous period, after the strong increase of 1.0% in the second quarter, partly due to temporary factors. Investments in construction decreased while those in other activities increased. Forecasts available for the fourth quarter suggest that investments were modest.

The generalised confidence in the EU manufacturing sector improved in the fourth quarter compared to the third quarter and continued to be positive in January, with an additional rise in confidence levels.

Certain studies have shown how the current recovery is much slower and weaker compared to growth stages after other serious recessions in the Euro zone. Nonetheless, this relative weakness is consistent with the experience seen in other economies that have undergone serious financial crises. Demand tends to pick up only slowly after a financial crisis because far-reaching measures to return public accounts to normal and reduce financial leverage are necessary which, in turn, lead to the continued limitations to lending with the obvious adverse implications for an upturn in investments.

The annual M3 growth rate in December, taken as the reference monetary aggregate, went from 2.1% in November to 1.7%. However, it remained well above the previous months' levels.

The yield curve steepened slightly in the last few months after being flat for most of 2010, thus decreasing savers' inclination to hold on to monetary assets other than longer term financial assets with a better yield. This may have contributed to the M3 drop in December.

Monetary market rates fell slightly from early December 2010 to early January 2011 although they continued to be relatively high compared to 2010 levels. Monetary market interest rates for unsecured deposits also dropped slightly in the same period.

The Euro zone inflation rate was 1.6% for the year compared to 0.3% in 2009, growing at a faster pace over the twelve months to 2.2% in December.

This trend is mostly attributable to the upturn in energy and foodstuff prices. Net of this component, inflation increased at a significantly lower pace with internal pressures that remained modest.

GDP in **Italy** grew by 0.1% in the fourth quarter compared to the previous quarter, slowing down on the first half of the year. It increased by an annual 1.1%.

Alongside the contained rise in household consumption, the pace of investments decelerated partly due to the contraction in purchases for transportation vehicles and a slowdown in expenditure for machinery and equipment, following the end of the tax incentives introduced by the Termonti-ter law.

The main driver of GDP growth continued to be exports, up 2.8% on the previous period. Given the concurrent strong boost in imports, foreign trade actually slowed down GDP by roughly 0.5%.

The average 2010 consumer inflation rate was 1.5% compared to 0.8% in 2009. Prices grew at a faster rate throughout the year, pushed by those components that are the most directly affected by the hikes in raw materials prices.

Non-financial private sector lending increased to 5.1% in November from the 3.5% rate in August. This upturn in lending to businesses is mostly due to demand trends, assisted by the modest pick up in production activities.

Italian banks' funding decreased by 0.5% in November compared to the same period of 2010, reflecting the current account component's performance. The bonds segment remained stable.

Following the rise in country risk for Italy, returns on fixed rate bank bonds increased by 0.4% to 3.3%.

The 2010 figures available for the **Marche** region show the start of an upturn which is not yet able to return production to the pre-2008 recession levels.

Industrial production picked up in the first six months of the year by 3.8% compared to the corresponding period of 2009. The figures provided by Confindustria (Italian Manufacturers' Association) Marche show that this recovery continued into the fourth quarter when it was +3.7% on the same period of 2009. The most significant improvements were seen in the mechanical sector (heavily affected by the crisis) and the foodstuffs sector. The footwear production sector was stable while the furniture industry did not do well.

The overall commercial scenario was positive again in the fourth quarter of 2010 with real sales up 3.3% compared to 4.3% in the third quarter of 2010 compared to the same quarter of 2009, with satisfactory performances both within Italy and abroad.

Foreign sales grew by 4.6% in real terms with positive results for all the main sectors except for the wood and furniture industry. This continued recovery contributed to price trends which increased by 1.1% on the domestic market and by 0.8% abroad. The upturn in raw material costs was more visible at +2.7% for Italy and +1.6% abroad.

The regional foodstuffs industry performed well in the fourth quarter of the year compared to the corresponding period of 2009 in terms of both production and sales.

The available figures show that the industry's production increased by 3.9% in real terms compared to the last quarter of 2009, in line with the national performance.

Commercial activities also increased compared to the fourth quarter of 2009 (+1.8%). Domestic sales grew by 1.4% in real terms while foreign sales were up a strong 8.5% on the fourth quarter of 2009.

Sales prices increased both on the domestic and international market (+1.8% and 1.5%, respectively) with a perceptible rise in the cost of purchasing raw materials.

The regional textile-clothing industry performed quite well in the fourth quarter with production and sales up slightly compared to the corresponding period of 2009.

The available figures show production up 0.9% on the fourth quarter of 2009, better than the national figure for October and November.

Commercial activities saw a 1.5% increase in sales in real terms in the fourth quarter.

The industry's sales prices grew both on the domestic and foreign markets (+1.5% and 0.8%, respectively), accompanied, however, by a rise in raw materials costs.

With respect to employment levels, the number of authorised government-sponsored lay-off scheme hours decreased slightly from 501 thousand in the fourth quarter of 2009 to roughly 374 thousand in the last three months of 2010, a modest drop of 0.3% in this period.

The construction market shrank again both for residential and public works contracts. Restructuring contracts continued to act as a mainstay containing the drop in construction companies' revenue.

According to the figures published by the Agenzia del Territorio (the Italian Land Registry), the annual sales rate for the entire real estate sector in the fourth quarter of 2010 was -3.4% after the negative 2.3% for the third quarter. While the residential, services and commercial property sectors continue to show negative growth, the production sector instead performed positively.

Total sales made in 2010 numbered 1,347,005, more or less unchanged on 2009 (-0.1%), when the market was still falling (roughly -11% on 2008).

Prices were substantially the same for all the sectors.

Lastly, the available figures for the footwear sector are positive again for the fourth quarter of 2010 with production and commercial activities better than in the corresponding period of 2009. Production improved its output by 5.9% on the corresponding period of 2009, outperforming the national average which was an increase of 0.4% for the two months of October and November.

Total sales grew by 7.7% on the fourth quarter of 2009 and at a greater pace on the domestic market (+10.0%). Foreign sales were also positive at +5.6% for the first nine months and +2.2% in the last quarter.

Sales prices continued to increase, especially on the domestic market, at +3.7%, as did raw materials' prices (roughly +3%).

Unemployment levels decreased by roughly 1.0% from October to December 2010 with a decrease of 41.5% in resort to the government-sponsored lay-off scheme. Hours authorised in the last quarter of 2010 were roughly 518 thousand compared to approximately 885 thousand in the same period of 2009.

The Italian banking system

Confidence levels were hard hit in 2010 with respect to the bonds of certain European states. Doubts about their ability to service debt led to wide scale dumping of bonds issued by the peripheral EU countries, leading to large price losses.

Continuation of central banks' expansionary policies entailed a strong, generalised compression of banks' net interest income due to the very low interest rates applied for most of the year.

Moreover, the effects of the measures enacted by the governments after the crisis exploded aimed at directly or indirectly regulating the price of bank services affected banks' results. Without discussing the merits of such measures, it is obvious that they could not but adversely affect banks' performance and management.

Indeed as a result of the above factors, their profitability dropped in the first three quarters of 2010 compared to the same period of 2009.

Profit trends worsened steadily and were down 13% at 30 September 2010: the 9.0% decrease in net interest income, caused by the reduction in interest rates and, for certain banks, the smaller lending volumes, was accompanied by the substantial stability of other revenue and operating expenses.

Impairment losses on loans decreased by an average 16% compared to the first nine months of 2009 thanks to the better economic climate and very large impairment losses recognised in the previous two years.

The regulatory capital ratios of the top five Italian banking groups improved again slightly in the third quarter of the year. The core Tier 1 ratio was an average 7.8% compared to 7.2% at the end of 2009 while the total capital ratio increased to 12.5% against 11.8% at 31 December 2009.

Overall, bank lending activities showed a real about turn at the end of the year with loans to households and businesses up 3.8% on a year-on-year basis.

Specifically, loans to non-financial companies grew by 1.6% on an annual basis, reflecting the positive performance of medium to long-term loans (+2.2%). On the other hand, short-term loans to non-financial companies which had led the recovery throughout 2010, stabilised at a modestly positive +0.4%.

At the end of the year, loans to households slowed down slightly on the fairly dynamic growth seen during the year, showing annual growth of 7.6%.

New non-performing loans in the third quarter of 2010 compared to performing loans were 2.0% on an annual basis, which is high and in line with that for the whole of 2009.

Developments in credit quality remain uncertain for the next few months. Preliminary data indicate that banks' exposure to debtors classified as non-performing for the first time decreased slightly in the fourth quarter of 2010 compared to the corresponding period of 2009. This improvement refers to both households and businesses. However, the percentage of loans with temporary repayment difficulties for the business sector continues to be high at 5.7% of the total loans disbursed to this sector at the end of November.

Unlike the lending activities' trend, bank funding weakened again at the end of the year due to the contraction in current accounts and bonds.

Overall, bank deposits decreased by an annual 1.1% in December.

Figures for households' and business customers' deposits, which thus exclude non-recurring transactions between banks and central banks, show a reduction in the Italian banks' core deposits. Deposits by households especially have decreased by 1.5% after some months of a slowdown. Deposits made by businesses contracted similarly in November by an annual 1.5% after having improved in the first half of 2010 to be followed by large fluctuations.

As mentioned, the reduction in current accounts was flanked by a further weakening in the bonds market, down by 1.7% after the 0.5% drop in November.

This December contraction follows the two digit growth rates seen at the end of 2009 and beginning of 2010, which slowed down rapidly during the year to fluctuate around zero from June on. The trend was driven by the reduction in shorter-term bonds of 25.6%, assisted by the slowdown in bonds with maturities of over two years to close with a modest growth of 1.9% at the end of the year.

Yields on fixed rate bank bonds increased by 0.4% to 3.3% while those on new floating rate issues decreased by 0.2% to 2.2%.

The available figures for banks' indirect funding, measured at fair value, had shown a pick up in the first half of 2010 only to slow down to an estimated 3.1% for the households segment in September compared to 5.4% in June both for securities and asset management.

According to Assogestioni's preliminary data for January 2011, investments in open-ended mutual funds were negative continuing the trend seen in the second half of 2010.

The balance of subscriptions and redemptions was a deficit of € 3.7 billion, affected by the heavy exit from funds with smaller returns, such as bonds and liquidity funds that saw net redemptions of € 2.2 billion for each category for a total of € 4.4 billion. On the other hand, funds with a higher risk/return profile had net surplus funds: € 304 million for balanced funds and € 171 million for equity funds. The flexible funds also had positive net draw downs of € 745 million.

The bank's operations

Banca d'Italia's general inspection of the bank, commenced in October 2009, was completed in January 2010.

The inspection report communicated to the board of directors by the supervisory body confirmed the bank's healthy and prudent management.

The board of directors then went on to prepare the business plan for the period from 2010 to 2012 considering the recommendations set out in such report.

Its operations have been strongly affected by the roll out of this plan, which carries on from the previous business plan which covered up to the end of 2009.

The main objective is tied to the bank's requirement to adjust its operating structure to a more decentralised decision-making structure without, however, decreasing but rather strengthening, the control over and monitoring of the entire bank's operations by the board of directors firstly and general management. The new organisational chart was thus completely reviewed in terms of the proxies structure.

The bank has met its objective by creating certain senior positions that take place in its decision-making processes with different, very defined roles. In order to create these positions, the bank reinforced its characteristic coordination tools which are even more important now with a more decentralised operating structure compared to the bank's previous organisational model.

The key thread of the new business plan continues to be tied to the bank's independence and its role as a reference bank for its local area and for all customer segments. The plan evolves from this basic assumption to focus on unceasing research into a more efficient organisation, exploiting all possible synergies with the CSE consortium, its IT outsourcer, in order to guarantee adequate profitability levels in the medium term while continuing to maintain suitable capital checks to protect itself against implicit banking risks.

Attainment of the plan's operating objectives hinges on the bank's strong point being its high capitalisation. This allows implementation of a long-term plan thanks to the certainty that the bank can achieve its objectives, unless very significant external factors occur.

The bank's commitment to its local business customers and households, which have been particularly hard hit by the economic crisis, is very important. Accordingly, the plan includes measures to allow suspension of loan repayments by workers directly affected by the difficulties encountered by their companies, products for businesses to assist their capitalisation through agreements with the local credit guarantee consortia, aimed at encouraging investments, unblocking loans and improving short-term exposure.

The operating conditions necessary to achieve the bank's more ambitious objectives are tied to the board of directors' management policies. Specifically, important operating decisions relate to:

1. improved operating efficiency as an indispensable factor to become more competitive by maintaining internal organisational procedures and commencing partnerships with third parties to provide certain basic services;
2. maintenance of an operating policy based on prudence and sustainable risk taking;
3. concentration on customer requirements which are of commercial interest, including for innovative financial products.

The bank's operations have been heavily impacted by the numerous, far-reaching legislative measures, the effects of which have been seen during the year when the macro economic situation and the banking sector have been particularly upset.

The related difficulty in managing the bank and implementation of its strategies have required an organisational structure, production processes and policies which comply with the relevant legislation, customers' interests and the business plan.

Accordingly, the bank has continued to refine and improve its internal controls so as to be able to monitor its governance system, commercial practices and modus operanda in an increasingly careful manner in line with its operating decisions and supervisory authorities' guidelines.

Reflecting these requirements, the bank's organisational structure includes a Compliance Unit which works together with the other relevant units, first and foremost the Internal Audit Unit, carrying out second level controls as the first level controls are normally assigned to the operating units.

Many procedures have been completed with respect to the bank's organisation. Specifically:

1. alignment with the requirements of the Measure of 29 November 2006 and the Supervisory Instructions of 4 May 2007 about cash processing with the acquisition of machines that check banknotes and integration of contracts to include counting services;
2. updating of anti-money laundering measures to comply with Banca d'Italia Measures of 23 December 2009 and 24 August 2010, Decree law no. 78/2010 and the Financial Intelligence Unit's subsequent communications;
3. compliance with instructions about usury with calculation of the charges to be included in the percentage rate of charge calculation for loans and financing;
4. new customer classification, and related updating of the information sheets, with determination of the Synthetic Cost Indicator, following the new transparency regulations, originated by Banca d'Italia Measure of 29 July 2009;
5. alignment with the new Payment Services regulations, the EC PSD directive, introduced with Legislative decree no. 11/2010: accordingly, the relevant bank offices actively worked with CSE to develop new operating functionalities for the services affected by the new regulations (RIBA - unaccepted trade bills, RID - direct interbank relationships, MAV - payment against notice, payment slips and transfers) and to draw up a new standard contract for payment services;
6. adoption of the Digipass Internet Banking device for on-line banking services with the related review of the contracts.

With respect to development of the bank's commercial operations, it implemented an integrated system of information, conduct rules and assistance for the sales network which considers the different customer segments and develops, on a mainly multi-channel basis, streamlined, efficient bank-customer interaction formulae at a modest cost for the user and which are increasingly less dependent on the branch's actual location.

A new management system for the branches was developed and distributed ("NSC"), released by the IT outsourcer CSE and designed to provide very sophisticated and integrated assistance to bump up their commercial development.

Migration to the new NSC application started in October and involved 38 branches by year end, confirming the ease in rolling out the new application and the considerable work carried out to adapt it to the bank's situation and train the sales network.

A very high level of assistance was provided to the branches at all levels firstly by the relevant Commercial Division and also by general management.

The new account packages for consumers (Futuro, Family and Serenità) were introduced.

Accordingly, the bank continued its actions to consolidate and strengthen its positioning in its traditional locations during the year while the commercial drive for the new locations was very intense and aimed at obtaining operating levels in line with budget objectives and breakeven results. Attainment of these minimum objectives by most branches in 2009 and again in 2010 confirms the bank's policy of ongoing expansion without sacrificing prudence.

The bank's relationships with the different credit facility underwriting syndicates continue to be intense and very profitable. These relationships have been built up over the years to all the parties' great mutual satisfaction.

In addition to strengthening the bank's branches and multi-channel approach, its primary objective has been to improve its product and service portfolios to its customers' benefit on a day-to-day basis.

The bank's securities trading approach is a sure value added factor, consistently based on providing a balanced, prudent service which is constantly monitored to ensure compliance with MiFID regulations. Attention is paid to strengthening relationships with customers in line with the bank's strategies rather than forcing more profitable but less transparent financial trading services such as those for structured financial instruments.

With respect to the bank's administrative area, it rolled out the "Smit2" procedure to significantly overhaul the securities management activities and lay the groundwork for subsequent IT developments. The Libra programme, to be used to prepare financial statements, was activated during preparation of the 2010 interim report at 30 June.

Although it has not been easy given the legislative improvisations, the bank has correctly implemented the measures about the 10% tax withholding on transfers for construction renovations and energy savings provided for by article 25 of Decree law no. 78 of 31 May 2010.

As scheduled, the agreements with Caricese S.r.l., a subsidiary of CSE, were finalised during the year for the complete outsourcing of the treasury and cash services. As a result, the bank can improve its management of the branch personnel involved in this service with greater concentration on more commercial activities.

The bank also outsourced the prevention and protection service as per article 31 of Law no. 81/2008 in 2010. This organisational measure is part of the programme to reduce the bank's workforce and contain operating costs becoming more efficient.

The bank stepped up its focus on containing costs by the ongoing monitoring and selection of day-to-day costs and closely supervising new investment programmes within the limits necessary to comply with new legislation and ensure business continues to grow. Its projects included migrating to a VOIP telephony system.

With respect to lending policies, the bank continued to monitor new risk, especially in this period of economic crisis with borrowers finding it increasingly difficult to repay loans. Despite this, its lending policy, which is used as a basis for deciding loan disbursements, continued to include assisting businesses and households as can be seen by the increase in total lending volumes, which is above the sector average. The bank's projects included:

A. Solidarity fund for first home loans;

B. ABI's (Italian Bankers' Association) family plan for the suspension of loan repayments.

Given market pressure and the increasing liquidity crisis, the bank's funding policy aimed at maintaining its position without having to compete at unfavourable conditions. Direct funding, measured by average balance, was positive although it slowed down in the last few months of the year.

The financial markets' situation, with prices recouping significantly in 2010 compared to 2009, partly helped the offer of managed savings services/products. While customers continue to prefer short-term solutions, the low interest rates and more favourable performance of financial markets assisted a modest recovery of financial instruments (both administered and managed).

In this respect, the bank benefitted from activation of certain commercial agreements with Intesa Sanpaolo for the distribution of bond products, otherwise reserved for the latter's group banks. These products were well met by the bank's customers.

Given the very delicate and difficult interbank market situation, the bank's treasury management policies were based on prudence and aimed at ensuring suitable protection for the payment system. Although it is difficult to obtain liquidity, the bank maintained its lending role on the interbank market for most of the year thanks to its sound asset base. The conditions for freeing up its securities portfolio worsened during the year which led to the need to make infrequent and immaterial resort to refinancing agreements with Banca IMI.

The maturity of the securities portfolio remained short in order to avoid an undesirable rise in market risk.

The bank's treasury and cash service provided to local bodies continued to be intense and very profitable. During the year, it was able to strengthen its traditional role in this segment. Indeed, it encouraged and consolidated agreements with local bodies aimed at exploiting all possible existing synergies to their advantage and that of the surrounding communities.

With respect to the bank's income statement, net interest income decreased in 2010 in line with the reduction in market interest rates together with a significant loss in the value of its securities portfolio due to the very turbulent financial markets and difficulties of the peripheral EU states referred to earlier.

Notwithstanding these adverse market conditions, the bank's management of the conditions applied to its customers, in line with the financial market indications and Banca d'Italia's instructions, represented the most correct balance between demand and supply allowing it to follow market trends and align its interest rates on a timely basis along with other conditions thus benefitting from important opportunities to best place its products. In fact, it rolled out new accounts for its customers: Futuro, Family and Serenità.

Pursuant to the "New regulations for the prudential supervision of banks" issued with Banca d'Italia's Circular no. 263/06 implementing the Basel II framework, the bank refined and implemented the internal capital adequacy assessment process (ICAAP), updating it at 31 December 2009 and 30 June 2010.

Organisation and workforce

During the year, the bank continued to develop its activities aimed at increasing market share and customer loyalty.

The management control figures attest to this and allow us to definitively observe how our efforts have been rewarded with a substantial and visible improvement in the contribution from the more recently opened branches, with targets being exceeded or nearly achieved.

At 31 December 2010 therefore, the bank's 59 branches were located in seven provinces and three regions as shown in the following table:

REGION	PROVINCE	No. of branches2010
Marche	Fermo	28
Marche	Ascoli Piceno	11
Marche	Macerata	13

Marche	Ancona	2
Abruzzo	Teramo	2
Abruzzo	Pescara	1
Lazio	Rome	2

The property maintenance programme included ongoing work to maintain all the bank's properties, both owned and leased, in order to improve their working and comply with the law.

The bank's owned property used for operations has a surface of 27,111 square metres while its leased property has a total surface of 8,803 square metres.

The bank also owns properties which it leases for a total surface of 5,915 square metres.

As part of its business plan, the bank has contracts with third parties for the prevention and protection service required by Law no. 81/2008 for its property management. It intends to build on these contracts to improve the efficiency and cost effectiveness of its property management.

The bank continued to roll out the new "bio-digit" technologies during the year, confirming its intention to ensure the highest available security standards for its employees and customers, strengthening the crime prevention measures in place at branches, especially for those at greatest risk.

At year end, the bank had a total workforce of 412 employees, excluding the cleaner, compared to 417 at the end of 2009 as follows:

	2010	2009
Managers	2	3
Junior managers (3rd and 4th level)	40	38
Junior managers (1st and 2nd level)	63	61
3rd professional area	299	303
2nd professional area	8	12
Total	**412**	**417**
Cleaning staff	*1*	*1*

The above workforce included 411 employees with open term contracts and one employee with a term contract at the year end. During the year, four term contracts had been converted to open term.

In 2010, 15 employees left the bank (10 with open term contracts and five with term contracts) while 10 people were hired (four with open term contracts and six with term contracts).

The following table summarises changes in the workforce during the year:

	2010	2010 departures	2010 entries	Converted from term to open term contracts	2009
Open term	411	10	4	4	413
Term	1	5	6		4
Total	**412**	**15**	**10**		**417**

The containment and streamlining of operating processes associated with the increasingly intense development of IT technologies, together with adoption of more efficient organisational models, allowed the redistribution of human resources with roughly 70% at the branches and the other 30% at head office. This has effectively contributed to the necessary containment of overheads.

The employees' involvement in the bank's objectives, ensured through regular meetings of head office and branch personnel, and enhancement of their skills through training are key HR targets as the bank is convinced of the central role played by its employees.

Training activities involved all the professional staff about all relevant issues.

Special courses were held for new staff about both their specific duties and for long-term objectives.

Great importance was thus given to training with most employees participating at internal and external courses. As in the past, courses were held about finance issues, administration and taxes, lending and insurance.

The aims were threefold:

1. to provide training to new or recently hired staff and personnel transferred to new positions within the bank;
2. to build up the specific skills of personnel holding particularly important positions, also considering the legislative discontinuities which require ongoing refresher courses;
3. to promote new products and services, especially those of a financial nature, and with a special focus on risk management.

The bank also has an e-learning platform for correspondence courses, details of course materials and events.

During 2010, there was a downwards trend in the number and percentage of transactions in securities performed on-line.

Purchases and sales of securities made on-line by customers decreased to 60.5% compared to 66.5% in 2009 and made up 37.7% of the total volumes traded.

Altogether, the internet banking service, which includes on-line trading, is well met by customers and 8,017 customers used the service at year end compared to 7,277 at the end of 2009.

Alongside the internet banking service, designed for individuals, the bank successfully launched its corporate banking service with an increasingly number of businesses using this option. At 31 December 2010, 3,176 businesses had registered with this service compared to 2,836 at the end of 2009.

A large number of transactions previously performed at the bank's premises are now carried out on-line. With respect to commercial bill collection presentation requests, 69% are performed on-line compared to the previous 65.8% involving RIBA, RID and MAV requests.

The ATM service has 859 machines compared to 804 at the end of 2009 with transaction volumes up 64% on an annual basis equal to € 67 million.

The bank's activities with local bodies also increased in 2010.

At year end, it managed 24 treasury services and 27 cash services.

The annexes to the financial statements include a list of the bodies to which the bank provides treasury and/or cash services.

In order to improve its service levels and operating efficiency in its transactions with these bodies, the bank negotiated an agreement with Caricese S.r.l. during the year to outsource the operating activities alone, related to keying-in and checking the related documents.

Internal controls

The current system of internal controls is set up in such a way as to ensure appropriate and careful monitoring of the bank's activities and, especially, those subject to the most significant implicit risk.

The internal controls cover all the bank's operations and are an integral part thereof. They include the following types of control:

- first level controls
    - line controls, that can be carried out by the production units themselves, included in procedures or performed as part of back office activities;
- second level controls
    - these are carried out by units that define the risk measurement methodologies, check compliance with the limits set by the board of directors on an ongoing basis and compliance with the assigned risk objectives; second level controls also include compliance controls, aimed at ensuring efficient risk management so as to avoid judicial or administrative sanctions, large financial losses or reputation damages due to the violation of external (laws and regulations) or internal rules;
- third level controls (internal audit)
    - their objective is to check the correctness of the bank's operations and adequacy of its risk management procedures.

Specifically, third level controls are carried out by the Inspection Office and the Internal Audit Unit to check the correctness of the bank's operations, the efficiency of its organisation, compliance with proxy limits, the overall working of the internal controls and reliability of the IT systems. These important functions are carried out with on-site inspections and distance controls. They cover all the bank's operations, e.g., credit, finance, related services and those issues which are subject to specific regulations such as transparency, usury, anti-money laundering, investment services and others.

In addition to the reports generated automatically by the IT system, which provide daily information useful for control purposes, the Inspection Office and the Internal Audit Unit have IT tools to prepare basic data. Their subsequent combination and application of predefined control parameters allows the faster identification of any irregularities or high risk situations.

Over the last few years, the Inspection Office, which may report directly to the board of directors, has focused more on audit issues.

When urged to do so by the Inspection Office, senior management takes steps to eliminate any weaknesses assisted by the relevant office due to the lack of line or second level controls, the related adequacy or inadequacy of organisational processes and any other aspects that could compromise the working of the internal controls as a whole or risk management.

The current credit risk management procedure gives an overall view of individual customers or groups of related customers. Compliance with credit limits is checked in real time and unauthorised overspending is identified and communicated to the relevant office which granted the facility.

A specific head office unit, identified by the Internal Services Regulations, checks the correct performance of customers. This is the Risk Controls Office which reports to the deputy general manager and may reclassify credit items if necessary with the managing director's approval.

Performing loans are monitored using automated reports to the relevant offices that identify any irregularities.

Given the bank's size and the principle of proportionality, the Risk Governance Office is responsible for monitoring and measuring risks, including the risk of non-compliance with the law. These are second level controls carried out by the Office's two units: Risk Management and Compliance.

The Office is sufficiently independent in order to ensure segregation between the risk measuring/control functions from both the operating and internal audit functions.

Risk Management

The Risk Management Unit continued its work during the year aimed at measuring and controlling the different types of risk in line with the instructions issued by the board of directors and the supervisory authorities.
Accordingly, it monitors the following risks:

Market risk

Ruling regulations require that the VaR (Value at Risk) method be used to measure market risk. It estimates the potential loss considering market values for a set period of time and a set confidence level at normal market conditions.

The VaR method, developed with a special application designed by Promoeteia, based on the variance-covariance method, calculates the maximum potential loss at a confidence level of 99% of the banking book over a time frame of 10 days. It measures the variability of the banking book's value using risk factors, being interest rates, exchange rates and market indexes, without considering the issuer's credit risk.

Liquidity risk

Liquidity risk is measured using an internal model and data provided by the ALM-PRO application since 2009. The board of directors' model is based on the cumulative imbalance between assets and liabilities split by maturity.

Interest rate risk

The model used to measure the banking book's exposure to interest rate risk includes calculation of the risk indicator considering the maturity or repricing of assets and liabilities as per the supervisory authorities' instructions. It gives the bank's net weighted position compared to its regulatory capital. The ALM-PRO application, provided by the IT outsourcer via Prometeia, is again used.

Credit risk

Systematic application of the CPC (Credit Position Control) model, introduced in 2006, has improved the efficiency levels of monitoring performing loans both at branch and head office level. Reports are produced regularly on the largest irregularities, broken down by geographical location and customer type.

A counterparty internal rating system is also used for internal purposes only. The adopted procedure (S.A.Ra. - automatic rating system) classifies customers by credit risk level and estimates the probability of default (PD) based on the counterparty's performance trends, qualitative information obtained in questionnaires and, for companies, assessments of financial statements on a statistical basis.

Single-name and geo-business segment concentration risk

The bank's exposure to business and geographical concentration risk is assessed every three months using Banca d'Italia's regulatory models.

Compliance Unit

The Compliance Unit assesses the risk of non-compliance of the bank's strategic and operating decisions. It carries out preventive checks and subsequent monitoring of the effectiveness of procedures, mainly to prevent possible violations or infractions of the relevant legislation, namely Legislative decree no. 231/2001 (administrative liability), Legislative decree no. 196/2002 (privacy), Law no. 197/1991 (anti-money laundering), Law no. 62/2005 (market abuse), MiFID and transparency directives. It promotes initiatives to make employees more aware of these issues and provides assistance.

Like the Inspection Office, the Compliance unit may report directly to the board of directors.

Last but not least in terms of importance, the bank has a control unit which monitors securities trading at branch and head office level.

IT risks and the data protection document

The bank's IT systems are mainly housed on an operating platform supplied and managed by CSE - Consorzio Servizi Bancari Soc. Cons. a r.l. on an outsourcing basis. This guarantees the security, quality and reliability necessary for all the services used.

The bank also uses other application packages, mainly to provide IT support, analysis and control functionalities. They are installed and managed directly by the relevant internal offices.

Following enactment of Legislative decree no. 196/2003, the Privacy Code, which became effective on 1 January 2004, the bank drew up the data protection document as per point 19 of the Technical Regulations, Annex B to the aforesaid Legislative decree. This document is revised regularly.

The bank's primary objective is the secure processing of personal information and, therefore, the document has been prepared to ensure the correct performance of the internal information system, its correct working and resistance to hacking for the equipment exposed to internet risks.

The relevant internal units perform the related controls at different levels, focusing on checking that the security measures are updated regularly to reflect changes in risks deriving from unauthorised access, changes to personal data or its destruction, either unintentionally or intentionally.

As required by law, the outsourcer CSE has a disaster recovery plan which it regularly updates and checks the data in order to combat the significant risk of disaster and/or hacking.

While the currently directly managed application systems do not have any critical aspects, the bank has a backup plan with all the data recovered from the intranet servers, as required by Legislative decree no. 196/03.

In order to reduce the potential risks of on-line connections to the internet, the bank has a special portal and an intranet for internal e-mail management.

All bank employees who handle personal data and use electronic tools undergo training about the related risks and the proper procedures to adopt in order to avoid damaging events.

Business continuity and disaster recovery plans

In accordance with Banca d'Italia's instructions, the bank has a business continuity plan prepared with the assistance of its IT outsourcer.

The issue of business continuity includes a purely technological component (disaster recovery) and an organisational aspect, aimed at defining a business continuity plan for emergencies to ensure a return to minimum operations in a short as possible time frame in the case of a disaster.

The bank updated its plan during the year and checked it.

KPMG S.p.A. performs an IT audit of CSE and checks the security of its procedures. It also performs specific risk analyses of the system's vulnerability to external threats.

Privacy - Legislative decree no. 196/2003

Pursuant to the "Code of Ethics and Conduct for IT systems managed by private parties with respect to consumer credit, reliable and timely payments", the bank has prepared the relevant information/consent forms to be given to customers. It has also circulated the relevant internal rules containing operating instructions to be given to the branches.

ISVAP Circular no. 551/d of 1 March 2005 - Instructions about the transparency of life assurance contracts

In accordance with ISVAP Regulation no. 05/2006, the bank sells insurance products solely via its specially trained personnel. This training, required by the above regulation, is mainly provided by its insurance partners.

The documented procedures for contacts/sales are constantly and carefully checked with respect to the completeness of the information provided to customers and employee training.

Law no. 262/2005 - Instructions for savings protection and financial markets regulations

With respect to Law no. 262 of 28 December 2005 and the bank's proper application, on 22 December 2010, Consob (the Commission for Listed Companies and the Stock Exchange) approved the bank's prospectus for the issue of bonds as part of the Issuance Programme approved by the board of directors on 5 October 2010.

This prospectus comprises the Filing document, Summary notes and Notes on each type of bond.

All the documentation can be found on the bank's web site and downloaded.

Law no. 231/2001 - Companies' administrative liability

Legislative decree no. 231/2001 introduced the administrative liability of companies for unlawful practices carried out by company key personnel in its interests. This decree provides for the non-liability of companies that have previously adopted and implemented an "Organisational model" suitable to prevent the crimes it sets out.

The bank introduced its Organisational model during the year and updated it to include the new crimes, assisted by the supervisory body which checks its working, effectiveness and compliance. The body also ensures that it is up to date.

THE BANK'S FINANCIAL POSITION

Lending

Breakdown of lending by product							
				Half year difference		Annual difference	
	31/12/2010	30/06/2010	31/12/2009	Amount	%	Amount	%
Current accounts	175,604	153,188	167,541	22,416	14.6%	8,063	4.8%
Postal current accounts	80	299	231	-219	-73.2%	-151	-65.4%
Financing for advances	169,656	169,799	173,825	-143	-0.1%	-4,169	-2.4%
Loans	562,764	545,927	529,866	16,837	3.1%	32,898	6.2%
Subsidies not settled through current accounts	60,675	57,013	64,583	3,662	6.4%	-3,908	-6.1%
Loans on pledges	72	84	85	-12	-14.3%	-13	-15.3%
Salary-backed loans	378	449	665	-71	-15.8%	-287	-43.2%
Non-performing loans	18,670	18,602	17,758	68	0.4%	912	5.1%
Portfolio risk	533	659	568	-126	-19.1%	-35	-6.2%
Treasury transactions	571	1,845	10	-1,274	-69.1%	561	5610.0%
Total lending	**989,003**	**947,865**	**955,132**	**41,138**	**4.3%**	**33,871**	**3.5%**
- of which in Euros	986,770	943,489	953,738	43,281	4.6%	33,032	3.5%
- of which in foreign currency	2,233	4,376	1,394	-2,143	-49.0%	839	60.2%

While the local and national economic situation continued to be worrying despite showing signs of recovery, the bank maintained its prudent approach to assessing the credit standing of its ordinary customers. As it is the bank's mission to be the local reference bank for households and businesses, it took all possible measures to continue to support its customers in this extraordinarily difficult period, consistently with their credit standing.

