BANCA
DI CREDITO COOPERATIVO
DI CAMBIANO

1861 > 2011 > >
150° anniversario Unità d'Italia

Financial statements 2010

127° fiscal year

Proposed for approval by the Ordinary Shareholders' Meeting held 7 May 2011

BANCA
DI CREDITO COOPERATIVO
DI CAMBIANO

www.bancacambiano.it

Bank founded in 1884 – The oldest cooperative credit bank operating in Italy

BANCA DI CREDITO COOPERATIVO DI CAMBIANO
(Castelfiorentino – Florence)
SOCIETÀ COOPERATIVA PER AZIONI

Registered Office and General Administration: 50051 Castelfiorentino (Florence) – Piazza Giovanni XXIII, 6
ABI Bank Code 08425.1 - Tel. 05716891 - Fax 0571689251

Registered with the Company Register of Florence at no. 00657440483
Fiscal Code and VAT no. 00657440483
Administrative Economic Index no. (R.E.A.) 196037
Registered with the Register of Banks maintained by the Bank of Italy at no. 3556.8.0
Registered with the Register of Traditional Cooperatives ("*a mutualità prevalente*") at no. A161000

Bank adhering to the Guarantee Fund for Depositors of Cooperative Credit, to the National Guarantee Fund, the Finance Banking Conciliation and Finance Banking Arbitration Services

Regulatory capital as of 31 December 2010: 243,112,958 Euro

Territorial network: 28 branches distributed throughout the provinces of Florence, Pisa and Siena

The Explanatory Notes and other annexes to the Financial Statements, already filed with the registered office in accordance with Article 2429(3) of the Italian Civil Code, are available upon request from the Secretary of the Shareholder's Meeting

INDEX

Administrative, control and general management bodies as of 31 December 2010

Board of Directors

Chairman	*Paolo Regini*
Vice Chairman	*Enzo Anselmi*
Director	*Mauro Bagni*
Director	*Enzo Bini*
Director	*Mario Gozzi*
Director	*Renzo Maltinti*
Director	*Paolo Profeti*

Board of Statutory Auditors

Chairman	*Aldo Bompani*
Acting Auditor	*Lorenzo Gai*
Acting Auditor	*Stefano Sanna*
Alternate Auditor	*Gino Manfriani*
Alternate Auditor	*Rita Ripamonti*

Board of Internal Arbitrators

Chairman	*Luciano Giomi*
Acting member	*Fausto Falorni*
Acting member	*Giuliano Lastraioli*
Alternate member	*Sanzio Bandini*
Alternate member	*Franco Ciardi*

General Managers

Managing Director	*Francesco Bosio*
Deputy Managing Director	*Giuliano Simoncini*

Independent Auditor

Bompani Audit s.r.l. – Florence

Notice of the Shareholders' Meeting

Official Bulletin of the Republic of Italy
Part II no. 39 of 7 April 2011
COMMERCIAL NOTICES - NOTICE OF SHAREHOLDERS' MEETING

BANCA DI CREDITO COOPERATIVO DI CAMBIANO
(Castelfiorentino - Florence)
Società cooperativa per azioni

Registered with the Register of Traditional Cooperatives at no. A161000
Registered office in Castelfiorentino (FI), piazza Giovanni XXIII no. 6
Registered with the Company Register of Florence at no. 00657440483
Fiscal Code and V.A.T. no. 00657440483

Notice of Ordinary Shareholders' Meeting

The shareholders are hereby given notice of an Ordinary Shareholders' Meeting to be held at first calling on 29 April 2011 at 1:00 pm in the conference room located in Castelfiorentino, via Piave no. 8 and, if necessary, at second calling on 7 May 2011, at 4:00 pm at the Auditorium of the State Institute for Higher Education "F. Enriques" located in Castelfiorentino, via Duca d'Aosta no. 65, to discuss and vote on the following

Agenda:

1. Fiscal year financial statements as of 31 December 2010; directors' report on operations; report of the Board of Statutory Auditors; audit report; inherent and consequent resolutions; proposal for the distribution of fiscal year profits;
2. Information on the remuneration policies in accordance with Article 29(2) of the company By-laws;
3. Determination of the share premium to be paid by new shareholders in accordance with Article 21 of the By-Laws;
4. Determination of the maximum credit to be granted to the same borrower;
5. Appointment of the members of the Board of Internal Auditors for the three year period 2011-2013 after determining the election procedure;
6. Upon a justified proposal of the Board of Statutory Auditors, in accordance with Legislative Decree no. 39/201, appointment of the Independent Auditor entrusted with the audit and determining the relative fees.

In accordance with Article 24 of the By-Laws, shareholders are entitled to participate and vote at Shareholders' Meeting if they have been recognized in the shareholders' register for at least ninety days.

Castelfiorentino, 28 March 2011

Signed: The Board of Directors
The Chairman
Paolo Regini

Schedules to the financial statements

Assets

	Asset line items	2010	2009
10	Cash and cash balances	8,339,438	7,510,375
20	Financial assets held for trading	113,395,760	185,417,589
30	Financial assets measured at fair value	-	-
40	Financial assets available for sale	341,974,375	223,759,371
50	Financial assets held through maturity	-	-
60	Receivables from banks	156,563,511	207,370,256
70	Receivables from customers	1,641,083,194	1,576,927,845
80	Hedges	5,301,146	4,202,082
90	Adjustment of value of generic hedges for financial assets (+/-)	-	-
100	Equity investments	13,409,420	12,201,850
110	Property, plant and equipment	45,,811,953	46,055,668
120	Intangible assets	168,147	63,744
	of which:		
	- goodwill	-	-
130	Tax receivables	12,424,234	9,522,344
	a) current	*6,694,208*	*7,827,996*
	b) pre-paid	*5,730,027*	*1,694,348*
140	Noncurrent assets and groups of assets in the course of divestment	-	-
150	Other assets	21,791,626	56,370,055
	Total assets	2,360,262,805	2,329,401,180

Liabilities

	Liability line items and Shareholders' Equity	2010	2009
10	Payables to banks	211,329,374	293,119,008
20	Payables to customers	816,623,434	688,655,896
30	Outstanding securities	1,037,773,390	1,028,880,000
40	Financial liabilities from trading		-
50	Financial liabilities measured at fair value		-
60	Hedging derivatives	280,511	476,196
70	Adjustment of value of generic hedges for financial liabilities (+/-)		-
80	Tax liabilities	7,520,224	8,265,756
	a) current	*3,230,812*	*3,283,188*
	b) deferred	*4,289,412*	*4,982,568*
90	Liabilities associated with assets in the course of divestment		-
100	Other liabilities	44,301,067	67,517,268
110	Employee severance pay	3,265,070	3,345,667
120	Risk and expense funds	1,400,241	1,367,959
	a) pensions and similar commitments		-
	b) other funds	*1,400,241*	*1,367,959*
130	Valuation reserves	9,622,328	10,628,586
140	Redeemable shares		-
150	Equity instruments		-
160	Reserves	216,626,296	210,929,997
170	Premiums on issue of new shares	242,260	239,401
180	Share capital	2,878,610	2,900,445
190	Treasury shares (-)		-
200	Fiscal year profit (loss) (+/-)	8,400,000	13,075,000
	Total Liabilities and Shareholders' Equity	2,360,262,805	2,329,401,180

Income statement

	Income statement	2010	2009
10	Earned interest and similar income	65,526,530	78,805,665
20	Interest payable and similar expenses	(28,080,386)	(42,609,297)
30	Interest income	37,446,144	36,196,368
40	Commission income	14,097,762	9,159,374
50	Commission expenses	(1,778,586)	(1,452,398)
60	Net commissions	12,319,176	7,706,976
70	Dividends and similar income	48,983	35,543
80	Net trading income	1,646,679	1,273,739
90	Net hedging result	(7,031)	56,367
100	Gains (losses) from the disposal or repurchase of:	2,176,564	2,226,973
	a) receivables		-
	b) financial assets available for sale	*2,308,963*	*2,226,973*
	c) financial assets held through maturity		-
	d) financial liabilities		-
110	Financial liabilities and liabilities measured at fair value		-
120	Operating income	53,630,516	47,495,967
130	Net adjustments/write-backs of value due to impairment of:	(8,183,983)	(8,379,113)
	a) receivables	*(8,183,983)*	*(8,379,113)*
	b) financial assets available for sale		-
	c) financial assets held through maturity		-
	d) other financial operations		-
140	Net income from financial assets	45,446,533	39,116,854
150	Administrative costs:	(35,096,679)	(32,522,599)
	a) personnel costs	*(18,058,092)*	*(16,915,859)*
	b) other administrative costs	*(17,038,588)*	*(15,606,740)*
160	Net allocations to risk and expense funds		-
170	Net adjustments/write-backs of value to property, plant and equipment	(2,579,352)	(2,471,514)
180	Net adjustments/write-backs of value to intangible assets	(34,929)	(61,716)
190	Other operating costs/income	2,577,540	2,373,360
200	Operating costs	35,133,420	32,682,469

210	Profit (loss) from equity investments	228,434	6,825,481
220	Net result of the fair value measurement of property, plant and equipment and intangible assts	0	-
230	Adjustments to value of goodwill	0	-
240	Gains (losses) from the disposal of investments	(16,161)	4,412
250	Profit (loss) from current operations before tax	10,525,386	13,264,278
260	Fiscal year income taxes on current operations	(2,125,386)	(189,278)
270	Profit (loss) from current operations after tax	8,400,000	13,075,000
280	Gains (losses) from groups of assets in the course of divestment after tax		-
290	Fiscal year profit (loss)	8,400,000	13,075,000

Schedule of Overall Profitability

(*)

	Line items	2010	2009
10	Fiscal year profit (loss)	8,400,000	13,075,000
	Other income components net of tax		
20	Financial assets available for sale	(7,838,195)	7,617,768
30	Property, plant and equipment		-
40	Intangible assets		-
50	Hedging foreign investments		-
60	Hedging cash flows		-
70	Exchange rate differences		-
80	Noncurrent assets in the course of divestment		-
90	Actuary profit (loss) on defined benefit plans		-
100	Share of valuation reserves of equity investments measured on basis of shareholder's equity	788,148	-
110	Total other income components net of tax	(7,050,047)	7,617,768
120	Overall profitability (line items 10 + 110)	1,349,953	20,692,768

Report on Operations

Dear Shareholders,

The weight of the *"age of uncertainty"* and the cost of being inactive are emerging with all of their negative force. The return to economic and financial normality still requires time, and the "aftermath" of this crisis will not be the same as it was "before". What might have been considered "normal" in the previous scenario will certainly not be considered to be normal in the future. Many economists and commentators indicate as the *"New normal"* the downward trend that is expected due to the economic crisis. We are expecting scenarios of profound changes.

■ SUMMARY OF RESULTS

Direct deposits increased by 7.97% and economic lending by 4.07%. The fiscal year ended with a profit of 8,400,000 Euro. The results confirm the Bank's excellent trend, regardless of the difficult context that characterized the past fiscal year. Among the most significant factors that resulted in the reduction of growth and profit indexes with respect to the data of prior fiscal years was primarily the stagnation of interest income due to the reduction of the interest rate gap. Another significant factor is represented by adjustments of value made in relation to the increased credit risk, as well as the constant maintenance of a high level of liquidity, even though a broad margin was given to prudent management, which affected the economic result in relation to the yield/risk ratio chosen from a prudent standpoint. The *"relational dividend"* should be noted as another significant factor, represented by the application of price adjustments on lending and services in addition to high remuneration for deposits as a strategic choice, aimed at increasing traded assets by the direct inclusion of the advantages of mutual exchange to the conditions applied.

In a recent speech, the Governor of the Bank of Italy stated with reference to the criteria of sound and prudent management followed with respect to liquidity: *«Maintaining adequate cash reserves is vital to preserving stability and to continue to finance the real economy, especially at a time when the market is subject to sudden crises of confidence. Prudence must not be sacrificed to considerations of profitability»*. This was the guiding principle for our activity. The Corporate Strategic Plan, approved upon the renewal of the governance bodies after the previous Shareholders' Meeting, states: *«liquidity has always been one of the principal issues examined in the corporate plans, resulting in management decisions aimed at always ensuring an excellent level of liquidity. The choice to maintain a high level of immediate liquidity and a portfolio composition that can be immediately liquidated has been confirmed to be a winning strategy in the context of the crisis in course and it will continue be so in the future. … the maintenance of a high liquidity ratio has been reconfirmed, with full knowledge of the inverse relationship between liquidity and profitability»*. In fact, a prominent management principle established in corporate strategy is to *«maintain a management system aimed at pursuing increases of direct deposits equivalent to or at higher levels than the growth levels of economic lending, which tends to stabilize the ratio of deposits/loans by an average of 90% as the parameter of an adequate liquidity level»*.

The 2010 fiscal year was characterized by difficulties that had not been seen for half a century. The devastating effects of the crisis generated by the abuses committed in the financial markets were extended to the real economy, heavily impacting productive structures, and with them banking institutes. The banks reacted in very different ways. The financial banks, imbued with incredible nefarious magic, appear to have overcome the critical period with results that were actually greater than those of the years prior to the crisis. But while the alchemies of finance are such that they can also make difficulties appear to have been overcome, it will certainly not be finance that will allow the real economy to raise its head again. It will therefore take time, and we will have to wait to see what happens. On the other hand, commercial banks, and in particular local banks which supported territorial economies, even though selectively, were subject to a growing number of impaired loans, fully aware of the negative impact of the productive system in terms of job losses, which resulted in the decreased availability of income.

Our bank was no different: lower growth levels, a reduction of the economic result, and an increase of the rate of impaired loans. All in all, however, supported by existing capitalization, a consolidated corporate culture of risk aversion, an efficient organizational structure and a efficient control system, even in the difficult year of 2010 we were able to maintain significant results in the panorama of banking institutes.

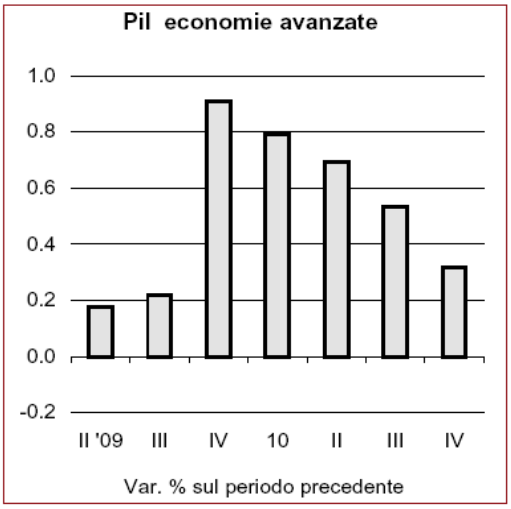
SUMMARY OF RESULTS				
(in thousands of Euro)	2010	2009	Absolute var.	Var. %
Capital data				
Receivables from customers	1,641,083	1,576,928	64,155	4.07%
Receivables from banks	156,564	207,370	-50,806	-24.50%
Financial assets	455,370	409,177	46,193	11.29%
Equity investments	13,409	12,202	1,207	9.90%
Total assets	2,360,263	2,329,401	30,862	1.32%
Direct deposits from customers	1,854,397	1,717,536	136,861	7.97%
Indirect deposits from customers	91,327	82,247	9,080	11.04%
Shareholders' equity (excluding fiscal year profit)	229,369	224,698	4,671	2.08%
Economic data				
Interest income	37,446	36,196	1,250	3.45%
Operating income	53,631	47,496	6,135	12.92%
Net income from financial activity	45,447	39,117	6,330	16.18%
Result of operating management	10,525	13,264	-2,739	-20.65%
Fiscal year profit	8,400	13,075	-4,675	-35.76%
Other information				
Number of branches	30	28	2	7.14%

■ GLOBAL ECONOMIC SITUATION

The trend of the international economic framework has shown similar tendencies in recent months. A slowdown of the pace of the recovery occurred during mid-2010, both in emerging countries as well as in advanced economies. The qualitative indicators currently appear, however, to be oriented towards more attuned positions that could give credence to a gradually positive trend. The year in course, however, is subject to the consequences of an inversion of fiscal policies, which are more restrictive in many countries. Supportive fiscal policies have begun to change, while in many economies production capacity remains underutilized, companies have limited investment needs, and it is uncertain whether the recovery is capable of sustaining itself on its own.

The concerns that there might be a new economic slowdown tied to the reversal of fiscal policy still justifies an expansive monetary policy.

GDP of advanced economies



Variation with respect to previous period

GDP, domestic demand, foreign trade

Quantity at constant prices; percentage variations with respect to the previous annual period; quarterly data seasonally adjusted and corrected for working days

GDP	Gross fixed investments	Resident household consumption expenditure	Other expenses (1)	Domestic demand (2)	Exportation of goods and services	Importations of goods and services

PIL, domanda nazionale, commercio con l'estero

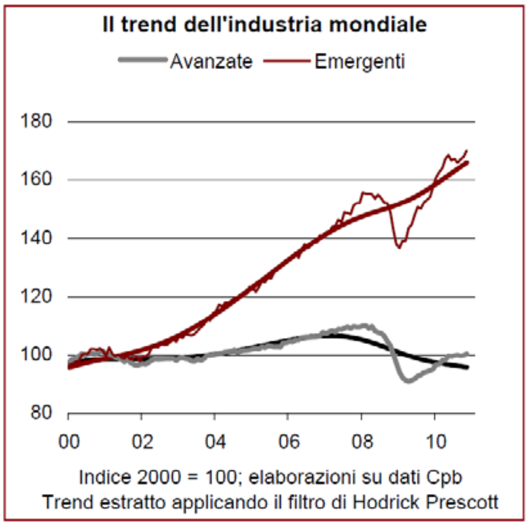
Quantità a prezzi concatenati; variazioni percentuali sul periodo precedente in ragione d'anno; dati trimestrali destagionalizzati e corretti per i giorni lavorativi

		Prodotto interno lordo	Investimenti fissi lordi	Spesa per consumi delle famiglie residenti	Altre spese (1)	Domanda nazionale (2)	Esportazioni di beni e servizi	Importazioni di beni e servizi
2007		1,5	1,7	1,1	0,9	1,3	4,6	3,8
2008		-1,3	-3,8	-0,8	0,5	-1,4	-4,3	-4,4
2009		-5,2	-11,9	-1,8	1,0	-3,9	-18,4	-13,7
2010		1,3	2,5	1,0	-0,6	1,7	9,1	10,5
2010	I	2,1	5,1	0,9	-2,7	1,8	17,7	16,9
	II	2,1	5,8	0,3	2,0	0,0	10,6	1,5
	III	1,3	3,2	1,7	-1,3	3,7	10,7	21,1
	IV	0,5	-2,9	1,0	-2,3	3,7	1,9	14,5

Fonte: ISTAT.
(1) Spesa per consumi delle Amministrazioni pubbliche e delle Istituzioni senza scopo di lucro al servizio delle famiglie. (2) Include la variazione delle scorte e oggetti di valore.

Source: ISTAT (Italian Cost of Living Index)
(1) Consumption expenditure of public administrations and non-profit institutions that assist households. (2) Include the variation of stock and objects of value.

Trend of worldwide industry



Index 2000 = 100; based on CPB data
Trend taken by applying the Hodrick Prescott filter

Worldwide industrial production

Index 2000 = 100; based on CPB data; REF estimates for December 2010

The risks can be traced to the fact that precisely the mix of extraordinarily expansive economic policies that have guided the world economy out of the recession might result in degeneration. On the one hand, the deterioration of public finances has resulted in an increase of the probability of default of some economies, and on the other towards an acceleration of the prices of raw materials, already in course, which could represent the initial stage of a broader inflationary process originating from the expansive policies implemented by the central banks.

Economic policy choices are necessarily made "on the cutting edge", as they must face the unfavorable consequences of measures sustaining the economy that were adopted in the past, recognizing that if such stimulation is removed too quickly it might slow down the recovery.

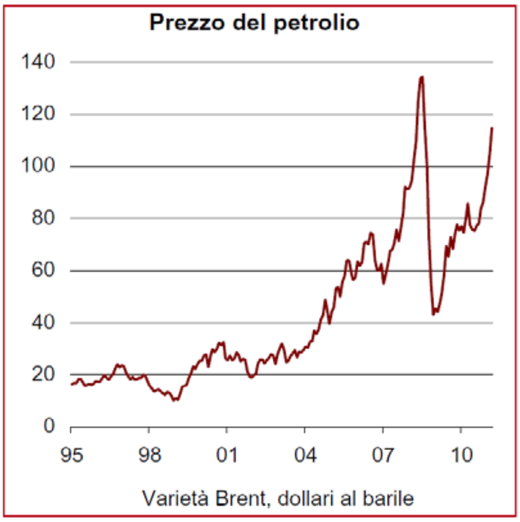
In this context, phases of recovery are also appearing in the Euro area, although with broad differences among the performances of different countries. The recovery of the economic cycle is lively in economies within the German area, more contained in others, and Greece and Ireland are facing critical situations. Other peripheral economies in the Euro area are also under market pressure and have uncertain prospects, above all the Spanish economy, which appears to be behind in the cycle. Italy is among the countries that have seen the growth of the risk premium on sovereign debt, and it is therefore essential that it pursue a restrictive fiscal policy.

10 year interest rates
Red line: Italy Black line: Germany Grey line: Spain

Occasions for development remain tied to the recovery of foreign demand, but the Italian industrial system still appears to be struggling to latch on to the driving force of international demand, which will in any event experience unexceptional growth rates. Although the weakness of internal demand has slowed down imports, and therefore there should be a positive contribution of exports to growth for the two year period 2011-2012, in 2011, on the basis of forecasts the balance of payments should hit a record deficit of four percentage points of GDP. The intensity of the recovery is modest and apparently insufficient to result in a significant recovery of the demand for labor, to the extent that at least for some time increased production has to derive from enhanced employee productivity, until minimum conditions of business profitability are recovered after the erosion of the margins that occurred during the crisis.

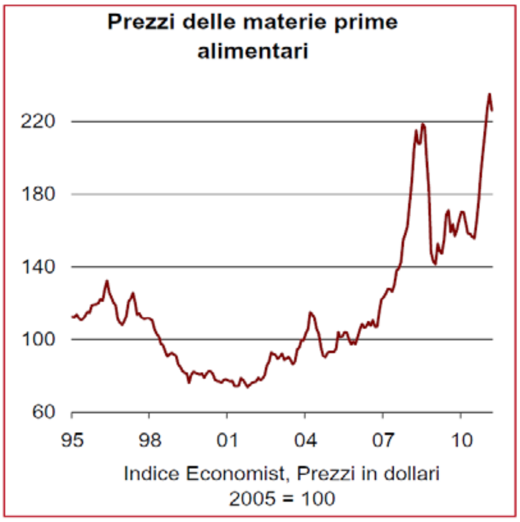
We are and we remain "on the cutting edge", as further elements of uncertainty are forecast for the future. In the course of just a few weeks the crisis in North Africa has significantly modified international oil market prospects, with negative effects on the principal macro variables, inflation, growth estimates, and the expected trend of interest rates.

Price of oil



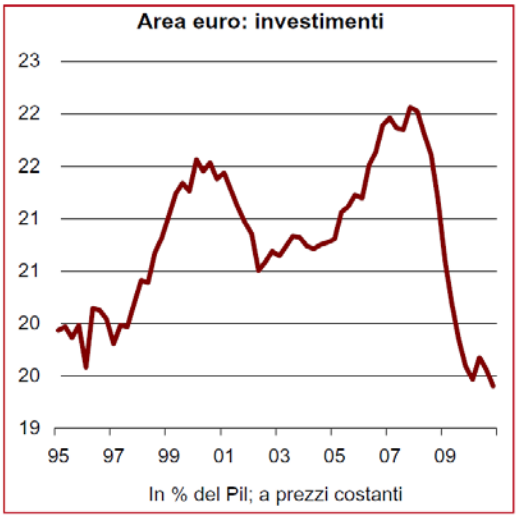
Brent Variety - $ per barrel

Prices of food commodities



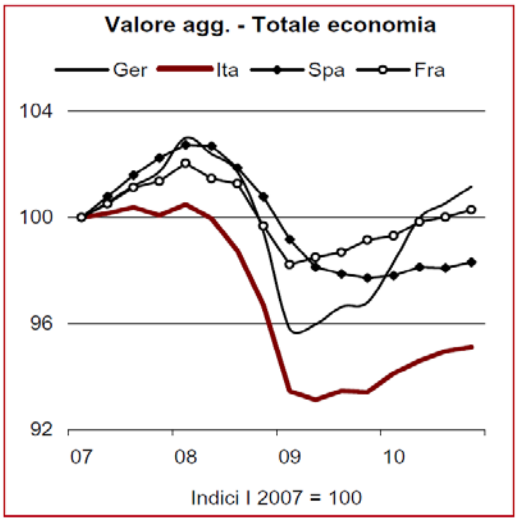
Economist Index, Prices in dollars
2005= 100

Euro area: Investments



% of GDP, at constant prices

Added Value – Total economy
Black line: Germany Red line: Italy Black line with black dot: Spain Black line with white dot: France

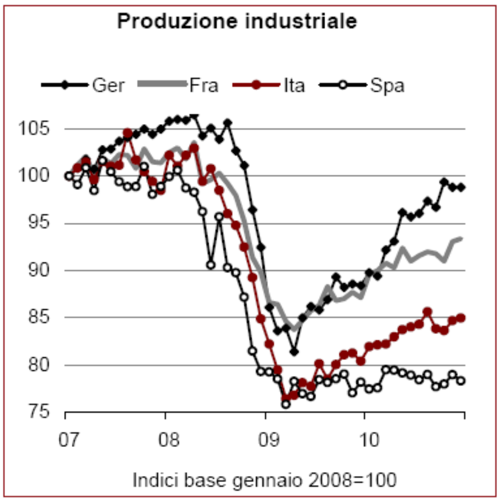


Index: 2007 = 100

The strong volatility of the prices of raw materials makes it difficult to assess the consequences. In addition to other variables, much will depend on the amount of such increases and the duration of the crisis. Recently the natural catastrophe that hit Japan and the damage to the country's nuclear reactors generated a new front of uncertainty for the world economy, with consequences that are difficult to assess. In particular, it is necessary to distinguish the short term effect on production, which in all probability will be significantly negative, from that expected for the coming months, which will be characterized by significant public intervention in view of reconstruction. A “V” trend is therefore possible, characterized by a sudden but temporary fall of the GDP, followed by a marked recovery.

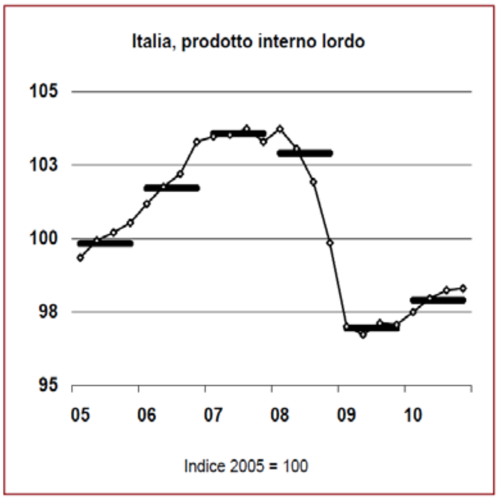
WORLD GDP AND TRADE					
Average annual variations (%)	REF Forecasts				
	2008	2009	2010	2011	2012
United States	0.0	-2.6	2.8	2.1	2.3
Japan	-1.2	-6.3	4.6	2.5	1.9
United Kingdom	-0.1	-5.0	1.6	1.6	1.7
Euro area	0.3	-4.0	1.7	1.3	1.5
Germany	0.7	-4.7	3.5	2.0	2.0
France	0.1	-2.5	1.5	1.3	1.6
Italy	-1.3	-5.1	1.0	0.7	1.1
Spain	0.9	-3.7	-0.2	0.4	1.1
Industrialized countries	-0.1	-4.0	2.5	1.7	1.9
Emerging economies	6.1	2.5	7.0	6.0	5.4
Emerging Asian economies	7.7	6.9	9.2	7.5	7.0
World GDP	3.1	-0.6	4.9	4.0	3.7
World Trade	2.8	-11.1	12.3	7.0	6.4

Industrial Production



Indexes: base January 2008 = 100

Italy, Gross Domestic Product

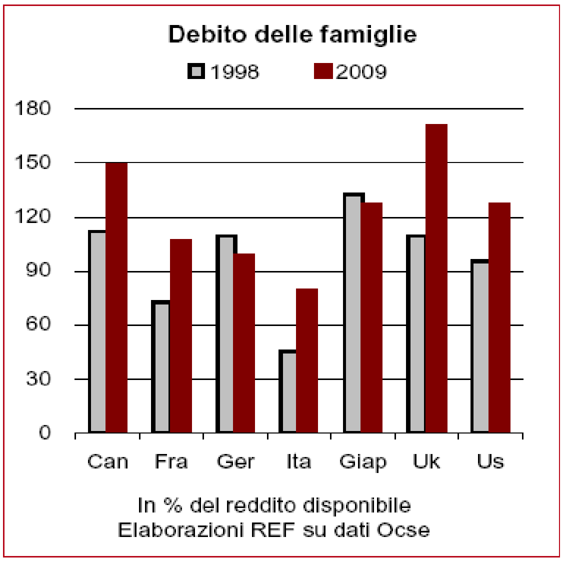


Index: 2005 = 100

The initial information on the statistics of national accounts for 2010 confirms many of the forecasts that were made, and in particular the global slowdown registered during the second part of the year of the pace of recovery that was already emerging.

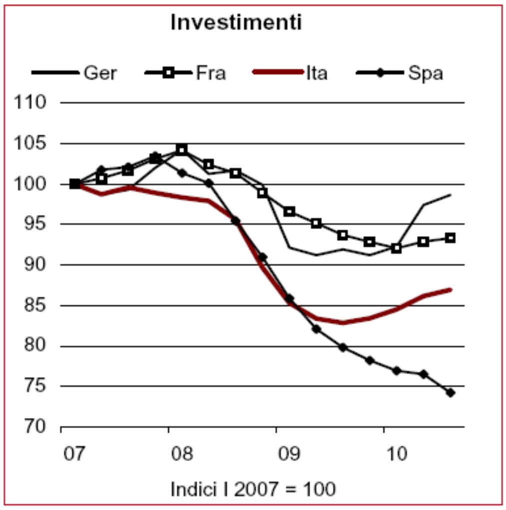
Such tendency, even though the economic indicators seem to anticipate reinforcement during the initial months of the year, remain heavily impacted by the unfavorable statistical heredity left by 2010 which, with all probability, will condition the average results for the year in course.

Household Indebtedness



% of available income
REF elaborations based on OECD data

Investments

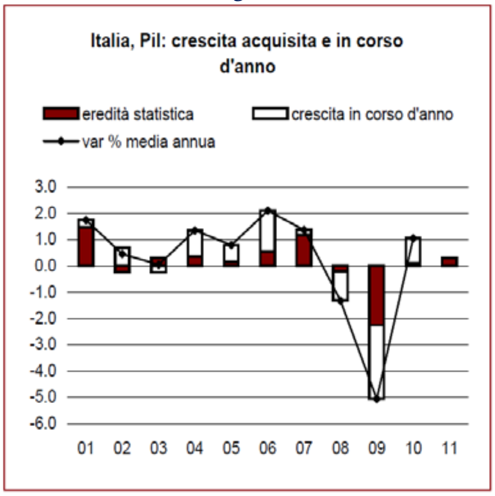


Indexes: 2007 = 100

Cycle of Italian industrial production

Italy, GDP: acquired growth and growth during the course of the year

Red: inherited statistics
White: growth during the course of the year
Black line: average annual variation



As noted, even Italy appears to be at the start of a phase that is in anticipation of its exit from the crisis, as indicated by the exit strategy of its fiscal policy, which might result in an initial concrete jump start of the economy. It is a delicate but essential passage in order to be able to archive the worst economic crisis since the Second World War.

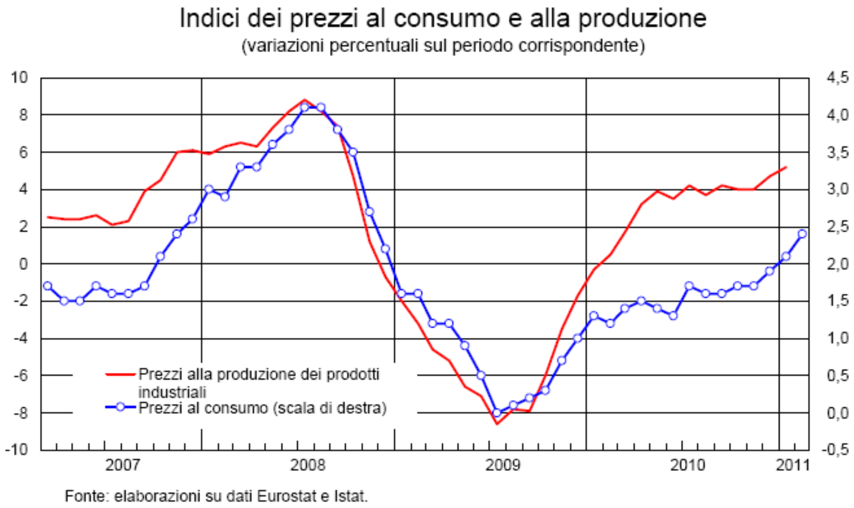
The consolidation of public finances will result in a couple of years of weak growth, but 2014 might register a full recovery on solid grounds.

The strategy's success does not only depend on the result, represented by the normalization of the economic policy framework and by the return to a development trend, but other significant factors are the cost of the phase of fiscal consolidation, the characteristics of the adjustment from a re-distribution standpoint, and, above all, the level of impoverishment of Italy's productive structure once the phase of consolidating the accounts has ended. In addition to wondering how the next two years will be, it is also necessary to consider what the structural characteristics of the Italian system will be like at the end of this period, and, above all, if it can be a valid starting point for a new phase of economic development on a new foundation. In this context, the future is uncertain after too long a period of scarce investments, both private as well as public, decades of the loss of productivity, the progressive decline of employment levels, the growing inefficiency of the public sector, and increased bureaucracy. Even the accumulation of human capital is hampered due to the effect of adverse economic conditions that slow down the insertion in the labor market of younger generations who are more highly educated.

The opening of a default risk premium for Italy indicates that a tax adjustment is inevitable to reduce the price we are paying for Italy's imbalances.

Managing recovery appears to be less complex for Italy than for other countries given the starting point of the public deficit, which is less distant from its objectives, but the development framework within which the consolidation of public finances must occur will be a decisive factor. If the conditions with respect to internal demand are and remain fragile, growth will only be entrusted to being driven by exports.

Consumer price indexes and production
(percentage variations during the corresponding period)
red line: producer prices of industrial products
blue line: consumer prices (right scale)



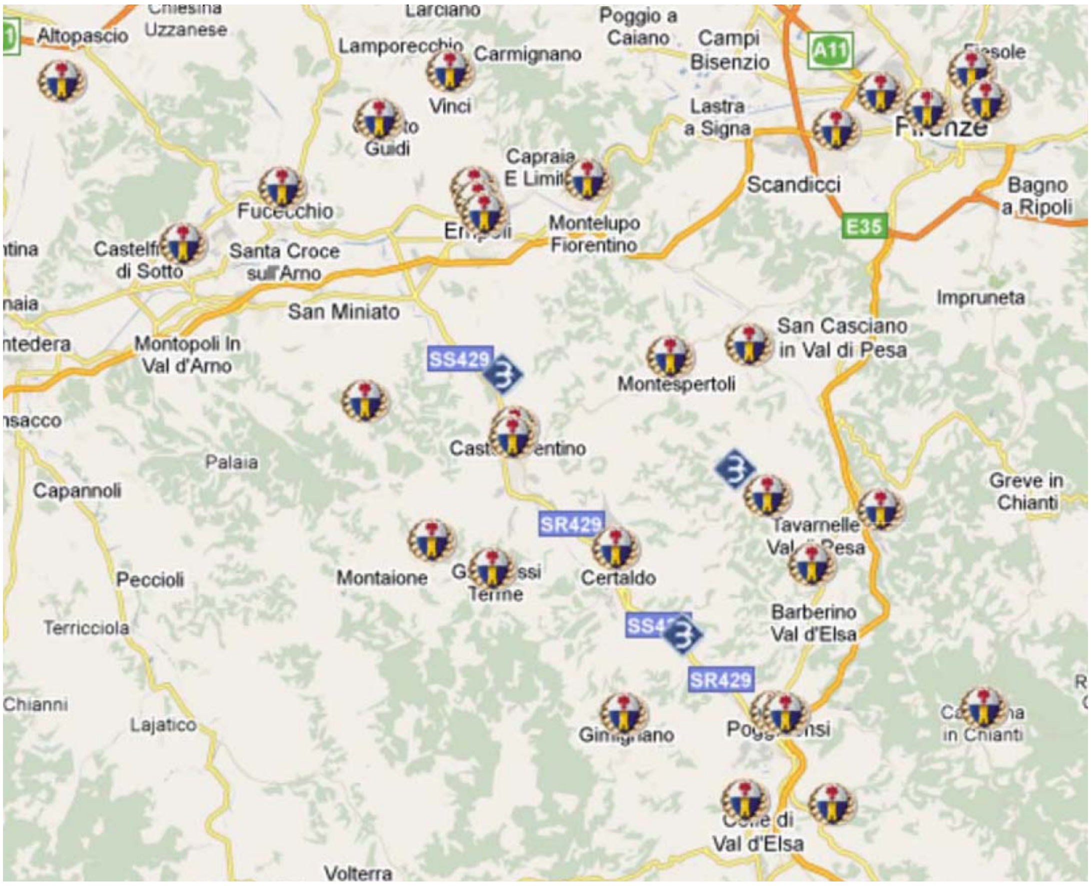
Source: based on data from Eurostat and The Italian Cost of Living Index (Istat)

Italy – Industrial production

Istat (Italian Cost of Living Index), seasonally adjusted, base 2005=100

■ LOCAL SOCIAL-ECONOMIC SITUATION

In this section attention will be focused on the economic trend of the area where the Bank has its network, represented below.



Both at the level of regional economy as well as our area of operational expertise, the second part of the year was characterized by a slowdown of the pace of the recovery that manifested itself during the first half of 2010. This slowdown is part of a scenario characterized in general by the deceleration of the world economy, and in particular by the strengthening of the Euro, both factors that did not contribute to sustaining growth, which until now has primarily been based on the driving effects of exports. The growth rate of exports to current values has remained slightly lower than +15% on an annual basis. Other Italian regions were better able to operate in foreign markets.

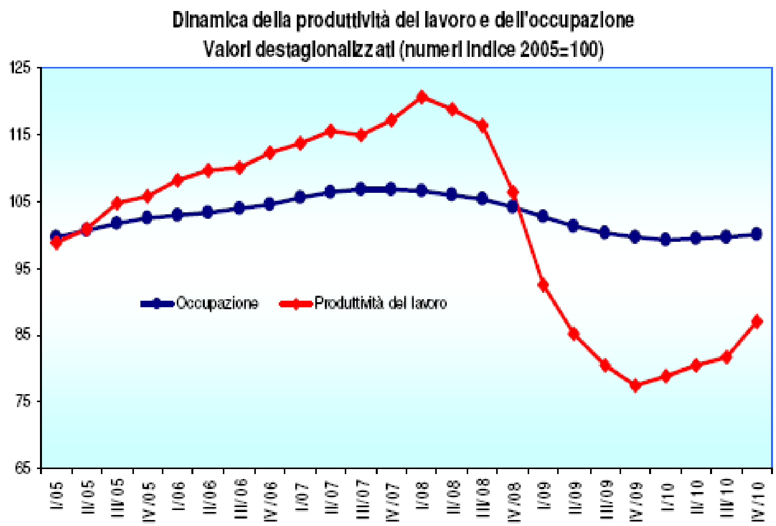
Although there were some positive factors, the manufacturing industry has generally shown signs that it has been penalized and will require more time to move out of the current situation, which for many companies and workers still remains extremely negative. As a consequence of the unprecedented reduction of asset levels that occurred between the fall of 2008 and the summer of 2009 for manufacturers, in particular those oriented towards the domestic market, which were still in red at the close of the third quarter of 2010, the negative structural impact produced by the crisis through the present is evident. Flexibility, capitalization, the quality of products and services, and the capacity to enter foreign and domestic markets remain factors that have guaranteed, and which continue to guarantee, the ability to sustain the impact of the ongoing recession.

With respect to the macro sectors of activity at a regional level, which are also found in our area economy, according to initial data the added value in 2010 returned to being positive for industry in a strict sense (+5.5%) as well as for services (+1.1%), whereas even though the added value dynamics may have improved slightly in the construction industry it still remained negative (-1.9%), and is negative (-2.4%) for agriculture as well. Industrial recovery will primarily be driven by the foreign component, and in the short term by the recovery of the stock cycle.

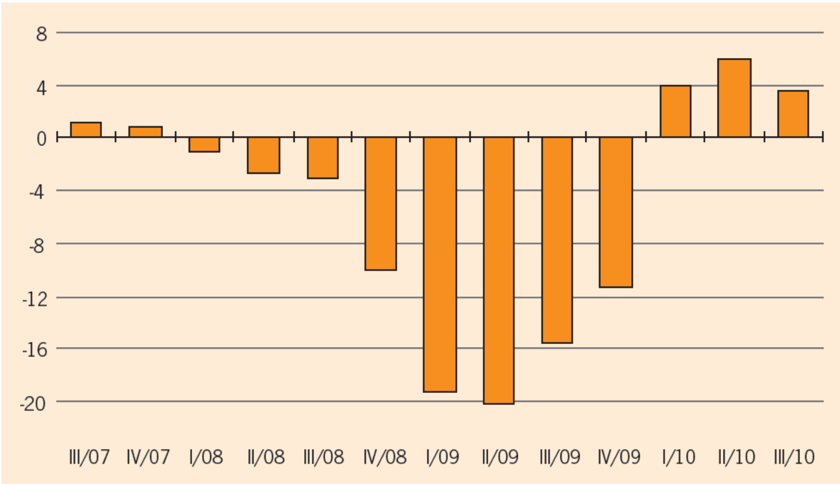
Trend of the cyclical position of various sectors in the province of Florence

	2009 with respect to 2008	I Quarter 2010	II Quarter 2010	III Quarter 2010	IV Quarter 2010	2010 with respect to 2009
Food, beverages and tobacco	Slowdown	Recovery	Recovery	Recession	Recovery	Recovery
Textiles and clothing	Recession	Recovery	Recovery	Recovery	Recovery	Recovery
Leathers, hides and footwear	Recession	Recovery	Recovery	Recovery	Slowdown	Recovery
Chemicals, pharmaceuticals, rubber and plastic	Recession	Recovery	Recovery	Expansion	Slowdown	Recovery
Metallurgy and the production of metal products	Recession	Recession	Recovery	Recovery	Recovery	Recovery
Engineering industry	Recession	Recession	Recovery	Recovery	Recovery	Recovery
Wood and furniture	Recession	Recession	Recovery	Recovery	Expansion	Recovery
Non metal products	Recession	Recovery	Recovery	Recession	Recovery	Recovery
Electronics and transport vehicles	Recession	Recession	Recession	Recovery	Recovery	Recovery
Various	Recession	Recession	Recovery	Recovery	Recovery	Recovery

Dynamics of labor productivity and employment
Values seasonally adjusted (Index: 2005=100)
Blue line: Employment Red line: Labor productivity



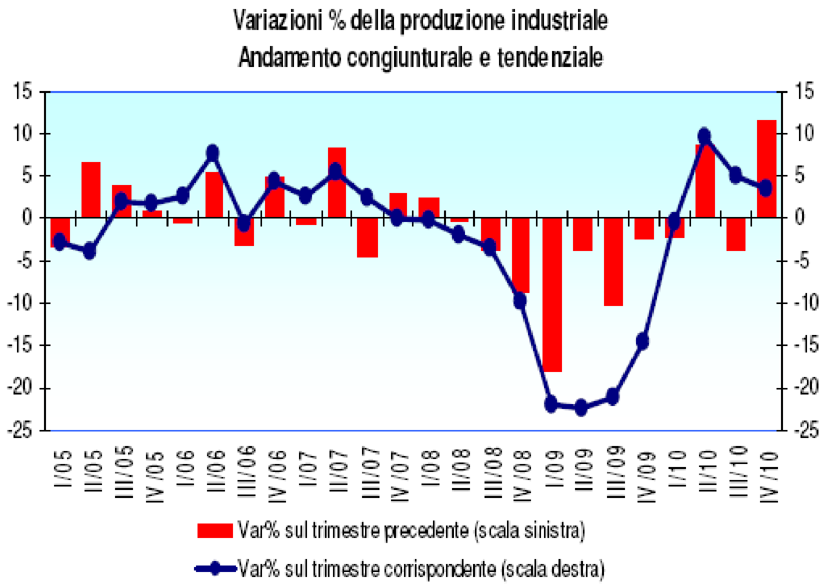
Industrial production in Tuscany
% quarterly variations corresponding to the previous year
Source: Unioncamere Toscana- Confindustria Toscana



LA PRODUZIONE INDUSTRIALE IN TOSCANA
Variazioni % su trimestre corrispondente anno precedente

Fonte: Unioncamere Toscana-Confindustria Toscana

% Variations of industrial production
Short-term economic changes and trends



Red line: % Variation with respect to previous quarter (left scale)
Blue line: % Variation with respect to corresponding quarter (right scale)

As noted, 2010 was a very difficult year for the economy in our operational area as well, even though there were also positive situations.

The construction industry had a prevalently difficult trend. In this sector, the selection already in course among small industries that has resulted in a reduction in number is even greater. The crisis also strongly affected the numerous service industries. Initiatives were taken, but remained suspended, with respect to the phase of slowed market absorption. Even the general decline of stock market prices has not yet produced signs that the market has awakened. Another non-marginal factor for understanding the impact of the stagnant situation of the real estate market is the widespread situation of distrust, which results in a decision not to proceed with an undertaking such as the purchase of real estate in the current context of uncertainty.

The mechanical engineering industry maintained a positive level.

No particularly critical situations arose for the companies remaining in the picture frame sector, even though they suffered a drop in invoiced sales.

The camper industry, which considers our area to be a qualified productive district known at a national level, maintained a low profile, while the production of mobile and pre-fabricated homes has done better, even though in a more contained manner with respect to the data of prior fiscal years. The service industry relating to these two sectors has also suffered from this trend.

The photovoltaic sector has shown considerable growth spurts on the basis of the significant public incentives from which it has benefited. The reduction of supportive measures, which it appears will occur, may result in a potentially sizeable slowdown. It remains to be noted that for the next few decades there will in any event be an aggravation of public finances due to the operations that have been carried out.

Decreased availability of disposable income induces a drop in consumption, and although trade registers steady performances it is often in decline. Traditional trade has been more greatly affected by the negative phase, but even mass distribution in the food industry has not been excluded. There are frequent cases of the initiation of new commercial activities that quickly suffer setbacks.

The tourist industry, and in particular agricultural tourism, has confirmed that it plays a crucial role for the area economy, affecting multiple sectors which could compensate the downturn of the industrial sector. Paradoxically, there is instead a clear failure to fully exploit this sector's potential. The lower results are attributable in part to the general crisis, but also, and above all, to the significant offer that was created, generating a likely problem of saturation and at times a decrease of the qualitative level of the services offered, often accompanied by price policies which, based on a misunderstanding with respect to the strength of the advantageous position that our area offers, placed our quotations out of the market to the advantage of nearby locations. It is still not possible to create a system, and the ability is lacking to define strategies at a territorial level aimed at enhancing the true and incomparable resources that characterize our area: landscape, culture, wines and gastronomy. One form of potentially significant assistance in this direction might be the creation of a network contract, defined by Law 122 of 2010 as an agreement by means of which various entrepreneurs pursue forms of collaboration while maintaining their individual autonomy, committing themselves on the basis of a common program. The network contract is different from a traditional district, and might be an extraordinary way to enhance forms of coordination among businesses that are part of the same sector or part of the same production chain. The introduction of a network contract in the Italian legal system might truly represent an exceptional opportunity to facilitate new operators in many fields.

Remaining in the context of tourism, with reference to the Florentine hotel industry, which still is undergoing market difficulties and delays in the recovery of pre-crisis levels of productivity, the 2010 data was nevertheless positive, with recovery in terms of presence with respect to the decline registered during the previous two years.

Agriculture sustained heavy losses and was affected by price fluctuations for wine and oil that penalized producers. The quality of production remains its strong point, and will allow it to latch onto a turnaround of market trend. There were instead positive results in the meat processing industry, which has important operators in the area. Breads and bakery products also maintained a decent presence in the area, preserving a positive position notwithstanding the exceptional increase of the costs of raw materials registered during the year.

The situation regarding the ceramics and terracotta industry was characterized by the downsizing of all production facilities, with the dismissal of workers and reorganization of the manufacturing process. Some companies ceased their activity. Mostly small producers at an artisan level have remained, specialized in quality productions that are primarily intended for foreign markets. The opening of retail sales outlets as the last sales channel was frequent. With respect to the glass industry, the trend was to relocate production abroad, transforming the existing installations located in Italy into commercial structures.

The footwear industry is increasingly oriented towards manufacturing on behalf of third parties under international trademarks and names. Trademark productions are in marked decline. In this sense, with respect to orders that provide work continuity and even allow an increase in invoiced sales, there are, however, reduced profit margins and concentration on a restricted number of customers.

The tanning industry already showed its first growth signals at the end of 2009, and during the course of 2010 there was some interest in leather soles, which, however, are penalized by the reduction of their use in the production of footwear, to the advantage of other materials. Increased manufacturing flexibility remains the strong point of the area tanneries, which allows delivery times to be reduced to the minimum and excellent qualitative standards to be maintained even for small lots of leather. There were significant job losses in the sector, however, and various businesses were in crisis.

With respect to the traditional clothing industry with its relative service industry, after a generalized decline, and in some cases vertical decline, of invoiced sales during 2008 and 2009, there appeared to be a timid recovery phase starting in 2010, even if it is still premature to speak of a turnaround.

The business crisis is also affecting self employment and professional sectors, with reductions of volumes and activities and difficulties in obtaining payment.

The situation of households was negatively affected by the impact of the crisis on the local productive system. This was confirmed by the numerous operations to suspend and/or extend loans that had been granted. Even the inclination towards savings was affected by this situation, and was reduced both due to the consolidated level of wellbeing, which it is unlikely will be lowered in favor of savings, as well as due to the effects that the crisis in course has caused to employment levels, and thus to household income.

It is necessary, however, to note that with respect to the Bank's historic territory, economic development was and will remain penalized unless the issue of modernizing the road network is dealt with and resolved.

Italy- Unemployment level

While many considered 2010 to be a time of change with respect to the most acute phase of the recession that hit the Italian economy and the Bank's area during the previous two years, on our part we are convinced that full recovery continues to remain distant. The outlooks that are prepared at high levels only consider foreign demand to be in expansion. The role of protagonist will therefore not be played at a widespread level, but rather will be restricted to just a few companies, industries and territories. Thus there might be spotty development, and the spotlight will again be focused not only on uneven growth but also on distribution, and with it policies that favor one and deal with the imbalances of the other. Another distorting factor, in addition to the lack of productivity of a large part of the public expenditure, is confirmed and aggravated by the unsustainable tax burden that affects taxpayers, employees *in primis*, due to the sensational level of tax evasion that continues to remain in Italy.

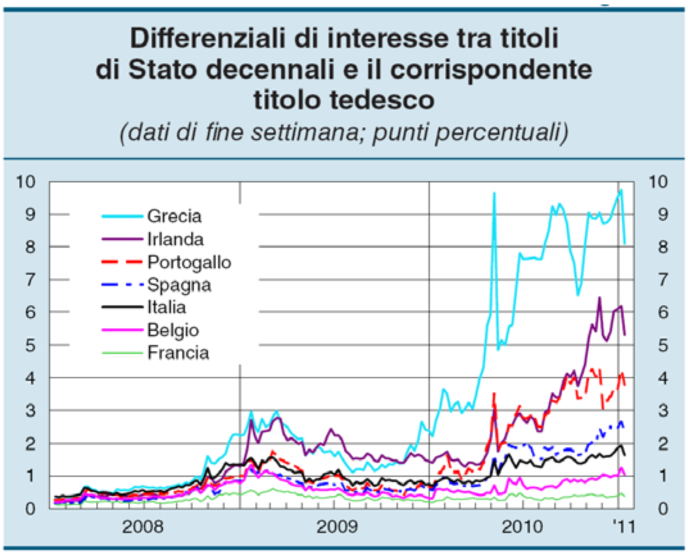
■ FINANCIAL MARKETS

During the course of 2010, the European Central Bank maintained its interest rates of reference at 1% in the Euro area, the lowest level ever reached.

The Institute of Frankfurt, in order to stimulate the increase of the amount of money in circulation and to support the financial system's needs for liquidity, continued in an expansive mode, increasing actions defined as "unconventional", such as open market operations with the direct purchase by the ECB of financial assets.

European intervention to support the banking system, combined with measures to stimulate the economy, confirmed the opinion expressed by the markets on the marked burdening of the public finances of European countries considered to be "peripheral", to the point that they are unable to finance their own debt. The crisis that initially involved Greece, and subsequently Ireland, required the European Monetary Union to intervene in order to avoid the default of their respective public debts. As a direct consequence, as well as under the pressure of speculation, the credit spreads of all of the "peripheral" countries were dilated, to the benefit of Germany's "risk", which underwent a significant reduction of the interest rates of its debt throughout 2010, to the point of being considered to be a "safe haven" by the market.

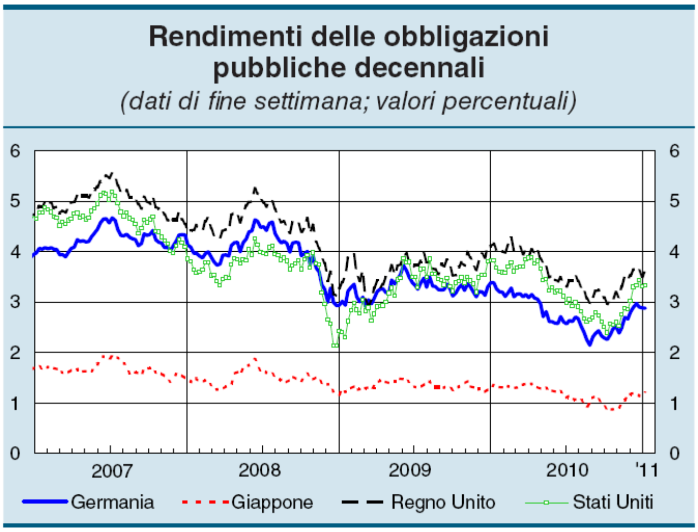
Differences of interest rates between ten year government securities and the corresponding German security
(*weekend data; percentages*)



Fonte: elaborazioni su dati Bloomberg e Thomson Reuters Datastream. L'ultimo dato disponibile si riferisce al 14 gennaio.

Source: based on Bloomberg and Thomson Reuters Datastream.
The last available information refers to 14 January.

Trend of ten-year government bonds
(*weekend data; percentages*)



Fonte: Thomson Reuters Datastream.

Source: Thomson Reuters Datastream

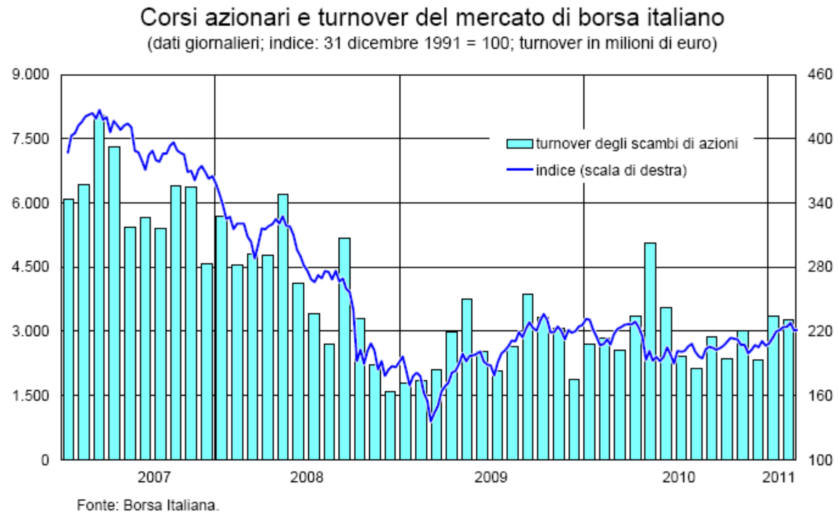
The increase of the public debt of European countries by more than 10 percentage points during the course of 2010, accompanied by modest economic growth, confirms the assessment in structural terms of the economic condition of the Euro Area, and thus the effects on financial markets even for 2011. In fact, during the course of the first meeting of 2011, the ECB, consistently with its mandate to control price stability, warned of a possible increase of the inflation rate caused by the growth of energy prices, which might be oriented towards a target of 2%. At that time the reference rate levels were confirmed as being "appropriate".

An increase of inflation beyond the BCE's expectation, in our opinion anything but improbable, might result in an increase of the reference rates during the course of the year, even though the BCE would continue with "unconventional" measures aimed at satisfying the banking system's needs for liquidity, perhaps even by means of a slight modification in terms of costs.

The bond market, both government and corporate, also mirrored the negative trend of the economic cycle of the Area Euro aside from Germany, and the prediction that such trend will continue even in the coming months is resulting in rising yields for all maturities. In the meantime, quotations in equity markets have begun to climb, even though there are still significant fluctuations, discounting expectations of economic growth, in particular in emerging countries, and sustained by the abundant liquidity in the markets.

Stock prices and turnover of the Italian stock exchange

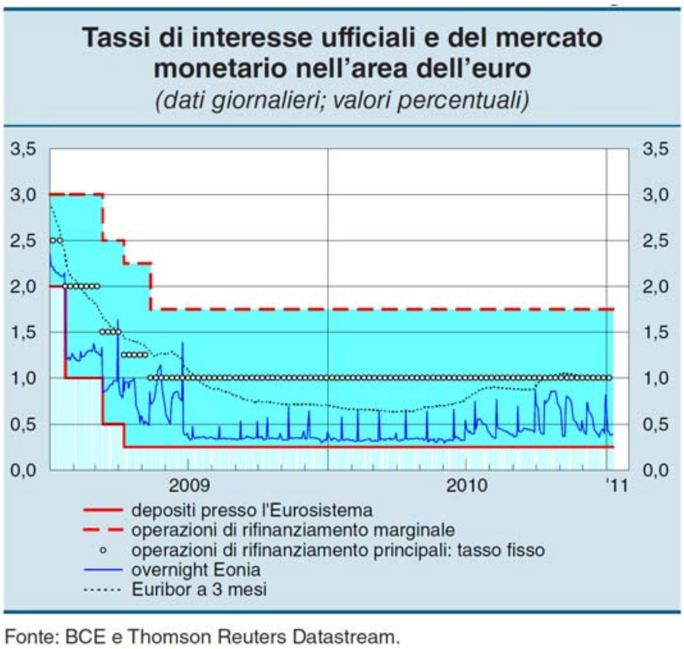
(daily data; index: 31 December 1991 = 100; turnover in millions of Euro



Source: Italian Stock Exchange

Official interest rates and the monetary market in the Euro Area

(daily data; percentage values)



Solid red line: deposits with Eurosystem
Broken red line: marginal refinancing operations
Circles: principal refinancing operations: fixed rate
Blue line: overnight interbank rate (Eonia)
Black dotted line: Euribor three months

Source: ECB and Thomson Reuters Datastream

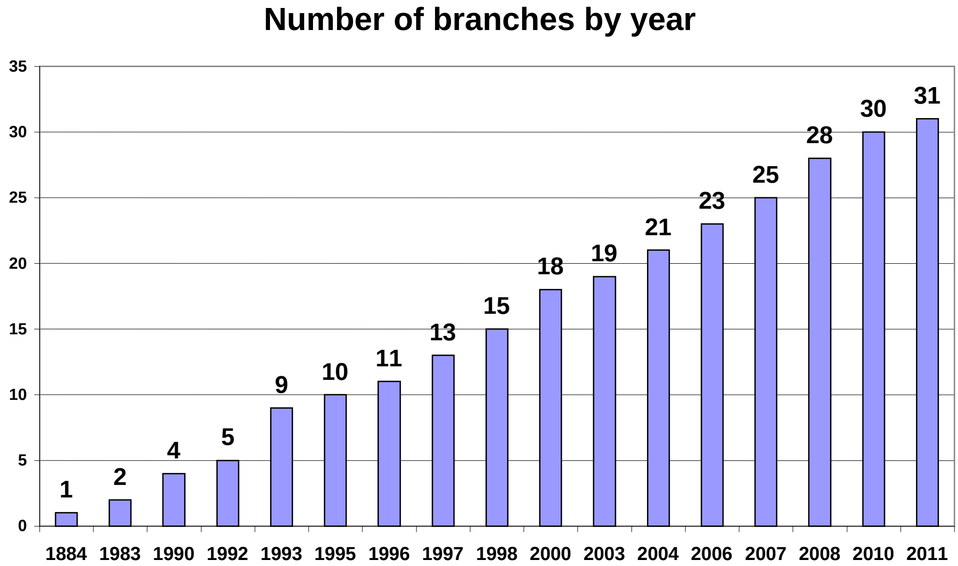
World Stock Exchanges

MSCI World Index

■ TERRITORIAL NETWORK

Two new branches were opened during fiscal year 2010: one in Florence and one in Orentano. During the month of February 2011, yet another agency was opened in Via Maggio, Florence. The branch network currently consists of 31 operational units, four of which are located in the city of Florence.

For the Bank, the expansion of its territorial network is confirmed as being the principal channel for healthy business development, sustained by appreciation for its banking products and services that are issued with transparency, honesty, flexibility, conditions, stability and an authentic orientation towards typical customers with our broadened mutual aid function in mind. The policy to invest in long term relationships with customers, which we have always adhered to, currently fully corresponds to changed social needs and is also completely confirmed in the areas where our most recent branches are located, where, regardless of the large number of banks, there is an urgent need for partners who are truly oriented towards customers.



■ SHAREHOLDERS, CORPORATE ACTIVITY AND INFORMATION IN ACCORDANCE WITH ARTICLE 2528 OF THE ITALIAN CIVIL CODE

The cooperative is a special and always current way of working in many sectors and of doing business. It simultaneously combines managerial effectiveness and efficiency, ethical standards and constant references to social responsibility, without objectives of private speculation. The fundamental principles of cooperation are set forth in its Charter and qualify it as a social value of general interest. The wealth that the Bank produces by its activity represents a widespread value for shareholders, local communities, and the progressive affirmation of cooperation to create development and progress, reinforcing the Bank as an asset for society as a whole.

Our activity is always been guided by these principles, and during the past fiscal year as well we produced new economic and social value.

We reached out to develop the culture of expanded mutual aid to qualify the Bank's equity structure as an expression of its interested stakeholders, with respect to the more limited role of shareholders, all the more so as shareholders of a company having collective and widespread ownership, which is almost a public company.

We have continued to involve social networks in the territory of reference, promoting financial inclusion and sustaining entrepreneurship and volunteer projects, with constant reference to principles of solidarity and subsidiarity.

The criteria applied in expanding its equity structure referred, according to consolidated business practice, to an assessment of applicants on the basis of prerequisites of morality, fairness, reliability in economic relationships and shared cooperative principles. A strategic objective is the reinforcement of the nature of mutual aid in the Bank's activity, with increasing involvement in the social life and enhanced expansion of the social base. The role of shareholder is favored, overlapping the role of user of the Bank's products and services, as an opportunity to further control the work of the Bank's bodies as well as active participation. Meetings were held with shareholders so that they could be protagonists in the promotion and development of the Bank and cooperative principles, as parties who are fully aware of the function that their company plays, not only as a bank but also as an entity generating extra social values within the community of the territory where it works.

During the course of 2010, 117 new shareholders were admitted, while 66 shareholders left. As of 31 December 2010 there were 3,052 shareholders with respect to 3,001 shareholders in the previous year.

Particular attention was paid to the admission of shareholders, both companies and/or individual borrowers, in order to maintain an adequate ratio of prevalent weighted operations required by law. In expanding its equity structure, consideration was paid to the principle of the representative nature of the social body as an expression of the entire territorial network.

The Bank's guidelines were distinguished by social and humanitarian initiatives and collaboration with associations based on principles of solidarity and fundamental values of respect for human dignity.

The Bank makes considerable resources available each year, but which are amply undersized compared to the areas of intervention.

The activities and selection criteria for donations favored projects that were consistent with the Bank's guiding principles. Therefore, with respect to the need to carefully select its intervention, preference was given to projects initiated with the intent of lasting over time, which have positive effects without depending exclusively on the Bank's efforts.

Overall, during the course of the fiscal year, contributions made to entities having social or public interest objectives amounted to more than 682,645 Euro. Financial support was also aimed at the protection and enhancement of artistic heritage by means of shows, the publication of magazines and events. Numerous initiatives were shared and sustained that were promoted by ONLUS, volunteer associations, ecclesiastic entities, scholastic institutes, sports and cultural clubs located in the Bank's territory of reference.

The obligation to contribute to mutual aid funds for promotion and development was duly complied with. It is noted that the conditions of prevalent mutual aid exist and remain. For such purpose, in accordance with the provisions of Article 2512 of the Italian Civil Code and Article 35 of Legislative Decree no. 385 of 1993 and the related Supervisory Instructions, during the fiscal year the Bank was in compliance with the requisites in terms of the calculation of the weighted average of the parameter of prevalent operations with shareholders. Specifically, with respect to what is required by cited Article 35, and as appears from the periodic reports sent to the Supervisory Authority, it is noted that during the course of the year venture capital for shareholders or zero weighted assets always exceeded 50% of total assets, and that as of the date of the financial statements they amounted to 56.70% of the total.

Lending activity outside of its area of competence (municipalities where branches are located and nearby communities) was negligible and fully within the supervisory parameter.

ASSETS WITH RESPECT TO SHAREHOLDERS AND ASSETS OUTSIDE OF ITS TERRITORIAL AREA

	Legislative limit	2010	2009
% assets to shareholders and/or zero weighted assets	> 50.00%	56.698%	54.160%
% assets outside territorial area	< 5.00%	1.376%	2.048%

■ THE ORGANIZATIONAL PROCESS AND REGULATORY MEASURES

Organizational structure and personnel

The Bank has an organizational structure that is strongly characterized by its commercial and customer service department. With respect to the distribution of its workforce, 22% is distributed among central management and structures, and 78% to its branch network.

Its collaborators are a decisive strategic asset for communicating the Bank's spirit and identity. Its personnel represents the effort made in terms of availability, skill, knowledge and initiative, but above all shared values, ethics, fair play and behavioral standards that come from tradition and which enhance, today more than ever, our way of operating. The Bank's "fundamental values" are constantly stated and spread so that they become elements reinforced by the collective experience of the entire structure.

Even during the fiscal year in review the Bank invested in the professional development of its human resources, aimed both at technical issues, updating them with respect to regulatory and legislative innovations, as well as relational aspects in order to constantly improve the level of communications. Training, the sense of belonging, and ethics are considered to be fundamental elements in order to be able to compete, with the advantage that its human resources are fully aware of and share the Bank's identifying values.

The growing competitiveness of the banking system, which also originated from the development of new distribution channels and international integration, requires maximum efficiency in the management of all business resources, and in particular human resources. The training plan was therefore intense, aimed at developing the professional skills required to respond in line with our market position. The need to sustain, update and prepare resources to be able to best face changes, as required, resulting in a Training Program having a total number of 11,259 hours in which all personnel participated, with graded intensity and differentiated distribution on the basis of the issues dealt with.

Many young people coming from commercial technical institutes and from universities were given internships.

As of 31 December 2010, the Bank's overall workforce consisted of 268 persons (of whom 16 were temporary), with an annual net growth of 14 people compared to 31 December of the previous year.

Their average age is 37 years old, while 65% are in the age group that ranges up to 40 years in age.

Payment Service Directive

The Bank promptly adjusted its operations to the European Directive on Payment Services, which entered into effect on 1° March 2010 and regulates all payments in the Single Market, governing the rights and obligations of operators and customers of payment services, in order to guarantee greater transparency of conditions and enhance competition among operators in the market by removing the technical, legal and commercial barriers among the current national payment systems.

The Directive provides consumers with greater protection, introducing a different regime for payments depending on whether or not the user is a consumer.

With respect to our customers, the increased protection reserved to "Customers who are Consumers" were *de facto* extended to all of the Bank's customers.

Such Directive provides for the creation of a sole area for payments and collections in the EU: domestic and cross-border payments are treated in the same manner.

Transparency

By means of a Measure on 29 July 2009, the Bank of Italy issued provisions on "Transparency in banking and financial operations and services – Proper relations between intermediaries and customers", aimed at ensuring clarity for customers and their access to the information provided by intermediaries, the ability to comprehend the charges and costs connected to services, and the possibility to compare the various offers available in the market. Such provisions, naturally of a general nature for the entire banking system, may have also been motivated by the improper procedures adopted by some operators, or perhaps are intended to ensure greater clarity and readability of bank statements, which in fact are increasingly articulated and difficult to be read and understood by the majority of customers as the banks desired in order to complicate rather than simplify matters, but this did not impact the basic fairness that regulated and continues to regulate customer relations with our Bank.

At the end of 2010, consistently with the regime in review, the Bank calculated the effective cost of bank accounts for retail customers, and in particular consumers with reference to the specifications of the SIC – Synthetic Indicator of Cost, which is an indicator for bank accounts that can be immediately perceived, aimed at representing the cost of a bank account for each individual bank. The consumer can therefore compare the cost in Euro of an account with various banks on the basis of the typical operations of different user profiles, among which it can choose the one that best responds to its own situation. Another useful element of the SIC consists of the comparison between the estimated cost based on the customer's typical operations, published on an informational sheet, and the effective cost indicated in the document enclosed with the end year bank statement. At such time, the customer must be requested to consider whether on the basis of the effective costs of the bank account that type of account is suited to its needs and operations. The objective of the Supervisory Authority's Measure is to ensure that the customer is not oriented towards products that are unsuitable with respect to its financial needs, or is possibly misled by enticing advertising campaigns. Consistently with the pricing policy implemented by the Bank based on the analysis done and the effective data, its customer bank accounts turned out to be the most suitable for employees and retirees in consideration of their total gratuitous use, including the Bank's assumption of the cost of the stamp duty on bank statements, which results in a significant economic cost that can estimated to be more than one million Euro per year. Clearly advantageous conditions for customers are also determined for accounts offered by the Bank to other categories.

Compliance

The Compliance Department, established in 2007 in compliance with the provisions issued by the Bank of Italy and Consob, monitors the risk of non conformity, i.e. the risk of judicial or administrative sanctions, significant financial losses or damage to the Bank's image, as a result of violations of mandatory rules (of laws or regulations) or rules of self regulation (By-laws, codes of conduct, self-regulatory codes).

With the support of the Inspector's Office, the department monitors activity with reference to the management of responsibilities regarding money laundering, customer complaints, and control of requirements on workplace safety and the protection of privacy.

During fiscal year 2010, the Compliance Department increased its supervision of the risks of non conformity, contributing, including by means of specific training, to further developing the spread of a "culture of conformity", intended not only as "formal compliance with the rules" but as an actual "business value", determined by conduct based on principles of fairness, legality, ethics and transparency, indispensable for preserving and reinforcing customer trust.

The intervention methodology followed by the Compliance Department is essentially articulated by three levels of activity:

• "preventive" measures supporting the various corporate structures during the phases of adjustment to newly issued provisions, and/or intervening to assess the conformity of innovative projects undertaken by the Bank;

• determining possible actions to mitigate risks of non conformity, by means of proposals for modifications of structures, processes or procedures;

• control of the effectiveness of the improvements undertaken, the functioning of procedures and ongoing and precise application of the rules to which financial intermediaries are subject, or which are contained in internal self regulation provisions.

The department has constantly conducted controls and audited management and operating standards with respect to conformity, including by means of its ongoing participation in meetings of the governance and control bodies and advisory committees. The head of the department, as supervisor of the Claims Office as well, controlled and conducted a detailed review of all of the cases that resulted in a customer complaint, finding that the information provided after the arguments made by the counterparts was comprehensive and timely, that there was an absence of significant contestations, and that information was properly provided to the governance and control bodies.

Information on environmental issues

The Bank has been involved for many years with protection of the environment and territory, and it has undertaken initiatives aimed at enhancing the environmental sustainability of its actions. Although it is clear that banking activity, primarily engaged in services, does not produce a significant environmental impact, the Bank considered it to be consistent with its mission to search for the least possible impact. Internally, energy saving solutions were sought and realized, the optical storage of documents was developed in phases to be gradually implemented in order to save paper, differentiated garbage collection was initiated, and even recycled paper and toner is used.

With respect to customers, the Bank is a party to conventions granting subsidized loans for the installation of solar and photovoltaic panels.

Research and development

Our Bank does not use resources for research and development in a strict sense. Consistently with the ongoing development of operational activities, action was also taken during the fiscal year to develop products, review processes, and implement information technology that allowed greater operational levels of efficiency, safety and cost effectiveness.

With respect to IT, the Bank's personnel having specific skills collaborate with the supplier of its computer systems to ensure the effective use of procedures, with continuous connection to the computer company's various specialized departments. Specific activity was also conducted by our "information technology services" and "automatic banking" departments to improve and integrate the use of the corporate computer network (intranet) and for the development and proper use of computer products by customers.

From a technological standpoint and in view of the constant growth of security levels, we extended the obligation of authentication to all Internet banking services by means of an innovative access instrument consisting of a "Drinpass", which simply transforms a cell phone into a virtual "token".

Review of the pre-requisites as a cooperative

During the month of June, the Bank was subject to a control of its pre-requisites as a cooperative in accordance with law, which provides for the period "review of the pre-requisites of a cooperative", conducted by the General Association of Italian Cooperatives. The outcome was entirely positive; the Bank operates in full compliance with its statutory mission and laws regulating cooperatives with respect to objectives of mutual aid.

■ EQUITY INVESTMENTS

Equity investments are held almost in their entirety in companies belonging to the Cabel Group, all of which are, however, functional for the Bank's business operations. At the end of the year they amounted to 13,409,420 Euro, with a positive variation of 1,207,570 Euro with respect to the previous fiscal year due to:

1) 1,027,570 Euro as revaluations of shareholders' equity in the equity investments in Group companies;

2) 180,000 Euro for the increase of the shareholding in Cabel Industry Spa.

The details are set forth in part B of the Explanatory Notes.

■ SECURITIES AND TREASURY PORTFOLIOS – FOREIGN EXCHANGES

The risk aversion that characterizes the Bank's operations is fully reconfirmed in this department by means of operational decisions aimed at maximizing the mitigation of market and counterparty risks with respect to the search, often illusory and never separated from risk, for increased economic results.

The equity instruments of the portfolio owned by the Bank at the end of the year amounted to a total of 455,370,135 Euro, and are classified as follows:

• financial instruments "Held for trading", which include debt securities and equity securities that are held for the treasury's current operations. Initial recognition and subsequent measurements are for fair value. The overall value of the securities allocated to this category amounts to 113 million Euro;

• financial instruments "Available for sale", represented by securities that the Bank does not intend to transfer short term, which cannot be classified in other categories in consideration of their subjective nature and characteristics. All of the equity investments held by the Bank that cannot be defined as controlling interests or affiliates are also recognized in this category. Financial instruments available for sale at the time of their initial measurement are recorded in the balance sheet at "fair value". Subsequent measurements are done applying fair value, with an impact on shareholders' equity. This sector amounts to 342 million Euro.

The classification of securities for balance sheet purposes also includes the following types of securities, which the Bank did not have in its portfolio in 2010:

• financial instruments measured at fair value with an impact on the income statement, which includes securities that, at the time of purchase, the Bank decided to designate as securities valued at "fair value" with an offset in the income statement, even though they were not purchased with the intent of being sold short term or of becoming part of the trading portfolio;

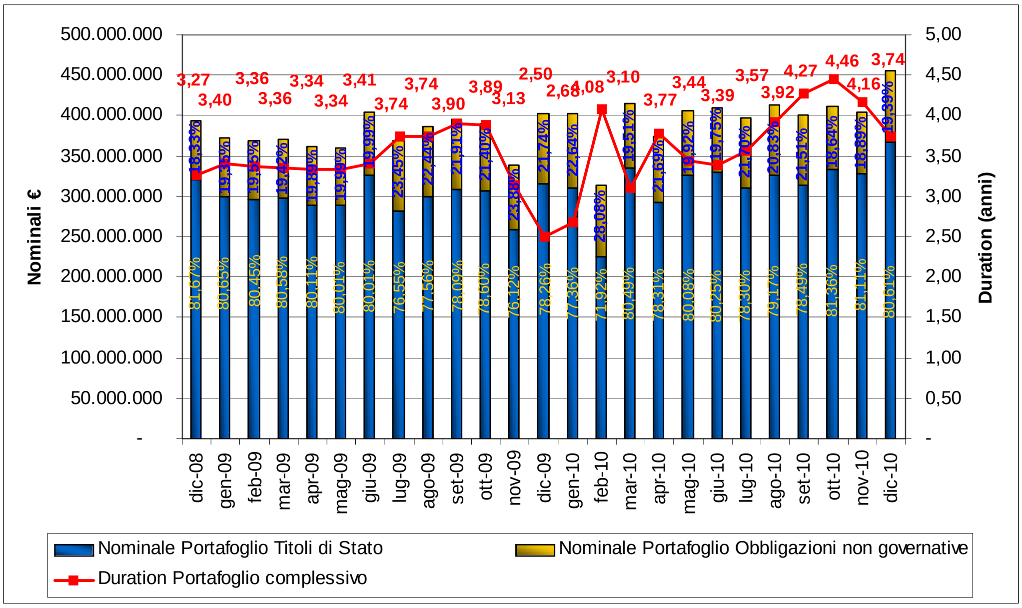
• financial assets "Held to maturity", represented by securities having fixed or determinable payments and pre-determined maturities, with the intent and ability to hold them through maturity;

• commercial "Loans and Receivables", where securities not listed in active markets are classified and for which there is no predetermined intent of a subsequent sale. They are measured using the amortized cost method.

The details of the breakdown of the individual portfolios is fully reviewed in sections 2 and 4 of the Explanatory Notes, part B - assets.

Even the *duration*, which represents the average duration of a bond, weighing each payment at the time it is made and which is therefore an indicator of how much the variation of interest rates can influence the prices of the securities portfolio, amounted at the end of the year to 3.74 years, a figure that remained substantially stable during the course of the entire fiscal year, fully within the parameters established by the Bank's corporate finance management regulation, and fully confirming the prudential guidelines for the management of the securities department.

With respect to the management of the finance area, there was an active supervision of the liquidity risk by means of the strict monitoring of cash flows, and it was subject to constant review and referral to the governance and control body, which always confirmed that governance was within absolutely normal parameters, as will be set forth in detail below in the part of the Explanatory Notes on risk management.



Yellow line: Nominal Portfolio of non government bonds
Blue line: Nominal Portfolio of government securities
Red line: Duration overall Portfolio
Left side: Nominal value in Euro Right side: Duration (in years)

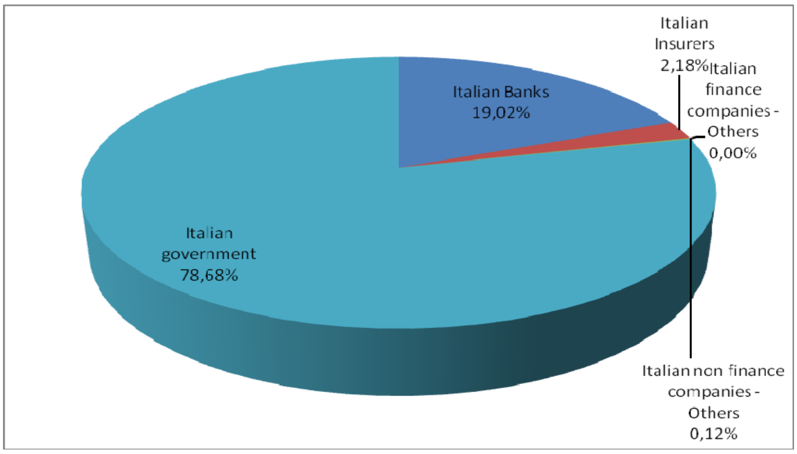
The balance sheet assets indicated in the Bank's financial statements traditionally favor the lending aggregate, implementing the Bank's objectives as a local cooperative bank. The finance department, consistently with the Bank's nature and with its strategic guidelines, operates in a collateral role in view of the priority objective of orienting choices towards the allocation of credit. From this standpoint, investment choices in finance must guarantee a high level of liquidity in order to ensure on the one hand that the loan department is funded, and on the other the cyclical nature of deposits, always maintaining a high level of cash balances. The Bank's management strategies for its current securities portfolio are reconfirmed as being based on standards of maximum prudence, with a prevalent orientation towards government bonds, or in any event zero weighted securities, consistently with the legislative parameters for the weighted calculation of the reference parameter for the quantification of operations with shareholders.

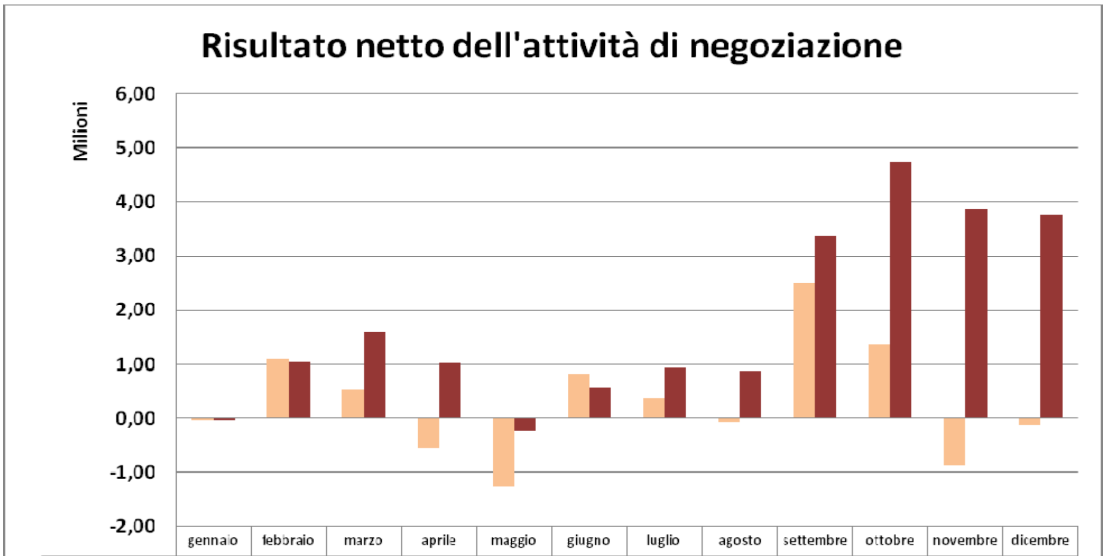
During the fiscal year in review, this sector, included in balance sheet items 20 "Financial assets held for trading" and 40 "Financial assets held for sale", rose from 409 million Euro in 2009 to 455 million Euro, with an increase of 46 million Euro equivalent to +11.29%. The breakdown of the securities portfolio primarily consists of Italian government bonds and bonds held for normal cash flow needs, as well as to hedge repurchase agreements with customers, specifically approximately 80% in government bonds or similar securities. The system's cash reserves were continuously adjusted to allow its activity to be properly conducted, ensuring the necessary level of both primary as well as secondary liquidity.

The overall yield in 2010 of the Bank's securities portfolio having a defined risk profile was 2.637%.

The operations carried out by the foreign service were in decline compared to the previous fiscal year in relation to the area's economic trend, even though it remained at positive levels.

Activity related to trading foreign currency produced a result of 202 thousand Euro.





	gennaio	febbraio	marzo	aprile	maggio	giugno	luglio	agosto	settembre	ottobre	novembre	dicembre
Risultato mensile	-50.303,38	1.102.701,	530.099,07	-556.447,1	-1.263.770	812.611,87	365.672,94	-56.635,76	2.493.251,	1.356.544,	-867.100,5	-113.141,3
Risultato cumulato	-50.303,38	1.052.397,	1.582.497,	1.026.049,	-237.720,5	574.891,37	940.564,31	883.928,55	3.377.179,	4.733.724,	3.866.624,	3.753.482,

peach: monthly result
rust: cumulative result

■ PUBLIC SAVINGS

Direct deposits from customers exceeded 1,854 million Euro, an increase of 136.86 million Euro with respect to the previous fiscal year, equivalent to a growth rate of 7.97%. The figure includes 30,024,000 Euro deriving from deposits with the Clearance and Guarantee Fund.

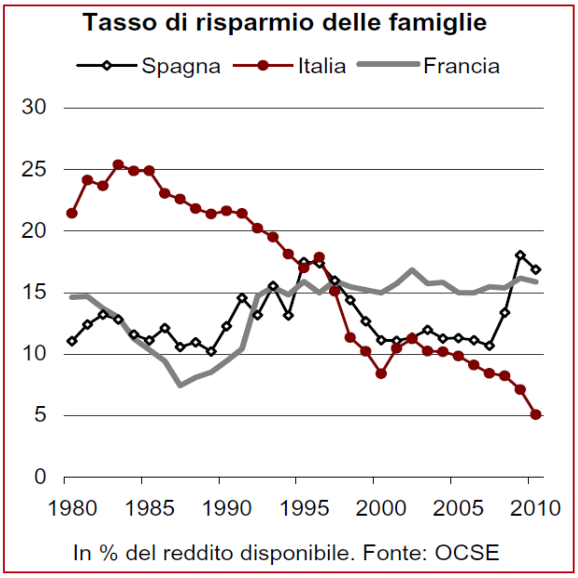
The Bank responded to the financial resources generated by household savings, reconfirming the priority of its choice to benefit depositors, with products and services increasingly designed with current needs in mind, which require that savings be protected as the wealth of society as a whole.

Investment products were placed in compliance with legislative provisions aimed at ensuring customers the necessary transparency and comprehension; the branches all have informational leaflets, prospectuses of offers, contractual texts, notices to the public and all of the instructions required to guarantee full compliance with outstanding law. Everything is made available to customers, including by means of the use of informational totems located throughout our entire branch network and on our website.

At a system level, bank deposits in Italy grew by 10.74% with respect to 9.2% in the previous year. While in general, especially for the major banks, 2009 benefited from the effect of the "tax shelter", 2010, again with a particular impact on the larger banks, saw a great deal of liquidity due to the exit from various risky financial investments, at least by anyone who could do so without excessive losses, which has been parked in deposits or repurchase agreements ready to be repositioned differently as soon as the risks return to acceptable levels. The level of stability of this kind of savings is very different from the level that characterizes our own.

Public savings in the retail market increasingly represents the sector of lively competition among banks. The increased need for liquidity, the high cost and near impossibility for the major banks to obtain funding from the markets, and the closure to securitizations generate the race to the retail savings market, which in the meantime has ceased growing due to the increasing difficulty of households to create new savings.

Household savings rate



% of available income. Source: OECD

This will result in an increasing cost for deposits, with an aggravation of the profitability of bank balance sheets. In this regard, our Bank will operate guaranteeing customers additional services and confirming the guaranteed level of its products ensured by our history and transparency. It will be clearly explained to customers that a greater risk, which is almost always certain, is associated with higher yields, which are often illusory. The activity of personalized consulting must continue in strict terms to propose products that are truly suited to the specific needs of savers; no sales budgets have ever been established for the sale of products of third party issuers and such policy is reconfirmed. The Bank uses its own name and responds for its actions. The organizational structure, which is absolutely original in the general framework of small-medium banks, has retained the possibility to dispose of an investment even prior to its maturity, on market conditions, due to a special trading system created by IBIS *"Invest Banca Internalizzatore Sistematico"*. The combination of these factors with optimal conditions in order to offer customers the possibility to chose their financial investments without risks, including the risk of fraud, which is increasing, represents an action of true social responsibility.

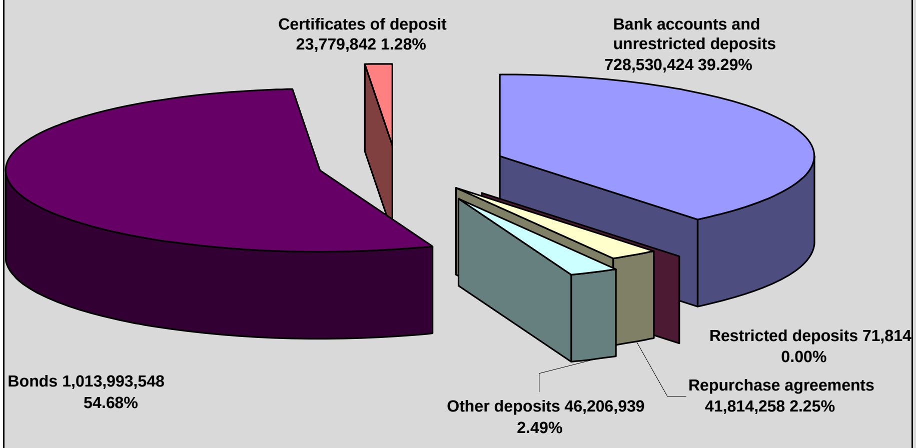
The product policy, both in effect as well as planned, is therefore reconfirmed as being oriented towards our traditional characteristics of honesty, clarity, transparency, the absence of risk for the invested capital and excellent remuneration conditions which, even if modulated for the various types of instruments, must be maintained in such a measure that even simple and low-value relationships are enhanced, particularly with respect to the social categories of retirees and employees.

In the context of the Bank's policy to favor direct deposits, numerous innovative products were also made available, always with the full reimbursement of capital upon maturity, such as the offer of structured bonds tied to equity instruments, indexes or baskets of indexes. Consob's approval of the prospectus for the offer of such type of bond by a credit cooperative bank represents a more or less isolated case and reaffirms the quality of the activity performed at a company level.

During the course of 2010, 35 new bonds were issued for a total of 355 million Euro. There were 102 outstanding bonds at the end of the year.