This represents a continuation of the bank's characteristic healthy and prudent approach to business which is one of its strengths and was confirmed by the ongoing economic difficulties.

As can be seen in the notes to the financial statements and indirectly in the breakdown of the loans by product, guarantee levels remained at the usual suitable levels, especially given the current economic climate.

That being said, the lending business was assisted by the opportunities availed of by the branches in new locations, reaching new objectives and the diversification necessary to contain credit risks.

Overall, the lending business picked up by 3.5% on a comparative basis, demonstrating the bank's efforts and support of the local economy. As shown in the above breakdown by product, the six-month growth shows a faster pace in the second half of the year due to the more favourable confidence levels.

Loan concentration, assessed by borrower, decreased again, continuing its steady reduction, as shown in the following table:

Loan concentration					
	2010	**2009**	**2008**	**2007**	**2006**
Top 10 customers	7.21%	7.71%	8.06%	9.87%	10.15%
Top 50 customers	18.83%	19.57%	20.04%	21.19%	20.86%
Top 100 customers	25.92%	27.14%	27.08%	27.80%	27.61%

An analysis of lending by product confirms the positive trend of the longer-term products at € 562,764 thousand compared to € 529,866 thousand at the end of 2009, an increase of € 32,898 thousand or 6.2%, thus representing continuation of a very positive growth trend.

A breakdown of loans by business segment shows that the residential construction segment performed the best and its ongoing development significantly assisted the growth in this segment.

This confirms the bank's strong local presence and its special vocation in assisting households which it has always considered fundamental and of vital importance.

The non-performing/performing loans ratio continued to be very modest in 2010 in line with previous years.

Current account balances amounted to € 175,604 thousand at year end, up 4.8% on an annual basis, reflecting in particular the cautious development in ordinary credit, mainly to companies, thanks to the less serious production situation compared to that of 2009.

Financing for advances dropped slightly in volume from € 173,825 thousand at 31 December 2009 to € 169,656 thousand, down 2.4% tied to the reduction in companies' revenue. Statistics for unaccepted trade bills under reserve show an annual increase in the number of orders presented at the bank's branches (+3.3%) and the amounts involved (+8.25%). Interbank direct relationships grew by roughly 7% in number and amount while payments against notice increased by 5.6% and 11.5% in number and amount, respectively.

Subsidies not settled through current accounts decreased to € 60,675 thousand compared to € 64,583 thousand at the end of 2009.

The bank did not use derivatives to hedge interest rate risks on fixed rate loans during the year, also because of the small percentage of this type of loan.

Its credit risk controls entailed the careful monitoring of non-current assets, both with respect to their financing and the risk that the repayment dates may be extended.

The Risk Governance Unit kept senior management up to date on developments with respect to the risk of repayment date extensions and the interest rate risk.

In terms of credit quality, overdue positions decreased significantly from € 4,688 thousand at the end of 2009 to € 3,269 thousand at year end, with impairment losses of € 151 thousand.

Substandard loans, including estimated losses, came to € 43,126 thousand compared to € 35,023 thousand at 31 December 2009, up 22.5% which includes fair value losses and discounting of € 3,775 thousand. In order to better understand this trend, it should be considered that the increase is strongly affected by the prudent classification of a large loan as substandard even though its guarantee is completely sufficient and its repayments were regular at the reporting date.

Non-performing loans amounted to € 36,354 thousand at 31 December 2010 compared to € 35,602 at the end of 2009 while impairment losses came to € 17,683 thousand against € 17,842 thousand. Net of these impairment losses, non-performing loans total € 18,672 thousand compared to € 17,760 thousand at 31 December 2009, an increase of 5.1% which is considerably better than the banking sector's average.

The oft-mentioned issue of the under-capitalisation of local companies, which is not always properly understood, makes it difficult to assess their credit standing which is partly overcome by analysing the stability of their revenue and trade receivables collections. The ongoing economic crisis has highlighted a widespread lack of liquidity in addition to the problem of scarce internally-generated funds especially for the footwear sector, which is the main local business, accustomed to working on the basis of a strict production schedule which is often adversely affected by competition from "ready to wear" articles.

This has obviously led to temporary financial difficulties not often countered by flexibility, thus increasing the probability of irregular repayment trends.

The percentage of new loans reclassified as non-performing decreased significantly during the year and amounted to € 6,907 thousand, equal to 19% of the entire non-performing category at the end of 2009, including € 5,610 thousand of loans previously classified as substandard. New non-performing loans in 2009 amounted to € 13,405 thousand showing the steady reduction in the deterioration rate of credit quality.

Collections received during the year were consistently high, directly offsetting non-performing loans which came to € 3,950 thousand compared to € 5,376 thousand in 2009.

Collective impairment losses on performing loans were made using credit deterioration statistics of previous years and the credit deterioration rates published by Banca d'Italia and communicated to the banks via the public database, mitigated by an empirical analysis of companies' results.

These two estimates, i.e., the probability of default (PD) and the bank's historical loss trends, were used to determine the different impairment percentages for each business segment, considering also the guarantees given and the duration of each type of loan.

The implicit risk on performing loans is determined by considering the economic climate and making a collective impairment, currently calculated to be € 10,100 thousand compared to € 10,068 thousand at 31 December 2009, equal to 1.08% of the performing loans, which is substantially in line with the previous year.

Monitoring of credit risk, both for loans and endorsement credit, is an ongoing process which uses analyses obtained using the state-of-the-art IT credit position control (CPC) tool, designed to provide an automatic analysis of credit by determining a point system for the different loan performances and a weighting system.

As part of the internal control project, the bank is introducing a more evolved system to assign ordinary customers (households, craftsmen, professionals, partnerships and companies) specific ratings depending on the type of company and, obviously, their financial position, results of operations and performance. This system will work alongside the CPC model and also considers the performance of the different business sectors to which the customers belong, integrated by subjective merit factors.

Specifically, the internal rating system uses three sources of information:

- analyses of the customer's relationship with the bank and the banking system in general;
- statistical analyses of their financial statements;
- qualitative analyses of aspects that require subjective assessment by an expert.

The bank also gives particular importance to the customers' "personal" data.

As part of its traditional policy of prudence, the internal rating programme is not used to determine regulatory capital requirements, for which the standard method is used.

Should the customers' relationships with the bank deteriorate and it be deemed necessary, the Risk Control Unit monitors all their positions and works with the relevant branch to implement all suitable actions to return the relationship to normal, as the key priority, and to establish and coordinate the measures to recover the outstanding amounts when necessary.

When this is not possible and the deterioration in the customer's financial position leads to its insolvency, even if not yet ascertained at judicial level and regardless of the existence of guarantees, the customer's entire position is transferred to the Legal Affairs Office so that legal recovery actions can be commenced, after cancellation of any credit facilities and the related reclassification as non-performing.

The bank's support of the local economy was not limited to the above lending transactions during the year as it also developed its asset brokerage business.

The following activities were carried out:

Leases: the bank continued its operations in the finance lease sector through its operating agreements with Leasint S.p.A. (of the Intesa Sanpaolo group), leading to the finalisation of 42 contracts worth € 8,219 thousand.

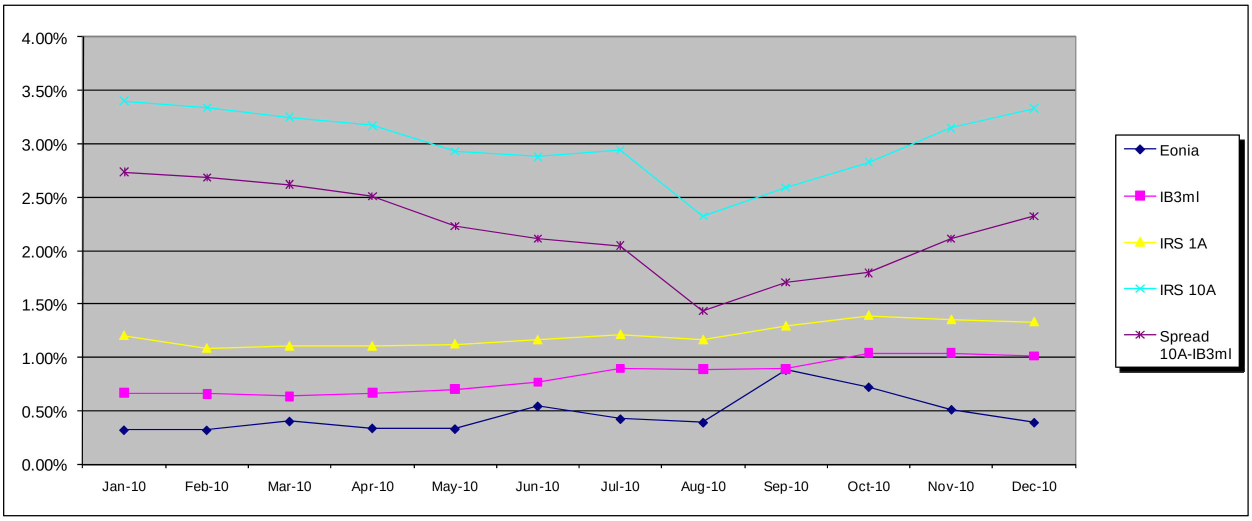
Credit cards: the bank's operations in this sector were satisfactory with 671 new cards being issued for a total 15,773 at year end. It also continued to issue Eura cards with 4,157 cards issued at year end compared to 3,739 at 31 December 2009.

Investments

As noted earlier, 2010 saw several months of interest rates at the same level as the end of 2009 only to start rising slowly in the second half of the year, reflecting the modest improvement in the economy.

The 3-month EURIBOR was roughly 1% at year end while the more volatile EONIA rate continued to fluctuate at around 0.5%.

As can be seen in the following graph, while the 3-month interbank rate climbed slowly, the 10-year swap rate was more affected by the better economic outlook and after the minimum of 2.32% in August, started to increase at a faster pace to nearly 350 bp.



The bank's financial investments are wholly comprised of government bonds (more than 50%) and senior bonds issued by major Italian and international banks.

Given the nature and objectives of its securities portfolio, the bank's investment policy is to maintain both market and counterparty risk at very low levels.

The ongoing assessments of risk using the VaR model showed that it remained within the limits set by the board of directors.

The bank's investment choices and resource allocation decisions have the main objective of avoiding tying up resources with the result that the average life of its investments was 261 days at year end and its portfolio has an average remaining duration of four years and 48 days.

In line with its decisions made upon first-time adoption of the international financial reporting standards (IFRS) and following the 2008 amendment to IAS 39, the bank classified its entire securities portfolio at the reporting date in line with each financial instrument's objective.

Accordingly and with the sole exception of the bonds issued by the Italian government (nominal amount of € 5 million), classified as a held-to-maturity (HtM) investment and which had previously been recognised as a non-current security under Legislative decree no. 87/1992, the rest of the portfolio is either classified as held for trading (HFT) or available-for-sale (AFS).

A breakdown of the fixed-income securities classified in the trading and AFS portfolios and their nominal amounts is as follows:

Breakdown of bonds in the HFT and AFS portfolios Nominal amounts				
			Difference	
	31/12/2010	**31/12/2009**	**amount**	**%**
BOT and Zero coupon	2,286	30,330	-28,044	-92.46%
CCT	186,919	158,750	28,169	17.74%
BTP	10,178	2,361	7,817	331.09%
Bonds	144,133	148,477	-4,344	-2.93%
Shares	6	6	0	0.00%
Total	**343,522**	**339,924**	**3,598**	**1.06%**

As a result of the upset triggered by the sovereign debt crisis described earlier, the bank's securities portfolios dropped in value compared to their carrying amount to € 8,111 thousand and over € 2,389 thousand for the trading and AFS portfolios, respectively, at 31 December 2010.

Again in 2010, the bank maintained its position as a lender on the interbank market continuing its role of previous years although the temporary impossibility of freeing up its securities portfolio at the end of the year due to the low prices began to weigh on its net interbank position.

Furthermore, given the drastic change in the markets after March 2010, the bank extended its operating opportunities by carefully checking its credit facilities with major banks.

Its Euro treasury activities had two objectives:

1. maintenance of suitable funds to meet payment commitments;
2. improvement of the return on its investments in line with market indexes.

The frequent resort to freeing the mandatory reserve and use of the wide range of operating solutions allowed the bank to benefit from its allocation of its available liquidity throughout the year.

It issued bonds during the year and did not deem it necessary to resort to specific hedges thereof using derivatives given the overall very modest interest rate risk.

The financial crisis, its effects and reclassification measures

The bank described the measures taken with respect to the classification and measurement of securities in its 2008 Annual Report.

Following the amendment endorsed by the relevant authorities to IAS 39 and IFRS 7 about the reclassification of financial assets, the board of directors decided that the market conditions were one of those rare circumstances which justified the reclassification of securities from one category into another.

Accordingly, it reclassified certain securities from the HFT category into the AFS category,

leading to a decrease in HFT assets while AFS assets increased from € 3,552 thousand to € 118,673 thousand at 31 December 2008.

The loss on AFS securities of € 3,359 thousand, net of deferred tax assets, at the end of 2008 was offset against equity.

At 31 December 2010, the fair value measurement of AFS debt instruments give rise to a gross impairment loss of € 3,998 thousand which, net of the related deferred tax asset, led to a negative reserve of € 2,357 thousand recognised directly against equity.

The bank had the following bonds issued by Lehman Brothers Holding Inc., which filed for Chapter 11 bankruptcy protection under the US bankruptcy law, at year end:

ISIN	Issuer	Description	Maturity	Type	Nominal amount
XS0252835110	Lehman Bros.Hold.Inc.	L.B. 04/05/2006 - 04/05/2011 FRN	05/05/2011	Senior	1,000,000
XS0282937985	Lehman Bros.Hold.Inc.	L.B. 22/01/2007 - 05/02/2014 FRN	05/02/2014	Senior	3,000,000

The bank did not change the classification criteria for the two bond issues and confirmed their classification as HFT despite the US company's judicial position and the uncertainty about the timing and recovery of the bonds.

Moreover, these bonds continue to be traded although at very penalising positions for sellers. In order to rectify the situation in its financial statements, the bank asked a major stock broker for a bid price for the two bonds which meant it recognised a reversal of impairment losses of € 280 thousand in profit or loss for 2010.

Equity investments

The bank has recognised its non-controlling interests in banks, financial and commercial companies in the AFS portfolio even though it intends to hold on to these investments in the long term.

In January and March 2010, the bank executed the agreement for the sale of its investment in SEDA, selling 60% thereof or 25,846 ordinary shares, recognising a gain of € 269 thousand in profit or loss.

The investee SEBA S.p.A. called an extraordinary meeting of its shareholders pursuant to article 2447 of the Italian Civil Code to inform them that it had incurred losses in 2010 such as to cancel the value of its share capital. The bank subsequently fully impaired its investment therein (€ 58 thousand) in profit or loss.

At 31 December 2010, the bank's investment in this investee amounted to € 3,623 thousand.

The annexes to the financial statements show a list of the bank's equity investments at year end.

Funding

During the year, the bank's direct funding, measured at its carrying amount, underwent the following changes:

Breakdown of direct funding by product							
				Half year difference		Annual difference	
	31/12/2010	30/06/2010	31/12/2009	Amount	%	Amount	%
Savings deposits	150,217	157,493	159,355	- 7,276	-4.6%	- 9,138	-5.7%
Current accounts	689,533	689,231	671,592	302	0.0%	17,941	2.7%
Repos	65,553	76,692	75,843	- 11,139	-14.5%	- 10,290	-13.6%
Certificates of deposit	47,328	53,097	53,802	- 5,769	-10.9%	- 6,474	-12.0%
Bonds	225,330	231,688	239,272	- 6,358	-2.7%	- 13,942	-5.8%
Total direct funding	**1,177,961**	**1,208,201**	**1,199,864**	**- 30,240**	**-2.5%**	**- 21,903**	**-1.8%**

Overall, direct funding amounted to € 1,177,961 thousand (year-end carrying amount), down 1.8% or € 21,903 thousand on an annual basis. The decrease was sharper in the second half of the year as shown in the above table.

On the other hand, the average cash balance increased by 1.5% on an annual basis.

Growing uncertainty about financial market trends has led most customers to invest liquidity in temporary products before making other investment choices despite the considerable rise in the risk premium, discussed earlier. This explains the rise in current account overdraft runs while the older savings deposits have lost ground again on both a half year and annual basis.

Bonds were down, mostly due to customers' preference for more liquid investments as described above. This trend was partly offset by an issue policy aimed at promoting the transparency and simplicity of the products offered. Given the considerable confusion reigning on the markets, the bank's bonds with the above characteristics, together with its solid reputation, were positive factors for the placing of bond issues on the primary market where bonds as a whole lost 5.9% on an annual basis, equal to € 13,942 thousand given the adverse market conditions.

Thanks to the bank's sound financial position and its funding policy, it was able to maintain maximum prudence even with competitors' borderline transactions, thus avoiding undesirable increases in the cost of funding.

Deposit books and certificates of deposit both declined in popularity steadily during the year. Specifically, saving deposits books lost 5.7% year-on-year closing the year at € 150,217 thousand while certificates of deposit at € 47,328 thousand decreased by 12.0% compared to 2009.

Repos fell again by € 10,290 thousand or 13.6% during the year to € 65,553 thousand at year end.

Current accounts grew by € 17,941 thousand (+2.7%) to € 689,533 thousand confirming their position as customers' preferred short-term funding product at 58% of the entire direct funding.

As a result, this sector was the object of much attention leading the bank to offer innovative products and services such as on-line trading or the expansion of the operations that can be carried out at ATMs which are the natural reference point for current account transactions.

The bank monitored and revised the conditions offered to customers unceasingly so as to keep them in line with market requirements. This included the ongoing amendment of contractual terms and conditions in order to improve customer relationships and launch new current account packages.

Bonds issued by the bank during the year maintained their standard characteristics. It did not issue subordinated bonds.

At year end, outstanding bonds equalled roughly 19% of the entire direct funding and, net of repurchased bonds, amounted to € 225,330 thousand.

The average financial duration of the issued bonds is one year and 95 days, while the average outstanding duration is one year and 169 days.

At 31 December 2010, the bank had 27 bond issues, described in the annexes to the financial statements. Five issues matured during the year while three new issues were placed with the financial characteristics established in the prospectus approved by Consob and valid from time to time.

Indirect funding at year end may be analysed as follows:

	31/12/2010	30/06/2010	31/12/2009	Half year difference		Annual difference	
				Amount	%	Amount	%
Government bonds	310,734	303,274	315,270	7,460	2.46%	-4,536	-1.44%
Bonds	215,413	206,537	195,854	8,876	4.30%	19,559	9.99%
Shares	130,729	125,464	129,576	5,265	4.20%	1,153	0.89%
Funds and OEICs	189,837	195,285	209,607	-5,448	-2.79%	-19,770	-9.43%
Asset management	36,346	37,860	37,391	-1,514	-4.00%	-1,045	-2.79%
Total indirect funding	***883,059***	***868,420***	***887,698***	***14,639***	***1.69%***	***-4,639***	***-0.52%***
Insurance and pension products	147,183	142,520	131,516	4,663	3.27%	15,667	11.91%
Total	**1,030,242**	**1,010,940**	**1,019,214**	**19,302**	**1.87%**	**11,028**	**1.08%**

Indirect funding, consisting of administered and managed funds, decreased slightly at year end to € 883,059 thousand.

If the analysis is extended to include insurance and pension products, indirect funding increases to € 1,030,242 thousand, up 1.08% on 31 December 2009.

A breakdown of indirect funding, compared to that at 31 December 2009, shows customers' growing interest in financial and counterparty risk-free investment products, i.e., in products with prudent profiles. However, the reduction in interest rates on government bonds and the yield on treasury bonds (BOT) has concurrently encouraged customers to look for valid alternative investments. In fact, government bonds have dropped slightly as an attractive investment by 1.4% or € 4,536 thousand.

The corporate bond sector on the other hand gained ground up € 19,559 thousand or 10% to € 215,413 thousand from the previous year-end figure of € 195,854. The bank was able to fully benefit from its long-term relationship with Banca IMI of the Intesa Sanpaolo banking group and offered a wide range of interesting products on the primary market.

Share custody services improved slightly to € 130,729 thousand against € 129,576 thousand at 31 December 2009. As in the past, this form of funding is very sensitive to changes in stock exchange indexes and, therefore, it was favourably affected by the sharp upturn in prices during 2010.

With respect to fund management, customers' interest in mutual funds and OICs decreased again to € 189,837 (-9.4%) compared to € 209,607 thousand at the end of 2009.

Altogether, the year-end net funding balance confirms the sector trend and general figures for the Italian fund management business.

At 31 December 2010, the percentage of managed funds compared to the entire indirect funding was 25.6% against 27.8% at the end of 2009.

The bank continued to offer life assurance products of the Banca Intermobiliare group and Arca Vita during the year alongside the similar range proposed by Intesa Vita.

Finally, life policies and open pension fund products increased by 11.9% or € 15,667 thousand on an annual basis.

INCOME STATEMENT

The following table summarises the key income statement figures.

	2010	2009	Difference	
			Amount	%
Net interest income	34,431	41,477	-7,046	-16.99%
Net operating income	51,867	68,825	-16,958	-24.64%
Operating costs	-45,864	-46,435	571	-1.23%
Operating profit	6,003	22,390	-16,387	-73.19%
Pre-tax profit from continuing operations	5,314	17,079	-11,765	-68.89%
Profit for the year	2,244	10,254	-8,010	-78.12%

The individual balances are shown below:

Net interest income

	2010	2009	Difference	
			Amount	%
Interest income:				
- Ordinary customers	38,334	46,862	-8,528	-18.20%
- Securities portfolio	4,823	7,291	-2,468	-33.85%
- Banks	391	509	-118	-23.18%
Interest expense:				
- Ordinary customers	-3,526	-5,986	2,460	-41.10%
- Bonds	-5,560	-7,120	1,560	-21.91%
- Banks	-31	-79	48	-60.76%
Net interest income	**34,431**	**41,477**	**-7,046**	**-16.99%**

Net interest income was down 16.9% or € 7,046 thousand on 2009.

This decrease was due to the fall in interest rates from October 2008 through to the end of the first half of 2010 after which they remained at the very low levels described earlier.

The figure shows the sum of assets and liabilities, the tax structure of which remained substantially unchanged compared to the last few years and led to a reduction in interest income from ordinary customers of € 8,529 thousand and from securities and banks of € 2,586 thousand.

This drop in interest income was accompanied by a contraction in interest expense paid to ordinary customers of € 2,460 thousand and a large but less important decrease in that on outstanding bond issues of € 1,560 thousand.

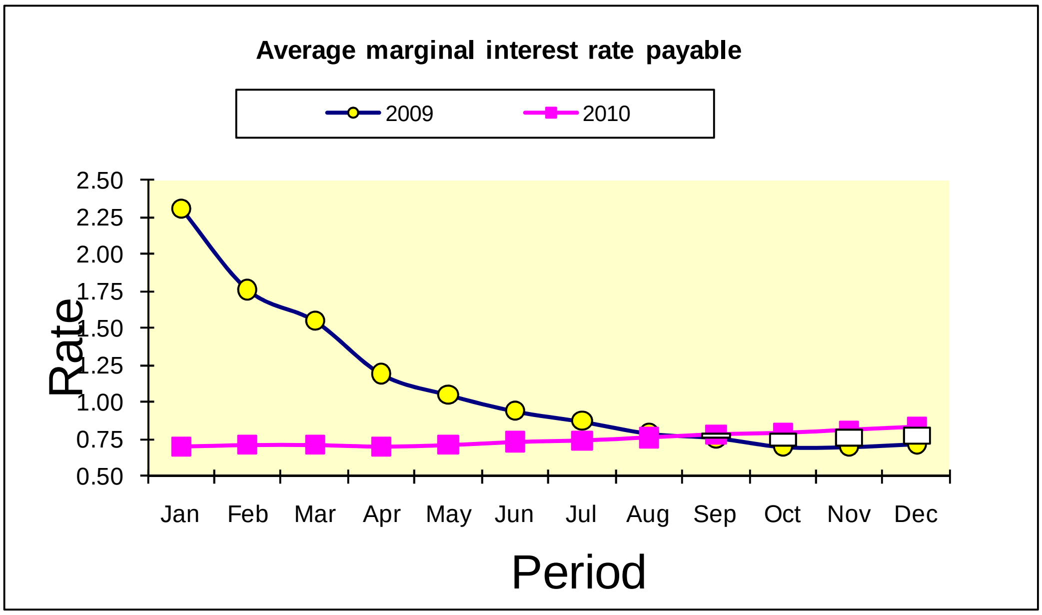
As well as external factors, net interest income was also affected by the bank's interest rate policies and conditions. Specifically, on 1 January 2010, abolition of the maximum overdraft commission led to the elimination of a significant portion of interest income, estimated to be over € 2 million. In addition, indexation of most of the loans to customers led to the ongoing alignment with the lowest market rates.

On the other hand, interest rates paid to customers, mostly tied to indexes, were in line with market rates in 2009 and were sufficiently stable in the first half of 2010 going on to increase slightly but significantly in the second six months of the year.

Overall, this led to a reduction in net interest income.

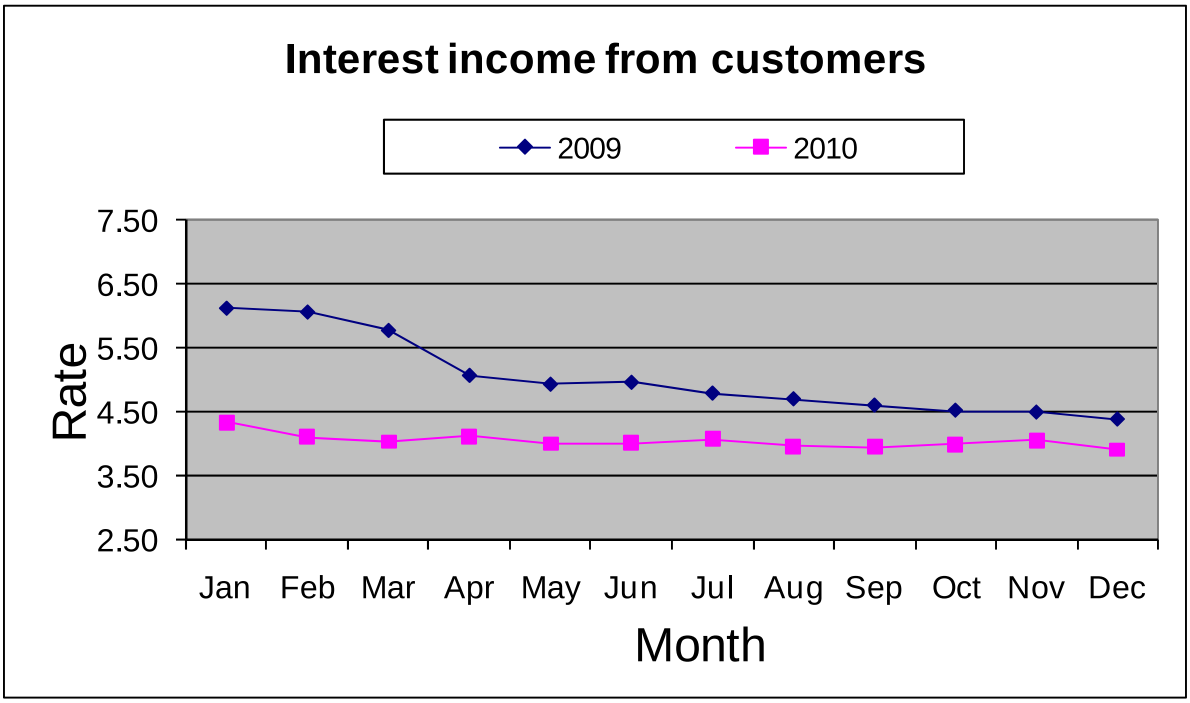
The average annual rate paid on direct funding was 0.75% compared to the average 1.11% at the end of 2009, an average drop of 36 bp, and the 2010 year-end rate was 0.83%.

The following graph shows interest rate trends in 2010 and 2009:

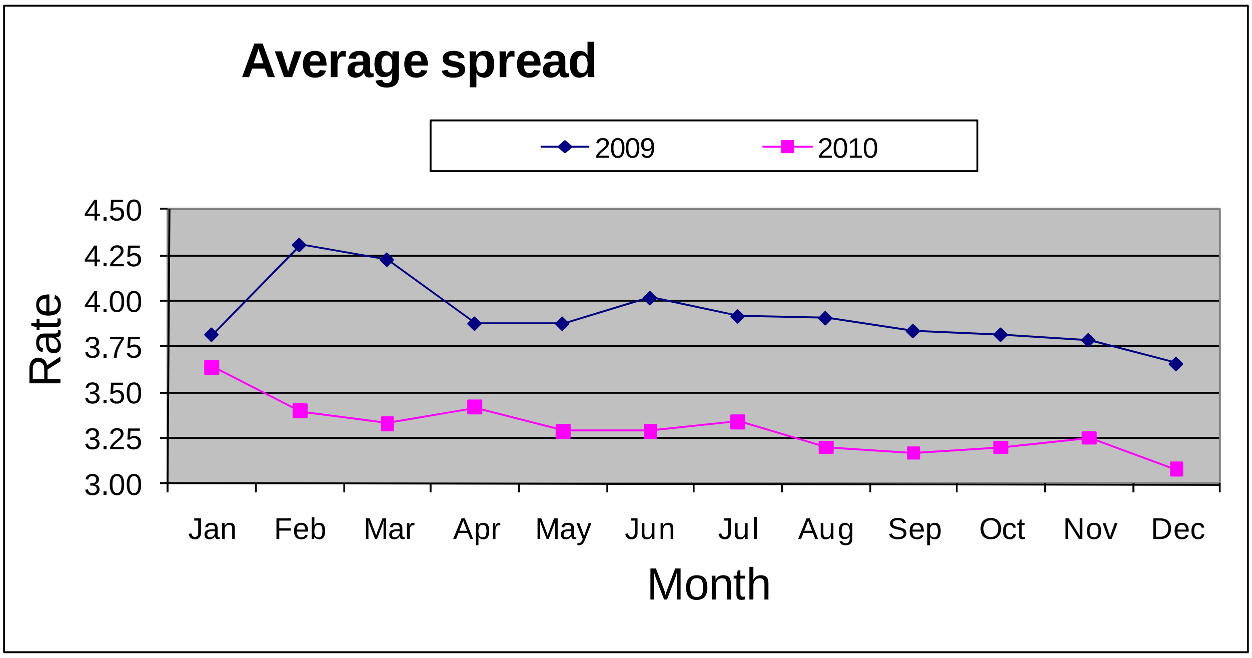


It shows a steady drop in interest expense in the first half of 2009 after which the curve remained substantially stable, climbing at the end of 2010.

Interest income from ordinary customers, shown in the following graph, went from an average 5.03% in 2009 to an average 4.05% at the end of 2010. The trend was 3.91% thus leading to an average decrease of 98 bp.



The 2010 spread on average rates applied to ordinary customers was generally below that of 2009 and decreased towards the year end as shown in the following graph:



NET OPERATING INCOME

	2010	2009	Difference	
			Amount	%
Net interest income	**34,431**	**41,477**	**-7,046**	**-16.99%**
Dividends	262	389	-127	-32.65%
Net fee and commission income	19,816	16,909	2,907	17.19%
Net trading income (expense)	-6,396	6,255	-12,651	-202.25%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	-14	99	-113	-114.14%
Other operating income	3,768	3,696	72	1.95%
Net operating income	**51,867**	**68,825**	**-16,958**	**-24.64%**

Net operating income decreased by € 16,959 thousand to € 51,866 thousand for 2010.

There was a considerable drop in dividends from € 389 thousand in 2009, when one of the bank's investees performed very well, to € 262 thousand for 2010.

Net fee and commission income improved significantly on 2009, going from € 16,909 thousand to the current € 19,816 thousand, up € 2,907 thousand or 17.2%.

The largest contributors to this caption were the current account management services, up more than € 2,111 thousand and the fast investigation commissions for credit facilities overruns which increased by over € 388 thousand.

Net trading expense amounted to € 6,396 thousand compared to net income of € 6,255 thousand for 2009 (-€ 12,651 thousand), due to the measurement of financial assets classified as held for trading.

Finally, net gains at the end of 2009 came to € 5,315 thousand compared to net losses of € 7,830 thousand for 2010.

The financial assets most affected by impairment losses included the treasury bonds (CCT), the prices of which tumbled after the public debt crisis of certain EU states.

As an explanation of the above, income from financial transactions may be broken down as follows:

1. income from securities trading of € 918 thousand, up by 40% on the 2009 figure of € 655 thousand;
2. net exchange rate gains of € 104 thousand compared to € 125 thousand for 2009;
3. trading income on OTC derivatives of € 179 thousand, substantially in line with the € 168 thousand for 2009.

OPERATING PROFIT

	2010	2009	Difference	
			Amount	%
Net operating income	**51,867**	**68,825**	**-16,958**	**-24.64%**
Personnel expense	-28,169	-28,701	532	-1.85%
Administrative expenses	-16,297	-16,341	44	-0.27%
Amortisation and depreciation	-1,398	-1,393	-5	0.36%
Operating costs	**-45,864**	**-46,435**	**571**	**-1.23%**
Operating profit	**6,003**	**22,390**	**-16,387**	**-73.19%**

The operating profit for the year was € 6,003 thousand compared to € 22,390 thousand for 2009.