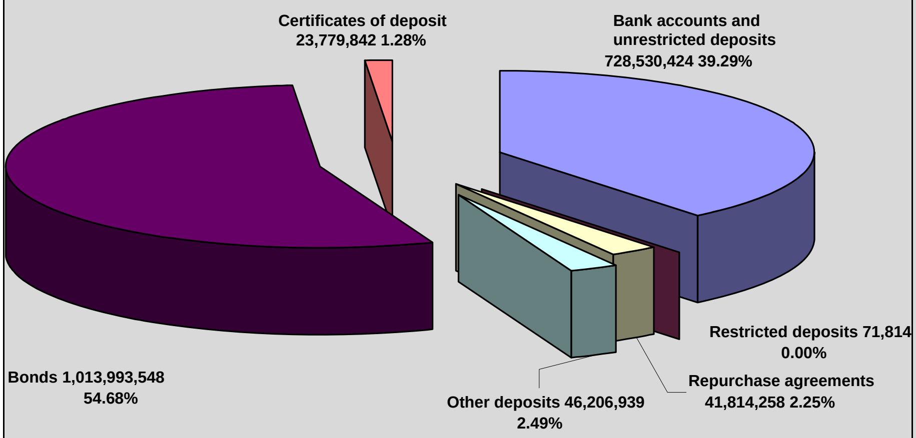
A qualifying and characteristic aspect of the Bank's activity that must always be exploited is the social significance that public savings represents when it is to be used as a financial resource for the support and development of the economic activities in the area in which such savings are produced. In additional to favorable economic conditions, the reinvestment of financial resources in the same territory must be noted as a valuable element for the entire local society.

PERCENTAGE ALLOCATION OF DEPOSITS



DIRECT DEPOSITS	*2010*	*2009*	*Absolute var.*	*Var. %*
Bank accounts and demand deposits	*728.530.424*	*659.768.949*	*68.761.475*	*10,42%*
Term deposits	*71.814*	*173.806*	*-101.992*	*-58,68%*
Repurchase agreements	*41.814.258*	*21.954.031*	*19.860.227*	*90,46%*

PERCENTAGE ALLOCATION OF DEPOSITS



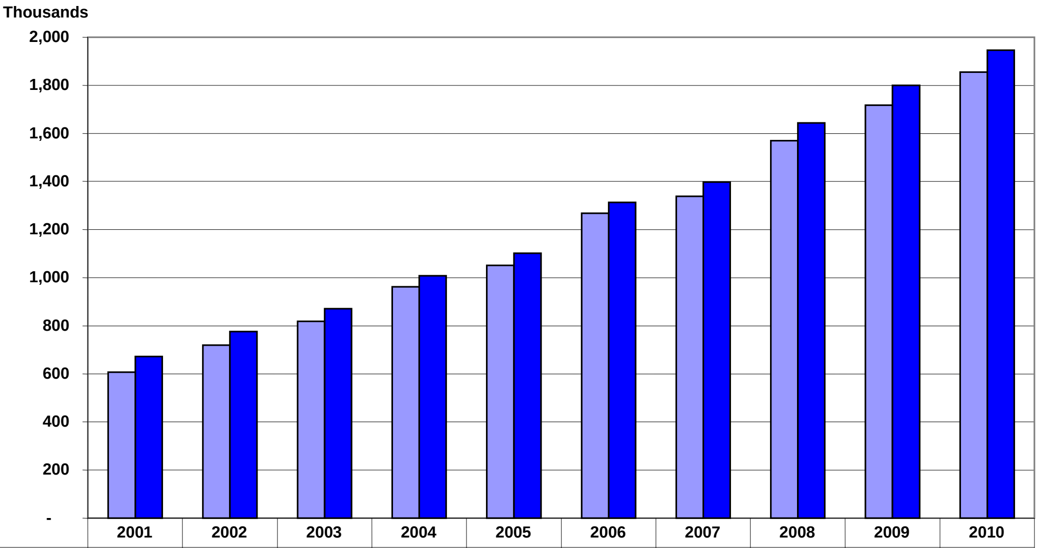
DIRECT DEPOSITS	2010	2009	Absolute var.	Var. %
Others deposits	46.206.939	6.759.110	39.447.829	583,62%
Bonds	1.013.993.548	1.002.096.024	11.897.524	1,19%
Certificates of deposit	23.779.842	26.783.976	-3.004.134	-11,22%
Total direct deposits	1.854.396.825	1.717.535.896	136.860.929	7,97%

INDIRECT DEPOSITS	2010	2009	Absolute variation	Var. %
Administered assets	90,366,970	81,589,688	8,777,282	10.76%
Asset management	959,912	657,009	302,903	46.10%
Total indirect deposits	91,326,882	82,246,697	9,080,185	11.04%

Overall deposits therefore amounted to 1,945,723,707 Euro at the end of 2010, an 8.11% increase with respect to the previous fiscal year.

Direct and overall deposits

(in thousands of Euro)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Direct deposits	607,976	718,946	817,946	962,421	1,050,446	1,267,004	1,338,313	1,569,986	1,717,536	1,854,397
Overall deposits	671,891	775,050	870,967	1,007,555	1,102,325	1,312,773	1,398,092	1,644,359	1,799,783	1,945,724

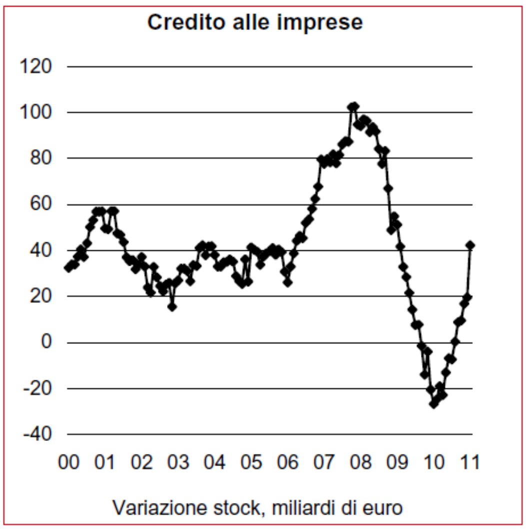
■ ECONOMIC LENDING AND CREDIT QUALITY

The proper allocation of credit is the contribution that the banking system offers to productive investment choices and the growth of the economy.

Even during the fiscal year in review, the Bank, notwithstanding the context of an extremely critical economic cycle, tried to support and sustain worthy initiatives that the territory requested.

Loans to customers, represented in the balance sheet at the value of the presumed realizable value in conformity with law, which is subject to an attentive and ongoing analysis and prudent measurement, amounted to 1,641 million Euro, with an increase with respect to the prior fiscal year of 64 million Euro, equivalent to 4.07%. The figure at the banking system level is 7.89%.

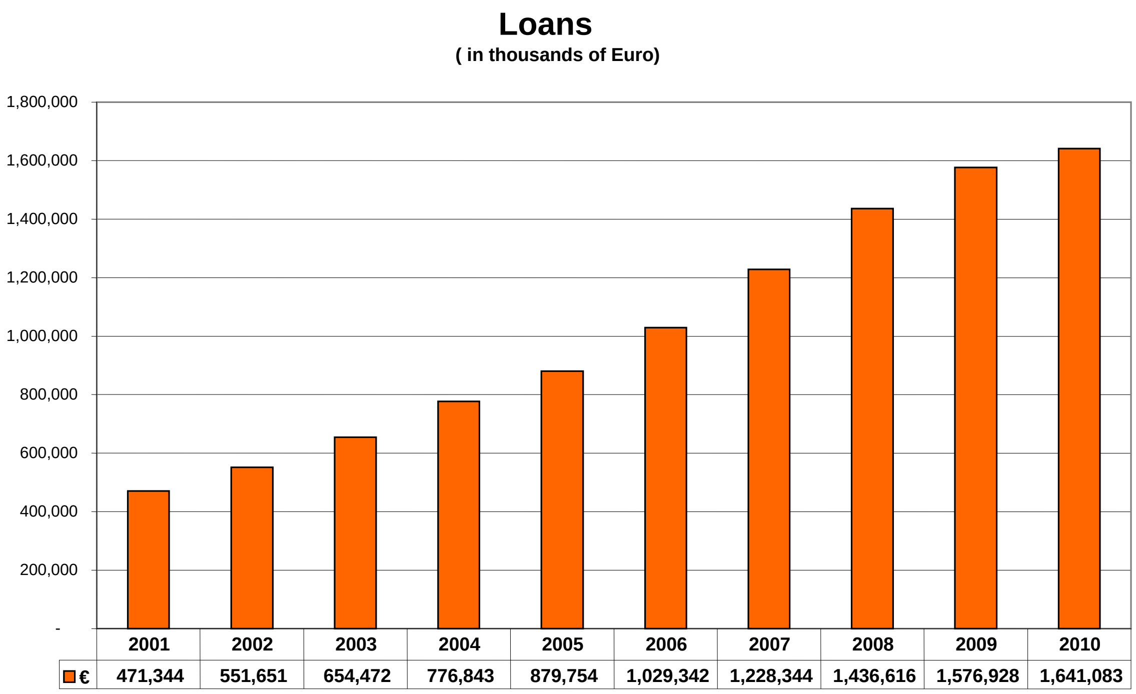
Loans to businesses



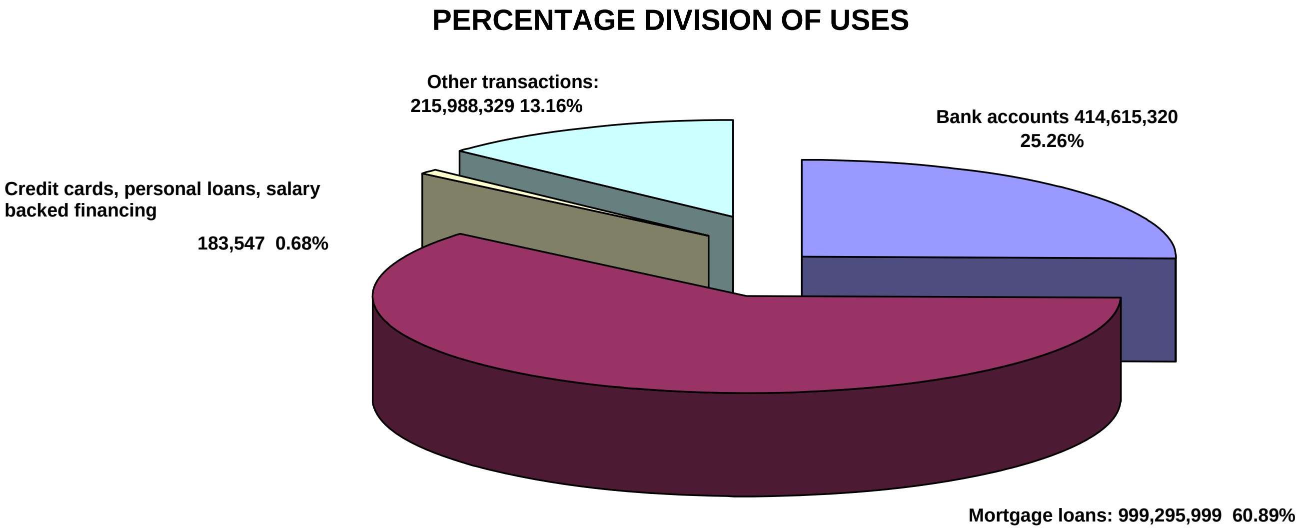
Variation of stock, in billions of Euro

The percentage of receivables from customers constitutes 69.53% of total interest bearing assets, with respect to 67.70% in the previous year. Registered growth, net of the ongoing payment of rates and minor uses deriving from the downturn of the economic cycle, confirms the substantial support given to businesses as well as households. The Bank, both on its own initiative as well as in compliance with agreements at a banking system level with business and consumer associations, also engaged in a considerable activity rescheduling and restructuring original repayment plans with rates aimed at sustaining customers in a difficult economic moment.

The majority of the loans to made to customers is represented by mortgage loans.



ECONOMIC LENDING	*2010*	*2009*	*Absolute variation*	*Var. %*
Bank accounts	*414,615,320*	*462,711,262*	*-48,095,942*	*-10.39%*
Mortgage loans	*999,295,999*	*906,838,729*	*92,457,270*	*10.20%*
Credit cards, personal loans, and salary guaranteed finance	*11,183,547*	*3,977,183*	*7,206,364*	*181.19%*
Other transactions	*215,988,329*	*203,400,671*	*12,587,658*	*6.19%*
Total economic lending	*1,641,083,195*	*1,576,927,845*	*64,155,350*	*4.07%*



The bank-company relationship represents a central element in determining the Bank's Business Plan, and it was not limited just to the aspect of lending activity, but rather in an expanded framework of global financial assistance, both with respect to lending as well as with respect to services and consulting.

With respect to lending, we constantly aimed at mitigating risk as well as attentive phases of assessing credit worthiness, including by obtaining valid personal security and collateral: 65.32% of the loans issued are guaranteed by collateral, and 17.45% are guaranteed by valid personal security. A framework of increased protection for the loan granted, including by means of additional third party guarantees or collateral, is necessary to face the negative lending trend that has existed for some time, as well as due to the lengthy times and uncertainties of the legal procedures for credit recoveries in general, accompanied by the growing practice to contest the origins and conduct of banking relations, even for the purpose of mere delay, and increasingly frequent recourse to insolvency proceedings, which have perhaps been rendered too "easy" by recent legislative changes. The Bank, even though it has enhanced its ability to integrate the clear quantitative analysis of loan relationships with qualitative factors inferred from its territorial network, does not derogate from sound and objective assessment processes. The strength that derives from localism is always determinant and is confirmed as such even more so in difficult situations such as the present one. It is absolutely necessary, however, that the Bank maintain autonomy with respect to assessments and judgments, that it not seek growth objectives that are inconsistent with its organizational structures and assets, and that it absolutely avoid choices aimed at imitating other banks, especially the major banks, almost from an "insurance" viewpoint. The figures fully demonstrate that the subtleties and refined approach of the major bank operators often dramatically failed whereas the attention, good sense and effective presence in the territory of the local bank instead prevailed. These are the principles that have traditionally guided the Bank's lending activity, which were applied in the current situation.

Collaboration with Italian collective guarantee consortium continued and grew, thus providing continuity to the choice of favoring this kind of operation in order to offer beneficial forms of financial support, in particular to small and mid-sized companies.

The leasing sector, carried out through our subsidiary Cabel Leasing Spa, remained substantially stable with 88 contracts amounting to 9,552,206 Euro in 2010, an increase of 4.59%. The operations of the finance leasing department suffered significantly from the decline of the cycle in course.

In the context of economic lending, a residual part consists of securitized loans, which amounted to 1,747,610 Euro at the end of 2010. Details on this sector are provided in the Explanatory Notes.

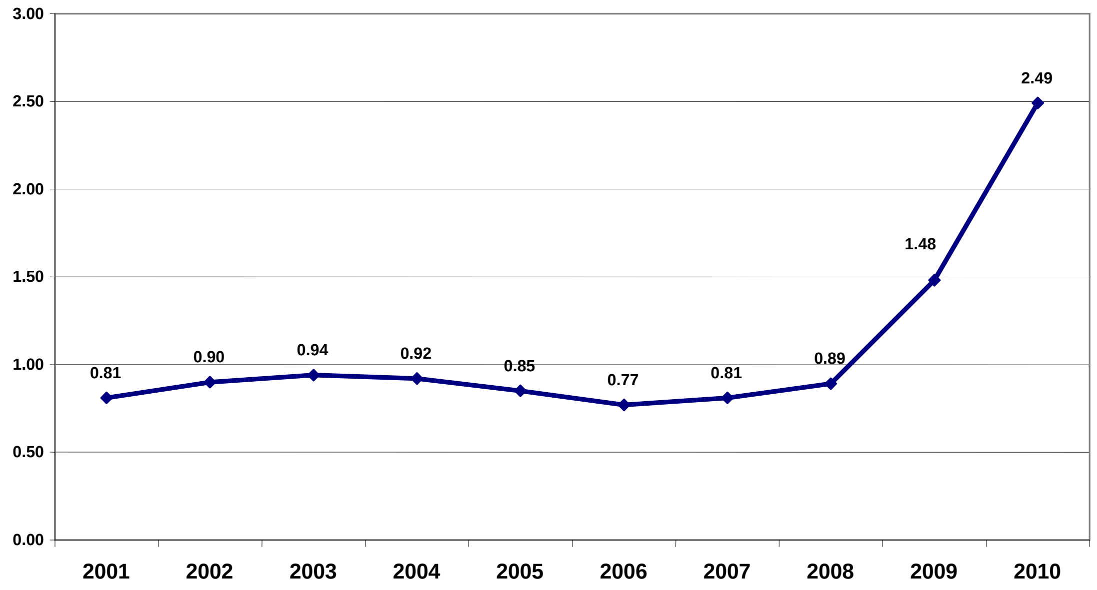
The level of credit quality is confirmed as being of central importance and, in the context of the critical economic situation that characterized the fiscal year in review and which we must still deal with, it acquired even greater importance. An accurate review was performed and the decisions made were characterized by prudence, sustained by thorough assessments and unconditioned by superficial representations and insufficient capital ratios that would induce unrealistic assessments to be made. The rigorous method used is consistent with the Bank's tradition and must necessarily be maintained because, even if the most acute phase of the economic crisis may perhaps start to decline, the fact that new difficult situations might arise over next few months must certainly be considered. This is the reason why we have continued to reinforce pre-cautionary measures, with the greater incisiveness of management and control instruments, and have dedicated professionals to this activity.

Even in the fiscal year in review considerable provisions and adjustments to the value of receivables were made, which were analogous with respect to the previous fiscal year. The overall aggregate of receivables with an anomalous trend increased from 159 to 208 million Euro, +31,17%. Net non performing loans amounted to 40.8 million Euro, corresponding to 2.49% of total receivables from customers, with respect to 1.48% of 31 December 2009. The increase of impaired receivables originates prevalently from the general negative economic crisis. With respect to the expected losses on outstanding non performing loans, adjustments to value amounted to 20.5 million Euro, with an increase of 37.10% with respect to 2009, and amounted to 33.46% of the gross amount of such receivables. This figure is such that it excludes losses on receivables that are already adequately hedged. Watchlist receivables, i.e. those regarding borrowers in temporary situations of difficulty, which it is expected can be resolved, amounted to 112,3 million Euro, with an increase of 20.39%. They correspond to 6.84% of the total receivables from customers, with respect to 5.91% of the previous year; this figure can easily be interpreted as a reflection of the current difficult situation. Restructured receivables amount to 19.3 million Euro. Impaired receivables that have matured amounted to 15.3 million Euro compared to 27.3 million Euro in 2009, - 43.87%.

The overall amount of adjustments of value totals 29.4 million Euro, as compared to 21 million Euro in 2009, with an increase of +40.11%. The amount with respect to receivables in bonis totals 3.1 million Euro, compared to 965 thousand Euro in the previous fiscal year, equivalent to 0.19% of the gross amount of such receivables.

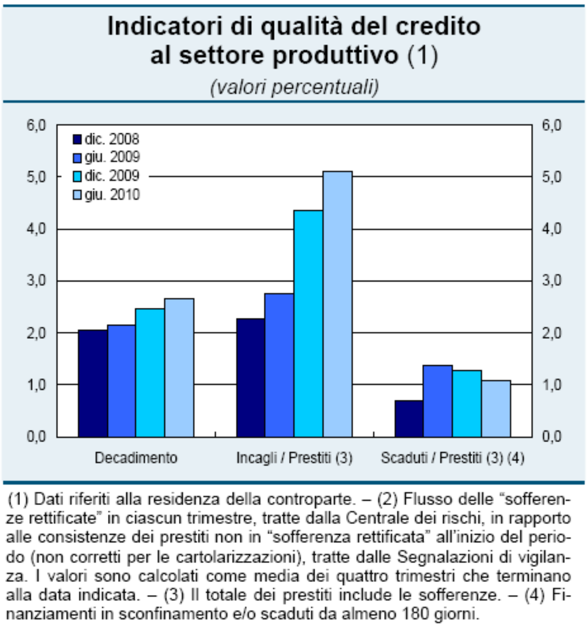
For completeness of information, the Explanatory Notes contain specific tables that report both precise as well as dynamic data on receivables with normal trends, impaired receivables, and the overall adjustments made.

Ratio of Net impairment / Loans



INDEXES OF CREDIT QUALITY	*2010*	*2009*
% of gross receivables		
% gross non performing loans of total gross receivables	*3.68*	*2.39*
% gross watchlist and restructured accounts of total gross receivables	*7.88*	*5.84*
% gross overdue/overdrawn accounts of total gross receivables	*0.92*	*1.71*
% total gross impaired receivables of total gross receivables	*12.48*	*9.94*
percentage hedges		
non performing loans	*33.46*	*39.19*
watchlist, restructured and overdue/overdrawn accounts	*3.91*	*4.18*
total impaired receivables	*12.62*	*12.61*
receivables in bonis	*0.19*	*0.07*
% of net receivables		
% net non performing loans of total net receivables	*2.49*	*1.48*
% net watchlist and restructured accounts of total net receivables	*7.71*	*5.67*
% net overdue/overdrawn accounts of total net receivables	*0.90*	*1.66*
% total net impaired receivables of net total receivables	*11.10*	*8.80*

Indicators of credit quality of loans to the productive sector
(percentages)



Decay rate **Watchlist/Loans (3)** **Overdue/Loans (3) (4)**

(1) Data referring to the counterparty's residence. – (2) Flow of "adjusted impaired accounts" in each quarter, taken from the Risk Center, in relation to the amount of loans that are not "adjusted impaired accounts" at the beginning of the period (not adjusted for securitizations), taken from Supervisory reports. The values are calculated as an average of the four quarters that end on the date indicated. –(3) Total loans include impairment. – (4) Overdrawn and/or overdue loans for at least 180 days.

Region of Tuscany: data from the Bank of Italy

■ INFORMATION ON RISK MANAGEMENT AND THE INTERNAL CONTROL SYSTEM

The Bank must manage different kinds of risk in order to carry out its activity, which primarily regard the typical operations of lending and financial intermediation. Among these, the principal risks are represented by credit risk, price and interest rate risk, liquidity risk, concentration risk and operational risk. On the basis of what is provided by outstanding relevant law, specific information of a qualitative and quantitative nature on risks is provided in "Part E" of the Explanatory Notes, dedicated to "Information on risks and relative hedging policies", to which reference is made for greater details.

The determination, management, monitoring and control of risks represents the essence of corporate management, and the best resources are dedicated to it at all levels.

During the course of the fiscal year action was taken to implement and improve the ICAAP process *(Internal Capital Adequacy Assessment Process)*, in view of assessing the current and future adequacy of capital to support current operations and business strategies in relation to the risks assumed and their foreseeable development. The ICAAP assessment represents a significant element of operational control and is carried out on a quarterly basis in order to constantly monitor the complex business situation. For such purpose and consistently with the Supervisory Regulations, the Bank determines its overall internal capital by means of an approach based on the use of simplified methodologies to measure quantifiable risks, a qualitative assessment for other significant risks, a simplified analysis of sensitivity with respect to the principle risks assumed, and the simple summation of the amount of internal capital with respect to each risk (building block approach). Internal capital means capital at risk, i.e. the need for capital related to a specific risk that the Bank considers to be necessary to cover losses that exceed a specific expected level. Overall internal capital means internal capital referring to all significant risks assumed by the Bank, including eventual needs for internal capital due to strategic considerations.

The process is articulated in specific phases, for which different operational departments/offices are responsible. The starting point consists of identifying all of the significant risks that the Bank is or might be exposed to with respect to its activity, the markets of reference, as well as contextual factors deriving from its nature as a cooperative. The Risk Management Department is responsible for this, and it makes a qualifying assessment of the significance of risks and/or analysis of the level of significance of risks, with the support of significant indicators determined separately for the different types of risks. During the fiscal year, the Risk Management Department operated with the collaboration of other corporate departments, by means of direct interviews with the respective managers. In this phase the sources that generate risks are identified, and they are linked to the relative operational departments/offices or to business procedures. The risks identified are classified in one of the following two categories:

• measurable risks, in relation to which the Bank uses special methodologies to determine internal capital: credit risk and counterparty risk, market risk, operational risk, the risk of concentration and interest rate risk of the banking portfolio, and liquidity risk;

• non-measurable risks, for which no capital absorption is determined because there are no confirmed solid and shared methodologies to calculate the relative internal capital. Suitable control and mitigation systems are, however, prepared instead: residual risk, strategic risk, and risk to reputation.

In order to calculate the internal capital with respect to quantifiable risks, the Banks uses the calculation methodologies for regulatory capital requirements for the risks included in the First Tier (credit, counterparty, market and operational risks), and the simplified algorithm indicated by the cited law for significant quantifiable risks different than the above (concentration risk and interest rate risk regarding the banking portfolio). Specifically, the following methods are used:

- the standardized method for credit risk;
- the current value method and the simplified method for counterparty risk;
- the standardized method for market risk;
- the base method for operational risk;
- the algorithm of granular adjustment for the risk of concentration, in addition to the valuation methodology of the geo-sector profile prepared by the ABI;
- the simplified "regulatory" algorithm for the interest rate risk.

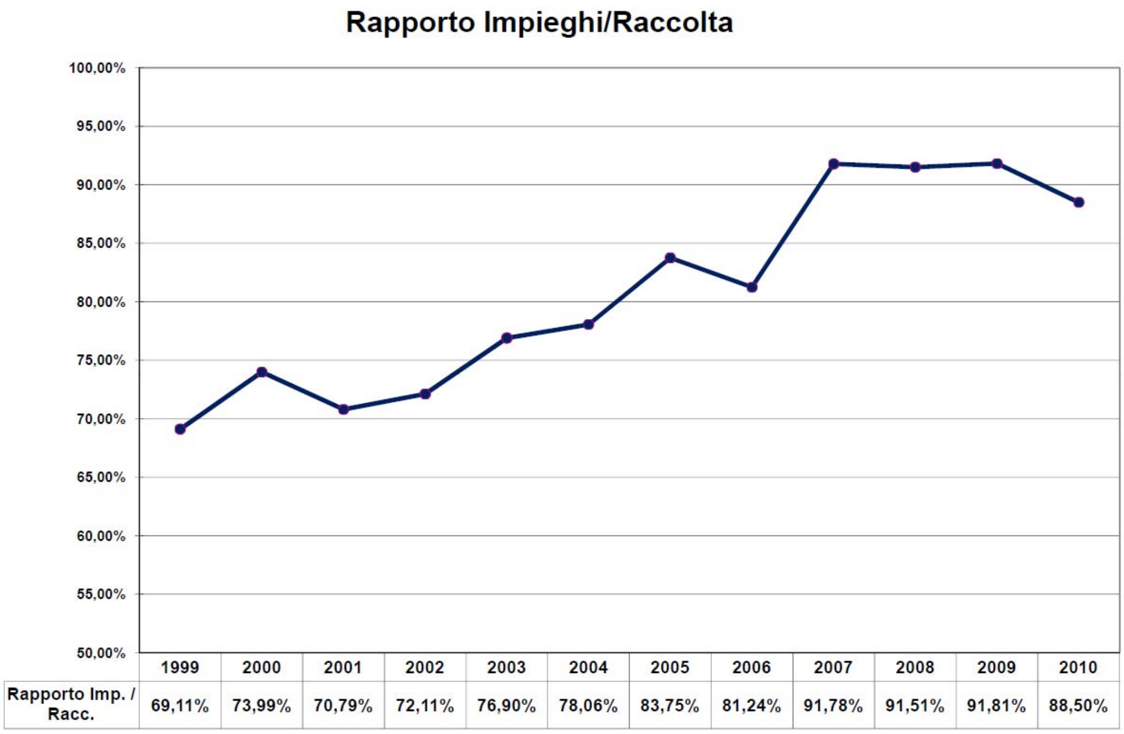
With respect to non-measurable risks, consistently with the indications provided by the Bank of Italy in the cited law, the Bank has prepared suitable internal safeguards for control and mitigation. In the context of its assessment, stress tests are also defined and conducted in terms of simplified analysis of sensitivity to the principle risks undertaken. The Bank conducts simplified analysis of sensitivity to credit risk, the risk of concentration of the credit portfolios, including geo-sectoral, and the interest rate risk regarding banking portfolios, in accordance with the indications provided in such law and by means of the use of the above simplified measurement methodologies of the respective risks.

The relative results, opportunely analyzed, result in an improvement of exposure to such risks and the level of corporate vulnerability upon the occurrence of exceptional but plausible events. If the analysis of the results of the stress tests indicate the inadequacy of the internal protection implemented by the Bank, a decision is made as to whether or not it is opportune to adopt appropriate organizational measures and/or allocate specific buffers of internal capital.

With respect to management of the liquidity risk, it is noted above all that in 2010 the Bank continued to operate in the markets maintaining the full faith of its counterparties, without difficulty with respect to supply. From the standpoint of the control of such risk, in compliance with the indications of the competent organisms and in particular the directives of the Bank of Italy – among which we note the recent publication of the update to Circular no. 263 of 2006, which implements in Italy the innovations introduced in this area by the Committee of European Banking Supervisors (CEBS) and by the Basel Committee –, the Bank's monitoring tools were refined. Further, there is an articulated project underway aimed at extending monitoring to the Bank's overall activity, with the production of reports and operational tools using the collaboration of the Cabel structure.

With reference to operating liquidity, monitoring uses an operational *Maturity ladder* as a principal tool. The calculation method requires, above all, data collection on operational cash flow and the cash reserve consisting of securities and other assets that can be readily liquidated. The forecast net cash balance is calculated for each maturity band, which, added to the fractional reserves, promptly provides the overall net balance of liquidity.

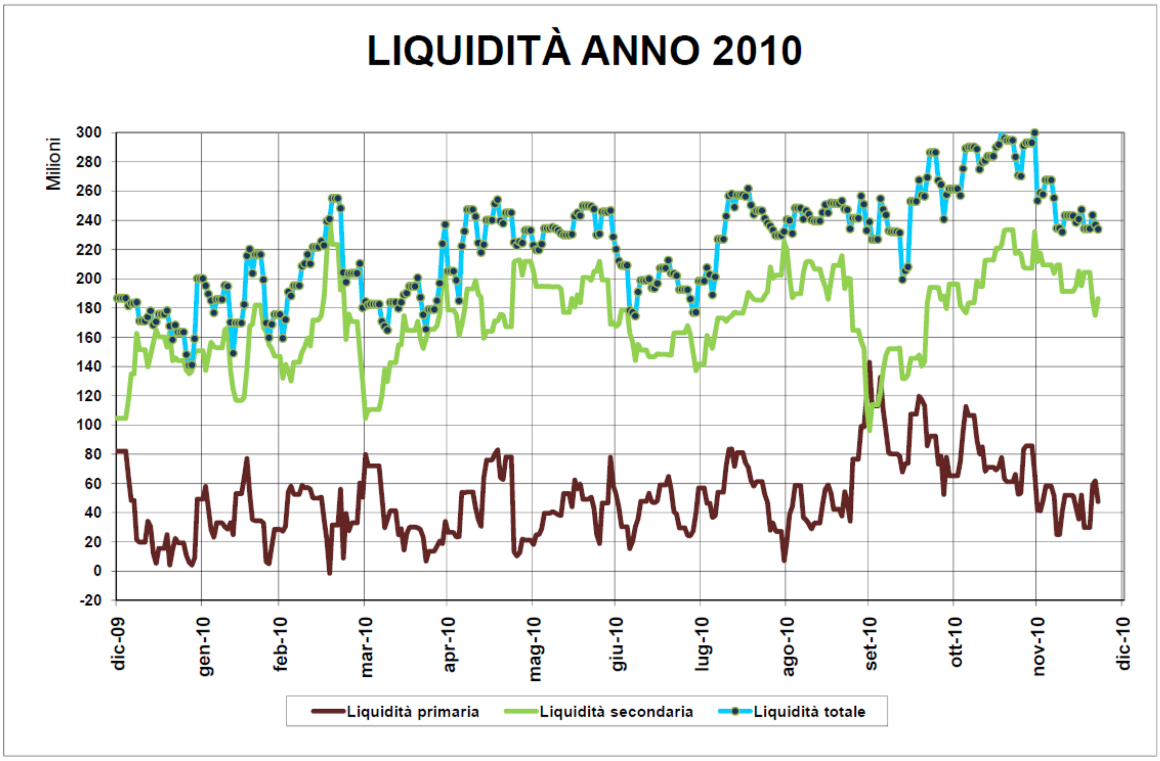
Ratio of Deposits/Loans



Ratio of Deposits/Loans

The chart set forth below shows that maintaining a sufficient and constant level of liquidity constituted a priority management objective. Primary liquidity indicated therein consists of the mandatory reserve and interbank overnight and next day deposits; secondary liquidity includes investments in government bonds, repurchase agreements for assets and liabilities, and interbank deposits of assets and liabilities having lengthier maturity dates.

LIQUIDITY IN 2010



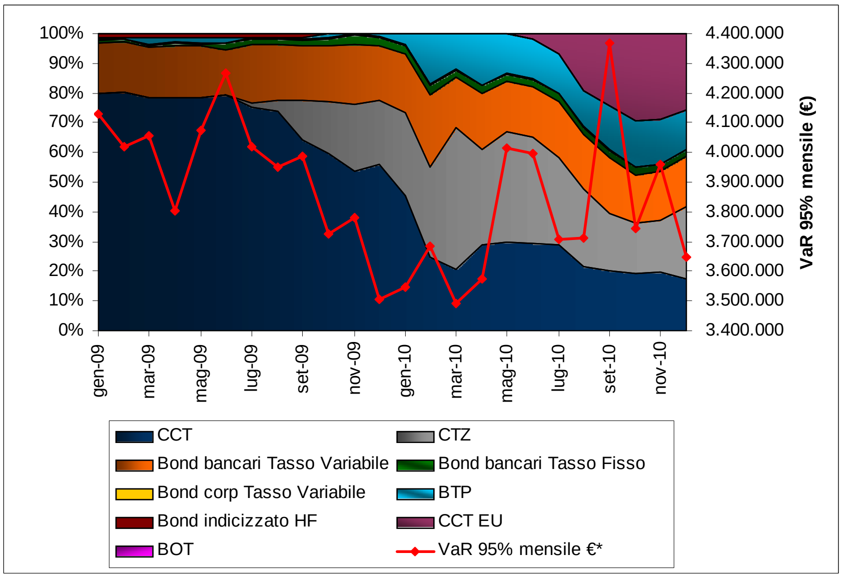
brown line: primary liquidity green line: secondary liquidity blue line: total liquidity

The management of the Bank's other risks was not subject to any particular changes with respect to the previous fiscal year.

In order to manage credit risk in particular, numerous organizational safeguards were created and regard all phases in which the lending process is articulated: from opening the account through the elimination of exposure. Lending activity in general and the process of analyzing credit worthiness are subject to ongoing organizational reviews to guarantee the maximum efficiency and effectiveness for the sector of the Bank's traditional activity, aimed at issuing credit related to the most articulated and developed culture of managing "credit risk".

Market risk is monitored using a methodology based on Value at Risk (VaR), which represents the maximum loss of value that the securities portfolio can suffer in relation to a particular timeframe and confidence level chosen from a prudent standpoint. Such activity is conducted on a monthly basis with respect to the Bank's entire portfolio.

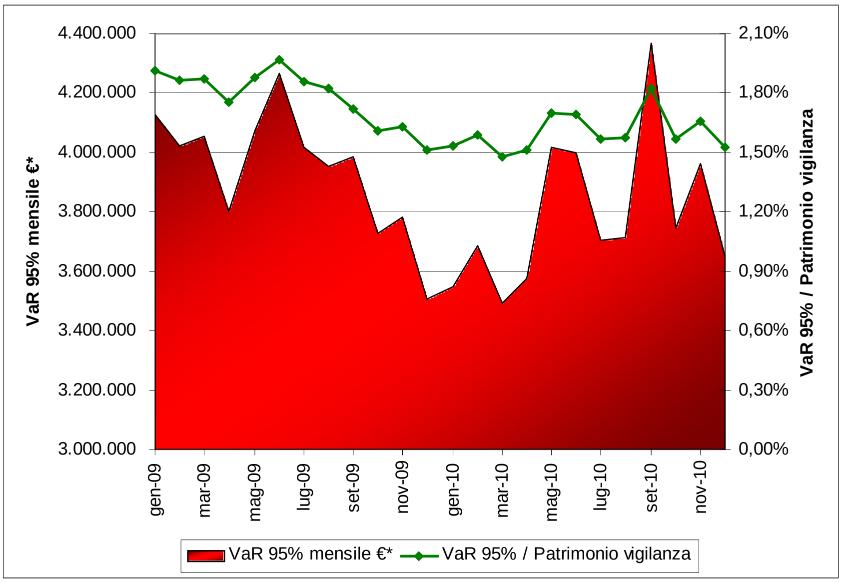
The following chart represents the historic trend of the breakdown of the portfolio, measured considering the nominal amounts invested in the various types of product. Further, the indicative level of the portfolio's monthly VaR at a 95% confidence level is indicated.



CCT (Certified Treasury Credit)
Variable Rate Bank Bonds
Variable Rate Corporate Bonds
HF indexed Bonds
BOT (Treasury Bills)

CTZ (Zero Coupon Treasury Certificates)
Fixed Rate Bank Bonds
BTP (Special Treasury Bonds)
EU CCT (EU Certified Treasury Credit)
95% monthly VaR Euro

Historic Trend of VaR with respect to Regulatory Capital



red line: 95% monthly VaR Euro   green line: 95% VaR / Regulatory Capital

A systematic analysis of events is conducted for operational risks in order to respond, on the one hand, to the need to properly measure losses, and on the other, relevant legislation.

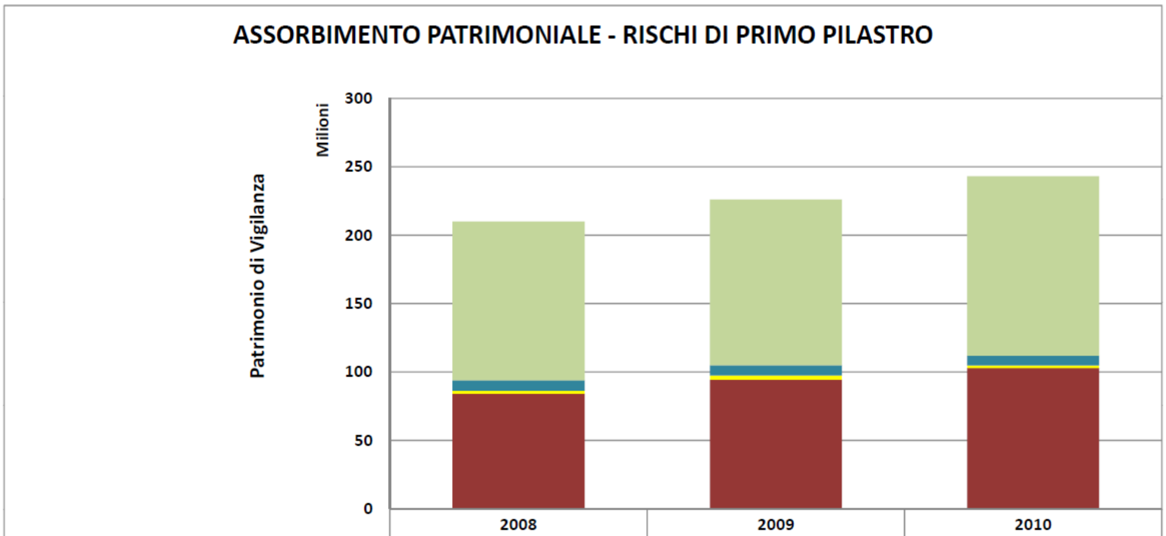
Monitoring operational risk is subject to constant supervision, both during the different phases of the productive and service processes and procedures, as well as in the context of the controls of the adequacy of the system adopted that are performed with the contribution of the various corporate departments involved in the process.

The Bank uses the following departments to monitor and manage operational risk:

- Compliance to provide support in preventing and managing the risk of incurring judicial or administrative sanctions and/or suffering heavy losses as a consequence of the violation of external or internal rules;
- Risk Management to report and measure the Bank's typical risks by constantly monitoring the risks assumed in relation to assumable risks, consistently with strategies and policies on investments and lending and the risks effectively assumed;
- Internal Audit to control normal operations and the trend of risks, including by means of on site inspections, in order to assess the functioning of the overall internal control system and to suggest possible improvements to the Board of Directors, Board of Statutory Auditors, and General Manager.

The overall capital absorption of the Tier 1 risks set forth above is represented in the following graph, together with available capital consisting of capital surplus, and represents a trend that is consistent with growing volumes and with emphasis on the level of credit risk in course. The significant amount of available capital surplus is confirmed.

Capital Absorption – First Tier Risks



	2008	2009	2010
Eccedenza patrimoniale	116.074.836	120.969.700	131.129.554
Rischio operativo	7.678.161	7.524.001	7.169.934
Rischi di mercato	2.057.468	3.230.792	1.910.982
Rischio di credito (compreso controparte)	84.171.327	94.293.685	102.902.488

Green line: capital surplus
Blue line: operational risk
Yellow line: market risks
Red line: credit risk (including counterparty risk)

Basel 3

During the month of December 2010, national and international authorities revised the prudential rules for banks (known as Basel 3, which is the backbone of the overall action plan for the coming years), in order to limit the impact of crisis situations.

The new rules, which were subject to repeated consultations with the banking industry, will enter into effect at the start of 2013 and will be gradually implemented to avoid hindering economic recovery.

Above all, the prudential requirements were reinforced with respect to the liquidity risk. Banks must preserve the equilibrium of their balance sheet by compliance with two rules related to the transformation of maturities: the first, *liquidity coverage ratio*, is aimed at ensuring that banks have sufficient high-quality liquid assets so that they can resist stress situations in the public savings market for a period of 30 days; the second, *net stable funding ratio*, instead aims at guaranteeing the structural equilibrium of the bank's balance sheet and providing incentives for the use of stable sources of financing.

The second area of intervention regards regulatory capital. The reform requires banks to hold more capital and to improve its quality:

• by means of the definition of a common concept of first quality bank capital, the *common equity tier 1 (CET1)*, corresponding, in fact, to ordinary equity instruments and retained earnings;

• by means of the provision of more stringent criteria to deduct intangible assets and financial and insurance equity investments from capital;

• by the introduction, starting from 2018, of a maximum level of the *leverage ratio* with which the banks can operate in such a way as to contain overall indebtedness. The banks must hold base capital (tier 1) that is at least 3 percent of in and off balance sheet assets, including derivatives, which are not risk weighted.

The overall minimum requirement remains 8 percent of the risk weighted assets, but more than one-half of this (4.5 percent) must be satisfied by common equity (at present the implicit requirement is 2 percent).

Further, rules were determined that contribute to mitigating the pro-cyclicality of the financial sector, ensuring that banks accumulate additional capital with respect to regulatory minimums (buffers) during times of greater growth so they will therefore able to face the negative phases of the cycle without having to interrupt financing the economy. Specific instruments also limit excess growth of the leverage ratio in the banks' balance sheets during phases of economic expansion.

Internal control system

The internal control system (SCI) consists of an entirety of rules, procedures and organizational structures aimed at ensuring compliance with corporate strategies and achieving the following objectives:

• effectiveness and efficiency of business processes (administrative, productive, distributive, etc.);

• safeguarding the value of assets and protection from losses;

• reliability and integrity of accounting records and management information;

• conformity of operations with law, regulatory requirements as well as with internal policies, plans, regulations and procedures.

The indicated elements represent the pivot on which corporate governance is based, from choices that allow growth on a stable basis with respect to the objectives of sound, prudent and efficient management, risk containment and the constant maintenance of capital adequacy.

The centrality of the control system in the corporate organization was also reaffirmed by the joint Bank of Italy-Consob Regulation of 29 October 2007, as well as by the Supervisory Regulations on corporate organization and governance of 4 March 2008, which define the role and functioning of the administrative and control bodies and their relationship with the corporate structure.

The Bank has created a risk management and control system in which the rigorous separation of control functions from productive functions is ensured, which is articulated on the basis of the following levels, as defined also by the Supervisory Authority:

- **line controls (or first level**), inherent in the structures and operating procedures, aimed at ensuring that transactions are carried out properly;

- **risk management controls (second level),** assigned to departments other than productive departments (Risk Management, Credit Control Office and Inspector's Office), which are responsible for determining the methodologies used to measure risks, verify compliance with the limits assigned to the various operational units, and control the consistency of the operation of the individual productive units;

- **control of regulatory compliance - "Compliance" (second level)**: responsible for promoting compliance with laws and regulations and internal codes of conduct in order to minimize risks of non conformity to laws and the relative risks to reputation;

- **internal audit (third level – internal auditing)**, aimed at evaluating the adequacy and functioning of the overall Internal Control System and identifying anomalous trends of procedures and regulations.

With respect to this last level of control, the Bank, exercising its right in such sense provided by the Supervisory Regulations, and having assessed the adequacy of the department created for such purpose by the Cabel Group with respect to the pre-requisites required by relevant provisions, has decided to outsource it to Meta srl. As with respect to all outsourced activities, the Bank remains fully responsible.