The caption includes a decrease in both personnel expense (€ 532 thousand or 1.9%) and other administrative expense (€ 44 thousand, 0.3%).

The reduction in personnel expense was mainly due to:

1. payment, made temporarily in 2009, of outstanding amounts to an employee category following a dispute;
2. reduction in the 2010 bonus to be paid in 2011 as per the current contractual terms which ties the bonus to the bank's results.

In the meantime, the bank's careful HR management policy also contributed to reducing the increase in this expense thanks to a number of interventions, such as:

1. a further reduction in active employee numbers to 412 compared to 417 at the end of 2009;
2. a decrease in overtime, the direct cost of which was decreased from € 249 thousand in 2008 to € 172 thousand in 2009 and to € 59 thousand in 2010.

Other administrative expenses remained substantially stable at € 16,297 thousand. The following subcaptions decreased:

1. advertising and promotion costs, from € 615 thousand to € 555 thousand;
2. transportation and relocation costs, from € 374 thousand to € 174 thousand;
3. third party service costs, from € 2,991 thousand to € 2,949 thousand as a result of the smaller costs incurred to process the portfolio and cheques.

However, the following expenses increased:

1. external consultancy fees, from € 583 thousand to € 628 thousand;
2. car hire and data transmission line costs, from € 1,224 thousand to € 1,382 thousand;
3. sundry services and transportation costs, by € 117 thousand mostly due to transfer of outsourced work from SEBA to CARICESE with the related changes in the organisation and transportation of securities.

Depreciation, amortisation and net impairment losses on property, equipment and investment property and intangible assets remained stable at € 1,398 thousand.

PRE-TAX PROFIT FROM CONTINUING OPERATIONS

	2010	2009	Difference	
			Amount	%
Operating profit	**6,003**	**22,390**	**-16,387**	**-73.19%**
Net accruals to provisions for risks and charges	-183	-325	142	-43.69%
Net impairment losses on loans	-460	-4,973	4,513	-90.75%
Net impairment losses on other assets	-57	0	-57	0.00%
Gains (losses) on held-to-maturity and other investments	11	-13	24	-184.62%
Pre-tax profit from continuing operations	**5,314**	**17,079**	**-11,765**	**-68.89%**

The pre-tax profit from continuing operations came to € 5,314 thousand.

Net accruals to provisions for risks and charges of € 183 thousand reflect the bank's prudent evaluation of the higher risks of ongoing legal disputes and claw-back claims as well as operating risks and charges and potential risks on endorsement credits.

Loans to ordinary customers were measured using the methods set out in the notes to the financial statements with the usual prudent approach.

Impairment losses on irregular loans were recognised considering the borrowers' objective repayment difficulties and the intrinsic value of the related guarantees. The bank estimated the possible recovery times of the loans and made additional discounts.

Moreover, it was necessary to maintain the previous collective impairment losses recognised on performing loans given the current economic situation, considering the implicit risk of the different business segments using historical and forward-looking statistics. These collective impairment losses cover 1.08% of the loans.

Overall, the bank had to counter the drop in credit quality caused by the negative economic climate by recognising larger impairment losses of € 6,900 thousand, offset however by reversals of impairment losses of € 6,440 thousand for a net balance of € 460 thousand compared to € 4,973 thousand for 2009.

PROFIT FOR THE YEAR

	2010	2009	Difference	
			Amount	%
Pre-tax profit from continuing operations	**5,314**	**17,079**	**-11,765**	**-68.89%**
Income taxes	-3,070	-6,825	3,755	-55.02%
Profit (loss) from discontinued operations	0	0	0	0.00%
Profit for the year	**2,244**	**10,254**	**-8,010**	**-78.12%**

Direct IRES and IRAP taxes for the year came to € 2,957 thousand compared to € 7,465 thousand for 2009 due to the significant decline in the IRES tax base of € 5,201 thousand compared to € 19,990 thousand for the previous year.

The bank eliminated fiscally-driven entries from its financial statements by determining deferred tax assets and liabilities. Accordingly, it cancelled deferred tax assets of € 332 thousand and recognised new deferred tax assets of € 220 thousand, mainly in conjunction with the impairment losses on loans exceeding the 0.3% limit set by article 106.3 of the Consolidated Income Tax Act.

Accordingly, the profit for the year amounted to € 2,244 thousand.

CASH FLOWS

The statement of cash flows is included in the financial statements and has been prepared using the indirect method as allowed by IAS 7.

Cash flows generated and used during the year are split between operating, investing and financing activities to clearly show how the bank manages to build up and finance its growth through its operating activities and, especially, the considerable contribution of its operations.

In fact, the bank's operations generated funds of € 15,571 thousand, a small part of which was due to the profit for the year confirming the significant impact of the other contributors.

Financial assets generated smaller cash flows of € 2,025 thousand, including the substantial offsetting of funds generated by the decrease in amounts due from banks (€ 32,636 thousand) and funds used by the increase in loans to customers (€ 32,988 thousand).

The reduction in financial liabilities decreased available cash by € 9,964 thousand, mostly due to the smaller volume of bonds issued (€ 16,696 thousand) and amounts due to customers (€ 1,487 thousand).

Net cash flows generated by operating activities thus amounted to € 7,633 thousand compared to € 3,303 thousand for 2009.

Investing activities used funds of € 478 thousand, due to the modest purchases and sales of property, equipment and investment property.

Financing activities used cash flows of € 7,597 thousand compared to € 4,862 thousand in 2009, entirely due to the 2009 distribution of dividends of € 10 per share.

As a result, the net cash flows for the year were a shortfall of € 442 thousand.

INDICATORS

The customary analysis using financial statements indicators is set out in the following table:

Financial statements indicators	2010	2009
Capitalisation ratios:		
Equity/total assets	10.33%	10.21%
Core tier 1	13.61%	13.91%
Total capital ratio	15.16%	15.49%
Non-current assets/equity	13.25%	14.01%
Net non-performing loans/equity	12.85%	12.29%
Own funds/third-party funds	12.34%	12.04%
Risk ratios		
Net non-performing loans/loans	1.89%	1.86%
Collective impairment losses/performing loans	1.08%	1.10%
Allowance for impairment / total loans	3.11%	3.29%
Profitability ratios:		
Net interest income/total income	71.58%	63.68%
Income from financial transactions/total income	-13.83%	9.73%
Gross operating profit/equity	4.13%	15.50%
Profit/equity	1.54%	7.10%
Profit/total assets	0.16%	0.72%
Tax ratio	57.76%	39.96%
Net other administrative expenses/total income	26.05%	19.42%
Personnel expense/total income	58.56%	44.07%
Administrative expenses/total income	84.61%	63.48%
Cost/income	87.52%	65.62%
Costs/gains on fair value measurement of securities	75.26%	71.45%
Administrative expenses/total assets	3.16%	3.18%
Productivity - Distribution efficiency		
Loans to customers/employees	2,395	2,290
Due to customers/employees	2,852	2,877
Total income/average employees	115.901	155.069
Average employees/branches	7.034	7.119
Cost per employee	65.90	67.11
Loans to customers and due to customers/average employees	5,222	5,131
Loans to customers and due to customers/branches	36,728	36,525
Branch employees/employees	70.46%	70.26%

Changes in the financial statements captions can be seen by the indicators split into four macro areas representing the bank's core business.

Specifically, all the indicators for the bank's capitalisation continued to be very positive in 2010, although available internal resources were used less sparingly.

The Tier 1 capital ratio is 13.61%, confirming the fundamental importance of its capitalisation to the bank and its risk assumption policy, aimed at matching exposure more to its own funds than to extending debt.

The credit risk indicators show the high coverage level and overall quality of the net non-performing/performing loans ratio, which continues to be wholly satisfactory at 1.89% compared to 1.86% for 2009. The performing loans indicator is also stable at 1.08% against 1.1% for the previous year.

The bank's profitability profile is clearly conditioned by:

1. the loss on financial assets compared to 2009 when gains on their sale had significantly driven up all the indicators;

2. the drop in net interest income, heavily affected by market rate trends.

As a result of the above, the cost/income ratio, net of the effect of the measurement of securities, is 75.2% compared to 71.4% in 2009.

A glance at the efficiency indicator shows constant, steady and widespread improvement for all the relevant ratios.

Events after the reporting date

No significant events require disclosure in this section about the bank's specific activities.

The board of directors approved commencement of the activities to open a third branch in Rome in its meeting of 25 March 2011.

As noted earlier, the repercussions of the financial crisis are still evident in early 2011 and this may affect the performance of the bank's irregular loans, which it is monitoring through a more centralised control procedure and stricter risk position monitoring. The non-performing ratio of mortgage loans is in line with that of the last few months while the unsecured loans' ratio has worsened slightly.

Banca d'Italia/Consob/Isvap (the Italian Insurance Companies Supervisory Authority) document no. 2 of 6 February 2009

The directors note that they have assessed the bank's profitability and liquidity for a period of not less than 12 months from the reporting date based on the business plan, the 2010 budget and all other available information.

With respect to the bank's liquidity, the board of directors confirms the following management guidelines:

1. membership of the collateralised interbank market;
2. ongoing alignment and monitoring of interbank credit facilities;
3. maintenance of a lending/funding ratio always below the 90% threshold identified by the board of directors as prudential.

With respect to the bank's profitability, the board of directors believes that, despite this difficult economic period, the bank has appropriate profitability margins for the near and far future notwithstanding increasingly volatility in its results due to changed economic conditions and application of the IFRS. It is sufficient to consider the following:

A. the bank has never made a loss despite other unfavourable economic periods;
B. its market share is sufficient and its local ground roots have actually been strengthened by the unfavourable climate;
C. its high capitalisation and prudent approach are a solid basis for dealing with any future risks.

It can, therefore, clearly be seen that the going concern assumption is fully met without having to provide any more detail.

Banca d'Italia document no. 212966/10 of 18 March 2010

This communication focus on banks' capitalisation in light of their requirement for funds as a result of the current recession.

The central bank expects bank bodies to adopt strict and transparent criteria for the measurement of financial statements captions and to earmark most of their profits to equity.

In full compliance with these instructions, the bank has steadily built up its risk monitoring activities in line with its objective of maintaining high capitalisation levels. Therefore, in addition to its very acceptable total capital ratio and Tier 1 capital ratio, demonstrating the bank's focus on its capitalisation, the bank also allocated 10% of its profit for the year to the legal reserve even though it has now exceeded one fifth of its share capital.

As shown in the proposed allocation of the profit for the year, the legal reserve now exceeds this threshold by € 7,017,071.

Outlook

Based on the scenario proposed during approval of the 2011 budget and considering the significant changes in the business sectors most hard hit by the current difficult economic climate, the bank will conclude or continue certain macro organisational projects during 2011 such as:

- ✓ completion of the new NSC IT application for the branches, designed especially to make their commercial activities more streamlined and profitable;
- ✓ piloting the new branch organisational model aimed at rationalising the branches' activities to focus almost exclusively on the commercial side of the business,
- ✓ stepping up the property rationalisation programme.

The crisis which exploded at the end of 2008 and has continued, although at a lesser rate, into 2011 leads to uncertainty about the bank's future activities and results in terms of net interest income, its finances and credit risk management.

It is clear that thanks to the bank's strong financial position and cash flows, it is in a less critical situation than some other Italian banks given the need to continue to assist local business, as is indeed part of its mission.

In purely operational terms, the bank intends to:

- increase direct funding, both in current accounts, thanks to the natural expansion in on-line services which are well met by the market thanks to their quality and security, and in bonds, which tend to stabilise funding flows;
- increase its lending activities with companies and households at rates in line with the current economic conditions and market rates;
- increase administered funds, exploiting its technological tools to provide tailored services to customers without, however, penalising certain managed funds sectors designed to allow customers to benefit from an upturn in securities prices.

Based on the 2011 budget reviewed by the board of directors and communicated by the Management Accounts Office to all the bank's offices, the bank foresees:

- a pick up in net interest income, mostly as a result of the upturn in the market interest rate curve and the planned increase in volumes handled;
- an increase in fee and commission income; the bank believes that there is ample room for an increase in income from fund management, insurance and order collection services. The trading derivatives business is also expected to grow significantly generating considerable fee and commission income, which will assist maintenance of high service standards;
- an improvement in income from the trading of securities, which should be strengthened by the higher prices of securities traded;
- smaller operating expenses, due to the scheduled and ongoing related measures;
- a smaller increase (compared to 2010) in irregular loans and the related risk as a direct outcome of the economic crisis referred to many times in this report.

The bank will especially focus on improving the quality of its distribution channels and its on-line channel in particular.

Products and services on offer will be aimed at those business segments traditionally served by the bank, that is, households and producers, artisans and SMEs without, however, forgetting the stimulating and mutually profitable relationship with larger size companies.

PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

Dear shareholders,

As described, the profit for the year amounts to € 2,244,118. Pursuant to the relevant laws and article 24 of the by-laws, we propose it be allocated as follows:

- 10% to the legal reserve	224,412
- 15% to the statutory reserve	336,618
- to the shareholders as a dividend of € 2.00 per share	1,519,500
- the remainder to the statutory reserve	163,588
- TOTAL PROFIT FOR THE YEAR	**2,244,118**

Therefore, should you approve the financial statements and the related proposed allocation of the profit for the year as set out above, the bank's equity will amount to € 146,059,132 as follows:

Share capital	39,241,087
Share premium	34,660,068
Income-related reserves:	59,393,141
Valuation reserves	12,764,836
Total	**146,059,132**

After the allocation set out above pursuant to article 24 of the by-laws, the legal reserve, which amounted to € 14,640,876 at 31 December 2010, will amount to € 14,865,288 and will thus exceed one fifth of the share capital as per article 2430 of the Italian Civil Code by € 7,017,071.

CONCLUSIONS

We would like to warmly thank all our customers that have chosen Cassa di Risparmio di Fermo S.p.A. as their bank in a difficult year allowing us to record another positive result.

The bank's activities are those set out by the Fondazione Cassa di Risparmio di Fermo which are its reference point and guiding light. The ongoing valuable relationship with the parent Intesa Sanpaolo contributes value to this.

We are deeply appreciative of the managing director's expert assistance provided to the board of directors.

We would also like to sincerely thank all the bank's employees, convinced that they are the winning factor in allowing us to fully meet our objectives.

The precious assistance provided by the board of statutory auditors is also worthy of mention.

Finally, we would like to express our gratitude to the supervisory authorities and, especially, the Ancona branch manager, Cosimo Centrone, and the Ascoli Piceno branch manager, Flavio Danalache, for their availability as well as all the personnel at those branches for their assistance.

On behalf of the board of directors
The Chairman

Fermo, 25 March 2011

STATEMENT OF FINANCIAL POSITION: ASSETS

	Assets	31/12/2010	31/12/2009
10.	Cash and cash equivalents	12,165,571	12,607,714
20.	Financial assets held for trading	205,465,531	213,330,812
30.	Financial assets at fair value through profit or loss	-	-
40.	Available-for-sale financial assets	117,910,988	122,237,922
50.	Held-to-maturity investments	5,030,381	5,050,397
60.	Due from banks	21,589,633	46,579,208
70.	Loans to customers	989,002,942	955,131,763
80.	Hedging derivatives	-	-
90.	Adjustments to generically hedged financial assets	-	-
100.	Equity investments	-	-
110.	Property, equipment and investment property	19,148,287	20,181,819
120.	Intangible assets	107,665	62,114
	including: - goodwill	-	
130.	Tax assets	15,054,194	13,376,500
	a) current	*9,932,180*	*8,897,870*
	b) deferred	*5,122,014*	*4,478,630*
140.	Non-current assets classified as held for sale and disposal groups		
150.	Other assets	20,766,297	26,629,194
	Total assets	**1,406,241,489**	**1,415,187,443**

STATEMENT OF FINANCIAL POSITION: LIABILITIES

	Liabilities and equity	31/12/2010	31/12/2009
10.	Due to banks	7,421,996	4,663,387
20.	Due to customers	905,302,169	906,789,346
30.	Securities issued	270,974,483	287,416,590
40.	Financial liabilities held for trading	1,512,069	1,072,747
50.	Financial liabilities at fair value through profit or loss	1,684,573	5,657,691
60.	Hedging derivatives	-	-
70.	Adjustments to generically hedged financial liabilities (+/-)	-	-
80.	***Tax liabilities***	***5,369,893***	***10,118,639***
	a) current	*4,307,054*	*8,976,350*
	b) deferred	*1,062,839*	*1,142,289*
90.	Liabilities associated with discontinued operations	-	
100.	Other liabilities	43,329,588	20,351,079
110.	Post-employment benefits	10,945,556	11,821,706
120.	***Provisions for risks and charges:***	***12,122,530***	***12,579,671***
	a) pension and similar provisions	10,531,124	11,171,367
	b) other provisions	1,591,406	1,408,304
130.	Valuation reserves	12,764,836	14,549,409
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	58,668,523	56,011,408
170.	Share premium	34,660,068	34,660,068
180.	Share capital	39,241,087	39,241,087
190.	Treasury shares (-)	-	-
200.	Profit for the year (+/-)	2,244,118	10,254,615
	Total liabilities and equity	**1,406,241,489**	**1,415,187,443**

INCOME STATEMENT

INCOME STATEMENT			
		2010	**2009**
10.	Interest and similar income	43,709,034	54,662,174
20.	Interest and similar expense	- 9,278,118	- 13,185,300
30.	**Net interest income**	**34,430,916**	**41,476,874**
40.	Fee and commission income	20,939,622	18,107,457
50.	Fee and commission expense	- 1,123,386	- 1,198,708
60.	**Net fee and commission income**	**19,816,236**	**16,908,749**
70.	Dividends and similar income	261,511	389,292
80.	Net trading income (expense)	- 6,649,916	6,340,164
90.	Net hedging income (expense)	-	-
100.	Gain (loss) from sales or repurchases of:	254,348	- 85,053
	a) loans and receivables	-	-
	b) available-for-sale financial assets	*271,858*	- *89,937*
	c) held-to-maturity investments	-	-
	d) financial liabilities	- *17,510*	*4,884*
110.	Net gains (losses) on financial assets and liabilities at fair value through profit or loss	- 13,714	98,662
120.	**Total income**	**48,099,381**	**65,128,688**
130.	Net impairment losses on:	- 517,212	- 4,973,078
	a) loans and receivables	- *460,402*	- *4,973,078*
	b) available-for-sale financial assets	- *56,810*	-
	c) held-to-maturity investments	-	-
	d) other financial transactions	-	-
140.	**Net financial income**	**47,582,169**	**60,155,610**
150.	Administrative expenses	- 44,465,684	- 45,041,855
	a) personnel expense	- *28,169,084*	- *28,700,666*
	b) other administrative expenses	- *16,296,600*	- *16,341,189*
160.	Net accruals to provisions for risks and charges	- 183,102	- 325,236
170.	Depreciation and net impairment losses on property, equipment and investment property	- 1,339,124	- 1,352,051
180.	Amortisation and net impairment losses on intangible assets	- 59,257	- 40,528
190.	Other operating income	3,767,705	3,696,332
200.	**Operating costs**	**- 42,279,462**	**- 43,063,338**
210.	Gains (losses) on equity investments	-	-
220.	Fair value gains (losses) on property, equipment and investment property and intangible assets	-	-
230.	Impairment losses on goodwill	-	-
240.	Gains (losses) on the sale of investments	10,546	- 12,941
250.	**Pre-tax profit from continuing operations**	**5,313,253**	**17,079,331**
260.	Income taxes	- 3,069,135	- 6,824,716
270.	**Post-tax profit from continuing operations**	**2,244,118**	**10,254,615**
280.	Post-tax profit (loss) from discontinued operations	-	-
290.	**Profit for the year**	**2,244,118**	**10,254,615**

STATEMENT OF COMPREHENSIVE INCOME

		2010	2009
10.	**Profit for the year**	**2,244,118**	**10,254,615**
	Other comprehensive income (expense), net of income taxes		
20.	Available-for-sale financial assets:	- 1,784,573	2,491,461
	a) debt instruments	- 1,617,428	2,269,712
	b) equity instruments	- 167,145	221,749
30.	Property, equipment and investment property	-	-
40.	Intangible assets	-	-
50.	Hedges of investments in foreign operations	-	-
60.	Cash flow hedges	-	-
70.	Exchange rate gains (losses)	-	-
80.	Non-current assets held for sale	-	-
90.	Actuarial gains (losses) on defined benefit plans	-	-
100.	Portion of valuation reserve of equity-accounted investees	-	-
110.	Total other comprehensive income (expense), net of income taxes	- 1,784,573	2,491,461
120.	**Comprehensive income**	**459,545**	**12,746,076**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2010

	Balance at 31/12/2009	Change to opening balances	Balance at 1/1/2010	Allocation of prior year profit		Changes in 2010						Equity at 31/12/2010
						Changes in reserves	Equity transactions				Profit for 2010	
				Reserves	Dividends and other allocations		Issue of new shares	Change in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**39,241,087**	**-**	**39,241,087**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**39,241,087**
a) ordinary shares	39,241,087		39,241,087									39,241,087
b) other shares	-		-									-
Share premium	**34,660,068**		**34,660,068**									**34,660,068**
Reserves:	**56,011,408**	**-**	**56,011,408**	**2,657,115**	**-**	**-**	**-**	**-**	**-**	**-**		**58,668,523**
a) income-related	52,727,399		52,727,399	2,657,115		-						55,384,514
b) other	3,284,009	-	3,284,009	-		-						3,284,009
Valuation reserves:	**14,549,409**	**-**	**14,549,409**	**-**	**-**	**- 1,784,573**	**-**	**-**	**-**	**-**		**12,764,836**
a) available-for-sale	- 572,359		- 572,359			- 1,784,573						- 2,356,932
b) cash flow hedges	-		-									-
c) monetary revaluation reserves	15,121,768	-	15,121,768									15,121,768
d) other	-	-	-			-						-
Equity instruments	**-**		**-**									**-**
Treasury shares	**-**		**-**									**-**
Profit for the year	**10,254,615**	**-**	**10,254,615**	**- 2,657,115**	**- 7,597,500**						**2,244,118**	**2,244,118**
Equity	**154,716,587**	**-**	**154,716,587**	**-**	**- 7,597,500**	**- 1,784,573**	**-**	**-**	**-**	**-**	**2,244,118**	**147,578,632**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2009

	Balance at 31/12/2008	Change to opening balances	Balance at 01/01/2009	Allocation of prior year profit		Change in 2009						Equity at 31/12/2009
						Canges in reserves	Equity transactions				Profit for 2009	
				Reserves	Dividends and other allocations		Issue of new shares	Change in equity instruments	Dervatives on treasury shares	Stock options		
Share capital:	**39,241,087**	**-**	**39,241,087**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**39,241,087**
a) ordinary shares	39,241,087		39,241,087									39,241,087
b) other shares	-		-									-
Share premium	**34,660,068**		**34,660,068**									**34,660,068**
Reserves:	**54,304,626**	**-**	**54,304,626**	**1,706,782**	**-**	**-**	**-**	**-**	**-**	**-**		**56,011,408**
a) income-related	51,020,617		51,020,617	1,706,782		-						52,727,399
b) other	3,284,009	-	3,284,009	-		-						3,284,009
Valuation reserves:	**12,057,948**	**-**	**12,057,948**	**-**	**-**	**2,491,461**	**-**	**-**	**-**	**-**		**14,549,409**
a) available-for-sale	- 3,063,820		- 3,063,820			2,491,461						- 572,359
b) cash flow hedges	-		-									-
c) monetary revaluation reserves	15,121,768	-	15,121,768									15,121,768
d) other	-	-	-			-						-
Equity instruments	**-**		**-**									**-**
Treasury shares	**-**		**-**									**-**
Profit for the year	**6,569,182**	**-**	**6,569,182**	**- 1,706,782**	**- 4,862,400**						**10,254,615**	**10,254,615**
Equity	**146,832,911**	**-**	**146,832,911**	**-**	**- 4,862,400**	**2,491,461**	**-**	**-**	**-**	**-**	**10,254,615**	**154,716,587**

STATEMENT OF CASH FLOWS: indirect method

A. OPERATING ACTIVITIES	2010	2009
1. Operations	**15,571,939**	**20,297,244**
- profit for the year (+/-)	2,244,118	10,254,615
- gains/losses on financial assets held for trading and financial assets/liabilities at fair value through profit or loss (-/+)	7,920,857	- 5,430,007
- gains/losses on hedging activities (-/+)	-	-
- net impairment losses/reversals of impairment losses (+/-)	1,196,804	5,515,209
- net impairment losses/reversals of impairment losses on property, equipment and investment	1,450,259	1,392,579
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	2,913,983	3,906,219
- unpaid taxes and duties (+)	3,069,135	6,824,716
- net impairment losses/reversals of impairment losses on disposal groups, net of the tax effect (+/-)	-	-
- other adjustments (+/-)	- 3,223,217	- 2,166,087
2. Cash flows generated by financial assets	**2,024,883**	**4,965,017**
- financial assets held for trading	1,713,540	- 27,310,235
- financial assets at fair value through profit or loss		
- available-for-sale financial assets	2,205,730	83,733
- due from banks: on sight	- 7,646,897	31,931,393
- due from banks: other	32,636,474	515,838
- loans to customers	- 32,987,991	- 9,027,442
- other assets	6,104,027	8,771,730
3. Cash flows used for financial liabilities	**- 9,963,532**	**- 22,259,157**
- due to banks: on sight	2,758,609	- 5,729,341
- due to banks: other		- 11,930,565
- due to customers	- 1,487,177	7,223,526
- securities issued	- 16,696,060	81,880,050
- financial liabilities held for trading		
- financial liabilities at fair value through profit or loss	- 3,915,140	- 68,222,473
- other liabilities	9,376,236	- 25,480,354
Net cash flows generated by operating activities	**7,633,290**	**3,003,104**
B. INVESTING ACTIVITIES		
1. Cash generated by	**13,527**	**22,920**
- sales of equity investments		
- dividends from equity investments		
- sales of HtM investments	-	-
- sales of property, equipment and investment property	13,527	22,920
- sales of intangible assets		
- sales of business units		
2. Cash flows used to acquire	**- 491,460**	**- 191,388**
- equity investments		
- HtM investments		
- property, equipment and investment property	- 288,020	- 179,747
- intangible assets	- 203,440	- 11,641
- business units		
Net cash flows used in investing activities	**- 477,933**	**- 168,468**

C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares		
- issue/repurchase of equity instruments		
- dividend and other distributions	- 7,597,500	- 4,862,400
Net cash flows used in financing activities	**- 7,597,500**	**- 4,862,400**
NET CASH FLOWS FOR THE YEAR	**- 442,143**	**- 2,027,764**

Key: (+) generated; (-) used

Reconciliation:

FINANCIAL STATEMENTS CAPTIONS	2010	2009
Opening cash and cash equivalents	12,607,714	14,635,478
Total net cash flows used in the year	- 442,143	- 2,027,764
Cash and cash equivalents: effect of exchange rate differences	-	-
Closing cash and cash equivalents	12,165,571	12,607,714

NOTES TO THE FINANCIAL STATEMENTS

PART A
Accounting policies

A.1 – GENERAL PART

Section 1 – Statement of compliance

The financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2010 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission with EC regulation 1606 of 19 July 2002 and applied in Italy with article 1 of Legislative decree no. 38 of 28 February 2005. The instructions issued by Banca d'Italia in its Circular no. 262 of 22 December 2005 and the first update of 18 November 2009 have also been considered.

The bank also referred to the Framework for application of the IFRS.

When a standard or an interpretation did not exist for a specific transaction, event or circumstance, the board of directors based itself on its judgement to develop and apply an accounting policy in order to provide information that is:

- useful as a basis for the readers to take financial decisions;
- reliable, so that the financial statements:
  - give a faithful view of the bank's financial position, results of operations and cash flows;
  - reflect the economic substance of transactions, other events and circumstances and not merely their legal form;
  - are neutral, i.e., are not prejudiced;
  - are prudent;
  - are complete with reference to all significant aspects.

When exercising its judgement, the board of directors made reference to, and considered the applicability of the following sources, set out below in decreasing order of importance:

- the guidance and instructions set out in the standards and interpretations for similar or related cases;
- the definitions, measurement criteria and concepts used to recognise assets, liabilities, revenue and costs provided in the Framework.

The board of directors may also refer to the most recently issued measures of other bodies that issue accounting standards and use a framework similar to that of the IFRS to develop such standards, other accounting reference documentation and consolidated practices.

Pursuant to article 5 of Legislative decree no. 38 of 28 February 2005, when, in exceptional cases, application of a provision established by the IFRS is incompatible with the true and fair view of an entity's financial position, results of operations and cash flows, it is not applied. In such case, the reasons for departure from the standard are explained in the notes together with its impact on the presentation of the entity's financial position, results of operations and cash flows.

Any gains arising from application of the above-mentioned departure are recognised in a non-distributable reserve to the extent of the amount that can be recovered.

Section 2 - Basis of presentation

The financial statements are clearly stated and give a true and fair view of the bank's financial position at 31 December 2010 and its results of operations and cash flows for the year then ended. They comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes.

They are accompanied by a directors' report which comments on the bank's performance and financial position.

When the disclosures required by the IFRS and the instructions set out in the Banca d'Italia Circular no. 262 of 22 December 2005, and subsequent amendments, are not sufficient to give a true and fair, material, reliable, comparable and understandable view of the bank's financial position, results of operations and cash flows, additional information is provided in the notes.

The general guidelines for presentation of the financial statements are:

- the assumption of going concern;
- the accruals basis of accounting: costs and revenue are recognised on an accruals basis;
- consistency of presentation: in order to ensure the comparability of data and information in the financial statements, they are presented and classified consistently over the years unless another presentation or classification would be more appropriate;
- materiality and aggregation: each material class of similar items is presented separately in the statement of financial position and the income statement. Items of a dissimilar nature or function are presented separately unless they are immaterial;
- when an asset or liability item relates to more than one caption, disclosure is provided in the notes when this is necessary to understand the financial statements;
- offsetting: assets and liabilities, income and expenses are not offset, unless expressly required or permitted by a standard or an interpretation or the above-mentioned Banca d'Italia Circular no. 262 of 22 December 2005 and subsequent amendments;
- substance over form: the financial statements are presented in accordance with the principle of substance over form;
- comparative information: comparative information in respect of the previous year is disclosed for all amounts reported in the current year's financial statements.

Pursuant to article 5 of Legislative decree no. 38 of 28 February 2005, the financial statements have been prepared using the Euro as the reporting currency. Specifically, the financial statements are prepared in Euros and the notes in thousands of Euros. When necessary in the notes, more detail is given (Euros or cents).

Section 3 - Events after the reporting date

No significant events require disclosure in this section further to those already described in the directors' report about the bank's specific activities.

However, as noted earlier, the repercussions of the financial crisis are still evident in early 2011 and this may affect the performance of the bank's irregular loans, which it is monitoring through a more centralised control procedure and stricter risk position monitoring. The non-performing ratio of mortgage loans is in line with that of the last few months while the unsecured loans' ratio has worsened slightly.

Section 4 - Other aspects

None.

A2 – ACCOUNTING POLICIES

1 - FINANCIAL ASSETS HELD FOR TRADING

a) Recognition
Debt and equity instruments are initially recognised at their settlement date while derivative contracts are recognised at the date they are signed.

Financial assets held for trading are initially recognised at fair value, which usually equals the consideration paid, without considering transaction costs or revenue, which are recognised in profit or loss.

Embedded derivatives in structured financial instruments whose characteristics are not strictly correlated with those of the host instrument and that meet the definition of a derivative are separated from the host contract and recognised at fair value in profit or loss.

The host contract is recognised using the relevant standard.

b) Classification
Financial assets held for trading include debt and equity instruments acquired to make profits, including through their trading.

The fair value gain of hedging derivatives are included in this caption, including those embedded in financial instruments that meet the conditions for separation of the underlying derivatives.

c) Measurement
Financial assets are measured at fair value following initial recognition. Changes in fair value are taken to profit or loss.

The fair value of financial instruments listed on active markets equals the reporting date market closing prices.

The fair value of financial instruments traded on inactive markets is determined using commonly adopted estimation/valuation models that take into account market data such as methods based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models, prices registered in recent similar transactions, considering the different risk profiles of the instruments.

The zero coupon rates derived from the closing swap rates are used to discount the above cash flows.

A market is defined as inactive when there are significant differences in the bid/ask prices of the instrument in question.

d) Derecognition
Financial assets held for trading are derecognised when the contractual rights to the cash flows deriving therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

e) Criteria for recognising costs and revenue
Interest and dividends are recognised under "Interest and similar income" and "Dividends and similar income", respectively. Trading income or expense and gains or losses on the sale of financial assets are recognised under "Net trading income (expense), except for those related to derivatives recognised at fair value through profit or loss, which are classified under "Net gains (losses) on financial assets and liabilities at fair value through profit or loss".

2 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

a) Recognition

Available-for-sale (AFS) financial assets are initially recognised at the settlement date (debt and equity instruments) or at the disbursement date (loans and financing). They are initially recognised at fair value, which usually equals cost, including any transaction costs or revenue.

b) Classification

This category includes non-derivative financial assets that are not classified as held for trading, held-to-maturity investments or are not loans and receivables.

The caption includes equity investments not held for trading and that do not qualify as investments in subsidiaries, associates or interests in joint ventures.

c) Measurement

AFS financial assets are subsequently measured at fair value with any fair value gains or losses being recognised in a specific equity reserve.

The fair value of financial instruments listed on active markets equals the reporting date market closing prices.

The fair value of debt instruments not traded on an active market is determined based on the price of instruments with similar characteristics or the present value of future cash flows, considering the different risk profiles inherent in the instruments, or based on the actual prices for trades of the same asset.

The zero coupon rates derived from the closing swap rates are used to discount the above cash flows.

A market is defined as inactive when there are significant differences in the bid/ask prices of the instrument in question.

The fair value of equity instruments classified as AFS is determined considering the actual prices for trades of the same asset. When fair value cannot be determined reliably, the carrying amount equals cost, redetermined if necessary when the asset is sold.

AFS financial assets are tested for impairment whenever there are objective indications of an impairment loss due to a worsening in the issuer’s solvency or the other indicators provided for in IAS 39. The impairment loss is determined:

- as the difference between carrying amount and fair value for equity instruments;
- as the difference between the carrying amount and the recoverable amount, i.e., the present value of estimated future cash flows, discounted using the effective interest method, for debt instruments.

Impairment losses are recognised in profit or loss after decreasing the equity reserve for each financial instrument.

When the reasons for impairment are eliminated, the reversal of the impairment loss is taken to:

- equity for equity instruments;
- profit or loss for debt instruments.

d) Derecognition

AFS financial assets are derecognised when the contractual rights to cash flows therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

e) Criteria for recognising costs and revenue

Interest and dividends are recognised under “Interest and similar income” and “Dividends and similar income”, respectively. Gains or losses on the sale of financial assets are recognised under “Gain (loss) on sale or repurchase of available-for-sale financial assets”. Gains and losses on the fair value measurement of AFS financial assets are recognised in the “Valuation reserve” under equity and reclassified to profit or loss when sold.

Impairment losses are recognised as "Net impairment losses on available-for-sale financial assets". Any reversals of impairment losses on debt instruments are recognised as "Net reversals of impairment losses on available-for-sale financial assets" while those on equity instruments are reclassified from the valuation reserve to profit or loss when they are sold.

3 - HELD-TO-MATURITY INVESTMENTS

a) Recognition
Held-to-maturity investments are initially recognised at the settlement date.

They are initially recognised at fair value, which usually equals the consideration paid, including any transaction costs or revenue.

The fair value of AFS financial assets reclassified to held-to-maturity investments is their amortised cost.

b) Classification
This category includes non-derivatives with fixed or determinable payments and fixed maturities that the bank has the ability and intention to hold to maturity.

If it is no longer appropriate to maintain an asset as classified as held to maturity following a change in the bank's intentions or ability, it is reclassified to "AFS financial assets".

Should the sale or reclassification of a held-to-maturity investment not be immaterial in quantitative or qualitative terms, the investment is reclassified as available for sale.

c) Measurement
After initial recognition, held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

They are tested for impairment to determine whether there is objective evidence of impairment due to a worsening in the issuer's solvency or the other indicators provided for by IAS 39.

The amount of the loss is measured as the difference between the asset's carrying amount and its recoverable amount, being the present value of estimated future cash flows, discounted at the asset's original effective interest rate.

The impairment loss is recognised in profit or loss.

When the reasons for impairment are no longer valid, the impairment loss is reversed.

d) Derecognition
Held-to-maturity investments are derecognised when the contractual rights to cash flows therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

e) Criteria for recognising costs and revenue
Interest is recognised in "Interest and similar income". Gains and losses on the asset's sale are recognised in "Gain (loss) on the sale or repurchase of held-to-maturity investments". Impairment losses and any reversals are recognised under "Net impairment losses on held-to-maturity investments".

4- LOANS TO CUSTOMERS AND DUE FROM BANKS

a) Recognition
Loans and receivables are initially recognised at the disbursement date or, in the case of a debt instrument, at the settlement date, based on the financial instrument's fair value, which usually equals the amount disbursed, or the subscription price, including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently.

The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs. Reverse repurchase agreements and repurchase agreements are recognised as lending or funding transactions.

Specifically, repurchase agreements are recognised as a payable for the amount received while resale agreements are recognised as a receivable for the amount paid.

b) Classification

Loans and receivables include non-derivative amounts due from banks and loans to customers, both disbursed directly and acquired from third parties, with fixed or determinable payments that are not listed on an active market and are not initially recognised as "Financial assets at fair value through profit or loss".

The category includes trade receivables, repurchase agreements, finance lease receivables and securities acquired as part of underwriting or private placement transactions with fixed or determinable payments that are not listed on an active market.

c) Measurement

After initial recognition, loans and receivables are measured at amortised cost, that is, they are measured at initial recognition minus/plus principal repayments, impairment losses/reversals of impairment losses and cumulative amortisation, using the effective interest method. The effective interest rate is the date that exactly discounts estimated future payments over the expected life of the loan or receivable to the carrying amount at the time of initial recognition, including directly attributable transaction costs and amounts paid or received between the contracting parties.

The amortised cost method is not used for short-term loans (with maturities of less than 18 months) as discounting these loans has no material impact. They are measured at historical cost.

Loans without a specified maturity and revocable loans are treated similarly.

Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition or a worsening in the debtors' solvency.

Impaired loans include non-performing loans, substandard loans or loans past due by more than 180 days. They are tested for impairment individually and the impairment loss is equal to the difference between their carrying amount at the (annual or interim) measurement date (amortised cost) and the present value of the recoverable cash flows, calculated using the original effective interest rate. Estimated future cash flows are determined considering the estimated recovery time and the estimated realisable amount of any guarantees. The original effective interest rate of each loan is unchanged over time. The recoverable time is reasonably estimated considering general or specific factors. General factors include the estimated recoverable time considering the nature of the transaction while specific factors include the estimate of the estimated future cash flows considering negotiations for an out-of-court settlement or ongoing repayment plans. The bank monitors the difference between the originally planned recovery time and the effective cash flows to best estimate the expected recovery times.

Performing loans, which include those to residents in countries at risk, are tested for impairment collectively using loss percentages estimated considering historical information, adjusted appropriately to neutralise the effect of non-recurring events, based on elements identifiable at the measurement date, which allow an estimation of the inherent impairment loss. Specifically, the bank estimates the default probability for these loans using default rates, provided regularly by Banca d'Italia in public data bases, and consistently with the measured loans, adjusted by internal estimates based on available historical data. Expected losses are determined by estimating the related exposure to default and default losses calculated using historical recovery rates for non-performing loans. Impairment losses on similar categories of loans, determined for financial reporting purposes, are calculated considering the expected loss on each loan based on its residual life.

Impairment losses are recognised in profit or loss. The loss attributable to discounting cash flows is released on an accruals basis using the effective interest method and recognised as a reversal.

Collectively-determined impairment losses are recognised in profit or loss.

Any additional impairment losses or reversals of impairment losses are recalculated at each reporting date using a different approach considering the entire performing loan portfolio at that date.

When the reasons for impairment are no longer valid, the impairment loss is reversed.

d) Derecognition
Loans and receivables are derecognised when substantially all the risks and rewards of ownership of the asset are transferred.

Conversely, if the risks and rewards associated with the asset are retained, the loan or receivable continues to be recognised to the extent of the bank's continuing involvement in the asset, even though legal title has been transferred.

When it is not possible to verify the substantial transfer of the risks and rewards, the assets are derecognised when no control thereover is retained. If even a portion of control is retained, the asset continues to be recognised in line with the bank's continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, loans and receivables are derecognised when the bank retains the contractual rights to receive the related cash flows with the concurrent obligation to pay them to a third party.

e) Criteria for recognising costs and revenue
Interest is recognised under "Interest and similar income". Impairment losses and reversals of impairment losses are recognised under "Net impairment losses on loans and receivables".

Gains or losses on sales are shown under "Gains from sales or repurchases of loans and receivables".

5 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Recognition
b) Classification
c) Measurement
d) Derecognition
e) Criteria for recognising costs and revenue
At the reporting date, the bank did not have financial assets at fair value through profit or loss either to hedge derivatives or to exercise the fair value option.

6 - HEDGING
The bank has not entered into hedging agreements except for that stated for assets and liabilities at fair value through profit or loss with respect to resort to the fair value option.

7 - EQUITY INVESTMENTS
At the reporting date, the bank did not have investments in subsidiaries or associates.

8 - PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

a) Recognition
They are recognised at cost, including directly related charges.

Subsequent expenditure is capitalised if it leads to an increase in the future economic benefits generated by the asset.

Borrowing costs are recognised in accordance with IAS 23 and are, therefore, recognised as a cost in the year in which they are incurred.

b) Classification
Property, equipment and investment property include land, owned buildings and investment property, furniture, fittings, technical systems and other assets held for use in production or to supply goods and services, for lease to third parties or for administrative purposes which will be used over more than one period.

This caption also includes leasehold improvements and related costs when the asset is identifiable and separable. Buildings and appurtenance land are recognised separately when purchased.

c) Measurement
Assets held for operating purposes are measured at cost net of accumulated depreciation and any impairment losses.

Land and assets under construction are not depreciated.

Property and equipment held for operating purposes are depreciated systematically over their useful lives on a straight-line basis, except for land which has an indefinite useful life and is not depreciable. Should the carrying amount of land be included in that of the related building, they are separated using an appraisal performed by sector experts.

These assets are tested for impairment when there is objective indication thereof.

Investment property is measured at fair value, which is determined periodically using specific appraisal estimates prepared by sector experts.

d) Derecognition
An asset is derecognised when divested or when it is no longer used and its disposal is not expected to generate future risks or benefits.

e) Criteria for recognising costs and revenue
Accumulated depreciation and any impairment losses on operating assets are recognised under "Depreciation and net impairment losses on property, equipment and investment property". Impairment losses and reversals of impairment losses of investment property, determined considering its fair value, are recognised under "Profit (loss) on the fair value measurement of property, equipment and investment property".

9 - INTANGIBLE ASSETS

a) Classification
Intangible assets include long-term software licences.

b) Recognition and measurement
Intangible assets are recognised at cost, including directly related charges only when it is probable that the future economic benefits of the asset will materialise and its cost can be determined reliably.

The cost of assets with finite lives is amortised on a straight-line basis over their useful lives.

c) Derecognition
Intangible assets are derecognised upon their disposal or when no future benefits are expected therefrom.

d) Criteria for recognising costs and revenue
Accumulated amortisation is recognised under "Amortisation and net impairment losses on intangible assets". Impairment losses on goodwill and intangible assets with indefinite useful lives are taken to "Impairment losses on goodwill" and "Amortisation and net impairment losses on intangible assets", respectively.

10 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE
The bank does not have non-current assets classified as held for sale.

11 - CURRENT AND DEFERRED TAXES
a) Classification
Current tax assets and liabilities consists of receivables for tax advances paid and income taxes on the tax base for the year, respectively.

Deferred tax assets and liabilities originate on the temporary differences between the carrying amounts of assets and liabilities and their tax bases.

b) Recognition and measurement
Current and deferred taxes, calculated in accordance with the Italian tax legislation, are recognised on an accruals basis, in line with the costs and revenue generating them and using enacted tax rates. Income taxes are recognised in profit or loss except for those related to captions recognised directly in equity.

Income taxes are provided for based on a prudent estimate of the current and deferred taxes.

Current taxes are the net of current tax liabilities and current tax assets, being the advances paid and other tax credits for withholdings.

Deferred taxes are determined considering the temporary differences (without time limits) between the carrying amount of assets and liabilities and their tax bases.

Deferred tax assets are recognised to the extent that their recovery is probable, determined considering the entity's ability to generate taxable income on an ongoing basis. Deferred tax liabilities are recognised since the amount of the available taxed reserves is such that it can reasonably be held that transactions which require their taxation will not take place.

Deferred tax assets and liabilities are recognised in the statement of financial position without offsetting.

c) Criteria for recognising costs and revenue
Current and deferred taxes are recognised under "Income tax expense".

They are recognised in equity if they relate to transactions recognised directly in equity.

12- PROVISIONS FOR RISKS AND CHARGES

a) Recognition and derecognition

b) Classification

c) Measurement

Pension and similar provisions

They include the supplementary pension fund organised by INPS (the Italian social security institution).

The fund, defined as a defined benefit fund, includes accruals to guarantee pensioners with the related vested rights a supplementary pension, determined on an objective and realistic forward-looking basis, equal to the "mathematical reserve" calculated by an external actuary.

Other provisions

Other provisions for risks and charges include provisions made when the following concurrent conditions are met:
a) the bank has a present legal or constructive obligation as a result of a past event;
b) it is probable that an outflow of resources will be necessary to settle the obligation;
c) the obligation can be determined reliably.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation or transfer it to third parties at the closing date.

The types of events that could require provisions are:
a) ongoing legal disputes;
b) risks for ongoing claw-back claims;
c) certain or probable obligations arising from contractual commitments or an executive ruling which is not yet final.

When the effect of the time value of money is material, the provisions are discounted using the current market rates at the closing date.

d) Criteria for recognising costs and revenue
Accruals to these provisions are recognised in "Net accruals to provisions for risks and charges" while those for post-employment benefits are recognised under "Personnel expense".

13- LIABILITIES AND ISSUED SECURITIES

a) Recognition

These financial liabilities are recognised when the amounts are received or the debt instruments are issued.

They are initially recognised at fair value, which is normally equal to the consideration received or the issue price, plus or minus any additional costs or revenue directly attributable to the individual transaction and not reimbursed to the creditor. The fair value of financial liabilities issued at other than market conditions is estimated and the difference compared to the consideration received is recognised directly in profit or loss, when the conditions of IAS 39 are met.

Structured financial liabilities, consisting of a security and one or more embedded derivatives, are classified under liabilities measured at fair value using the fair value option. Therefore, their fair value includes that of the embedded derivatives and the host contract.

b) Classification

Due to banks, due to customers and securities issued include the characteristic types of interbank and customer funding as well as lending through certificates of deposit and bonds issued net of any repurchases.

c) Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Conversely, current financial liabilities continue to be measured at the consideration received as the effect of the amortised cost measurement would be negligible.

d) Derecognition

Financial liabilities are derecognised when they expire or are extinguished. They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price, with no effect on profit or loss.

e) Criteria for recognising costs and revenue

Interest is recognised under “Interest and similar expense”. Gains and losses on the repurchase of the liabilities are shown under “Gain (loss) from sales or repurchases of financial liabilities”.

14 - FINANCIAL LIABILITIES HELD FOR TRADING

a) Recognition

Financial liabilities held for trading are initially recognised at the settlement date while derivatives are recognised at their agreement date.

They are initially recognised at fair value, which usually equals the consideration received, without considering directly related transaction costs and revenue.

b) Classification

The category includes financial liabilities held for trading and embedded derivatives with a negative fair value.

c) Measurement

Financial liabilities held for trading are subsequently measured at fair value through profit or loss.

Market prices are used to determine the fair value of financial instruments listed on active markets. If an active market does not exist, commonly adopted estimation/valuation models that take into account market data such as methods based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions are used.

d) Derecognition

Financial liabilities held for trading are derecognised when they expire, are extinguished or all the related risks and rewards are transferred to third parties.

e) Criteria for recognising costs and revenue
Fair value gains and losses are recognised in "Net trading income (expense), except for those related to derivatives measured with the fair value option which are classified in "Net gains (losses) on financial assets and liabilities at fair value through profit or loss".

15 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
a) Recognition
Debt instruments are initially recognised at their issue date. Financial liabilities at fair value through profit or loss are initially recognised at their fair value which is usually the consideration received, without considering directly related transaction costs or revenue, which are recognised in profit or loss.

The fair value option (FVO) is applied to all financial liabilities with natural hedges and that are, therefore, managed and measured at fair value. Specifically, fixed rate funding instruments are recognised as financial liabilities at fair value through profit or loss when their interest rate is hedged using symmetric derivatives.

The fair value of financial liabilities issued at other than market conditions is estimated and the difference compared to the consideration received is taken directly to profit or loss when the conditions of IAS 39 are met.

b) Classification
This category includes financial liabilities measured at fair value through profit or loss when:

1. fair value designation allows the elimination or significant reduction of measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis; or
2. a group of financial instruments at fair value through profit or loss is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
3. the liability has an embedded derivative that significantly alters the cash flows of the host instrument and shall be separated.

Specifically, this category includes financial liabilities subject to natural hedges using derivatives.

The relationship between liabilities measured using the fair value option and the related derivatives, which integrate the natural hedge, is disclosed in the relevant section of these notes.

c) Measurement
Financial liabilities are subsequently measured at fair value.

Market prices are used to determine fair value of financial instruments quoted on an active market.

If an active market does not exist, commonly adopted estimation/valuation models that take into account market data such as methods based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions are used.

d) Derecognition
Financial liabilities are derecognised when they expire or are extinguished. They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

e) Criteria for recognising costs and revenue
Fair value gains and losses are recognised in "Net trading income (expense)", except for those related to derivatives measured with the fair value option which are classified in "Net gains (losses) on financial assets and liabilities at fair value through profit or loss".

16 - FOREIGN CURRENCY TRANSACTIONS
a) Recognition and derecognition
Foreign currency transactions are initially recognised in Euros by applying the exchange rate prevailing at the transaction date.

b) Classification and measurement
Foreign currency assets and liabilities are translated into Euros at each subsequent reporting date using the following criteria:

- ✓ monetary items are translated using the closing rates;
- ✓ non-monetary items measured at historical cost are translated using the transaction-date exchange rates;
- ✓ non-monetary items measured at fair value are translated using the closing rates.

c) Criteria for recognising costs and revenue
Exchange rate differences arising from the settlement of monetary items or from the translation at exchange rates other than the initial translation rate or the prior closing rate are recognised in profit or loss in the period in which they arise.

When the gain or loss on a non-monetary item is recognised in equity, the exchange rate gain or loss is also taken to equity. However, when the gain or loss is recognised in profit or loss, the related exchange rate gain or loss is recognised there too.

All exchange rate gains and losses are recognised under "Net trading income (expense)".

17 - OTHER INFORMATION
17.1 - Post-employment benefits
a) Recognition
b) Classification
c) Measurement
d) Derecognition
Post-employment benefits are recognised at their actuarial value.

This value is determined using the procedure for defined benefit plans and the projected unit credit method, whereby future payments are projected using historical series analyses and demographical trends and discounted using a market rate.

The provision is recognised under "Personnel expense" and includes the Italian Civil Code revaluation and interest expense on the increase in present value due to the time value of money and the effect of changes in the actuarial gains or losses, which are determined using the corridor method. This method calculates the difference between the cumulated actuarial gains or losses at the previous year closing date and 10% of the present value of the plan benefits. Any excess is recognised considering the expected average working life of the plan beneficiaries or by using any systematic method that allows a faster calculation of the actuarial gains or losses.

e) Criteria for recognising costs and revenue
Provisions for post-employment benefits are recognised in "Personnel expense" in the income statement.

17.2 - Treasury shares

The bank did not have any treasury shares in its portfolio at the closing date.

17.3 - Dividends and revenue recognition
Revenue is recognised when received and when it is probable that future economic benefits will flow to the bank and these benefits can be measured reliably.

Dividends are recognised in profit or loss when their distribution is approved.

Income from the trading or issue of financial instruments, being the difference between the transaction price and the instrument's fair value, is recognised in profit or loss when the transaction is recognised if the fair value can be determined using parameters or recent transactions on the same market as that on which the instrument is traded; if not, they are deferred and recognised over the instrument's term considering its nature.

Income from financial instruments that cannot be measured using the above methods is taken to profit and loss over the transaction's term.

A3 – FAIR VALUE

1 - FINANCIAL ASSETS HELD FOR TRADING

A.3.1 Portfolio transfers

A.3.1.1 Reclassified financial assets: carrying amount, fair value and effect on comprehensive income

Type of financial instrument	Original portfolio	Portfolio to which transfer is made	Reporting-date carrying amount	Reporting-date fair value	Income or expense if transfer had not taken place (before taxes)		Income or expense for the year (before taxes)	
					Fair value	Other	Fair value	Other
Debt instruments	H.F.T.	A.F.S.	103,985	103,985	- 2,389	1,707	- 2,389	1,707
				Total A	**- 2,389**	**1,707**	**- 2,389**	**1,707**

No financial assets were reclassified out of one portfolio and into another in 2010.

The table shows the fair value of the securities held by the bank at the reporting date and reclassified from the HtM portfolio into the AFS portfolio in 2008, following the amendment to IAS 39 and IFRS 7, endorsed by the relevant authorities. The amounts shown in the "Fair value gains (losses) of the year (pre-tax)" column and recognised in equity reflect the increase in the losses recognised at 31 December 2009. The "Other" column shows interest on coupons and trading profits (losses) on securities sold during the year.

A.3.2 Fair value hierarchy

A.3.2.1 Accounting portfolios: breakdown by fair value level

Financial assets/liabilities at fair value	31/12/2010			31/12/2009		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	203,897	1,568	-	191,770	21,560	-
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets	*110,375*	*3,977*	*3,559*	*10,940*	*107,396*	*3,901*
4. Hedging derivatives	-		-	-		-
Total	**314,272**	**5,545**	**3,559**	**202,710**	**128,956**	**3,901**
1. Financial liabilities held for trading	-	1,512	-	-	1,073	-
2. Financial liabilities at fair value through profit or loss	-	1,685		-	5,658	
3. Hedging derivatives	-		-	-		-
Total	**-**	**3,197**	**-**	**-**	**6,731**	**-**

Key:

L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets classified as trading in the L2 column of the A.3.2.1 table refer to debt instruments traded on inactive markets and measured using the criteria set out in Part A, section 2 of these notes.

Financial assets classified as AFS in the L1 column of the A.3.2.1 table refer to:
1. debt instruments traded on organised markets;
2. the bank's listed equity instruments.

Financial assets classified as AFS in the L2 column of the A.3.2.1 table refer to debt instruments traded on inactive markets and measured using the criteria set out in Part A, section 2 of these notes:

Financial assets classified as AFS in table A.3.2.1 of the L3 column refer to unlisted equity investments acquired by the bank over the last few years with carrying amounts equal to the average prices struck for the last few acquisitions. If this information is not available, they are measured at cost.

A.3.2.2 Changes in financial assets at level 3-fair value

	FINANCIAL ASSETS			
	held for trading	FVTPL	available-for-sale	hedging
1. Opening balance			**3,901**	
2. Increases	**-**	**-**	**173**	**-**
2.1. Purchases	-	-	100	-
2.2. Gains recognised in:	-	-	73	-
2.2.1. profit or loss	-	-	*73*	-
- including gains on sales	-	-		-
2.2.2. Equity	-	-		-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	-	-
3. Decreases	**-**	**-**	**515**	**-**
3.1. Sales	-	-	458	-
3.2. Repayments	-	-	-	-
3.3. Losses recognised in:	-	-	57	-
3.3.1. profit or loss	-	-	*57*	-
- including losses on sales	-	-	-	-
3.3.2. Equity	-	-	-	-
3.4. Transfers to other levels	-	-	-	-
3.5 Other decreases	-	-	-	-
4. Closing balance	**-**	**-**	**3,559**	**-**

The changes relate to:

1) The € 100 thousand increase following acquisition of a further investment in Confidicoop Marche;

2) The € 73 thousand increase due to sale of the investment in Se.Da S.p.A.;

3) The € 458 thousand decrease due to derecognition of the carrying amount of the investment in Se.Da S.p.A. following its sale;

4) The € 57 thousand decrease as a result of the impairment of the investment in Se.Ba S.p.A..

PART B
Notes to the statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Cash and cash equivalents: breakdown

	31/12/2010	31/12/2009
a) Cash	12,166	12,608
b) Demand deposits with central banks	-	-
Total	**12,166**	**12,608**

Section 2 - Financial assets held for trading - Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Assets						
1. Debt instruments	203,895	2	-	191,767	20,346	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other instruments	*203,895*	*2*		*191,767*	*20,346*	
2. Equity instruments	2			4		
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**203,897**	**2**	**-**	**191,771**	**20,346**	**-**
B. Derivatives						
1. Financial derivatives:	-	1,566	-	-	1,214	-
1.1 trading	-	*1,267*	-	-	*949*	-
1.2 associated with fair value option	-	*61*	-	-	*153*	-
1.3 other	-	*238*	-	-	*112*	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**1,566**	**-**	**-**	**1,214**	**-**
Total	**203,897**	**1,568**	**-**	**191,771**	**21,560**	**-**

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

	31/12/2010	31/12/2009
A. ASSETS		
1. Debt instruments	**203,897**	**212,113**
a) Government and central banks	191,170	191,142
b) Other government agencies	782	805
c) Banks	10,985	19,486
d) Other issuers	960	680
2. Equity instruments	**2**	**4**
a) Banks	-	-
b) Other issuers:	2	4
- insurance companies	-	-
- financial companies	2	4
- non-financial companies	-	-
- other	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total A	**203,899**	**212,117**
B. DERIVATIVES		
a) Banks	1,277	1,031
- Fair value	*1,277*	*1,031*
-		
b) Customers	289	183
- Fair value	*289*	*183*
-		
Total B	**1,566**	**1,214**
Total	**205,465**	**213,331**

2.3 Financial assets held for trading: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**212,113**	**4**	**-**	**-**	**212,117**
B. Increases	**803,271**	**-**	**-**	**-**	**803,271**
B1. Purchases	801,598				**801,598**
B2. Fair value gains	279				**279**
B3. Other increases	1,394				**1,394**
C. Decreases	**811,487**	**2**	**-**	**-**	**811,489**
C1. Sales	783,449		-	-	**783,449**
C2. Redemptions	19,862		-	-	**19,862**
C3. Fair value losses	8,109	2	-	-	**8,111**
C4. Transfers to other portfolios	-				
C4. Other decreases	67		-	-	**67**
D. Closing balance	**203,897**	**2**	**-**	**-**	**203,899**

At the reporting date, the bank had the following senior bonds issued by Lehman Brothers Holding Inc.:

ISIN	Issuer	Description	Maturity	Carrying amount	Nominal amount
XS0252835110	Lehman Bros.Hold.Inc.	L.B. 04/05/2006 - 04/05/2011 FRN	05/05/2011	240,000	1,000,000
XS0282937985	Lehman Bros.Hold.Inc.	L.B. 22/01/2007 - 05/02/2014 FRN	05/02/2014	720,000	3,000,000

Section 4 - Available-for-sale financial assets - Caption 40

4.1 Available-for-sale financial assets: breakdown by product

	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments	110,312	3,976	-	10,841	107,397	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other instruments	*110,312*	*3,976*	-	*10,841*	*107,397*	-
2. Equity instruments	64	-	3,559	99	-	3,901
2.1 FVTPL	*64*	-		*99*	-	
2.2 Cost	-	-	*3,559*	-	-	*3,901*
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
Total	**110,376**	**3,976**	**3,559**	**10,940**	**107,397**	**3,901**

AFS financial assets shown:

1. in the L1 column refer to:
   a. debt instruments traded on regulated active markets;
   b. listed equity instruments.
2. in the L2 column refer to debt instruments traded on inactive markets for which fair value was determined using internal valuation models based on market parameters;
3. in the L3 column refer to equity instruments measured considering recent transactions, if available, or at cost.

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

	31/12/2010	31/12/2009
1. Debt instruments	**114,288**	**118,238**
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	111,130	113,232
d) Other issuers	3,158	5,006
2. Equity instruments	**3,623**	**4,000**
a) Banks	1,146	1,182
b) Other issuers:	2,477	2,818
- insurance companies	-	-
- financial companies	*366*	*266*
- non-financial companies	*2,111*	*2,552*
- other	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**117,911**	**122,238**

4.4 Available-for-sale financial assets: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**118,238**	**4,000**	**-**	**-**	**122,238**
B. Increases	**961**	**173**	**-**	**-**	**1,134**
B1. Purchases		100	-	-	**100**
B2. Fair value gains			-	-	**-**
B3. Reversals of impairment losses:	27	73	-	-	**100**
- recognised in profit or loss	*27*	*73*	-	-	**100**
- recognised in equity			-	-	**-**
B4. Transfers from other portfolios		-	-	-	**-**
B5. Other increases	934	-	-	-	**934**
C. Decreases	**4,911**	**550**	**-**	**-**	**5,461**
C1. Sales	1,847	458			**2,305**
C2. Repayments					**-**
C3. Fair value losses	2,413				**2,413**
C4. Impairment losses:	-	92	-	-	**92**
– recognised in profit or loss		*57*			***57***
– recognised in equity		*35*			***35***
C5. Transfers to other portfolios					**-**
C6. Other decreases	651				**651**
D. Closing balance	**114,288**	**3,623**	**-**	**-**	**117,911**

During the year and given the favourable market conditions, the bank sold bonds issued by Goldman Sachs, reclassified from the HFT portfolio into the AFS portfolio in 2008 following the October 2008 amendment to IAS 39 and IFRS 7, recording a gain of € 27 thousand.

Section 5 - Held-to-maturity investments - Caption 50

5.1 Held-to-maturity investments: breakdown by product

	31/12/2010				31/12/2009			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt instruments	5,030	4,730	-	-	5,050	4,993	-	
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	*5,030*	*4,730*	-		*5,050*	*4,993*	-	
Financing	-	-	-	-	-	-	-	-
Total	**5,030**	**4,730**	**-**	**-**	**5,050**	**4,993**	**-**	**-**

Since its adoption of the IFRS, the bank has classified a floating rate Italian government bond, maturing in 2019 indexed to the 10-year swap rate to benefit from any increase in the rate curve, in the HtM investment portfolio. It had been acquired before adoption of the IFRS and originally classified as an intangible asset as approved by the relevant bodies.

The difference between the carrying amount and fair value is € 300 thousand.

5.2 Held-to-maturity investments: breakdown by debtor/issuer

	31/12/2010	31/12/2009
1. Debt instruments	**5,030**	**5,050**
a) Government and central banks	5,030	5,050
b) Other government agencies		
c) Banks		
d) Other issuers		
Financing	**-**	**-**
a) Government and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**5,030**	**5,050**

5.4 Held-to-maturity investments other than those transferred and not derecognised or impaired: changes

	Debt instruments	Financing	Total
A. Opening balance	**5,050**		**5,050**
B. Increases	**30**	**-**	**30**
B1. Purchases			**-**
B2. Reversals of impairment losses			**-**
B3. Transfers from other portfolios			**-**
B4. Other increases	30		**30**
C. Decreases	**50**	**-**	**50**
C1. Sales			-
C2. Repayments			-
C3. Impairment losses			-
C4. Transfers to other portfolios			-
C5. Other decreases	**50**		50
D. Closing balance	**5,030**	**-**	**5,030**

The changes refer to interest accrued on the investments.

Section 6 - Due from banks - Caption 60

6.1 Due from banks: breakdown by product

	31/12/2010	31/12/2009
A. Due from central banks	**8,207**	**18,761**
1. Term deposits	-	-
2. Mandatory reserve	8,207	18,761
3. Repurchase agreements	-	-
4 - Other	-	-
B. Due from banks	**13,383**	**27,818**
1. Current accounts and demand deposits	13,383	25,736
2. Term deposits		2,082
3. Other financing:		
3.1 Repurchase agreements		
3.2 Finance leases		
3.3 Other		
4 Debt instruments	-	-
4.1 Structured instruments		
4.2 Other instruments		
Total (carrying amount)	**21,590**	**46,579**
Total (fair value)	**21,590**	**46,579**

Section 7 - Loans to customers - Caption 70

7.1 Loans to customers: breakdown by product

	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Current accounts	230,367	18,009	226,282	15,295
2. Repurchase agreements	-	-	-	-
3. Loans	536,022	35,631	508,708	29,737
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	29,488	2,097	29,545	1,488
5. Finance leases	-	-	-	-
6. Factoring	-	-	-	-
7. Other	131,985	5,403	137,688	6,388
8 Debt instruments	-	-	-	-
8.1 Structured instruments				
8.2 Other instruments				
Total (carrying amount)	**927,862**	**61,140**	**902,223**	**52,908**
Total (fair value)	**947,747**	**62,776**	**923,420**	**54,342**

The fair value of loans to customers was determined considering the risk-free interest rate curve, increased by a spread calculated on the basis of estimated losses based on historical data.

Point 7 of table 7.1 includes the following (€'000):

- import/export advances of € 23,823 thousand;
- advances and bills under reserve and advances on invoices of € 95,369 thousand;
- portfolio risks of € 407 thousand;
- financing with repayment plans of € 12,386 thousand.

7.2 Loans to customers: breakdown by debtor/issuer

	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Debt instruments	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-
b) Other government agencies	-	-	-	-
c) Other issuers:	-	-	-	-
- non-financial companies				
- financial companies				
- insurance companies				
- other				
2. Financing to:	**927,863**	**61,140**	**902,223**	**52,908**
a) Governments	572	-	10	-
b) Other government agencies	3,537		3,728	
c) Other:	923,754	61,140	898,485	52,908
- non-financial companies	*622,322*	*42,401*	*598,382*	*36,117*
- financial companies	*2,411*	*71*	*20,110*	*98*
- insurance companies	-	-	-	-
- other	*299,021*	*18,668*	*279,993*	*16,693*
Total	**927,863**	**61,140**	**902,223**	**52,908**

Section 11 - Property, equipment and investment property - Caption 110

11.1 Property, equipment and investment property: assets measured at cost

	31/12/2010	31/12/2009
A. Operating assets		
1.1 owned	**19,148**	**20,182**
a) land	4,234	4,234
b) buildings	13,897	14,849
c) furniture	354	386
d) electronic systems	343	405
e) other	320	308
1.2 under finance lease	**-**	**-**
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
Total A	**19,148**	**20,182**
B. Investment property		
2.1 owned	**-**	**-**
a) land		
b) buildings		
2.2 under finance lease	**-**	**-**
a) land		
b) buildings		
Total B	**-**	**-**
Total (A + B)	**19,148**	**20,182**

11.3 Operating assets: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**4,234**	**32,395**	**4,989**	**5,064**	**4,878**	**51,560**
A.1 Total net impairment losses		17,546	4,602	4,660	4,570	31,378
A.2 Net opening balance	4,234	14,849	387	404	308	20,182
B. Increases:	**-**	**8**	**15**	**126**	**173**	**322**
B.1 Purchases	-		15	126	147	288
B.2 Capitalised improvement costs						-
B.3 Reversals of impairment losses						-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity						-
b) profit or loss						-
B.5 Exchange rate gains						-
B.6 Transfers from investment property						-
B.7 Other increases		8			26	34
C. Decreases:	**-**	**960**	**48**	**187**	**161**	**1,356**
C.1 Sales					14	14
C.2 Depreciation		957	48	187	147	1,339
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity						-
b) profit or loss						-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
a) equity						-
b) profit or loss						-
C.5 Exchange rate losses						-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property						-
b) disposal groups						-
C.7 Other decreases		3				3
D. Net closing balance	**4,234**	**13,897**	**354**	**343**	**320**	**19,148**
D.1 Total net impairment losses		18,503	4,650	4,847	4,717	32,717
D.2 Gross closing balance	4,234	32,400	5,004	5,190	5,037	51,865
E. Measurement at cost	**4,234**	**13,897**	**354**	**343**	**320**	**19,148**

The decreases in line C2 Depreciation of table 11.3 comply with the tax rates established by the Ministry for the Economy and Finance decree as no material wear and tear was identified during the year

Property and equipment are held for operating purposes.