The Internal Auditing Office works in accordance with a specific plan of activities approved by the company's top management based on exposure to risks in the various processes assessed by such top management. The Board of Directors is responsible for determining corporate policies, the Bank's risk profile, and their implementation; the Board of Statutory Auditors is instead attributed with the primary responsibility for monitoring the functioning of the overall internal control system.

With respect to information on objectives and business policies with respect to the assumption, management and hedging of risks, as well as the internal control system, reference is made to what is set forth in detail in part E) of the Explanatory Notes: "Information on risks and the relative hedging policies".

Updating the security policy document

The security policy document was updated during the course of the fiscal year in conformity with what is required by Legislative Decree no. 196 of 30 June 2003, the "Code on Personal Data Protection". Such document, in compliance with rule 19 of Annex B to cited Legislative Decree no. 196/2003, contains, among others, a risk analysis, provisions on data security, and the distribution of duties and responsibilities of the departments entrusted with processing such data, etc. Further, with respect to the fiscal year in course, the above document was updated in the terms provided by the cited Code. During the course of the fiscal year the control continued of the operational continuity plan approved by the Board of Directors in compliance with the Supervisory Regulations.

■ CAPITAL AND CAPITAL RATIOS

The financial crisis and the heavy losses inflicted on the real economy left as a legacy, in addition to many negative elements, some significant lessons as well. Among these is the importance of having adequate capital resources with respect to overall exposure to risk and programs of expansion. With respect to the impact on banks, the Governor of the Bank of Italy recently affirmed that: *«Smaller Italian banks already have capital levels that on average are in line with the new regulatory minimums established by Basel III … … In order to be prepared for the time when the new rules on bank capital enter into effect, capital reinforcement must continue, above all by means of the capitalization of profits »*.

For our Bank, capital has always represented an element considered to be fundamental, which provides concrete operational prospects and guarantees stability. Regulatory capital amounted to 243,112,958 Euro, an increase of 3.02% with respect to the end of 2009.

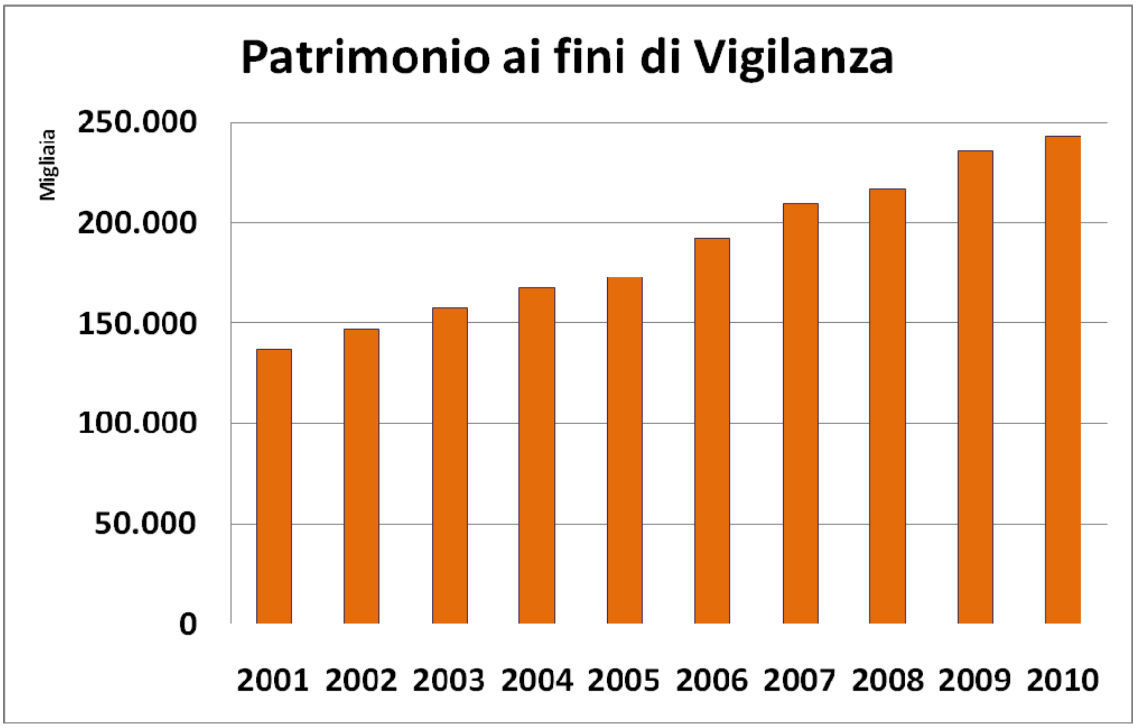
The amount of capital items allows full compliance with supervisory rules related to the Bank's operations in the various sectors and productive areas.

With respect to the prudent regulatory requirements, the total capital ratio *(Total Capital Ratio)* amounted to 17.29%, while the ratio between base regulatory capital and total risk weighted assets *(Tier 1 Capital Ratio)* is 16.03%, both more than twice the regulatory level required, which fully confirms the Bank's capital adequacy.

Capital dynamics, as well as overall exposure to risks, are reviewed in greater detail in parts E and F of the Explanatory Notes.

Regulatory Capital

(in thousands)



The trend of the most important capitalization indicators over the past three years is as follows:

	2010	2009	2008
Shareholders' equity / direct deposits from customers	*12.82%*	*13.84%*	*13.94%*
Shareholders' equity / receivables from customers	*14.49%*	*15.08%*	*15.23%*
Shareholders' equity / total assets	*10.07%*	*10.21%*	*10.37%*
Impaired receivables / regulatory capital	*74.90%*	*58.83%*	*33.43%*
Total capital ratio Regulatory capital / weighted risk assets (solvency ratio)	*17.29%*	*17.97%*	*18.55%*
Tier one capital ratio	*16.03%*	*16.67%*	*17.62%*

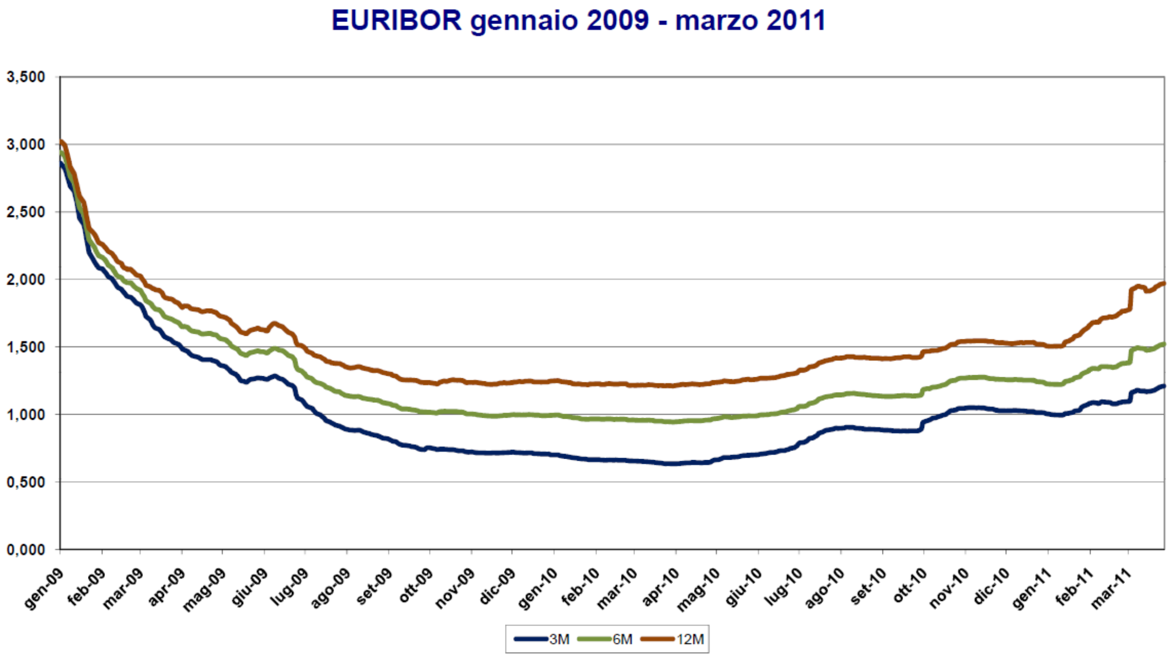
■ INCOME TREND

Fiscal year 2010 ended with a net profit of 8.4 million Euro. Such result indicates in a tangible way the effect of the severe economic and financial crisis that affected the entire system.

The causes that led to the reduction of profitability that was registered, which is average with respect to the system data, are primarily due to the progressive policy of "fixed prices", the increased burden of public savings, which was not equally counterbalanced by the possibility to adjust the profitability of economic lending, as well as due to the rise of costs for provisions and write-downs done on a prudent basis with respect to the growing risk level, as noted above.

Interest income amounted to 37.4 million, substantially in line with last year. In particular, on the one hand the spread did not benefit from the recovery during the second semester of market rates in relation to the more rapid reaction rate of interest payable with respect to earned interest, and on the other was affected by the increased impact of the increased cost of medium/long term funding to which recourse is made increasingly often to maintain adequate levels of maturity transformation.

EURIBOR January 2009 – March 2011



Earned interest amounted to 65.5 million Euro, a decrease of 16.85%. Earned interest for the year 2009 included the cash flow coming from the application of overdraft charges, no longer in effect since 2010.

Net commissions amounted to 12.3 million Euro, a 59% increase during the year, principally due to the fact that this item now includes the all-inclusive commission on credit granted that substitutes overdraft charges. Another factor that led to a variation of this item was the effect of the implementation of the Payment Service Directive (PSD).

Dividends and similar income are economically irrelevant and moreover more or less stable. Income from trading activity increased by 372 thousand Euro. Income from the sale or repurchase of assets available for sale also remained substantially unmodified.

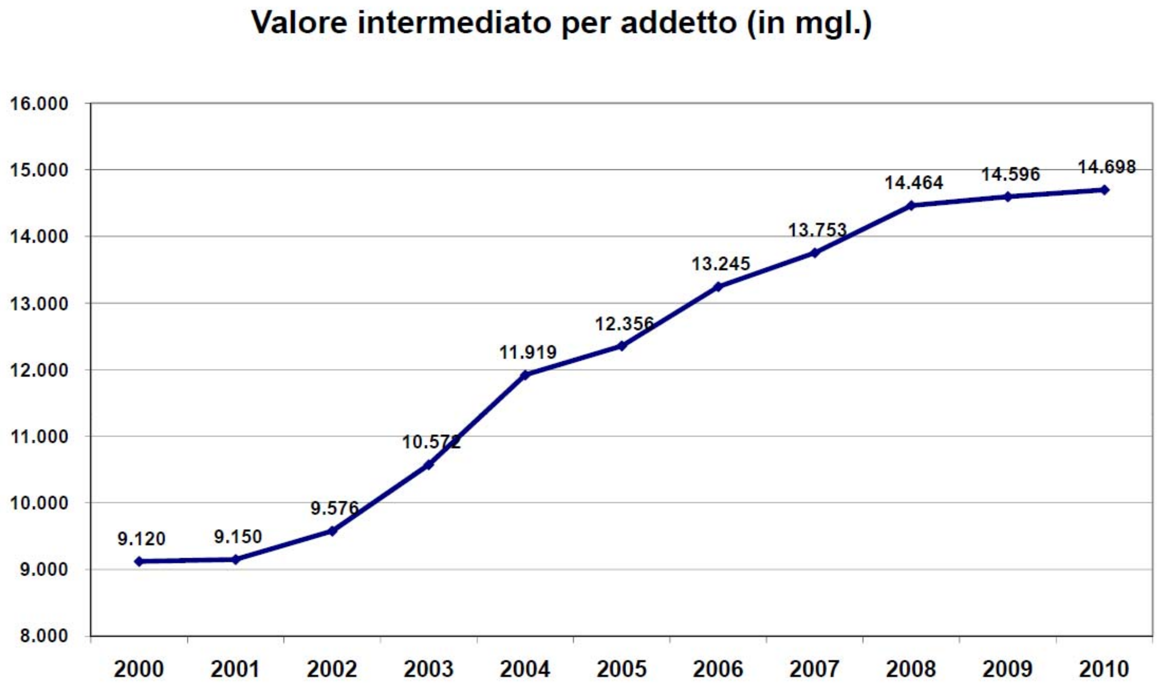
The continuation of the unfavorable economic context, which had already negatively impacted credit risk during the previous fiscal year, also affected the calculation of net adjustments of receivables, quantified as 8,183,983 Euro, substantially in line with those of last year. This item was fully adequate and consistent with our business policy, aimed at constantly favoring extreme prudence.

Net income from financial activity was the equivalent of 53.6 million Euro.

Operating costs increased by 7.5%, fully in line with that of managed assets, due to the rigorous spending policy applied to all components of the aggregate, even though in the presence of increased organizational activity and the growth of service costs.

Business productivity – which can be demonstrated by an analysis of the traded volume and which is the sum of deposits, uses and capital, divided by the number of employees – was confirmed at excellent levels, ranking among the national maximums for banks with traditional operations.

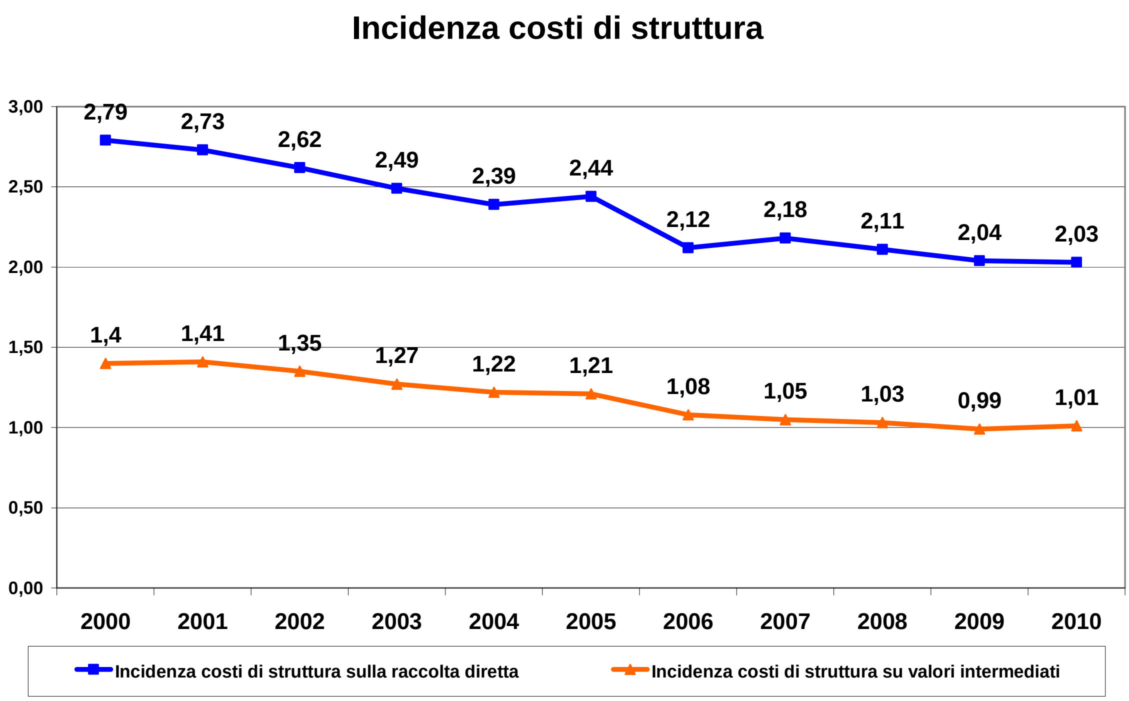
Traded volume by employee (in thousands)



The operating costs/trading income ratio *(cost income)* amounted to 65.51%, an improvement with respect to that of the previous year of 68.81%. Such indicator approximately measures the efficiency and cost savings levels of management, and confirms the comments made on management and the indicated results.

The impact of overhead costs on direct deposits and on traded volumes, a parameter of greater significance than cost income, is steadily decreasing.

Impact of overhead costs



blue line: Impact of overhead on direct deposits   range line: Impact of overhead on traded volumes

The fiscal year result does not include extraordinary items related to the revaluation of equity investments in companies of the Cabel Group, as instead occurred in fiscal year 2009. Operating profit before taxation amounts to 10,525,386 Euro with respect to 13,264,278 Euro in 2009; the impact of the tax component also increased.

Net fiscal year profit is 8,400,000 Euro, down by 35.76% with respect to the previous fiscal year. Net ROE is 3.53%.

The considerations made through here as an analysis and commentary on the line items of the Balance Sheet and Income Statement are summarily represented in the following table, which compares data on the principal indicators of capital, productivity, efficiency and profitability of the past two fiscal years.

FINANCIAL STATEMENT INDEXES	2010	2009	Variation
STRUCTURAL INDEXES			
Uses / Total assets	69.53%	67.70%	+ 1.83
Uses / Direct deposits	88.50%	91.81%	- 3.31
Traded volumes (Direct deposits + uses for customers + capital)	3,733,249,512	3,532,237,171	+ 5.69%
Percentage of employees in branches	77.99%	77.17%	+ 0.82
PROFITABILITY INDEXES			
Interest income / Total assets	1.59%	1.55%	+ 0.04
Operating income /Total assets	2.27%	2.04%	+ 0.23
Interest income /Operating income	69.82%	76.21%	- 6.39
Net profit /Shareholders' equity (ROE)	3.53%	5.98%	- 2.45
Net profit /Total assets	0.36%	0.56%	- 0.20
Operating income /Traded volume	1.44%	1.35%	+ 0.09
Adjustments to value of receivables /Operating income	15.26%	17.64%	- 2.38
PRODUCTIVITY INDEXES			
Traded volumes by employee	13,930,035	13,906,446	+ 0.17%
Uses by employee	6,123,445	6,208,377	- 1.37%
Direct deposits by employee	6,919,391	6,761,952	+ 2.33%
Operating income by employee	200,114	186,992	+ 7.02%
EFFICIENCY INDEX			
Administrative costs /Total assets	1.49%	1.40%	+ 0.09
Administrative costs /Operating income	65.44%	68.47%	- 3.03
Operating costs /Operating income *(cost income)*	65.51%	68.81%	- 3.30
Cost income without trading result (ratio between line items of the Income Statement: 200 and 120-80-90-100)	70.53%	74.38%	- 3.85
Administrative costs /Traded volumes	0.94%	0.92%	+ 0.02
Personnel costs /Average number of employees	71.095	69.900	+ 1.71%
ASSET QUALITY INDEXES			
Net watchlist and overdue/overdrawn receivables /net uses	8.70%	7.33%	+ 1.37
Net non performing loans / net uses	2.49%	1.48%	+ 1.01
CAPITAL RATIOS			

FINANCIAL STATEMENT INDEXES	2010	2009	Variation
Core Tier 1	16.03%	16.67%	- 0.64
Total Capital Ratio	17.29%	17.97%	- 0.68

■ PROPOSAL FOR THE ALLOCATION OF THE FISCAL YEAR PROFIT

Dear Shareholders,

We are now submitting to your review and approval, in accordance with law and the By-laws, the financial statements as of 31 December 2010 consisting of the balance sheet, income statement, schedule of overall profitability, table of variations to shareholders' equity and cash flow statement, together with the report on operations of the Board of Directors and the explanatory notes. The documentation is completed by the Report of the Board of Statutory Auditors and Independent Auditor.

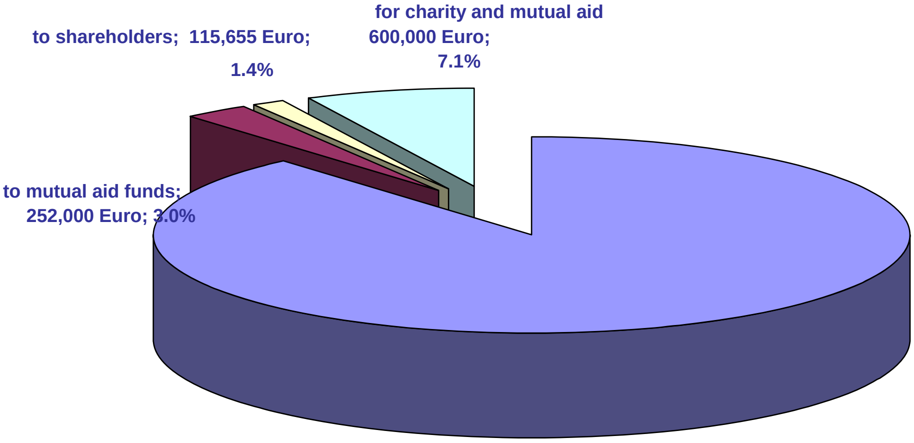
The financial statements were prepared in accordance with international accounting standards and the Provisions of the Bank of Italy set forth in Circular no. 262/05, and were submitted for an audit conducted by Bompani Audit Srl of Florence.

The Board of Directors, on the basis of what is indicated, proposes to the Shareholders' Meeting the distribution of a dividend in the amount of 4% of the nominal value of the shares, and a gratuitous revaluation of the nominal value of 3.00 Euro per share.

The Board of Directors therefore proposes that the fiscal year profit be distributed, in accordance with law and the By-laws, as follows:

	Plan for the allocation of the fiscal year profit		Amount
-	to the indivisible reserves set forth in Article 2 of Law no. 904 of 16.12.1977, confirming that they cannot be distributed to the Shareholders in any form, both while the Bank remains in duration as well as when it is dissolved, specifically:		
	to the ordinary/legal reserve in accordance with Article 37(1) of Legislative Decree no. 385 of 1.9.1993		5,947,588.01
	of which the reserve pursuant to Article 6 of Legislative Decree 38/2005	*225,293,37*	
-	to the extraordinary/statutory reserves		1,454,666.59
-	to mutual aid funds for the promotion and development of cooperation (equivalent to 3% of net profits in accordance with Article 11(4) of Law no. 59 of 31.1.1992 and subsequent modifications)		252,000.00
-	to the Shareholders as dividends in the amount of 4.00% of nominal value (equivalent to the capital paid and the payment date)		115,655.40
-	to the Shareholders for the gratuitous revaluation of shares (3.00 Euro per share)		30,090.00
-	Available to the Board of Directors for charity and mutual aid		600,000.00
	Net fiscal year profit		8,400,000.00

ALLOCATION OF FISCAL YEAR PROFIT 8,400,000 Euro



On the basis of the provisions set forth in Article 6 of Legislative Decree no. 38 of 28 February 2005, the share of the fiscal year profit corresponding to unrealized capital gains recognized in the Income Statement deriving from the measurement of equity investments using the equity method cannot be distributed and must be recorded in a non-distributable capital reserve. In accordance with the same legal provision, the restriction on distribution is reduced in subsequent fiscal years by an amount corresponding to the amount of realized capital gains, including from dividend income, or which have become non-existent due to write-downs. The allocation to such reserve in the present fiscal year amounted to 225,293.37 Euro.

■ GENERAL MANAGMENT – TREND AND OUTLOOK

The hope that the grave financial tensions of the final months of the past fiscal year could be considered to have been overcome passed very quickly. The upheavals that have occurred in many Arab countries have fueled uncertainty in the financial markets, increased concerns for the civil populations involved as well and rekindled inflationary dynamics originating from the energy sector. In addition, fears remain at a credit system level for the effects that the crisis will produce with respect to credit quality.

In such context there has been a slight recovery of interest rate dynamics, in an attempt to contain the inflationary tension deriving, above all, from the cost of raw materials, energy in particular.

Tensions will definitely continue to remain on the employment level, with growing difficulties for households. Precarious employment is increasingly confirmed as an element characterizing our era.

Positive signals of economic recovery alternate with negative signals, resulting in uncertainty as to the time of the effective exit from the recession. The financial markets in particular manifest a high level of turbulence, referable to growing globalization, which has generated an expansion of the perimeter of events, provoking repercussions even in domestic financial markets. The negative effects on the productivity of banking intermediaries of an economy that is finding it difficult to get back on track is added to those of the penalizing sector rules introduced over the past years and to the costs of adjusting to the revision (known as Basel 3) made to the prudential regulatory rules. In such context, as noted, more stringent restrictions were introduced with respect to capital requirements and liquidity, compliance with which will require the banking system to gradually provide itself with increased available capital and cash reserves in order to be able to carry out its activity. Further, the restrictive measures that the principal monetary authorities are adopting or have announced to combat inflationary pressure might cause further tensions in the monetary and financial markets and accentuate the phenomenon of the lack of liquidity, which the intermediaries are already experiencing, which is reverberating into increased costs for funding.

All of these aspects are capable of affecting the profitability levels of the entire productive system. Efficiency and capitalization are two principal instruments that we have in order to face an increasingly difficult market.

Information on business continuity, financial risks, controls of the reduction of the value of assets and uncertainty in the use of forecasts

With reference to the Document of the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, as well as the subsequent Document no. 4 of 3 March 2010, related to the information to provide in the financial reports on business forecasts, with particular reference to business continuity, financial risks, controls of the reduction of the value of assets *(impairment test)* and uncertainty in the use of forecasts, the Board of Directors confirms that it reasonably expects that the Bank can continue its activity in the foreseeable future and therefore confirms that the 2010 fiscal year financial statements were prepared in such perspective of continuity. The Board of Directors also confirms that there are no elements or signals in the company's capital and financial structure or operational trend that could result in uncertainty with respect to business continuity.

With regard to information related to financial risks, controls of the reduction of value of assets and uncertainties in the use of forecasts, reference is made to the information provided in this report and/or in the specific sections of the Explanatory Notes.

Remuneration policy

In 2010 as well, the remuneration policies approved by the shareholders' meeting remained unchanged and the established criteria have been strictly applied, consistently with outstanding law. It is therefore confirmed that remuneration does not have additional variable components related to business results with respect to the provisions of the collective bargaining agreements. The agenda of the shareholders' meeting that has been called for the approval of the financial statements will provide specific information on «Remuneration policies for members of the board of directors, employees and collaborators who are not tied to the company by a subordinate relationship», as required.

■ SIGNIFICANT EVENTS THAT OCCURRED AFTER THE CLOSE OF THE FISCAL YEAR

After the close of the fiscal year there were no significant events that occurred that would modify or significantly influence the representation of the fiscal year asset, financial and economic situation, as set forth and recorded in the Financial Statements submitted for your approval.

The following should, however, be noted:

- the Bank of Italy has issued new secondary rules on transparency for consumer lending;
- the Bank of Italy has issued provisions on the organization of intermediaries with respect to money laundering;
- the fourth agency in Florence was opened during the month of February, as noted, located in "Oltrarno".

■ FINAL COMMENTS

Dear Shareholders,

Before closing we wish to thank everyone who, in carrying out their duties, contributed to the achievement of the results: the Board of Statutory Auditors for the professionalism and support always given to the Directors both in the Board of Directors as well as while performing their institutional functions; General Management for the dedication and competency that they place in the complex activity of guiding the Bank, keeping it at the highest levels of this category, and to all of the personnel for their commitment, professionalism and sense of being part of the Bank, which constitutes the most solid base for development projects.

We further thank our friends of the Cabel Group, a precious structure engaged in the constant and progressive improvement of the quality of the services provided, which is, and will know how to be, increasingly attentive, flexible and dynamic in order to satisfy the growing operational needs of banks. A heartfelt thank you as well to the Bank of Italy and Consob, which have always shown their appreciation and provided qualified assistance.

Finally, the most important and heartfelt thanks goes to all of you Shareholders for the trust that you have placed in us, with the hope of an increasingly active commitment in the corporate life of your cooperative Bank, fully aware of the value and timeliness of the business model that does not place profit as its primary and unconditioned objective, but the pursuit of the wellbeing of the communities in which your companies work and where your families live.

Castelfiorentino, 28 March 2011

the Board of Directors

Report of the Board of Statutory Auditors to the Shareholders' Meeting

(Article 2429(2) of the Italian Civil Code)

To the Shareholders,

This Report acknowledges the results of the activity performed by the Board of Statutory Auditors during the fiscal year ended 31 December 2010.

The Board of Statutory Auditors performed the supervisory activity required by law in accordance with the criteria established by the Supervisory Instructions of the Bank of Italy, as well as considering the Rules of Conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and Accounting Experts and by the Italian Accounting Body. The audit was performed by the Auditor Bompani Audit srl of Florence.

✦ ✦ ✦ ✦ ✦

In accordance with Article 2429(2) of the Italian Civil Code, specific references are made to the following issues.

1 – Supervisory activities performed in fulfillment of its duties

During fiscal year 2010 the Board of Statutory Auditors supervised compliance with Law and the By-Laws, compliance with principles of proper administration and sound and prudent management.

The Board, also acting as the "Internal control and auditing committee" in accordance with Article 19 of Legislative Decree no. 39 of 27/01/2010 (which entered into effect on 7 April 2010) controlled the adequacy of the financial information process, finding it to be adequate to the business activity and regulatory requirements.

As will be set forth in detail below, we also supervised the effectiveness of the internal control system and internal audit system, capable of facing risks that arise in the Bank's activity. We supervised the statutory audit of the annual accounts and the independence of the Independent Auditor. The reasoned proposal of the Statutory Board on the next appointment of an Independent Auditor is contained in a separate report.

The supervisory and control activity was performed in the different areas noted above, as follows:

1) participation at meetings of the Board of Directors (24), the Executive Committee (42) and the Shareholders' Meeting; 2) meetings with the company entrusted with the statutory audit; 3) controls with the managers of the various corporate departments, in particular with the Compliance and Risk Management Department, with the head of the Inspector's Office, and with the company entrusted with the internal audit; and 4) meetings with the "Supervisory Authority in accordance with Legislative Decree 231/01".

By participating at the meetings of the Board of Directors and the Executive Committee, the necessary information was acquired both to evaluate the Bank's trend with regard to its overall capital and economic development, as well as to evaluate its most significant operations. The Board of Statutory Auditors can confirm that, to the extent it is aware, management operations were performed in conformity with law and the By-laws, were in the Bank's interests, and did not appear to be manifestly imprudent, irrational or reckless in such a way that would compromise the integrity of shareholders' equity, create a conflict of interest, or conflict with the resolutions approved by the Shareholders' Meeting.

Participation at the meetings of the Board of Directors also allowed us to verify that delegated individuals advised as to the operations they performed in accordance with the powers attributed to them, the general management trend, and its foreseeable development. The directors also advised of any cases of conflict of interest in accordance with outstanding provisions of the Italian Civil Code in order to allow proper decision-making procedures to be implemented pursuant to Article 136 of the Uniform Banking Law.

It is noted that the Board of Statutory Auditors met with the managers of the Independent Auditor, with whom it reciprocally exchanged information related to audits of the financial statements and other controls that they performed. The managers of the Independent Auditor did not advise of any circumstances, irregularities or censurable facts that had to be reported to the Supervisory Authority or the Board of Statutory Auditors.

With respect to the validity and effectiveness of the internal control system, the Board of Statutory Auditors worked by concentrating its attention above all on issues regarding the ability to identify potential risks, the validity of the regulatory and management instruments used to measure the various cases of risk and to quantify the relative capital absorbed, as well as the transfer to operational processes of the measures deemed necessary for the conscious assumption of risk and/or risk mitigation.

The review of the control system's overall structure was done in view of the activity of Meta srl, the company entrusted with internal auditing.

The Board of Statutory Auditors therefore considers that it can conclude with respect to this point that the overall internal control system is suitable for guaranteeing the efficient and effective management of the business activity.

The Board of Statutory Auditors also assessed and supervised the adequacy of the administrative and accounting system, as well as the latter's reliability in properly representing management activity, by means of numerous meetings with the Risk Management Office, the review of company documents, and primarily by constant analysis of the results of the work performed by the Independent Auditor, which was entrusted, as noted, with the specific task of the statutory audit of the accounts.

The Board of Statutory Auditors also reviewed and approved the program of activities of the Inspector's Office, and evaluated the reports prepared by such service with respect to the outcome of the controls performed. The structure and composition of the Inspector's Office appear to be adequate in relation to the Bank's needs.

During the course of the audits and controls performed, considering the information acquired, including by means of ad hoc reports prepared by the offices entrusted with control functions, no indications appeared of any irregularities in corporate management that would indicate any particular organizational deficiencies.

In conclusion, in consideration of the information obtained during the course of the supervisory activity performed, the Board of Statutory Auditors considers that the organizational structure, internal control system and accounting-administrative structure are consistent with the Bank's size, are adequate to its operating needs and have been timely adjusted/supported on the basis of the development of its needs and, specifically, by the laws and regulations that regulate the Bank's activity.

Further, according to the information obtained by the Board of Statutory Auditors, no atypical and/or unusual operations were performed during the course of the fiscal year.

Relationships with related parties were governed by normal market conditions provided for individual transactions or aligned, if the pre-requisites existed, to the conditions applied to employees.

Said transactions substantially consisted of relationships with the Directors, Statutory Auditors, General Management and companies referring to them. The Board of Statutory Auditors, in its supervisory function, always found that the applicable regulations were complied with.

The document *"Remuneration policies for directors, employees and collaborators who are independent contractors"* was found to be adequate, consistent with supervisory regulations, and in conformity with what was indicated by the Internal Audit department, and the Board found that it was properly applied during the course of the fiscal year. In addition to the financial statements, the Shareholders' Meeting is being provided with information, duly formulated, required with respect to the effective manner in which the remuneration policy is applied, considering the new provisions issued in this regard by the Bank of Italy on 30 March 2011.

With respect to the activity performed, the Board of Statutory Auditors wishes to specifically note the following business and corporate circumstances:

- the Board of Statutory Auditors met 11 times during the course of the fiscal year;
- no complaints or allegations were made pursuant to Article 2408 of the Italian Civil Code;
- the Board of Statutory Auditors did not have to issue any opinions required by law as there was no need due to the lack of pre-requisites;
- during the course of the fiscal year, the activity of the Supervisory Body, which was established in accordance with Legislative Decree 231/2001, continued on a regular basis. Its activity consisted of examining the organizational and management model and the training program for personnel, as well as advising the Bank's managers of the need for ongoing collaboration, useful for allowing full and effective activity to prevent the crimes provided by the above law;
- the Board of Directors approved the update of the "Programmatic Security Document" in compliance with law;
- procedures and activities were also initiated that were required for compliance with the Legislative Decree 231/2007 on money laundering. We have found the positive development that characterized the progressive adjustment of operations that the Bank implemented in order to conform to the new regulations;
- the individual capital adequacy assessment process (ICAAP) was promptly established and implemented on the basis of regulatory indications. As discussed by Management, financial capital is entirely adequate for the risks undertaken;
- the legal provisions on the transparency of banking and financial transactions and services were properly applied, as modified by the Provision of the Bank of Italy on 29 July 2009, which entered into effect on 1° January 2010. Other organizational activity is in course of implementation, including in view of the upcoming entry into effect of regulations on consumer lending;

- with reference to usury, the Bank's operations were carried out in compliance with Law no. 108/1996 and the Implementing Provisions of the Bank of Italy;
- with reference to privacy law, the provisions of Legislative Decree 196/2003 were complied with;
- as required by Article 136 of the Uniform Banking Law, we gave our unanimous consent to the operations performed, directly or indirectly, by the Bank's managers, which were all approved by resolution in accordance with law, including Article 2391 of the Italian Civil Code;
- we verified that with respect to 11 claims received during the course of 2010, the Bank complied with the proper preliminary procedure and management of such event. We further verified that the interested parties received a timely and justified response and said claims were properly represented to the corporate bodies in accordance with law;
- we certify that the required training activity took place with the participation of the requested employees with respect to money laundering, privacy, the placement of insurance and financial products, transparency and workplace safety.

2 - Fiscal year results

The 2010 data from the Financial Statements submitted to your approval is summarized in the most significant aggregates set forth below, and compared with those of the 2009 Financial Statements:

	2010	2009
BALANCE SHEET		
Financial assets	455,370,135	409,176,960
Receivables from customers	1,641,083,194	1,576,927,845
TOTAL ASSETS	2,360,262,805	2,329,401,180
Payables to customers	816,623,434	688,655,896
Outstanding securities	1,037,773,390	1,028,880,000
Shareholders' equity	229,369,494	224,698,429
Fiscal year profit	8,400,000	13,075,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,360,262,805	2,329,401,180
INCOME STATEMENT		
Interest income	37,446,144	36,196,368
Net commissions	12,319,176	7,706,976
Trading income	53,630,516	47,495,967
Net income from financial management	45,446,533	39,116,854
Operating costs	- 35,133,420	- 32,682,469
Fiscal year income tax on current operations	- 2,125,386	- 189,278
FISCAL YEAR PROFIT	8,400,00	13,075,000

3 – Comments on the financial statements

It is noted as follows:

- the draft financial statements were prepared, as implementation of Legislative Decree no. 38/2005, from a substantive standpoint, in accordance with the Supervisory Instructions contained in Circular no. 262 of 22 December 2005 of the Bank of Italy, and in application of international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB), approved by the European Union, and in effect as of the date the financial statements were closed, as well as the related interpretations (SIC/IFRIC). Such accounting standards are reported analytically in part A.1, section 2 of the Explanatory Notes. The above documentation duly considers what is provided in the Joint Document of the Bank of Italy, Consob and Isvap no. 4 of 3 March 2010, on the information to be provided in financial reports on controls of the reduction of value of assets (Impairment test), on the contractual clauses of financial liabilities, on debt restructuring and on the "hierarchy of fair value";
- the draft financial statements, as prepared, correspond to the facts and information the Administrative Body was aware of as of the date of their approval.;
- The Report on Operations contains the information required by outstanding law and completes, in a clear manner, the content of the fiscal year balance sheet; specifically, in the Report on Operations and in the Explanatory Notes, the directors have provided the information required by Document no. 2 of Consob, the Bank of Italy and Isvap of 6 February 2009 on "business continuity" *(going concern)*, and they prepared the financial statements based on an expectation of business continuity. The Board agrees with the judgment expressed and confirms the reasonable expectation that the business will continue operating in the foreseeable future.

With respect to the fiscal year financial statements as of 31 December 2010, which indicate a profit of 8,400,000 Euro, the company Bompani Audit srl, entrusted with the statutory audit of the accounts, issued its professional opinion today in accordance with Articles 14 and 16 of Legislative Decree no. 39/2010 on the reliability of the financial statements in object without any comments or objections.

With respect to the supervisory activity of the financial statements for which it is responsible, in addition to the norms of the Italian Civil Code and provisions of the Supervisory Authority, the Board of Statutory Auditors complied with the rules of conduct established by the National Council of Accountants and Auditors.

In conclusion, the Board of Statutory Auditors approves the 2010 fiscal year financial statements, which were duly made available within the prescribed term.

In accordance with Article 2426(5) of the Italian Civil Code, the Board consents to recording multi-year software costs and expenses, amounting to 168,147.14 Euro in asset line item 120 "Intangible Assets". The entry is at cost, net of constant rates of amortization over five years. Again with the Board's consent, the expenses for improvements to third party assets corresponding to 487,990.68 Euro were allocated to asset line item 150 "Other assets" and were amortized directly on the basis of the duration of the leases.

We certify that the Directors provided the information required by Article 10 of Law no. 72 of 19 March 1983 in a special schedule annexed to the financial statements.

The Board of Statutory Auditors, in compliance with the provisions of Article 2 of Law no. 59/1992 and Article 2545 of the Civil Code, approves the standards followed by the Board of Directors in its social activity to pursue mutual aid objectives in conformity with the cooperative nature of the company, and set forth in detail in the report on operations presented by the Directors.

4 – Proposals regarding the financial statements

Upon the conclusion of the specific controls carried out, the Board can certify that the Report on Operations is consistent with the Bank's financial statements as of 31 December 2010, and indicates business performance, its current trend and outlook. This is true with reference both to the financial information, as an analysis of the income, asset and financial situation and indictors of capital adequacy, as well as with respect to other information, such as risks and uncertainties concerning the Bank's activity, its management, human resources, cultural and promotional activities, security, mutual aid activities, and business performance. The Explanatory Notes indicate the measurement criteria used and provide all of the information required by outstanding law, including information on credit, market, liquidity and operational risks.

As conclusion of our report, in repeating that on the basis of the supervisory activity carried out no critical events appeared and no omissions or irregularities were found, the Board of Statutory Auditors expresses its favorable opinion, to the extent of our responsibility, for the approval of the fiscal year 2010 financial statements and related proposal for the allocation of the fiscal year net profit, which it certifies conforms to law and the By-laws and is suitable in view of the company's economic and financial situation.

✦ ✦ ✦ ✦ ✦

The Board sincerely thanks all of the Bank's departments for the collaboration provided to the control body during the course of the fiscal year while carrying out its institutional functions.

Castelfiorentino, 8 April 2011

The Board of Statutory Auditors

Prof. Aldo Bompani	Chairman of the Board
Dott. Lorenzo Gai	Acting auditor
Prof. Stefano Sanna	Acting auditor

BOMPANI AUDIT

BANCA DI CREDITO COOPERATIVO DI CAMBIANO

Report of the Independent Auditor in accordance with Article 14 of Legislative Decree no. 39 of 27.1.2010 on the financial statements for the fiscal year ended 31 December 2010

To the Shareholders of BANCA DI CREDITO
COOPERATIVO DI CAMBIANO
Piazza Giovanni XXIII, 6
50051 CASTELFIORENTINO

Florence, 8 April 2011

1. We have audited the fiscal year financial statements of Banca di Credito Cooperativo di Cambiano for the year ended 31 December 2010 consisting of the balance sheet, income statement, schedule of variations to shareholders' equity, statement of cash flows and explanatory notes thereto. The directors of Banca di Credito Cooperativo di Cambiano are responsible for preparing the financial statements. It is our responsibility to express a professional opinion on the financial statements based on our audit. The above fiscal year financial statements were prepared in conformity with the International Financial Reporting Standards adopted by the European Union, as well as with the measures issued as implementation of Article 9 of Legislative Decree no. 38/2005.

2. Our audit was conducted according to the standards and criteria provided for audits that are recommended by CONSOB (the Italian Stock Exchange Commission). In conformity with said standards and criteria, the audit was planned and performed in view of acquiring every element necessary to control whether the fiscal year financial statements present any material misrepresentations and whether they are, as a whole, reliable. The audit procedure included the review, based on sample controls, of the evidence justifying the balances and information contained in the financial statements, as well as an evaluation of the adequacy and fairness of the accounting standards utilized and the reasonableness of the estimates made by the directors. We believe that the work performed provides a reasonable basis for expressing our professional opinion. The fiscal year financial statements present data corresponding to the previous fiscal year for comparative purposes. With regard to the opinion related to the previous year's financial statements, whose data is presented for comparative purposes as required by law, reference is made to the report we issued on 12 April 2010.

The audit of the financial statements as of 31 December 2010 was conducted in conformity with outstanding law during the course of said financial year.

3. In our opinion, Banca di Credito Cooperativo di Cambiano's financial statements as of 31 December 2010 comply with the International Financial Reporting Standards adopted by the

European Union, as well as with the regulations implementing Article 9 of Legislative Decree no. 38/2005. They were therefore prepared with clarity and represent in a truthful and accurate manner shareholders' equity and the financial situation, the economic result, variations to shareholders' equity and cash flows of Banca di Credito Cooperativo di Cambiano for the fiscal year ended on such date.

4. Supplementary Information.
As indicated in the Explanatory Notes to the fiscal year financial statements that ended 31 December 2010, the accounting standard used to measure capital gains deriving from the equity method of measuring shareholdings in affiliated companies was modified. The new standard provides that variations of the value of equity investments be recorded in the Income Statement, with the exception of those deriving from modifications to the capital of the subsidiaries, as set forth in a specific note of the Bank of Italy on 17/02/2011. The overall revaluation of equity investments for the year 2010 amounted to 1,027,570.45 Euro, of which 228,434.34 Euro was included in the income statement of the subsidiary.
Due to the effect of the modifications to the accounting structure, the financial statements were also readjusted with respect to the allocation of profit for fiscal year 2009, allocating to Liability line item 130: "Valuation reserves" the entire amount, equivalent to 6,261,868.72 Euro.

5. In accordance with outstanding law, the responsibility for preparing the report on operations rests with Banca di Credito Cooperativo di Cambiano's directors. It is our responsibility to express an opinion on the consistency of the report on operations with the financial statements. For this purpose, we carried out the procedures required by Auditing Standard no. PR 001 issued by the National Council of Accountants and Auditors and recommended by CONSOB. In our opinion, the Report on Operations is consistent with Banca di Credito Cooperativo di Cambiano's financial statements as of 31 December 2010.