A list of the property owned by the bank is attached to these notes.

Section 12 - Intangible assets - Caption 120

12.1 Intangible assets: breakdown by asset

	31/12/2010		31/12/2009	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**-**	**-**	**-**	**-**
A.2 Other intangible assets	**108**	**-**	**62**	**-**
A.2.1 Assets measured at cost	108	-	62	-
a) Internally developed assets				
b) Other	*108*		*62*	
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally developed assets				
b) Other				
Total	**108**	**-**	**62**	**-**

12.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		finite life	indefinite life	finite life	indefinite life	
A. Opening balance	**-**	**-**	**-**	**62**	**-**	**62**
A.1 Total net impairment losses						-
A.2 Net opening balance				62		62
B. Increases	**-**	**-**	**-**	**105**	**-**	**105**
B.1 Purchases				105		105
B.2 Increase in internally generated assets						-
B.3 Reversals of impairment losses						-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
- *equity*						-
- *profit or loss*						-
B.5 Exchange rate gains						-
B.6 Other increases						-
C. Decreases	**-**	**-**	**-**	**59**	**-**	**59**
C.1 Sales						-
C.2 Impairment losses:	-	-	-	59	-	59
- *Amortisation*				*59*		*59*
- *Impairment losses*	-	-	-	-	-	-
+ *equity*						-
+ *profit or loss*						-
C.3 Fair value losses recognised in:	-	-	-	-	-	-
- *equity*						-
- *profit or loss*						-
C.4 Transfers to disposal groups						-
C.5 Exchange rate losses						-
C.6 Other decreases						-
D. Net closing balance	**-**	**-**	**-**	**108**	**-**	**108**
D.1 Total net impairment losses						
E. Gross closing balance	**-**	**-**	**-**	**108**	**-**	**108**
F. Measurement at cost	**-**	**-**	**-**	**108**	**-**	**108**

Section 13 - Tax assets and liabilities - Caption 130 of assets and Caption 80 of liabilities

13.1 Deferred tax assets: breakdown

	31/12/2010
Personnel expense	1,021
Administrative expenses	438
Fair value gains on AFS financial assets	1,339
Impairment losses on loans	2,324
Total	**5,122**

13.2 Deferred tax liabilities: breakdown

	31/12/2010
Fair value gains (losses) on bonds	
Fair value gains on AFS financial assets	180
Deferred gains	
FTA depreciation of land	658
Post-employment benefits	225
Total	**1,063**

Deferred tax assets and liabilities were affected by changes in the valuation reserve of assets recognised as AFS. Specifically, the greater loss recognised at the reporting date led to an increase in deferred tax assets. Moreover, the tax legislative changes applicable to entities that apply the IFRS authorised use of the “derivazione rafforzata” criterion rather than the “neutrality” criterion. This substantially decreased the differences between the carrying amounts and tax bases of assets and liabilities with the resulting decrease in the related deferred tax assets and liabilities.

13.3 Changes in deferred tax assets (recognised in profit or loss)

	31/12/2010	31/12/2009
1. Opening balance	**3,896**	**3,255**
2. Increases	**220**	**906**
2.1 Deferred tax assets recognised in the year	220	906
a) related to previous years		
b) due to changes in accounting policies		
c) reversals of impairment losses		
d) other	*220*	*906*
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decrease	**333**	**265**
3.1 Deferred tax assets derecognised in the year	333	265
a) reversals	*333*	*265*
b) impairment due to non-recoverability		
c) change in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**3,783**	**3,896**

13.4 Changes in deferred tax liabilities (recognised in profit or loss)

	31/12/2010	31/12/2009
1. Opening balance	**882**	**882**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year	-	-
a) related to previous years		
b) due to changes in accounting policies		
c) other	-	-
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decrease	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals		
b) due to changes in accounting policies	-	-
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**882**	**882**

13.5 Changes in deferred tax assets (recognised in equity)

	31/12/2010	31/12/2009
1. Opening balance	**583**	**1,637**
2. Increases	**784**	**-**
2.1 Deferred tax assets recognised in the year	784	
a) related to previous years		
b) due to changes in accounting policies		
c) other	*784*	
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decrease	**28**	**1,054**
3.1 Deferred tax assets derecognised in the year	28	1,054
a) reversals	*28*	*1,054*
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**1,339**	**583**

13.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2010	31/12/2009
1. Opening balance	**260**	**147**
2. Increases	**-**	**113**
2.1 Deferred tax liabilities recognised in the year	-	113
a) related to previous years		
b) due to changes in accounting policies		
c) other		*113*
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decrease	**80**	**-**
3.1 Deferred tax liabilities derecognised in the year	80	-
a) reversals		
b) due to changes in accounting policies		
c) other	*80*	
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**180**	**260**

13.7 Other information

Caption 130 “Tax assets: a) current” of € 9,932 thousand comprises:

- IRES advances of € 5,478 thousand;
- IRAP advances of € 2,118 thousand;
- tax credit on IRES reimbursement claims of € 234 thousand;
- tax credit for withholdings on deposits/current accounts/certificates of deposit of € 2,102 thousand.

Section 15 - Other assets - Caption 150

15.1 Other assets: breakdown

	31/12/2010
a) receivables from tax authorities and other tax bodies	2,849
b) cheques drawn on other banks	647
c) cheques to be received from clearing house and drawn on customer	7,622
d) suspense items	-
e) revenue stamps and other stamps	4
f) gold, silver and other precious metals	
g) shortfalls, embezzlement, theft and other prior year items	175
h) items in transit	7,203
i) leasehold improvements	92
l) accrued income	24
m) prepayments	848
n) other	1,302
Total	**20,766**

Specifically, in the above table:

-point m) mostly consists of prepaid insurance premiums;
-point n) includes sundry amounts of € 1,302 thousand.

LIABILITIES

Section 1 - Due to banks - Caption 10

1.1 Due to banks: breakdown by product

	31/12/2010	31/12/2009
1. Due to central banks	**-**	**-**
2. Due to banks	**7,422**	**4,663**
2.1. Current accounts and demand deposits	7,250	4,210
2.2. Term deposits	172	453
Financing	-	-
2.3.1 Reverse repurchase agreements		
2.3.2 Other		
2.4 Commitments to repurchase own equity instruments		
2.5 Other payables		
Total	**7,422**	**4,663**
Fair value	**7,422**	**4,663**

Section 2 - Due to customers - Caption 20

2.1 Due to customers: breakdown by product

	31/12/2010	31/12/2009
1. Current accounts and demand deposits	818,002	807,983
2. Term deposits	20,253	22,884
Financing	65,553	75,843
3.1 Reverse repurchase agreements	*65,553*	*75,843*
4.2 Other		
4. Commitments to repurchase own equity instruments	-	-
5. Other payables	1,494	79
Total	**905,302**	**906,789**
Fair value	**905,302**	**906,789**

Section 3 - Securities issued - Caption 30

3.1 Securities issued: breakdown by product

	31/12/2010				31/12/2009			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**270,974**	**-**	**-**	**273,467**	**287,417**	**-**	**-**	**287,887**
1. bonds	223,645	-	-	226,135	233,614	-	-	234,007
1.1 structured								
1.2 other	*223,645*			*226,135*	*233,614*			*234,007*
2. other securities	47,329	-	-	47,332	53,803	-	-	53,880
2.1 structured								
2.2 other	*47,329*			*47,332*	*53,803*			*53,880*
Total	**270,974**	**-**	**-**	**273,467**	**287,417**	**-**	**-**	**287,887**

The debt instruments in the “Level 3-fair value” column are bonds and certificates of deposit issued by the bank. The latter are measured at amortised cost.

Section 4 - Financial liabilities held for trading - Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	31/12/2010					31/12/2009				
	NA	FV			FV*	NA	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Financial liabilities										
1 Due to banks										
2. Due to customers										
3. Debt instruments	-	-		-	-	-	-		-	-
3.1. Bonds	-	-		-	-	-	-		-	-
3.1.1 Structured										
3.1.2 Other bonds										
3.2. Other securities	-	-		-	-	-	-		-	-
3.2.1 Structured										
3.2.2 Other										
Total A	**-**	**-**		**-**	**-**	**-**	**-**		**-**	**-**
B. Derivatives										
1. Financial derivatives	41,626	-	1,512	-	1,512	35,324	-	1,073	-	1,073
1.1 Trading	*33,424*		*1,277*	-	*1,277*	*30,263*		*964*	-	*964*
1.2 Associated with fair value option										
1.3 Other	*8,202*		*235*	-	*235*	*5,061*		*109*	-	*109*
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading										
2.2 Associated with fair value option										
2.3 Other										
Total B	**41,626**	**-**	**1,512**	**-**	**1,512**	**35,324**	**-**	**1,073**	**-**	**1,073**
Total (A+B)	**41,626**	**-**	**1,512**	**-**	**1,512**	**35,324**	**-**	**1,073**	**-**	**1,073**

Key:

FV = fair value
FV* = fair value calculated by excluding changes in value due to changes in the issuer's credit standing compared to the issue date.

NA = nominal or notional amount

L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 5 - Financial liabilities at fair value through profit or loss - Caption 50

5.1 Financial liabilities at fair value through profit or loss: breakdown by product

	31/12/2010					31/12/2009				
	NA	FV			FV*	NA	FV			FV*
		L1	L2	L3			L1	L2	L3	
1 Due to banks	-	-		-	-	-	-		-	-
1.1 Structured										
1.2 Other										
2. Due to customers	-	-		-	-	-	-		-	-
2.1 Structured										
2.2 Other										
Debt instruments	**1,626**	**-**	**1,685**		**1,685**	**5,515**	**-**	**5,658**		**5,658**
3.1 Structured	-			-		-			-	
3.2 Other	1,626		1,685		1,685	5,515		5,658		5,658
Total A	**1,626**	**-**	**1,685**	**-**	**1,685**	**5,515**	**-**	**5,658**	**-**	**5,658**

Key:

FV = fair value
FV* = fair value calculated by excluding changes in value due to changes in the issuer's credit standing compared to the issue date.

NA = nominal or notional amount

L1 = Level 1
L2 = Level 2
L3 = Level 3

5.1 Financial liabilities at fair value through profit or loss: changes

	Due to banks	Due to customers	Securities issued	Total
A. Opening balance			**5,658**	**5,658**
B. Increases	**-**	**-**	**68**	**68**
B1. Issues			-	**-**
B2. Sales			26	**26**
B3. Fair value gains				**-**
B4. Other increases			42	**42**
C. Decreases	**-**	**-**	**4,041**	**4,041**
C1. Purchases				**-**
C2. Repayments			3,915	**3,915**
C3. Fair value losses			35	**35**
C4. Other decreases			91	**91**
D. Closing balance	**-**	**-**	**1,685**	**1,685**

The decrease in bonds measured at fair value is due to their normal maturity. The bonds issued during the year are measured at amortised cost.

The following table shows the outstanding bond issues measured at fair value and the related derivatives agreed with the bank's main counterparties.

Natural hedge:

The nominal amounts are in Euros:

BONDS						HEDGING DERIVATIVE			
ISIN	DESCRIPTION	INTEREST RATE TYPE	MATURITY	IFRS NOMINAL AMOUNT	NOMINAL	NO.	CTP	NOTIONAL AMOUNT	CHANGE IN SPREAD
IT0004053499	CRFERMO 06/11	STEP UP	08/05/2011	1,626,000.00	1,669,000.00	118	BANCA IMI	1,669,000.00	- 0.6150
Total									

Section 8 - Tax liabilities - Caption 80

8.1 Current tax liabilities

	31/12/2010
Current tax liabilities	**4,307**
IRES advance	1,573
IRAP advance	1,384
IRES reimbursement claim for 10% IRAP deductibility	234
Prior year tax receivables	1,116

Pursuant to article 6.1 of Decree law no. 185 of 29 November 2008, 10% of the IRAP tax (regional tax on production) can be deducted from an entity's income. The following paragraphs 2 and 3 of the same article 6 provide that the greater IRES tax paid compared to the deductible IRAP tax can be claimed for reimbursement for the tax periods before that at 31 December 2008, for which the deadline of 48 months from the tax payment date has not expired. Accordingly, the bank presented its claim for € 234 thousand in 2009 as per the terms for the Marche region tax payers, recognising a receivable due from the tax authorities under caption 130 Assets and the related provision for taxes under caption 80 Liabilities.

Section 10 - Other liabilities - Caption 100

10.1 Other liabilities: breakdown

	31/12/2010
Tax liabilities	3,230
Social security liabilities	1,034
Amounts available to customers	689
Third party guarantee deposits	67
Suspense items	-
Other amounts due to employees	2,825
Items in transit	5,440
Accrued expenses	155
Deferred income	220
Portfolio adjustment differences	27,838
Other	1,832
Total	**43,330**

Section 11 - Post-employment benefits - Caption 110

11.1 - Post-employment benefits: changes

	31/12/2010	31/12/2009
A. Opening balance	**11,822**	**12,480**
B. Increases	**351**	**287**
B.1 Accruals	351	286
B.2 Other increases		1
C. Decreases	**1,227**	**945**
C.1 Payments	673	914
C.2 Other decreases	554	31
D. Closing balance	**10,946**	**11,822**
Total	**10,946**	**11,822**

11.2 - Other information:

Breakdown of caption "B. Increases"

Service cost (for employees part of the open Previdsystem pension fund)	784
Revaluation	351
Total	**1,135**

Breakdown of caption "C. Decreases - C.2 Other decreases"

Decrease due to post-employment benefits reform as per Legislative decree no. 252/2005	-
Advances and payments for employee departures	1,188
Substitute tax on revaluation	39
Total	**1,227**

Actuarial assessment of post-employment benefits

Present value of benefits at 31/12/2009	12,249
Interest cost	440
Service cost	-
Payments	- 1,188
Total	**11,501**
Present value of benefits at 31/12/2010	10,966
Cumulated actuarial gains	535

Since 1 January 2007, post-employment benefits are transferred to either the INPS treasury fund or a supplementary pension fund. Therefore, the actuarial calculation considers the accrued benefits, i.e., the total liability for each employee. The calculation is based on demographic and economic assumptions already used in 2009.

Reference was made to the yield on government bonds at the reporting date for the financial assumptions as they are deemed to adequately comply with the requirements of IAS 19.

Section 12 - Provisions for risks and charges - Caption 120

12.1 Provisions for risks and charges: breakdown

	31/12/2010	31/12/2009
1. Internal pension funds	10,531	11,171
2. Other provisions for risks and charges	1,591	1,408
2.1 legal disputes	*1,491*	*1,308*
2.2 personnel expense	*-*	*-*
2.3 other	*100*	*100*
Total	**12,122**	**12,579**

12.2 Provisions for risks and charges: changes

	Pension funds	Other provisions	Total
A. Opening balance	**11,171**	**1,408**	**12,579**
B. Increases	**288**	**514**	**802**
B.1 Accruals	288	514	802
B.2 Changes due to passage of time			-
B.3 Changes due to variations in discount rate			-
B.4 Other increases			-
C. Decreases	**928**	**331**	**1,259**
C.1 Utilisations	928	331	1,259
C.2 Changes due to variations in discount rate			-
C.3 Other decreases			-
D. Closing balance	**10,531**	**1,591**	**12,122**

Utilisation of these provisions amounted to € 331 thousand and referred to the settlement of legal disputes recognised in caption 160 of the income statement.

12.3 Defined benefit internal pension plans

The bank's pension fund ("*Fondo d'integrazione delle pensioni dell'assicurazione obbligatoria per l'invalidità, la vecchiaia ed i superstiti gestita dall'INPS per il Personale - ruolo credito - della Cassa di Risparmio di Fermo*"), included in the special section III as number 9107 of the Pension funds register held by COVIP (the Italian pension regulator) and recognised in caption 120-a on the liabilities side of the statement of financial position, is regulated by the Agreement of 4 December 1990, Legislative decree no. 124/93, the new legislative framework as defined by Law no. 335 of 8 August 1995 and the measure attached to the 1998 Finance Act (Law no. 449/197) as well as the agreement of 18 October 2000 for the fund's transformation by setting up a defined contribution part from 1 January 2001.

The fund's object is to provide its beneficiaries and their surviving family members with a supplementary pension in addition to that provided by INPS.

Following the aforesaid transformation agreement, the fund covers the bank's employees that had retired at 31 December 2000 or their surviving family members. The bank pays in a contribution in order to ensure its actuarial balance.

At the reporting date, the fund had 147 beneficiaries, including those with zero annuities as shown in the following table:

Gender	Direct	Indirect or reversible	Total
Women	5	52	57
Men	76	14	90
Total	81	66	147

The actuarial calculations were based on a projection of the individual beneficiaries' positions at the reporting date. This projection was extended until the complete extinguishment of the obligations based on a hypothetical system based on:

1. legislative parameters;
2. demographic parameters;
3. economic parameters;
4. financial parameters.

The generation RG 48 chart prepared by the General Accounting Office was used for the demographic parameters while the estimates usually used for INPS simulations was used for the family beneficiaries.

An annual increase in prices of 2.00% over the long term was assumed for the economic parameters. The effects of the substantial elimination of the equalisation clause were estimated with linking to the "equal grade of service". The equalisation rates using the assumed inflation rates were:

BRACKET	RATE
Up to 3 times the minimum treatment	2.00%
From 3 to 5 times the minimum treatment	1.80%
More than 5 times the minimum treatment	1.50%

With respect to the financial parameters, the current situation was assessed, characterised by the illiquid corporate bond markets, as confirmed by the recent amendment to IAS 39.

Therefore, reference was made to the yield curve for treasury bonds at the reporting date as this seems suitable given the IAS 19 requirements.

The average current value appraised by the relevant expert of the cost of integrating and substituting the pension plan for the 147 beneficiaries is in line with the amount recognised in the financial statements.

Technical accounts at 31/12/2010	
Modified present value - immediate charges	9,911
Modified present value - total charges	9,911
Mathematical reserve at 31/12/2009	11,175
Equity at 31/12/2010	10,531
Mathematical reserve	9,911
TECHNICAL SURPLUS	**620**
Calculation of actuarial gains/losses for IFRS purposes	
Mathematical reserve at 31 December 2009	11,175
Interest cost	470
Service cost	0
Payments	-928
Actuarial gain (-) / loss (+) at 31/12/2010	**-806**

Section 14 - Equity - Captions 130, 150, 160, 170, 180, 190 and 200

14.1 "Share capital" and "Treasury shares": breakdown

The fully subscribed and paid-in share capital consists of 759,750 shares with a nominal amount of € 51.65 for a total € 39,241,087.50.

The bank's shareholders are:

- Fondazione Cassa di Risparmio di Fermo, with 506,500 ordinary shares equal to an investment of 66.67%;
- Banca Intesa S.p.A., with 253,250 ordinary shares equal to an investment of 33.33%.

The caption did not undergo any change during the year.

14.2 Share capital - number of shares: changes

	Ordinary	Other
A. Opening balance	**759,750**	**-**
- fully paid-in	*759,750*	
- not fully paid-in	-	
A.1 Treasury shares (-)		
B.2 Outstanding shares: opening balance	**759,750**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against consideration:	-	-
- business combinations		
- bond conversions		
- exercise of warrants		
- other		
- bonus issue:	-	-
- to employees		
- to directors		
- other		
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Cancellations		
C.2 Repurchases of treasury shares		
C3 Disposals of equity investments		
C.4 Other decreases		
D. Outstanding shares: closing balance	**759,750**	**-**
D.1 Treasury shares (+)	-	-
D.2 Closing balance	759,750	-
- fully paid-in	*759,750*	-
- not fully paid-in	-	-

14.4 Income-related reserves: other information

	LEGAL RESERVE	STATUTORY RESERVE	OTHER
OPENING BALANCE	**13,615**	**39,112**	**3,284**
INCREASES	**1,025**	**1,632**	
Allocation of profits	1,025	1,632	
DECREASE	**-**	**-**	**-**
Other changes (negative FTA reserve)			-
CLOSING BALANCE	**14,640**	**40,744**	**3,284**

The legal reserve was increased by the allocation of 10% of the profit for the year as provided for by article 24 of the by-laws.

The statutory reserve includes:

- 15% of the profit for the year as provided for by article 24 of the by-laws;
- reclassification of the income-related reserves for € 15,200 thousand as determined during FTA.

The other reserves comprise:

- the contribution reserve as per Law no. 218/90 net of the valuation reserve recognised during FTA of € 2,846 thousand.

14.4.1 Equity: breakdown, availability and distributability of the different captions

		Possible use (1)	Available portion	Summary of use in the past 3 years (2)	
				To cover losses	For other purposes
Share capital	39,241,087.50				
Equity-related reserves:					
Contribution reserve	15,121,767.94	A,B,C	15,121,767.94		- 213,816.73
Revaluation reserve	6,129,826.94	A,B,C	6,129,826.94		
Share premium reserve (3)	34,660,068.07	A,B,C	34,660,068.07		
Income-related reserves:					
Legal reserve	14,640,876.72	B	6,792,659.22		
Statutory reserve	40,743,637.43	B	-		
FTA reserve	- 2,845,818.03		-		
Fair value reserve	- 2,356,932.10		-		213,816.73
Retained earnings	-		-		
Total	**145,334,514.47**		**62,704,322.17**	**-**	**-**
Undistributable portion (4)			92,414.98		
Remaining distributable portion			62,611,907.19		

in Euros

Key:

A = share capital increase
B = to cover losses
C= dividend distribution

Note:

(1) = Except for additional constraints imposed by by-laws

(2) = Utilisations are shown from 2000 as corresponding previous years' data are unavailable.

(3) = Pursuant to article 2431 of the Italian Civil Code, the entire reserve can only be distributed when the legal reserve has reached the threshold set by article 2430 of the Italian Civil Code.

(4) = The portion that cannot be distributed due to: the translation reserve, the reserve for equity-accounted investees, the reserve for departures as per article 2413.4 of the Italian Civil Code and the part allocated to cover unamortised deferred costs as per article 2426.5 of the Italian Civil Code.

14.7 Valuation reserves: breakdown

	31/12/2010	31/12/2009
1. Available-for-sale financial assets	- 2,357	- 572
2. Property, equipment and investment property		
3. Intangible assets		
4. Hedges of investments in foreign operations		
5. Cash flow hedges		
6. Exchange rate gains (losses)		
7. Non-current assets held for sale		
8. Special revaluation laws	15,122	15,122
Total	**12,765**	**14,550**

OTHER DISCLOSURES

1. Guarantees and commitments

	31/12/2010	31/12/2009
1) Financial guarantees issued	**2,616**	**2,361**
a) Banks	2,421	2,166
b) Customers	195	195
2) Commercial guarantees issued	**37,331**	**37,559**
a) Banks	13	42
b) Customers	37,318	37,517
3) Irrevocable commitments to disburse funds	**57,778**	**55,316**
a) Banks	7,243	5,073
i) certain use	*7,243*	*5,073*
ii) uncertain use	-	-
b) Customers	50,535	50,243
i) certain use	*296*	*66*
ii) uncertain use	*50,239*	*50,177*
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged as collateral for third party commitments	**-**	**-**
6) Other commitments	**-**	**-**
Total	**97,725**	**95,236**

2. Assets pledged as guarantee for liabilities and commitments

	31/12/2010	31/12/2009
1. Financial assets held for trading	64,703	75,993
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	-	-
4. Held-to-maturity investments		
5. Due from banks		
6. Loans to customers		
7. Property, equipment and investment property		
TOTAL	**64,703**	**75,993**

4. Management and trading on behalf of third parties

1. Execution of customer orders	**-**
a) Purchases	-
1. settled	
2. unsettled	
b) Sales	-
1. settled	
2. unsettled	
2. Asset management	**-**
a) individual	
b) collective	
3. Securities custody and administration	**2,185,672**
a) third party securities held as part of depository bank services (excluding asset management)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) third party securities on deposit (excluding asset management): other	940,509
1. securities issued by the reporting entity	*216,556*
2. other securities	*723,953*
c) third party securities deposited with third parties	895,996
d) securities owned by the bank deposited with third parties	349,167
4. Other	**-**

5. Credit collection on behalf of third parties: adjustments

	31/12/2010	31/12/2009
a) "debit" adjustments	**294,901**	**313,200**
1) bank joint accounts	74,791	67,487
2) central portfolio	209,327	243,053
3) cash	999	1,203
4) other accounts	9,784	1,457
b) "credit" adjustments	**322,739**	**318,910**
1) bank joint accounts	78,414	80,645
2) transferors of bills and documents	243,792	237,707
3) other accounts	533	558
DIFFERENCE	**27,838**	**5,710**

The difference of € 27,838 thousand is shown under caption 100 “Other liabilities” in the statement of financial position. It represents the currency effect on the bills under reserve portfolio following application of the law to implement the Payment Services Directive (PSD).

PART C
Notes to the income statement

Section 1 - Interest - Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	2010	2009
1. Financial assets held for trading	2,967		243	3,210	4,204
2. Available-for-sale financial assets	1,727			1,727	2,909
3. Held-to-maturity investments	129			129	178
4. Due from banks		309		309	513
5. Loans to customers		38,334		38,334	46,858
6. Financial assets at fair value through profit or loss				-	-
7. Hedging derivatives			-	-	-
8. Other assets				-	-
Total	**4,823**	**38,643**	**243**	**43,709**	**54,662**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

	2010
1.3.1 Interest income on foreign currency financial assets	41

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	2010	2009
1. Due to central banks				-	
2. Due to banks	32			32	25
3. Due to customers	3,526			3,526	5,986
4. Securities issued		5,467		5,467	6,489
5. Financial liabilities held for trading			160	160	54
6. Financial liabilities at fair value through profit or loss		93		93	631
8. Other liabilities and provisions				-	-
9. Hedging derivatives			-	-	-
Total	**3,558**	**5,560**	**160**	**9,278**	**13,185**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

	2010
Interest expense on foreign currency liabilities	4

Section 2 - Fees and commissions - Captions 40 and 50

2.1 Fee and commission income: breakdown

	2010	2009
a) guarantees received	**353**	**304**
b) credit derivatives	**-**	**-**
c) management, brokerage and consultancy services:	**5,615**	**5,671**
1. trading in financial instruments	252	324
2. foreign currency transactions	130	137
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	203	284
5. depository services		
6. securities placement	2,479	2,090
7. order collection and transmission	828	1,058
8. consultancy services		
8.1. concerning investments		
3.2. concerning financial structure		
9. distribution of third party services	1,723	1,778
9.1. asset management	*305*	*497*
9.1.1. individual	*178*	*391*
9.1.2. collective	*127*	*106*
9.2. insurance products	*697*	*570*
9.3. other products	*721*	*711*
d) collection and payment services	**3,126**	**3,031**
e) servicing services for securitisations	**-**	
f) services for factoring transactions	**-**	**-**
g) tax collection services	**-**	**-**
h) management of multilateral trading systems	**-**	**-**
i) keeping and management of current accounts	**9,671**	**7,560**
j) other services	**2,175**	**1,541**
Total	**20,940**	**18,107**

The balance shown as letter "j" in the above table includes: [1]

Loan preliminary investigation fees	436
Financing fees	743
Bancomat (debit card) and home banking fees	448
Other commissions	548

[1] €'000

2.2 Fee and commission income: product and service distribution channels

	2010	2009
a) own branches:	**4,202**	**1,640**
1. asset management	-	-
2. securities placement	2,479	969
3. third party services and products	1,723	671
b) off-premises distribution:	**-**	**-**
1. asset management		
2. securities placement		
3. third party services and products		
c) other distribution channels:	**-**	**-**
1. asset management		
2. securities placement		
3. third party services and products		

2.3 Fee and commission expense: breakdown

	2010	2009
a) guarantees received	**-**	**-**
b) credit derivatives	**-**	**-**
c) management and brokerage services:	**253**	**292**
1. trading in financial instruments	168	198
2. foreign currency transactions		
3. asset management	-	-
3.1 own portfolio		
3.2 third party portfolios		
4. securities custody and administration	85	94
5. placement of financial instruments	-	-
6. off-premises distribution of securities, products and services	-	-
d) collection and payment services	**839**	**877**
e) other services	**31**	**30**
Total	**1,123**	**1,199**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

	2010		2009	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	-			
B. Available-for-sale financial assets	262		389	
C. Financial assets at fair value through profit or loss				
D. Equity investments				
Total	**262**	**-**	**389**	**-**

Section 4 - Net trading income (expense) - Caption 80

4.1 Net trading income (expense): breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income (expense) [(A+B) – (C+D)]
1. Financial assets held for trading	**279**	**918**	**8,111**	**67**	**- 6,981**
1.1 Debt instruments	279	918	8,109	67	- 6,979
1.2 Equity instruments			2		- 2
1.3 OEIC units					-
1.4 Financing					-
1.5 Other					-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt instruments					-
2.2 Payables					
2.3 Other					-
3. Other financial assets and liabilities: exchange rate gains (losses)					**152**
4. Derivatives	**518**	**526**	**512**	**353**	**179**
4.1. Financial derivatives:	518	526	512	353	179
- On debt securities and interest rates	518	526	512	353	179
- On equity instruments and share indexes					
- On currencies and gold					-
- Other					-
4.2 Credit derivatives					-
Total	**797**	**1,444**	**8,623**	**420**	**- 6,650**

Currency: Costs, Revenue and Inventories

EXPENSES AND LOSSES:			INCOME AND PROFITS:		
	2010	2009		2010	2009
A) Opening balance in foreign currency	125	1,275	E) Revenue from currency sales	65,192	88,438
B) Cost of purchasing currency	65,131	87,163	F) Closing balance	166	125
D) Total costs	**65,256**	**88,438**	**H) Total revenue**	**65,358**	**88,563**

SUMMARY:		
	2010	2009
(+) Total revenue	***65,358***	***88,563***
(-) Total costs	***- 65,256***	***- 88,438***
(+) Currency fees	***47***	***-***
(-) IFRS adjustments	***3***	***-***
Unrealised exchange rate gains	***152***	***125***

Section 6 - Gain (loss) from sales or repurchases - Caption 100

6.1 Gain (loss) from sales or repurchases: breakdown

	2010			2009		
	Gain	Loss	Net gain (loss)	Gain	Loss	Net gain (loss)
Financial assets						
1. Due from banks			-			-
2. Loans to customers			-			-
3. Available-for-sale financial assets	296	24	272	-	-	-
3.1 Debt instruments	*27*	*24*	3		-	-
3.2 Equity instruments	*269*		269			-
3.3 OEIC units			-			-
3.4 Financing			-			-
4. Held-to-maturity investments			-			-
Total assets	**296**	**24**	**272**	**-**	**-**	**-**
Financial liabilities						
1 Due to banks			-			-
2. Due to customers			-			-
3. Securities issued	80	98	- 18	5		5
Total liabilities	**80**	**98**	**- 18**	**5**	**-**	**5**

Section 7 - Net gains (losses) on financial assets and liabilities at fair value through profit or loss - Caption 110

7.1 Net gains (losses) on financial assets and liabilities at fair value through profit or loss: breakdown

	Gains (A)	Profit on sale (B)	Losses (C)	Loss on sale (D)	Net gains (losses) [(A+B) – (C+D)]
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments					-
1.2 Equity instruments				-	-
1.3 OEIC units					-
1.4 Financing					-
2. Financial liabilities	**35**	**24**	**-**	**-**	**59**
2.1 Debt instruments	35	24			59
2.2 Due to banks					-
2.3 Due to customers					-
3. Foreign currency financial assets and liabilities: exchange rate gains (losses)					
4. Credit and financial derivatives		**-**	**73**	**-**	**- 73**
Total	**35**	**24**	**73**	**-**	**- 14**

Section 8 - Net impairment losses - Caption 130

8.1 Net impairment losses on loans and receivables: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)				2010	2009
	Individual		Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Due from banks	-	-	-	-	-	-	-	-	-
- Financing	-	-	-	-	-	-	-	-	-
- Debt instruments	-	-	-	-	-	-	-	-	-
B. Loans to customers	- 299	- 6,429	- 172	2,790	3,650	-	-	- 460	- 4,973
- Financing	- 299	- 6,429	- 172	2,790	3,650	-		- 460	- 4,973
- Debt instruments									
C. Total	**- 299**	**- 6,429**	**- 172**	**2,790**	**3,650**	**-**	**-**	**- 460**	**- 4,973**

The “Reversals of impairment losses (2) Individual” column includes € 438 thousand of default interest collected on non-performing loans.

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses (1)		Reversals of impairment losses (2)		2010	2009
	Individual		Individual			
	Derecognition	Other	A	B		
A. Debt instruments					-	-
B. Equity instruments		57			-	-
C. OEIC units					-	-
D. Financing to banks					-	-
E. Financing to customers					-	-
F. Total	**-**	**57**	**-**	**-**	**-**	**-**

Section 9 - Administrative expenses - Caption 150

9.1 Personnel expense: breakdown

	2010	2009
1) Employees	**27,349**	**28,186**
a) wages and salaries	19,443	19,586
b) social security charges	4,884	5,302
c) post-employment benefits	-	-
d) pension costs	-	-
e) accrual for post-employment benefits	1,575	1,499
f) accrual for pension and similar provisions:	288	304
- defined contribution plans		
- defined benefit plans	*288*	*304*
g) payments to external supplementary pension funds	689	682
- defined contribution plans	*689*	*682*
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	470	813
2) Other personnel		
3) Directors and statutory auditors	823	515
4) Retired personnel		
5) Cost recoveries for personnel seconded to other companies	- 3	
6) Cost reimbursements for personnel seconded to the bank		
Total	**28,169**	**28,701**

Point 3 of the table includes the statutory auditors' fees and the directors' insurance policies.