Bompani Audit S.r.l.
by one of its Directors

Bruno Dei

Table of variations to shareholders' equity

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2010														
				Allocation result previous fiscal year		Fiscal year variations								Fiscal year variations
							Transactions regarding shareholders' equity							
	Value as of 31 December 2009	Modification opening balances	Value as of 1° January 2010	Reserves	Dividends and other allocations	Variations of Reserves	Issue new shares	Purchase of Treasury shares	Distribution extraordinary dividends	Variation of Equity instruments	Derivatives on treasury shares	*Stock options*	Overall profitability fiscal year 2010	Shareholders' equity as of 31 December 2010
Share capital:														
a) ordinary shares	2,900,445		2,900,445				-21,835							2,876,610
b) other shares	-													
Premiums on issue of new shares	239,401		239,401				2,859							242,260
Reserves:														
a) retained earnings	210,929,997		210,929,997	5,478,219		218,080								216,626,296
b) other	-													
Valuation reserves	10,628,586		10,628,586	6,261,869		-218,080							-7,050,047	9,622,328
Equity instruments	-													-
Treasury shares	-													-
Fiscal year profit (loss)	13,075,000		13,075,000	-11,740,088	-1,334,912								8,400,000	8,400,000
Shareholders' equity	237,773,429	-	237,773,429	-	-1,334,912	-	-18,976	-	-	-	-	-	1,349,953	237,769,495

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2009														
	Value as of 31 December 2008	Modification opening balances	Value as of 1° January 2009	Allocation result previous fiscal year		Fiscal year variations								Shareholders' equity as of 31 December 2009
				Reserves	Dividends and other allocations	Variations of Reserves	Transactions regarding shareholders' equity						Overall profitability fiscal year 2009	
							Issue of new shares	Purchase of Treasury shares	Distribution of extraordinary dividends	Variation of Equity instruments	Derivatives o treasury shares	*Stock options*		
Share capital:														
a) ordinary shares	2,871,184		2,871,184				29,261							2,900,445
b) other shares	-													-
Premiums on issue of new shares	235,648		235,648				3,753							239,401
Reserves:														
a) retained earnings	195,980,294		195,980,294	14,949,703										210,929,997
b) other	-													-
Valuation reserves	3,010,819		3,010,819										7,617,768	10,628,586
Equity instruments	-													-
Treasury shares	-													-
Fiscal year Profit (Loss)	16,700,000		16,700,000	- 14,949,703	-1,750,297								13,075,000	13,075,000
Shareholders' equity	218,797,945	-	218,797,945	-	-1,750,297		33,014	-	-	-	-	-	20,,692,768	237,773,429

Cash flow statement

CASH FLOW STATEMENT Indirect Method		
A. OPERATING ASSETS	Amount	
	2010	2009
Management	21,484,617	23,686,919
- Fiscal year result(+/-)	8,400,000	13,075,000
- Gains/losses on financial assets held for trading and financial assets/ liabilities measured at fair value (+/-)	153,936	-466,927
- Gains/losses on assets used for hedges (+/-)	7,031	-56,367
- Adjustments/write-backs of net values due to impairment (+/-)	8,183,983	8,379,113
- Adjustments/writebacks of property, plant and equipment and intangible fixed assets (+/-)	2,614,281	2,533,230
- Net allocations to risk and expense funds and other costs/income (+/-)	0	0
- Outstanding taxes (+)	2,125,386	189,278
- adjustments/write-backs of net values of groups of assets being divested net of tax (+/-)	0	0
- others adjustments (+/-)	0	33,592
2. Liquidity generated/absorbed by financial assets	-38,336,824	-223,006,364
- Financial assets held for trading	71,867,894	-101,432,447
- Financial assets measured at fair value	0	0
- Financial assets available for sale	-118,215,004	83,591,377
- Receivables from banks: on demand	-8,051,830	60,517,010
- Receivables from banks: other receivables	58,858,576	-82,449,180
- Receivables from customers	-72,339,332	-148,691,351
- Other assets	29,542,873	-34,541,772
3. Liquidity generated/absorbed by financial liabilities	27,794,115	205,549,962
- Payables to banks: on demand	-54,726,518	55,034,602
- Payables to banks: other payables	-27,063,116	-26,318,613
- Payables to customers	127,967,538	92,045,943
- Outstanding securities	8,893,390	55,504,360
- Financial liabilities from trading	0	0
- Financial liabilities measured at fair value	0	0
- Other liabilities	-27,277,178	29,283,670
Net liquidity generated/absorbed by operating assets	10,941,908	6,230,517

B. INVESTMENT ASSETS		
1. Liquidity generated by	-344,315	802,709
- Sales of equity investments	0	858,173
- Dividends received from equity investments	0	0
- Sales of financial assets held through maturity	0	0
- Sales of property, plant and equipment	-344,315	-55,464
- Sales of intangible assets	0	0
- Sales of branches of business	0	0
2. Liquidity absorbed by	-2,939,284	-5,546,177
- Purchases of equity investments	-180,000	-2,000,000
- Purchases of financial assets held through maturity	0	0
- Purchases of property, plant and equipment	-2,619,952	-3,524,508
- Purchases of intangible assets	-139,332	-21,670
- Purchases of branches of business	0	0
Net liquidity generated/absorbed by investment assets	-3,283,599	-4,743,468
C. FUNDING ACTIVITIES		
- Issues/purchases of treasury shares	-18,976	33,014
- Issues/purchases of equity instruments	0	0
- Distribution of dividends and other purposes	-6,810,270	-1,750,297
Net liquidity generated/absorbed by funding activities	-6,829,245	-1,717,284
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	829,063	-230,235

KEY:

(+) generated

(-) absorbed

RECONCILIATION

LINE ITEMS OF THE FINANCIAL STATEMENTS	*Amount*	
	2010	2009
Cash and cash balances at the beginning of the fiscal year	7,510,375	7,740,610
Total net liquidity generated/absorbed during the fiscal year	829,063	-230,235
Cash and cash balances: effect of variation of exchange rates	0	0
Cash and cash balances at the close of the fiscal year	8,339,438	7,510,375

Explanatory Notes

PART A – ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 – Statement of conformity to International Accounting Standards

The Banca di Credito Cooperativo di Cambiano s.c.p.a. states that its financial statements for fiscal year 2010 were prepared in conformity with all of the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board and the relative interpretations of the International Financial Reporting Interpretation Committee, in effect as of the date of 31/12/2010 and homologated by the European Commission in accordance with the procedure provided by EU Regulation no. 1606/2002, implemented in Italy by means of Legislative Decree no. 38 of 28/02/2005. The 2010 financial statements were prepared in compliance with the Bank of Italy's Measure no. 262 of 22/12/2005 and subsequent updates.

Section 2 – General preparation standards

The fiscal year financial statements consist of the "Schedules to the financial statements" (balance sheet, income statement, schedule of overall profitability, table of variations to shareholders' equity, and the cash flow statement), and the "Explanatory Notes". They are accompanied by the "Report on Operations". The financial statements were prepared using the general accounting standards provided by IAS 1 (2007), with particular regard to fundamental standards for the preparation of financial statements that regard the prevalence of substance over form, the concept of the materiality and significance of information, as well as the accrual principal from the perspective of an ongoing concern. With respect to the compilation of the "Financial statements", reference is made to the schedules issued by the Bank of Italy in Circular no. 262 of 22/12/2005, which was reviewed and modified on 18/11/2009.
The amounts indicated in the accounting schedules are expressed in Euro, while the data reported in the Explanatory Notes is expressed, unless otherwise specified, in thousands of Euro. The tables of the Explanatory Notes might contain amounts that have been rounded off, and eventual inconsistencies between the data reported in the different tables are the consequence of such rounding off. The Explanatory Notes of the Banca di Credito Cooperativo di Cambiano s.c.p.a. do not indicate line items and tables that have been "left blank", even if allowed by Circular no. 262/2005 of the Bank of Italy.
In particular, the following general standards set forth in IAS 1 were referred to in the preparation of the financial statements:

- **Going concern –** The financial statements were prepared in view of the continuation of the business activity, and therefore assets, liabilities and "off balance sheet" operations were measured according to the Bank's operating values. In consideration of the structure of funding, primarily based on the issue of bonds and bank accounts with ordinary customers, channeled commitments primarily regarding retail customers and small businesses whom the Bank constantly monitors, and the prevalence of government bonds in financial investments, we do not believe that there are critical factors that could negatively influence the Bank's capital adequacy. In substance, this is the basis of business continuity.
- **Accrual basis of accounting** – Costs and income are recognized, regardless of the date of their monetary regulation, by period of economic maturity and according to the criterion of correlation.
- **Consistency of presentation** - Presentation and classification of the line items remain constant from one period to the next in order to guarantee the comparison of information, unless the variation is required by an International Accounting Standard or by an interpretation or it renders the representation of values more appropriate, in terms of materiality and reliability. If a presentation or classification criterion is changed, the new one is applied retroactively, if possible and if deemed to be substantial; in such case the nature and reason of the variation are also disclosed, as well as the line items involved.
- **Aggregation and materiality** – All of the material aggregates of line items having a similar nature or function have been listed separately. Items of a different nature or function, if material, are presented in a distinct manner.
- **Prohibition of offsetting** – Assets and liabilities, costs and income are not offset, unless required or allowed by an International Accounting Standard or by its interpretation or by the schedules prepared by the Bank of Italy for the financial statements of banks.
- **Comparative information** - The comparative information of the previous fiscal year is indicated for all of the data reported in the accounting tables, unless an International Accounting Standard or its interpretation or the schedules prepared by the Bank of Italy require or allow otherwise. Information of a descriptive nature is also included, when useful for understanding the data.

Section 3 – Events subsequent to the date of reference of the financial statements

See the special section provided in the Directors' Report on Operations.

Section 4 – Other considerations

In the financial statements ended 31/12/2010, the Bank, in compliance with a specific note of the Bank of Italy, modified the manner in which capital gains on equity investments in affiliated companies are recognized, which was adjusted to the literal interpretation of IAS 28, paragraph 11. Specifically, the variations of the value of equity investments measured at "shareholders' equity" are recognized in the income statement, with the exception of those deriving from modifications of the subsidiary's capital that were not included in the latter's income statement. Consequently, capital gains not included in the subsidiary's income statement are directly allocated to shareholders' equity (Liability line item 130 "Valuation reserves").

In the previous accounting structure all capital gains on equity investments in affiliates were allocated to the income statement and at the time of the distribution of the fiscal year profit, they were allocated (net of deferred taxes) to Liability line item 130 "Valuation reserves", independently of whether or not they had been formally included in the subsidiary's income statement.

Due to the effect of the modification to the accounting structure, the Bank readjusted its book-entry accounts related to the distribution of fiscal year profits for 2009, with reference to the allocation of 6,261,868.72 Euro to Liability line item 130 "Valuation reserves" (net of taxation). The gain, originating from interests not included in the subsidiary's income statement in the amount of 6,043,788.92 Euro, is allocated to Liability line item 130 "Valuation reserves"; whereas the gain resulting from interests included in the subsidiary's income statement in the amount of 218,079.80 Euro, results in a reduction of Liability line item 130 "Valuation reserves" and an increase of Liability line item 160 "Reserves".

If the new accounting structure had been applied in 2009 as well, the following differences would have appeared in the schedules to the financial statements:

Liability	from	Variation	to
Line item 130 "Valuation reserves"	10,628,586.25	6,043,788.92	16,672,375,17
Line item 200 "Fiscal year profit"	13,075,000.00	-6,043,788.92	7,031,211,08

The income statement	from	Variation	to
Line item 290 "Fiscal year profit"	-13,075,000.00	6,043,788.92	-7,031,211.08
Line item 210 "Gains from equity investments"	6,825,480.54	-6,128,049.60	697,430.94
Line item 260 "Fiscal year income taxes on current operations"	-189,278.11	84,260.68	-105,017.43

Schedule of overall profitability	from	Variation	to
Line item 10 "Fiscal year profit"	13,075,000.00	-6,043,788.92	7,031,211.08
Line item 100 "Share of valuation reserves of equity investments measured on the basis of shareholders' equity"	0.00	6,043,788.92	6,043,788.92
Line item 110 "Total other income components net of taxes"	7,617,767.66	6,043,788.92	13,661,556.58
Line item 120 "Overall profitability (Line items 10 + 110)	20,692,767.66	0.00	20,692,767.66

A.2 – PART RELATED TO THE PRINCIPAL LINE ITEMS OF THE FINANCIAL STATEMENTS

Section 1 – Financial assets held for trading

1.1. Classification criteria

Debt securities, capital securities, certificates of participation in mutual funds purchased for trading, and derivative contracts with positive fair value are allocated to such line item, with the exclusion of hedges.

1.2. Recognition and derecognition criteria

Financial instruments represented by securities are measured using the standard of the subscription date.
Subsequent to the modification of IAS 39 on 15/10/2008, it is possible to transfer financial assets held for trading to the following sectors:

- Loan and Receivables Sector if the financial instrument is no longer held for "Trading", with the intent of holding it until a foreseeable future or through maturity; assets with fixed maturities and not listed as of the date of reclassification. The transfer must be made for fair value as of the reclassification date, which therefore will become the new cost;

- Available for Sale Sector if the financial instrument is no longer held for “Trading”, with the intent of holding it for the foreseeable future or through maturity; this possibility of reclassification requires that there be “rare circumstances”. The transfer must be made for fair value as of the reclassification date, which therefore will become the new amortized cost;
- Held to Maturity Sector if the financial instrument is no longer held for “Trading”, with the intent of holding it through maturity; this possibility of reclassification requires both “rare circumstances” as well as that the financial asset have a fixed maturity. The transfer must be made for fair value as of the reclassification date, which will therefore become the new amortized cost.

The above instruments are derecognized from the financial statements only if all of the risks and benefits (or their effective control) are substantially transferred to the buyers. If all of the risks and benefits (or their effective control) are not substantially transferred, a liability is recognized with respect to the buyers for the amount corresponding to the consideration received.

1.3. Measurement criteria

Financial instruments represented by securities and trading derivatives are measured at fair value both upon purchase as well as subsequently. The fair value of instruments listed in active markets are compared with the quotes at the closure of the markets, whereas for unlisted instruments in active markets, fair value is measured by means of the use of the prices made available by the information provider Bloomberg (fair value hierarchy - level 1). If the above is not possible, estimates and measurement models are used that refer to data that can be found in the market. These methods are based on the measurement of financial instruments that are listed having analogous characteristics, discounted cash flows based on the yield curve, and considering the risk of the issuer’s receivables (fair value hierarchy - level 2). If it is not objectively possible to use one of the two methods indicated above, fair value is measured based on estimates and assumptions made by the appraiser based on historical cost and the application of measurement techniques having significant discretional factors (fair value hierarchy - level 3).

1.4. Criteria for recognizing income components

The income components related to financial instruments held for trading are measured in the income statement in the period in which they appear on line item "Net trading income". Gains and losses on sales or repayment, and unrealized gains and losses deriving from variations of fair value of the trading portfolio, as well as reductions of value of financial assets measured at cost (impairment), are recognized in the income statement in line item "Net trading income". Earned interest and dividends are respectively recognized in the line items of the income statement "Earned interest and similar income" and "Dividends and similar income".

Section 2 – Financial assets available for sale

2.1. Classification criteria

The portfolio of financial assets available for sale includes all of the non-derivative financial assets that are not classified as receivables, financial assets held through maturity, and assets measured at fair value.
Specifically, such portfolio includes all of the securities to be sold within periods that are generally longer than those of the trading portfolio as well as holdings that cannot be qualified as equity investments of control, joint control, or significant influence, or which are not held for "trading".

2.2. Recognition and derecognition criteria

The portfolio of securities available for sale are initially recognized at fair value, which corresponds to the value of the price paid for their purchase. Subsequent to the modification of IAS 39 of 15/10/2008 it is possible to transfer financial assets available for sale to the following sectors:

- Loan and Receivables Sector if the financial instrument is no longer available for sale, with the intent of holding it through maturity; these are assets with a fixed maturity that are unlisted as of the reclassification date. The transfer must be made for fair value as of the reclassification date, which will therefore become the new cost;
- Held to Maturity Sector if the financial instrument is no longer available for sale, with the intent of holding it through maturity; this possibility of reclassification requires both “rare circumstances” as well as that the financial asset have a fixed maturity. The transfer must be made for fair value as of the reclassification date, which will therefore become the new amortized cost.

Securities available for sale are derecognized from the financial statements only if substantially all of the risks and benefits (or their effective control) are transferred to the buyers. If all of the risks and benefits (or their effective control) are not substantially transferred, a liability is recognized with respect to the buyers for the amount corresponding to the consideration received.
Interest on the securities is calculated on the basis of their internal rate of return.

2.3. Measurement criteria

Subsequent to initial recognition, assets available for sale continue to be measured at fair value (with the same "Levels" provided for assets held for trading), and recognized in the income statement for the value corresponding to amortized cost with an allocation to a special reserve of shareholders' equity of the profits/losses deriving from the variation of fair value. Equity instruments and the related derivative instruments, for which it is not possible to determine fair value in a reliable manner, are maintained at cost, adjusted upon verification of losses due to a reduction in value.

Verification of the existence of objective evidence of a reduction in value is made at each close of the financial statements or interim financial statement.

2.4. Criteria for recognizing income components

The allocation of income components in the relevant lines of the income statement is done in accordance with what is set forth below.

- Earned interest and dividends of the securities are respectively allocated to line item 10 of the income statement "Earned interest and similar income" and to line item 70 of the income statement "Dividends and similar income".
- Gains and losses from trading securities are allocated to line item 100 of the income statement "Gain/loss on disposal or repurchase of financial assets available for sale": capital gains and capital losses from fair value measurement are directly allocated to shareholders' equity, Liability line item 130 "Valuation Reserves", and transferred to the income statement only upon their realization by means of the sale of the securities or subsequent to the recognition of impairment losses.
- Impairment losses and write-backs of values of debt securities are allocated to line item 130 of the income statement "Net adjustments/write-backs of net value due to impairment of financial assets available for sale". Impairment losses on equity instruments are also allocated to line item 130 of the income statement, whereas eventual write-backs of value from fair value are directly allocated to net shareholders' equity, Liability line item 130 "Valuation Reserves".

Section 3 – Financial assets held through maturity

The Bank does not currently have "Financial assets held through maturity", Asset line item 50.

Section 4 - Receivables

Section 4.1 – Cash receivables

4.1.1. Classification criteria

The portfolio of receivables includes all cash receivables, of any technical form and including operating receivables from banks and customers, as well as unlisted debt securities that the Bank does not intend to sell short term.

4.1.2. Recognition and derecognition criteria

Receivables and securities are allocated in the present portfolio at the time of issue or purchase and cannot subsequently be transferred to other portfolios, nor can financial instruments of other portfolios be transferred to the portfolio of receivables. Receivables and securities are derecognized from the financial statements only if substantially all of the risks and benefits (or their effective control) are transferred to the purchasing counterparties; otherwise, liabilities are registered in their regard, for an amount corresponding to the amounts received, together with the corresponding costs and income of the underlying assets.

Receivables and securities that are the object of repurchase agreements that have not yet been settled are recognized (if purchased) or derecognized (if sold) according to the standard of the "settlement date". Interest is calculated on the basis of the internal rate of return. The rules on "accounting derecognition" provided by IAS 39 were applied to securitizations performed since 01/01/2004.

4.1.3. Measurement criteria

At the time of issue or purchase, receivables and securities are recognized at fair value, also including, for securities and receivables other than short term, eventual anticipated transaction costs and income, specifically attributable to each security or receivable. Subsequently, measurement is based on the standard of amortized cost, subjecting receivables and securities to an impairment test, if there is symptomatic evidence of the state of impairment of the solvency of borrowers or issuers. With specific regard to receivables, the impairment test is articulated in two phases:

- individual measurement on non performing loans, to determine the relative adjustments/write-backs of value;
- collective measurement on the remaining receivables, for the lump sum determination of adjustments to value.

The individual impairment of non performing loans was done in a manner conforming to what is required by accounting standard IAS 39, discounting the values of the presumable proceeds of said receivables in relation to the expected time of collection, and more specifically considering:

- the recovery forecasts made by the account managers;
- forecast recovery time estimated on historical-statistical basis and monitored by the managers;
- the "historical" discounting rates, represented by the contractual rates at the time of the classification of the account to non performing.

With reference to the collective measurement of the remaining receivables, the portfolio was classified in two different types:

- watchlist, accounts overdue/overdrawn for more than 180 days, and restructured receivables;
- other receivables in bonis.

For each portfolio, the amount of the lump sum write-down corresponds to the result between the total portfolio value, its PD (average default probability) and LGD (parameter that represents the rate of loss in the case of default) of receivables belonging to the same portfolio.

The calculation of PD was done on a historical basis, using as a reference the previous three year period for each kind of portfolio, whereas the LGD value was determined to be 50.00%. The LDG valued was modified during fiscal year 2009, passing from a "standard" ratio of 45.00% to 50.00%, consistently with the continuation of the current negative economic situation. No collective write-downs on receivables from public entities, Poste Italiane s.p.a., factoring companies, and subsidiaries subject to significant influence were calculated. As in prior fiscal years, no analytical write-downs on receivables were calculated aside from those recorded as "non performing", as no cases of losses on receivables were believed to exist that had not been recorded in such section.

Successive potential write-backs of value cannot exceed the amount of the write-downs from impairment (individual and collective) previously recognized.

4.1.4 Criteria for recognizing income components

The allocation of income components in the relevant line items of the income statement is done in accordance with what is set forth below.

- Earned interest on receivables and securities is allocated to line item 10 of the income statement "Earned interest and similar income".
- Gains and losses from the disposal of receivables and securities are allocated to line item 100 of the income statement "Gains/losses from the disposal or repurchase of receivables".
- Adjustments and write-backs of value of receivables and securities are allocated to line item 130 of the income statement "Adjustments to net value due to impairment of: receivables".

Section 4.2 – Endorsement receivables

4.2.1. Classification criteria

All of the personal security and collateral issued by the Bank with regard to third party obligations are allocated to the portfolio of endorsement receivables.

4.2.2. Criteria for recognizing income components

Commissions that mature periodically on endorsement receivables are listed in line item 40 of the income statement as "Commission income".

Section 5 – Financial assets measured at fair value

The Bank, not having exercised the fair value option, did not open a portfolio for financial assets measured at fair value.

Section 6 – Hedges

6.1. Classification and recognition criteria

The hedge portfolio includes derivative instruments used by the Bank to sterilize losses from hedged assets or liabilities. The operations performed by the Bank are aimed at the specific hedge of bond issues, and the various derivative contracts stipulated have speculative conditions and values linked to those of the hedged bond. The Bank uses the "fair value hedge" method to measure them. In order for a transaction to be recognized as a "hedge", it is necessary that the following conditions be satisfied: a) the hedge relationship must be formally documented; b) the hedge must be effective from the time it initiates and prospectively for its entire duration. Effectiveness is controlled by means of specific instruments and is considered to exist when variations of fair value of the hedged financial instrument almost entirely sterilize the variations of risk of the hedged instrument. A hedge is considered to be highly effective between a range of 80% through 125%. An effectiveness test is conducted at each close of the financial statements or at the time of any six-month interim financial statements. If the effectiveness test indicates an insufficient hedge and the misalignment is considered not to be temporary, the hedged instrument is allocated to the trading portfolio. Hedges are measured according to the principle of "negotiation date".

6.2. Derecognition criteria

Hedges are derecognized at the time of their maturity, early closure, or when they fail the effectiveness tests.

6.3. Measurement criteria

Hedge instruments are measured at fair value.
The fair value of hedges listed in active markets is taken from the quotations at the close of the markets (fair value hierarchy - level 1), whereas instruments not listed in an active market (over the counter) are measured discounting future cash flows on the basis of the yield curve (fair value hierarchy - level 3). Since they are unlisted, the latter method is used to measure the fair value of the Bank's hedges. The hedged accounts are also measured at fair value, limited to variations of value produced by the risks that are the object of the hedge, thus "sterilizing" the risk components that are not directly related to such hedge.

6.4. Criteria for recognizing income components

Income components are allocated to the relative line items of the income statement on the basis of what is set forth below.

- The differences matured on hedge instruments for interest rate risk (in addition to the interest of the hedged position) are allocated to line item 10 of the income statement "Earned interest and similar income" or to line item 20 of the income statement "Interest payable and similar expenses";
- The gains and losses deriving from the measurement of the hedge instruments and accounts that are the object of the hedges are allocated to line item 90 of the income statement "Net hedging income";
- Gains and losses from trading hedge contracts are allocated to line item 80 of the income statement "Net trading income".

Section 7 – Equity investments

7.1. Classification criteria

Shareholdings are allocated to the equity investments portfolio which are subject to control, joint control or significant influence. Control is presumed when more than 50% of the voting rights that can be exercised at shareholders' meetings are held, directly or indirectly. Significant influence is exercised when the shareholder holds, directly or indirectly, a share equal to or greater than 20% of the voting rights. Significant influence is determined in the presence of a holding of less than 20%, when the following circumstances: a) representation on the board of directors; b) participation in the decision-making process with reference to decisions regarding dividends; c) there are major operations between the shareholder and the subsidiary. Joint control is when voting rights and control of the subsidiary is shared with other parties.

7.2. Recognition and derecognition criteria

The line item includes equity investments in subsidiaries, jointly held companies or companies subject to significant influence. At the time of initial recognition, such equity investments are recognized at purchase cost, supplemented by directly attributable costs. Financial assets are derecognized when the contractual rights to the cash flows deriving from such assets expire or when the financial asset is sold, transferring all of the risks and benefits connected to it.

7.3. Measurement criteria

Equity investments are measured with continuity using the "equity" method. Equity investments in subsidiaries, jointly held companies or companies subject to significant interest are measured at cost, and the accounting value increases or decreases to reflect the share to which to which the shareholder is entitled of profits or losses of the subsidiary realized after the purchase date. The dividends received from a subsidiary reduce the accounting value of the shareholding. Adjustments to the accounting value might be required due to modifications of the share held by the shareholder in the subsidiary, deriving from modifications of the shareholders' equity of the subsidiary.

7.4. Criteria for recognizing income components

Dividends paid by the subsidiary generated subsequent to the purchase date are allocated to line item 70 of the income statement "Dividends and similar income". The results of the measurement of "shareholders' equity" are recognized in line item 210 of the income statement "Gains/losses on equity investments", when they were included in the income statement of the subsidiary; when instead they were not included in the income statement of the subsidiary, they are allocated to Liability line item 130 "Valuation reserves". Gains/losses deriving from the sale of equity investments are recognized in line item 210 of the income statement "Gains/losses on equity investments".

Section 8 – Property, plant and equipment

8.1. Classification and recognition criteria

Property, plant and equipment include land, instrumental real property, installations, furniture and decor and any kind of equipment. They are property, plant and equipment held to be used in the production or supply of goods and services, to be rented to third parties, or used for other administrative purposes, which it is deemed will be utilized for more than one fiscal year. In relation to real property, the components referring to land and buildings constitute separate assets for accounting purposes and are recognized separately at the time of purchase. Property, plant and equipment are recognized at purchase cost, inclusive of accessory charges sustained and directly attributable to when the asset is put into operation. Extraordinary maintenance costs that result in an increase of future economic benefits are allocated to increases of value of the assets, while other ordinary maintenance costs are recognized directly in the income statement.

8.2. Derecognition criteria

Property, plant and equipment are derecognized from the financial statements at the time they are sold or when their economic function has been entirely exhausted and no future economic benefits are expected.

8.3. Measurement criteria

Property, plant and equipment are measured at cost, deducting eventual accumulated depreciation and losses of value. Assets that have been put into operation are systematically depreciated according to time periods determined for homogeneous classes equivalent to the useful life of the fixed assets. The book value of buildings to be depreciated "from the earth to the sky" does not include the value of the land on which they are built, which is determined on the basis of specific appraisals and which is treated separately and not depreciated because it is an asset with an indefinite duration. "Artwork", which has an indefinite useful life, is also not depreciated.

8.4. Criteria for recognizing income components

The income components are allocated to the relevant line items of the income statement as follows:

- Periodic depreciation, lasting losses of value and write-backs of value are allocated to line item 170 of the income statement "Adjustments/write-backs of net value of property, plant and equipment".
- Gains and losses deriving from disposals are allocated to line item 240 of the income statement "Gains/losses on disposal of investments".

Section 9 – Intangible assets

9.1. Classification criteria

The portfolio of intangible assets includes intangible production factors having multi-year utility, represented in particular by expenses for the purchase of software and by multi-year expenses to be amortized. The expenses for third party assets (branch offices being rented) were recognized in Asset line item 150 "Other assets"; the relative amortization was proportional to the duration of the leases.

9.2. Recognition and derecognition criteria

The above assets are recognized at purchase cost, inclusive of accessory costs and increased by expenses subsequently sustained to increase their value or initial productive capacity. Intangible assets are derecognized from the financial statements when their economic function has been entirely exhausted.

9.3. Measurement criteria

Intangible assets of limited duration are recognized net of accumulated amortization. Said assets are amortized on the basis of the estimate made of their residual useful life. If there is symptomatic evidence of the existence of lasting losses, intangible assets are subject to measurement of the damage, recognizing eventual adjustments to value; subsequent write-backs of value cannot exceed the amount of the losses previously recognized.

9.4. Criteria for recognizing income components

Periodic amortizations, lasting losses of value and write-backs of value of intangible assets are allocated to line item 180 del the income statement "Adjustments/write-backs of net value of intangible assets".

Section 10 – Noncurrent assets and groups of assets in the course of divestment

The Bank does not currently hold noncurrent assets or groups of assets in the course of divestment.

Section 11 – Current and deferred taxation

11.1. Classification criteria

Current tax items include excess payments (current assets) and outstanding payables (current liabilities) for income taxes due for the period. Entries of deferred taxation instead represent income taxes to be recovered in future periods with temporary deductible differences (deferred assets) and income taxes payable in future periods as a consequence of temporary taxable differences (deferred liabilities).

11.2. Recognition, derecognition and measurement criteria

Deferred tax receivables are recognized, in conformity with the "balance sheet liability method", only on the condition that there is an ability to fully absorb the temporary deductible differences from future taxable income, whereas deferred tax liabilities are usually always recognized.

11.3. Criteria for recognizing income components

Tax assets and liabilities are normally allocated, with offsets, to line item 260 of the income statement "Fiscal year income taxes on current operations", except when they derive from operations whose effects are directly attributable to shareholders' equity; in such case they are allocated to capital.

Section 12 – Risk and expense funds

12.1. Classification criteria

The risk and expense funds express certain or probable liabilities, whose amount or payment date is uncertain.

12.2. Recognition, derecognition and measurement criteria

When the time for paying a specific liability is more than twelve months from the recognition date, the relative fund is recognized at discounted values. The actuarial values were estimated by independent professionals pursuant to International Accounting Standard no. 19, according to the unit criteria provided by the Projected Unit Credit Method on the following technical entities:

- Services related to Employee Severance Pay;
- The payment of loyalty bonuses to employees upon reaching the 25° year of effective service.

Actuarial gains and losses are recognized directly as an offset in the income statement.

12.3. Criteria for recognizing income components

The al location of income components to the relevant line items of the income statement is done in accordance with what is set forth below.

- Provisions for risk and expense funds are allocated to line item 160 of the income statement "Net allocations to risk and expense funds" or to its own line item if deemed to be more appropriate;
- Provisions for "Employee severance pay" and "Loyalty bonuses" are allocated to line item 150 of the income statement "Administrative costs - personnel costs".

Section 13 – Liabilities and outstanding securities

13.1. Classification criteria

The line items "Payables to banks", "Payables to customers" and "Outstanding securities" include the various forms of funding, both inter-bank as well as with regard to customers, collections of savings by certificates of deposit and outstanding bonds, net of eventual repurchases.

13.2. Recognition and derecognition criteria

The financial liabilities noted above are recognized at the time of issue, or replacement after repurchase, or derecognized, at the time of repurchase in accordance with the principle of the "settlement date" and cannot subsequently be transferred to the portfolio of trading liabilities. Interest is calculated on the basis of their internal rate of return. Structured kinds of financial liabilities, consisting of the combination of a host liability and one or more embedded derivative instruments are separated and recognized separately from the embedded derivatives, only on the condition that the economic characteristics and risks of the embedded derivatives are substantially different than those of the host financial liabilities and the derivatives can be considered to be autonomous derivative contracts.

13.3. Measurement criteria

At the time of their issue, or at the time of replacement subsequent to repurchase, financial liabilities are recognized at fair value, including any anticipated transaction costs and income specifically attributed to each liability. Subsequently measurement is based on the principle of amortized costs, using the effective interest rate method. Short term liabilities are still recognized for their cash value.

13.4. Criteria for recognizing income components

Interest payable related to public savings instruments are recognized in line item 20 of the income statement "Interest payable and similar expenses". Gains and losses from the repurchase of such liabilities are recognized in line item 100d of the income statement "Gains/losses from the sale or repurchase of financial liabilities".

Section 14 – Financial liabilities from trading

The Bank does not currently have financial liabilities from trading.

Section 15 – Financial liabilities measured at fair value

At present the Bank, not having exercised the fair value option, has not opened a portfolio of financial liabilities measured at fair value.

Section 16 – Operations in foreign currency

16.1. Classification criteria

Operations in foreign currency consist of all assets and liabilities denominated in currency other than the Euro.

16.2. Recognition and derecognition criteria

Operations in foreign currency are registered, at the time of initial recognition, in the accounting currency, applying the exchange rate in effect as of the date of the operation to the amount in foreign currency. The exchange rate on the settlement date is also applied in the accounting currency for derecognition.

16.3. Measurement criteria

As of the close of the fiscal year, the conversion of monetary assets and liabilities in foreign currency is done using the spot exchange rate on that date.

16.4. Criteria for recognizing income components

The exchange rate differences of operations in foreign currency are recognized in line item 80 of the income statement "Net trading income".

A.3 – INFORMATION ON FAIR VALUE

A.3.1 – Transfers among portfolios

By means of a resolution dated 27/10/2008, which became effective as of 01/07/2008, the Banca di Credito Cooperativo di Cambiano s.c.p.a. decided to reclassify part of the accounting portfolio of Assets Held for Trading (HFT) to Financial Assets Available for Sale (AFS). By means of the operation in question, securities were transferred to more extended maturity dates, which were the most affected by the liquidity crisis, in order to obtain a new division of the securities portfolio that more faithfully reflects the Bank's investment policy. The reclassification as of 31/12/2008 regarded overall a nominal value of 308,341,000.00 Euro and a balance sheet value of 299,354,732.55 Euro, of which "Government Bonds" (CCT) having a nominal value of 293,341,000.00 Euro and a balance sheet value of 286,732,562.75 Euro, and "Other securities" having a nominal value of 15,000,000.00 Euro and a balance sheet value of 12,622,169.80 Euro. With reference to the above mentioned financial instruments, over the course of fiscal year 2009 securities were sold having a nominal value of 187,591,000.00 Euro, of which "Government Bonds" (CCT) having a nominal value of 182,591,000.00 Euro, and "Other securities" having a nominal value of 5,000,000.00 Euro. The sale in question generated gains from disposal in the amount of 1,122,260.96 Euro which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale".
With reference to the above mentioned financial instruments, over the course of fiscal year 2010 securities were sold having a nominal value of 86,750,000.00 Euro, of which "Government Bonds" (CCT) having a nominal value of 81,750,000.00 Euro, and "Other securities" having a nominal value of 5,000,000.00 Euro. The sale in question generated gains from disposal in the amount of 1,272,543.77 Euro, which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale".
Over the course of fiscal year 2010, by means of a resolution of the Board of Directors on 15/11/2010, Government Bonds (CCT) were transferred from the Held for Trading portfolio to the Available for Sale portfolio,

having a nominal value of 79,000,000.00 Euro. Such transfer was done using the market price referring to the day 15/11/2010 (official price).

A.3.1.1. – Reclassified financial assets: balance sheet value, fair value and effects on overall profitability

Values indicated in thousands of Euro

Type of financial instrument	Portfolio of origin	Portfolio of destination	Balance sheet value as of 31/12/2010	Fair value as of 31/12/2010	Income components recognized in the lack of the transfer (before tax)		Income components recognized during the fiscal year (before tax)	
					Measured	Other	Measured	Other
Debt securities - 2008	HFT	AFS	32,205	32,205	-788	626	-640	1,717
Debt securities - 2010	HFT	AFS	77,070	77,070	-883	205	-883	204
Debt securities - Total	HFT	AFS	109,275	109,275	-1,671	832	-1,523	1,921

As of the date of 31/12/2010 reclassified assets remained having an overall nominal value of 113,000,000.00 Euro, of which "Government Bonds" (CCT) having a nominal value of 108,000,000.00 Euro, and "Other securities" having a nominal value of 5,000,000.00 Euro.

A.3.1.2. – Reclassified financial assets: effects on overall profitability prior to transfer

Values indicated in thousands of Euro

Type of financial instrument	Portfolio of origin	Portfolio of destination	Capital gains/losses in the income statement (before tax)		Capital gains/losses in shareholders' equity (before tax)	
			31/12/2010	31/12/2009	31/12/2010	31/12/2009
Debt securities	HFT	AFS	-1,249	4	0.00	0.00

A.3.1.3. – Transfer of financial assets held for trading

It is noted with reference to IAS 39, paragraph 50 that the securities in question are not held for the purpose of being traded short term, but are held for a lengthier period of time. With respect to the "rare circumstances" set forth in paragraph 50B of IAS 39, they refer to the current macro-economic and financial situation. In particular, during the period under consideration, there was heavy stress in the public securities market of countries in the "Euro" area, and there were extremely large differentials measured among the ten year government bond yields of countries such as Greece, Ireland, Portugal and Spain, and Germany. Consequently, the general breakdown of securities portfolios from assets considered to be less risky caused an abnormal increase of the differential between Italian government bonds with respect to German bonds (*see* also Economic Bulletin no. 62 October 2010 – Bank of Italy – Point 1 "Summary"). The spread between ten year BTP and German Bund with the same maturity dates increased from 76 b.p. on 01/01/2010 to 165 b.p. on 12/11/2010, thus registering an increase of 117.10% in just 10 months%.

List of securities reclassified in 2010:

Isin	Description	Nominal value	Price 15/11/2010
IT0004321813	CCT 01/12/2014 TV	24,000,000.00	97.33800
IT0003993158	CCT 01/11/2005-12 TV	45,000,000.00	99.33800
IT0004224041	CCT 01/03/2014 TV	5,000,000.00	97.66400
IT0004584204	CCT 01/03/2010-17	5,000,000.00	95.32600
Total		79,000,000.00	

A.3.1.4. –Internal rate of return and forecast cash flows of reclassified assets

The internal rate of return (TIR) and forecast cash flows for each transferred security are indicated below:

CCT 01/11/2012 - calculation cost 99.338				
nominal	date	Period	rate	forecast flows
45,000,000	15/11/2010			
	01/05/2011	0.46	1.500%	311,250.00

	01/11/2011	0.96	1.500%	337,500.00
	01/05/2012	1.46	1.500%	337,500.00
	01/11/2012	1.96	1.500%	45,337,500.00
	Total flows			46,323,750.00
	Internal Rate of Return			1.854%

CCT 01/03/2014 - calculation price 97.664				
nominal	date	period	rate	forecast flows
5,000,000	15/11/2010			
	01/03/2011	0.29	1.260%	18,550.00
	01/09/2011	0.79	1.260%	31,500.00
	01/03/2012	1.29	1.260%	31,500.00
	01/09/2012	1.79	1.260%	31,500.00
	01/03/2013	2.29	1.260%	31,500.00
	01/09/2013	2.79	1.260%	31,500.00
	01/03/2014	3.29	1.260%	5,031,500.00
	Total flows			5,207,550.00
	Internal Rate of Return			2.006%

CCT 01/12/2014 – calculation price 97.338				
nominal	date	period	rate	forecast flows
24,000,000	15/11/2010			
	01/12/2010	0.04	1.620%	17,280.00
	01/06/2011	0.54	1.620%	194,400.00
	01/12/2011	1.04	1.620%	194,400.00
	01/06/2012	1.54	1.620%	194,400.00
	01/12/2012	2.04	1.620%	194,400.00
	01/06/2013	2.54	1.620%	194,400.00
	01/12/2013	3.04	1.620%	194,400.00
	01/06/2014	3.54	1.620%	194,400.00
	01/12/2014	4.04	1.620%	24,194,400.00
	Total flows			25,572,480.00
	Internal Rate of Return			2.327%

CCT 01/03/2017 – calculation price 95.326				
nominal	date	period	rate	forecast flows
5,000,000	15/11/2010			
	01/03/2011	0.29	1.260%	18,550.00
	01/09/2011	0.79	1.260%	31,500.00
	01/03/2012	1.29	1.260%	31,500.00
	01/09/2012	1.79	1.260%	31,500.00
	01/03/2013	2.29	1.260%	31,500.00
	01/09/2013	2.79	1.260%	31,500.00
	01/03/2014	3.29	1.260%	31,500.00
	01/09/2014	3.79	1.260%	31,500.00
	01/03/2015	4.29	1.260%	31,500.00
	01/09/2015	4.79	1.260%	31,500.00
	01/03/2016	5.29	1.260%	31,500.00
	01/09/2016	5.79	1.260%	31,500.00
	01/03/2017	6.29	1.260%	5,031,500.00
	Total flows			5,396,550.00
	Internal Rate of Return			2.066%

GENERAL SUMMARY

Effective and overall interest rate	**2.021%**

Forecast cash flows – by year	
2010	**17,280**
2011	**1,137,650**
2012	**46,189,800**
2013	**514,800**
2014	**29,483,300**
2015	**63,000**
2016	**63,000**
2017	**5,031,500**
Total forecast cash flows	**82,500,330**

A.3.2 – Hierarchy of fair value

Fair value - Level 1

For purposes of the measurement process, financial instruments are considered to be listed in active markets when they have official reference prices, or when they are systematically traded on "alternative" trading circuits with respect to official circuits, whose prices are considered "significant" in that they represent the quotation that a transaction would effectively have on the measurement date. Specifically, with respect to an overall asset value of 388,640 thousand Euro, Italian government bonds amount to 357,795 thousand Euro (92.06%), while the remaining 30,845 thousand Euro (7.94%) regard securities from issuers who are Italian banks.

Fair value - Level 2

In the lack of prices measured in an active market, fair value is determined using measurement techniques based on input data found in the market. The principal measurement techniques used are the following:

- Reference to the price of financial instruments having the same characteristics as those that are being measured (comparable approach);
- Fair value measurement technique, such as, for example, "discounted cash flow analysis" or other pricing methodologies generally accepted by the market, based on input data directly found in the market (for example, interest rates and yield curves, volatility, credit default swap, etc.), or obtained indirectly by means of correlation structures.

Financial assets classified at level 2 fair value almost entirely consist of Italian bank bonds.

Fair value - Level 3

Level 3 measurement is based on data input not found in the market, or which cannot be entirely found in the market, and as a last resort are based on historical cost. Specifically, on an overall asset value of 26,338 thousand Euro, we note:

- Hedges in the amount of 5,301 thousand Euro, which are fixed interest rate over the counter contracts, measured by discounting future cash flows;
- Financial instruments measured at historic cost amounting to 11,121 thousand Euro, which are unlisted Italian bank bonds, recently traded off market for 10,001 thousand Euro, and equity instruments classified as Available for Sale amounting to 1,120 thousand Euro;
- Insurance policies in the amount of 9,916 thousand Euro, measured using the valuation scheme of such insurer.

A.3.2.1. – Accounting portfolios: divided by level of fair value

Values indicated in thousands of Euro

Assets/Financial liabilities measured at fair value	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	91,752	11,728	9,916	129,927		55,490
2. Financial assets measured at fair value						
3. Financial assets available for sale	296,888	33,966	11,120	215,239		8,521
4. Hedges			5,301			4,202
Total	388,640	45,694	26,338	345,166		68,213
1. Financial liabilities held for trading						
2. Financial liabilities measured at fair value						

3. Hedges			281			476
Total			281			476

Key:

Level 1 = Fair value of a financial instrument listed in an active market.

Level 2 = Fair value measured on the basis of measurement techniques that use parameters that can be seen from the market, other than quotations of the financial instrument;

Level 3 = Fair value measured on the basis of measurement techniques that use parameters that cannot be seen from the market.

A.3.2.2. – Annual variations of financial assets measured at fair value (Level 3)

Values indicated in thousands of Euro

	FINANCIAL ASSETS			
	Held for trading	Measured at fair value	Available for sale	Hedges
1. Initial value	55,490		8,521	4,202
2. Additions				
2.1. Purchases	1,000		10,284	
2.2. Profits allocated to:				
2.2.1. The income statement	299			2,346
- of which capital gains	290			37
2.2.2. Shareholders' equity	X	X		
2.3. Transfers from other levels				
2.4. Other additions			1	2,594
3. Reductions				
3.1. Sales	6,506		10	
3.2. Redemptions	30,062			
3.3. Losses allocated to:				
3.3.1. The income statement	34			14
- of which capital losses	6			14
3.3.2. Shareholders' equity	X	X		
3.4. Transfer to other levels	10,010		7,675	
3.5. Other reductions	261			3,827
4. Final value	9,916		11,120	5,301

A.3.2.3. – Annual variations of financial liabilities measured at fair value (Level 3)

Values indicated in thousands of Euro

	FINANCIAL LIABILITIES		
	Held for trading	Measured at fair value	Hedges
1. Initial value			476
2. Additions			
2.1. Issues			
2.2. Losses allocated to:			
2.2.1. The income statement			
- of which capital losses			
2.2.2. Shareholders' equity	X	X	
2.3. Transfers from other levels			
2.4. Other additions			
3. Reductions			
3.1. Redemptions			
3.2. Repurchases			
3.3. Losses allocated to:			
3.3.1. The income statement			

- of which capital gains			
3.3.2. Shareholders' equity	X	X	
3.4. Transfer to other levels			
3.5. Other reductions			196
4. Final value			281

PART B – INFORMATION ON THE BALANCE SHEET

Assets

Section 1 - Cash and cash balances - Line item 10

1.1 Cash and cash balances: breakdown

	31/12/2010	31/12/2009
a) Cash	8,339	7,510
b) Demand deposits with Central Banks		
Total	8,339	7,510

The line item "demand deposits with central banks" does not include the regulatory reserve that was noted in Asset line item 60 "Receivables from banks".

Section 2 - Financial assets held for trading - Line item 20

2.1 Financial assets held for trading: breakdown by type

Line items/values	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	91,726	11,728	9,916	129,927		55,490
1.1 Structured securities						5,087
1.2 Other debt securities	91,726	11,728	9,916	129,927		50,403
2 Equity instruments						
3 Shares of mutual funds						
4 Loans						
4.1 Repurchase agreements						
4.2 Others						
Total A	91,726	11,728	9,916	129,927		55,490
B. Derivative instruments						
1 Financial derivatives:	26					
1.1 from trading	26					
1.2 connected with the fair value option						
1.3 others						
2 Credit derivatives:						
2.1 from trading						
2.2 connected with the fair value option						
2.3 others						
Total B	26					
Total (A+B)	91,752	11,728	9,916	129,927		55,490

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

Line items/values	31/12/2010	31/12/2009
A. CASH EARNINGS		
1. Debt securities		
a) Governments and Central Banks	72,223	118,808
b) Other public entities		
c) Banks	31,230	56,469
d) Other issuers	9,916	10,140
2 Equity instruments		
a) Banks		
b) Other issuers:		
- Insurers		
- Finance companies		
- Non finance companies		

Line items/values	31/12/2010	31/12/2009
- Others		
3 Shares of mutual funds		
4 Loans		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other issuers		
Total (A)	113,370	185,418
B DERIVATIVE INSTRUMENTS		
a) Banks		
fair value	26	
b) Customers		
fair value		
Total (B)	26	
Total (A+B)	113,396	185,418

An overall reduction is noted of the aggregate in the amount of 72,022 thousand Euro (-38.84%). The most significant differential regards debt securities issued by "Governments and Central Banks" by 46,585 thousand Euro (-39.21%). “Government” securities consist of Italian government bonds.

2.3 Financial Cash assets held for trading: annual variations

	Debt securities	Equity instruments	Shares of mutual funds	Loans	Total
A Initial value	185,418				185,418
B Additions					
B1. Purchases	748,427	375			748,802
B2. Increases of fair value	593				593
B3. Other additions	1,624	10			1,634
c Reductions					
C1. Sales	644,389	385			644,775
C2. Redemptions	97,126				97,126
C3. Reductions of fair value	747				747
C4. Transfers to other portfolios	77,713				77,713
C5. Other reductions	2,690				2,690
D Final value	113,396				113,396

Section 4 - Financial assets available for sale - Line item 40

4.1 Financial assets available for sale: breakdown by type

Line items/values	Total 31/12/2010			Total 31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	296,888	33,966	10,001	199,782		23,132
1.1 Structured securities						
1.2 Others debt securities	296,888	33,966	10,001	199,782		23,132
2. Equity instruments			1,120			846
2.1 Measured at fair value						
2.2 Measured at cost			1,120			846
3. Shares of mutual funds						
4. Loans						
Total	296,888	33,966	11,120	199,782		23,978

4.2 Financial assets available for sale: breakdown by borrower/issuer

Line items/values	Total 31/12/2010	Total 31/12/2009
1. Debt securities	340,855	222,913

Line items/values	Total 31/12/2010	Total 31/12/2009
a) Governments and Central Banks	285,572	195,358
b) Other public entities		
c) Banks	55,283	27,555
d) Other issuers		
2. Equity instruments	1,120	846
a) Banks	786	527
b) Other issuers	334	319
- Insurers		
- Finance companies	81	81
-Non finance companies	253	238
- Others		
3. Shares of mutual funds		
4. Loans		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other parties		
Total	341,974	223,759

An overall increase is indicated of the aggregate amounting to 118,215 thousand Euro (+52.83%). The most significant differential regarded bonds issued by "Governments and Central Banks" amounting to 90,214 thousand Euro (+46.18%). "Government" securities consist of Italian government bonds.

4.4 Financial assets available for sale: annual variations

	Debt securities	Equity instruments	Shares of mutual funds	Loans	Total
A. Initial value	222,913	846			223,759
B. Additions					
B1 Purchases	247,164	284			247,448
B2 Increases of fair value	798				798
B3 Write-backs of value					
- allocated to the income statement					
- allocated to shareholders' equity					
B4 Transfers from other portfolios	77,713				77,713
B5 Other additions	14,251				14,251
C. Reductions					
C1 Sales	199,392	10			199,403
C2 Redemptions					
C3 Reductions of fair value	11,197				11,197
C4 Write-downs due to impairment					
- allocated to the income statement					
- allocated to shareholders' equity					
C5 Transfers to other portfolios					
C6 Other reductions	11,395				11,395
D. Final value	340,855	1,120			341,974

Section 6 - Receivables from banks - Line item 60

6.1 Receivables from banks: breakdown by type

Type of operation/Values	Total 31/12/2010	Total 31/12/2009
A. Receivables from Central Banks		
1. Term deposits		
2. Regulatory reserves	83,299	137,157
3. Repurchase agreements		
4. Others		

Type of operation/Values	Total 31/12/2010	Total 31/12/2009
B. Receivables from banks		
1. Bank accounts and demand deposits	70,763	62,709
2. Term deposits		
3. Other Loans:	2,502	7,504
3.1 Repurchase agreements – receivables		
3.2 Finance leasing		
3.3 Others	2,502	7,504
4. Debt securities		
4.1 Structured securities		
4.2 Other debt securities		
Total (balance sheet value)	156,564	207,370
Total (fair Value)	156,564	207,370

An overall reduction is noted of the aggregate in the amount of 50,806 thousand Euro (-24.50%). The most significant differential regarded “Receivables from Central Banks – Regulatory Reserve in the amount of 53,858 thousand Euro (-39.27%).

Section 7 - Receivables from customers - Line item 70

7.1 Receivables from customers: breakdown by type

Type of operation/values	Total 31/12/2010		Total 31/12/2009	
	Bonis	Impaired	Bonis	Impaired
1. Bank accounts	362,832	51,783	409,406	53,306
2. Repurchase agreements – receivables				
3. Loans	881,884	117,412	833,270	73,569
4. Credit cards, personal loans and salary guaranteed finance	10,953	231	3,931	46
5. Finance leasing				
6. Factoring				
7. Other transactions	206,034	9,955	191,474	11,926
8. Debt securities				
8.1 Structured securities				
8.2 Other debt securities				
Total (balance sheet value)	1,461,703	179,380	1,438,081	138,847
Total (fair value)	1,461,703	179,380	1,438,081	138,847

There was an overall increase of the aggregate in the amount of 64,155 thousand Euro, from 1,576,928 thousand Euro to 1,641,083 thousand Euro (+4.07%). The most significant differential regarded “Mortgage Loans” in the amount of 92,457 thousand Euro (+10.20%). In particular, it is noted that “Impaired receivables” increased by 40,534 thousand Euro (+29.19%).

7.2 Receivables from customers: breakdown by borrower/issuer

Type of operation/Values	Total 31/12/2010		Total 31/12/2009	
	Bonis	Impaired	Bonis	Impaired
1. Debt securities				
a) Governments				
b) Other public entities				
c) Other issuers				
- non finance companies				
- finance companies				
- insurers				
- others				
2. Loans to:				
a) Governments				
b) Other public entities	7,132		7,438	
c) Others	1,454,571	179,380	1,430,643	138,847
- non finance companies	703,979	123,904	720,226	92,463
- finance companies	93,864		74,791	
- insurers				

- others	656,728	55,476	635,626	46,383
Total	1,461,703	179,380	1,438,081	138,847

It is noted with reference to the breakdown by borrower/issuer that the most significant increase regarded point 2 c) – “Others” in the amount of 30,195 thousand Euro (+4.43%).

Section 8 - Hedges - Line item 80

8.1 Hedges: breakdown by type of hedge and by level

	Fair value 31/12/2010			Notional value 31/12/2010	Fair value 31/12/2009			Notional value 31/12/2009
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives			5,301	186,298			4,202	201,278
1) Fair value			5,016	176,200			4,048	194,200
2) Cash flows			285	10,098			154	7,078
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total			5,301	186,298			4,202	201,278

The table indicates the positive balance sheet value (fair value) of hedge contracts. The "Fair Value Hedge" accounting model was used. A series of bonds issued by the Bank were hedged using hedge accounting, in order to hedge the relative interest rate risk.

8.2 Hedges: breakdown by hedged portfolios and by type of hedge

Transactions/Type of hedge	Fair Value						Cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Various risks				
1. Financial assets available for sale									
2. Receivables							61		
3. Financial assets held through maturity									
4. Portfolio									
5. Other transactions									
Total assets							61		
1. Financial liabilities	5,016						224		
2. Portfolio									
Total liabilities	5,016						224		
1. Expected transactions									
2. Portfolio of assets and financial liabilities									

Section 10 - Equity investments - Line item 100

10.1 Equity investments in subsidiaries, jointly held companies or companies subject to significant influence: information on shareholdings

Denominations	Registered office	Shareholding %	Votes available %
A. Wholly owned subsidiaries			
B. Jointly held subsidiaries			
C. Companies subject to significant influence			
1. Cabel Leasing s.p.a.	Empoli	13.40%	13.40%
2. Cabel Holding s.r.l.	Empoli	40.00%	40.00%
3. Cabel Industry s.p.a.	Empoli	6.00%	6.00%

10.2 Equity investments in subsidiaries, jointly held companies or companies subject to significant influence: accounting information

Denominations	Total assets	Total income	Gain (loss)	Shareholders' equity	Balance sheet value	Fair value
A. Wholly owned subsidiaries						
B. Jointly held subsidiaries						
C. Companies subject to significant influence						
1. Cabel Leasing s.p.a.	210,944	6,492	547	12,535	1,680	
2. Cabel Holding s.r.l.	43,564	4,682	308	28,777	11,511	
3. Cabel Industry s.p.a.	9,004	13,826	535	3,645	219	
Total	263,512	25,001	1,389	44,958	13,409	

The fair value of equity investments in companies subject to significant influence was not indicated because none of such companies is a listed company.

10.3 Equity investments: annual variations

	Total 31/12/2010	Total 31/12/2009
A. Initial value	12,202	4,235
B. Additions		
B.1 Purchases	180	2,000
B.2 Write-backs of value		
B.3 Revaluations	1,028	6,349
B.4 Other additions		476
C. Reductions		
C.1 Sales		858
C.2 Adjustments to value		
C.3 Other reductions		
D. Final value	13,409	12,202
E. Total Revaluation	8,559	7,532
F. Total adjustments		

Line B.1 "Purchases" includes the purchase of 180,000 shares at 1.00 Euro per share of the company Cabel Industry s.p.a. for 180 thousand Euro.
Line B.3 "Revaluations" includes the revaluation of the company Cabel Leasing s.p.a. for 73 thousand Euro (from fiscal year profits), the revaluation of the company Cabel Holding s.r.l. for 916 thousand Euro (of which 123 thousand Euro from fiscal year profit, and 792 thousand Euro for the revaluation of equity capital), and the revaluation of the company Cabel Industry s.p.a. for 39 thousand Euro (of which: 32 thousand Euro from fiscal year profits, and 7 thousand Euro from the revaluation of equity capital).
The data from the 2009 financial statements refer to the last financial statements approved by subsidiaries (31/12/2008).
The data from the 2010 financial statements refer to the last financial statements approved by subsidiaries (31/12/2009).

Section 11 - Property, plant and equipment - Line item 110

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

Assets/values	Total 31/12/2010	Total 31/12/2009
A. Assets having a functional use		
1.1 own assets	45,812	46,056
a) land	12,523	12,523
b) buildings	23,231	23,457
c) furniture	6,622	6,661
d) electronic equipment	806	1,030
e) other	2,630	2,385
1.2 purchased in finance leasing		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
Total A	45,812	46,056
b Assets held for investment purposes		
2.1 own assets		

Assets/values	Total 31/12/2010	Total 31/12/2009
a) land		
b) buildings		
2.2 purchased in finance leasing		
a) land		
b) buildings		
Total B		
Total (A+B)	45.812	46.056

All of the Bank's property, plant and equipment is measured at cost; the line item "land" indicates the value of the land that is separated from the value of buildings.

11.3 Property, plant and equipment having a functional use: annual variations

	Land	Buildings	Furniture	Electronic systems	Other	Total 31/12/2010
A. Initial gross value	12,523	37,576	10,244	5,975	10,426	76,743
A.1 Total net reductions of value		14,119	3,583	4,945	8,040	30,688
A.2 Initial net value	12,523	23,457	6,661	1,030	2,385	46,056
B. Additions:						
B.1 Purchases		536	482	169	1,036	2,223
B.2 Expenses for capitalized improvements		397				397
B.3 Write-backs of value						
B.4 Increases of fair value allocated to:						
a) shareholders' equity						
b) the income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from real property held for investment						
B.7 Other additions					60	60
C. Reductions:						
C.1 Sales		275			69	344
C.2 Depreciation		884	520	392	783	2,579
C.3 Adjustments to value from impairment allocated to:						
a) shareholders' equity						
b) the income statement						
C.4 Reductions of fair value allocated to:						
a) shareholders' equity						
b) the income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) property, plant and equipment held for investment						
b) assets in the course of divestment						
C.7 Other reductions						
D. Final net value	12,523	23,231	6,622	806	2,630	45,812
D.1 Reductions of total net value		15,003	4,098	4,840	8,162	32,103
D.2 Final gross value	12,523	38,233	10,721	5,647	10,792	77,915
E. Measurement at cost						

Depreciation was measured based on the useful life of the asset, as specified below:

- Land	0.00%
- Buildings	3.00%
- Artwork	0.00%
- Furniture and various furnishings	12.00%
- AED plants, machinery and equipment	20.00%
- Technical plants, machinery and equipment	15.00%
- Vehicles	20.00%

Section 12 - Intangible assets - Line item 120

12.1 Intangible assets: breakdown by type of asset

Assets/values	Total 31/12/2010		Total 31/12/2009	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill				
A.2 Other intangible assets				
A.2.1 Assets measured at cost:	168		64	
a) Intangible assets generated internally				
b) Other assets	168		64	
A.2.2 Assets measured at fair value:				
a) Intangible assets generated internally				
b) Other assets				
Total	168		64	

All of the Bank's intangible assets are measured at cost.

12.2 Intangible assets: annual variations

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2010
		limited duration	unlimited duration	limited duration	unlimited duration	
A. Initial value				3,350		3,350
A.1 Total net reductions of value				3,287		3,287
A.2 Initial net value				64		64
B. Additions						
B.1 Purchases				139		139
B.2 Increases of internal intangible assets						
B.3 Write-backs of value						
B.4 Increases of fair value						
- to shareholders' equity						
- to the income statement						
B.5 Positive exchange rate differences						
B.6 Other additions						
C. Reductions						
C.1 Sales						
C.2 Adjustments of value						
- Amortizations				35		35
- Write-downs						
+ shareholders' equity						
+ the income statement						
C.3 Reductions of fair value						
- shareholders' equity						
- the income statement						
C.4 Transfers to noncurrent assets in the course of divestment						
C.5 Negative exchange rate differences						
C.6 Other reductions						
D. Final net value				168		168
D.1 Total net adjustments of value				3,321		3,321
E. Final gross value				3,490		3,490
F. Measurement at cost						

Other intangible assets consist of the cost of corporate software. Amortization is measured at constant rates based on its useful life, which is estimated to be 5 years.

Section 13 - Tax assets and liabilities – Asset line item 130 and Liability line item 80

13.1 Assets related to pre-paid taxes: breakdown

Line items/Values	Total 31/12/2010	Total 31/12/2009
1. Multi-year costs		
2. Personnel costs	68	18
3. Receivables	1,807	988
4. Entertainment expenses	2	6
5. Financial instruments (Securities Available for Sale)	3,853	682
6. Tax losses		
7. Other		
Total	5,730	1,694

Among assets for pre-paid taxes, we note the line "Receivables", tax receivables due to adjustments to value on receivables not deducted during the fiscal year because they exceeded the limit of Article 106 of TUIR. Such adjustments are deductible over the following fiscal years according to the mechanism of eighteen constant rates.
The line "Financial instruments" indicates tax receivables related to financial instruments classified in the portfolio of assets available for sale.

13.2 Liabilities for deferred taxes: breakdown

Line items/Values	Total 31/12/2010	Total 31/12/2009
1. Property, plants and equipment	3,967	4,097
2. Personnel costs	108	149
3. Ex credit risk fund		
4. Equity investments	129	104
5. Financial instruments (Securities Available for Sale)	11	583
6. Other	75	50
Total	4,289	4,983

Among liabilities for deferred taxes, we note the line "Property, plants and equipment": the tax liability was calculated between the IAS value and the "tax" value of the property, plants and equipment owned.
The line "Equity investments" indicates the tax liability referable to equity investments calculated at the Ires tax rate (27.50) on 5.00% of overall capital gain (8,559 thousand Euro).
The line "Financial instruments" indicates tax liabilities related to financial instruments classified in the portfolio of assets available for sale.

13.3 Variations of pre-paid taxes (as an offset to the income statement)

	Total 31/12/2010	Total 31/12/2009
1. Initial value	1,012	31
2. Additions		
2.1 Pre-paid taxes recognized during the fiscal year		
a) related to previous fiscal years		
b) due to change of accounting policies		
c) write-backs of value		
d) other	924	988
2.2 New taxes or increases of tax rates		
2.3 Others additions		
3. Reductions		
3.1 Pre-paid taxes derecognized during the fiscal year		
a) reversals	59	7
b) write-downs for receivables written off as unrecoverable		
c) change of accounting policies		
d) other		
3.2 Reductions of tax rates		
3.3 Other reductions		
4. Final value	1,877	1,012

The table summarizes all pre-paid taxes which will be absorbed in subsequent fiscal years as offsets to the income statement.
The principal pre-paid tax that arose during the fiscal year was that generated by the write-downs on receivables exceeding the deductible limit in the fiscal year totaling 874 thousand Euro.

13.4 Variations of deferred taxes (as an offset to the income statement)

	Total 31/12/2010	Total 31/12/2009
1. Initial value	4,399	4,830
2. Additions		
2.1 Deferred taxes recognized during the fiscal year		
a) related to previous fiscal years		
b) due to a change of accounting policies		
c) other	39	131
2.2 New taxes or increases of tax rates		
2.3 Other additions		
3. Reductions		
3.1 Deferred taxes derecognized during the fiscal year		
a) reversals	171	562
b) due to change of accounting policies		
c) other		
3.2 Reductions of tax rates		
3.3 Other reductions	84	
4. Final value	4,183	4,399

The table summarizes all deferred taxes that will be absorbed during subsequent fiscal years as offsets to the income statement.

13.5 Variations of pre-paid taxes (as an offset to shareholders' equity)

	Total 31/12/2010	Total 31/12/2010
1. Initial value	682	3,896
2. Additions		
2.1 Pre-paid taxes measured during the fiscal year		
a) related to previous fiscal years		
b) due to a change of accounting policies		
c) other	3,853	
2.2 New taxes of increases of tax rates		
2.3 Other additions		
3. Reductions		
3.1 Pre-paid taxes derecognized during the fiscal year		
a) reversals	682	3,214
b) write-downs for receivables written off as unrecoverable		
c) due to a change of accounting policies		
d) other		
3.2 Reduction of tax rates		
3.3 Other reductions		
4. Final value	3,853	682

The variations are exclusively due to the pre-paid taxes recorded in movements to the reserves of shareholders' equity related to the financial instruments classified in the portfolio "Financial assets available for sale".

13.6 Variations of deferred taxes (as an offset to shareholders' equity)

	Total 31/12/2010	Total 31/12/2010
1. Initial value	583	160
2. Additions		
2.1 Deferred taxes recognized during the fiscal year		
a) related to previous fiscal years		
b) due to a change of accounting policies		

	Total 31/12/2010	Total 31/12/2010
c) other	106	424
2.2 New taxes or increases of tax rates		
2.3 Other additions		
3. Reductions		
3.1 Deferred taxes derecognized during the fiscal year		
a) reversals	583	
b) due to a change of accounting policies		
c) other		
3.2 Reduction of tax rates		
3.3 Other reductions		
4. Final value	106	583

The variations are due to the deferred taxes recorded in movements to the reserves of shareholders' equity related to the financial instruments classified in the portfolio "Financial assets available for sale", and in movements to the reserve of shareholders' equity related to equity investments.

13.7 Other information - Assets due to current taxes - Breakdown

	Total 31/12/2010	Total 31/12/2009
1. Accounts paid to the Tax Authority	6,039	7,115
2. Tax receivables – principal	66	116
3. Tax receivables – interest	344	341
4. Other withholdings	246	256
Total	6,694	7,828

13.7 Other information - Liabilities due to current taxes - Breakdown

	Total 31/12/2010	Total 31/12/2009
1. Fund for Ires tax	1,396	679
2. Fund for Irap tax	1,631	1,494
3. Fund for stamp duties	147	183
4. Tax fund – substitute tax Law 244/2007		750
5. Tax fund - other	56	176
Total	3,231	3,283

The "Tax fund - other" represents the liability to the Tax Authority for the payment of taxes from previous fiscal years (2007), originating from the Bank's acceptance of the Tax Authority's notice of tax assessment.

Section 15 - Other assets - Line item 150

15.1 Other assets: breakdown

	Total 31/12/2010	Total 31/12/2009
1. Entries transferred among branches and non-liquid entries	1,407	1,222
2. Other assets from securitizations	70	70
3. Diverse borrowers for sales of securities to be regulated	162	19,626
4. Pre-paid expenses/deferred liabilities not included in their own line item	504	308
5. Entries in progress and diverse borrowers	19,649	35,144
Total	21,792	56,370

Liabilities

Section 1 – Payables to banks - Line item 10

1.1 Payables to banks: breakdown by type

Type of operation/Values	Total 31/12/2010	Total 31/12/2009
1. Payables to central banks	150,072	61,132
2. Payables to banks		
2.1 Bank accounts and demand deposits	1,930	56,635

Type of operation/Values	Total 31/12/2010	Total 31/12/2009
2.2 Term deposits	59,328	175,351
2.3 Loans		
2.3.1 Repurchase agreements – payables		
2.3.2 Others		
2.4 Liabilities for commitments to repurchase own shares		
2.5 Other liabilities		
Total	211,329	293,119
Fair value	211,329	293,119

Payables to banks are all measured at cost or at amortized cost.
The aggregate decreased with respect to the previous fiscal year by 81,790 thousand Euro (-27.90%). Payables to Central Banks amounted to 150,072 thousand Euro and consist of payable transactions done using the Eurosystem, secured by Italian government bonds in the Bank's portfolio.

Section 2 – Payables to customers - Line item 20

2.1 Payables to customers: breakdown by type

Type of operation/Values	Total 31/12/2010	Total 31/12/2009
1. Bank accounts and demand deposits	728,530	659,769
2. Term deposits	72	174
3. Loans	86,727	26,665
3.1 Repurchase agreements - payables	41,814	21,954
3.2. Others	44,912	4,711
4. Liabilities for commitments to buy back treasury shares		
5. Other liabilities	1,295	2,048
Total	816,623	688,656
Fair value	816,623	688,656

Payables to customers are all measured at cost or at amortized cost.
There was an overall increase of 127,967 thousand Euro (+18.58%). In particular, there was an increase of "Bank accounts and demand deposits" in the amount of 68,761 thousand Euro (+10.42%), an increase of "Repurchase agreements - payables" in the amount of 19,860 thousand Euro (+90.46%), and an increase of "Loans - Others" in the amount of 40,201 thousand Euro (+853.34%).
Line 3.2 "Loans - Others" in the amount of 44,912 thousand Euro includes transactions with Cash Depositi e Prestisti s.p.a. for 14,888 thousand Euro, and transactions with Cash Compensazione e Garanzia s.p.a. (New-Mic) for 30,024 thousand Euro.
Line 5 "Others payables" include liabilities for assets that were assigned but not derecognized for securitizations.

Section 3 – Outstanding securities - Line item 30

3.1 Outstanding securities: breakdown by type

Type of security/Values	Total 31/12/2010				Total 31/12/2009			
	Balance sheet value	Fair value			Balance sheet value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	1,013,994			1,013,994	1,002,096			1,002,096
1.1 structured								
1.2 other	1,013,994			1,013,994	1,002,096			1,002,096
2. Other securities	23,780			23,780	26,784			26,784
2.1 structured								
2.2 others	23,780			23,780	26,784			26,784
Total	1,037,773			1,037,773	1,028,880			1,028,880

The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be reimbursed.
All of the liabilities are measured at cost or at amortized cost, with the exception of entries that are the object of specific hedges of the interest rate risk on which the effect of the Swap was capitalized.
Liabilities are indicated net of the repurchased bonds.
The aggregate increased with respect to the previous fiscal year by 8,893 thousand Euro (+.86%).

3.3 Outstanding securities: securities subject to specific hedges

Type of operation/Values	Total 31/12/2010	Total 31/12/2009
1. Securities subject to specific fair value hedges:		
a) interest rate risk	181,924	253,054
b) exchange rate risk		
c) various risks		
2. Securities subject to specific cash flow hedges:		
a) interest rate risk		
b) exchange rate risk		
c) other		
Total	181,924	253,054

The table indicates outstanding securities that are the object of specific hedges.
Securities issued by the Bank for which the hedge decision was made subsequent to the issue, or for which there is the intention to maintain the hedge for the entire contractual duration of the issue, were the object of specific hedges of the fair value of the interest rate risk.

Section 6 - Hedges - Line item 60

6.1 Hedges: breakdown by type of hedge and by hierarchical level

	Fair value 31/12/2010			Notional value 31/12/2010	Fair value 31/12/2009			Notional value 31/12/2009
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives			281	12,563			476	64,061
1) Fair value							325	57,000
2) Cash flows			281	12,563			152	7,061
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total			281	12,563			476	64,061

The table indicates the negative balance sheet value (fair value) of hedge contracts, for hedges using the hedge accounting instrument.

Due to the application of hedge accounting, a series of bonds issued by the Bank were hedged in order to hedge the relative interest rate risk.

6.2 Hedges: breakdown by hedged portfolio and by type of hedge

Operations/Type of hedge	Fair Value						Cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Various risks				
1. Financial assets available for sale									
2. Receivables							221		
3. Financial assets held through maturity									
4. Portfolio									
5. Other transactions									
Total assets							221		
1. Financial liabilities							60		
2. Portfolio									

Total liabilities							60		
1. Expected transactions									
2. Portfolio of financial assets and liabilities									

Section 10 - Other liabilities - Line item 100

10.1 Other liabilities: breakdown

	Total 31/12/2010	Total 31/12/2009
1. Various tax entries	3,245	3,063
2. Entries transferred among branch offices	1,904	1,251
3. Differences receivables on offsets of third party portfolio	10,108	11,566
4. Suppliers	2,903	1,881
5. Deferred income not included in its own line item	11,019	20,830
6. Entries in progress and various creditors	15,122	28,926
Total	44,301	67,517

11.1 Employee severance pay: annual variations

	Total 31/12/2010	Total 31/12/2009
A. Initial value	3,346	3,646
B. Additions		
B.1 Allocation during fiscal year	811	716
B.2 Other additions	327	
C. Reductions		
C.1 Payments made	407	316
C.2 Other reductions	811	700
D. Final value	3,265	3,346
Total	3,265	3,346

Line B.1 "Allocation during year" includes severance pay matured during the fiscal year in the amount of 811 thousand Euro.
Line B.2 "Other additions includes "Interest Cost" for IAS purposes of severance pay in the amount of 126 thousand Euro, and "Actuarial Losses" for IAS purposes of severance pay in the amount of 201 thousand Euro.
Line C.1 "Payments made" includes "Benefits Paid" for IAS purposes of severance pay in the amount of 407 thousand Euro.
Line C.2 "Other reductions" includes severance pay transferred to the Integrated Employee Pension Fund (external) in the amount of 811 thousand Euro.

Section 12 - Risk and expense funds - Line item 120

12.1 Risk and expense funds: breakdown

Line items/Values	Total 31/12/2010	Total 31/12/2009
1. Fund for company pensions		
2. Other risk and expense funds	1,400	1,368
2.1 Lawsuits	19	65
2.2 Personnel costs	246	250
2.3 Others	1,136	1,053
Total	1,400	1,368

The table indicates an increase of 32 thousand Euro (+2.34%).
Line 2.1 "lawsuits", refers to the Tax Authority for tax sanctions on "Notice with acceptance" for tax period 2007, line 2.2 "Personnel costs" includes costs referring to "Loyalty bonuses" for employees. Line 2.3 "Others" includes the profit fund available to the Board of Directors for charity and mutual aid.

12.2 Risk and expense funds: annual variations

	Pension fund	Other funds	Total 31/12/2010
A. Initial value		1,368	1,368
B. Additions			
B.1 Allocation during fiscal year		750	750
B.2 Additions due to the passage of time			
B.3 Additions due to modifications of the discount rate			

B.4 Other additions			
C. Reductions			
C.1 Use during the fiscal year		718	718
C.2 Reductions due to modifications of the discount rate			
C.3 Other reductions			
D. Final value		1,400	1,400

Section 14 – Shareholders' equity - Line items 130, 150, 160, 170, 180, 190 and 200

14.2 Share capital – Number of shares: annual variations

Line items/Type	Ordinary	Other
A. Outstanding shares at the start of the fiscal year	10,177	
- entirely unrestricted	10,177	
- with restrictions		
A.1 Treasury shares (-)		
B.2 Outstanding shares: initial value	10,177	
B. Additions		
B.1 New issues		
- for payment:	269	
- mergers		
- conversion of bonds		
- exercise of warrants		
- other	269	
- on a gratuitous basis:		
- to employees		
- to directors		
- other		
B.2 Sale of treasury shares		
B.3 Other additions		
C. Reductions		
C.1 Cancellation	416	
C.2 Buy backs of treasury shares		
C.3 Sales of companies		
C.4 Other reductions		
D. Outstanding shares: final value	10,030	
D.1 Treasury shares (+)		
D.2 Outstanding shares at the end of the fiscal year	10,030	
- entirely unrestricted	10,030	
- with restrictions		

14.3 Share capital: other information - annual variations

	Amount	Number of shares	Number of shareholders
A. Initial value	2,900	10,177	3,001
B. Additions			
B.1 New shareholders	31	109	100
B.2 From revaluations	20		
B.3 From successions	46	159	16
B.4 From other additions		1	1
C. Reductions			
C.1 Redemptions	64	223	46
C.2 Partial redemptions	9	33	
C.3 From successions	46	159	19
C.4 From other reductions		1	1

D. Final value	2,879	10,030	3,052

14.4 Retained earnings: other information - breakdown of shareholders' equity

	Total 31/12/2010	Total 31/12/2009
1. Share capital	2,879	2,900
2. Premiums on issue of new shares	242	239
3. Reserves	216,626	210,930
3.1 Ordinary/extraordinary reserves	174,467	169,480
3.2 Statutory Reserve	42,923	42,214
3.3 Reserve - First Time Adoption I.A.S.	-763	-763
4. (Treasury shares)		
5. Valuation reserves	9,622	10,629
5.1 Financial assets available for sale	-8,046	-207
5.2 Property, plant and equipment		
5.3 Intangible assets		
5.4 Hedges of foreign investments		
5.5 Hedges of cash flows		
5.6 Exchange rate differences		
5.7 Noncurrent assets in the course of divestment		
5.8 Actuarial profits (losses) on defined benefit plans		
5.9 Share of the valuation reserves of equity investments	6,832	
5.10 Special revaluation laws	10,836	10,836
6. Equity instruments		
6. Fiscal year profit (loss)	8,400	13,075
Total	237,769	237,773

14.4 Retained earnings: other information – division and use of fiscal year profit

	Amount	Accounting classification of capital
Ordinary/Legal Reserve	5,722	Increase of Liability line item 160 – Tier 1
Reserve in accordance with Article 6, Legislative Decree 38/2005	225	Increase of Liability line item 130 – Tier 2
Statutory Reserve	1,455	Increase of Liability line item 160 – Tier 1
Shareholders for dividends	116	
Shareholders for gratuitous revaluation of shares	30	Increase of Liability line item 180 – Tier 1
Fund to promote and develop cooperation, Law 59/1992	252	
Available to the Board of Directors for charity and mutual aid	600	
Total	8,400	

14.6 Other information – Schedule on the origin and the potential use and distribution of the line items of shareholders' equity (Article 2427(1)(7 bis), Italian Civil Code)

In accordance with Article 2427(7-bis) of the Italian Civil Code, the breakdown of shareholders' equity, according to the origin and level of availability and potential distribution of the various entries, is as follows:

Type / description	Amount	Possibility of use	Available share	Summary of uses made in the last three fiscal years	
				To cover losses	For other reasons
Share capital	2,879	B – C	2,879		442
Share premium reserve	242	B – C	242		31
Fund for general bank risks					

Type / description	Amount	Possibility of use	Available share	Summary of uses made in the last three fiscal years	
				To cover losses	For other reasons
Valuation reserves:					
- revaluation reserves pursuant to Law 576/75	12	A - B - C	12		
- revaluation reserves pursuant to Law 72/83	695	A - B - C	695		
- revaluation reserves pursuant to Law 413/91	273	A - B - C	273		
- AFS securities reserve	-8,046	B	-8,046		
Retained earnings:					
- indivisible legal/statutory reserve	217,172	B	217,172		
- reserve from transition to International Accounting Standards	9,092	B	9,092		
TOTAL	222,319		222,319		
Non distributable share			221,339		
Residual distributable share			981		

Key: A = to increase share capital; B = to cover losses; - C = to distribute to shareholders

Other information

1. Guarantees given and commitments

Operations	Amount 31/12/2010	Amount 31/12/2009
1) Financial guarantees given to	114,342	125,986
a) Banks	2,589	2,589
b) Customers	111,753	123,396
2) Commercial guarantees given to:	11,740	9,843
a) Banks	250	283
b) Customers	11,490	9,560
3) Irrevocable commitments to disburse funds to	42,559	37,303
a) Banks	10,811	5,951
i) for certain use	10,761	5,951
ii) for uncertain use	50	
b) Customers	31,748	31,352
i) for certain use		6
ii) for uncertain use	31,748	31,347
4)Underlying commitments for credit derivatives: sales of protection		
5) Assets pledged as collateral for third party obligations	9,951	

Operations	Amount 31/12/2010	Amount 31/12/2009
6) Others commitments		
Total	178,592	173,132

The amount of 9,951 thousand Euro set forth in point 5 refers to guarantees issued on credit lines related to operations on the New-Mic trading platform of the Cash Clearing and Guarantee Fund.

2. Assets used to guarantee own liabilities and commitments

Portfolios	Amount 31/12/2010	Amount 31/12/2009
1. Financial assets held for trading	9,959	36,251
2. Financial assets measured at fair value		
3. Financial assets available for sale	33,184	48,004
4. Financial assets held through maturity		
5. Receivables from banks		
6. Receivables from customers		
7. Property, plant and equipment		

The table indicates the amount of the securities used to guarantee repurchase agreements.

4. Management and trading on behalf of third parties

Type of services	Amount
1. Trading financial instruments on behalf of customers	
a) Purchases	
settled	
not settled	
b) Sales	
settled	
not settled	
2. Asset management	959
a) individual	959
b) collective	
3. Custody and management of securities	2,419,612
a) third party securities on deposit: related to bank performance of the depository bank (excluding asset management)	
1. securities issued by the bank preparing the balance sheet	
2. other securities	
b) third party Securities on deposit (excluding asset management): others	1,027,838
1. securities issued by the bank that prepares the balance sheet	944,972
2. other securities	82,867
c) third party securities deposited with third parties	943,149
d) treasury securities deposited with third parties	448,625
4. Other transactions	

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Line items 10 and 20

1.1 Earned interest and similar income: breakdown

Line items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2010	Total 31/12/2009
1. Financial assets held for trading	1,868			1,868	2,114
2. Financial assets available for sale	4,967			4,967	6,139
3. Financial assets held through maturity					
4. Receivables from banks		624		624	1,137
5. Receivables from customers		54,395		54,395	67,032
6. Financial assets measured at fair value					
7. Hedges			3,622	3,622	2,275
8. Other assets			50	50	109
Total	6,835	55,020	3,672	65,527	78,806

The column "Loans", item 5 "Receivables from customers" includes earned interest and similar income matured during the fiscal year referring to impaired exposure as of the balance sheet reference date in the amount of 6,856 thousand Euro.

1.2 Earned interest and similar income: differences related to hedges

Line items	Total 31/12/2010	Total 31/12/2009
A. Positive differences relating to hedges:	6,175	5,777
B. Negative differences relating to hedges:	2,553	3,503
C. Balance (A-B)	3,622	2,275

The table indicates positive interest income in the amount of 3,622 thousand Euro, deriving from the difference between earned interest (6,175 thousand Euro) and payable interest (2,553 thousand Euro). These differences are the consequence of the transformation from a fixed to a variable interest rate of a series of bonds issued by the Bank which, speculatively, were combined with mirror fixed interest rate (IRS) hedges.

1.3 Earned interest and similar income: other information

1.3.1 Earned interest on financial assets in foreign currency

Line items/Values	Total 31/12/2010	Total 31/12/2009
Earned interest on financial assets in foreign currency	60	619

1.4 Interest payable and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other transactions	Total 31/12/2010	Total 31/12/2009
1. Payables to central banks	-583			-583	-195
2. Payables to banks	-587			-587	-967
3. Payables to customers	-4,694			-4,694	-6,671
4. Outstanding securities		-22,138		-22,138	-34,649
5. Financial liabilities from trading					
6. Financial liabilities measured at fair value					
7. Other liabilities and funds			-78	-78	-12
8. Hedges					-115
Balance	-5,864	-22,138	-78	-28,080	-42,609

1.5 Interest payable and similar expenses: differences related to hedges

	Total 31/12/2010	Total 31/12/2009
A. Positive differences related to hedges:		817
B. Negative differences related to hedges:		932
C. Balance (A-B)		-115

1.6 Interest payable and similar expenses: other information

1.6.1 Interest payable on liabilities in foreign currency

Line items/Values	Total 31/12/2010	Total 31/12/2009
Interest payable on financial liabilities in foreign currency	-60	-42

Section 2 - Commissions - Line items 40 and 50

2.1 Commissions earned: breakdown

Type of services/Values	Total 31/12/2010	Total 31/12/2009
a) guarantees given	220	267
b) credit derivatives		
c) management, intermediation and consulting services:	1,107	1,034
1 trading financial instruments	15	9
2 trading foreign currencies	293	289
3 asset management	30	18
3.1 individual	30	18
3.2 collective		
4 custody and management of securities	111	79
5 depository bank		
6 securities placement	80	98
7 receipt and transmission of orders	143	141
8 consulting activity		
8.1 on investments		
8.2 on financial structure		
9 distribution of third party services	435	400
9.1 asset management		
9.1.1. individual		
9.1.2 collective		
9.2 insurance products	38	37
9.3 other products	397	363
d) collection and payment services	4,732	3,577
e) servicing securitizations		
f) factoring services		
g) fiscal year tax collection and payee services		
h) asset management of multilateral exchange systems		
i) maintenance and management of bank accounts	7,575	3,784
j) other services	463	496
Total	14,098	9,159

2.2 Commissions earned: distribution channels of products and services

Channels/Values	Total 31/12/2010	Total 31/12/2009
a) at its own branches:	545	517
1. asset management	30	18
2. securities placement	80	98
3. third party services and products	435	400
b) off-site offer:		
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 Commissions due: breakdown

Services/Values	Total 31/12/2010	Total 31/12/2009
a) guarantees received		
b) credit derivatives		
c) management and intermediation services:	-147	-121
1. trading of financial instruments	-5	-2
2. trading of foreign currency	-142	-119
3. asset management		
3.1 own portfolios		
3.2 third party portfolios		
4. custody and management of securities		
5. placement of financial instruments		
6. off-site offer of financial instruments, products and services		
d) collection and payment services	-1,608	-1,322
e) other services	-24	-9
Total	-1,779	-1,452

Section 3 - Dividends and similar income - Line item 70

3.1 Dividends and similar income: breakdown

Line items/Income	Total 31/12/2010		Total 31/12/2009	
	Dividends	Income from shares of mutual funds	Dividends	Income from shares of mutual funds
A. Financial assets held for trading				
B. Financial assets available for sale	49		36	
C. Financial assets measured at fair value				
D. Equity investments				
Total	49		36	

Section 4 - Net trading income - Line item 80

4.1 Net trading income: breakdown

Operations/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets from trading	593	1,047	747	1,555	-662
1.1 Debt securities	593	835	747	1,555	-875
1.2 Equity instruments		10			10
1.3 Shares of mutual funds					
1.4 Loans					
1.5 Other		202			202
2. Financial liabilities from trading					
2.1 Debt securities					
2.2 Liabilities					
2.3 Other					
3. Financial assets and liabilities: exchange rate differences					
4. Derivative instruments		2,309			2,309
4.1 Financial derivatives		2,309			2,309
- On debt securities and interest rates		2,309			2,309
- On equity instruments and equity indexes					
- On foreign currency and gold					
- Others					
4.2 Credit derivatives					
Total	593	3,356	747	1,555	1,647

The table indicates the economic result from the portfolio of assets held for trading.

Section 5 - Net hedging income - Line item 90

5.1 Net hedging income: breakdown

Income components/Values	Total 31/12/2010	Total 31/12/2009
A. Income related to:		
A.1 Hedges of fair value	7	56
A.2 Hedged financial assets (fair value)		
A.3 Hedged financial liabilities (fair value)		
A.4 Hedges of cash flows		
A.5 Assets and liabilities in foreign currency		
Total income from hedged assets (A)	7	56
B. Expenses related to:		
B.1 Hedges of fair value	-14	
B.2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)		
B.4 Hedged cash flows		
B.5 Assets and liabilities in foreign currency		
Total expenses for hedged assets (B)	-14	
C. Net hedging income (A-B)	-7	56

The table indicates the net income from hedged assets.. The income components recognized in the income statement derive from the measurement process between hedged liabilities and the relative hedge contracts.

Section 6 - Gains (Losses) from disposal/repurchase - Line item 100

6.1 Gains (Losses) from disposals/repurchase: breakdown

Line items/Income components	Total 31/12/2010			Total 31/12/2009		
	Gains	Losses	Net income	Gains	Losses	Net income
Financial assets						
1. Receivables from banks						
2. Receivables from customers						
3. Financial assets available for sale	2,309		2,309	2,801	574	2,227
3.1 Debt securities	2,309		2,309	2,801	574	2,227
3.2 Equity instruments						
3.3 Shares of mutual funds						
3.4 Loans						
4. Financial assets held through maturity						
Total assets	2,309		2,309	2,801	574	2,227
Financial liabilities						
1. Payables to banks						
2. Payables to customers						
3. Outstanding securities	249	381	-132			
Total liabilities	249	381	-132			

The table indicates the economic result from the disposal of financial assets other than financial assets held for trading.
With respect to "Financial assets available for sale", line item 3.1, there was positive net income in the amount of 2,309 thousand Euro, of which: gains on Italian Government Bonds in the amount of 2,246 thousand Euro, and gains earned on other securities issued by banks in the amount of 63 thousand Euro.

Section 8 – Net adjustments/write-backs of value due to impairment - Line item 130

8.1 Net adjustments of value due to impairment of receivables: breakdown

Operations/Income components	Adjustments of value			Write-backs of value				Total 31/12/2010	Total 31/12/2009
	Specific		From portfolio	Specific		From portfolio			
	Derecognition	Other		From interest	Other write-backs	From interest	Other write-backs		

Operations/Income components	Adjustments of value			Write-backs of value				Total 31/12/2010	Total 31/12/2009
	Specific		From portfolio	Specific		From portfolio			
	Derecognition	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Receivables from banks									
- loans									
- debt securities									
B. Receivables from customers									
- loans		-10,111	-2,152	204	3,875			-8,184	-8,379
- debt securities									
C. Total		-10,111	-2,152	204	3,875			-8,184	-8,379

The table summarizes adjustments to value and write-backs of value recorded due to the impairment of receivables from customers.
In particular, the column "Other" includes specific write-downs of impaired receivables subject to "analytical" measurement, while the column "From portfolio" includes collective adjustments quantified in accordance with IAS standards on receivables in bonis; there were no analytical write-downs of the receivables in such sector, as there were no losses not included among non performing loans.

Section 9 – Administrative costs - Line item 150

9.1 Personnel costs: breakdown

Type of expense/Values	Total 31/12/2010	Total 31/12/2009
1) Employees	-17,073	-15,905
a) salaries and wages	-11,906	-11,205
b) social security contributions	-2,745	-2,767
c) severance pay		
d) social security		
e) allocation to employee severance pay	-326	-29
f) allocation to pension fund and similar obligations:		
- to a defined contribution plan		
- to a defined services plan		
g) payments to external complementary pension funds	-1,264	-1,110
- to a defined contribution plan	-1,264	-1,110
- to a defined services plan		
h) costs deriving from payment agreements based on its own equity instruments		
i) other employee benefits	-832	-795
2) Other personnel	-646	-779
3) Directors and Statutory Auditors	-339	-231
4) Retired personnel		
5) Recovery of expenses for personnel temporarily transferred to other companies		
6) Recovery of expenses for third party personnel temporarily transferred to the company		
Total	-18,058	-16,916

The table indicates an increase of the aggregate in the amount of 632 thousand Euro (+3.88%).

9.2 Average number of employees by category

Description	Values 31/12/2010	Values 31/12/2009
Employees	242	225
a) Managers	3	3
b) Middle management employees	34	32
c) Remaining employees	205	190
Other personnel	12	17
Total	254	242

Precise number of employees by category

Description	Values 31/12/2010	Values 31/12/2009
Employees	252	234
a) Managers	3	3
b) Middle management employees	34	34
c) Remaining employees	215	197
Other personnel	16	20
Total	268	254

9.5 Other administrative costs: breakdown

Line items/Values	Total 31/12/2010	Total 31/12/2009
1. Insurers and security	-1,069	-949
2. Advertising and entertainment	-1,741	-1,644
3. Rent for real property	-1,019	-885
4. Maintenance, repairs, transformation of real and personal property	-2,461	-2,252
5. Electricity, heating and local clearing	-840	-829
6. Telex, telephone and postage	-1,423	-1,256
7. Costs for data processing	-1,424	-1,223
8. Stamped paper and stationary	-416	-396
9. Fees to outside professionals	-615	-590
10. Expenses for write-backs of value of receivables	-23	-9
11. Technical assistance and maintenance of software products	-453	-398
12. Information and registry searches	-1,613	-1,270
13. Charitable contributions charged to the income statement	-15	-39
14. Expenses for treasury assets	-93	-126
15. Travel and transportation expenses	-330	-381
16. Indirect taxes	-2,796	-2,700
17. Other costs	-706	-661
Total	-17,039	-15,608

Section 11 – Net adjustments/write-backs of value for property, plant and equipment - Line item 170

11.1 Net adjustments of value for property, plant and equipment: breakdown

Assets/Income component	Depreciation (a)	Adjustments of value due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Property, plant and equipment				
A.1 Owned	-2,579			-2,579
- For functional use	-2,579			-2,579
- For investment				
A. 2 Acquired in finance leasing				
- For functional use				
- For investment				
Total	-2,579			-2,579

Section 12 – Net adjustments/write-backs of value for intangible assets - Line item 180

12.1 Net adjustments of value for intangible assets: breakdown

Assets/Income component	Amortization (a)	Adjustments of value due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Intangible assets				
A.1 Owned	-35			-35
- Generated internally by the company				

Assets/Income component	Amortization (a)	Adjustments of value due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
- Other	-35			-35
A.2 Acquired in finance leasing				
Total	-35			-35

Section 13 - Other management income and expenses - Line item 190

13.1 Other management expenses: breakdown

Line items/Values	Total 31/12/2010	Total 31/12/2009
1. Contingent liabilities and non-existent assets	-22	-117
2. Use of the Guarantee Fund for BCC's depositors	-38	-33
3. Depreciation of third party assets	-45	-39
Total	-105	-189

13.2 Other management income: breakdown

Line items/Values	Total 31/12/2010	Total 31/12/2009
1. Recovery of expense	2,490	2,445
4. Contingent assets and non-existent liabilities	192	118
5. Other income		
Total	2,682	2,563

Section 14 – Gains (Losses) from equity investments - Line item 210

14.1 Gains (losses) from equity investments: breakdown

Income components/Values	Total 31/12/2010	Total 31/12/2009
A. Income		
1. Revaluations	228	6,349
2. Gains from disposals		476
3. Write-backs of value		
4. Other income		
B. Expenses		
1. Write-downs		
2. Adjustments of value from impairment		
3. Losses from disposals		
4. Other expenses		
Net income	228	6,825

Line A.1 "Revaluation" includes the following transactions:
- Revaluation of Cabel Leasing s.p.a. in the amount of 73 thousand Euro for the fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Holding s.r.l. in the amount of 123 thousand Euro for the fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Industry s.p.a. in the amount of 32 thousand Euro for the fiscal year profit achieved by the subsidiary.

Section 17 - Gains (Losses) from the disposal of investment- Line item 240

17.1 Gains (losses) from the disposal of investments: breakdown

Income components/ Values	Total 31/12/2010	Total 31/12/2009
A. Property, plant and equipment		
- Gains from disposal		
- Losses from disposal	-25	
B, Other assets		
- Gains from disposal	9	4
- Losses from disposal		
Net income	-16	4

Section 18 - Fiscal year income taxes on current operations - Line item 260

18.1 Fiscal year income taxes on current operations: breakdown

Income components/Values	Total 31/12/2010	Total 31/12/2009
1. Current taxes (-)	-3,122	-1,425
2. Variation of current taxes of previous fiscal years (+/-)		-176
3. Reduction of current taxes for fiscal year (+)		
4. Variation of pre-paid taxes (+/-)	865	981
5. Variation of deferred taxes (+/-)	132	431
6. Fiscal year income taxes (-) (1+/-2+3+/-4+/-5)	-2,125	-189

Current taxes are measured in accordance with outstanding tax legislation.
For purposes of Ires, current taxes were calculated considering provisions regarding mutual aid cooperatives, introduced by Law 311/2004.

Summary of fiscal year income taxes by type of tax

Income components/Values	Total 31/12/2010
- Ires	-554
- Irap	-1,571
- Other taxes	
Total	-2,125

18.2 Reconciliation between theoretical tax burden and effective tax burden in the balance sheets

Line items/Values	Ires	Tax Rate	Irap	Tax Rate
(A) Gain (loss) from current operations before taxes	10,525		10,525	
(B) Income taxes – theoretical burden	2,894	27.50%	507	4.82%
Reductions of tax base	13,807	27.50%	6,098	4.82%
Additions to tax base	8,359	27.50%	29,404	4.82%
Tax base	5,077		33,832	
Income taxes - Effective tax burden	1,396	27.50%	1,631	4.82%
Pre-paid/deferred taxes	-842	27.50%	-60	4.82%
Total taxes	554		1,571	
Overall tax	2,125			
Effective tax rate	20.19%			

Section 20 - Other information

Mutual aid

It is certified that the conditions of prevalent traditional cooperation exist and remain.
For such purpose, in accordance with what is provided by Article 2512 of the Italian Civil Code and by Article 35 of Legislative Decree 385/1993 and the related Supervisory Instructions, during the course of fiscal year 2010 the Bank satisfied the pre-requisites on prevalent operations with shareholders.
It is certified that “risk assets” for shareholders or zero weighted assets exceeded 50% of the total during the course of fiscal year 2010. Specifically, as of the reporting date of the 2010 Financial Statements, the above ratio was 56.70%.

PART D – OVERALL PROFITABILITY

Analytical schedule of overall profitability – 2009

Line items	Gross amount	Income tax	Net amount
10. Fiscal year profit (loss)	X	X	13,075
Other income components			
20. Financial assets available for sale:	11,256	3,638	7,618
a) variations of fair value	13,600	4,395	
b) reversal to the income statement	-2,344	-758	
- adjustments due to impairment			
- gains/losses from use	-2,344	-758	
c) other variations			
30. Property, plant and equipment			
40. Intangible assets			
50. Hedges of foreign investments:			
a) variations of fair value			
b) reversal to the income statement			
c) other variations			
60. Hedges of cash flows:			
a) variations of fair value			
b) reversal to the income statement			
c) other variations			
70. Exchange rate differences:			
a) variations of fair value			
b) reversal to the income statement			
c) other variations			
80. Noncurrent assets in the course of divestment:			
a) variations of fair value			
b) reversal to the income statement			
c) other variations			
90. Actuarial gains(losses) on defined benefit plans			
100. Share of the valuation reserves from measurement of equity investments :			
a) variations of fair value			
b) reversal to the income statement			
- adjustments due to impairment			
- gains/losses from use			
c) other variations			
110. Total other income components	11,256	3,638	7,618
120. Overall profitability (10+110)			20,693

Analytical schedule of overall profitability – 2010

Line items	Gross amount	Income tax	Net amount
10. Fiscal year profit (loss)	X	X	8,400
Other income components			
20. Financial assets available for sale:	-11,581	-3,743	-7,838
a) variations of fair value	-12,763	-4,125	
b) reversal to the income statement	1,182	382	
- adjustments due to impairment			
- gains/losses from use	1,182	382	
c) other variations			

Line items	Gross amount	Income tax	Net amount
30. Property, plant and equipment			
40. Intangible assets			
50. Hedges of foreign investments:			
a) variations of fair value			
b) reversal to the income statement			
c) other variations			
60. Hedges of cash flows:			
a) variations of fair value			
b) reversal to the income statement			
c) other variations			
70. Exchange rate differences:			
a) variations of fair value			
b) reversal to the income statement			
c) other variations			
80. Noncurrent assets in the course of divestment:			
a) variations of fair value			
b) reversal to the income statement			
c) other variations			
90. Actuarial gains(losses) on defined benefit plans			
100. Share of the valuation reserves from measurement of equity investments :	799	11	788
a) variations of fair value	799	11	
b) reversal to the income statement			
- adjustments due to impairment			
- gains/losses from use			
c) other variations			
110. Total other income components	-10,782	-3,732	-7,050
120. Overall profitability (10+110)			1,350

International accounting standards allow allocating financial instruments to different portfolios to which accounting standards are applied that result in the allocation of costs or income directly to special reserves of shareholders' equity without going through the income statement.
The chart shows the overall result, considering income items matured and realized in the fiscal year that were recognized directly in shareholders' equity, sterilizing the components that already matured and thus which had been recognized in shareholders' equity in previous fiscal years, but which are the object of a second and definitive allocation to the income statement (reversal) at the time effectively realized.

PART E – INFORMATION ON RISKS AND THE RELATIVE HEDGING POLICIES

Section 1 - Credit risk

Qualitative Information

1. General Information

The Bank's credit policy, as implementation of its cooperative mission, is aimed at providing financial support to local economies in the territory by means of the supply of financial resources to parties who satisfy adequate criteria of creditworthiness.
The size and breakdown of the credit portfolio reflects the financial needs of two specific segments of customers: sound small and mid-sized companies and households.
The Bank favors loans to mid-size companies and to small economic operators because they are entities which, being extraneous to larger financial circuits, require an intermediary of reference, able to understand their needs, satisfy them with recognized qualities of competence, efficiency and executive speed, and that follows their development over time.
In such context lending activity is based on prudence and the initiation of a relationship with borrowers based on reciprocal trust and transparency and which is aimed, even in new regulatory and market contexts, at enhancing the Bank's distinctive aptitude in maintaining personalized and long-term relationships with the economy in the territory by means of efficient internal procedures.
The distribution of resources is traditionally based on broad diversification in order to minimize risks.
Exposures of significant amounts towards individual counterparties, or counterparties who are legally and/or economically related, are constantly monitored and maintained within extremely prudent thresholds in relation to the Bank's capital and economic equilibrium.
The credit portfolio is also broadly diversified with respect to economic sectors and/or geographic areas in such a way as to contain eventual negative impacts due to reduced performance.
The strategic and management guidelines discussed herein were not modified during the year in course with respect to previous fiscal years.

2. Credit risk management policies

2.1. Organizational aspects

The factors that generate credit risk originate from the possibility that an unexpected variation of a counterparty's creditworthiness, with respect to whom there is exposure, generates a corresponding unexpected variation of the market value of the credit position.
Therefore, a manifestation of credit risk must be considered to be not only the possibility of a counterparty's insolvency, but also the simple impairment of its creditworthiness.
Management of the credit process is aimed at maximum efficiency, oriented towards personalization with respect to the customer, and provides a series of controls intended to mitigate risks in its individual phases and sub-phases.
The procedures and organizational structure provided for this purpose have been formalized, clearly specifying activities, roles and responsibilities. Said procedures have been formalized in "Credit Rules".
In order to avoid conflicts of interest, the necessary separation is ensured between operative functions and control functions, with the determination of levels of responsibility.
The system of delegations of lending authority, approved by the Board of Directors in compliance with the principle of «cascade» delegations of authority, provides for fairly prudent lending limits to be delegated to the branch structures.
The bodies and principal corporate departments that supervise the lending process are indicted below, as well as their primary responsibilities.
– The *Board of Directors.* Supervises and oversees the proper allocation of resources, and specifically:

- determines strategic lines and credit policies;
- determines the criteria for the recognition, management and measurement of risks;
- approves the structure of the system of delegations of authority and controls that they are properly exercised;
- verifies that the organization of control functions is determined coherently with strategic guidelines, and that they have appropriate autonomy of judgment and qualitatively and quantitatively adequate resources.

- The *Executive Committee* deliberates within the scope of powers delegated by the Board of Directors.
– *General Management.* Implements the strategies and policies determined by the Board of Directors, and specifically:

- prepares adequate rules, activities, procedures and organizational structures to ensure the adoption and maintenance of an efficient credit process and a solid risk control system associated with it;
- verifies the adequacy and functioning of the above components, including in view of internal and external changes that affect the Bank;
- takes the necessary measures to eliminate any shortcomings or dysfunctions that might eventually be disclosed. Further, it deliberates within the scope of its delegated powers.

– The *Branches.* They are assigned the primary task of managing the relationship with borrowers/customers in the process of becoming borrowers. They acquire the documentation, make an initial selection of applications, decide directly on the applications for which they are competent and transmit those beyond their scope of competence to higher Bodies, accompanied by their opinion.

– The *Coordination structures (Area Manager).* They ensure fundamental support to the branches in managing the more complex credit positions and/or which present factors of a critical nature. They review credit applications, deliberate with respect to those for which they are competent and express an opinion of merit on those transmitted to higher Bodies.
– *The Central Risk Area*. Supports, by means of the Secretariat risk office, the central deliberating bodies by receiving the credit applications from the branches, verifies formal accuracy and completeness, completes the credit application process. It deliberates with respect to those for which it is competent, and expresses an opinion of merit on those transmitted to higher Bodies.
– *The Credit Control Office*. Monitors the accounts entrusted to it, identifies those that appear to be anomalous and, based on their gravity, places them under observation or proposes to restructure them, assign them to the watchlist, or classify them as non performing.
– *The Legal and Claims Department.* Provides the system with consulting services and legal assistance. Specifically, it takes the necessary legal action to recover receivables for «non performing» accounts and, together with the Credit Control Office, performs extrajudicial activity.
– *The Inspector's Office.* Verifies the functioning of controls and compliance with rules and procedures. In particular, it verifies compliance with the criteria for the proper classification of receivables.
– *Risk Committee – Credit Risk Department.* Composed of the managers of the Central Risk Area's Secretariat, Credit Control Office, Legal-Claims Department, Inspector's Office and Organizational Office, performs consulting activity and assistance to the General Management in determining the means, activities, and procedures aimed at ensuring the adoption and maintenance of an efficient credit process and a solid system of risk control associated with it. Specifically, the Committee in staff to the Managing Director acts as a point of synthesis with respect to the supervision of the internal control system. In accordance with various kinds of analysis, it analyzes the risk level of the portfolio of receivables, produces the relative informational flows, and makes them available to the competent bodies and operative functions.

2.2 Management, measurement and control systems

The individual articulations of the structure involved in the various phases of the credit process perform the controls commonly defined as «frontline or first level», aimed at guaranteeing the propriety of the procedures followed. The Inspector's Office works on "second level" controls and the Internal Audit department acts transversally with respect to the entire system..

The borrowing positions are subject to periodic review aimed at determining, in relation to the situations discovered at the time of the credit application process, the continuation of the conditions of the borrower's solvency as well as that of any eventual guarantors, credit quality, validity and level of protection of the relative security, and profitability of the conditions applied in relationship to the risk profile.

The fiduciary positions are subject to supervision and monitoring in order to timely ascertain the occurrence or continuation of eventual anomalies by means of early warning instruments and procedures.

In such context, an important role is granted to the Bank's offices that hold the loan accounts in that, by maintaining relationships with customers, they are able to immediately perceive eventual signals of impairment; their activity is integrated by that of the Credit Control Office.

As support to the governance activities of the credit processes, the Bank has implemented specific procedures, both for the phases of the credit application/deliberative process as well as for the phases of the measurement/control of credit risk.

Specifically, the application process and decision are regulated by a decision-making bureaucratic procedure in which the diverse competent bodies, belonging both to the central structures as well as that of the network, intervene on the basis of the levels of the delegations of authority granted.

Such phases are supported by the "Electronic Line of Credit Procedure", which allows verification (at any time and by all of the departments entrusted with credit management) of the status of each borrower or in the phase of becoming a borrower. Such procedure also allows the process that has led to the valuation of creditworthiness of the borrower to be reconstructed at any time, monitoring the various steps leading to the decision and the kinds of analysis made.

The measurement, control and monitoring of the credit risk trend is based on a procedure that indicates the risk factors, actual or potential for each account, and thus the relative risk profile.

The constant monitoring of the indications provided by the procedure, made by the network's staff (responsible for the first level controls), but also by the central units entrusted with the same, allows timely intervention as soon as anomalous positions arise and the opportune measures to be taken in cases of problematic receivables.

A model has currently been determined for the attribution of an internal rating to the Bank's "business" customers. Such rating consists of a synthetic final score determined on the basis of a series of qualitative considerations, and its insertion in the credit management process (from issue to the monitoring and control of the relative risk level) has been implemented, attributing the network of branch offices graduated authority with regard to amounts and the applicable economic conditions in relation to the business customer's rating class. The objective is that of increasingly utilizing it for management purposes as a synthetic index of the counterpart's creditworthiness.

With respect to the new regulations on Share Capital (the so-called Basel II regulations), it is noted that the Bank, in order to calculate the equity ratio relative to the credit risk, has for the time being opted to use the "standard" method.

During the credit application process, as well as during the issue and monitoring phases, controls are made of the concentration of risks with reference to significant exposure with regard to individual counterparts or groups of counterparts that are legally or economically related.

For such purpose, individual limits are used as references for major loans which, according to the outstanding supervisory system, constitute a «large risk».

2.3 Techniques for mitigating credit risk

In line with the Bank's objectives and strategies, the principal form of mitigation of the credit risk related to lending activity is represented by the technical form of a guarantee. The Bank acquires the typical guarantee found in banking activity: primarily collateral consisting of real property and financial instruments, as well as personal security.

The latter, represented above all by generic limited bank guarantees, are issued in almost all cases by individuals and manufacturers whose creditworthiness, object of a specific rating, is deemed adequate.

Whether or not security has been offered is considered when weighing the overall credit that can be granted to a customer or to the legal and/or economic group to which it might belong.

Prudential «discounts» are applied to the estimated value of the collateral offered by the counterpart, in proportion to the type of hedge provided (mortgages on real property, pledges on cash or other financial instruments).

Structural configurations and procedures are used during the acquisition, appraisal/valuation, control and realization phases of the guarantee aimed at ensuring, over time, enforceability against third parties and general enforceability.

The controls in object are performed by centralized structures that are separate from those that disburse and review the loan; the Inspector's Office ensures that the assets are managed properly and prudently by means of periodic controls.

No significant changes were registered with respect to the information provided above during the course of the fiscal year.

2.4 Impaired financial assets

Risk profiles are supervised during all of the administrative phases that characterize the fiduciary relationship and, specifically, by means of an efficient supervisory and monitoring activity aimed at formulating timely assessments of eventual anomalies as soon as they arise.

Receivables that give signals of particularly serious impairment are classified as «impaired» and, depending on the type and gravity of the anomaly, are divided into the following categories:

– *Non performing*, total of the existing exposure with parties in states of insolvency or in substantially comparable situations, regardless of the security guaranteeing them and/or eventual loss forecasts;

– *Watchlist*, total of the existing exposure with respect to borrowers who are in temporary situations of objective difficulty, which it is expected can be eliminated within a suitable period of time;

– *Restructured*, exposure for which, due to the deterioration of the borrower's economic-financial conditions, modifications are agreed to the original contractual conditions that result in a loss;

– *Overdue/overdrawn*, exposure that remains unpaid and/or overdue/overdrawn in a continuous manner according to parameters of amounts and duration determined by outstanding supervisory measures.

Receivables that do not fall within the above categories are considered to be performing (*in bonis)*.

The management of «impaired» receivables requires suitable initiatives with respect to the gravity of the situation, in order to bring them back within normal limits or, in the event this is not possible, implementation of adequate credit recovery procedures.

More specifically, with regard to accounts that are:

– *non performing,* the opportune credit recovery procedures are implemented; in the event circumstances allow it, repayment plans are prepared and/or settlement proposals are evaluated aimed at the definitive closure of the relationship extra-judicially when required by criteria of economic considerations;

– *watchlist,* they are restored when the original conditions of creditworthiness and the economic conditions of the relationship are restored within a suitable period of time, or when, after determining that such solution is impossible, the necessary measures are taken to transfer these accounts to non performing accounts;

– *restructured,* precise compliance with the conditions that had been agreed upon is verified over time. The qualification as a restructured account remains, except that after a suitable period of time has elapsed from the date of stipulation of the restructuring agreement and upon verifying the restoration of conditions of full solvency as well as the lack of unpaid items on all existing credit lines, the return of the customer to «*in bonis*» status is provided. Upon verification of the first breach by the borrower, whatever steps are required to transfer the account to watchlist or non performing are taken;

– *overdue/overdrawn*, their development is monitored and timely attempts are made to bring the account back to a normal situation; upon verifying the effective state of the borrower's financial difficulty and when the necessary conditions exist, whatever steps are required to transfer the account to watchlist or non performing are taken.

Adjustments of value are made in strict compliance with laws and regulations and in accordance with principles of absolute prudence. The ratings, due to the use of reliable and rigorous measurement methodology and the frequent updating of their underlying factors, are adequate with respect to the portfolio's effective risk level.

Quantitative information

A. Credit quality

A.1 Exposure to impaired and in bonis receivables: amount, adjustments to value, dynamics, economic and territorial distribution

A.1.1 Distribution of financial assets by the portfolio to which they belong and by type of credit (balance sheet value)

Portfolio/type	Non performing	Watchlist	Restructured accounts	Overdue/overdrawn accounts	Other assets	Total 31/12/2010
1. Financial assets held for trading					113,396	113,396

Portfolio/type	Non performing	Watchlist	Restructured accounts	Overdue/overdrawn accounts	Other assets	Total 31/12/2010
2. Financial assets available for sale					340,855	340,855
3. Financial assets held through maturity						
4. Receivables from banks					156,564	156,564
5. Receivables from customers	40,879	107,944	18,590	14,688	1,458,983	1,641,083
6. Financial assets measured at fair value						
7. Financial assets in the course of divestment						
8. Hedges					5,301	5,301
Total 31/12/2010	40,879	107,944	18,590	14,688	2,075,098	2,257,198
Total 31/12/2009	23,270	89,371		26,206	2,057,984	2,196,831

The table indicates classification by type of receivables of the entire portfolio of financial assets, with the exception of equity instruments and shares of mutual funds amounting to 1,120 thousand Euro.
The values indicated are those of the balance sheet, net therefore, of the relative write-downs.

A.1.2 Distribution of financial assets by portfolio to which they belong and by type of credit (gross and net values)

Portfolio/type	Impaired assets			In bonis			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustment	Net exposure	
1. Financial assets held for trading				113,396		113,396	113,396
2. Financial assets available for sale				340,855		340,855	340,855
3. Financial assets held through maturity							
4. Receivables from banks				156,564		156,564	156,564
5. Receivables from customers	205,507	26,308	179,199	1,465,002	3,117	1,461,884	1,641,083
6. Financial assets measured at fair value							
7. Financial assets in the course of divestment							
8. Hedges				5,301		5,301	5,301
Total 31/12/2010	205,507	26,308	179,199	2,081,117	3,117	2,077,999	2,257,198
Total 31/12/2009	158,883	20,036	138,847	2,058,950	965	2,057,984	2,196,831

The table indicates classification by type of receivable of the entire portfolio of financial assets, with the exception of equity instruments and shares of mutual funds amounting to 1,120 thousand Euro.
The values indicated are those of the balance sheet, net, therefore, of the relative impaired loans.

Detailed information on receivables in bonis (ref. Circular of the Bank of Italy no. 0142023/11 of 16/02/2011)

Portfolios	Exposure in bonis (gross) - Total	Exposure not overdue	Rate overdue up to 3 months	Rate overdue beyond 3 up to 6 months	Rate overdue beyond 6 months up to 1 year	Rate overdue beyond 1 year
5. Receivables from customers	1,423,907	1,420,032	1,455	933	766	721
of which: object of renegotiation in the context of collective bargaining agreements (for ex. Framework Agreement ABI-MEF)	41,095	41,093	2			

A.1.3 Cash and off balance sheet exposure to banks: gross and net values

Type of exposure/value	Gross exposure	Adjustments to specific value	Adjustments to portfolio value	Net exposure
A. CASH EXPOSURE				
a) Non performing loans				
b) Watchlist				
c) Restructured accounts				
d) Overdue/overdrawn accounts				

Type of exposure/value	Gross exposure	Adjustments to specific value	Adjustments to portfolio value	Net exposure
e) Other assets	243,076			243,076
TOTAL A	243,076			243,076
B.OFF BALANCE SHEET EXPOSURE				
a) Impaired				
b) Other	8,156			8,156
TOTAL B	8,156			8,156
TOTAL A+B	251,233			251,233

The cash values indicated are taken from the balance sheet, net of relative impaired receivables. In addition to Asset line item 60, parts of asset line items 20 and 40 were included, amounting to 86,513 thousand Euro.

A.1.6 Cash exposure and off balance sheet exposure to customers: gross and net values

Type of exposure/value	Gross exposure	Adjustments to specific value	Adjustments di portfolio value	Net exposure
A. CASH EXPOSURE				
a) Non performing loans	61,436	20,557		40,879
b) Watchlist	112,289	4,345		107,944
c) Restructured accounts	19,332	743		18,590
d) Overdue/overdrawn accounts	15,351	663		14,688
e) Other assets	1,829,838		3,117	1,826,721
TOTAL A	2,038,246	26,308	3,117	2,008,821
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	14,407			14,407
b) Other	140,644			140,644
TOTAL B	155,051			155,051

The table indicates the breakdown of accounts receivable from customers by type of receivable. Specifically, all financial assets regarding customers are reported, taken from balance sheet line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds amounting to 1,120 thousand Euro, were excluded, as well as securities issued by banks in the amount of 86,513 thousand Euro.

A.1.7 Cash exposure to customers: dynamics of gross impaired accounts

Variables/Categories	Non performing	Watchlist	Restructured accounts	Overdue/overdrawn accounts
A. Initial gross exposure	38,265	93,270		27,349
- of which: accounts disposed of but not derecognized				
B. Additions				
B.1 entries from receivables in bonis	8,563	45,065	18,411	52,099
B.2 transfers from other categories of impaired accounts	22,108	15,892	921	367
B.3 other additions	2,352	4,662		535
C. Reductions				
C.1 transfers to receivables in bonis		6,967		21,259
C.2 derecognition	399			
C.3 collections	9,453	17,504		24,791
C.4 income from disposals				
C.5 transfers to other categories of impaired accounts		22,129		17,159
C.6 other reductions				1,790
D. Final gross exposure	61,436	112,289	19,332	15,351
- of which: accounts disposed of but not derecognized				

A.1.8 Cash exposure to customers: dynamics of adjustments to overall value

Variables/Categories	Non performing	Watchlist	Restructured accounts	Overdue/overdrawn accounts
A. Initial overall adjustments	14,994	3,899		1,143

Variables/Categories	Non performing	Watchlist	Restructured accounts	Overdue/overdrawn accounts
- of which: exposure disposed of but not derecognized				
B. Additions				
B.1 adjustments to value	515	1,524		70
B.2 transfers from other categories of impairment exposure	924	658	38	15
B.3 other additions	6,884	421	704	1,191
C. Reductions				
C.1 write-backs of value from measurement	10	13		43
C.2 write-backs of value from collections	1,420	1,219		1,002
C.3 derecognition	361			
C.4 transfers to other categories of impairment exposure		925		711
C.5 Other reductions	970			
D. Final overall adjustments	20,557	4,345	743	663
- of which: exposure disposed of but not derecognized				

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

A.2.1 Distribution of cash and off balance sheet exposure by class of external rating

Exposure	Classes of external ratings						Without rating	Total 31/12/2010
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposure	9,916	453,749	14,351				1,773,880	2,251,897
B. Derivatives								
B.1 Financial derivatives	1,234	3,782					285	5,301
B.2 Credit derivatives								
C. Security given							126,082	126,082
D. Commitments to issue funds							42,559	42,559
Total	11,151	457,531	14,351				1,942,807	2,425,840

Class 1 = AAA/AA-
Class 2 = A+/A-
Class 3 = BBB+/BBB-
Class 4 = BB+/BB-
Class 5 = B+/B-
Class 6 = Lower than B-
The exposure considered was taken from the balance sheets present in the previous tables A.1.3 (exposure from banks) and A.1.6 (exposure from customers), as well as Hedges.

A.3 Distribution of secured exposure by type of guarantee

A.3.2 Secured credit exposure to customers - part 1

	Net exposure value	Collateral (1)		
		Real property	Securities	Other collateral
1. Secured cash credit exposure:				
1.1 totally secured	1,285,061	1,043,254	35,551	568
- of which impaired	171,767	147,860	987	23
1.2 partially secured	53,831		14,408	
- of which impaired	710		382	
2 Secured off balance sheet credit exposure:				
2.1 totally secured	56,615	844	4,303	965
- of which impaired	6,934		627	287
2.2 partially secured	19,232		1,910	5,565
- of which impaired	1,163		50	

A.3.2 Secured credit exposure to customers - part 2

	Personal security (2)									Total (1)+(2)
	Credit derivatives					Endorsement receivables				
	CLN	Others derivatives								
		Governments and Central Banks	Others public entities	Banks	Others parties	Governments and Central Banks	Others public entities	Banks	Other parties	
1. Secured cash credit exposure:										
1.1 totally secured							1,798		195,947	1,277,118
- of which impaired									20,837	169,706
1.2 partially secured							1,545	250	12,042	28,245
- of which impaired									129	511
2. Secured off balance sheet credit exposure:										
2.1 totally secured									49,232	55,344
- of which impaired									6,017	6,932
2.2 partially secured									3,293	10,767
- of which impaired									56	106

B. Distribution and concentration of credit exposure

B.1 Cash and "off balance sheet" credit exposure to customers (balance sheet value) by sector - part 1

Exposure/Offsets	Governments			Others public entities		
	Net exposure	Special adjustments to value	Adjustments portfolio value	Net exposure	Special adjustments to value	Adjustments portfolio value
A. Cash exposure						
A.1 Non performing loans						
A.2 Watchlist						
A.3 Restructured accounts						
A.4 Overdue/overdrawn accounts						
A.5 Other exposure	357,796			7,132		
TOTAL A	357,796			7,132		
B. Off balance sheet exposure						
B.1 Non performing loans						
B.2 Watchlist						
B.3 Other impaired assets						
B.4 Other exposure				85		
TOTAL B				85		
TOTAL (A+B) 31/12/2010	357,796			7,216		
TOTAL (A+B) 31/12/2009	314,166			8,378		

B.1 Cash and "off balance sheet" credit exposure to customers (balance sheet value) by sector - part 2

Exposure/Offsets	Finance companies			Insurers		
	Net exposure	Special adjustments to value	Adjustments portfolio value	Net exposure	Special adjustments to value	Adjustments portfolio value
A. Cash exposure						
A.1 Non performing loans						
A.2 Watchlist						
A.3 Restructured accounts						
A.4 Overdue/overdrawn accounts						
A.5 Other exposure	93,864		1	9,916		
TOTAL A	93,864		1	9,916		

Exposure/Offsets	Finance companies			Insurers		
	Net exposure	Special adjustments to value	Adjustments portfolio value	Net exposure	Special adjustments to value	Adjustments portfolio value
B. Off balance sheet exposure						
B.1 Non performing loans						
B.2 Watchlist						
B.3 Other impaired assets						
B.4 Other exposure	3					
TOTAL B	3					
TOTAL (A+B) 31/12/2010	93,867		1	9,916		
TOTAL (A+B) 31/12/2009	76,707		21	8,632		

B.1 Cash and "off balance sheet" credit exposure to customers (balance sheet value) by sector - part 3

Exposure/Offsets	Non finance companies			Other parties		
	Net exposure	Special adjustments to value	Adjustments portfolio value	Net exposure	Special adjustments to value	Adjustments portfolio value
A. Cash exposure						
A.1 Non performing loans	28,457	15,408		12,422	5,150	
A.2 Watchlist	72,800	2,931		35,143	1,415	
A.3 Restructured accounts	17,873	714		717	29	
A.4 Overdue/overdrawn accounts	4,775	192		7,194	289	
A.5 Other exposure	703,979		1,700	656,754		1,597
TOTAL A	827,883	19,245	1,700	712,230	6,882	1,597
B. Off balance sheet exposure						
B.1 Non performing loans	2,829					
B.2 Watchlist	9,621			1,957		
B.3 Other impaired assets						
B.4 Other exposure	120,141			20,416		
TOTAL B	132,591			22,373		
TOTAL (A+B) 31/12/2010	960,474	19,245	1,700	734,603	6,882	1,597
TOTAL (A+B) 31/12/2009	952,371	15,050	499	705,289	4,986	445

The cash exposure for receivables indicated in the table (2,008,821 thousand Euro) is measured in the financial statements net of impaired receivables, and with an indication of adjustments to specific value and to the portfolio.

Specifically, it indicates all financial assets regarding customers taken from balance sheet line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds in the amount of 1,120 thousand Euro, and securities issued by banks in the amount of 86,513 thousand Euro, are excluded.

B.2 Cash and "off balance sheet" credit exposure to customers (balance sheet value) by territory - part 1

Exposure/Geographic area	ITALY		OTHERS EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall adjustment value	Net exposure	Overall adjustment value	Net exposure	Overall adjustment value	Net exposure	Overall adjustment value	Net exposure	Overall adjustment value
A. Cash exposure										
A.1 Non performing loans	40,879	20,557								
A.2 Watchlist	107,943	4,346								
A.3 Restructured accounts	18,590	743								
A.4 Overdue/overdrawn accounts	11,969	663								
A.5 Other exposure	1,829,115	3,116	325	1						
TOTAL (A)	2,008,496	29,425	325	1						
B. Off balance sheet exposure										

Exposure/Geographic area	ITALY		OTHERS EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall adjustment value	Net exposure	Overall adjustment value	Net exposure	Overall adjustment value	Net exposure	Overall adjustment value	Net exposure	Overall adjustment value
B.1 Non performing loans	2,829									
B.2 Watchlist	11,578									
B.3 Other impaired assets										
B.4 Other exposure	140,644									
TOTAL (B)	155,051									
TOTAL (A + B) 31/12/2010	2,163,547	29,425	325	1						
TOTAL (A + B) 31/12/2009	2,062,909	21,001	2,634	1						

Exposure for cash receivables indicated in the table (2,008,821 thousand Euro) is measured in the financial statements net of impaired receivables, distributed territorially according to the counterparty's country of residence.
Specifically, it indicates all financial assets regarding customers taken from balance sheet line items "20 - Financial assets held for trading", "40 – Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds amounting to 1,120 thousand Euro, and securities issued by banks amounting to 86,513 thousand Euro, are excluded.

B.2 Cash and "off balance sheet" credit exposure to customers (balance sheet value) by territory - part 2

Exposure/geographic area	NORTH WEST ITALY		NORTH EAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value
A. Cash exposure								
A.1 Non performing loans			285	103	40,591	20,157	2	296
A.2 Watchlist			1,328	53	106,568	4,290	46	2
A.3 Restructured accounts	717	29			17,873	714		
A.4 Overdue/overdrawn accounts					11,969	663		
A.5 Other exposure	3,367	8	5,068	12	1,819,169	3,093	1,837	4
TOTAL (A)	4,084	37	6,681	168	1,996,170	28,917	1,886	302
B. Off balance sheet exposure								
B.1 Non performing loans					2,829			
B.2 Watchlist					11,578			
B.3 Other impaired assets								
B.4 Other exposure	1,176		121		139,337		10	
TOTAL (B)	1,176		121		153,744		10	
TOTAL (A + B) 31/12/2010	5,260	37	6,802	168	2,149,914	28,917	1,896	302

Cash exposure for receivables indicated in the table (2,008.821 thousand Euro) are those measured in the financial statements net of impaired receivables, distributed territorially according to the area of the counterparty's residence.
Specifically, it indicates all financial assets regarding customers taken from line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds in the amount of 1,120 thousand Euro, and securities issued by banks in the amount of 86,513 thousand Euro, are excluded.

B.3 Cash and "off balance sheet" credit exposure to banks (balance sheet value) by territory - part 1

Exposure/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value

Exposure/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value
A. Cash exposure										
A.1 Non performing loans										
A.2 Watchlist										
A.3 Restructured accounts										
A.4 Overdue/overdrawn accounts										
A.5 Other exposure	240,343		1,999		606		17		112	
TOTAL (A)	240,343		1,999		606		17		112	
B. Off balance sheet exposure										
B.1 Non performing loans										
B.2 Watchlist										
B.3 Other impaired assets										
B.4 Other exposure	7,343		814							
TOTAL (B)	7,343		814							
TOTAL (A + B) 31/12/2010	247,686		2,813		606		17		112	
TOTAL (A + B) 31/12/2009	297,509		3,435		2,344		93		88	

The values of cash exposure to banks (243,076 thousand Euro) are taken from the balance sheet, net of impaired receivables. In addition to Asset line item 60, parts of Asset line items 20 and 40 were included in the amount of 86,513 thousand Euro.
The data is distributed territorially according to the country of the counterparty's residence.

B.3 Cash and "off balance sheet" credit exposure to banks (balance sheet value) by territory - part 2

Exposure/Geographic area	NORTH WEST ITALY		NORTH EAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value	Net exposure	Overall adjustments of value
A. Cash exposure								
A.1 Non performing loans								
A.2 Watchlist								
A.3 Restructured accounts								
A.4 Overdue/overdrawn accounts								
A.5 Other exposure	21,451				221,625			
TOTAL (A)	21,451				221,625			
B. Off balance sheet exposure								
B.1 Non performing loans								
B.2 Watchlist								
B.3 Other impaired assets								
B.4 Other exposure	2,179				5,164			
TOTAL (B)	2,179				5,164			
TOTAL (A + B) 31/12/2010	23,630				226,789			
TOTAL (A + B) 31/12/2009	15,605		5,000		282,864			

The cash values indicated (243,076 thousand Euro) are taken from the balance sheet, net of impaired receivables. In addition to Asset line item 60, parts of Asset line items 20 and 40 were included in the amount of 86,513 thousand Euro.
The data is distributed by territory according to the macro-area of the counterparty's residence.

B.5 Large risks (according to regulatory legislation)

According to the new definition of large risks set forth in the 6° update of Circular no. 263/2006 of 27 December 2010 of the Bank of Italy, “Large risks” include overall cash exposure and off balance sheet items with respect to a customer or group of “related” customers, without applying weighting factors, for an amount that exceeds 10% of the regulatory capital.
The aggregate includes exposure from the Italian government for securities. Off balance sheet exposure also includes the difference between credit granted and the relative use.
Risk position instead signifies weighted exposure, which must be contained within 25% of the regulatory capital.
As of 31.12.2010, “Large risks” included 4 exposures having a nominal amount of 172,619 thousand Euro and a weighted value of 139,329 thousand Euro, in addition to exposure with respect to the Italian government for 357,796 thousand Euro related to government bonds held, for a total of 5 exposures and an overall nominal value of 530,415 thousand Euro.

Line items/Values	31/12/2010			31/12/2009		
	Number	Nominal Value	Weighted value	Number	Nominal Value	Weighted value
a. Large risks	5	530,415	139,329			
b. Zero weighted risks	1	357,796				
Total Large risks (A-B)	4	172,619	139,329			

C. Securitizations and the sale of assets

C.1 Securitizations

Qualitative Information

This section provides information on the characteristics of the securitization done by the Bank in accordance with Law 130/1999. Such law regulates the assignment “in block” of receivables by an “originator” bank to a vehicle company created especially for this purpose, known as a “Special Purpose Vehicle – SPV”, which issues securities that can be placed in the market “Asset Backed Securities – ABS”, in order to finance the purchase of the receivables assigned by the originator.

General information regarding the Pontormo Funding s.r.l. securitization

On 08/10/2007, the Bank set up a securitization with SPV Pontormo Funding s.r.l., assigning a portfolio of receivables based on residential and commercial mortgage loans granted to performing customers residing in Italy. The securitization, which was a traditional kind of revolving transaction, was done together with other credit cooperative banks, creating a “multioriginators” transaction. The original structure provided for a “revolving” period from 07/10/2007 through 15/10/2010, during which the “Originators” could assign their receivables to Pontormo Funding s.r.l., complying with specific eligibility criteria, according to the following maximum amounts;

Banca di Credito Cooperativo di Cambiano s.c.p.a.	70,000,000.00
Banca di Credito Cooperativo di Fornacette s.c.p.a.	140,000,000.00
Banca di Credito Cooperativo di Castagneto Carducci s.c.p.a.	140,000,000.00
Banca di Viterbo Credito Cooperativo s.c.r.l.	50,000,000.00
Total	400,000,000.00

Consequently, the vehicle company Pontormo Funding s.r.l. should have financed the operations, requesting the necessary payments from the “Noteholder” (Natexis) on the basis of the document already issued and signed by it. In October 2008 Natexis, subsequent to the financial turbulence and market liquidity crisis, exercised its contractual right not to renew the credit lines it had deliberated to sustain the securitization, which prevented the “Originators” from proceeding with new assignments up to the maximum amount provided. By operating in this manner, the “Noteholder” de facto froze the securitization, and once the “revolving” period ended (15/10/2010), the securitization was treated as a regular “amortization”.
For prudential purposes, the provisions of Circular no. 263/06 of the Bank of Italy subordinate recognition of the securitization on the condition that there is an actual transfer of the credit risk by the transferor. The cited provisions also specify that the accounting treatment of the securitization has no significance with respect to its prudent recognition.
The securitization realized by the Bank lacked the substantive transfer of the credit risk. The securitization was therefore not recognized for prudent purposes. The prudent prerequisite is, therefore, 8% of the weighted value of the securitized assets, the latter obviously measured on the basis of the approach used by the Bank to assess capital requirements for credit risk (standardized methodology).
It is represented in the financial statements as follows:

- the residual amount of securitized loans, at amortized cost, in the amount of 1,747,610.54 Euro, was allocated to Asset line item 70;
- interest payable was calculated on liabilities associated with the assets assigned but not derecognized, in the amount of 40,145.48 Euro, allocated to line item 20 of the income statement;
- liabilities for assets assigned but not derecognized, amounting to 1,294,603.61 Euro, were allocated to Liability line item 20;
- interest earned on assets assigned but not derecognized, in the amount of 46,315.07 Euro, was allocated to line item 10 of the income statement;

- the amount of the Junior note, in the amount of 523,831.76 Euro, was annulled;
- the "cash reserve" of 70,065.93 Euro was allocated to Asset line item 150.

The securitization in question involved the following parties:

Issuer vehicle company	Pontormo Funding s.r.l. having its registered office in Empoli (FI)
Issuer vehicle company's shareholders	Cabel Holding s.r.l. having its registered office in Empoli (FI) – 80% of the share capital. Stichting Sella, a Dutch foundation – 20% of the share capital.
Originators	Banca di Credito Cooperativo di Cambiano s.c.p.a. having its registered office in Castelfiorentino (FI) Banca di Credito Cooperativo di Fornacette s.c.p.a. having its registered office in Calcinaia (PI) Banca di Credito Cooperativo di Castagneto Carducci s.c.p.a. having its registered office in Castagneto Carducci (LI) Banca di Viterbo Credito Cooperativo s.c.r.l. having its registered office in Viterbo
Servicers	Banca di Credito Cooperativo di Cambiano s.c.p.a. having its registered office in Castelfiorentino (FI) Banca di Credito Cooperativo di Fornacette s.c.p.a. having its registered office in Calcinaia (PI) Banca di Credito Cooperativo di Castagneto Carducci s.c.p.a. having its registered office in Castagneto Carducci (LI) Banca di Viterbo Credito Cooperativo s.c.r.l. having its registered office in Viterbo
Corporate Service Provider	Cabel Holding Spa having its registered office in Empoli (FI)
Noteholders' Representative	Bank of New York having its registered office in London
Arrangers	IXIS Corporate Investment Banking having its registered office in London Banca Akros having its registered office in Milan
Advisor to the Originators	Invest Banca s.p.a. having its registered office in Empoli (FI)
Calculation Agent	Invest Banca s.p.a. having its registered office in Empoli (FI)
Registrar	Bank of New York having its registered office in Milan
Italian Bank Account Providers	Banca di Credito Cooperativo di Cambiano s.c.p.a. having its registered office in Castelfiorentino (FI) Banca di Credito Cooperativo di Fornacette s.c.p.a. having its registered office in Calcinaia (PI) Banca di Credito Cooperativo di Castagneto Carducci s.c.p.a. having its registered office in Castagneto Carducci (LI) Banca di Viterbo Credito Cooperativo s.c.r.l. having its registered office in Viterbo
Cash Manager	Invest Banca s.p.a. having its registered office in Empoli (FI)
Bank Account Provider	Bank of New York having its registered office in London
Legal Advisor	SJ Berwin LLP having its registered office in Milan
Junior Noteholders	Banca di Credito Cooperativo di Cambiano s.c.p.a. having its registered office in Castelfiorentino (FI) Banca di Credito Cooperativo di Fornacette s.c.p.a. having its registered office in Calcinaia (PI) Banca di Credito Cooperativo di Castagneto Carducci s.c.p.a. having its registered office in Castagneto Carducci (LI) Banca di Viterbo Credito Cooperativo s.c.r.l. having its registered office in Viterbo

Characteristics of the transaction

Breakdown of the receivables portfolio assigned by the "originator" banks to the vehicle company Pontormo Funding S.r.l. – Classification of "originators" – Reference to initial assignment (at nominal value):

Originators	Amounts	%
B.C.C. Cambiano	4,739,750.00	4.84%
B.C.C. Fornacette	45,049,579.00	45.97%
B.C.C. Castagneto Carducci	33,208,325.00	33.89%
B.C.C. Viterbo	14,998,210.00	15.30%
Total receivables assigned	97,995,864.00	100.00%

Breakdown of the receivables portfolio assigned by the "originator" banks to the vehicle company Pontormo Funding S.r.l. – Classification by "originator" (at nominal value) – Reference to 31/12/2010:

Originators	Amounts	%
B.C.C. Cambiano	1,745,666.00	1.31
B.C.C. Fornacette	59,233,501.00	44.40
B.C.C. Castagneto Carducci	56,968,916.00	42.71
B.C.C. Viterbo	15,444,310.00	11.58
Total receivables assigned	133,392,393.00	100.00

The vehicle company issued the following notes (absolute values) with respect to the initial assignment of receivables set forth above:

Originators	“Senior” Notes	"Junior" Notes	Total notes issued
B.C.C. Cambiano	4,287,720.00	451,000.00	4,738,720.00
B.C.C. Fornacette	40,753,201.00	4,296,000.00	45,049,201.00
B.C.C. Castagneto Carducci	30,041,248.00	3,167,000.00	33,208,248.00
B.C.C. Viterbo	13,567,831.00	1,430,000.00	14,997,831.00
Total	88,650,000.00	9,344,000.00	97,994,000.00

The vehicle company issued the following notes (absolute values) as of 31/12/2010:

Originators	“Senior” Notes	"Junior" Notes	Total notes issued
B.C.C. Cambiano	1,500,383.00	451,000.00	1,951,383.00
B.C.C. Fornacette	54,705,718.00	7,606,000.00	62,311,718.00
B.C.C. Castagneto Carducci	52,926,068.00	7,395,000.00	60,321,068.00
B.C.C. Viterbo	13,567,831.00	1,430,000.00	14,997,831.00
Total	122,700,000.00	16,882,000.00	139,582,000.00

During the course of the year 2010 the following “senior” notes were repaid by the vehicle company (absolute values):

Originators	“senior” notes
B.C.C. Cambiano	2,787,337.00
B.C.C. Fornacette	17,391,823.00
B.C.C. Castagneto Carducci	17,170,840.00
B.C.C. Viterbo	0.00
Total	37,350,000.00

Characteristics of the notes issued by Pontormo Funding s.r.l.:

Description	Senior Note	Junior Note
Isin	IT0004286099	IT0004286107
Amount	362,000,000.00	38,000,000.00
Issue price	100	100 + premium (1.5 of cash reserve
Issue date	15/10/2007	15/10/2007
Maturity	01/04/2048	01/04/2048
Annual rate	Euribor 3 months + 100 b.p.	Euribor 3 months + 105 b.p.
Frequency of coupon	Quarterly	Quarterly
Payment date	21/01 - 21/04 - 21-07 - 21-10 of each solar year	21/01 - 21/04 - 21-07 - 21-10 of each solar year
Revolving maturity	15/10/2010	15/10/2010
Repayment of principal	Starting from 15/10/2010 to the extent of available funds	Starting from 15/10/2010 to the extent of available funds
Rating	Rating opinion available to the Senior Noteholder	No

SERVICING ACTIVITY

The "originator" Banks also act as Servicer, each for their own accumulation of assigned receivables; the Banca di Credito Cooperativo di Cambiano therefore used its own Servicing Office dedicated to collection management, as required by the instructions of the Supervisory Authority. The Servicing Office is entrusted with the following responsibilities:

- Oversee collection of the assigned receivables for the vehicle company, transferring such amounts to the Bank of New York - London, and simultaneously guarantee the strict separation of said assigned portfolio with respect to other assignments made and all of the Bank’s other receivables, and must specifically:
- Avoid the creation of situations of conflict of interest and of confusion in general in order to protect the holders of the notes issued by the vehicle company;
- Guarantee the separate indication of the information flows related to the collection process of the securitized loans;
- Allow the above procedures and flows to be reconstructed at any time;
- Maintain adequate documentation of the transactions performed, including for purposes of potential controls by interested parties such as the "Rating Agency", "Vehicle Company", "Noteholders’ Representative", "Bank of Italy" etc.;
- Ensure adequate information reporting to the Bank’s Bodies, General Management, and operators involved in the supervisory process.

The servicing commissions amounted to 401.00 Euro and are allocated to line item 40 del the income statement.

Detail of collections recorded during the year 2010:

Collection of principal on assigned loans	754,224.82
Collection of interest on assigned loans	47,356.67
Total collections	801,581.49

As of 31/12/2010 there were no suspended rates of securitized mortgage loans and there were no “defaults” of assigned loans.

Quantitative information

C.1.1 Exposure from securitizations separated by type of underlying asset - part 1

Type of underlying asset/Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Impaired						
b) Other					453	453
B. With third party underlying assets						
a) Impaired						
b) Other						

C.1.1 Exposure from securitizations separated by type of underlying asset - part 2

Type of underlying asset/Exposure	Guarantees issued					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Impaired						
b) Other						
B. With third party underlying assets						
a) Impaired						
b) Other						

C.1.1 Exposure from securitizations separated by type of underlying asset - part 3

Type of underlying asset/Exposure	Credit lines					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Impaired						
b) Other						
B. With third party underlying assets						
a) Impaired						
b) Other						

C.1.2 Exposure from principal “own” securitizations divided by type of securitized assets and by type of exposure - part 1

Type of securitized assets/Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value
C. Not derecognized from the balance sheet						
C.1 Pontormo Funding s.r.l.					453	

C.1.2 Exposure from derivatives of principal "own" securitizations divided by type of securitized asset and by type of exposure - part 2

Type of securitized assets/Exposure	Guarantees issued					
	Senior		Mezzanine		Junior	
	Net exposure	Adj./write-backs of value	Net exposure	Adj./write-backs of value	Net exposure	Adj./write-backs of value
C. Not derecognized in the balance sheets						
C.1 Pontormo Funding s.r.l.						

C.1.2 Exposure from principal "own" securitizations divided by type of securitized assets and by type of exposure - part 3

Type of securitized assets/Exposure	Line of credit					
	Senior		Mezzanine		Junior	
	Net exposure	Adj./write-backs of value	Net exposure	Adj./write-backs of value	Net exposure	Adj./write-backs of value
C. Not derecognized in the balance sheet						
C.1 Pontormo Funding s.r.l.						

C.1.4 Exposure from securitizations divided by portfolio and type

Exposure/portfolio	Financial assets held for trading	Financial assets fair value option	Financial assets available for sale	Financial assets held to maturity	Receivables	Total 31/12/2010	Total 31/12/2009
1. Cash exposure							
Senior							
Mezzanine							
Junior					453	453	455
2. Off balance sheet exposure							
Senior							
Mezzanine							
Junior							

C.1.5 Total amount of securitized assets underlying junior notes or other forms of credit support

Assets/Values	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Totally derecognized		
1. Non performing loans		
2. Watchlist		
3. Restructured accounts		
4. Overdue/overdrawn accounts		
5. Other assets		
A.2 Partially derecognized		
1. Non performing loans		
2. Watchlist		
3. Restructured accounts		
4. Overdue/overdrawn accounts		
5. Other assets		
A.3 Not derecognized		
1. Non performing loans		
2. Watchlist		
3. Restructured accounts		
4. Overdue/overdrawn accounts		
5. Other assets	47	
B. Third party underlying assets:		

Assets/Values	Traditional securitizations	Synthetic securitizations
B.1 Non performing loans	18	
B.2 Watchlist		
B.3 Restructured accounts		
B.4 Overdue/overdrawn accounts	22	
B.5 Other assets	3.535	

C.1.7 The servicer's assets - Collections of securitized receivables and repayment of the notes issued by the vehicle company

Vehicle company	Securitized assets (at the end of the reporting period)		Collections of receivables during the year		Percentage share of notes repaid (at the end of the reporting period)					
					Senior		Mezzanine		Junior	
	Impaired	In bonis	Impaired	In bonis	Impaired assets	Assets in bonis	Impaired assets	Assets in bonis	Impaired assets	Assets in bonis
Pontormo Funding s.r.l.		1.746		754						

Note:
- The amount of securitized assets is indicated at the nominal value of the assigned receivables.
- The amount of collected receivables during the year only refers to principal.

C.2 Sales

C.2.1 Financial assets sold but not derecognized - part 1

Technical forms/Portfolio	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale		
	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)
A. Cash assets									
1. Debt securities	8,308						32,184		
2. Equity instruments									
3. Mutual funds									
4. Loans									
B. Derivative instruments									
Total 31/12/2010	8,308						32,184		
of which impaired									
Total 31/12/2009	36,286						56,341		
of which impaired									

C.2.1 Financial assets sold but not derecognized - part 2

Technical forms/Portfolio	Financial assets held through maturity			Receivables from banks			Receivables from customers			Total 12/12/2010	Total 12/12/2009
	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)		
A. Cash assets											
1. Debt securities										40,491	92,626
2. Equity instruments											
3. Mutual funds											
4. Loans							1,748			1,748	2,501
B. Derivative instruments											
Total 31/12/2010							1,748			42,239	
of which impaired											

Technical forms/Portfolio	Financial assets held through maturity			Receivables from banks			Receivables from customers			Total 12/12/2010	Total 12/12/2009
	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)		
Total 31/12/2009							2,501				95,128
of which impaired											

C.2.2 Financial liabilities for financial assets sold but not derecognized

Liabilities/Portfolio assets	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held through maturity	Receivables from banks	Receivables from customers	Total 31/12/2010	Total 31/12/2009
1. Payables to customers								
a) for assets recognized in full	8,312		33,503			1,295	43,109	21,954
b) for partially recognized assets								
2. Payables to banks								
a) for assets recognized in full								61,112
b) for partially recognized assets								
Total 31/12/2010	8,312		33,503			1,295	43,109	
Total 31/12/2009	35,871		47,195					83,066

D. Models to measure credit risk

Internal models and procedures used to classify customers in risk classes allow, as noted above, a more accurate management of credit risk.
Such models are not currently used to calculate capital ratios because the Bank uses standardized methodology for such purpose.

Section 2 – Market risks

2.1 Interest rate risk and price risk - regulatory trading portfolio

Qualitative Information

A. General information

For purposes of completing this section, only financial instruments falling within the "regulatory trading portfolio" were considered, as defined in the regulation relative to the supervisory indications of market risks.
The principal source of interest rate risk consists of treasury bonds. The objectives and strategies underlying trading activities aimed at managing the securities portfolio are influenced by the regulatory requirement that the prevalence of weighted assets be held by shareholders or be zero weight securities, and therefore there is an approach aimed at containing risks that is translated into a bond portfolio characterized by a very limited duration.
The investment strategy is traditionally characterized by the prudent management of all risks; the Finance Area Regulations contribute to this, by means of an attentive and well-balanced mitigation of risks, establishing the relative autonomy and operating limits in this regard.

B. Management procedures and methods to measure interest rate risk

The Finance Area Regulations establish both operating limits (both in terms of portfolio value as well as the breakdown by type of security) as well as exposure to interest rate risk (in terms of financial duration or "duration").

Quantitative information

2.1.1 Regulatory trading portfolio: distribution by residual duration (re-pricing date) of cash financial assets and liabilities and financial derivatives - All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration
1. Cash assets								
1.1 Debt securities								
- with an early repayment option								
- others	26	40,533	5,945	49,140	13,615	2,841	1,296	
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements on debt								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long-term positions								
+ short-term positions								
- Other derivatives								
+ long-term positions								
+ short-term positions								
3.2 Without underlying security								
- Options								
+ long-term positions								
+ short-term positions								
- Other derivatives								
+ long-term positions								
+ short-term positions								

2.2 Interest rate and price risk – bank portfolio

Qualitative Information

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

The principal sources of interest rate risk consist of fixed rate items. There is a limited amount of assets in the mortgage loan sector; while liabilities are represented by fixed rate bonds whose risk is hedged by fixed interest rate (IRS) operations for issues with more prolonged maturities.

The interest rate risk inherent in the bank portfolio is monitored by the Bank on a quarterly basis by an analysis of maturities, which consists of separating the accounts (assets, liabilities, derivatives, etc.) in different time periods according to the residual life of the term within which the interest rate can be renegotiated, in accordance with supervisory regulations.

The overall interest rate risk exposure, calculated according to the Supervisory Instructions, totals 15,968,968.84 Euro, corresponding to 6.568% of regulatory capital.

Quantitative information

2.2.1 Bank portfolio: distribution by residual duration (by re-pricing date) of financial assets and liabilities – All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration
1. Cash assets								
1.1 Debt securities								
- with an early repayment option								
- others	1,120	9,512	229,137	24,755	10,115	13,380	53,956	
1.2 Loans to banks	70,763	83,299	2,502					
1.3 Loans to customers								
- bank accounts	397,988	104	84	748	10,478			
- other loans								
- with an early repayment option	139	59,885	774					
- others	795,961	125,311	67,625	70,585	86,454	16,620	8,326	
2. Cash liabilities								
2.1 Payables to customers								
- bank accounts	689,292							
- other liabilities								
- with an early repayment option								
- others	54,181	52,234	20,915					
2.2 Liabilities to banks								
- bank accounts	1,930							
- other liabilities	150,072	59,328						
2.3 Debt securities								
- with an early repayment option								
- others	1,491	228,955	168,265	154,205	484,858			
2.4 Other liabilities								
- with an early repayment option								
- others								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long-term positions								
+ short-term positions								
- Other derivatives								
+ long-term positions								
+ short-term positions								
3.2 Without underlying security								
- Options								
+ long-term positions								
+ short-term positions								
- Other derivatives								
+ long-term positions		9,000	5,000	16,000	111,200	23,000	12,000	
+ short-term positions		107,000	69,200					

Note:
Long and short-term accounts in “Other derivatives”, point 3.2, are expressed in notional values.

2.3 Exchange rate risk

Qualitative Information

A. General information, management procedures and methods to measure the exchange rate risk

The exchange rate risk represents the risk of suffering losses on operations in foreign currency, due to the effect of negative variations to foreign currencies. During the fiscal year, the Bank's assets in foreign currency did not have speculative positions. In any case, the Bank limits its net position in foreign currency to not more than 2% of regulatory capital, as provided by the regulations of the Bank of Italy for credit cooperative banks.

The Bank is marginally exposed to the exchange rate risk due to assets used to serve customers.

Exposure to exchange rate risk is measured using a methodology that faithfully follows what is provided by the Supervisory Regulations.

Measurement is based on the calculation of the "net position in foreign exchanges", i.e. the balance of all assets and liabilities (in financial statements and "off balance sheet") related to each foreign currency, including operations in Euro indexed to the exchange rate trend of foreign currency.

The organizational structure provides that the management of the exchange rate risk is delegated to the Foreign Office for assets used to service customers and to the Securities Treasury Office for financial instruments, whereas the measurement of exposure is attributed to the Risk Management Office based on the data provided by the Management Control Office.

The "net position in foreign exchanges" as of the reference date amounted to 1,271,000 Euro, equivalent to 0.523% of the regulatory capital. It is within the threshold of 2.00% established by the Supervisory Instructions of the Bank of Italy that can be held by credit cooperative banks. There are no forward exchange transactions.

Quantitative information

2.3.1 Distribution by denominated currency of assets, liabilities and derivatives

Line items	Foreign currency					
	US dollars	British pound sterling	Yen	Canadian dollars	Swiss francs	Other foreign currencies
A. Financial assets						
A.1 Debt securities						
A.2 Equity instruments						
A.3 Loans to banks	646	226	127	23	123	405
A.4 Loans to customers	8,780	117				
A.5 Other financial assets						
B. Other assets	15	75	28	60	29	62
C. Financial liabilities						
C.1 Payables to banks	8,378	400	71	92	153	531
C.2 Payables to customers	1,006	1	40			
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities	6					
E. Financial derivatives						
- Options						
+ Long-term positions						
+ Short-term positions						
- Other derivatives						
+ Long-term positions	10,142	959	697	696	499	
+ Short-term positions	10,114	956	697	1,302	1,091	
Total assets	19,583	1,376	852	779	652	466
Total liabilities	19,503	1,357	809	1,395	1,243	531
Imbalance (+/-)	80	19	43	-615	-592	-64

2.4 Derivative instruments

A. Financial derivatives

2.4.A.2.1 Bank portfolio: notional values at end and mid-period - hedges

Underlying assets/Type of derivative	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates				
a) Options				
b) Swap	176,200		251,200	
c) Forward				
d) Futures				
e) Others				
2. Equity instruments and equity indexes				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Foreign currency and gold				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
4. Goods				
5. Others underlying assets				
Total	176,200		251,200	
Average values	227,392		237,582	

2.4.A.3 Financial derivatives : positive gross fair value – division by product

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
B. Bank portfolio - hedges				
a) Options				
b) Interest rate swap	5,016		4,048	
c) Cross currency swap				
d) Equity swap				
e) Forward	285		154	
f) Futures				
g) Others				
C. Bank portfolio - other derivatives				
a) Options				
b) Interest rate swap				
c) Cross currency swap				

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	5,301		4,202	

2.4.A.4 Financial derivatives : negative gross fair value – division by product

Underlying assets/Type of derivative	Negative fair value			
	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
B. Bank portfolio - hedges				
a) Options				
b) Interest rate swap			325	
c) Cross currency swap				
d) Equity swap				
e) Forward	281		152	
f) Futures				
g) Others				
C. Bank portfolio - other derivatives				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	281		476	

2.4.A.7 Over the counter financial derivatives - bank portfolio: notional values, positive and negative gross fair value of counterparties – contracts that are not part of netting agreements

Contracts that are not part of a netting agreement	Governments and Central Banks	Others public entities	Banks	Finance companies	Insurers	Non finance companies	Other parties
1) Debt securities and interest rates							
- notional value			176,200				
- positive fair value			5,016				
- negative fair value							
- future exposure			1,081				
2) Equity instruments and equity indexes							
- notional value							

Contracts that are not part of a netting agreement	Governments and Central Banks	Others public entities	Banks	Finance companies	Insurers	Non finance companies	Other parties
- positive fair value							
- negative fair value							
- future exposure							
3) Foreign currency and gold							
- notional value			10,599			9,120	989
- positive fair value			225			53	7
- negative fair value			59			214	8
- future exposure			99			90	10
4) Other values							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

2.4.A.9 Residual life of over the counter financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total 31/12/2010
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity instruments and equity indexes				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other values				
B. Bank portfolio				
B.1 Financial derivatives on debt securities and interest rates	15,000	126,200	35,000	176,200
B.2 Financial derivatives on equity instruments and equity indexes				
B.3 Financial derivatives on exchange rates and gold	25,717			25,717
B.4 Financial derivatives on other values				
Total 31/12/2010	40,717	126,200	35,000	201,917
Total 31/12/2009	83,083	83,200	99,000	265,283

Section 3 – Liquidity risk

Qualitative Information

A. General information, management procedures and methods to measure liquidity risk

The principal sources of liquidity risk refer to the Bank's activities carried out in the securities sector, in loans and lending services on behalf of institutional entities.

The position of both short as well as mid and long-term liquidity is managed by means of policies aimed at maintaining a situation of substantial equilibrium.

Management of the liquidity risk rests with the Bank's Treasury Service, while the measurement of the risk is done by Risk Management which, on a quarterly basis in the context of the analysis contained in the document prepared for ICAAP purposes, makes and reports to the General Management and the Board of Directors an analysis of the trend of corporate liquidity, delineating the components that have most influenced or which might influence its future trend.

The liquidity risk is measured principally by means of an integrated model (maturity ladder), which allows assessing the balance of forecast cash flows, and, by means of building accumulated imbalances, the net balance of the financial need (or surplus) in the time period considered, and the allocation of definite and forecast flows to the various time periods in order to calculate the cumulative GAP for each maturity period.

Further, the Bank analyzes and monitors its cash balances on a daily basis.

The Bank has initiated a broader revision of the management of the liquidity risk, consisting of the formalization of the entire process in two regulatory documents that are about to be issued:

- Handbook of liquidity risk management: this defines the phases of the liquidity risk management process, roles and responsibilities for the personnel involved with respect to "ordinary" management. A measurement framework is determined (made up of a system of short term and structural limits, monitoring indicators and stress tests) and vertical and horizontal reporting as support;

- Emergency Plan (Contingency Liquidity Plan): the objective is to define the phases of the management process of states of pre-crisis and crisis of liquidity, specific or systematic, starting from identification up to mitigating actions.

Traditionally the Bank has always shown a high availability of liquidity, both due to the breakdown of its assets as well as corporate policies aimed at favoring direct deposits.
The structure of the Bank's financial assets, the Bank's direct adherence to the Mercato Interbancario dei Depositi (intended to facilitate finding funding in the market, when necessary), and the Mercato Interbancario Colleteralizzato as well as the techniques and instruments used to manage and measure the liquidity risk represent the principal factors to mitigate the risk.
In view of the best management of liquidity, the Bank adheres to the Mercato Interbancario dei Depositi (e-Mid) and the Mercato Interbancario Collateralizzato (New MIC).
New MIC is the sector of the e-MID market to be used for deposits in Euro with maturities ranging from one day through one year, which uses the guarantee system managed by the Cash Clearing and Guarantee Fund (CC&G).
Trading, whose settlement takes place in Target2, is done in an entirely anonymous manner, with protection from counterparty risk. The guarantee is given by means of the following:
- collateral granted by each participant;
- a mutual aid share, equivalent to 10% of the collateral granted by each participant;
- the interposition between CC&G's counterparties for each executed contract.

Quantitative information

1. Time period distribution by residual contractual duration of financial assets and liabilities - All foreign currencies

Line items/Time periods	On demand	Beyond 1 day through 7 days	Beyond 7 days through 15 days	Beyond 15 days through 1 month	Beyond 1 month through 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years	Indefinite duration
Cash assets										
A.1 Government Bonds					8,848	53,777	39,390	167,334	88,472	
A.2 Other debt securities	1,141				10,012	3,489	7,561	61,966	13,380	
A.3 Shares of mutual funds										
A.4 Loans	378,687	42,979	12,831	100,064	129,981	53,528	83,540	384,815	611,222	
- Banks	20,754	40,007	10,002	83,299		2,502				
- Customers	357,932	2,972	2,829	16,765	129,981	51,026	83,540	384,815	611,222	
Cash liabilities										
B.1 Deposits and bank accounts	729,153	50,015	10,002	50,016	129,697		45,589	9,984	3,495	
- Banks	1,623	40,007	10,002	30,000	129,697					
- Customers	727,530	10,008		20,016			45,589	9,984	3,495	
B.2 Debt securities	1,491	261	20,808	13,688	78,766	106,300	122,717	640,968	52,774	
B.3 Other liabilities										
"Off balance sheet" transactions										
C.1 Financial derivatives with an exchange of principal										
- Long-term positions										
- Short-term positions										
C.2 Financial derivatives without an exchange of principal										
- Long-term positions										
- short-term positions										
C.3 Deposits and loans to be received										
- Long-term positions										
- Short-term positions										
C.4 Irrevocable commitments to issue funds	-42,312			25	1,099	1,502	3,091	5,961	30,633	
- Long-term positions	248			25	1,099	1,502	3,091	5,961	30,633	
- Short-term positions	42,559									
C.5 Financial guarantees issued	9,147		62	215	1,627	2,557	5,247	44,541	50,946	

Section 4 – Operational risks

Qualitative Information

A. General information, management procedures and methods to measure operational risk

Operational risk is identified as the possibility of suffering losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external factors. Operational risk includes legal risk, whereas strategic risks and reputation risks are excluded.

The Bank, aware that emergence of the risks in review can generate losses capable, in a worst case scenario, of actually jeopardizing stability, initiated a project during the course of fiscal year 2006 to identify, manage, measure and control risks.
The guidelines for such project refer to the standards in this area established by the New Agreement on Share Capital (Basel II), which were substantially adopted by the Bank of Italy by means of the «New regulations for the prudential supervision of Banks».

In the context of this project, a recognition and measurement method was delineated and subsequently developed, based on an integrated qualitative as well as quantitative approach, which in practice permits risk to be measured both in terms of potential losses as well as to weigh any losses actually suffered.

In the specific case at hand, the «qualitative» analysis consists of a self-diagnostic assessment process that measures the level of risk exposure by also directly involving the area managers of the principal departments.

For such purpose, corporate processes are broken down into phases, sub-phases and activities following a tree-like structure: activities are associated with one or more risks and the controls to be applied are determined for each of them. A rating is attributed to the risk based on a review of the information thus obtained; such rating is an evaluation of potential risk and enhances the focus of monitoring and control activity.

Potential losses the Bank might incur are estimated for each risk, which have been preventively determined by the Bank's analytical processes, bearing in mind the significance of its impact (average unitary amount of the loss) and frequency (periodic nature of the event over the course of the year), estimating the potential losses the Bank might incur.

The quantitative approach involves data collection related to the losses suffered and evaluates both the allocations for expected losses as well as the use of economic capital to face unexpected losses, taking adequate historical series into consideration and applying suitable statistical methodologies.

The criteria for assessing any operating losses that the Bank suffers, in conformity with what is required by the new prudential regulations, in addition naturally to measuring the amount of the loss and recovery, require detailed qualitative and descriptive information to be disclosed such as the causes of the loss, identification of the type of loss that occurred and the line of business of the context in which it arose.

Internal qualitative and quantitative data, as well as external data, is gathered using a specific electronic procedure prepared for the acquisition and codification of this information in accordance with the rules of the new regulations.

Historical data regarding the most significant losses and the relative write-backs is processed and saved in a special electronic archive: the persons entrusted with data collection, i.e. the heads of the central offices and outlying areas, are required to register information relating to the amounts, times and manner in which the loss occurred, as well as monitor the development of the situation and eventual write-backs.

Periodic audits and control procedures of the processed data guarantee the homogeneity, completeness and reliability of said data.

The comments and evaluations made in analyzing the company processes, the estimates of potential losses and indicators that reflect the trend of the most significant risk phenomenon complete the overall data that is processed and maintained.

The confidentiality of the gathered data is guaranteed by dedicated control procedures that limit and register access to the information.

The review of available data allows identifying the situations in which the mitigation and control activities are adequate and conforming, and those with respect to which, given the high risk associated, it is necessary to act on a priority basis.

The above described organic mapping activities for the operational risks department and to control the monitoring process were initiated during the course of 2006, flanked by the constant management and monitoring activity performed to date.

The Bank uses the Base Method (BIA - Basic Indicator Approach) to calculate regulatory capital, on the basis of which the capital to hedge such type of risk is 15% of the average operating income of the last three fiscal years.
Capital absorption for such type of risk as of 31 December 2010 was 7,678,161 Euro.

Quantitative information

The amount of losses actually verified during the past two fiscal years is set forth below, classified according to the categories provided by regulatory provisions. Their amount, consequent also to the risk assessments conducted on the specific type of risk in review, are not material; in any event there is specific documentation regarding events that resulted in losses.

Data in Euro

Type of event resulting in losses			
Category of event (Level 1)	Definition	2010	2009
1. Internal fraud	Losses due to unauthorized activities, fraud, embezzlement or violation of laws, regulations or company policy that involve at least one of the Bank's internal resources.		
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	250	

Type of event resulting in losses			
Category of event (Level 1)	Definition	2010	2009
3. Employment and workplace safety	Losses deriving from acts that violate laws or agreements with respect to employment or workplace health or safety, from the payment of damages for personal injuries or episodes of discrimination or the failure to apply equal treatment.	929	67
4. Customers, products and professional practice	Losses due to breaches of professional obligations to customers or from the nature or characteristics of the product or service supplied.	6,763	
5. Damage from external events	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.		
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.		
7. Performance, delivery and management of procedures	Losses due to the failure to complete operations or manage procedures, as well as losses due to relations with commercial counterparties, sellers or suppliers.	5,913	78,893
Total		13,855	78,960

Information to the public

The information on capital adequacy, risk exposure and the characteristics of the systems responsible for identifying, measuring and managing such risks required by the New Prudential Regulatory Provisions for Banks (Circular no. 263 of 27 December 2006), Title IV "Information to the public", "Pillar 3", is published on the Bank's website at the address: www.bancacambiano.it.

PART F – INFORMATION ON CAPITAL

Section 1 - Shareholders' equity

A. Qualitative Information

One of the Bank's consolidated objective strategies is represented by the ongoing consolidation of its capital. Its capital, together with its personnel and organization, represents the indispensable resource for the Bank's sound, prudent and efficient management.
Capital, in fact, constitutes "the first defense against risks connected to the Bank's overall activities".
The growth of capital has rigorously accompanied the development of the Bank's size.
The Bank's objective is to maintain an adequate level of coverage exceeding the mandatory parameters determined by the Supervisory Regulations. Its capital dynamics are constantly monitored by the Administrative and Control Bodies and by General Management. Multiple aspects are controlled: among the most important are the ratios with respect to the Bank's financial structure (uses, impaired receivables, total assets, fixed assets), the level of hedged risks, and the level of free capital. The analyses are also performed in prospective, both short-term (connected to the Budget) as well as mid-term (connected to the Corporate Plan).
The proper capital dynamic is determined above all by self-financing, i.e. by the reinforcement of reserves by means of the substantial allocation of fiscal year net profits to capital funds.
Capital also plays a role as a guarantee for depositors and creditors, as required by the Supervisory Authority, in that it is a financial resource capable of absorbing possible losses generated by the risks to which the Bank is exposed.
In such sense, starting from fiscal year 2008 the new rules have required the adoption of a structured procedure known as ICAAP (Internal Capital Adequacy Assessment Process), so that the Bank can perform an autonomous assessment of its own capital adequacy, both current and prospective, in relation to the risks assumed by means of determining the capital deemed to be adequate – by amount and breakdown, for the permanent hedge of all risks.
Such regulations entrusts the Supervisory Body with verifying the reliability and coherency of the relative results and adopting the opportune corrective measures (Supervisory Review and Evaluation Process – SREP).
ICAAP is an internal control process aimed at verifying adequacy to sustain the Bank's strategies.
The Bank has articulated the ICAAP's production process in the following six phases:
1) *Risk identification:* the Risk Management department identifies the risks to be assessed– with the eventual collaboration of other departments (General Management, General Accounting, Organization, Compliance, Ced);
2) *Risk assessment (measurement, assessment and stress testing):* the Risk Management department, with the eventual collaboration of other departments, assesses risk (measurement, assessment and stress testing). It determines the internal capital required for individual and overall risks;
3) *Determination of overall capital/reconciliation with regulatory capital:* the Risk Management department, together with the Accounting department, determines overall capital and indicates its reconciliation with regulatory capital;
4) *Final risk assessment review:* the Risk Management department, together with General Management, review the results of Phases 1-3 and propose eventual actions to the Board of Directors;
5) Corrective measures/ mitigation: the Board of Directors approves eventual corrective and/or mitigating measures proposed by the Risk Management department and/or General Management and entrusts the competent departments to implement them.
6) *Internal audit – Conformity of the procedure to the regulations*: the Internal Audit department reviews the procedure and expresses an opinion on its conformity with outstanding regulations.
The performance of the inherent activities occurs in a framework involving different organizational levels. The Bank decided which departments were responsible for the development and preparation of the various phases and/or activities of the ICAAP procedure in consideration of its size and operations.

B. Quantitative information

B.1 Shareholders' equity: breakdown

Line items\Values	Amount 31/12/2010	Amount 31/12/2009
1. Share capital	2,879	2,900
2. Premiums on issue of new shares	242	239
3. Reserves	216,626	210,930
- retained earnings	216,626	210,930
a) legal	173,703	168,716
b) statutory	42,923	42,214
c) treasury shares		
d) other		
- other		
4. Equity instruments		
5. (Treasury shares)		

Line items\Values	Amount 31/12/2010	Amount 31/12/2009
6. Valuation reserves	9,622	10,629
- Financial assets available for sale	-8,046	-207
- Property, plant and equipment		
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges		
- Exchange rate differences		
- Noncurrent assets in the course of divestment		
- Actuarial profits (losses) related to defined benefit plans		
- Shares of valuation reserves related to subsidiaries measured at shareholders' equity	6,832	
- Special revaluation laws	10,836	10,836
7. Fiscal year profit (loss)	8,400	13,075
Total	237,769	237,773

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

Assets/Values	Total 31/12/2010		Total 31/12/2009	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	23	8,069	1,221	1,428
2. Equity instruments				
3. Shares in mutual funds				
4. Loans				
Total	23	8,069	1,221	1,428

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

	Debt securities	Equity instruments	Shares of mutual funds	Loans
1. Initial value	-207			
2. Additions	540			
2.1 Increases of fair value	540			
2.2 Reversal to the income statement of negative reserves:				
- from impairment				
- from use				
2.3 Other additions				
3. Reductions	8.378			
3.1 Reductions of fair value	7.578			
3.2 Adjustments from impairment				
3.3 Reversal to the income statement from positive reserves: from use	800			
3.4 Other reductions				
4. Final value	-8.046			

Section 2 – Regulatory capital and ratios

2.1 Regulatory capital

A. Qualitative Information

The regulatory capital and capital ratios are calculated on the basis of the capital value and economic result, calculated by applying the regulations on financial statements provided by the IAS/IFRS International Accounting Standards and considering the regime of the Bank of Italy on regulatory capital and prudent ratios.

Regulatory capital is calculated as the total of the positive and negative components, on the basis of their type of capital; the positive components must be fully available to the Bank, so that they can be used in calculating asset absorption.

This constitutes the reference factor for the provisions of prudent regulatory requirements, and consists of base capital and additional capital, net of some deductions, in particular:

1. Base capital (Tier 1)

Share capital, premiums on issue of new shares, retained earnings and capital reserves are the primary type of capital elements. Base capital consists of the total of such elements, after deducting treasury shares or quotas, intangible assets, as well as eventual losses recorded in prior fiscal years and the one in course.

2. Additional capital (Tier 2)

Additional capital consists of valuation reserves for property, plant and equipment (special revaluation laws), positive reserves for securities available for sale (aggregating "equity instruments and shares of mutual funds" and "debt securities"), net of the relative prudential filters, as well as the calculated share of any subordinate loans that may have been issued.
The Bank has not issued hybrid capitalization instruments or subordinate liabilities.

3. Third level capital

At present the Bank does not use instruments included in this type of capital.

4. The Bank of Italy's Measure of 18 May 2010 - Prudential filters and effects on regulatory capital

It is noted that, subsequent to the Measure of the Bank of Italy of 18 May 2010, the Bank, for the sole purpose of calculating regulatory capital, exercised the option that allows capital gains and capital losses to be entirely sterilized with respect to securities allocated to the Available for Sale portfolio and issued by Central Administrations of States belonging to the European Union (symmetrical approach).
Complete sterilization applies to securities acquired subsequent to 31.12.2009 and immediately classified in the Available for Sale portfolio; with respect to securities already present in the Available for Sale portfolio as of 31.12.2009, the sterilization only regarded variations of the valuation reserve subsequent to such date.

B. Quantitative information

	Total 31/12/2010	Total 31/12/2009
A. Base capital prior to application of prudential filters	227,149	219,548
B. Prudential filters of base capital:	-1,704	-649
B.1 IAS/IFRS positive (+) prudential filters		
B.2 IAS/IFRS negative (-) prudential filters	-1,704	-649
C. Base capital prior to application of prudential filters (A + B)	225,445	218,899
D. Items to be deducted from base capital		
E. Total base capital (TIER 1) (C - D)	225,445	218,899
F. Additional capital prior to application of prudential filters	17,668	17,098
G. Prudential filters of additional capital:		
G.1 IAS/IFRS positive (+) prudential filters		
G.2 IAS/IFRS negative (-) prudential filters		
H. Additional capital prior to application of prudential filters (F + G)	17,668	17,098
I. Items to be deducted from additional capital		
L. Total additional capital (TIER 2) (H - I)	17,668	17,098
M. Items to be deducted from base and additional capital		
N. Regulatory capital (E + L - M)	243,113	235,997
O. Third level capital (TIER 3)		
P. Regulatory capital inclusive of TIER 3 (N + O)	243,113	235,997

2.2 Capital adequacy

A. Qualitative Information

The new structure of prudent regulation according to the Basel Accord on Capital (Basel 2) is based on three Tiers as already indicated in other pars of the financial statements and Report on Operations.
In order to measure capital adequacy, the Tier 1 capital ratio is extremely important, represented by the ratio between base capital and the overall risk weighted assets.
As appears from the breakdown of regulatory capital and from the following detail of the prudential requirements, the Bank has a ratio of base capital and risk weighted assets of 16.03% (16.67% as of 31.12.2009), and a ratio between regulatory capital and risk weighted assets (total capital ratio) of 17.29% (17.97% as of 31.12.2009), more than the minimum requirement of 8%.

B. Quantitative information

Categories/Values	Non weighted amount		Weighted amounts/prerequisites	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
A. RISK ASSETS				
A.1 Credit risk and counterparty's credit risk	2,337,022	2,245,993	1,286,281	1,178,671
1. Standard methodology	2,337,022	2,245,993	1,286,281	1,178,671

Categories/Values	Non weighted amount		Weighted amounts/prerequisites	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
2. Methodology based on external ratings				
2.1 Base				
2.2 Advanced				
3. Securitizations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			102,902	94,294
B.2 Market risk			1,911	3,231
1. Standard methodology			1,911	3,231
2. Internal models				
3. Concentration risk				
B.3 Operational risk			7,678	7,524
1. Base method			7,678	7,524
2. Standard method				
3. Advanced method				
B.4 Other prudential requirements				
B.5 Other calculation items				
B.6 Total prudential requirements			112,492	105,048
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk weighted assets			1,406,145	1,313,106
C.2 Base capital/Risk weighted assets (Tier 1 capital ratio)			16.033%	16.670%
C.3 Regulatory capital inclusive of Tier 3/Risk weighted assets (Total capital ratio)			17.289%	17.972%

PART H –TRANSACTIONS WITH RELATED PARTIES

1. Information on the remuneration of managers with strategic responsibilities (gross fees)

Description	2010	2009
a. Directors' fees	201	127
b. Fees of statutory auditors	92	72
c. Remuneration of managers	1,044	855

The amount indicated for "Managers with strategic responsibility", intending anyone with the power and responsibility for planning, direction and control, includes the amount of the remuneration paid and the share of severance pay matured during the fiscal year.
For the Managers, and for all personnel in general, no incentive bonuses were provided related to profits achieved, there are no pension plans other than those established in the employment contracts, and there are no stock incentive plans.

2. Information on transactions with related parties

Directors	2010	2009
a. Receivables	1,706	4,040
b. Guarantees issued	485	1,895
Total	2,191	5,934

Statutory auditors	2010	2009
a. Receivables		388
b. Guarantees issued	5	
Total	5	388

The relations and transactions with related parties had no critical factors, in that they were part of the ordinary activities and services.
During the fiscal year there were no atypical or unusual transactions with related parties which, due to their significance or amount, might have resulted in doubts as to the safety of the corporate capital.
The application process related to requests for loans from related parties follows the same lending process reserved to other non related counterparties with analogous creditworthiness. With respect to transactions with parties exercising the Bank's administrative, direction and control functions, Article 136 of Legislative Decree 385/1993 and Article 2391 of the Italian Civil Code are applied.
Transactions with related parties take place on market conditions and in any event on the basis of an assessment of economic convenience and always in compliance with outstanding law.
In particular, Managers with strategic responsibilities are subject to the conditions reserved to all personnel or provided by the employment contract; and Directors and Statutory Auditors are subject to the conditions of customers having analogous professional profiles and standing.

List of real property with an indication of the appraisals performed as of 31 December 2010 - Law no. 72 of 19/03/1983, Article 10

Value in Euro

Location	Description	Historical cost	Rev. Law 576/75	Rev. Las 72/83	Rev. Law 413/91	Rev. from IAS F.T.A. 01/01/2005	Total Real Property as of 31/12/2010	of which value of land as of 31/12/2010	of which value of building as of 31/12/2010	Dep. fund as of 31/12/2010	Balance sheet value as of 31/12/2010
Castelfiorentino P.za Giovanni XXIII, 6	Registered office	4,105,382.77			179,686.49	3,749,133.86	8,034,203.12	2,000,000.00	6,034,203.12	3,199,348.14	4,834,854.98
Gambassi Terme Via Garibaldi, 18	Branch	26,829.87	1,032.91	23,240.56	3,351.63	153,497.10	207,952.07		207,952.07	68,971.57	138,980.50
Castelfiorentino Loc. Cambiano	Delivery Address	1,336.07	156.13	12,452.13	4,523.08	182,045.73	200,513.14		200,513.14	89,863.56	110,649.58
Castelfiorentino Via Piave, 8	Office	30,196.41	10,640.56	179,368.07	42,041.82	1,258,393.70	1,520,640.56	480,000.00	1,040,640.56	570,684.12	949,956.44
Castelfiorentino Via Carducci, 8/9	Office	1,179,534.54		480,304.92	63,973.86	2,409,821.62	4,133,634.94	1,800,000.00	2,333,634.94	1,170,073.90	2,963,561.04
Certaldo Viale Matteotti, 29/33	Branch	3,487,215.44			31,824.23	1,999,994.92	5,519,034.59	1,574,000.00	3,945,034.59	1,861,234.97	3,657,799.62
Empoli Via Chiarugi, 4	Branch	4,104,244.45				2,747,576.29	6,851,820.74	2,000,000.00	4,851,820.74	2,070,474.57	4,781,346.17
Poggibonsi Via S.Gimignano, 24/26	Branch	2,272,577.34				710,081.76	2,982,659.10	935,000.00	2,047,659.10	917,006.21	2,065,652.89
Castelfiorentino Via Cerbioni	Archive 1	530,024.22				227,843.68	757,867.90	185,000.00	572,867.90	223,189.62	534,678.28
Castelfiorentino Via Dante 2/a	Office	574,926.35				62,634.22	637,560.57		637,560.57	135,910.30	501,650.27
Barberino V.E. P.za Capocchini, 21/23	Branch	74,025.50				475,967.92	549,993.42		549,993.42	122,363.34	427,630.08
Gambassi Terme Via Garibaldi, 16	Branch	37,565.01				182,506.08	220,071.09		220,071.09	49,810.69	170,260.40
Empoli Via Cappuccini, 4	Branch	44,546.63				156,468.03	201,014.66		201,014.66	46,593.62	154,421.04
Castelfiorentino Via Cerbioni	Archive 2	415,529.86				98,100.76	513,630.62	150,000.00	363,630.62	107,988.18	405,642.44
Castelfiorentino Via Gozzoli, 45	Branch	1,007,904.84				1,012.59	1,008,917.43	250,000.00	758,917.43	150,316.41	858,601.02
Cerreto Guidi Via V. Veneto, 59	Branch	460,623.37				216,285.98	676,909.35		676,909.35	129,345.89	547,563.46
Castelfiorentino Via Veneto/Via Piave	Non operational office	1,409,081.59				-70,200.00	1,338,881.59	600,000.00	738,881.59		1,338,881.59
Gambassi Terme Via Volta, 19/21	Archive 3 Non operational	1,691,074.66					1,691,074.66	552,655.12	1,138,419.54	59,706.74	1,631,367.92
Castelfiorentino Via Piave, 10	Non operational office	233,987.64					233,987.64		233,987.64		233,987.64
Firenze- Via Varchi, 2/4 Viale Gramsci	Non operational office	7,998,057.31					7,998,057.31	1,222,000.00	6,776,057.31		7,998,057.31
Colle di Val d'Elsa Piazza Arnolfo	Non operational office	774,000.00					774,000.00	774,000.00	0.00		774,000.00
Castelfiorentino Via Piave, 6 (Garage)	Non operational office	138,468.45					138,468.45		138,468.45		138,468.45
Castelfiorentino Via Piave, 25	Non operational office	535,515.30					535,515.30		535,515.30		535,515.30
Total		31,132,647.62	11,829.60	695,365.68	325,401.11	14,561,164.24	46,726,408.25	12,522,655.12	34,203,753.13	10,972,881.83	35,753,526.42