9.2 Average number of employees per category

	31/12/2010	2010 average	40,178
• Employees	**413**	**416**	**418**
a) managers	**2**	**3**	**3**
b) junior managers	**103**	**101**	**99**
- including: 3rd and 4th level	*40*	39	*38*
c) other employees (including cleaning staff)	**308**	**312**	**316**
- including: 3rd professional group	299	294	303
- including: 2nd professional group	8	11	13
- including: cleaning staff	1	1	1
• Other personnel	**13**	**15**	**16**

The average was determined considering the part-time personnel for 50%.

9.3 Defined benefit internal pension funds: total costs

	2010
Defined benefit internal pension plan for retired employees	**288**

9.5 Other administrative expenses: breakdown

	2010	2009
1 - credit collection legal fees	1,370	1,397
2 - sundry and technical legal consultancy	628	583
3 - maintenance, repairs, conversions	878	847
4 - lease of premises	1,107	1,077
5 - cleaning services	511	499
6 - rental of machinery and data transmission lines	1,382	1,224
7 - security and security transportation	550	596
8 - lighting and heating	668	708
9 - stationery and printed matter	198	114
10 - postal, telegraph, telex, telephone	716	752
11 - insurance	406	450
12 - advertising	555	615
13 - subscriptions and purchases of publications	103	89
14 - third party service costs	2,949	2,991
15 - transportation and relocation	174	374
16 - membership fees	172	186
17 - other	500	411
Subtotal of other administrative expenses	**12,867**	**12,913**
Indirect taxes and duties		
1 - stamp duty	2,622	2,635
2 - local property tax	146	154
3 - other	662	639
Total indirect taxes and duties	**3,430**	**3,428**
Total other administrative expenses	**16,297**	**16,341**

Total fees paid to the independent auditors were as follows:
- legally-required audit of the annual financial statements € 55,885;
- audit of the interim financial report at 30 June € 20,417.

These amounts are net of VAT.

Section 10 - Net accruals to provisions for risks and charges - Caption 160

10.1 Net accruals to provisions for risks and charges: breakdown

	2010
1- accrual for legal disputes	152
2- accrual for claw-back claims	299
3- other	63
Total accruals	**514**
Utilisation to settle legal disputes	331
Total utilisations	**331**
Total net accruals	**183**

Utilisation of these provisions for € 331 thousand referred to the settlement of legal disputes recognised in caption 160 of the income statement.

Section 11 - Depreciation and net impairment losses on property, equipment and investment property - Caption 170

11.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b – c)
A. Property, equipment and investment				
A.1 Owned	1,339	-	-	1,339
- operating assets	*1,339*			*1,339*
- investment property				-
A.2 Acquired under finance lease	-	-	-	-
- operating assets				-
- investment property				-
Total	**1,339**	**-**	**-**	**1,339**

Section 12 - Amortisation and net impairment losses on intangible assets - Caption 180

12.1 Amortisation and net impairment losses/reversals of impairment losses on intangible assets: breakdown

	Amortisation (a)	Individual losses (b)	Reversals of impairment losses (c)	Net gains (losses) on the sale of investments (a + b – c)
A. Intangible assets				
A.1 Owned	59	-	-	59
- Generated internally				-
- Other	*59*			*59*
A.2 Acquired under finance lease				-
Total	**59**	**-**	**-**	**59**

Section 13 - Other operating income - Caption 190

13.1 Other operating expense: breakdown

	2010
1 - Charitable donations	- 6
2 - Contributions to bodies and municipalities receiving treasury services	- 142
3 - Amortisation of leasehold improvements	- 52
4 - Losses for theft	- 313
5 - Other	- 380
Total other operating expense	**- 893**

13.2 Other operating income: breakdown

	2010
1 - Recoveries of administrative expenses	2,899
2 - Security box fees	36
3 - Lease income	136
4 - Other income	1,590
Total other operating income	**4,661**
Total	**3,768**

Section 17 - Gains (losses) on the sale of investments - Caption 240

17.1 Gains (losses) on the sale of investments: breakdown

	2010	2009
A. Property	**-**	**-**
- Gains on sales	-	-
- Losses on sales		
B. Other assets	**10**	**- 13**
- Gains on sales	24	10
- Losses on sales	- 14	- 23
Net gains (losses) on the sale of investments	**10**	**- 13**

Section 18 - Income taxes - Caption 260

18.1 Income taxes: breakdown

	2010	2009
1. Current taxes (-)	- 2,957	- 7,860
2. Change in previous years' current taxes (+/-)		
3. Decrease in current taxes for the year (+)		395
4. Change in deferred tax assets (+/-)	- 112	641
5. Change in deferred tax liabilities (+/-)		
6. Tax expense for the year (-)(-1+/-2+3+/-4+/-5)	**- 3,069**	**- 6,824**

18.2 Reconciliation between the theoretical and effective tax expense

Pre-tax profit for the year	**5,201**	
Effective IRES tax rate	27.50%	
Theoretical tax expense		**1,430**
Permanent and temporary differences		143
a) dividends	- 248	
b) other	768	
IRES tax		**1,573**
Pre-tax profit for the year	**5,201**	
Effective IRAP tax rate	4.80%	
Theoretical tax expense		**250**
Permanent differences for IRES purposes	-	
Permanent differences for IRAP purposes	2,013	1,134
a) non-deductible personnel expense	19,567	
b) impairment losses/reversals of impairment losses on loans and receivables	460	
c) other	1,586	
IRAP tax		**1,384**
Income tax expense		**2,957**

Section 21 - Earnings per share

21.1 Average number of ordinary shares with dilutive effect

	2010	2009
Weighted average number of shares	759,750	759,750
Profit attributable to the share categories (Euro)	1,519,500	7,597,500
Basic EPS (Euro)	2.00	10.00
Diluted EPS (Euro)	2.00	10.00

Pursuant to IAS 33.10/33:

a) basic EPS are calculated by dividing the profit for the year attributable to the holders of ordinary shares by the weighted average number of shares outstanding in the year.

b) diluted EPS are calculated by dividing the profit for the year by the average number of ordinary shares outstanding in the year, adjusted to reflect the dilutive effects of options.

The profit for the year attributable to the holders of ordinary shares is equal to the profit shown in the financial statements of € 2,244,118, less the amount earmarked for:

1. the ordinary reserve of € 224,412 as per article 25 of the by-laws;

2. the extraordinary reserve of € 336,618 as per article 25 of the by-laws;
3. the extraordinary reserve of € 163,588 as decided by the board of directors.

The numerator used to calculate the basic EPS is € 1,519,500. With respect to the denominator, the weighted average number of the ordinary shares outstanding is unchanged at 759,750.

The bank has not repurchased treasury shares. It has not issued nor does it have shares with dilutive effects.

Therefore, the basic and diluted EPS are the same.

PART D

Segment reporting

BREAKDOWN OF COMPREHENSIVE INCOME

		Gross amount	Income tax	Net amount
10.	**Profit for the year**			**2,244**
	Other comprehensive income			
20.	Available-for-sale financial assets:	- 2,619	- 835	- 1,784
	a) fair value losses	- 2,448	- 772	- 1,676
	b) reclassification to profit or loss	- 171	- 63	- 108
	- impairment losses	-	-	-
	- gains/losses on sales	- 171	- 63	- 108
	c) other changes	-	-	-
30.	Property, equipment and investment property	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges of investments in foreign operations	-	-	-
	a) fair value gains (losses)	-	-	-
	b) reclassification to profit or loss	-	-	-
	c) other changes	-	-	-
60.	Cash flow hedges:	-	-	-
	a) fair value gains (losses)	-	-	-
	b) reclassification to profit or loss	-	-	-
	c) other changes	-	-	-
70.	Exchange rate gains (losses):	-	-	-
	a) fair value gains (losses)	-	-	-
	b) reclassification to profit or loss	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) fair value gains (losses)	-	-	-
	b) reclassification to profit or loss	-	-	-
	c) other changes	-	-	-
90.	Actuarial gains (losses) on defined benefit plans	-	-	-
100.	Portion of valuation reserves of equity-accounted investees:	-	-	-
	a) fair value gains (losses)	-	-	-
	b) reclassification to profit or loss	-	-	-
	- impairment losses	-	-	-
	- gains/losses on sales	-	-	-
	c) other changes	-	-	-
110.	**Total other comprehensive expense**	**- 2,619**	**- 835**	**- 1,784**
120.	**Comprehensive income (10 + 110)**			**460**

PART E
Risks and related hedging policies

SECTION 1 - CREDIT RISK

General information

Risk management (monitoring, management and measurement) is a fundamental creator of value for the bank and its stakeholders. Accordingly, the bank's control units (Inspection and Internal Audit, Risk Governance and Compliance and Risk Control) are given complete independence and operating powers to ensure the correct and complete presentation of risks to the board of directors, the board of statutory auditors, the independent auditors, the shareholders and all those who have direct and indirect interests in the bank's equity. This information about risks is regulated by a specific regulation included in the bank's more general corporate governance policy.

The bank adopted the new supervisory Basel II regime, presented in Banca d'Italia Circular no. 263/06, on 1 January 2008. It opted to use the regulatory criteria established for category 3 banks (banks with assets of less than € 3.5 billion) as the capital quantification criteria (Pillar II).
The bank's material risks are assessed using the Internal Capital Adequacy Assessment Process (ICAAP), identifying their materiality by measuring absorbed capital using the above criteria and measuring the total absorption of capital using the building block approach.
The assessment also covers organisational-operating aspects entailing the in-depth understanding of the measurement and control tools used for management purposes, which have been suitably described and integrated into documented policies, regulations and procedures to best comply with the relevant legislation.

As provided for by Chapter IV of Banca d'Italia Circular no. 263/06 "Market disclosures" (Pillar III), the bank publishes "... information about its capital adequacy, exposure to risks and the general characteristics of the systems in place to identify, measure and manage risks" in its "Pillar 3, Market disclosures, situation at 31/12/..." document together with its annual report each year on its website "www.carifermo.it" in the financial reporting section.

Qualitative disclosure

1. General aspects

The bank's lending policies are aimed at obtaining a satisfactory risk/return ratio with the careful and efficient control over risks inherent in the banking sector. In line with its mission, the bank focuses on extending credit to households and SMEs, with products designed to help develop production activities. Its natural inclination towards promoting loans to small businesses is of great importance for its partnership with the underwriting syndicates. Although it privileges its local social and economic environment, the bank also builds up its customer portfolio in areas where it has a smaller base, partly to mitigate its risks.

The bank is careful when granting and monitoring credit that it does not build up risk concentrations in one sector or industry or, with respect to households, in certain age brackets.

It tends to privilege individuals intending mostly to buy residential property in the long-term segment.

The bank has a policy of ongoing improvement to safeguard both the debtors and their families as well as itself, covering product efficiency, insurance policies for pure risk with cover for death, invalidity and dismissals, for the total or partial repayment of the outstanding loans and receivables in the case of a claim.

2. Credit risk management policies

2.1 Organisational aspects

The structures which decide and organise the granting of credit have different operating powers, depending on whether they are at the branches (split by size) or the head office (board of directors, managing director, deputy general manager, department, division and office heads). Each level is defined considering the overall risk assessment of each customer and potential associated customers, the type of credit, the direct and indirect exposure and type of guarantee.

The lending procedure also includes policies and controls for risk management carried out by the following head office units:

- **Loans office:** assists the branches with the preliminary investigations stage, assesses credit facility applications approved by the relevant branch bodies, checking compliance with their powers, checks existing credit facilities and that the branches renew them.
- **Risk control office:** regularly monitors business risk irregularities using data provided by special computerised procedures and the Inspection and Internal Audit Unit; proposes classification of positions in temporary difficulties as “doubtful”, encouraging the branches to have them return to a “performing” status and coordinating the related activities; monitors and checks “restructured” positions; prepares a quarterly report for senior management on the situation and changes in reported positions.
- **Risk Management:** assesses and develops credit risk measurement methodologies in line with best practices; carries out static and dynamic analyses of the loan portfolio’s risk profile and reports thereon every month to senior management and bank risk monitoring units.
- **Compliance office:** analyses credit lending procedures and processes and related contracts to check aspects subject to potential legal risk and non-compliance with current legislation.

2.2 Management, measuring and control systems

In order to identify any deterioration in customers’ credit standing in advance, the bank uses a tool to check its relationships with its ordinary customers together with the information available in the risk database, which identifies irregularities with a potential negative impact on risk. This tool (Credit Position Control - CPC) gives each borrower a score from between -100 (minimum risk) to +100 (maximum risk) and is used by the Risk Management Unit to produce its regular reports for the banks and relevant internal units.

Quarterly reports analysing the entire portfolio’s risk by business and geographical segment are prepared for senior management.

The Risk Management Unit uses a model to estimate expected defaults and its results are considered when determining the collective impairment losses on performing loans. The model determines the probability of default (PD), the exposure at default (EAD), the loss given default (LGD) and the weighted remaining life of the loan considering external information (loan deterioration rates from Banca d’Italia’s database) and internal estimates (recovery rates of non-performing loans) and the mitigating effect of any guarantees.

The bank has a rating system (SARa - automatic rating system) for management purposes only, which complies with Basel II requirements. It is used to determine the counterparty rating and the PD in one year based on performance trends, analyses of counterparties’ financial statements and other qualitative information, collected in questionnaires from the branches.

2.3 Credit risk mitigation techniques

The bank uses credit risk mitigation techniques and tools, the classification and utilisation of which are set out in the "Credit risk mitigation policies" document approved by the board of directors on 20 May 2008 and revised on 25 January 2011 following the fifth update of Banca d'Italia Circular no. 263/06. The document requires that:

- The bank obtains qualifiable and acceptable guarantees, such as CRM tools, for its credit exposure on a preferential basis, without waiving those without these requirements as additional protection of credit.
- "Collateral or personal guarantees, regardless of their acceptability as CRM tools, are considered to be ancillary compared to the credit transaction and cannot replace or make less effective the assessment of the debtor's repayment ability or be included in the assessment of the counterparty's credit standing or the riskiness of the transaction".

Highly mitigating factors are collateral, consisting of pledges of highly liquid financial assets and mortgages on residential property. Other mitigating guarantees are mortgages on non-residential property, personal guarantees depending on the guarantor's standing and pledges of financial assets other than government bonds.

The credit risk mitigation factors are assessed using a hierarchical classification system for the credit types, based on the intrinsic LGD, and the guarantees, based on their potential risk mitigation potential. Each risk category is given a weighing factor which estimates the overall risk level when applied to the counterparty's overall credit.

With respect to financial collateral acceptable as CRM, the bank meets the requirements of Circular no. 263/06.

In accordance with the above supervisory regulations and with respect to exposures guaranteed by property, the bank has systems which monitor the property's value on a statistical basis and operating procedures to check its actual value. It has also introduced a rule for the assessment of buildings which sets out the general criteria for property evaluations by experts.

The bank uses standard contracts for guarantees. If they are inadequate, the relevant offices prepare ad hoc contracts which are checked by the Compliance Office and, if necessary, external experts.

The bank did not have credit derivatives at the reporting date.

2.4 Impaired financial assets

The Risk Control Office and Legal Affairs Office manage non-performing loans.

Based on the information obtained from internal reports on loan performance and irregularities (monitoring of trends, identification of unpaid instalments and suspect cheques, items to be fixed, past due and/or overdue loans, reports from branches, inspection reports, etc.) and external sources (central risk database, CAI, external provider reports on injurious positions, etc.), the Risk Control Office assesses whether to adopt measures to contain risk and proposes classification of loans in temporary/financial difficulties as "doubtful" or "non-performing", if necessary. If this is the case, it provides the Legal Affairs and Litigation Office with all the information necessary to commence the procedures to recover the loan. The Risk Control Office manages the restructured loans as well and prepares a quarterly report for senior management on the status and developments of loans, especially doubtful ones.

Quantitative disclosure

A. Credit quality

A.1 Impaired and performing loans: carrying amount, impairment losses, performance, business and geographical breakdown

A.1.1 Breakdown of loans by portfolio and credit quality (carrying amount)

	Non-performing loans	Substandard loans	Restructured loans	Past due loans	Other assets	Total
1. Financial assets held for trading					205,463	**205,463**
2. Available-for-sale financial assets					114,288	**114,288**
3. Held-to-maturity investments					5,030	**5,030**
4. Due from banks					21,590	**21,590**
5. Loans to customers	18,672	39,351		3,118	927,862	**989,003**
6. Financial assets at fair value through profit or loss						**-**
7. Financial assets held for sale						**-**
8. Hedging derivatives						**-**
Total at 31/12/2010	**18,672**	**39,351**	**-**	**3,118**	**1,274,233**	**1,335,374**
Total at 31/12/2009	**17,759**	**30,638**	**-**	**4,512**	**1,285,416**	**1,338,325**

A.1.2 Breakdown of loans by portfolio and credit quality (gross amount and carrying amount)

	Impaired assets			Performing			Total (carrying amount)
	Gross amount	Individual impairment	Carrying amount	Gross amount	Collective impairment	Carrying amount	
1. Financial assets held for trading			-	205,463		205,463	205,463
2. Available-for-sale financial assets			-	114,288		114,288	114,288
3. Held-to-maturity investments			-	5,030		5,030	5,030
4. Due from banks			-	21,590		21,590	21,590
5. Loans to customers	82,750	21,610	61,140	937,963	10,100	927,863	989,003
6. Financial assets at fair value through profit or loss			-			-	-
7. Financial assets held for sale			-			-	-
8. Hedging derivatives			-			-	-
Total at 31/12/2010	**82,750**	**21,610**	**61,140**	**1,284,334**	**10,100**	**1,274,234**	**1,335,374**
Total at 31/12/2009	**75,312**	**22,403**	**52,909**	**1,295,487**	**10,068**	**1,285,419**	**1,338,328**

A.1.2.1 Breakdown of performing loans by portfolio (gross amount and carrying amount)

	Gross amount	Collective impairment	Carrying amount
1. Financial assets held for trading	205,463		205,463
2. Available-for-sale financial assets	114,288		114,288
3. Held-to-maturity investments	5,030		5,030
4. Due from banks	21,590		21,590
5. Loans to customers	932,473	10,033	922,440
6. Negotiated loans to customers as part of collective agreements	5,490	67	5,423
7. Financial assets at fair value through profit or loss			-
8. Financial assets held for sale			-
9. Hedging derivatives			-
Total at 31/12/2010	**1,284,334**	**10,100**	**1,274,234**

The above table shows performing loans that have been renegotiated as part of the collective ABI-MEF agreements provided for by Banca d'Italia communication no. 0169844/11 of 24 February 2011. The gross amount of € 5,490 thousand relates to the loans renegotiated pursuant to Law decree no. 185/2008.

A.1.2.2 Breakdown of performing loans by portfolio and due date

	Not yet due	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year
1. Financial assets held for trading	205,463	-	-	-	-
2. Available-for-sale financial assets	114,288	-	-	-	-
3. Held-to-maturity investments	5,030	-	-	-	-
4. Due from banks	21,590	-	-	-	-
5. Loans to customers	922,440	-	-	-	-
6. Negotiated loans to customers as part of collective agreements	-	4,124	1,299	-	-
7. Financial assets at fair value through profit or loss	-	-	-	-	-
8. Financial assets held for sale	-	-	-	-	-
9. Hedging derivatives	-	-	-	-	-
Total at 31/12/2010	**1,268,811**	**4,124**	**1,299**	**-**	**-**

The table shows that outstanding receivables related to loans renegotiated as part of the collective ABI-MEF agreements are mostly due within 3 months.

A.1.3 Due from banks on and off-statement of financial position: gross amounts and carrying amounts

	Gross amount	Individual impairment	Collective impairment	Net amount
A. ON STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans				**-**
b) Substandard loans				**-**
c) Restructured loans				**-**
d) Past due loans				**-**
f) Other assets	143,705			**143,705**
TOTAL A	**143,705**	**-**	**-**	**143,705**
B. OFF STATEMENT OF FINANCIAL POSITION				
a) Impaired				**-**
b) Other	3,711			**3,711**
Total B	**3,711**	**-**	**-**	**3,711**
Total A + B	**147,416**	**-**	**-**	**147,416**

A.1.4 On-statement of financial position amounts due from banks: gross impaired positions

The bank has not undertaken this type of transaction.

A.1.5 On-statement of financial position amounts due from banks: changes in impaired positions

The bank has not undertaken this type of transaction.

A.1.6 Loans to customers on and off-statement of financial position: gross amounts and carrying amounts

	Gross amount	Individual impairment	Collective impairment	Carrying amount
A. ON STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	36,355	17,683	-	18,672
b) Substandard loans	43,126	3,775	-	39,351
c) Restructured loans				-
d) Past due loans	3,269	151		3,118
f) Other assets	1,139,062		10,100	1,128,962
TOTAL A	**1,221,812**	**21,609**	**10,100**	**1,190,103**
B. OFF STATEMENT OF FINANCIAL POSITION				
a) Impaired	2,068			2,068
b) Other	86,211			86,211
Total B	**88,279**	**-**	**-**	**88,279**

Loans to customers include the balances of captions 20 and 40 (financial assets held for trading and available-for-sale) and 70 (loans to customers) less amounts due to banks consisting of securities included in table A.1.3.

A.1.7 On-statement of financial position loans to customers: gross impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Gross opening balance	**35,601**	**35,023**	**-**	**4,688**
- including: positions transferred but not derecognised				
B. Increases	**6,907**	**35,092**	**-**	**26,745**
B.1 transfers from performing loans	345	24,321		26,745
B.2 transfers from other impaired loan categories	5,610	10,771		
B.3 other increases	952	-		
C. Decreases	**6,154**	**26,991**	**-**	**28,164**
C.1 transfer to performing loans	-	4,290		15,840
C.2 derecognitions	2,204			
C.3 collections	3,950	16,814		1,175
C.4 losses on sales		-		
C.5 transfers to other impaired loan categories		5,562		10,819
C.6 other decreases		325		330
D. Gross closing balance	**36,354**	**43,124**	**-**	**3,269**
- including: positions transferred but not derecognised				

The balance for point C3 of € 16,814 thousand has been decreased by € 15,529 for withdrawals made for doubtful debts during the year. Therefore, the gross balances are € 15,529 thousand of withdrawals and € 32,343 thousand of collections.

A.1.8 On-statement of financial position loans to customers: changes in impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Opening balance	**17,842**	**4,385**		**176**
- including: positions transferred but not derecognised				
B. Increases	**4,093**	**2,755**	**-**	**227**
B.1. impairment losses	3,762	2,755		85
B.2 transfers from other impaired loan categories	331			
B.3 other increases				142
C. Decreases	**4,252**	**3,365**	**-**	**252**
C.1. fair value losses	1,531	3,034		58
C.2. reversals of impairment losses due to collections	762			194
C.3. derecognitions	1,959	-		
C.4. transfers to other impaired loan categories		331		
C.5. other decreases				
D. Closing balance	**17,683**	**3,775**	**-**	**151**
- including: positions transferred but not derecognised				

A.2 Classification of exposures using external and internal ratings

A.2.1 Breakdown of credit exposure on and off-statement of financial position by external rating classes

Moody's provides the external ratings in accordance with the ECAI used to calculate the capital requirements for credit risk.

The externally-rated exposure with ordinary customers on and off-statement of financial position is negligible.

The exposure with institutional and banking counterparties has high ratings:

	External rating class						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB	BB+/BB-	B+/B-	Below B		
A. On statement of financial position loans and receivables	**57,040**	**65,037**	**1,952**	**11,469**	**-**	**-**	**8,207**	**143,705**
B. Derivatives	**1,278**	**-**	**-**	**-**	**-**	**-**	**-**	**1,278**
B.1 Financial derivatives	1,278	-	-	-	-	-	-	1,278
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**		**13**	**-**	**-**	**-**	**13**
D. Commitments to disburse funds		**-**	**-**	**-**	**-**	**-**	**2,420**	**2,420**
Total	**58,318**	**65,037**	**1,952**	**11,482**	**-**	**-**	**10,627**	**147,416**

A.2.2 Breakdown of credit exposure on and off-statement of financial position by internal rating classes

The bank has decided not to use internal rating systems.

A.3 Breakdown of guaranteed exposure by type of guarantee

A.3.2 Guaranteed loans to customers

	Carrying amount	Collateral (1)			Personal guarantees (2)									Total (1)
					Credit derivatives					Endorsement credits				
						Other derivatives								
		Property	Securities	Other collateral	CLN	Government and central banks	Other government agencies	Banks	Other	Government and central banks	Other government agencies	Banks	Other	
1. Guaranteed loans:	**747,800**	**493,682**	**12,557**	**11,007**	**-**	**-**	**-**	**-**	**-**	**-**	**4,026**	**-**	**215,528**	**736,800**
1.1.fully guaranteed	699,316	481,367	9,802	5,125							4,026		198,995	699,315
- including: impaired	44,643	29,987	948	64									13,645	44,644
1.2. Partly guaranteed	48,484	12,315	2,755	5,882									16,533	37,485
- including: impaired	2,545	241	29	11									1,288	1,569
2. Off-statement of financial position guaranteed loans:	**44,808**	**14,151**	**2,161**	**1,293**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,327**	**40,932**
2.1. fully guaranteed	37,860	12,219	1,815	939									22,887	37,860
- including: impaired	2,056	1,171		5									879	2,055
2.2. Partly guaranteed	6,948	1,932	346	354									440	3,072
- including: impaired														

B. Breakdown and concentration of credit exposure

B.1 Breakdown of loans to customers on and off-statement of financial position by business segment (carrying amount)

	Governments			Other government agencies		
	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment
A. On-statement of financial position						
A.1 Non-performing loans						
A.2 Substandard loans						
A.3 Restructured loans						
A.4 Past due loans						
A.5 Other	196,772			4,318		
Total A	**196,772**	**-**	**-**	**4,318**	**-**	**-**
B. B. Off-statement of financial position						
B.1 Non-performing loans						
B.2 Substandard loans						
B.3 Other impaired assets						
B.4 Other				26,931		
Total B	**-**	**-**	**-**	**26,931**	**-**	**-**
Total at 31/12/2010	**196,772**	**-**	**-**	**31,249**	**-**	**-**
Total at 31/12/2009	**201,276**	**-**	**-**	**22,408**	**-**	**1**

	Financial companies			Insurance companies		
	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment
A. On-statement of financial position						
A.1 Non-performing loans	43	38				
A.2 Substandard loans	28	3				
A.3 Restructured loans						
A.4 Past due loans	-	-				
A.5 Other	3,371		24	-		
Total A	**3,442**	**41**	**24**	**-**	**-**	**-**
B. Off-statement of financial position						
B.1 Non-performing loans						
B.2 Substandard loans	-					
B.3 Other impaired assets						
B.4 Other	960					
Total B	**960**	**-**	**-**	**-**	**-**	**-**
Total at 31/12/2010	**4,402**	**41**	**24**	**-**	**-**	**-**
Total at 31/12/2009	**23,340**	**29**	**163**	**-**	**-**	**-**

	Non-financial companies			Other		
	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment
A. On-statement of financial position						
A.1 Non-performing loans	14,103	11,824		4,525	4,525	-
A.2 Substandard loans	27,722	2,894	-	11,601	878	
A.3 Restructured loans						
A.4 Past due loans	576	45		2,542	107	
A.5 Other	625,480		7,343	299,021		2,733
Total A	**667,881**	**14,763**	**7,343**	**317,689**	**5,510**	**2,733**
B. Off-statement of financial position						
B.1 Non-performing loans	12			-		
B.2 Substandard loans	2,051			1		
B.3 Other impaired assets	5			-		
B.4 Other	53,157			5,163		
Total B	**55,225**	**-**	**-**	**5,164**	**-**	**-**
Total at 31/12/2010	**723,106**	**14,763**	**7,343**	**322,853**	**5,510**	**2,733**
Total at 31/12/2009	**701,950**	**15,290**	**7,130**	**302,029**	**7,085**	**2,774**

Table "B.2 Breakdown of loans to resident non-financial companies" has been eliminated by Banca d'Italia communication no. 4855 of 2 January 2009.

Moreover, the credit concentration risk is analysed in the directors' report.

B.2 Breakdown of loans to customers on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans	18,672	17,684								
A.2 Substandard loans	39,351	3,775								
A.3 Restructured loans										
A.4 Past due loans	3,118	151								
A.5 Other	1,127,851	10,100	151		960		-		-	
Total A	**1,188,992**	**31,710**	**151**	**-**	**960**	**-**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans	12									
B.2 Substandard loans	2,052									
B.3 Other impaired assets	5									
B.4 Other	85,973								238	
Total B	**88,042**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**238**	**-**
Total at 31/12/2010	**1,277,034**	**31,710**	**151**	**-**	**960**	**-**	**-**	**-**	**238**	**-**
Total at 31/12/2009	**1,248,441**	**32,471**	**36**	**-**	**2,504**					

B.2.1 Breakdown of loans to customers on and off-statement of financial position by geographical segment (carrying amount)

	North-west ITALY		North-east ITALY		Central ITALY		South ITALY and islands	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position								
A.1 Non-performing loans	2,406	1,659	23	23	16,058	15,552	185	185
A.2 Substandard loans	27	4	38	11	35,127	3,568	4,159	192
A.3 Restructured loans								
A.4 Past due loans		-			2,907	143	211	8
A.5 Other	5,850	76	909	7	1,073,432	9,539	47,659	478
Total A	**8,283**	**1,739**	**970**	**41**	**1,127,524**	**28,802**	**52,214**	**863**
B. Off-statement of financial position								
B.1 Non-performing loans	-				12			
B.2 Substandard loans	-				1,052		1,000	
B.3 Other impaired assets					5			
B.4 Other	674		122		83,418		1,759	
Total B	**674**	**-**	**122**	**-**	**84,487**	**-**	**2,759**	**-**
Total at 31/12/2010	**8,957**	**1,739**	**1,092**	**41**	**1,212,011**	**28,802**	**54,973**	**863**
Total at 31/12/2009	**10,877**	**1,854**	**15,914**	**212**	**1,156,911**	**29,159**	**64,720**	**1,245**

B.3 Breakdown of amounts due from banks on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans										
A.2 Substandard loans										
A.3 Restructured loans										
A.4 Past due loans										
A.5 Other	141,049		114		2,525		16			
Total A	**141,049**	**-**	**114**	**-**	**2,525**	**-**	**16**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	3,698		13							
Total B	**3,698**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31/12/2010	**144,747**	**-**	**127**	**-**	**2,525**	**-**	**16**	**-**	**-**	**-**
Total at 31/12/2009	**180,422**	**-**	**225**	**-**	**1,830**	**-**	**102**	**-**	**3**	

B.3.1 Breakdown of amounts due from banks on and off-statement of financial position by geographical segment (carrying amount)

	North-west ITALY		North-east ITALY		Central ITALY		South ITALY and islands	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position								
A.1 Non-performing loans	-	-						
A.2 Substandard loans	-	-						
A.3 Restructured loans								
A.4 Past due loans	-	-						
A.5 Other	78,548	-	18,830		43,671			
Total A	**78,548**	**-**	**18,830**	**-**	**43,671**	**-**	**-**	**-**
B. Off-statement of financial position								
B.1 Non-performing loans	-	-						
B.2 Substandard loans	-							
B.3 Other impaired assets								
B.4 Other	1,274				2,424			
Total B	**1,274**	**-**	**-**	**-**	**2,424**	**-**	**-**	**-**
Total at 31/12/2010	**79,822**	**-**	**18,830**	**-**	**46,095**	**-**	**-**	**-**
Total at 31/12/2009	**86,587**	**-**	**24,073**	**-**	**68,518**	**-**	**-**	**-**

B.4 Large exposures (pursuant to supervisory regulations)

	31/12/2010	31/12/2009
a) Weighted amount	41,665	30,771
b) Nominal amount	307,391	52,841
c) Number	5	2
Total	**41,665**	**30,771**

As provided for by the sixth update of the Circular no. 263 of the “New prudential reporting instructions for banks” of 27 December 2010, which revised the prudential regulations for risk concentration, and with reference to communication no. 0206253/11 of 7 March 2011 issued by Banca d’Italia, the above table shows both the weighted value of the large exposures and their carrying amount. These positions have increased from 2 to 5 due to the new regulations.

C. Securitisations and transfers of assets

C.1 Securitisations

Qualitative disclosure

The bank has not undertaken this type of transaction.

Quantitative disclosure

The bank has not undertaken this type of transaction.

C.2 Transfers of assets

C.2.1 Financial assets transferred and not derecognised

	Financial assets held for trading			Financial assets at fair value through profit or loss			Available-for-sale financial assets			Total	
	A	B	C	A	B	C	A	B	C	31/12/2010	31/12/2009
A. Assets	**64,655**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64,655**	**75,993**
1. Debt instruments	64,655									64,655	75,993
2. Equity instruments										-	-
3. OEIC units										-	-
4. Financing										-	-
B. Derivatives										**-**	**-**
Total at 31/12/2010	**64,655**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64,655**	**75,993**
Total at 31/12/2009	**75,993**	**-**	**-**	**-**	**-**	**-**		**-**	**-**		**75,993**

	Held-to-maturity investments			Due to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	31/12/2010	31/12/2009
A. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
1. Debt instruments										-	-
2. Equity instruments										-	-
3. OEIC units										-	-
4. Financing										-	-
B. Derivatives										-	-
Total at 31/12/2010										**-**	
Total at 31/12/2009											**-**

KEY:

A = transferred financial assets recognised in full (carrying amount)
B = transferred financial assets recognised in part (carrying amount)
C = transferred financial assets recognised in part (entire amount)

C.2.2 Financial liabilities for financial assets transferred but not derecognised

	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Due to banks	Loans to customers	Total
1. Due to customers	**65,553**	**0**	**0**	**0**	**0**	**0**	**65,553**
a) for fully recognised assets	65,553		0				65,553
b) for partly recognised assets							0
2. Due to banks	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) for fully recognised assets							0
b) for partly recognised assets							0
Total at 31/12/2010	**65,553**	**0**	**0**	**0**	**0**	**0**	**65,553**
Total at 31/12/2009	**75,843**	**0**	**0**	**0**	**0**	**0**	**75,843**

D. CREDIT RISK MEASUREMENT MODELS

SECTION 2 - MARKET RISK

2.1 Interest rate and price risks - supervisory trading book

Qualitative disclosure

A. General aspects

The securities portfolio was almost entirely comprised of securities issued by governments or banks at floating rates in both 2010 and 2009. Most of these were used in repurchase agreements with customers in order to minimise interest rate risks.

Other interest rate swaps decreased considerably in 2010 due to the derecognition of the fixed rate hedged liabilities recognised in the banking book while the remainder comprised specular contracts for corporate customers, hedged specifically with institutional counterparties.

In short, therefore, the bank's policy for trading on its own behalf consists of short-term repurchase transactions, monitoring the performance and risk profiles, in order to achieve returns on a portfolio mainly composed of floating rate securities.

As part of its ordinary trading activities, the bank undertook transactions directly for government bonds and bonds, mostly issued by banks. It also managed the organised trades system for its own bonds.

The bank solely traded in long-term interest rate derivatives using unlisted derivatives as interest rate options and swaps.

During the year, it reclassified part of its trading portfolio into the AFS portfolio, as described in the directors' report.

B. Management and measurement of interest rate and price risks

Internal control regulations establish that the trading book's exposure to risk is checked by the Risk Management Unit using the VaR method and the ALMPro application. The VaR measurement is based on a variance-covariance type parametric model with a confidence interval of 99% and a time frame of ten days. It has a reliability factor of 99% and measures the maximum loss that the book could incur in the ten days after the analysis date.

The calculation of the VaR of the banking book includes financial instruments, comprising shares, bonds and OICR units in Euros and foreign currencies of the HFT, AFS and HtM portfolios, excluding foreign currency swaps and futures and derivatives.

The objective is to constantly check the acceptability of the total risk and maintain its level within the internal regulations' limits by estimating the VaR component (VaRC) of each HFT, AFS and HtM portfolio.

In order to avoid taking on excessive risk and to ensure compliance with the established limits, the VaR monitoring is performed daily and the Risk Management Unit prepares a monthly summary of the daily results for the board of directors. At present, the VaR model is solely used for management and internal control purposes. In March 2010, a periodic backtesting procedure of the VaR DEaR (one-day) was introduced to check the calculation model's reliability.

With respect to price risk, the bank's operations in price risk sensitive financial instruments (equity instruments, OEIC units, derivatives on OEIC units, equity instruments, share indexes, precious metals, commodities and other assets) is minimal and has a completely negligible risk level.

Quantitative disclosure

1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-statement of financial position financial assets and liabilities and derivatives

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**161,155**	**35,004**	**1,504**	**2,302**	**-**	**2,677**	**-**
1.1 Debt instruments	-	161,155	35,004	1,504	2,302	-	2,677	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*161,155*	*35,004*	*1,504*	*2,302*	-	*2,677*	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**47,760**	**17,793**	**-**	**-**	**-**	**-**	**-**
2.1 Reverse repurchase agreements	-	47,760	17,793	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**100**	**38,125**	**14,607**	**5,885**	**21,061**	**20,581**	**29,969**	**-**
3.1 With underlying security	-	**8,521**	**1,797**	**-**	2,468	970	2,732	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*8,521*	*1,797*	-	*2,468*	*970*	*2,732*	-
+ long positions	-	*1,017*	*1,012*	-	*2,468*	*970*	*2,732*	-
+ short positions	-	*7,504*	*785*	-	-	-	-	-
3.2 Without underlying security	100	**29,604**	**12,810**	**5,885**	**18,593**	**19,611**	**27,237**	-
- Options	*100*	***12,883***	***3,163***	***2,577***	***14,504***	***19,191***	***27,177***	-
+ long positions	*50*	*6,430*	*1,598*	*1,289*	*7,249*	*9,586*	*13,596*	-
+ short positions	*50*	*6,453*	*1,565*	*1,288*	*7,255*	*9,605*	*13,581*	-
- Other derivatives	-	***16,721***	***9,647***	***3,308***	***4,089***	***420***	***60***	-
+ long positions	-	*8,417*	*4,825*	*1,652*	*2,048*	*210*	*30*	-
+ short positions	-	*8,304*	*4,822*	*1,656*	*2,041*	*210*	*30*	-

Currency: US dollar (USD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**8,563**	**4,998**	**2,944**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	**-**	**-**	**-**	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	**8,563**	**4,998**	**2,944**	**-**	**-**	**-**	-
- Options	-	**-**	**-**	**-**	**-**	**-**	**-**	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	***8,563***	***4,998***	***2,944***	**-**	**-**	**-**	-
+ long positions	-	*4,222*	*2,497*	*1,473*	-	-	-	-
+ short positions	-	*4,341*	*2,501*	*1,471*	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**314**	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	**314**	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	***314***	-	-	-	-	-	-
+ long positions	-	*157*	-	-	-	-	-	-
+ short positions	-	*157*	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-		-	-	-	-	-	-
+ short positions	-		-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**3,036**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	**-**	**-**	**-**	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	**3,036**	**-**	**-**	**-**	**-**	**-**	-
- Options	-	**-**	**-**	**-**	**-**	**-**	**-**	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	***3,036***	**-**	**-**	**-**	**-**	**-**	-
+ long positions	-	*1,519*	-	-	-	-	-	-
+ short positions	-	*1,517*	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	**-**	**-**	**-**	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	**-**	**-**	**-**	**-**	**-**	**-**	-
- Options	-	**-**	**-**	**-**	**-**	**-**	**-**	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	**-**	**-**	**-**	**-**	**-**	**-**	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Supervisory trading book: breakdown of exposure in equity instruments and share indexes by main stock exchange

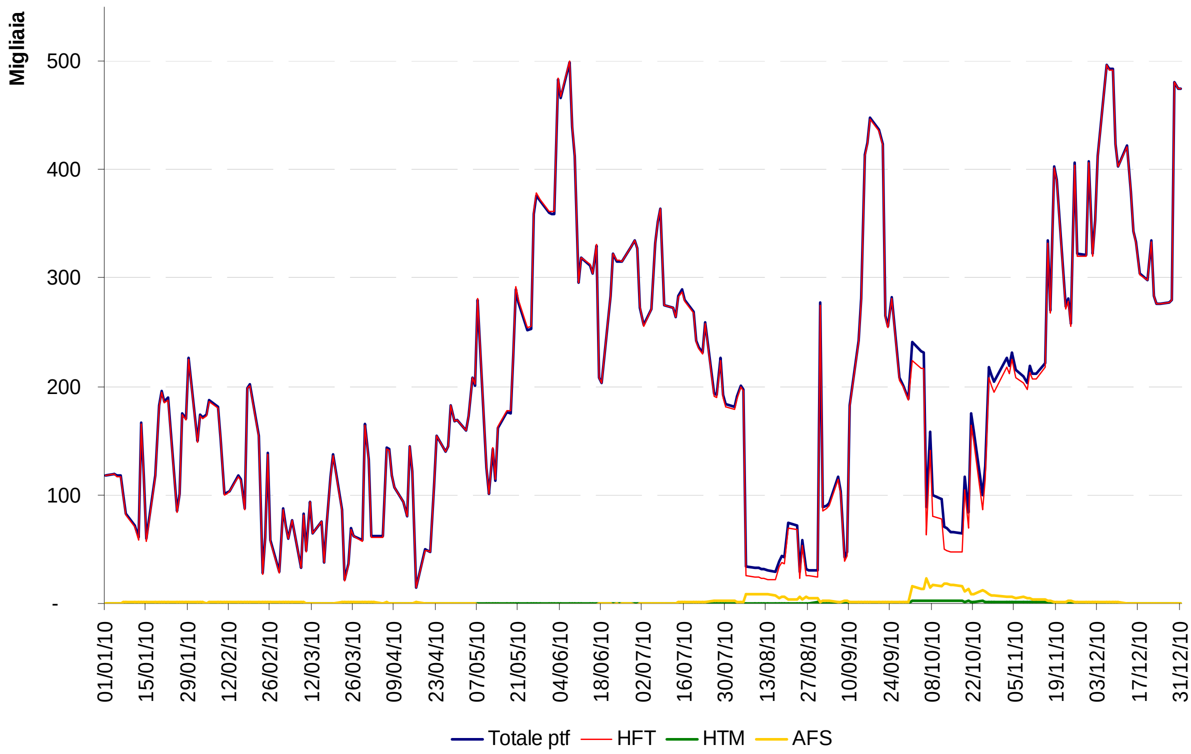
	Listed			Unlisted
	ITALY	Country 2	Country 3	
A. Equity instruments	**2**	**-**	**-**	**-**
- long positions	2	-	-	-
- short positions	-	-	-	-
B. Unsettled transactions involving equity instruments	**-**	**-**	**-**	**-**
- long positions	-		-	-
- short positions				
C. Other derivatives on equity instruments	**-**	**-**	**-**	**-**
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Derivative on share indexes	**-**	**-**	**-**	**-**
- long positions	-	-	-	-
- short positions	-	-	-	-

3. Supervisory trading book: internal models and other methodologies used to analyse sensitivity

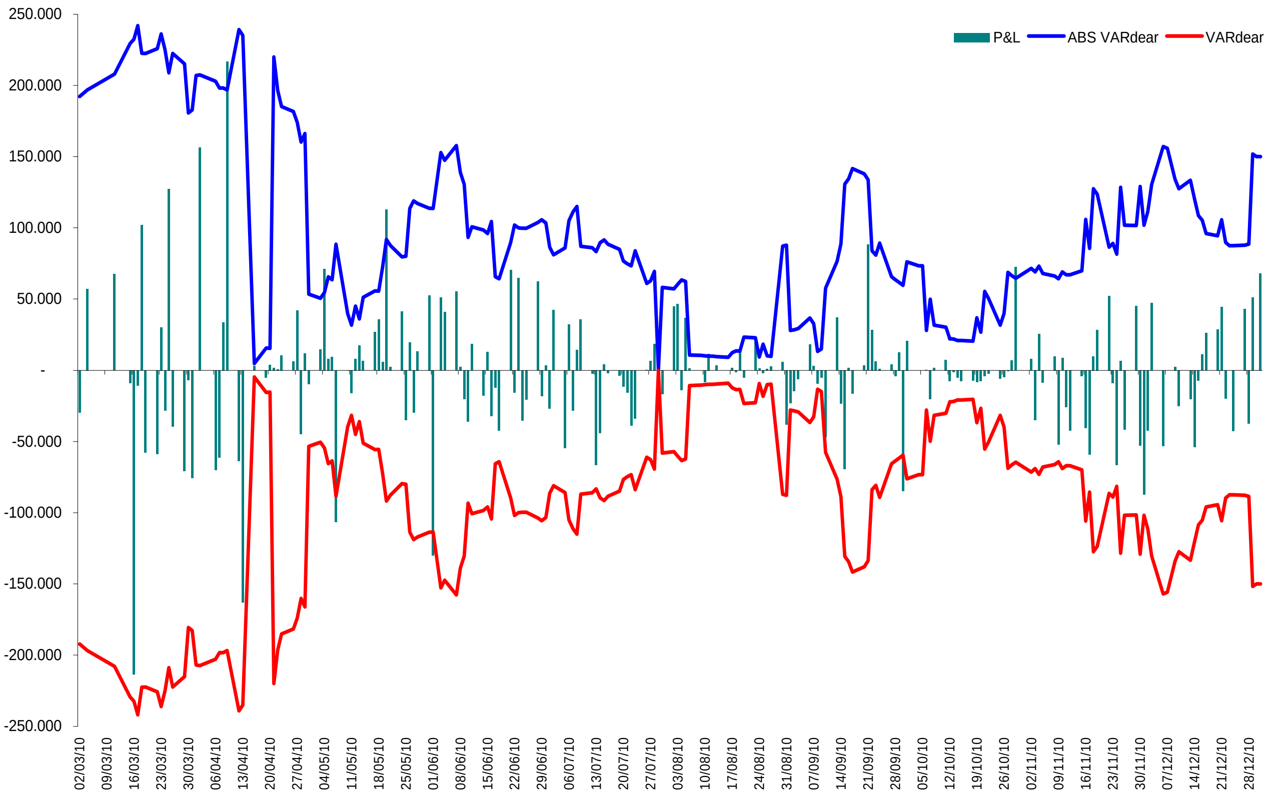
The following table shows the information provided by the VaR calculation model about the shares and bonds in the trading book while the graph shows the 10-day VaR trend from 1 January to 31 December 2010.

From 1 January 2010 to 31 December 2010	VaR HFT (in Euros)
Minimum	14,231
Maximum	500,174
Average	196,545
Period end	474,328

10-day VaR, 99% confidence interval



Backtesting on 1-day VaR, 99% confidence interval



2.2 Interest rate and price risk - banking book

Qualitative disclosure

A. General aspects, management and measurement of interest rate and price risks

The banking book includes all financial assets and liabilities not included in the trading book.

The Risk Management Unit measures the banking book's interest rate risk using the ALMPro tool, applying the methodology required by the prudential supervisory instructions (Pillar II, annex C to Banca d'Italia Circular no. 263/2006, chapter III, section 1). Risk is measured assuming a 200 bp change in the interest rates and is quantified in terms of changes in the total economic value of the instruments included in the banking book.

The model provides for a breakdown of the assets and liabilities by maturity or interest rate review date and compares the total weighted difference to the regulatory capital.

In order to ensure the proper monitoring of the banking book's interest rate risk, it is measured every month while monthly reports are prepared for the managing director and the board of directors.

For management purposes, the banking book's interest rate risk is analysed for sensitivity using the ALMPro tool, simulating the change in the interest income should interest rates increase or decrease by 100 bp.

Price risk is negligible for the banking book.

B. Fair value hedges

The bank has not agreed fair value hedges.

C. Cash flow hedges

The bank has not agreed cash flow hedges.

D. Hedges of investments in foreign operations

No such transactions have taken place.

Quantitative disclosure

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**380,457**	**506,640**	**47,228**	**27,283**	**96,887**	**46,934**	**20,757**	**12**
1.1 Debt instruments	430	84,083	29,805	5,000	-	-	-	-
- with early repayment option								
- other	*430*	*84,083*	*29,805*	*5,000*				
1.2 Financing to banks	12,255	8,207						
1.3 Financing to customers	**367,772**	**414,350**	**17,423**	**22,283**	**96,887**	**46,934**	**20,757**	**12**
- current account	*241,040*	*436*	*75*	*139*	*5,259*	*1,335*	*11*	
- other financing	*126,732*	*413,914*	*17,348*	*22,144*	*91,628*	*45,599*	*20,746*	*12*
- with early repayment option	*48,823*	*380,132*	*11,339*	*19,886*	*83,124*	*41,749*	*20,741*	*11*
- other	*77,909*	*33,782*	*6,009*	*2,258*	*8,504*	*3,850*	*5*	*1*
2. Liabilities	**827,469**	**121,993**	**85,462**	**12,486**	**134,543**	**-**	**-**	**-**
2.1 Due to customers	816,234	57,723	28,086	-	-	-	-	-
- current account	*684,698*	*-*	*82*					
- other payables	*131,536*	*57,723*	*28,004*	*-*	*-*	*-*	*-*	
- with early repayment option	*-*	*-*	*-*	*-*				
- other	*131,536*	*57,723*	*28,004*		*-*	*-*	*-*	*-*
2.2 Due to banks	7,250	-	-	-	-	-	-	-
- current account	*2,250*	*-*	*-*	*-*				
- other payables	*5,000*		*-*					
2.3 Debt instruments	3,985	64,270	57,376	12,486	134,543	-	-	-
- with early repayment option	*-*	*-*	*-*					
- other	*3,985*	*64,270*	*57,376*	*12,486*	*134,543*			
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option								
- other								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions								
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions			-	-	-			
+ short positions			-					

Currency: US dollar (USD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**2,330**	**581**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	744	-	-	-	-	-	-	-
1.3 Financing to customers	**1,586**	**581**	**-**	**-**	**-**	**-**	**-**	**-**
- current account	*1*	-	-	-	-	-	-	-
- other financing	*1,585*	*581*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*1,585*	*581*	-	-	-	-	-	-
2. Liabilities	**2,935**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Due to customers	2,935	-	-	-	-	-	-	-
- current account	*2,935*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**125**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	125	-	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	**180**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Due to customers	180	-	-	-	-	-	-	-
- current account	*180*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**62**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	62	-	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**80**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Due to customers	-	80	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	*80*	-	-	-	-	-	
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*80*	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**72**	**10**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	16	-	-	-	-	-	-	-
1.3 Financing to customers	**56**	**10**	**-**	**-**	**-**	**-**	**-**	**-**
- current account	-	-	-	-	-	-	-	-
- other financing	*56*	*10*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*56*	*10*	-	-	-	-	-	-
2. Liabilities	**-**	**92**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Due to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	92	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	*92*	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	**-**	-	-	-	-	-	-
- Options	-	**-**	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	**-**	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	16	-	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	3	-	-	-	-	-	-	-
- current account	*3*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**164**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	164	-	-	-	-	-	-	-
1.3 Financing to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	**141**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	141	-	-	-	-	-	-	-
- current account	*141*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analyses

The impact on interest income of a 1% increase or decrease in interest rates is calculated using the ALMPro tool for management purposes only, assuming that the maturity dates do not change for a year.

Impatto sul Margine

Gapping period: 12 mesi
Data cut-off: 31/12/2010
Importi in euro

MARGINE DI INTERESSE ATTESO	36.047.966

	Shock: +1%				Shock: -1%			
	Bilancio		F. Bilancio	Totale	Bilancio		F. Bilancio	Totale
	Vista	Scadenza			Vista	Scadenza		
a - Gap Incrementale	**-5.484.490**	**4.890.267**	**29**	**-594.195**	**1.833.946**	**-4.986.801**	**-3.709**	**-3.156.564**
(% del margine atteso)	-15,2%	13,6%	0,0%	-1,6%	5,1%	-13,8%	0,0%	-8,8%
b - Beta Gap Incrementale	**-1.271.533**	**4.890.267**	**29**	**3.618.762**	**-429.984**	**-4.986.801**	**-3.709**	**-5.420.494**
(% del margine atteso)	-3,5%	13,6%	0,0%	10,0%	-1,2%	-13,8%	0,0%	-15,0%
c - Shifted Beta Gap	**-737.397**	**4.890.267**	**29**	**4.152.899**	**-518.734**	**-4.986.801**	**-3.709**	**-5.509.243**
(% del margine atteso)	-2,0%	13,6%	0,0%	11,5%	-1,4%	-13,8%	0,0%	-15,3%
Effetto beta (b-a)	4.212.957			4.212.957	-2.263.930			-2.263.930
Effetto vischiosità (c-b)	534.137			534.137	-88.750			-88.750

2.3 Currency risk

Qualitative disclosure

A. General aspects, management and measurement of currency risk

Currency risk is the risk that the bank may incur losses due to adverse changes in foreign exchange rates affecting its positions.

The bank's foreign currency activities solely comprise spot and repurchase agreements for customers, which are concurrently matched on the market by agreeing very short term, short/long positions that give rise to immaterial price risk.

Internal models to calculate the capital requirements for market risk are not used.

B. Currency hedges

The bank does not agree specific currency hedges.

Quantitative disclosure

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss francs	Other currencies
A. Financial assets	**2,911**	**125**	**82**	**16**	**62**	**164**
A.1 Debt instruments						
A.2 Equity instruments						
A.3 Financing to banks	744	125	16	16	62	164
A.4 Financing to customers	2,167		66		-	
A.5 Other financial assets						
B. Other assets	**139**	**44**	**4**	**3**	**18**	**7**
C. Financial liabilities	**2,935**	**180**	**92**	**3**	**80**	**142**
C.1 Due to banks			92		80	1
C.2 Due to customers	2,935	180		3		141
C.3 Debt instruments						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives	**16,506**	**314**	**3,036**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ *long positions*						
+ *short positions*						
- Other derivatives	**16,506**	**314**	**3,036**	**-**	**-**	-
+ *long positions*	*8,193*	*157*	*1,519*			
+ *short positions*	*8,313*	*157*	*1,517*			
Total assets	**11,243**	**326**	**1,605**	**19**	**80**	**171**
Total liabilities	**11,248**	**337**	**1,609**	**3**	**80**	**142**
Difference (+/-)	**- 5**	**- 11**	**- 4**	**16**	**-**	**29**

Given this risk's immateriality, the bank does not currently assess the effect of changes in exchange rates on total income, the profit or loss for the year and equity, nor does it perform scenario analyses.

2. Internal models and other methodologies for sensitivity analyses.

The bank does not use internal models to measure currency risk or other methodologies for sensitivity analyses.

2.4 Derivatives

A. Financial derivatives

The banking book is not subject to price risk.

A.1 Supervisory trading book: notional amounts at the reporting date and average amounts

	31/12/2010		31/12/2009	
	Over the counter	Central counterpartie	Over the counter	Central counterpartie
1. Debt instruments and interest rates	**81,730**	**-**	**72,069**	**-**
a) Options	66,482		54,208	
b) IRS	6,956		11,564	
c) Forwards	8,292		6,297	
d) Futures				
e) Other				
2. Equity instruments and share indexes	**-**	**-**	**-**	**-**
a) Options				
b) Swaps	-		-	-
c) Forwards				
d) Futures				
e) Other				-
3. Currencies and gold	**16,814**	**-**	**10,496**	**-**
a) Options				
b) Swaps				-
c) Forwards	*16,814*		*10,496*	
d) Futures				
e) Other				-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**98,544**	**-**	**82,565**	**-**
Average amounts	**84,124**		**73,331**	**-**

A.3 Financial derivatives: gross fair value gains - breakdown by product

	Fair value gains			
	31/12/2010		31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	**1,566**	**-**	**1,214**	**-**
a) Options	1,106		791	
b) Interest rate swaps	222		310	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards	238		113	
d) Futures				
e) Other				
B. Banking book - hedging	**-**	**-**	**-**	**-**
a) Options				
b) Interest rate swaps	-		-	-
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
d) Futures				
e) Other	-		-	-
C. Banking book - other derivatives	**-**	**-**	**-**	**-**
a) Options				
b) Interest rate swaps	-		-	-
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
d) Futures				
e) Other	-	-	-	-
Total	**1,566**	**-**	**1,214**	**-**

A.4 Financial derivatives: gross fair value losses - breakdown by product

	Fair value losses			
	31/12/2010		31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	**1,513**	**-**	**1,072**	**-**
a) Options	1,108		795	
b) Interest rate swaps	170		168	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards	235		109	
d) Futures				
e) Other				
B. Banking book - hedging	**-**	**-**	**-**	**-**
a) Options				
b) Interest rate swaps	-		-	-
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
d) Futures				
e) Other	-		-	-
C. Banking book - other derivatives	**-**	**-**	**-**	**-**
a) Options				
b) Interest rate swaps	-		-	-
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
d) Futures				
e) Other	-	-	-	-
Total	**1,513**	**-**	**1,072**	**-**

A.5 OTC financial derivatives - supervisory trading book: notional amounts, gross fair value gains and losses by counterparty - contracts not included in netting agreements

	Government and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1. Debt instruments and interest rates	**-**	**-**	**39,205**	**104**	**-**	**21,208**	**15,994**
- notional amount			37,418	102		20,560	15,357
- fair value gains			1,163			130	35
- fair value losses			176	2		502	598
- future exposure			448			16	4
2. Equity instruments and share indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional amount							
- fair value gains							
- fair value losses							
- future exposure							
3. Currencies and gold	**-**	**-**	**8,394**	**-**	**-**	**8,537**	**524**
- notional amount			8,084			8,223	507
- fair value gains			115			117	6
- fair value losses			114			115	6
- future exposure			81			82	5
4. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional amount							
- fair value gains							
- fair value losses							
- future exposure							

A.9 Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	From 1 to 5 years	After 5 years	Total
A. Supervisory trading book	**20,937**	**12,859**	**56,456**	**90,252**
A.1 Financial derivatives on debt instruments and interest rates	4,123	12,859	56,456	73,438
A.2 Financial derivatives on equity instruments and share indexes				-
A.3 Financial derivatives on exchange rates and gold	16,814			16,814
A.4 Financial derivatives on other assets				-
B. Banking book	**-**	**-**	**-**	**-**
A.1 Financial derivatives on debt instruments and interest rates	-	-		-
A.2 Financial derivatives on equity instruments and share indexes				-
A.3 Financial derivatives on exchange rates and gold				-
A.4 Financial derivatives on other assets				-
Total at 31/12/2010	**20,937**	**12,859**	**56,456**	**90,252**
Total at 31/12/2009	**21,417**	**10,572**	**50,576**	**82,565**

B. Credit derivatives

The bank has not agreed credit derivatives.

SECTION 3 - LIQUIDITY RISK

Qualitative disclosure

A. General aspects, management and measurement of liquidity risk

The bank's liquidity risk management strategy is based on ensuring a steady flow of liquidity, as required by the supervisory regulations, and its prudent and careful management policies.

The Finance Unit Head is in charge of managing liquidity, including by investing any surplus on the interbank deposit market. The Risk Management Unit regularly monitors the liquidity conditions and reports to the general manager.

On 25 January 2011, the board of directors approved the "Liquidity risk governance and management policy", which also includes an emergency plan for any liquidity crises.

The degree of structural liquidity and the ordinary customers' lending/funding ratio is checked every three months along with compliance with the specific limits set by internal regulations.

The bank has used Prometeia's ALMPro application for liquidity risk, which partly updates the assessment model, since 31 December 2008. This model is based on differentiated weighing ratios depending on the type of asset, liability and commitment and classifies assets and liabilities considering their liquidability characteristics for each residual maturity category. Any differences and certain synthetic indexes are used to assess the structural liquidity situation over the entire time frame.

In order to ensure the proper monitoring of liquidity risk, the Risk Management Unit assesses such risk and prepares monthly reports.

Quantitative disclosure

At the reporting date, the structural liquidity analysis models show the substantial financial balance within the limits set by the internal regulations:

in Euros

Time bracket	Asset/ availability	Liability/ commitment	Difference	Total difference
Highly liquid assets	262,196,509			
At sight or revocation	2,771,186	182,046,111	82.921.584	82.921.584
Up to 1 month	58,217,874	35,933,965	22.283.909	105.205.493
From 1 to 3 months	59,966,286	30,052,438	29.913.848	135.119.341
From 3 to 6 months	39,920,074	43,756,971	-3.836.897	131.282.444
From 6 to 12 months	54,775,841	49,465,000	5.310.841	136.593.285
From 1 to 2 years	76,224,659	77,433,500	-1.208.841	135.384.444
From 2 to 3 years	64,089,600	64,723,000	-633.400	134.751.044
From 3 to 4 years	53,555,289	15,271,000	38.284.289	173.035.333
From 4 to 5 years	43,222,602	-	43.222.602	216.257.935
From 5 to 7 years	69,570,041	1,805,000	67.765.041	284.022.976
From 7 to 10 years	84,378,276	-	84.378.276	368.401.252
From 10 to 15 years	85,688,789	-	85.688.789	454.090.041
From 15 to 20 years	19,663,171	-	19.663.171	473.753.212
After 20 years	8,878,781	-	8.878.781	482.631.993
TOTAL	**983.118.978**	**500.486.985**	**482.631.993**	

Activities on the interbank deposit market are undertaken to invest surplus liquidity in short-term products so as to ensure fast liquidability.

1. Breakdown of financial assets and liabilities by residual contractual maturity - Currency: Euro

Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	**334,160**	**2,639**	**6,022**	**14,824**	**45,920**	**39,960**	**72,765**	**449,293**	**384,120**	**179**
A.1 Government bonds	-	-	-	-	22	-	11,379	112,526	79,294	-
A.2 Other debt instruments	-	-	-	-	1,493	6,353	5,102	85,881	31,166	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	334,160	2,639	6,022	14,824	44,405	33,607	56,284	250,886	273,660	179
- Banks	*12,255*	-	-	-	*8,207*	-	-	-	-	-
- Customers	*321,905*	*2,639*	*6,022*	*14,824*	*36,198*	*33,607*	*56,284*	*250,886*	*273,660*	*179*
On-statement of financial position	**823,156**	**6,027**	**1,805**	**24,585**	**62,618**	**61,408**	**45,610**	**152,432**	**3**	**-**
B.1 Deposits and current accounts	821,989	522	602	1,911	6,928	10,294	-	-	-	-
- Banks	*7,250*	-	-	-	-	-	-	-	-	-
- Customers	*814,739*	*522*	*602*	*1,911*	*6,928*	*10,294*	-	-	-	-
B.2 Debt instruments	1,167	5,001	983	9,047	22,282	33,321	45,610	152,432	-	-
B.3 Other liabilities	-	504	220	13,627	33,408	17,793	-	-	3	-
Off-statement of financial position	**77,460**	**12,579**	**995**	**1,437**	**5,675**	**6,722**	**3,011**	**2,809**	**26,011**	**2,920**
C.1 Financial derivatives with exchange of	-	12,103	995	1,437	5,675	6,722	3,011	2,692	3,702	8
- Long positions	-	*2,755*	*546*	*746*	*2,964*	*3,497*	*1,488*	*2,488*	*3,702*	-
- Short positions	-	*9,348*	*449*	*691*	*2,711*	*3,225*	*1,523*	*204*	-	*8*
C.2 Financial derivatives without exchange of	**2,605**	-	-	-	-	-	-	-	-	-
- Long positions	*1,328*	-	-	-	-	-	-	-	-	-
- Short positions	*1,277*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**74,843**	**476**	**-**	**-**	**-**	**-**	**-**	**-**	**22,309**	**2,912**
- Long positions	*26,268*	*238*	-	-	-	-	-	-	*22,308*	*1,456*
- Short positions	*48,575*	*238*	-	-	-	-	-	-	*1*	*1,456*
C.5 Financial guarantees issued	12	-	-	-	-	-	-	117	-	-

At the reporting date, the bank had received guarantees of € 30,704 thousand which are not shown in the above table as there is no evidence to reasonably suggest that they will be enforced or when they will be used. Guarantees enforced in the last four years are as follows:

2007: 3 positions for a total of € 46 thousand;
2008: 3 positions for a total of € 231 thousand;
2009: none
2010: none.

Currency: US dollar (USD)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	**866**	**13**	**8**	**490**	**1,338**	**216**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	866	13	8	490	1,338	216	-	-	-	-
- Banks	*744*	-	-	-	-	-	-	-	-	-
- Customers	*122*	*13*	*8*	*490*	*1,338*	*216*	-	-	-	-
On-statement of financial position	**2,935**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	2,935	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*2,935*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position	**-**	**1,408**	**995**	**804**	**5,355**	**4,998**	**2,944**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of	-	1,408	995	804	5,355	4,998	2,944	-	-	-
- Long positions	-	*845*	*449*	*374*	*2,554*	*2,497*	*1,473*	-	-	-
- Short positions	-	*563*	*546*	*430*	*2,801*	*2,501*	*1,471*	-	-	-
C.2 Financial derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	**125**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	125	-	-	-	-	-	-	-	-	-
- Banks	*125*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-statement of financial position	**180**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	180	-	-	-	-	-	-	-	-	-
- Banks	*180*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position	**-**	**-**	**-**	**-**	**314**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of	-	-	-	-	314	-	-	-	-	-
- Long positions	-	-	-	-	*157*	-	-	-	-	-
- Short positions	-	-	-	-	*157*	-	-	-	-	-
C.2 Financial derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	**62**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	62	-	-	-	-	-	-	-	-	-
- Banks	*62*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-statement of financial position	**-**	**-**	**-**	**-**	**80**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	-	-	-	-	80	-	-	-	-	-
- Banks	-	-	-	-	*80*	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	**17**	**10**	**-**	**-**	**15**	**41**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	17	10	-	-	15	41	-	-	-	-
- Banks	*17*	-	-	-	*15*	*41*	-	-	-	-
- Customers		*10*	-	-	-	-	-	-	-	-
On-statement of financial position	**-**	**-**	**-**	**92**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	-	-	-	92	-	-	-	-	-	-
- Banks	-	-	-	*92*	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position	**-**	**2,404**	**-**	**632**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of	-	2,404	-	632	-	-	-	-	-	-
- Long positions	-	*1,203*	-	*316*	-	-	-	-	-	-
- Short positions	-	*1,201*	-	*316*	-	-	-	-	-	-
C.2 Financial derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	16	-	-	-	-	-	-	-	-	-
- Banks	*16*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-statement of financial position	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	3	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*3*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

Currency: other

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	**164**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	164	-	-	-	-	-	-	-	-	-
- Banks	*164*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-statement of financial position	**141**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	141	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*141*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

SECTION 4 - OPERATIONAL RISKS

Qualitative disclosure

A. General aspects, management and measurement of operational risk

As per the regulatory definition (Banca d'Italia Circular no. 263/06), operational risk is the risk of losses arising from errors or shortfalls in internal procedures, due to both human/technological resources and external factors.

In order to ensure efficient, effective and ongoing internal procedures, general management and its subordinates, as the organisational units, are responsible for identifying, measuring and mitigating any operational risks. The bank has regulations in place for key operating procedures formalising the operating stages and activities and establishing the line controls.

Mapping of the bank procedures started in 2007, was continued successfully and completed with the operational procedures for relationships with customers, excluding the finance area transactions.

With respect to the operational risk mitigation tools, the bank focused on the transfer of risk through the agreement of insurance policies, suitable for low frequency events with a high financial impact. These policies cover risks of losses from:

- fraud or misconduct;
- damage to third parties caused by errors made during banking operations;
- non-intentional violations of legal, regulatory and by-laws obligations by directors and specific employees;
- third-party fraud;
- damage to property and equipment as a result of natural or criminal events;
- accidents and slight or serious injuries to third parties inside the bank's premises.

Legal risks

Situations that led to legal risks mainly relate to operations covered by the main special regulations such as, specifically, entities' administrative liability (Legislative decree no. 231/2001), occupational safety (Legislative decree no. 81/2008), building site regulations (Legislative decree no. 494/96), privacy (Legislative decree no. 196/2003), banking transparency, usury, anti-money laundering and investment services.

With respect to Legislative decree no. 231/01, the bank uses the organisational models of the ABI, approved by the Ministry for Justice, and has set up a supervisory body to ensure the working and compliance with the models.

The Compliance Unit is responsible for monitoring legal risks and the bank's compliance with external and internal rules and regulations. it also checks new products/services' compliance in order to identify any potential risks in advance and make the necessary amendments.

The main legal disputes are described below.

Compound interest disputes

In line with the banking sector's general practice, the bank does not agree with the decision reiterated by the Supreme Court since 1999 which confirm the "negotiating" rather than the "regulatory" nature of the quarterly capitalisation clause for interest expense and, therefore, the illegality of its application to bank current accounts. The bank maintains its opinion in court as well.

The banks' position is supported by numerous merits rulings which emphasise different legal points, which are valid, and that may lead the Supreme Court to rethink its position in the future.

At present, the bank is obliged to make adequate provision for its ongoing disputes with customers about compound interest, based on the calculations made when the dispute arose.

Claw-back claims

The bank assesses individual requests for the return of amounts from the official receivers, estimating the inherent risks. It assesses the cost/benefits ratio only when it deems it more useful and proposes out-of-court settlements to the counterparties, which are often successful and avoids going to court.

Should a legal proceeding be commenced, the bank evaluates its possibility of losing, updates its risk estimates and defends itself suitably in court, also based on its understanding of the counterparty's insolvency. Once such legal proceedings commence, provision is made for the risks related to the amounts deemed re-obtainable based on internal assessments.

Disputes involving securities

Supported by a number of court rulings in its favour, the bank reviews each dispute and only makes adequate provision when it deems that it may effectively have to pay.

Moreover, the number of proceedings commenced against the bank for the acquisition of securities by customers (mostly Argentine and Parmalat bonds) is very modest compared to the number of transactions performed. The bank does not expect it to increase significantly.

PART F
Equity

Section 1 - Equity

A. Qualitative disclosure

The Measure about the instructions for the prudential treatment of valuation reserves for UE government bonds held in the AFS financial assets portfolio for the calculation of regulatory capital was published on 18 May 2010.

This Measure allows the complete neutralisation of gains and losses recognised on securities issued by EU governments in these reserves using the so called “symmetrical” approach rather than the so called “asymmetrical” approach, where the net loss was entirely deducted from Tier 1 capital and the net gain was partly included in Tier 2 capital.

As the bank does not have EU government treasury bonds in its AFS financial assets portfolio, it has continued to calculate its regulatory capital using the previously issued instructions.

The directors’ report discloses and comments on the main financial statements indicators which include, in particular, the capitalisation ratios, useful to analyse the bank’s equity on a qualitative basis.

B. Quantitative disclosure

B.1 Equity: breakdown

	31/12/2010	31/12/2009
1. Share capital	**39,241**	**39,241**
2. Share premium	**34,660**	**34,660**
3. Reserves	**58,669**	**56,010**
- income-related	*55,385*	*52,726*
a) legal	*14,641*	*13,615*
b) statutory	*40,744*	*39,111*
c) treasury shares		
d) other		
- other	*3,284*	*3,284*
4. Equity instruments		
5. (Treasury shares)	-	-
6. Valuation reserves	**12,765**	**14,550**
- Available-for-sale financial assets	- 2,357	- 572
- Property, equipment and investment property	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Exchange rate gains (losses)	-	-
- Non-current assets held for sale	-	-
- Actuarial gains (losses) on defined benefit pension plans	-	-
- Portion of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	15,122	15,122
7. Profit for the year	2,244	10,255
Total	**147,579**	**154,716**

B.2 Valuation reserves of AFS financial assets: breakdown

	31/12/2010		31/12/2009	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	89	2,796	-	1,090
2. Equity instruments	364	14	517	
3. OEIC units				
4. Financing				
Total	**453**	**2,810**	**517**	**1,090**

B.3 Valuation reserves of AFS financial assets: changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**- 1,090**	**517**	**-**	**-**
2. Increase	**891**	**63**	**-**	**-**
2.1 Fair value gains	66			
2.2 Reclassification of fair value losses to profit or loss	24	-	-	-
- due to impairment				
- on sale	24			
2.3 Other increases	801	63		
3. Decrease	**2,508**	**230**	**-**	**-**
3.1 Fair value losses	2,479	35		
3.2 Impairment losses				
3.3 Reclassification of fair value gains to profit or loss		195		
3.4 Other decreases	29		-	-
4. Closing balance	**- 2,707**	**350**	**-**	**-**

Section 2 – Regulatory capital and ratios

2.1 Regulatory capital

A. Qualitative disclosure

Regulatory capital is calculated as the sum of the positive components based on their capital quality. They must be fully available so as to be included in the calculation of capital absorption.

Regulatory capital consists of Tier 1 capital and Tier 2 capital, net of certain deductions. Specifically:

1 Tier 1 capital

Tier 1 capital - this includes paid-in share capital, share premium and income-related reserves, net of intangible assets, negative reserves for AFS securities and 50% of the bank's equity investments.

2 Tier 2 capital

Tier 2 capital - this includes the valuation reserves, net of 50% of the positive reserves of AFS securities and 50% of the bank's equity investments.

3 Tier 3 capital

Tier 3 capital - at the reporting date, there were no Tier 3 capital components.

Equity investments in insurance companies are deducted from Tier 1 and Tier 2 capital.

The bank monitors its regulatory capital regularly and risk weighted assets to determine the solvency ratio. This monitoring of actual and forecast developments in the bank's operations and the related impact on the indicators enables it to adopt measures deemed the most suitable from time to time to ensure its balanced growth in accordance with the prudent supervisory indicators.

B. Quantitative disclosure

	31/12/2010	31/12/2009
A. Tier 1 capital before application of prudential filters	**133,187**	**132,507**
B. Tier 1 prudential filters:	- 2,707	- 1,089
B1 - Positive IFRS prudential filters (+)	-	-
B2 - Negative IFRS prudential filters (-)	*2,707*	*1,089*
C. Tier 1 capital including application of prudential filters (A + B)	**130,480**	**131,418**
D. Elements to be deducted from Tier 1 capital	**541**	**541**
E. Total Tier 1 capital (C - D)	**129,939**	**130,877**
F. Tier 2 capital before application of prudential filters	**15,471**	**15,639**
G. Tier 2 prudential filters	- 175	- 258
G1 - Positive IFRS prudential filters (+)	-	-
G2 - Negative IFRS prudential filters (-)	*175*	*258*
H. Tier 2 capital including application of prudential filters (F + G)	**15,296**	**15,381**
I. Elements to be deducted from Tier 2 capital	**541**	**541**
L. Total Tier 2 capital (H - I)	**14,755**	**14,840**
M. Elements to be deducted from Tier 1 and Tier 2 capital	**-**	**-**
N. Regulatory capital (E + L - M)	**144,694**	**145,717**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N + O)	**144,694**	**145,717**

2.2 Capital adequacy

A. Qualitative disclosure

At the reporting date, the bank's regulatory capital was € 144.7 million. The capital ratio was 15.16%, well above the minimum mandatory ratio imposed by the supervisory regulations (8%).

The Tier 1/risk-weighted assets ratio (Tier 1 capital ratio) was 13.61% which, compared to the Total capital ratio, implies that the regulatory capital mostly consists of Tier 1 capital. Tier 1 capital comprises share capital and reserves of € 129.9 million.

Tier 2 capital amounted to € 14.7 million.

The regulatory capital requirements of € 76.3 million refer to credit, operational and market risk. Credit operations account for the most capital with credit risk requirements of € 67.1 million.

Risk-weighted assets amount to € 954.6 million and there has been an increase in such assets for credit risk.

B. Quantitative disclosure

	Unweighted amounts		Weighted amounts/requirements	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
A. EXPOSURES				
A.1 Credit and counterparty risk	**1,240,305**	**1,313,342**	**839,144**	**810,694**
1. Standardised method	1,240,305	1,313,342	839,144	810,694
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**67,132**	**64,856**
B.2 Market risk			**807**	**1,367**
1. Standard method			807	1,367
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			**8,429**	**9,036**
1. Basic method			8,429	9,036
2. Standardised method			-	-
3. Advanced method			-	-
B.4 Other prudential requirements			**-**	**-**
B.5 Other calculation elements			**-**	**-**
B.6 Total prudential requirements			**76,368**	**75,259**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**954,600**	**940,738**
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			**13.61%**	**13.91%**
C.3 Regulatory capital including Tier 3/risk-weighted assets (Total capital ratio)			**15.16%**	**15.49%**

The above table was amended in 2010 due to the new rules set out in Banca d'Italia Circular no. 155. It is applicable starting from the financial statements at 30 June 2009.

PART H
Related party transactions

General information

The bank's board of directors has identified the entities that qualify as related parties pursuant to IAS 24.
They are:

1. Fondazione Cassa di Risparmio di Fermo, which holds 66.67% of the bank's ordinary shares and controls it;
2. Banca Intesa S.p.A., which holds 33.33% of the bank's ordinary shares and has significant influence thereover;
3. directors and managers, due to their strategic powers;
4. the statutory auditors, due to their control powers;
5. spouses and immediate descendents of the parties listed in points 3 and 4;
6. subsidiaries or companies over which the parties listed in points 3, 4 and 5 have significant influence.

The key managers' remuneration is given with separate mention of the directors' and statutory auditors' fees compared to the remuneration of directors which receive (as provided for by IAS 24.16) short-term benefits, which include direct and indirect costs, and termination benefits. All other forms of remuneration covered by the standard are excluded. Specifically, managers do not have incentive plans tied to profits or pension plans other than those existing for employees. There are no stock option plans.

Transactions undertaken by the bank with its related parties (as defined above) comply with the ruling legislation, are fair and take place at market prices.

The bank has not performed atypical or unusual transactions with related parties during the year, i.e., transactions that do not form part of its normal operations or that would have a significant impact on its financial position, results of operations and cash flows.

1. Key managers' remuneration (in Euros)

	31/12/2010
C. Managers	**726,428**
Short-term benefits	677,812
Current benefits for terminations	48,616
Total benefits for terminations	*334,225*
A. Directors	**715,590**
Fees	715,590
B. Statutory auditors	**104,419**
Fees	104,419

2. Related party transactions (€'000)

	Assets	Liabilities	Costs	Revenue	Guarantees received
A. Directors	274	3,664	42	72	1,220
B. Statutory auditors	-	106	1	4	122
C. Managers	47	27	2	1	104
D. Family members	144	3,143	20	46	233
E. Other related parties	10,720	9,528	423	849	64,788
Total	**11,185**	**16,468**	**488**	**972**	**66,467**

Annexes to the financial statements

The annexes include:

a) – a list of the sections and financial statements captions that have not been presented

b) – a list of property;

c) – a list of equity investments recognised in the AFS financial assets portfolio

d) – a list of bond issues existing at the reporting date;

e) – treasury and cash services provided.

Sections and tables not presented

This list shows the tables in the notes that have not been presented due to the lack of amounts/operating information:

PART A – FAIR VALUE

A.3.1 Portfolio transfers

- *A.3.1.2 Reclassified financial assets: effects on comprehensive income before transfer;*
- *A.3.1.3 Transfer of HfT financial assets;*
- *A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets;*

A.3.2 Fair value hierarchy

- *A.3.2.3 Changes in financial liabilities at level 3-fair value;*

A.3.3 Information on “day one profit/loss”.

PART B – NOTES TO THE STATEMENT OF FINANCIAL POSITION

Assets

SECTION 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 30

- 3.1 Financial assets at fair value through profit or loss: breakdown by product;
- 3.2 Financial assets at fair value through profit or loss: breakdown by debtor/issuer;
- 3.3 Financial assets at fair value through profit or loss: changes

SECTION 4 - AVAILABLE-FOR-SALE FINANCIAL ASSETS - CAPTION 40

- 4.3 Specifically hedged available-for-sale financial assets;

SECTION 5 - HELD-TO-MATURITY INVESTMENTS - CAPTION 50

- 5.3 Held-to-maturity investments: specifically hedged assets

SECTION 6 - DUE FROM BANKS - CAPTION 60

- 6.2 Specifically hedged due from banks;
- 6.3 Finance leases;

SECTION 7 - LOANS TO CUSTOMERS - CAPTION 70

- 7.3 Loans to customers: specifically hedged assets
- 7.4 Finance leases;

SECTION 8 - HEDGING DERIVATIVES - CAPTION 80

- 8.1 Hedging derivatives: breakdown by type and level;
- 8.2 Hedging derivatives: breakdown by hedged item and type;

SECTION 9 - ADJUSTMENTS TO GENERICALLY HEDGED FINANCIAL ASSETS - CAPTION 90

- 9.1 Adjustments to hedged assets: breakdown by hedged portfolio;
- 9.2 Assets hedged generically against interest rate risk;

SECTION 10 - EQUITY INVESTMENTS - CAPTION 100

- 10.1 Investments in subsidiaries and associates and interests in joint ventures;
- 10.2 Investments in subsidiaries and associates and interests in joint ventures: accounting disclosures;

- 10.3 Equity investments: changes;
- 10.4 Commitments for investments in subsidiaries;
- 10.5 Commitments for interests in jointly controlled entities;
- 10.6 Commitments for investments in associates;

SECTION 11 - PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY - CAPTION 110

- 11.2 Property, equipment and investment property: breakdown of assets at fair value or revalued;
- 11.4 Investment property: changes;
- 11.5 Commitments for acquisitions of property, equipment and investment property (IAS 16.74.c);

SECTION 13 - TAX ASSETS AND LIABILITIES - CAPTION 130 OF ASSETS AND CAPTION 80 OF LIABILITIES

- 13.7 Other information;

SECTION 14 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS AND ASSOCIATED LIABILITIES - CAPTION 140 OF ASSETS AND CAPTION 90 OF LIABILITIES

- 14.1 Non-current assets classified as held for sale and disposal groups: breakdown by type
- 14.2 - Other information;
- 14.3 Information about investments in associates not measured at equity;

Liabilities

SECTION 1 - DUE TO BANKS - CAPTION 10

- 1.2 Caption 10 “Due to banks”: subordinated debt;
- 1.3 Caption 10 “Due to banks”: structured debt;
- 1.4 Due to banks: specifically hedged liabilities
- 1.5 Finance lease payables;

SECTION 20 - DUE TO CUSTOMERS - CAPTION 20

- 2.2 Caption 20 “Due to customers”: subordinated debt;
- 2.3 Caption 20 “Due to customers”: structured debt;
- 2.4 Due to customers: specifically hedged liabilities
- 2.5 Finance lease payables;

SECTION 3 - SECURITIES ISSUED - CAPTION 30

- 3.2 Caption 30 “Securities issued”: subordinated securities;
- 3.3 Securities issued: specifically hedged securities;

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - CAPTION 40

- 4.2 Caption 40 “Financial liabilities held for trading”: subordinated liabilities”;
- 4.3 Caption 40 “Financial liabilities held for trading”: structured debt;
- 4.4 On-statement of financial position financial liabilities held for trading (excluding “technical overdrafts”): changes;

SECTION 5 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 50

- 5.2 Caption 50 “Financial liabilities at fair value through profit or loss”: subordinated liabilities;

SECTION 6 - HEDGING DERIVATIVES - CAPTION 60

- 6.1 Hedging derivatives: type of contract and underlying asset;
- 6.2 Hedging derivatives: breakdown by hedged item and type;

SECTION 7: ADJUSTMENTS TO GENERICALLY HEDGED FINANCIAL LIABILITIES - CAPTION 70

- 7.1 Adjustment to hedged liabilities;
- 7.2 Liabilities hedged generically against interest rate risk: breakdown;

SECTION 9 - LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS - CAPTION 90

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES - CAPTION 120

- 12.4 Provisions for risks and charges - other provisions;

SECTION 13 - REDEEMABLE SHARES - CAPTION 140

- 13.1 Redeemable shares: breakdown

SECTION 14 - EQUITY - CAPTIONS 130, 150, 160, 170, 180, 190 AND 200

- 14.3 Equity: other information;
- 14.5 Equity instruments: breakdown and changes;
- 14.6 - Other information;

OTHER INFORMATION

- 3. Operating leases

PART C - NOTES TO THE INCOME STATEMENT

SECTION 1 - INTEREST - CAPTIONS 10 AND 20

- 1.2 Interest and similar income: differences on hedging transactions;
- *1.3.2 Interest income on finance leases;*
- 1.5 Interest and similar expense: differences on hedging transactions;
- 1.6.2 Interest expense on finance lease payables;

SECTION 5 - NET HEDGING INCOME (EXPENSE) - CAPTION 90

- 5.1 Net hedging income (expense): breakdown;

SECTION 8 - NET IMPAIRMENT LOSSES/REVERSALS OF IMPAIRMENT LOSSES - CAPTION 130

- 8.3 Net impairment losses on held-to-maturity investments: breakdown;
- 8.4 Net impairment losses on other financial transactions: breakdown;

SECTION 9 - ADMINISTRATIVE EXPENSES - CAPTION 150

- 9.4 Other employee benefits;

SECTION 14 - GAINS (LOSSES) ON EQUITY INVESTMENTS - CAPTION 210

- 14.1 Gains (losses) on equity investments: breakdown;

SECTION 15 - FAIR VALUE GAINS (LOSSES) ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS - CAPTION 220

- 15.1 Net fair value gains (losses) or revaluation gains (losses) on property, equipment and investment property and intangible assets: breakdown;

SECTION 16 - IMPAIRMENT LOSSES ON GOODWILL - CAPTION 230

- 16.1 Impairment losses on goodwill: breakdown;

SECTION 19 - POST-TAX PROFIT (LOSS) FROM DISCONTINUED OPERATIONS - CAPTION 280

- 19.1 Post-tax profit (loss) from discontinued operations: breakdown;
- 19.2 Income taxes on discontinued operations;

SECTION 20 - OTHER INFORMATION

SECTION 21 - EARNINGS PER SHARE

- 21.2 - Other information.

PART E - RISKS AND RELATED HEDGING POLICIES

SECTION 1 - CREDIT RISK

A. Credit quality

A.1 IMPAIRMED AND PERFORMING LOANS: CARRYING AMOUNT, IMPAIRMENT LOSSES, PERFORMANCE, BUSINESS AND GEOGRAPHICAL DISTRIBUTION

- A.1.4 On-statement financial position amounts due from banks: impaired positions and gross country risk;
- A.1.5 On-statement of financial position amounts due to banks: changes in impaired positions

A.2 CLASSIFICATION OF EXPOSURES USING EXTERNAL AND INTERNAL RATINGS

- A.2.2 Breakdown of credit exposure on and off-statement of financial position by internal rating classes;

A.3 BREAKDOWN OF GUARANTEED EXPOSURE BY TYPE OF GUARANTEE

- A.3.1 Guaranteed amounts due from banks

C. Securitisations and transfers of assets

C.1 SECURITISATIONS

C.3 COVERED BOND TRANSACTIONS

D. Credit risk measurement models

SECTION 2 - MARKET RISK

2.2 Interest rate and price risk - banking book

- B. Fair value hedges;
- C. Cash flow hedges;
- D. Hedges of investments in foreign operations;

2.3 CURRENCY RISK

- 2. Internal models and other methodologies for sensitivity analyses;

2.4 DERIVATIVES

- A. Financial derivatives;
- *A.2 Banking book: reporting date notional amounts and average amounts;*
- *A.6 OTC financial derivatives - supervisory trading book: notional amounts, gross fair value gains and losses by counterparty - contracts included in netting agreements;*
- *A.7 OTC financial derivatives - banking book: notional amounts, gross fair value gains and losses by counterparty - contracts not included in netting agreements;*
- *A.8 OTC financial derivatives - banking book: notional amounts, gross fair value gains and losses by counterparty - contracts included in netting agreements;*

- *A.10 OTC financial derivatives: counterparty/financial risk - Internal models;*
- B. Credit derivatives;
- C. Financial and credit derivatives.

PART G - BUSINESS COMBINATIONS

Section 1 - Transactions carried out during the year;

Section 2 - Transactions carried out after the reporting date;

Section 3 – Retrospective adjustments.

PART I - SHARE-BASED PAYMENTS

A. Qualitative disclosure;

B. Quantitative disclosure.

PART L - SEGMENT REPORTING

Property

PROPERTY	REVALUATION as per Law no. 72/83	REVALUATION as per Law no. 218/90	REVALUATION as per Law no. 413/91	GROSS CARRYING AMOUNT 2009 financial statements	CARRYING AMOUNT land	CARRYING AMOUNT buildings	CARRYING AMOUNT 2010 financial statements
Fermo Via Don E. Ricci, 1	1,011,739.07	2,017,280.65	401,803.47	3,498,627.99	349,862.81	3,148,765.18	1,064,342.65
Fermo Campoleggio Corso Marconi, 19	103,291.38	274,755.07	42,865.92	432,750.15	43,275.02	389,475.13	132,579.30
Fermo Campoleggio - extension Corso Marconi, 19	-	-	1,549.37	19,039.38	1,903.94	17,135.44	5,007.11
Carassai Piazza Leopardi 8/9	25,822.84	24,273.47	11,362.05	66,563.76	8,653.29	57,910.47	15,693.99
Cupramarittima Via E. Ruzzi, 9	-	211,230.87	47,514.03	436,910.79	-	436,910.79	145,111.77
Grottazzolina Via Verdi, 5	51,645.69	32,020.33	25,306.39	124,894.81	-	124,894.81	28,375.90
Montegranaro P.zza Mazzini	175,595.35	47,867.29	41,501.96	200,509.38	-	200,509.38	47,674.06
Monterubbiano Piazza Calzecchi Onesti, 9	46,481.12	63,007.74	18,592.45	131,741.32	13,174.13	118,567.19	36,980.40
Monte San Pietrangeli Via S. Antonio, 6	-	64,040.66	4,131.66	140,636.48	-	140,636.48	60,473.72
Montottone Piazza Leopardi, 8	37,184.90	29,954.50	14,977.25	85,204.37	10,224.52	74,979.85	20,519.29
Monturano Via Gramsci, 32/A	232,405.60	583,079.84	129,114.22	1,058,503.84	158,775.58	899,728.26	311,546.53
Petritoli Via Mannocchi Tornabuoni, 25	28,405.13	88,314.13	12,911.42	135,285.44	13,528.54	121,756.90	39,454.82
Falerone fraz. Piane di Falerone Viale of Resistenza, 95	51,645.69	205,549.85	26,339.30	301,981.85	75,495.47	226,486.38	77,340.92
Porto S. Elpidio Via S. Giovanni Bosco, 10	180,759.91	203,484.02	76,952.08	487,019.99	97,404.00	389,615.99	111,110.80
Porto S. Elpidio - Faleriense Via Marina, 1	180,759.91	167,848.49	81,600.19	468,163.85	70,224.58	397,939.27	107,622.05
Porto S. Giorgio - head office Via Annibal Caro, 11	-	2,471,246.26	73,853.34	5,703,013.66	1,140,602.74	4,562,410.92	1,821,044.20
S.Elpidio a Mare Via Roma, 31	129,114.22	523,170.84	65,590.03	764,747.17	-	764,747.17	267,028.96
S.Elpidio a Mare 1981 extension Via Roma, 31	-	-	34,602.61	127,207.59	-	127,207.59	24,139.61
S.Elpidio a Mare 1983 extension Via Roma, 31	-	-	33,569.70	139,393.78	-	139,393.78	31,366.86
Fermo P.zza Mascagni, 4	154,937.07	211,747.33	66,106.48	455,484.95	-	455,484.95	142,451.63
Fermo - P.zza Mascagni 1984 extension	-	-	5,164.57	25,169.18	-	25,169.18	6,021.60
Fermo Via Ognissanti	-	11,878.51	4,648.11	29,035.21	3,484.22	25,550.99	6,363.73
Fermo Corso Cavour, 104	-	1,066,999.95	217,428.35	2,647,791.16	264,779.13	2,383,012.03	808,279.26
S.Elpidio a mare - Casette d'Ete C. Garibaldi, 3	-	203,484.02	83,149.56	678,504.31	33,925.22	644,579.09	198,990.80
Fermo V.le Trento, 182	-	3,083,247.69	601,672.29	7,454,739.36	1,490,947.88	5,963,791.48	2,031,044.17
S.Benedetto del Tronto Via Liberazione, 190	-	820,650.01	211,230.87	2,356,260.19	164,938.21	2,191,321.98	720,567.34
Fermo c.da S. Martino, 30	-	204,000.48	21,174.73	424,648.94	127,394.68	297,254.26	106,874.60
Civitanova Marche Via cairoli, 22	-	388,375.59	30,987.41	804,859.80	-	804,859.80	299,830.14
Porto S. Elpidio - Faleriense Piazza Giovanni XXIII, 14	232,405.60	108,455.95	-	361,519.83	-	361,519.83	318,137.47
Fermo Torre Matteucci	-	-	-	0.01	-	0.01	0.01
Fermo V.le Ciccolungo area	-	-	-	0.01	-	0.01	0.01
Grottazzolina Via Fonterotta	-	-	-	476,932.12	-	476,932.12	476,932.12
Pescara Piazza Duca d'Aosta, 30	-	-	-	1,908,478.18	-	1,908,478.18	877,899.91
Montegranaro Via Gramsci	-	-	-	465,720.02	-	465,720.02	305,046.62
Recanati Santacroce 34/E	-	-	-	301,285.46	60,257.09	241,028.37	157,873.61
Rome Via Puglie 15/21	-	-	-	2,932,724.03	-	2,932,724.03	2,360,842.85
Colli del Tronto Via Matteotti, 2	-	-	-	342,295.20	-	342,295.20	277,335.37
Porto S. Elpidio - Restructuring Via S. Giovanni Bosco, 10	-	-	-	497,084.46	99,416.89	397,667.57	320,122.38
Fermo - Loc. Molini Girola	-	-	-	30,250.00	6,050.00	24,200.00	21,596.08
Falerone fraz. Piane - Restructuring Viale of Resistenza, 95	-	-	-	-	-	111,836.61	105,115.23
TOTAL	**2,642,193.48**	**13,105,963.54**	**2,385,699.81**	**36,514,978.02**	**4,234,317.94**	**32,392,496.69**	**13,888,737.87**

List of equity investments recognised in the available-for-sale financial assets portfolio

OTHER INVESTMENTS	Carrying amount 2009 financial statements	Changes in 2010			Carrying amount 2010 financial statements	of which for revaluation of transfer	of which measurement
		(+) Purchases	(-) Sales	(+/-) measurement			
SEDA -Soc. Elaborazione Dati S.p.A.	641,431.42	0.00	-384,846.94		256,584.48	23,240.56	130,235.85
SE.BA. - Servizi Bancari S.p.A.	56,810.26	0.00	0.00	-56,810.26	0.00		
BANCA D'ITALIA	1,082,560.80	0.00	0.00		1,082,560.80	1,082,493.66	
Centro Documentazione per le Imprese	0.00	0.00	0.00		0.00		
S.I. Holding S.p.A.	266,219.94	0.00	0.00		266,219.94		232,283.31
Intesa Sanpaolo S.p.A.	99,225.80	0.00	0.00	-35,205.81	64,019.99		-19,844.97
SSB - Società Servizi Bancari S.p.A.	161,770.00	0.00	0.00		161,770.00		139,703.54
SI.TE.BA. S.p.A.	2,073.06	0.00	0.00		2,073.06		
Gruppo d'Azione Locale "Piceno" s.c.a.r.l.	2,065.84	0.00	0.00		2,065.84		
Alipicene S.p.A.	2,582.00	0.00	0.00		2,582.00		
S.W.I.F.T. - Brussels	2,529.08	0.00	0.00		2,529.08		
Fermano Leader s.c.a.r.l	3,000.00	0.00	0.00		3,000.00		
CSE Consorzio Servizi Bancari S.r.l.	1,680,000.00	0.00	0.00		1,680,000.00		
CONFIDICOOP MARCHE		100,000.00			100,000.00		
TOTAL AS PER ACCOUNTING RECORDS	**4,000,268.20**	**100,000.00**	**-384,846.94**	**-92,016.07**	**3,623,405.19**	**1,105,734.22**	**482,377.73**

List of bond issues existing at the reporting date

Bond issue ISIN number	Issue date	Maturity date	Amount €'000
IT0003997142	16/01/2006	16/01/2011	5,831
IT0004053499	08/05/2006	08/05/2011	1,669
IT0004160518	03/01/2007	03/01/2011	4,021
IT0004174659	05/02/2007	05/02/2011	6,000
IT0004189053	05/03/2007	05/03/2011	4,634
IT0004212343	02/04/2007	02/04/2011	4,662
IT0004282486	15/10/2007	15/10/2011	13,787
IT0004287931	06/11/2007	15/10/2011	11,815
IT0004310204	04/02/2008	04/02/2012	14,749
IT0004349079	02/04/2008	02/04/2011	4,000
IT0004373236	06/06/2008	06/06/2011	9,087
IT0004379498	03/07/2008	03/07/2012	24,786
IT0004412653	06/10/2008	06/10/2012	13,137
IT0004412661	06/10/2008	06/10/2011	4,526
IT0004422355	07/11/2008	06/10/2011	6,854
IT0004433949	02/12/2008	17/01/2012	6,115
IT0004448327	19/01/2009	19/01/2013	18,691
IT0004452717	04/02/2009	19/01/2013	16,083
IT0004452725	04/02/2009	04/02/2012	4,951
IT0004475908	01/04/2009	01/04/2012	3,418
IT0004488539	06/05/2009	06/05/2013	8,594
IT0004495625	05/06/2009	05/06/2013	4,405
IT0004506116	06/07/2009	05/06/2013	7,260
IT0004520828	01/09/2009	01/09/2013	9,663
IT0004584832	17/03/2010	17/03/2012	9,304
IT0004584840	18/03/2010	17/03/2014	8,953
IT0004648801	18/10/2010	18/10/2014	5,131
Total			**232,126**

During 2010, bond issues of € 31,444 thousand expired while the bank placed new bond issues of a nominal € 23,388 thousand.

The bank has not issued bonus shares, bonds convertible into shares, subordinated bonds or securities or similar instruments.

Furthermore, the bank has not issued own bank drafts as it has entered into specific agreements for the issue of third party bank drafts.

Treasury and cash services provided

Treasury services	
Body	**Municipality**
Com. Fermo	FERMO
Ospizio Marino	FERMO
Com. Carassai	Carassai (AP)
Com. Grottazzolina	Grottazzolina (FM)
Com. Montefiore dell'Aso	Montefiore dell'Aso (AP)
O.P. Ric. Montegranaro	Montegranaro (FM)
Com. Monterubbiano	Monterubbiano (FM)
Com. Lapedona	Lapedona (FM)
Com. Moresco	Moresco (FM)
OO.PP. Riunite M.S.Pietrangeli	Monte S. Pietrangeli (FM)
O.P. G.Didari Francavilla D'Ete	Francavilla D'Ete (FM)
Com. M.S. Pietrangeli	Monte S. Pietrangeli (FM)
Com. Montottone	Montottone (FM)
Com. Monteleone	Monteleone di Fermo (FM)
Com. M. Vidon Combatte	Monte Vidon Combatte (FM)
Com. Petritoli	Petritoli (FM)
Com. Servigliano	Servigliano (FM)
Com. Porto Sant'Elpidio	Porto Sant'Elpidio (FM)
Com. Sant'Elpidio a Mare	Sant'Elpidio a Mare (FM)
Com. Rapagnano	Rapagnano (FM)
Provincia di Fermo	FERMO
Com. Ripe San Ginesio	Ripe San Ginesio (MC)
Com. Ponzano di Fermo	Ponzano di Fermo (FM)
Com. Monte Giberto	Monte Giberto (FM)

Cash services	
Body	**Municipality**
Ist. Stat. d'arte Preziotti	FERMO
Pia Casa F. Falconi	Sant'Elpidio a Mare (FM)
Soc.operaia di mutuo socc.	FERMO
Croce Rossa Italiana	FERMO
ERAP	FERMO
Liceo Ginnasio Annibal Caro	FERMO
Liceo Scient. Calzecchi Onesti	FERMO
ITIS G. Montani Fermo	FERMO
Convitto ITI Montani Fermo	FERMO
Az.Agraria ITI Montani Fermo	FERMO
Ist. Compr. Da Vinci/Ungaretti	FERMO
Cons.musica"G.B.Pergolesi"	FERMO
Ist. Scol.Betti/Fracassetti	FERMO
Comunità di Capodarco	FERMO
C.C.I.A.A. FERMO	FERMO
CCIAA AZ.FERMO PROMUOVE	FERMO
Casa Riposo Sassatelli	FERMO
G.D'Inf.. Principe di Napoli Cu.	Cupramarittima (AP)
Ist. Compr.Monterubbiano	Monterubbiano (FM)
Dir. Didattica Monte Urano	Monte Urano (FM)
Ist. Compr. Petritoli	Petritoli (FM)
Sc. M. Galilei/Marconi P.S.E.	Porto Sant'Elpidio (FM)
Dir. Didattica II Circ. Faleriense	Porto Sant'Elpidio (FM)
CISSRSU T.S. Patrizio	Torre San Patrizio (FM)
Dir.Didattica III circolo Fermo	FERMO
Ist.comm.le/geom. Carducci	FERMO
Ist. Comprensivo Bellante St.	Bellante (TE)

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via 1° Maggio, 150/A
60131 ANCONA AN

Telefono +39 071 2901140
Telefax +39 071 2916381
e-mail it-fmauditaly@kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Cassa di Risparmio di Fermo S.p.A.

1 We have audited the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2010, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 9 April 2010 for our opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2010 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Cassa di Risparmio di Fermo S.p.A. as at 31 December 2010, the results of its operations and its cash flows for the year then ended.

4 The directors of Cassa di Risparmio di Fermo S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2010.

Ancona, 11 April 2011

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit