Annual Report 2010

Hypo-Alpe-Adria Bank S.p.A.

Italy

English translation from original Italian version

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Share Capital: 318,187,600
Share Capital paid-up: 318,187,600
Registered Office: Udine, Via Marinoni 55
Administrative Office: Tavagnacco, Via Alpe Adria 6
Tax Code, VAT Number and
Udine Companies Register Number: 01452770306
Company performing direction and coordination activities:
Hypo Alpe-Adria-Bank-International A.G. - Klagenfurt (Austria)

Directors' report at 31 December 2010

Dear Shareholders,

in financial year 2010 – which represents the 25th year of operations and the 13th year of business in the banking sector – the Bank concentrated mainly on re-focussing its activities and on upgrading its credit, rather than on trying to expand its market share, also in view of the weak economic situation and the shaky recovery.

Asset volumes therefore decreased, in terms of both lending and deposits.

In relation to the economic results, on the other hand, the annual net profit increased. This was achieved due to careful administration cost management and a reduction in the write-downs on credits, while maintaining a prudent risk assessment approach, against the substantial provisions made in the previous years at the most critical points of the economic cycle.

Having carefully evaluated the information available, while also taking into consideration the forecasts for the future macroeconomic trend, the Management of the company does not feel that there is any uncertainty or doubt surrounding the company's ability to continue operations.

Details of the activities conducted in the course of financial year 2010 are provided in the following chapters.

The macro-economic outlook

International economic situation

The global economy continued to recover in financial year 2010, amongst a great deal of uncertainty: in the second half of the year there was a slowdown in the recovery rates of pre-tax positions, and the sovereign debt problems experienced by some European countries extended further.

The global product grew 5% on average, although the economic situation was marked by differential growth rates: growth was not very strong in the United States, while production activity China, India and Japan continued to be lively. On the euro front (+1.6%), growth rates were rather variable, associated mainly with the performance recorded by Germany (+3.9%), the country which has chiefly propped up the European economy.

The Italian growth rate was lower than the European average (+1%), with growth focused mainly on export companies. Domestic demand is still weak, on the other hand, particularly in the consumer sector, weighed down by the employment prospects and by the stagnation in real household income. The investment trend was slightly stronger, particularly the residential segment.

The economic policies of the advanced countries have been affected by the need to limit public debt levels: in fact, the financial crisis has increased the public deficits of these countries. In Europe, the tensions experienced in some sovereign countries have sharpened the focus on the risk of prolonged imbalances: the financial aid granted to Greece and Ireland is actually conditional to these two countries adopting strict fiscal consolidation programmes and sharp economic reforms.

Monetary policies have been restrictive to varying degrees, with the aim of dealing with the different scenarios in different parts of the world.

The credit market in Italy

In comparison with last year, the main feature of the banking system was some slowdown in deposits. The short-term component, net of bonds, grew +4.9%, almost two points lower than the level recorded in the previous year. Bonds recorded a particularly weak trend, although there have been some signs of recovery. The change in this aggregate, whose share of total funding has decreased, can be explained mainly by pricing problems: in addition to the flattening on the yield curve, the Italian banks are paying a premium associated with the country risk. However, the Italian banking sector has managed to guarantee that the economy receives an adequate flow of credit. Lending in the non-financial sector recorded the same growth rate as last year (+2.2%).

Bank earnings have decreased, due to the slow economic recovery and amplified by the structural features of the Italian banking system. This system – marked by retail deposits, low financial lever and limited transformation of securities – has made Italian banks less exposed to the volatility of the financial markets, but also heavily dependent on the net interest margin and on the contraction in brokered volume levels.

In addition to being affected by the contraction in the net interest margin – caused mainly by the reduction in the mark-down on on-demand deposits – the earnings situation was also negatively affected by the deterioration in credit quality following the recession period that has just come to an end. Although the write-downs on credit values were lower than in 2009, they continued to absorb more than half of the annual profit.

Non-performing bank loans continued to rise in the course of the year: net non-performing loans increased more than 20 percentage points. At the system level, the net non-performing loans / Lending ratio increased to 2.3% (1.9% in 2009).

Under these circumstances it was vital to focus on operating efficiency, which has brought the costs / income ratio close to the average level recorded by European countries.
The cost limitation programme made it possible to maintain earnings levels: the Roe of the banking system amounted to 2.7%, the same as in the previous year.

The capital and the reserves increased. This trend was affected by the prospects of new, international regulations regarding capital requirements, which have persuaded the banks to increase their capital endowments while waiting for specific details about the new regulations.

Management trend

The total Balance Sheet assets decreased (-1.48%) from the level recorded for the same period of the previous year.

This phenomenon was due basically to the reduction in lending (-1.65%), which can be chiefly attributed to the credit-upgrading process, which involved both new contracts granted and the revision of existing contracts.

Direct deposits from customers decreased 9.43%. Total deposits decreased less (-4.79%) due to the positive impact of the trend in indirect deposits (+5.90%).

The reduction in direct deposits can be explained mainly by the fact that institutional bond loans matured, and that it was decided that they would not be renewed.

Financial Lending

Interbank
Total lending amounted to 29.78 million euro (-40.18%). The changes in comparison with the previous year can be explained by the treasury position adjustments made at the end of the year.

To customers
At the end of the year lending to customers – net of write-downs – amounted to 4,318 million euro, 1.65% lower than at the end of the previous year.

As seen in the table, there have been decreases in all technical forms, net of the impaired items, although these decreases occur particularly in the short-term bank credit sector.

Leasing credits – gross of transferred credits – decreased 3.84%.

The "other transactions" item includes other short-term items, such as financing for advance payments on bills subject to collection (sbf), and funding not settled on the current account.

Impaired assets increased (+16.14%), due to the heightened prudence displayed by the bank when deciding whether to post credits as non-performing loans, deadlock or persistent non-fulfilment.

Economic lending

Values in million euro

			Change	
Divided by technical form	31.12.2010	31.12.2009	Absolute	%
1. Current accounts	225.11	295.15	-70.04	-23.73%
2. Credit repurchase agreements				
3. Mortgage loans	542.82	574.27	-31.45	-5.48%
4. Credit cards, personal loans and loans with repayment of no more than 1/5 of salary	0.65	1.32		
5. Leasing	2,327.35	2,420.34	-92.99	-3.84%
6. Factoring				
7. Other transactions	334.25	335.04	-0.79	-0.24%
8. Issued bonds				
9. Impaired assets	887.82	764.45	123.37	+16.14%
10. Assets transferred and not cancelled				
Total net lending	**4,318.00**	**4,390.57**	**-72,57**	**-1.65%**

The new production leasing trend recorded a contraction in comparison with the previous year, in terms of both stipulated value (-45.42%) and number of contracts (-46.84%).

Values in million euro

Value of new production leasing	31.12.2010 No. of contr.	31.12.2010 Value	31.12.2009 No. of contr.	31.12.2009 Value
Vehicle	1,043	39,301	1,947	82,514
Inconsumable goods	311	19,290	662	43,653
Aero-nautical	8	2,200	25	12,062
Real estate	170	96,883	243	140,680
Real estate under construction	5	9,748	14	27,865
Total	**1.537**	**167,422**	**2,891**	**306,774**

The system, on the other hand, recorded a 4.72% increase in the stipulated value, and 4.50% increase in the number of contracts stipulated.

Regarding the market position of the leasing sector, note that (source Assilea):
- the Bank is in 28th position by value of residual debt (16th in 2009)
- the market share – calculated on the stipulated value – is 0.61% (1.18% in 2009)

Assets held for trading

The aggregate amounts to 1.61 million euro, significantly lower than the figure recorded last year. This item includes both the positive values of own securities and the positive values of trading derivatives.

Values in million euro

Attivita' detenute per la negoziazione	Book Value 31.12.2010	Book Value 31.12.2009
A) Cash assets	**0**	**0,1**
Issued bonds		0,10
Equities		
O.I.C.R. Quotas		
Financing		
Impaired assets		
Assets transferred and not cancelled		
B) Derivative instruments	**1.61**	**2.71**
Banks	0.81	2.64
Other issuers	0.80	0.07
Total	**1.61**	**2.81**

Holdings in group companies
There were no changes in the course of the year.

Values in million euro

Holdings	Book Value 31.12.2010		Book Value 31.12.2009	
Hypo Alpe-Adria-Finance S.r.l.	0.82	100%	0.82	100%
Hypo Alpe-Adria-Consultants S.r.l.	2.61	100%	2.61	100%
Total	**3.43**	**100%**	**3.43**	**100%**

Other holdings
There are no holdings in companies that do not belong to the group.

Relations with the organisation performing direction and coordination activities and with other companies subject to the same.
Information regarding relations with the organisation performing direction and coordination activities, and with companies subject to the same, together with detailed book figures, appears in Section H of the Supplementary Information: "Operations with related parties".

It is specified that all relations with group companies, for the exchange of goods and services, were settled under market conditions and prices, according to the quantity and quality of the goods and/or services offered and/or exchanged.

Direct and indirect deposits

The fiduciary mass amounts to approximately 4,003 million euro (-1.99%). An analysis of the individual sectors shows:

Interbank deposits
At the end of 2010, the interbank supply (2,734 million euro) was basically stable in comparison with the volumes recorded last year (+1.90%). The decrease in direct deposits did not translate into a significant increase in the interbank supply, since it was accompanied by a contraction in lending volume. Interbank deposits refer mainly to short and medium-long term deposits from the Parent Company. Recourse to other financing counterparts amounts to approximately 2.69% of the total balance. The objective pursued by interbank deposit management in the course of the year was to maintain a level of correlation with lending, in terms of both maturity dates and currencies.

Customer deposits
Total customer deposits – given by direct plus indirect deposits – amounted to 1,914 million euro, 4.79% less than at the end of the previous year.

Values in million euro

CUSTOMER DEPOSITS Divided by technical form	31.12.2010	31.12.2009	Change Absolute	%
1. Current Accounts and Free Deposits	503.49	455.88	47.61	10.44%
2. Term deposits	0.76	2.30	-1.54	-66.96%
3. Financing	32.14	26.86	5.28	19.66%
3.1 Repurchase agreements – dep. side	16.17	9.79	6.38	65.17%
3.2 Other	15.97	17.07	-1.1	-6.44%
4. Payables for commitment of own Asset Instruments				
5. Other Payables	274.00	254.15	19.85	7.81%
a. Total payables to customers (Item 20)	**810.39**	**739.19**	**71.2**	**9.63%**
1. Bonds	424.10	622.90	-198.8	-31.92%
5. Other Securities	1.41	6.51	-5.1	-78.34%
b. Securities outstanding (Item 30)	**425.51**	**629.41**	**-203.9**	**-32.40%**
c. Financial Liabilities at Fair value (Item 50)	**33.47**	**32.86**	**0.61**	**1.86%**
d. Total Direct Deposits (a+b+c)	**1,269.37**	**1,401.46**	**-132.09**	**-9.43%**
e. Total indirect deposits	644.65	608.74	35.91	5.90%
Total Deposits	**1,914.02**	**2,010.21**	**-96,19**	**-4.79%**

Direct deposits

As seen in the table above, the Bank's direct deposits are mainly in:

- current accounts and free deposits (39.66% of total direct deposits), amounting to 503.49 million euro (10.44% higher than in the previous year)
- bonds (33.41% of the total), amounting to 424 million euro (31.92% lower than in the previous year). This reduction was caused mainly by the fact that securities issued on the institutional market came to maturity and it was decided not to renew them.
- The "Other payables" item includes the payables associated with the securitisation transactions.

A more detailed analysis of the book balanceS for deposits from ordinary customers (C/C+DR+CD) confirms that approximately 93% of accounts have balances of less than 50 thousand euro. The volume of these accounts amounts to approximately 21% of the total volume. This phenomenon is certainly due to the types of deposit, such as zero cost current accounts, for example, which tend to favour the "service" component rather than the "interest rate" component, and which have rather low balances.

An analysis of the composition of customer deposits by economic sector shows that deposits are polarised between Consumer Families (32.70%) and Manufacturing Companies (51.65%).

Indirect deposits

Indirect deposits amounted to 644.66 million euro, 5.90% higher than at the end of the previous year.

Values in million euro

Indirect deposits	31.12.2010	31.12.2009	Change Absolute	%
CCT and BTP	69.62	68.48	1.14	1.66%
Bonds	115.54	133.26	-17.72	-13.30%
Other securities	88.74	87.30	1.44	1.65%
Common funds and sicav	317.83	273.05	44.78	16.40%
Policies	52.93	46.66	6.27	13.44%
Total	**644.66**	**608.74**	**35.92**	**5.90%**
Of which, managed assets	**386.168**	**335.81**	**50.36**	**15.00%**

Managed deposits – which in addition to managed assets also include GPF, common funds and policies – has a weighting of approximately 60% on the total.
Regarding customer segments, note that approximately 94% of managed deposits have been placed with retail customers.

Regarding policies, the Bank has sold insurance policies issued by the following companies: Grazer Wechselseitige Versicherung A.G. of Graz (with premiums amounting to 41.81 million euro); Skandia Vita S.p.A. with head office in Milan (with premiums amounting to 6.81 million euro); Alleanza (with premiums amounting to approximately 4.32 million euro).

The table below shows the division between the managed savings and administered savings sectors, by placement network.

Values in million euro

Raccolta indiretta	31.12.2010 Int. networks	31.12.2010 Ext.networks	31.12.2010 Total	31.12.2009 Int. networks	31.12.2009 Ext.networks	31.12.2009 Total
Total	**254.67**	**389.99**	**644.66**	**266.53**	**342.22**	**608.75**
administered	184.24	74.25	**258.49**	208.82	64.11	**272.93**
managed	70.43	315.74	**386.17**	57.71	278.11	**335.82**

Annual profit (loss)

The table below gives a detailed analysis of the re-classified income statement:

Values in million euro

Income statement	2010	2009	Change Absolute	Change %
Interest receivable and similar income	156,252	196,783	-40,531	-20.60%
Interest payable and similar expenses	-52,473	-82,883	30,410	-36.69%
a. Net interest margin	**103,779**	**113,900**	**-10,121**	**-8.89%**
Commissions receivable	20,595	18,122	2,473	13.65%
Commissions payable	-7,836	-8,246	410	-4.97%
b. Net commissions	**12,759**	**9,876**	**2,883**	**29.19%**
Dividends and similar income	0	0	-	
Profit/loss from financial transactions	-2,535	-1,013	-1,522	150.25%
Profit/loss from hedging activities	56	161	-105	-65.22%
Profit from transfer or buyback of:	213	138	75	54.35%
a) credits			-	
b) financial assets available for sale			-	
c) financial assets held to maturity			-	
d) financial liabilities	213	138	75	54.35%
Profit/loss of financial assets and			-	
liabilities valued at fair value	64	204	-140	-68.63%
Profit (Loss) from transfer of investments	21	8	13	162.50%
Balance other management income / Other management charges	13,178	13,266	-88	-0.66%
c. Operating income (a+b)	**127,535**	**136,540**	**-9,005**	**-6.60%**
Administrative expenses:	-64,333	-65,155	822	-1.26%
a) personnel costs	-33,040	-34,285	1,245	-3.63%
b) other administrative expenses	-31,293	-30,870	-423	1.37%
Net provisions for liabilities and charges	-500	-1,429	929	-65.01%
Net write-downs/ write-backs in tangible assets	-4,052	-4,428	376	-8.49%
Net write-downs/write-backs on intangible assets	-708	-838	130	-15.51%
d. Operating costs	**-69,593**	**-71,850**	**2,257**	**-3.14%**
e. Annual profit/Loss before write-downs/write-backs (c-d)	**57,942**	**64,690**	**-6,748**	**-10.43%**
Net write-downs/write-backs for impairment of:	-36,304	-51,134	14,830	-29.00%
a) credits	-36,304	-51,134	14,830	-29.00%
b) financial assets available for sale				
c) financial assets held to maturity				
d) other financial transactions				
f. Profit/loss from current operations, gross of taxes	**21,638**	**13,556**	**8,082**	**59.62%**
Annual income tax on current operations	-10,818	-10,010	-808	8.07%
g. Profit/loss on current operations, net of taxes	**10,820**	**3,546**	**7,274**	**205.13%**
Profit/Loss of groups of assets held for sale net of annual income tax			0	
on current operations	0	0	0	
h. Annual Profit (Loss)	**10,820**	**3,546**	**7,274**	**205.13%**

In comparison with last year, the net interest margin dropped 8.89% from 114 million euro to 104 million euro. This reduction was due mainly to the downturn in credit brokerage operations.

The operating income decreased (-6.60%).

The main components of this item are examined below.

Net commissions amounted to +12.8 million euro, up 29.19%.
This significant increase can be explained by the increase in the made available commission, sums which – since it was specified by Banca d'Italia in 2009 – in last year's balance sheet was applied only from the third quarter.

Regarding the other sectors, there was a reduction in commissions related to collection and payment services, and to current account holding and administration services, while there was an increase in commissions for administration, brokerage and consulting services, particularly for the managed savings segment.

The items that can be traced back to financial management activities – or, in other words, those deriving from the sum of the net profit/loss on financial transactions, hedging activities and assets and liabilities valued at fair value – performed less well than in the previous year, particularly the financial transactions component.

The balance between other administrative income and charges consists mainly of the expenses and taxes re-debited to customers (these expenses refer mainly to the leasing sector). This reduction can be attributed to the downturn in leasing activity recorded in the course of the year.

The annual profit/loss gross of write-downs decreased 10.43%.

Operating costs were reduced 3.14%.

More specifically:
- personnel costs decreased 3.63%, mainly as a result of the reduction in staff, from 553 to 537, which was effected in line with a staff rationalization programme, and which involved both the managerial and the sales network segments
- general expenses remained virtually stable (+1.37%). This limited increase was the result of careful cost management, which, in addition to cost control, also involved the re-examination of some contractual relationships with suppliers, while still focussing on the general objective of maintaining high service levels
- the write-downs on technical assets did not decrease significantly in the course of year, since, in view of this specific economic period – the growth process has come to a pause: no new sales points were opened in the year. The Piove di Sacco agency is currently being prepared
- as a prudential measure, the net provisions for liabilities and charges include charges for legal disputes against potential liabilities

The profit deriving from current operations amounts to 21.64 million euro (+59.61%). This significant increase on last year's figures is due mainly to the reduction in provisions for credit risks (-29%). As explained in more detail in the Supplementary Notes, the phenomenon can be explained by the increase in write-backs – which rose from 9.31 million euro to 20.47 million euro.

Income tax amounted to 10.82 million euro.

The annual profit amounted to 10.82 million (+205.10%).

The Roe amounted to 2.89% (0.95% in 2009), the Roa is 0.24% (0.07% in 2009).

The previous indicators – at the banking system level – were respectively 2.7% and 0.21%.

Regarding the efficiency indicators, the C.i.r. amounted to 54.57% (52.62% in 2009), remaining below the system figure of more than 60%.

Trend of Company Assets

The main changes in Net Assets recorded in 2010 were related to the fact that the entire 2009 profit was distributed as dividend, except for the provision made to the Legal Reserve.

There has been a growth in own means with respect to dimensional development, as a result of having carefully specified the capitalisation levels in relation to deposit and lending asset volumes.

Ratios:

	31.12.2010	31.12.2009
Own Means / Fiduciary Mass	9.35%	9.17%
Own Means / Administered Mass	8.55%	8.40%
Own Means / Total Assets	8.34%	8.22%

At the end of 2010 the Supervision Assets amounted to 387 million euro, approximately 14 million euro lower than at the end of the previous year (-3.49%). The changes occurring in this item since the end of the previous year can be explained by the continuation of the deconto phase, for Supervision Asset purposes, of subordinate loans, for the respective amounts of 20 million euro issued in 2002 and 28 million euro issued in 2003.

Note that:

- the ratio between Base Assets and weighted risk assets amounts to 10.09% (9.16% in 2009)
- the ratio between Supervision Assets and weighted risk assets amounts to 10.49% (9.89% in 2009)

Trend of the Statement of Cash Flows

Liquidity flows in 2010 were 5,048 thousand euro lower than in the previous year.

In more detail:

- operating management recorded a positive liquidity flow of +1,467 thousand euro. The liquidity absorbed by the financial assets exceeded the liquidity generated by financial liabilities and by management
- investment activities – or, in other words, the balance deriving from the purchase and sale of tangible and intangible assets – was negative, -2,969 thousand euro
- lending activities generated a negative result, with a balance of -3,546 thousand euro

Company risk profiles

The situation is below the limits for all the risk profiles considered by Banca d'Italia.
A risk control system has been set up, with the aim of ensuring reliable and sustainable value generation in a context of controlled risk.
In line with, and in collaboration with, other operating areas involved from time to time, Risk Control is delegated to preside over the market, credit and operating risks. Risk Control operates in full autonomy from the other organizational units, and reports directly to the Board of Directors of the Bank.
The individual risk profiles will now be analysed.

Credit risk

The Bank commitment in terms of credit risk focuses on the following guidelines:

a) refine the loan recipient selection process by carefully analysing the credit market and the guarantees
b) diversify the portfolio, limiting as much as possible the risk of concentrating outstanding loans in individual counterparts /groups or individual sectors of economic activity or geographic areas
c) carefully monitor account trends, in order to note promptly any account deterioration symptoms, with the aim of entering these accounts into the special credit management processes

An analysis of the credit portfolio shows that growth has been maintained while maintaining an adequate division structure:

- 35.13% of financial loans, including leasing transactions – consists of loans amounting to less than 520,000 euro utilisation (table 1)

- The 10 largest customers represent 3.65% of the total portfolio (table 2)

- The loan policy objective has been aimed at maintaining and developing relations with small and medium-sized businesses operating in the entrepreneurial fabric of Northern Italy. The financial activity sector records a significant weighting toward manufacturing companies, and a very light weighting toward consumer families. This picture can be explained by the major impact made by the leasing sector, whose user basin is chiefly small businesses and crafts enterprises (table 3)

- A more detailed analysis of the manufacturing sector – conducted by examining the loans of the "Non-Financial Companies" sector divided by the main branches of economic activity – confirms that a diversification-oriented approach has been adopted (table 4)

- Regarding the division of the non-performing loans – gross of the write-down funds – by sector/branch of economic activity, the sectors most at risk are those related to the manufacturing and crafts segments, which are also the segments recording the most significant lending activities (table 5)

- No Country risk is recorded: the credits in pool granted to countries belonging to the OCSE B category are, in fact, entirely covered by Parent Company guarantee

Table 1

Including Leasing loans

Lending to customers by amount band	31.12.2010	31.12.2009
Up to 0.02 million euro	1.36%	1.38%
From 0.02 to 0.03 million euro	0.95%	0.99%
From 0.03 to 0.04 million euro	0.90%	0.94%
From 0.04 to 0.06 million euro	1.84%	1.88%
From 0.06 to 0.13 million euro	6.34%	6.45%
From 0.13 to 0.26 million euro	9.87%	9.90%
From 0.26 to 0,52 million euro	13.87%	13.72%
From 0.52 to 2.58 million euro	37.73%	38.08%
From 2.58 to 5.16 million euro	13.32%	12.50%
More than 5.16 million euro	13.82%	14.16%
Total	**100.00%**	**100.00%**

Table 2

Division of lending	31.12.2010	31.12.2009
10 largest customers	3.65%	3.53%
20 largest customers	5.77%	5.58%
30 largest customers	7.60%	7.26%
50 largest customers	10.81%	10.17%
60 largest customers	12.20%	11.50%

Table 3

Division of lending by economic activity sector % total lending	31.12.2010	31.12.2009
Consumer families	5.52%	5.51%
Manufacturing families	2.87%	2.93%
Craftsmen	20.35%	20.83%
Financial and insurance companies	1.15%	1.42%
Manufacturing companies	69.89%	69.08%
Non-financial companies	0.15%	0.15%
Public administration	0.06%	0.08%
Other	0.01%	0.01%
Total	**100.00%**	**100.00%**

Table 4

Division of lending by branch of economic activity % total lending	31.12.2010	31.12.2009
Private families	6.10%	6.12%
Agriculture and forestry	0.57%	0.59%
Chemical, oil and plastics processing	2.17%	2.22%
Metal processing and machine construction	12.54%	12.21%
Energy	0.13%	0.12%
Textiles and clothing	2.03%	2.23%
Other branches	0.75%	0.75%
Technology / edp	1.58%	1.88%
Cars	1.97%	1.87%
Real estate	13.54%	13.18%
Foodstuff and luxury goods	1.07%	1.07%
Wood and paper processing	4.56%	4.80%
Public administration	0.00%	0.00%
Wholesale and retail sales	10.61%	10.80%
Tourism	2.55%	2.60%
Services	11.83%	10.54%
Transportation and logistics	3.88%	4.09%
Other financial services	23.60%	24.35%
Trade professionals	0.52%	0.58%
Foreign	0.00%	0.00%
Total	**100.00%**	**100.00%**

Tabella 5

Values in million euro

Doubtful loans gross of write-downs	31.12.2010		31.12.2009	
divided by economic activity sector	Amount	% Composition	Amount	% Composition
Imprese produttrici	301.02	78.14%	229.37	78.82%
Fam. consumatrici	14.68	3.81%	11.45	3.93%
Artigiani	53.35	13.85%	40.94	14.07%
Fam. produttrici	5.65	1.47%	5.11	1.76%
Non classificabili	10.52	2.73%	4.14	1.42%
Totale	**385.22**	**100.00%**	**291.01**	**100.00%**

At the end of 2010, non performing loans, net of write-downs, amounted to 887.82 million euro (+16.14%). In comparison with this figure, note a 20.09% increase in substandard items, loans a 31.24% increase in doubtful loans, a 1.27% increase in past due loans, while restructured loans decreased 14.13%.
The reasons for the rise in non performing loans lies both in the deterioration in the national and international economic situation, and in the fact that management has prudently assigned credits as Doubtful loans, Substandard loans or past due. Regarding Doubtful non-performing loans, it seems appropriate to specify that all items have been assessed analytically, and, where necessary, they have been rectified in function with the presumed realization value and with the estimated recovery times, also taking into consideration the related guarantees. In relation to leasing loans, the estimated survey values calculated by independent experts have been taken into consideration.

In fact, the ownership of the good represents a primary guarantee in favour of collecting the credit underlying the transaction. In the event of counterpart default, verification of this guarantee is analysed recursively in detail by Bank Risk Control. This analysis – showing the collection rates historically recorded for the various typologies of contracted goods and specifying collection rates – allows management to improve continuously its internal administration processes. Also note that there has been a significant improvement in collateral management by recovering the eligibility of real estate guarantees and by continuously checking that survey values are up-to-date.

Regarding real estate leasing, note that although contract cancellations have increased significantly, there has also been a significant increase in sales and/or re-leases, which, as in previous years, have made it possible to cover the exposure fully, while also improving the collection times. The aim for next year is to reduce the "cancelled group" with a positive balance (incoming less than outgoing), and to maintain a constant level of full exposure recovery.
The risk indicators are given below:

- the ratio between the non performing items and total lending, net of write-downs, amounted to 20.56% (17.41% at 31/12/2009)
- the doubtful loans/ lending ratio, again net of write-downs, increased from 5.61% in 2009 to 7.48% in 2010
- total write-downs increased from 86.84 million euro in 2009 to 108.95 million euro in 2010 (+25.46%); 79.37 million euro are specific write-downs – in the sense that they refer to covering non performing assets – while the remainder refers to the performing portfolio.

In relation to the hedging indexes, note that the situation is basically the same as that recorded in the previous year:

- at the end of the year, write-downs on impaired loans amounted to 8.21% of impaired loans (7.43% in 2009)
- the ratio between write-downs and non-performing loans amounted to 16.11% (15.39% in 2009)
- write-downs on performing loans amounted to 0.86% of performing loans (0.70% in the previous year)

Market risks

Asset absorption for this purpose amounted to 2.77 million euro.

The investment portfolio – which amounted to 100 thousand euro at 31/12/2009 – was definitively taken to zero in 2010.

Also in view of the recent indications given by the Basle Committee in relation to the liquidity risk, a marketable Securities portfolio has been set up, consisting mainly of CCT Securities, amounting to 34 million euro.

Financial derivatives – which amounted to approximately 2.7 million at 31/12/2009 – now amount to 1.6 million euro.

Exchange rate risks

The Exchange rate risk is related to the change in value recorded by positions in foreign currencies, following unexpected fluctuations in forex rates.

This risk does not appear to be significant, since Treasury activity focuses on achieving a balance between forex positions.

Liquidity risk

The Bank carefully monitors the liquidity risk, with the aim of checking both the short-term balance and the evaluation of the hedging strategy for loans in the medium term (or, in other words, preparing a time line for all bank portfolio transactions, both actual and forecast).

This monitoring activity also specifies the utilisation of a liquidity control model in accordance with alternative scenario / stress hypotheses.

In line with Parent Company guidelines, the role of the Liquidity Manager, covered by the Head of Financial Services, is assisted by a liquidity risk management committee, whose members include representatives of the Treasury, Controlling, Risk Management and General Management.

In relation to the liquidity reserves, in financial year 2010 the Bank was able to make use of:

- “Committed Line”
- Liquidity Reserves consisting of senior Dolomiti 3 securities not used in the ECB Repo transactions or on the MIC

As already shown above, the Bank has set up further reserves by means of a portfolio of marketable securities, amounting to 34 million euro. The liquidity reserves are expected to be increased in 2011, partly by means of a further securitisation transaction, the planning stages of which already began in the year that has just ended.

Liquidity risk hedging is also continuously achieved by periodically re-negotiating maturities with the Parent Company, which provides approximately 97% of the interbank lending amount, and approximately 67% of the fiduciary mass.

Interest rate risk

Exposure to the interest rate risk is lower than the average values recorded for the system.

The aim of the pricing policy is to fundamentally neutralize this risk by identifying the indexing parameters of the deposit and lending aggregates that prove to be coherent.

The careful monitoring achieved by the ALM procedures means that, in the event of any lack of alignment, the Treasury can make specific hedging interventions.

Regarding the risk index specified by the New Supervision Instructions (Attachment C, Title III, Chapter1), note that the value of this indicator is considerably lower than the pre-established 20%.

Operational risk

A work group continues to function with regard to the operating risk, or, in other words, the risk of suffering losses deriving from inadequacies, malfunctioning or deficiencies in the internal processes, or as a result of external events. This work group acts in line with the Parent Company strategic guidelines, using the INFORM procedure suggested by the Holding.

This is a data base recording:

- notifications of events that have lead to a loss, executed by the areas involved
- the collection activities conducted, based partially on accounting evidence.

A “Scenario Analysis” project has been started up, together with the Holding, in order to identify potential operational risk profiles existing in the company.

Utilisation of Financial Instruments

In relation to the utilisation of financial instruments, note that:

- the value of the Bank’s own portfolio is limited: it consists of very liquid securities that are used mainly in order to execute Repurchase Agreements with customers
- irrespective of the accounting regime adopted, the final objective of existing derivatives is hedging. These derivatives refer mainly to fixed rate or structured bond market issues. The asset absorptions that can be traced back to these transactions (market risk and counterpart risk) are in any case limited

The classified trading derivatives can be traced back to two basis swaps transactions (CSS) with the Parent Company, executed in order to hedge the exchange rate risk on forex credits, and an IRO, which was also set up in order to hedge the variable rate mortgage loans with Cap.

In relation to the exposure, and to the hedging policies against the following risks, note that:

- the price risk: is hedged by stipulating transactions in derivatives
- the credit risk: is limited by making a prudent assessment of the counterparts, also in line with Parent Company guidelines and by administering and evaluating the guarantees carefully
- the interest rate risk and the liquidity risk: monitored by means of the ALM procedures, currently being improved

In relation to this, refer to the brief descriptive notes given in the paragraphs above, and to the comments made in Section E of the Supplementary Notes.

Risk management, measurement and control system

The Bank has adopted an organizational model based on the principle of separate operating units, with the aim of distinguishing market-oriented profit roles from cost-oriented roles, which are delegated to administer and supervise the activities conducted.

Control activities are assigned to three organisation units reporting to the Board of Directors – Audit, Compliance and Risk Control. The checks conducted by these units are reported to the Board of Directors, the Board of Auditors and Top Management. Although these units perform their tasks in full autonomy, their work is based on the continuous exchange of information; the adequacy and efficacy of the work conducted by both Compliance and Risk Control are periodically evaluated independently by Audit.

The task of the Audit Division is to analyse the processes and risks, evaluating the general functioning of the internal control system.

The analysis methodology adopted for this evaluation is based on the concept of "audit by procedure and by process". The judgement is based on the "maturity", which expresses the synthesis of the following parameters, which are believed to be fundamental in the examination of each process: understanding and awareness, adequacy of the reporting activity, formalisation, technology and automation, compliance, congruence of the checks conducted.

The analysis is conducted dynamically: the control system is assessed in the context of the changes that progressively occur in the organisational, procedural and regulatory spheres.

The initial structure of the self-diagnosis document dates back to 2005, and covers all the identified processes. The subsequent revision programmes have been examined and approved by the Board of Directors, and the checks conducted in the implementation of these plans have been systematically notified to the Administrative and Control Organ.

Audit activities have revealed an increase in the level of "maturity", due mainly to an increased level of awareness of the control-related risks and problems, and an improved formalisation procedure for each process. There have also been significant improvements in the level of efficiency of the technological resources and IT systems supporting each process, as a result of the IT investments made.

Compliance presides over the risk of non-conformity, which is understood as the risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation as a result of violations to regulations, both obligatory and self-imposed.

The activity conducted by this unit consists of:
- identifying the regulations applicable to the Bank
- measuring the impact made by these regulations on the company processes and procedures, in order to verify the adequacy and potential updating requirements
- assessing, ex ante, the set of regulatory provisions applicable to new projects that the Bank plans to start up, in order to put together an operational, procedural, process and commercial frame work in line with these same regulations
- assessing the adequacy and efficacy of the organisational measures adopted in order to prevent the risk of non-conformity and to preside over the monitoring of this risk

The measurement of the non-conformity risk, the assessment and the mitigating actions are achieved utilising the risk matrix operating tool.

Banca d'Italia Supervision Instructions specify that Financial Brokers recursively, autonomously and formally assess their asset adequacy, both current and future, in relation to the risks assumed and to the company strategies. The name of this process is Internal Capital Adequacy Assessment Process (ICAAP) and it is the responsibility of Risk Control. The first ICAAP report was presented to the Board of Directors on 24 September 2008 and refers to the Bank's status at 30/06/2008.

The latest version of the report will be presented to the Board of Directors on 20 April 2011, and will then be sent to Banca d'Italia by 30 April, as specified by the revisions to the reference regulations.

The main points relate to:
- description of the strategic guidelines, the company governance, the organisational structures and the control systems
- risk mapping, description of the risk measurement techniques and the calculation of the required capital

- connection between the regulatory assets (Supervision Assets) and the internal capital (i.e.: available capital)

The Bank has completed the process of identifying and adopting its own control model, in accordance with Legislative Decree 231/01.

The Control Organ meets periodically in order to supervise the efficacy and adequacy of the model, to assess the observance of the provisions specified by the model, to evaluate whether the model needs to be revised.

This is a collective Organ, consisting of:
- an external professional from to a consulting company specialised in the topic (President)
- Head of Compliance
- Head of Legal Affairs
- Head of Audit

In 2010 Control Organ activities focussed on the following processes / issues:
- Compliance with anti-money laundering regulations
- Privacy and Confidentiality of information
- Compliance with health and safety at work requirements
- Code of Ethics and Conduct
- Adequacy of the services rendered to customer profiles

In addition to this, every six months the Organ presents an activity report to the Board of Directors, and every year it presents the activities programmed for the following period.

Note than, in compliance with the specifications of the "Code on the protection of personal data" (Legislative Decree No. 196/2003), the "Programmed Safety Document ("Documento programmatico sulla sicurezza") has been revised in accordance with legal specifications.

Commercial Policies

The significant points of the commercial policy can be summarised as follows:

- No new branches were opened in the course of the year. However, note that the Piove di Sacco branch is currently being opened
- Rationalisation and consolidation of the financial promoter network
- Increase in the number of collaboration relationships with leasing agents, who report to the subsidiary company Hypo Alpe-Adria-Finance Srl: the number of Agencies has gone from 36 to 40, with new offices in the zones of Padova, Brescia- and Carrara
- Consulting services to Italian and foreign companies that plan to make use of the opportunities provided by the EU enlargement process, and who are interested in operating on the Austrian, Croatian, Slovenian, Bosnian and Serbian markets

Note that the expansion policies have been monitored constantly by special results measurement instruments, aimed at helping new channels / sales points reach break-even point more quickly, and at checking that the objectives set at budget are reached.

The table below gives a geographic break down of the sales network.

	2010			2009		
Region	Bank branches	Leasing agencies	Financial Promoters	Bank branches	Leasing agencies	Financial Promoters
Veneto	10	13	22	10	10	30
Lombardy	10	14	30	10	12	23
Friuli Venezia Giulia	6	3	23	6	3	25
Emilia Romagna	1	5	5	1	6	7
Tuscany	1	5	4	1	5	4
Totale	**28**	**40**	**84**	**28**	**36**	**89**

Organisational structure and Human Resources

The organizational structure did not change significantly in the course of the year.

The number of employees at 31 December 2010 had decreased from 553 to 537 (311 men and 226 women).

The tables below describe the employees in greater detail.

Average age of employees	2010	2009
Men	38.40	37.73
Women	33.79	33.25
Total	**36.46**	**35.91**

Educational level	2010	2009
Middle School diploma	7	7
Secondary School diploma	271	289
University degree (*)	259	258

* 3-year degrees are also included here

Age bands - %	31.12.2010	31.12.2009
- 19 years old	0.00%	0.00%
20 – 29 years old	22.49%	25.45%
30 – 39 years old	48.14%	48.56%
40 – 49 years old	22.68%	19.31%
50 – 59 years old	6.69%	6.32%
60 years old -	0.00%	0.36%

Number of employees

Year	Concluded	Hired	No. of employees at the end of the year	Annual growth rate
2004	23	81	325	21.72%
2005	24	87	388	19.38%
2006	40	89	437	12.63%
2007	34	92	495	13.27%
2008	44	103	554	11.92%
2009	41	40	553	-0.18%
2010	55	39	537	-2.89%

Turn over rate

Year	Total turn over	of which physiological	of which voluntary	of which forced
2004	7.41%	0.00%	7.41%	0.00%
2005	6.43%	0.00%	5.31%	1.12%
2006	9.68%	0.00%	9.68%	0.00%
2007	7.29%	0.00%	6.64%	0.65%
2008	8.38%	0.00%	7.04%	1.34%
2009	7.39%	0.00%	4.33%	3.06%
2010	10.07%	0.55%	6.59%	2.93%

As seen in the table below, employee training programmes continued in 2010, partly by means of a programme of meetings with internal and external trainers, particularly for newly-hired employees, who are guaranteed a thorough and practical training programme.

Hours of training (internal / external / self-instruction)

	Esercizio 2010		
Total employees	Total hours	of which managerial employees	of which non-managerial employees
Hours of Internal Training	9,076	5,625	3,451
Hours of External Training	294	27	267
Hours of Self-Instruction e-learning	1,351	430	921
Total hours of training	**10,721**	**6,082**	**4,639**

Corporate Social Responsibility

In 2010 the Bank continued its commitment to corporate social responsibility.

The main activities performed were:

1. Social sphere

- Development of a project supporting technological innovation associated with young entrepreneurs, called "Premio Hypo Innovazione". This project has been carried out in collaboration with 8 Universities from the areas in which the Bank operates (Udine, Trieste, Padova, Venezia, Brescia, Verona, Modena and Castellanza) and with the Italian Association of Private Equity and Venture Capital.
- Our auditorium, located in the management complex and used for operational requirements of the Bank, also hosted 15 community-oriented events in 2010. These events were organised by no-profit and humanitarian associations, and by charitable organisations.

2. Cultural sphere

- Support given to a project carried out by Secondary Schools, called "Alternanza scuola lavoro", and which, by means of a training programme and work experience periods, aims to help young people find employment.

3. Group sphere

- Hypo Group Alpe Adria has initiated a new social responsibility project, "Hypo Pro Futuro", conducted jointly in the different countries in which the Group operates, and therefore creating a social and cultural network in seven European countries.
  The project envisages that, in each country, Hypo Group commits to making donations toward one single charitable objective.
  The Hypo Pro Futuro objective in this first year is to "give a little happiness to many children". Hypo Alpe-Adria-Bank S.p.a. has decided to support the "Associazione per i Bambini Chirurgici del Burlo/ Association of pediatric surgical patients treated at Burlo Garofolo Hospital in Trieste " (non profit organisation "ABC").

All these initiatives are reported in the social responsibility report, which is now in its sixth edition.

Other information

In 2006 the company was inspected by the Guardia di Finanza (Italian Tax Police) – Nucleo di Polizia Tributaria di Trieste (Trieste Tax Police Department), regarding tax year 2004 for direct taxes and VAT. The inspection was extended to tax periods 2003, 2005, 2006 for one particular aspect regarding the fiscal treatment for VAT purposes, applicable for purchases of goods and services utilised in a mixed manner. On 23 July 2007 the Udine Tax Office issued an assessment notification for the year 2004, for a total amount of Euro 2,892,660.75, for tax, sanctions and interest payments.

In view of the negative outcome to the attempts made to reach a settlement, on 4 February 2008 the Bank appealed this assessment notification, at the Udine Provincial Tax Commission (Commissione Tributaria Provinciale di Udine).

With sentence No. 318/1/2009 of 19 May 2009, deposited on 13 October 2009, the Udine Provincial Tax Commission comprehensively approved the appeal presented by the Bank, condemning the Tax Office to pay the costs. On 26/01/2010 the Tax Office appealed this verdict at the Trieste Regional Tax Commission (Commissione Tributaria Regionale di Trieste).

Regarding this dispute, based on the reasoned considerations made by a pool of professional operators commissioned by the defence, and on the clear sentence issued by the Udine Provincial Tax Commission at the conclusion of the first trial, it is felt that the stance adopted by the Bank is correct, and that consequently the assessment notification cannot generate any real tax debit.

The Bank also underwent a fiscal inspection conducted by the Tax office, Regional Management of Friuli-Venezia Giulia, regarding the VAT treatment of a number of nautical leasing contracts for the years between 2003 and 2007. This inspection concluded on 29 May 2008 with the notification of the Official Record of Findings, by means of which the Tax Office contested (for 7 leasing contracts) the application of lump-sum VAT, as specified by Ministerial Circular No. 49/2002, instead of full VAT, alleging that the leasing contracts should be reclassified sales contracts. The total VAT contested in the Official Record of Findings amounts to 98,550.56 euro.

On 28 December 2009 the Tax Office sent the assessment notification for the three contracts stipulated in 2004, for a total amount of Euro 108,445.13, for tax, sanctions and interest payments.

Against this assessment notification, the Bank requested annulment in self-defence of the same. With communication notified on 19 April 2010, the Regional Tax Office therefore notified the annulment in self-defence of the assessment notification .

On 28 December 2010 the Tax Office notified the assessment notification related to one single contract stipulated in 2005, for a total amount of Euro 46,113.89, for tax, sanctions and interest payments. Against this assessment notification, the Bank, presented a petition of assessment with adherence. Should this action prove ineffective, the Bank will appeal to the Trieste Provincial Tax Commission.

The above assessment was largely related to the Italian Leasing Companies, since it was the outcome of an initiative conducted directly by the Italian Tax Office, General Management, Rome. Against the assessments and the appeals made by various Leasing companies, Assilea, the category association of Leasing Companies, conducted a series of checks with the companies involved and with recognized professional operators, which brought to light the weakness of the justifications adopted by the assessors. The same considerations were also made by the pool of professional operators delegated to defend the Bank. Moreover, regarding these disputes, two sentences have already been deposited at the Tax Commissions of Treviso and Brescia, both in favour of the leasing companies. It is therefore believed, with reason, that this fiscal assessment will also fail to generate any real tax charge.

On 29 October 2009, the Tax Office again, General Management of Friuli Venezia Giulia, initiated a further tax assessment, called “tutoring activity”, in order to check payments for direct taxation, IRAP, VAT and holding agent obligations for tax year 2007, for some particular cases and/or balance sheet accounts.

This assessment was completed on 17 February 2010 with the notification of the Official Record of Findings, which listed the following contested items:

- IRES and IRAP findings amounting to euro 127,029.03 related to losses on credits and non-deductible contingent liabilities
- VAT findings amounting to euro 466,974.25 related to omitted VAT invoicing on real estate leasing to habitual exporters, and to undue tax deductions on financial

brokering, on the leasing instalments for head office for the part relating to the land, on the rent of the agencies in Treviso and Bergamo and on the construction costs of the Tavagnacco head office

- Holding agent findings amounting to euro 16,303.73 related to the omitted application of withholding tax on a compensation payment made to a former leasing agent

The Tax Office has not yet made the assessment notification. In any case, based on the reasoned considerations and the weakness of the protests found, it is reasonably felt that this assessment will also not lead to any significant impact in terms of charges. Moreover, it is believed that the balance sheet provisions made are congruent in terms of dealing with any charges that might arise in the future.

On 28 December 2010 the Tax Office, Regional Management of Friuli-Venezia Giulia, sent an assessment notification contesting the non-deductibility of the VAT related to 4 leasing transactions for inconsumable goods. In particular, assessments conducted by the Guardia di Finanza on the suppliers of these goods showed that these transactions cannot be considered as existing since the underlying goods were never previously purchased by the supplying company, or were sold to more than one purchaser at the same time.

In these leasing transactions, the Company acts purely as an intermediary between the supplier of the good and the leasing customer. The leasing contracts are now all closed, with credit collection problems.

The VAT contested by the assessment notification, together with interest payments, amounts to Euro 169,535.68. The assessment notification does not contest sanctions since, as specified in the Guardia di Finanza reports, the Company was "unaware of the fraudulent transaction" organised by the supplier and by the customer, and that it observed "the usual diligence with respect to the fraud committed against it".

Note that the contestation also affected other leasing companies involved in the scam.

The Company has presented a petition of assessment with adherence against the assessment notification. Should this action prove ineffective, together with its team of consultants, the Company will decide whether to appeal to the Trieste Provincial Tax Commission.

Having considered the existing jurisprudence, it is reasonably felt that this assessment might generate a (limited) impact in terms of financial charge. In any case, it is felt that balance sheet provisions made are congruent in terms of dealing with any charges that might arise in the future.

On 17 September 2010 the Tax Office, Regional Management of Friuli-Venezia Giulia, initiated another assessment regarding the accounting and tax treatment of credits recorded on the balance sheets for 2005, 2006, 2007 and 2008. The reasons for this assessment lie in a notification on the accounting procedures adopted for software credits made available by our outsourcer, Cedacri SpA, and the assessment also involves other banks served by this supplier.

Subsequently, on 2 February 2011, the Tax Office extended the assessment to the tutoring activity for 2008. Note that tutoring is an assessment activity on specific topics conducted by the Tax Office annually and on all companies recording sales or revenues of more than euro 200 million (this figure will drop to 150 million from 2011 and 100 million from 2012).

This assessment is currently still under way.

Finally, note that on 25 January 2011 the Tax Office, Central Assessment Management, sent us the outcome report for the checks conducted on the correct communication of data to the Accounts Registry, resulting from the access made on 3 December 2009.

The outcome report highlights a number of anomalies related to the wrong or omitted communication of bank accounts; For the Company, however, these communications all seem to have been properly notified. The Company will therefore notify the Tax Office of the references related to the communications made and to the consequent non-existence of anomalies.

The Supervision Organ conducted two Inspections in the course of the year, in order to check the level of transparency in the Pordenone and Rovato branches: these inspections involved both the display procedures and the contents of the documentation given to customers. An inspection report has been sent by the Supervision Organ. The Bank has already made the counter-deductions.

The year 2010 saw the inauguration of a project aimed at re-focussing the business, conducted with the assistance of a consulting company – Resolving – specialized in strategy and finance.

The objectives specified in the new Business Plan for the period from 2011 to 2015 – which reconsidered the growth strategies, setting objectives that were more moderate and more balanced, emphasising financial equilibrium, credit risk limitation and cost control – focussed on direct deposits and on the importance of developing the retail segment in order to ensure strong financial foundations on which to base dimensional growth.

Partly as a result of the creation of a new work group consisting of consultants and employees, concrete action embodying the new strategy will be defined in the next few months.

No costs have been sustained for research and development activities, and there has therefore not been any capitalisation in this area. The reason for this derives chiefly from the fact that software developments for the data processing and transmission service are executed directly by the supplier companies with which there are outsourcing agreements.

Relations with subsidiary companies

The relations referred to are those with Hypo Alpe-Adria-Finance S.r.l. and Hypo Alpe-Adria-Consultants S.r.l.

Hypo Alpe-Adria-Consultants S.r.l. – with registered office in Udine, via Marinoni 55 – operates in the real estate field.

In terms of real estate transactions, the company is committed to taking the previous real estate initiatives to the best possible realisation values. Regarding the leasing of commercial premises, the objective is still to pursue the optimal financial remuneration of the investments made in real estate for lease.

Hypo Alpe-Adria-Finance s.r.l. – with registered office in Udine, via Marinoni 55 – has been registered, since 3 February 2005, on the general list of brokers operating in the financial sector. Since 1 April 2005 – the date on which became the company branch called "Leasing Agents Network" – it has worked on promoting and placing leasing contracts.

Relations with the two subsidiary companies have been conducted under market conditions, taking into consideration the features of the services rendered. The most significant relations in the course of the year are described in the supplementary notes.

Relations with the Parent Company

The relations referred to are those with the Parent Company, Hypo Alpe-Adria-Bank International AG.

Note that on 30.12.2009 the Republic of Austria became 100% shareholder of Hypo-Alpe-Adria-Bank International.

Following the changes to the shareholder structure, new members of the Board of Statutory Auditors ("Aufsichtsrat") were appointed.

Direction and coordination activities are conducted by Hypo Alpe-Adria-Bank International AG, with head office in A-9020 Klagenfurt, Alpen Adria Platz 1.

In 2010 relations with the Parent Company, Hypo Alpe-Adria-Bank International AG – with head office A-9020 Klagenfurt, Alpen Adria Platz 1 – were marked by the closest collaboration: special focus was placed on issues related to Accounting, Finance, Human Resources, Risk Management, Financial Controlling and Audit.

Regarding the financing lines with the Parent Company, focus has been placed on the correlation with lending maturities. All transactions were settled under normal market conditions.

Significant facts occurring after the end of the financial year

No significant facts are noted.

Foreseeable management trend

The year 2011 is expected to witness a continuation of the slow economic recovery: the GDP is expected to increase 0.9%, boosted mainly by net exports. Household consumption should remain weak and grow at rates of around 0.7%; gross fixed investments should record a positive trend (+1.3%).

Bank lending is expected to grow more strongly than in 2010. Deposits should continue to follow the growth trend already recorded this year.

The Bank objectives chiefly regard volume consolidation and credit portfolio optimisation, to be achieved by re-focussing the business in which, in this current historical and economic period, we are called to operate.

The financial strategies will continue toward achieving diversification of the sources of financing with respect to the credit lines granted by the Parent Company. This will be achieved by increasing primary funds and by executing securitisation transactions.

Proposal for the approval of the Financial Statements and the destination of the profit

You are invited to approve the Annual Financial Statements (Balance Sheet, Income Statement, Statement of comprehensive income, Statement of Cash Flows and Notes to the Financial Statement) at 31/12/2010, as well as the directors' report, and to utilize the annual profit of 10,819,950 euro as specified below:

- to the legal reserve	Euro 541,059
- to the extraordinary reserve	Euro 0
- as dividend, at 0.0323045 euro per share (nominal, 1 euro)	Euro 10,278,891

Finally, we would particularly like to thank all our employees for the dedication, clear commitment and precious work that they have displayed in achieving the objectives.

Klagenfurt, 16 March 2011

For the Board of Directors

The President

Supplementary information

Indicators of the financial results

Description	31.12.2008	31.12.2009	31.12.2010
SOLIDITY INDICES			
OWN MEANS / TANGIBLE AND INTANGIBLE ASSETS	727,44%	788,83%	815,16%
OWN MEANS / NET NON-PERFORMING LOANS	241,05%	152,14%	115,79%
OWN MEANS / RECEIVABLES DUE FROM CUSTOMERS	7,89%	8,53%	8,67%
OWN MEANS / FIDUCIARY MASS	8,26%	9,17%	9,35%
OWN MEANS / ADMINISTERED MASS	7,63%	8,40%	8,55%
OWN MEANS / TOTAL ASSETS	7,46%	8,22%	8,34%
CAPITALISATION RATIOS			
TIER 1 = BASE ASSETS / TOTAL WEIGHTED ASSETS	8,37%	9,16%	9,68%
TOTAL CAPITAL RATIO = SUPERVISION ASSETS INCLUDING TIER 3 / WEIGHTED ASSETS	9,26%	9,89%	10,07%
RISK RATIOS			
NET NON PERFORMING LOANS / OWN MEANS	41,49%	65,73%	86,37%
WRITE DOWNS / GROSS NON PERFORMING LOANS	16,75%	15,39%	16,11%
WRITE DOWNS ON IMPAIRED ASSETS /IMPAIRED LOANS	8,78%	7,43%	8,21%
WRITE DOWNS ON PERFORMING LOANS / PERFORMING LOANS	0,38%	0,70%	0,86%
NET DOUBTFUL LOANS / RECEIVABLES DUE FROM CUSTOMERS	3,27%	5,61%	7,48%
EFFICIENCY RATIOS			
PROFIT BEFORE TAX / OPERATING INCOME	27,49%	9,93%	16,97%
LABOUR COST / OPERATING INCOME	24,20%	25,11%	25,91%
C.I.R. = COST INCOME RATIO	52,03%	52,62%	54,57%
STRUCTURE RATIOS			
RECEIVABLES DUE FROM CUSTOMERS / TOTAL ASSETS	94,61%	96,38%	96,22%
DIRECT DEPOSITS / TOTAL ASSETS	32,94%	30,76%	28,29%
MANAGED DEPOSITS / INDIRECT DEPOSITS	53,37%	55,17%	59,90%
CREDIT INTERBANK BALANCES / DEBIT INTERBANK BALANCES	2,09%	1,86%	1,09%
EARNINGS RATIOS			
NET PROFIT / NET ASSETS (ROE AFTER TAXES)	5,93%	0,95%	2,89%
PROFIT GROSS OF TAXES / NET ASSETS (ROE NET OF TAXES)	10,19%	3,62%	5,78%
NET PROFIT / TOTAL AVERAGE ASSETS (NET ROA)	0,44%	0,07%	0,24%
PROFIT GROSS OF TAXES / TOTAL AVERAGE ASSETS (GROSS ROA)	0,76%	0,28%	0,48%
PROFIT GROSS OF TAXES / NET PROFIT SALES (ROS)	11,33%	6,18%	12,02%
DPO = DIVIDENDS PAID / NET PROFIT	95,00%	95,00%	tbd
NIM = NET INTEREST MARGIN / INTEREST BEARING CAPITAL	2,26%	2,56%	2,37%

Legend
ROS = Indicates, for every 100 euro obtained, who many euro were earned on average
ROI = Indicates the earnings rate of invested capital
ROE = Gives an indication of the amount made for every 100 euro risked in the activity
ROA = Indicates the yield for every 100 euro invested in brokered funds

Indicators of the non-financial results

Description	31.12.2008	31.12.2009	31.12.2010
EFFICIENCY RATIOS			
NET INTEREST MARGIN / AVERAGE EMPLOYEES	208.296,86	205.781,39	190.422,02
OPERATING INCOME / AVERAGE EMPLOYEES	248.726,93	246.686,91	234.018,35
RECEIVABLES / AVERAGE EMPLOYEES	9.011.756,42	7.932.384,82	7.922.944,95
DIRECT + INDIRECT DEPOSITS / AVERAGE EMPLOYEES	4.202.245,48	3.631.817,52	3.511.963,30
BANKING PRODUCT / AVERAGE EMPLOYEES	13.214.001,90	11.564.202,35	11.434.908,26
ASSETS UNDER MANAGEMENT / No. OF PROMOTORS (*)	2.664.821,00	3.773.228,24	3.997.825,15

Financial Statements for the year ended 31 December 2010

Balance sheet at 31 December 2010

Income statement at 31 December 2010

Statement of comprehensive income

Statement of shareholders' equity variations

Statements of Cash Flows

Notes to the Financial Statements

Balance sheet at 31 December 2010

Assets items	31.12.2010	31.12.2009	Absolute change
10. Cash and cash equivalents	2,721,262	7,769,280	- 5,048,018
20. Financial assets held for trading	1,611,635	2,809,997	- 1,198,362
30. Financial assets at fair value	0	0	0
40. Financial assets available for sale	33,987,919	0	33,987,919
50. Financial assets held to maturity	0	0	0
60. Receivables due from banks	29,777,865	49,778,118	- 20,000,253
70. Receivables due from customers	4,318,005,927	4,390,575,156	- 72,569,229
80. Hedging derivatives	957,455	4,435,879	- 3,478,424
90. Change in value of financial assets recorded as part of a macrohedge (+/-)	0	0	0
100. Equity investments	3,431,613	3,431,613	0
110. Tangible assets	43,275,791	44,385,178	- 1,109,387
120. Intangible assets hereof:	2,627,184	3,105,497	- 478,313
- goodwill	1,113,941	1,113,941	0
130. Tax assets	18,679,733	14,357,535	4,322,198
a) current	683,691	125,343	558,348
b) pre-paid	17,996,042	14,232,192	3,763,850
140. Non-current assets and groups of assets held for sale	0	0	0
150. Other assets	32,492,829	34,552,152	- 2,059,323
Total assets	**4,487,569,213**	**4,555,200,405**	**- 67,631,192**

Liabilities and Shareholders' equity	31.12.2010	31.12.2009	Absolute change
10. Payables due to banks	2,734,118,090	2,683,251,083	50,867,007
20. Payables due to customers	810,393,525	739,194,943	71,198,582
30. Outstanding securities	425,507,669	629,409,569	- 203,901,900
40. Financial liabilities held for trading	27,670,656	5,255,556	22,415,100
50. Financial liabilities at fair value	33,468,153	32,861,611	606,542
60. Hedging derivatives	0	0	0
70. Change in value of financial liabilities recorded as part of a macrohedge (+/-)	0	0	0
80. Tax liabilities	0	657,804	- 657,804
a) current	0	0	0
b) deferred	0	657,804	- 657,804
90. Liabilities related to groups of assets held for sale	0	0	0
100. Other liabilities	65,347,717	80,275,653	- 14,927,936
110. Provision for employee severance payment (TFR)	3,289,540	3,411,222	- 121,682
120. Provisions for liability and charges:	2,778,683	2,719,509	59,174
a) pensions and similar benefit obligations	0	0	0
b) other provisions	2,778,683	2,719,509	59,174
130. Valuation reserves	- 602,770	16,485	- 619,255
140. Redeemable shares	0	0	0
150. Capital instruments	0	0	0
160. Reserves	56,590,400	56,412,936	177,464
170. Issue premiums	0	0	0
180. Share capital	318,187,600	318,187,600	0
190. Own shares (-)	0	0	0
200. Profit (Loss) for the year	10,819,950	3,546,434	7,273,516
Total liabilities and Shareholders' equity	**4,487,569,213**	**4,555,200,405**	**- 67,631,192**

Income statement at 31 December 2010

Income statement items	31.12.2010	31.12.2009	Absolute change
10. Interest receivable and similar revenues	156,252,170	196,783,447	- 40,531,277
20. Interest payable and similar charges	- 52,473,140	- 82,883,096	- 30,409,956
30. Net interest margin	**103,779,030**	**113,900,351**	**- 10,121,321**
40. Commission income	20,595,031	18,122,374	2,472,657
50. Commission expenses	- 7,835,736	- 8,246,314	- 410,578
60. Net commissions	**12,759,295**	**9,876,060**	**2,883,235**
70. Dividends and similar income	0	0	0
80. Net profit (loss) from trading activity	- 2,535,656	- 1,013,608	1,522,048
90. Net profit (loss) from hedging activity	56,025	161,794	- 105,769
100. Profits (Losses) from sale or repurchase of:	213,860	138,375	75,485
a) receivables	0	0	0
b) financial assets available for sale	0	0	0
c) financial assets held to maturity	0	0	0
d) financial liabilities	213,860	138,375	75,485
110. Profit/Losses on financial assets/liabilities at fair value	64,000	204,156	- 140,156
120. Margine di intermediazione	**114,336,554**	**123,267,128**	**- 8,930,574**
130. Write-downs/write-backs for impaired:	- 36,304,159	- 51,134,581	- 14,830,422
a) receivables	- 36,304,159	- 51,134,581	- 14,830,422
b) financial assets available for sale	0	0	0
c) financial assets held to maturity	0	0	0
d) other financial assets	0	0	0
140. Net profit from financial activities	**78,032,395**	**72,132,547**	**5,899,848**
150. Administrative expenses:	- 64,332,774	- 65,155,088	- 822,314
a) personnel costs	- 33,039,795	- 34,284,585	- 1,244,790
b) other administrative expenses	- 31,292,979	- 30,870,503	422,476
160. Net allocations to provisions for risks and charges	- 500,545	- 1,429,826	- 929,281
170. Net write-downs/write-backs on tangible fixed assets	- 4,051,753	- 4,428,003	- 376,250
180. Net write-downs/write-backs on intangible fixed assets	- 708,362	- 838,048	- 129,686
190. Other operating expenses/income	13,178,503	13,266,742	- 88,239
200. Operating costs	**- 56,414,931**	**- 58,584,223**	**- 2,169,292,00**
210. Profits (losses) from equity investments	0	0	0
220. Net result of tangible and intangible assets at fair value	0	0	0
230. Impairment of goodwill	0	0	0
240. Profit (loss) from sale of investments	20,845	8,202	12,643
250. Profit (loss) before tax from continuing operations	**21,638,309**	**13,556,526**	**8,081,783**
260. Income taxes on continuing operations for the year	- 10,818,359	- 10,010,092	808,267
270. Profit (loss) from continuing operations after taxes	**10,819,950**	**3,546,434**	**7,273,516**
280. Profit (loss) of groups of assets held for sale, net of income taxes of current operations	0	0	0
290. Profit (loss) for the year	**10,819,950**	**3,546,434**	**7,273,516**

Statement of Comprehensive Income

Items	31.12.2010	31.12.2009
10. Profit (loss) for the year	10,820	3,546
Other income components after taxes		
20. Financial assets held for trading	-619	0
30. Tangible assets	0	0
40. Intangible assets	0	0
50. Hedging of foreign investments	0	0
60. Hedging of financial flows	0	0
70. Foreign exchange differences	0	0
80. Non-current assets and groups of assets held for sale	0	0
90. Actuarial profits/losses on defined benefits plans	0	0
100. Quotas of valuation reserves of participations valued at shareholders' equity	0	0
110. Total other income components after taxes	**-619**	**0**
120. Total Comprehensive (Item 10+110)	**10,201**	**3,546**

The examined prospect shows the aggregate amount "Comprehensive Income" of the bank as sum of the economic result of the period (profit/loss) and of the cost and expense components that aren't indicated in the income statement, but in the net assets, due to a specific forecast by IAS/IFRS. In short it gives better information regarding the complex company profitability through the individualization of an aggregate that, differently from the profit/loss of the period, expresses widely the wealth generated/absorbed by the company operations, by also including those cost/income components accrued in the period, which are accounted in the net assets and therefore have originated valuation reserves.

Statement of changes in Shareholders' equity

Statement of changes in Shareholders' equity at 31.12.2009	Balance As of 31.12.2008	Change in opening Balances	Balance As of 01.01.2009	Allocation of profit from previous financial year Reserves	 Dividends and other allocations
Share capital					
a) ordinary shares	318,188	0	318,188	0	0
b) other shares	0	0	0	0	0
Issue premiums	0	0	0	0	0
Reserves:					
a) earnings	55,367	0	55,367	1,046	0
b) other	0	0	0	0	0
Valuation reserves:	16	0	16	0	0
Capital instruments	0	0	0	0	0
Own shares	0	0	0	0	0
Net profit/loss for the period	20,916	0	20,916	- 1,046	- 19,870
Shareholders' equity	**394,487**	**0**	**394,487**	**0**	**- 19,870**

Statement of changes in Shareholders' equity at 31.12.2010	Balance As of 31.12.2008	Change in opening Balances	Balance As of 01.01.2009	Allocation of profit from previous financial year Reserves	 Dividends and other allocations
Share capital					
a) ordinary shares	318,188	0	318,188	0	0
b) other shares	0	0	0	0	0
Issue premiums	0	0	0	0	0
Reserves:					
a) earnings	56,413	0	56,413	177	0
b) other	0	0	0	0	0
Valuation reserves:	16	0	16	0	0
Capital instruments	0	0	0	0	0
Own shares	0	0	0	0	0
Net profit/loss for the period	3,546	0	3,546	- 177	- 3,369
Shareholders' equity	**378,163**	**0**	**378,163**	**0**	**- 3,369**

Changes during the year								
Shareholders' equity transactions								
Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Changes in capital instruments	Derivatives on own shares	Stock Optio	Net profit (loss) For the period 2009	Shareholders' equity 31.12.2009
0	0	0	0	0	0	0	0	318,188
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	56,413
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	16
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	3,546	3,546
0	**0**	**0**	**0**	**0**	**0**	**0**	**3,546**	**378,163**

Changes during the year								
Shareholders' equity transactions								
Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Changes in capital instruments	Derivatives on own shares	Stock Optio	Net profit (loss) For the period 2010	Shareholders' equity 31.12.2010
0	0	0	0	0	0	0	0	318,188
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	56,590
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	– 619	– 603
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	10,820	10,820
0	**0**	**0**	**0**	**0**	**0**	**0**	**10,201**	**384,995**

STATEMENT OF THE CASH FLOWS - Indirect method	31.12.2010	31.12.2009
A. OPERATING ACTIVITIES		
1. Operations	36,925	26,611
- profit/loss for the period (+/-)	10,820	3,546
- capital gains/losses on financial assets held for trading on financial assets/liabilities valued at fair value (-/+)	2,472	809
- capital gains/losses on hedging operations (+/-)	- 56	- 162
- net write-offs/write-backs due to impairment (+/-)	36,304	51,135
- net write-offs/write backs on tangible and intangible assets (+/-)	4,760	5,266
- net provisions to reserves for liabilities and charges and other revenues/expenses (+/-)	- 28,193	- 43,993
- tax and duties not settled (+)	10,818	10,010
- net write-downs/write-backs on groups of assets held for sale net of tax effect (+/-)	0	0
- other adjustments (+/-)	0	0
2. Liquidity generated/absorbed by financial assets	38,886	403,654
- financial assets held for trading	1,198	45,665
- financial assets valued at fair value	0	0
- financial assets available for sale	- 33,988	0
- receivables due from banks: payable on demand	- 21,153	- 9,775
- receivables due from banks: other receivables	41,153	20,113
- receivables due from customers	50,461	311,969
- other assets	1,215	35,682
3. Liquidity generated/absorbed by financial liabilities	- 74,521	- 435,348
- payables due to banks: payable on demand	- 508	77,559
- payables due to banks: other payables	51,375	- 266,263
- payables due to customers	71,199	- 74,908
- securities outstanding	- 203,902	- 163,515
- financial liabilities held for trading	22,415	- 10,598
- financial liabilities valued at fair value	607	- 9,129
- other liabilities	- 15,707	11,506
Net liquidity generated/absorbed by operating activities	**1,290**	**- 5,083**

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STATEMENT OF THE CASH FLOWS - Indirect method	31.12.2010	31.12.2009
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	256	820
- sale of equity investments	0	0
- dividends collected on equity investments	0	0
- sale of financial assets held to maturity	0	0
- sale of tangible assets	255	814
- sale of intangible assets	1	6
- sale of subsidiaries and divisions	0	0
2. Liquidity absorbed by	- 3,225	- 2,012
- purchase of equity investments	0	0
- purchase of financial assets held to maturity	0	0
- purchase of tangible assets	- 2,995	- 1,421
- purchase of intangible assets	- 230	- 591
- purchase of subsidiaries and divisions	0	0
Net liquidity generated/absorbed by operating activities	- 2,969	- 1,192
C. FUNDING ACTIVITIES		
- issue/purchase of own shares	0	0
- issue/purchase of capital instruments	0	0
- dividend distribution and other purposes	- 3,369	- 3,429
Net liquidity generated/absorbed by operating activities	- 3,369	- 3,429
Net liquidity generated/absorbed during the year	**- 5,048**	**- 9,704**

Reconciliation

Balance sheet items	Importo 31.12.2010	Importo 31.12.2009
Opening balance of cash and cash equivalents	**7,769**	**17,473**
Net total liquidity generated/absorbed during the year	- 5,048	- 9,704
Cash and cash equivalents: effect of changes in exchange rates	0	0
Closing balance of cash and cash equivalents	**2,721**	**7,769**

The above stated financial statement has been drawn up in compliance with the “indirect” method ref. IAS 7.

The variations of the net liquidity flows generated/absorbed in the financial year 2010 in comparison with the financial year 2009 are negative for EUR 5.048 thousand and are due to:

- Operative business: absorbed liquidity for EUR 1.467 thousand;
- Investment business: absorbed liquidity for EUR 2.969 thousand;
- Capital fund business due to the distribution of dividends: absorbed liquidity for EUR 3.546 thousand.

Notes to the financial statements

Structure and content of the Financial Statements at 31 December 2010

Part A
Accounting policies
A.1 – General section
A.2 – Section related to main balance items
A.3 – Information regarding the fair value

Part B
Information on the balance sheet
Assets
Liabilities
Other information

Part C
Information on the income statement

Part D
Statement of Comprehensive Income
Part E
Information on risks and related hedging policies

Part F
Information regarding Shareholders' equity

Part G
Aggregation operations regarding businesses or company branches

Part H
Transactions with related parties

Part I
Equity settled share-based payments

Part L
Information note of the sector

Part A
Accounting policies

A.1 – General part

Section 1
Statement of compliance with international accounting principles

The Balance sheet 2010 has been drawn up in compliance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) international accounting principles issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) approved by the European Commission, in force at the reference date of the balance.

The list of homologated IAS/IFRS (hereinafter IFRS) accounting principles and the related Implementing regulations are indicated in the annex to this financial statements.

Besides the instructions contained in the circular letter of Banca d'Italia no. 262 dated 22 December 2005 "The bank financial statements: drawing-up schemes and rules", we considered as well, from the point of view of interpretations, the documents regarding the application of IFRS in Italy, prepared by Organismo Italiano di Contabilità – (Italian accounting body) (O.I.C.).

Section 2
Drawing-up general principles

The balance sheet is formed by the statement of assets and liabilities, the income statement, the total profitability prospect, the statement of changes in shareholders' equity, the financial statements and the note to the financial statements and it is equipped with a Directors' report concerning the course of the management and the Bank situation.

The balance sheet has been drawn up clearly and gives a true and fair description of the company's financial standing, equity structure and economic accounts of the financial year.

Assessment criteria applied to the drawing-up of the balance sheet comply with the current legal provisions and refers to accounting principles in force at the time of its approval.

The financial statements therefore respect the general principles listed below:

- valuation consistency;
- substance over form;
- prudence;
- competence;
- accounting coherence and division;
- going concern.

In compliance with the clauses of art. 5 of the Law by Decree no. 38 dated 28th February 2005, the financial statement has been drawn up by using the Euro as money of account: financial statements schemes are drawn up in units of Euros, while the notes to the financial statements are given in thousands of Euros.

The financial statements was drawn up in the perspective of the continuity of company business. From this point of view, the Directors have performed the required verification of the principle of the principle of continuity of company business on the base of the industrial plan approved by the Board of Directors on 30 January 2011, as well as of the undertakings by Hypo Alpe-Adria Bank International AG to implement all possible actions to guarantee Hypo Alpe-Adria Bank S.p.A. the availability of all necessary resources to finance its activity.

Moreover the balance was drawn up by following the principle of accounting on an accrual basis, by respecting the principle of relevance and significance of information, of the prevalence of substance on form and in the view to favour coherence with future statements. At the light of the communication by Banca d'Italia, Consob and Isvap dated 6 February 2009, in the report regarding the Directors' management, and in the continuation of these notes to the financial statements, evidence is given of the main risks and possible uncertainties our bank is exposed to, pursuant to art. 2428 of the Italian Civil Code, as required by the accounting standards IAS1 and IFRS 7.

Exclusion from the arrangement of the Consolidated Financial Statement

The "consolidated financial statements" isn't arranged, since this duty results from the entitlement of the direct parent company "Hypo Alpe-Adria-Bank International AG, with registered offices Klagenfurt (Austria), Alpen Adria Platz no.1".

Section 3
Subsequent events to the Financial Statement reference date

For the predictable course of the management, please refer to the appropriate section provided within Directors' management report.

Section 4
Other issues

The Financial Statements of the Bank have been audited by the auditing company Deloitte & Touche S.p.A., which has been commissioned for the three-year period 2010-2012 in compliance with Art. 2409-ter of the Italian Civil Code, modified by Legislative Decree No. 39 of 27 January 2010.

A.2 – Section concerning the main items of the financial statements

Accounting principles
The accounting principles that have been adopted with reference to the main accounts assets and liabilities items for the drawing up of the annual financial statement at the 31st December 2010 are described as follows.

1. Financial assets held for trading

Recognition criteria
Financial assets are initially recognised at the settlement date, as far as issued bonds and equities are concerned and at subscription date for derivative contracts.

Financial assets held for trading are initially measured at cost, namely at their fair value.

Classification criteria
This category includes financial assets acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category includes exclusively issued bonds and equities and the positive value of all derivatives, except those designated as effective hedging instruments. Derivative contracts include embedded derivatives which are a component of combined instruments which have been separately recognised because:

- their economic characteristics and risks are not closely related to those of the underlying contract;
- separate instruments with the same terms as embedded derivative meet the definition of derivative;
- the hybrid instruments to which they belong aren't calculated at the fair value with the relevant changes recorded into the Profit and Loss Statement.

Assessment criteria
After initial recognition, financial assets held for trading are measured at fair value, with indication of offset changes of the Income Statement items.

For the determination of the fair value of the financial instruments listed on an active market, market quotations are used. Lacking an active market, generally accepted assessment methods and valuation models are used, that are based on traceable data on the market, such as: methods based on the assessment of listed tools having similar features, actualization of future cash flows, models of determination of the price of options, values learnt from recent comparable transactions.

Equities and correlated derivative instruments, for which it is not possible to determine the fair value reliably according to the above-mentioned guidelines, are entered at cost value, rectified against losses for value reduction. These losses due to value reduction are not restored.

De-recognition
When the contractual rights to the financial flows from the same financial assets expire or the financial assets are transferred, by substantially transferring all the risks/benefits related to it, the financial assets shall be derecognised.

Measurement and recognition of the income components
Profits and losses deriving from the fair value variation of financial assets are entered onto the item „Net result of trading activities“ of the Income statement, with the exception of those concerning derivative instruments connected to the Fair Value Option, which are classified in the item „Net result of financial assets and liabilities assessed at fair value".

2. Financial assets available for sale

Classification
Financial assets available for sale are initially recognized at

settlement date. On initial recognition the financial assets classified in this category are measured at fair value plus transaction costs directly attributable to financial instrument acquisition.

Classification criteria
Non-derivative financial assets that are not classified under the above-mentioned categories or among "receivables" (money market instruments, other debt and capital instruments, mutual fund quotes) and that are held for an indefinite period of time and that can be sold for the purpose of ensuring liquidity, responding to interest rate, exchange rate and market price changes, are classified under this item. Investments in equities not qualifying for control, connection or joint control are included under this category.

Assessment criteria
Following the initial appraisal, financial assets available for sale are still assessed at fair value, with the entering onto the income statement of interests, as resulting from the application of the amortized cost and of the effect of foreign exchanges on debt instruments, with the entering of a separate equity reserve of profits/losses deriving from the variation of the fair value net of the related fiscal effect, with the exception of losses due to reductions of value. Equities, for which it is not possible to determine the fair value reliably, are kept at cost, rectified against the assessment of losses for value reduction.

The verification of the existence of objective evidences of value reduction is carried out at any financial statements closure or infra annual situation. The amount of any noticed devaluation, as a consequence of the impairment test ,is entered onto the income statements as operating cost. In case the reasons of value loss are removed afterwards, thanks to an event occurred after the assessment of value reduction, write-backs are carried out on the shareholders' equity on share instruments and on the income statement on bonds.

De-recognition
Financial assets available for sale are derecognized when the right to receive cash flows from financial assets is extinguished, or when all risks and benefits related to the possession of that specific asset are transferred in a substantial manner.

Valuation and appraisal criteria of the revenue components
At the time of sale, exchange with other financial instruments or at the presence of a noticed value loss noticed as a consequence of the impairment test, the results of assessments accumulated in the reserve concerning assets available for sale are transferred onto the income statement:
- in the item „Profit/loss from purchase/assignment of: b) financial assets available for sale", in case of divestment;
- in the item „Net write-downs/write-backs for deterioration of: b) financial assets available for sale" in case of loss of value.

In case the reasons of value loss are removed afterwards, thanks to an event occurred after the assessment of value reduction, write-backs are carried out. These write-backs are entered onto the income statement in case of credits or debt instruments and on the shareholders' equity in case of equities.

3. Financial assets held to maturity

Investments held until maturity are represented by non-derivative financial instruments, with payments that are fixed or that can be calculated at a fixed expiry date, which the company intends to and has the capacity to hold until maturity.

The Bank has not classified any financial assets in this category.

4. Receivables due from banks and from customers

Initial recognition
Receivables are initially recognised at the granting date, or in the case of a debt security, at the settlement date, on the basis of the fair value of the financial instrument. This is usually equal to the amount granted, or to the underwriting price, including the costs/revenues directly attributable to the specific loan and that can be calculated right from the beginning of the operation, although liquidated subsequently. Costs that, although they have these features, are subject to repayment by the debtor counter-party, or that can be included among normal internal administrative costs, are excluded.
Assets held for lease are recognized at the signature of the agreement among receivables for "Other transactions" and are transferred to receivables for "Financial lease" when the agreement are "started".

Classification criteria

These Receivables include loans to customers and banks, either granted directly or acquired from third parties, and which specify payments that are fixed or in any case calculable, that are not listed on an active market and that are not originally classified among financial assets available for sale. Receivables also include commercial receivables, ready against term operations, receivables deriving from leasing operations (that, pursuant to IAS 17, are entered through the so-called "financial method") and securities purchased by underwriting or private placement, with payments that are calculated or that can be calculated, not listed on active markets.

Valuation and appraisal criteria of the revenue components

After the initial appraisal, Receivables are measured at the depreciated cost, equal to the first entry increased/decreased by capital repayments, write-downs/write-backs and depreciation – calculated using the effective interest rate method – of the difference between the amount granted and the amount repayable at maturity, typically attributable to costs/revenues directly charged to the individual loan. The actual interest rate is reckoned by calculating the rate corresponding to the current value of future credit flows, including principal and interest, of the disbursed amount, including the cost/income linkable to the credit. The financial logic followed by this accounting method makes it possible to distribute the economic impact of the costs/revenues throughout the expected residual life of the loan. The depreciated cost method is not used for short-duration receivables, which are felt to be negligibly affected by the actualization approach. These receivables are measured at the historical cost and the related costs/revenues are entered on the Income Statement in a linear manner, throughout the duration of the contract. A similar assessment criterion is adopted for the credits without a defined maturity or until further notice.

At the close of every financial year or any infra-annual balance, receivables are recognized in order to identify those that, following events occurring after registration, objectively show signs of a potential loss in value. At first, we evaluate the need to write down impaired loans individually (doubtfu loans), classified in the different risk categories in accordance with regulations issued by Banca d'Italia and with inner dispositions that establish the rules for the passage of receivables into the following risk categories:

- Doubtful loans ("Sofferenze"): loans to subjects that are in a state of insolvency or in substantially equivalent situations;

- Substandard loans ("Esposizione incagliate"): loans to subjects that are temporarily in a situation of clear difficulty that it is expected to be overcome in a consistent period of time;

- Restructured loans ("Esposizioni Ristrutturate"): loans for which the bank (or a «pool» of banks), because of the deterioration of debtor's economic conditions, allows modifications to the original contractual conditions that can cause a loss;

- Past Due loans ("Esposizioni Scadute"): exposures to subjects not classified in the previous risk category that, at the closing date of the period, have expired or continually over-drafting loans:
  - from over 90 to 180 days for exposures guaranteed by immovable assets;
  - over 180 days for all the other categories of assets.

These non performing loans are measured analytically and the amount of the write-down of each loan is equal to the difference between the book value at the time of measurement (amortized cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate.

The expected cash flows take into consideration the expected recovery times, the presumable realization value of any guarantees as well as the costs that it is thought will be sustained in order to collect the loan amount.

The write-down is entered into the Income Statement. The write-down component that can be traced to the discounting of financial flows is released for competence in accordance to the effective interest rate mechanism and it is recorded among renewals of value.

The original value of loans is restored in subsequent financial years should the reasons behind the write-down no longer exist, provided that this measurement can be objectively linked to an event occurring after this write-down. The write-back is entered onto the Income Statement and cannot in any case exceed the amortized cost that the loan would have had in the absence of previous write-downs.

Doubtful loans that have been individually assessed and for which any objective evidence of loss in value hasn't been observed are included in groups of financial assets with similar features by proceeding with an analytic depreciation assessed flat-rate.

Loans that have not been related individually with any objective evidence of loss, and that are, as a rule, in performing loans, are subject to the measurement of a collective loss in value.
This measurement is made by loan categories that are homogeneous in terms of credit risk, and the relative loss percentages are estimated taking into consideration historical data, based on elements that can be observed on the measurement date, which make it possible to estimate the value of the latent loss in each credit category.

Write-downs calculated collectively are charged to the Income Statement.
At the reference balance sheet date possible additional write-downs or value renewal are recalculated differentially.

Observed losses in value are listed in the income statement under the item «Net Write-downs/Write-backs of value because of impairment of: Loans» and recoveries of part or all amounts previously depreciated. Renewals of value are recorded both in case of improved loan quality that arises the reasonable certainty to timely recover the capital, in accordance to original loan agreement terms, and in case of gradual discounting termination measured at the time of registration of the write-down of value. In case of collective assessment, the possible additional write-downs or renewal of value are recalculated differentially with reference to the whole loan portfolio.

Revenues and losses resulting from loans sales are registered under the item 100 of the income statement «Revenue (losses) from sale or reselling of a) Loans».

De-recognition
The regulations regarding the "accounting deregulation" pursuant to IAS 39 were applied, in compliance with what allowed by FRS 1. Transferred loans are de-recognized from the balance sheet assets only if all the related risks and benefits have been substantially transferred. Conversely, should the related risks and benefits be maintained, these loans will continue to be entered among the balance sheet assets, even if the legal ownership of the loan has effectively been transferred. Should it not be possible to ascertain the substantial transfer of the risks and benefits, the loans are de-recognised from the balance sheet if no control of any kind has been maintained over them. Conversely, conservation, even partial, of this control leads to the loans being maintained in the balance sheet to the extent equal to the residual involvement, measured by the exposure to the value changes of the transferred loans and to changes in the financial flows of these same loans. Finally, transferred loans are de-recognized from the balance sheet if contractual rights to receive the relative cash flows have been conserved, and if at the same time an obligation has been assumed to pay these flows, and only these flows, to third parties.

5. Financial assets valued at fair value

Initial recognition
Financial assets are initially recognized at settlement date if this is decided in the regular way, otherwise at the trade date. Should the financial assets be recognized at the settlement date, the profits and losses noted between the trade date and the settlement date are charged to the Income Statement.
These financial assets are measured at fair value from the moment they are first entered, since this generally corresponds to the amount paid. The related transaction costs or revenues are charged directly to the Income Statement.

Classification criteria
This item includes financial assets or groups of financial assets designated at fair value with the measurement results entered onto the Income Statement, in accordance with the Fair Value Option (FVO) specified by IAS 39. In particular, the FVO is utilized when it is permissible to eliminate or reduce significantly the accounting deficit deriving from the non-coherent accounting of financial instruments that are inter-related (natural hedge) or hedged by derivative contracts for which the application of hedge accounting is complex and difficult. The FVO is also with an instrument containing an implicit derivative that satisfies certain conditions, to avoid dividing up this same host instrument, measuring the financial instrument as a whole at fair value.

Measurement and appraisal criteria of the revenue components
Following the initial entry, they are aligned at the relative fair value. The fair value of investments quoted on active markets is calculated with reference to the bid prices noted on the balance sheet reference date. With regard to investments for which the active market bid price is not available, fair value is calculated using estimation methods and measurement models that take into consideration the risk factors associated with the instrument, that consider all the related risk factors and that are based on market data when available. These techniques can consider the prices recorded for similar transactions recently concluded at market conditions, discounted cash flow calculations, option price calculation models and other techniques commonly used by market operators.

The profits and losses realized on the sale or reimbursement, and the un-realized profits and losses arising from changes in the fair value in comparison with the purchase cost, calculated on the basis of the daily weighted average cost, are charged to the Income Statement for the period in which they occur, under "Net value result of financial assets and liabilities valued at fair value".

De-recognition
Financial assets are de-recognized at the expiry of the contractual rights to the financial flows deriving from them, or when the financial assets are sold, substantially transferring all the related risks/benefits.

Appraisal criteria of revenue components
Profits and losses deriving from the fair value variation of financial assets are entered onto the item „Net result of financial assets and liabilities assessed at fair value" of the Income statement. Same treatment for the derivative instruments connected to the Fair Value Option, whose economic effect is classified in the item „Net result of financial assets and liabilities assessed at fair value".

6. Hedging operations

Initial recognition
Hedging derivatives are initially recognized at fair value and are classified under the financial statements item of total assets or liabilities "Hedging derivatives", depending on whether at the reference date of the financial statements they have a positive or negative fair value.

Classification criteria
This item covers derivative contracts designated as effective hedging instruments, whose function is to reduce or transfer the risks associated with individual assets or liabilities or groups of assets and liabilities.

These instruments are classified on the balance sheet under credit or debit "Hedging derivatives", according to the whether a positive or negative fair value is recorded at the balance sheet reference date.

Derivatives held for purposes other than hedging are classified among the "financial assets held for trading".

The hedging typologies applied are:

- fair value hedge: hedging the exposure to the fair value variations of assets, liabilities, unaccounted commitments, or of a portion of these, that can be attributed to a specific risk;

- cash flow hedge: hedging the exposure to the variability of future cash flows that can be attributed to specific risks associated with an asset or a liability;

- hedging the effects of an investment denominated in a foreign currency; this relates to hedging the risks of an investment in a foreign company, expressed in foreign currency.

An operation is considered a hedge operation if there is formal documentation of the relationship between the hedging instrument and the hedged risks, indicating the risk management objectives, the hedging strategy and the methods that will be used to monitor the efficacy of the hedge. Tests must also be conducted to check that the hedge is effective from the start, and, predictably, during its life.

Hedge effectiveness is monitored by:

- projection tests: justifying the application of hedge accounting since they show the expected future efficacy of the hedge;

- retrospective tests: measuring, through time, the differences between actual results and perfect hedging.

A hedge is considered as effective if the hedge instrument is able to generate a cash flow or a change in fair value that is coherent with that of the hedged instrument. More specifically, it is effective when the fair value (or cash flows) variations of the hedge financial instrument neutralize the variations of the hedged instrument, for the hedged risk element, within an 80 - 125% interval.

Moreover, operations are no longer classified as hedging if:

- the hedging effected by means of the derivative ceases to be effective, or is no longer significantly effective;
- hedged element is sold, expires or is reimbursed;
- the hedging definition is revoked;
- the derivative expires, is sold, annulled or exercised.

Derivative instruments intended for hedging, pursuant to the provident national accounting principles, have been quite entirely reclassified, with the first-time adoption of the IAS/IFRS, among "financial assets held for trading", since these same assets are management-type hedges, or under the specific item for financial instruments measured in accordance with the Fair Value Option.

Measurement and appraisal criteria of the revenue components
Following initial entry, hedging derivatives are measured at fair value.
Derivative fair value calculations are based on prices taken from regulated markets or provided by operators, on option measurement models, or on future cash flow actualisation models.

There are various accounting procedures for profits and losses deriving from fair value variations, in accordance with the hedging typology:

- fair value hedge: the change in the fair value of the hedged element (which can be traced back to the hedged risk) is recorded in the Income Statement, at the same amount as the change in the fair value of the derivative instrument; any difference, which represents the partial inefficacy of the hedge, therefore causes the net economic effect.

  Should the hedge relationship no longer respect the conditions specified for hedge accounting and should the hedge relationship be annulled, the difference between the charge value of the hedged element at the end of the hedge, and what would have been the charge value should the hedge never have existed, is amortised on the Income Statement throughout the residual life of the hedged element, on the basis of the effective yield rate. Should this difference refer to non-interest bearing financial instruments, it is immediately recorded on the Income Statement. If the hedged element is sold or reimbursed, the fair value quota not yet amortised is immediately charged to the Income Statement.

- Cash flow hedge: the fair value changes of the hedging derivative are entered under shareholders' equity among the valuation reserves of cash flow hedging operations, for the effective hedge quota, and under the Income Statement for the part not considered as effective. When the hedged cash flows appear and are recorded on the Income Statement, the relative profit or relative loss on the hedging instrument are transferred from the shareholders' equity to the corresponding Income Statement item. When the hedge relationship no longer respects the conditions specified for hedge accounting, the relationship comes to an end and all the losses and all the profits recorded under shareholders' equity until this point remain there, until flows related to the original hedged risk begin to appear: these losses/profits are then charged to the Income Statement under the item "net profit/loss from trading".

- Hedging of an investment in foreign currency: entered in the same way as future cash flow hedges.

Derivatives with the Fair Value Option are measured at fair value, with value variations appearing on the Income Statement.

Derivative contracts are the only instruments that can be used as hedge instruments: internal deals or other kinds of financial instrument are not permissible.

De-recognition
If sold, hedge derivatives are de-recognised from the balance sheet assets provided this sale has led to the substantial

transfer of all the risks and benefits relating to these same derivatives. Should the hedge have been ineffective, as specified above, the hedge operations are no longer entered into the books and the derivative hedge contract is reclassified among the "financial assets held for trading".

7. Equity investments

Initial recognition

Equity investments are entered at the settlement date. When initially recognised, equity investments are entered at cost, including the direct costs or revenues associated directly with the transaction.

Classification criteria

This item includes the stakes held in subsidiaries, related companies and companies subject to joint control.

Measurement and appraisal criteria of the revenue components

Equity investments in subsidiaries are entered onto the financial statements by employing the cost method as appraisal criteria.

If there is any evidence that the value of an equity investment might have decreased, an estimate is made of the collectable value of this same holding, taking into consideration the current value of the future cash flows that the equity investment will be able to generate, including the final sale value of the investment. Should the collection value be lower than the book value, the difference is entered onto the Income Statement. Should the reasons for the value loss no longer apply, following an event occurring subsequent to the value reduction appraisal, write backs are entered onto the Income Statement.

De-recognition

Equity investments interests are de-recognised at the expiry of the contractual rights to the cash flows deriving from them, or when the equity investment is sold, substantially transferring all the related risks and benefits.

8. Tangible assets

Initial recognition

Tangible assets are initially entered at cost, including all the expenses directly chargeable to putting the asset into operation.

Extraordinary maintenance costs are either included in the book value of the asset, or entered as separate assets only when it is likely that the future associated economic benefits will flow toward the company and the cost can be reliably measured. Costs for repairs, maintenance or other action taken to ensure the functioning of the assets are charged to the Income Statement of the financial year in which they are sustained.

Classification criteria

This item includes chiefly land, instrumental property, installations, vehicles, furniture, furnishing and equipment of any kind.

Land and buildings are separable assets and are therefore separately for accounting purposes. Land holdings have unlimited life and cannot therefore be amortised, unlike buildings, which can be amortised, since they have limited life.

Among tangible assets (for functional utilization) also those entered due to financial lease agreements, even if their legal entitlement is still of the leasing company, are included.

Tangible assets also include the costs for improving third-party goods, when these improvements can be separated from the goods themselves; should these costs not display any functional and usable autonomy, but should they be expected to generate future benefits, they are recorded among "other assets" and are amortised in the shorter of the following two time periods: the expected utilisation period of these improvements, or the duration of the leasing contract.

Measurement and appraisal criteria of the revenue components

Following the initial entry, tangible assets are entered on the balance sheet at cost, net the accumulated depreciation and any devaluation due to lasting value reductions. Tangible assets are amortised systematically throughout their useful life, adopting as amortisation criteria the constant quota method. Land is not subject to amortisation, whether purchased individually or incorporated in the value of buildings, since it has an indefinite useful life.

The amortisation process begins when the good is available and ready to use, or when it is in the location and in the conditions necessary for operation.

In the first financial year the amortisation is recorded in proportion with the effective utilisation period of the good.

Assets subject to amortisation are adjusted for potential value losses should events or changed circumstances indicate that the book value might not be recoverable. Devaluation due to value loss is recognised for an amount equal to the difference between the book value and the recoverable value. The recoverable value of an asset is equal to the lower amount between the fair value, net of any sales costs, and the relative use value of the good, understood as the current value of the future flows originated by the source of income. Any write-downs are charged to the Income Statement.

Should the reasons leading to recognition of the loss cease to exist, a write-back is executed, which cannot exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous losses.

De-recognition

Tied-up fixed assets are eliminated from the balance sheet at the time of sale or when they are permanently withdrawn from use, and there is therefore no expectation of future economic benefits deriving from their transfer or use. The capital gains and the capital losses deriving from the demobilisation or from the sale of tangible assets are calculated as the difference between the net sale amount and the book value, and they appear on the Income Statement at the same date as when they are eliminated from the books.

9. Intangible assets

Initial Recognition

An intangible asset can be entered as goodwill when the positive difference between the fair value of the asset elements purchased and the purchase cost (including the accessory charges) represents the future revenue capacity of the holding (goodwill). Should this difference be negative (badwill), or should the future revenue capacity of the holding fail to justify goodwill, this difference is entered directly onto the Income Statement.

The other intangible assets are entered at cost, adjusted for any accessory charges, only if it is likely that the future economic benefits that can be attributed to the asset will appear, and if the cost of the asset itself can be reliably calculated. Should this fail to be the case, the cost of the intangible asset appears on the Income Statement in the financial year in which it is sustained.

Classification criteria

This item basically includes multi-year use application software and goodwill. Goodwill is the positive difference between the purchase cost and the fair value of the assets and liabilities purchased.

Measurement and appraisal criteria of the revenue components

After the initial reading, intangible fixed assets with “specific” life are entered at cost, net of the total amortisation and accumulated value losses.

Intangible assets are systematically amortised every year in accordance with their estimated useful life, using the constant quota method.

The amortisation process begins when the asset is available for use or when it is in the location and in the condition in which it can function as specified. In the first year, the amortisation is recorded in proportion to the effective utilisation period. Amortisation of intangible assets transferred and/or sold in the course of the year is calculated up until the date of the transfer and/or sale.

Following the initial entry, goodwill is recorded at cost, net of the devaluations for accumulated value losses. Goodwill is not amortised, but is instead subject to an annual impairment test. This test may be conducted more frequently, should events or changed circumstances indicate any potential value loss.

De-recognition

Intangible assets are eliminated from the balance sheet at the time of sale, or if they are not expected to generate any future economic benefits.

Capital gains/losses arising from the mobilisation or sale of an intangible asset are calculated as the difference between the net payment of the transfer and the book value of the asset.

10. Non-continuing assets and groups of assets held for sale

This item includes non-continuing assets that are to be sold and groups of assets and associated liabilities held for sale, in accordance with IFRS 5.

No bank assets fell under this category at the balance sheet date.

11. Current and deferred taxation

Income taxes are recorded on the Income Statement, except

those relating to items directly debited or credited to the shareholders' equity. The fiscal burden is calculated in compliance with current fiscal legislation and in accordance with a prudent forecast of current fiscal regulations and of deferred credit and debit taxation.
In particular, and in relation to "deferred taxation" recognised on the balance sheet, note that:

- with regard to the criteria utilised to recognise deferred taxation, in compliance with IAS 12 and with the specific Banca d'Italia provisions, the "balance sheet liability method" has been applied;
- tax assets for pre-paid taxes have been entered, due both to temporary differences with pre-specified "inversion" times, and due to temporary differences with unspecified "inversion" times; in fact, on the basis of an analysis conducted both retrospectively (historical series of taxable income generated by the Bank in past years), and looking ahead (indications in the forecasting plans regarding the amount of future expected earnings), it has been judged realistic to expect the future taxable income to be sufficient to absorb the re-entry of these pre-paid taxes;
- at 31/12/2010 there are no operations requiring the allocation of fiscal payables due to deferred taxes;
- the fiscal burden has been estimated with regard to tax assets for pre-paid taxes, by considering IRAP (Italian regional tax on productive activities) on rate at 4,55% and IRES (Italian corporate income tax) rate at 27,5%, in compliance with tax rates introduced by Law 244 of 24/12/2007 (Financial Law 2008) which is reasonably felt might still be in force in the years in which these same temporary differences will occur;
- changes in pre-paid taxes are included in item 130 "tax assets".

In relation to the "balance sheet liability method", the accounting method for deferred fiscal assets and liabilities leads to the contra-entry recognition of:

- a change in annual income taxes, if the temporary difference is associated with components involving the Income Statement;
- a change in the shareholders' equity, if the temporary difference is associated with a transaction that has directly involved the shareholders' equity without affecting the Income Statement.

During 2010 a single operation was indicated, which has required the allocation of fiscal receivables due to anticipated taxes in offset to variations of the net assets, related to the adjustment of value of the securities classifiable as Available For Sale (AFS).

Instead no operations were recognised as having caused deferred fiscal liabilities to be contra-entered to changes in the shareholders' equity.

12. Provisions for risks and charges

Initial Recognition

In the under item "other provisions" appear provisions allocated for obligations burdening on the Bank, whose settlement is certain or high probable, but for which there are uncertainties regarding their amount or time of fulfilment.

Classification criteria

The provisions for risks and charges contain the allocations relating to current obligations originating in a past event, for which it is likely that economic resources will be expended in order to meet this obligation, provided that it is possible to estimate the amount reliably.

Measurement criteria and record of revenue components

The amount indicated as reserve funds represent the best appraisal of the expenses required to satisfy obligations at the date of reference of the balance statements.

Where time component is significant, allocations are discounted by employing current market rates.

Allocated funds are periodically reviewed and, in case, corrected to reflect the best current assessment. When, after the review, sustaining the burden proves improbable, the allocation is written off.
The allocation is recorded in the income statement under the item "Net allocations to provisions for risks and charges". In the item the balance, positive or negative, between allocations and re-allocations to the income statement of provisions that are considered redundant, if any, is recorded.

Net allocations include as well decreases of the provisions, due to the effect of discounting, as well as the correspondent increases due to elapsed time (maturation of implicit interest in the discounting).
As regards provisions related to benefits to employees, please refer to the next chapter regarding "Personnel severance pay".

De-recognition

In case the need to invest resources with the aim to produce economic benefits to fulfil the obligation, the allocation should be written off. An allocation should be used for those expenses it was created for.

Personnel severance pay (Trattamento di Fine Rapporto, TFR)

The severance pay is a form of compensation of the personnel with payment deferred to the end of the employer-employee relationship. It matures in proportion of the duration of the relationship, therefore forming an additional element of the cost for the personnel.

As the payment is certain, but not the time when it is carried out, the severance pay of the personnel, as well as of defined tax plans, is classified as benefit subsequent to the end of the employer-employee relationship.

The obligations towards the employees are assessed biannually by an independent actuary.
Actuarial profits and losses, defined as the difference between the liability book value and the present value of the liabilities at the end of the period, are booked for the entire sum directly on the Income statement.

13. Payables due to customers, to banks and outstanding securities

Initial recognition

Initial recognition takes place on receipt of deposit sums or at the issue of debt securities, and the amount is entered in accordance with the fair value of the liabilities, usually equal to the amount collected or to the issue price, plus any additional costs/revenues directly attributed to the specific funding or issue operation and not reimbursed by the creditor counter-party.

Classification criteria

Payables due to banks, to customers and outstanding securities include the various forms of interbanking funding, funding with customers and the deposits made by means of deposit certificates and outstanding bond market securities, therefore net of any buy-back amount.

Appraisal criteria

After the initial accounting, financial liabilities are assessed at the amortized cost by employing the real interest rate method.

An exception is represented by short-term liabilities, where the time factor is negligible, which are entered at the cashed value, and whose costs and income directly attributable to the operation are entered onto the income statement under the pertaining items.

Liabilities subject to hedging through derivative instruments represented in hedge accounting are entered at the amortized cost, rectified of the fair value variation attributable to hedged risk, intervened between the date of starting of the hedging and the closing date of the business year.

De-recognition

These financial assets are removed from the balance sheet when the obligation specified by the contract has been extinguished. Buy-backs of owned liabilities are considered as total or partial extinction of the liability. The difference between the book value of the extinguished liability and the amount paid to purchase it is recorded on the Income Statement. Should these liabilities be put back onto the own securities market following a buy-back transaction, this new operation is considered as a new issue and is entered at the new placement price, without affecting the Income Statement.

Measurement criteria and record of revenue components

Negative income components represented by the interests receivable are entered, for competence, in the items of the income statement concerning interests.

Any differences between the repurchase value of own securities and the corresponding book value of liabilities is entered onto the income statement under the item «Profit/losses from assignment or repurchase of: d)financial liabilities».

14. Financial liabilities - trading

Initial recognition

The initial booking of financial liabilities takes place at the date of issue for the debit instruments and at the date of subscription for derivative agreements.

At initial booking, financial liabilities held for trading are booked at their fair value, which normally corresponding amount cashed without considering trading costs or income directly attributable to the same instrument, directly entered onto the income statement. In this item implicit derivatives present in complex agreements not tightly correlated to the same are classified, that, having the required features to satisfy the definition of derivatives, are separated from the host contract and entered at fair value. To the primary contract its reference booking criterion is applied.

Classification criteria

This category includes the negative value of derivative trading contracts measured at fair value, and financial liabilities held for trading.

It also includes the implicit derivatives that, in compliance with IAS 39, have been separated from the composite host financial instruments.

The profits and losses deriving from the fair value variation and/or from the sale of the trading instruments are entered onto the Income Statement.

De-recognition

These financial liabilities are de-recognised from the balance sheet when they expire or become extinct.

Measurement criteria and record of revenue components

Profits and losses deriving from the fair value variation of financial liabilities are entered onto the item „Net result of trading activities" of the Income statement, with the exception of those concerning negative derivative instruments connected to the Fair Value Option, which are classified in the item „Net result of financial assets and liabilities assessed at fair value".

15. Financial liabilities valued at fair value

Initial recognition

Financial liabilities measured at fair value are initially entered at fair value, which generally corresponds to the amount collected. The related transaction costs or income are charged directly to the Income Statement.

Classification criteria

A financial liability is designated at the fair value recognised on the Income Statement when initially recognised, only when:

- it is a hybrid contract containing one or more incorporated derivatives and the incorporated derivative significantly changes the cash flows that would otherwise be specified by the contract;
- when the fair value designation on the Income Statement is more informative, since it eliminates or substantially reduces a lack of uniformity in the measurement or in the appraisal that would otherwise result from the measurement of the asset or liability or from the appraisal of the related profits and losses on different bases.

Appraisal criteria

Following the initial entry, these liabilities are aligned at their relative fair values. The fair values of issued securities (non-listed) is calculated using estimation methods and measurement models that consider all the risk factors related to the instruments, and that are based on available market data. These techniques can consider the prices recognised for recent similar transactions concluded at market conditions, discounted cash flow calculations, option price calculation models and other techniques commonly used by market operators. The profits and losses realised on the reimbursement, and the unrealised profits and losses deriving from changes in the fair value – with respect to the issue price – are charged to the Income Statement of the economic period in which they arise, under the item "Net profit/loss of financial assets and liabilities at fair value". Interest payment costs on debt instruments are classified among interest paid and assimilated charges.

De-recognition

Financial liabilities are de-recognised from the balance sheet when they expire or become extinct. Buy-backs of own liabilities are considered as total or partial extinction of the liability. The difference between the book value of the extinguished liability and the amount paid to purchase it is recorded on the Income Statement. Should previously issued securities be bought back, they are de-recognised from the relative asset or liability items. Any subsequent sale of outstanding bought-back securities is considered, for accounting purposes, as a new issue, recorded at the new placement price, without affecting the Income Statement.

Measurement criteria and record of revenue components

Profits and losses deriving from the fair value variation of financial liabilities are entered onto the item „Net result of financial assets and liabilities assessed at fair value" of the Income Statement; the same treatment is used for negative derivative instruments connected to the Fair Value Option, whose economic effect is classified in the item „Net result of financial assets and liabilities assessed at fair value".

16. Foreign currency transactions

When initially recorded, foreign currency transactions are entered in the account currency, converting the foreign currency amount at the exchange rate in force on the transaction date.

At every balance sheet close date, balance sheet items in foreign currency are measured as follows:

- monetary items are converted at the exchange rate recorded on closing date;
- non-monetary items measured at historical cost are converted at the exchange rate in force on the date of the transaction;
- non-monetary items at fair value are converted using the exchange rate recorded on closing date.

With regard to monetary items, exchange rate differences generated between the transaction date and the relative payment date are entered onto the Income Statement of the period in which they arise. The same method is used for items deriving from the conversion of monetary elements at rates other than those of the initial conversion rates, or the conversion rate at the closing date of the previous balance sheet.

When a profit or a loss relating to a non-monetary element is recognised on the shareholders' equity, the exchange rate difference associated with this element is also recognised here. Conversely, when a profit or a loss is recognized on the Income Statement, the relative exchange rate difference is also recognized here.

17. Other information

Other activities

In this item assets which cannot be referred to other items of balance sheet assets, are recorded. The item can include, for instance:

- pre-payments to suppliers;
- accruals different from those which should be capitalized in the related financial assets;
- improvements and incrementing expenses assumed on third parties' immovable properties, different from those referable to the item tangible assets, and therefore without independent identifiability and separability. These costs are inserted into "other assets" due to the fact that, thanks to the effect of the lease contract, the user company has the control of the assets and can derive future economic benefits from them.
- items under construction.

Valuation reserves

This item shows the valuation reserves associated with financial assets available for sale, and with hedging of financial flows. It also includes the re-valuation reserves recorded in compliance with re-valuation legislation.

Reserves

This items shows profit reserves, legal statutory reserves, renewed profits/losses.

Share Capital

The share capital item includes the ordinary shares issued by the bank, net of any share capital subscribed but not yet paid at the balance sheet date.

Repurchase agreements

Sale or purchase transactions of securities, with concurrent obligation to repurchase or sell "at term" are assimilated with carry-forward elements, so the amounts received or paid appear on the balance sheet as debits or credits. The amounts received for "sell now and repurchase at term" transactions appear on the balance sheet as debits for the amount received now, while the amounts paid for "buy now and re-sell at term" transactions appear as credits for the amount paid now. The difference between the selling price and the purchase price is entered as interest and is recorded by competence throughout the duration of the transaction on the basis of the effective yield rate. Loaned securities continue to be recognised on the balance sheet, while borrowed securities are not recognised.

Securitisation operations

Receivables pertaining to the securitisation operations concluded by means of the vehicle company Dolomiti Finance

S.r.l, before the first application of the International Accounting Principles (F.T.A.) are recognised on the balance sheet since the non-obligatory exemption specified by IFRS 1 has not been utilized; this exemption means that it is not necessary to re-enter financial assets/liabilities sold or de-recognised before 1 January 2004. For the operations implemented after this date, through which credits are transferred to the vehicle company Dolomiti Finance S.r.l and in which, also in presence of formal transfer of the juridical credit title, the control on the financial flows deriving from the same and the substantiality of the risks and benefits is maintained, the cancellation of the credits related to the operation place is not required.

Therefore, the transferred credits are kept in the individual financial statements, by indicating a debit towards the vehicle company, net of the securities issued by the same company and repurchased by the transferor. Also for the income statement the same booking criteria are maintained.

Financial leasing transactions – IAS 17

The financial leasing is an agreement that substantially transfers all risks and benefits deriving from the ownership of the asset. The property right can be transferred or not at the maturity the agreement.

The starting date of the leasing is the date from which the lessee is authorized to implement his right to use the rented asset and therefore corresponds at the initial takeover date of the leasing.

- **Tangible assets acquired in financial leasing**

Upon the starting date of the agreement, the lessee enters the leasing as financial transactions as assets and liabilities in its balance, with a value equal to the fair value of the leased asset or, if lower, to the present value of the minimum payments due.

While determining the present value of the minimum payments due the used discounting rate is the implicit contractual interest rate, if determinable; otherwise, the interest rate of the marginal funding of the lessee is used. Any starting direct costs paid by the tenant are added to the amount entered as asset.

The minimum payments due are divided between financial costs and reduction of the residual debit. The first ones are distributed along the duration of the agreement, so as to determine a stable interest rate on the residual liabilities. The financial leasing agreement involves the entering of the depreciation quota of the assets subject of the agreement and of the financial burdens for each business year. The depreciation criterion used for the leased assets is consistent with the one adopted for owned assets.

- **Receivables originated from financial leasing transactions**

At the starting date of the agreement, the lessor enters the leased assets into the balance sheet and indicates them as receivables with a value corresponding to the leasing net investment.

The up-front direct costs are often supported by the lessor and include sums such as commissions, legal costs and internal costs, which increase and are directly attributable to the transaction and the completion of a leasing agreement.

These exclude overhead costs, such as sale and marketing expenses. For the financial leasing different from those in which the lessor is a manufacturer or dealer, the up-front direct costs are included in the initial assessment of implicit receivables of the financial leasing and reduce the value of the entered income for the duration of the leasing agreement. The implicit leasing interest rate is defined so that the starting direct costs are automatically included in the implicit receivables of the financial leasing; it is not necessary to add them separately.

With reference to the financial leasing, the entering of the financial income is based on modalities that reflect a steady periodic yield rate on the lessor's net investment. The lessor should tend to distribute the financial income along the maturity of the leasing agreement with a systematic and rational criterion. This distribution is based on modalities which reflect a steady periodic yield on the lessor's net investment. Leasing installments concerning the period, excluded the costs for services, are assigned to the gross leasing investment to reduce both the principal amount and the non-matured financial profit.

The assessments of the residual unguaranteed values used in the calculation of the leasing gross investment are periodically reviewed. If there was a reduction in the assessment of the residual unguaranteed value, the distribution of the income during the maturity of the leasing agreement is reviewed and any reduction concerning already charged amounts is indicated immediately.

• Leasing under construction transactions

In the item "Receivables due from customers" assets under construction and held for financial location, for which there was a „risk transfer", net of any advances paid by the user at the signature of the agreement, were classified.

Modifications to the real-estate leasing regulations

The Law December 13th, 2010, no. 220 (Stability law 2011), in force since 1 January 2011, introduced some important news for real-estate leasing contracts, aimed to ensure their fiscal neutrality for tax purposes, in the funding choices for the purchase of the instrumental and housing buildings.

•For the new agreements signed since January 1st, 2011

At the purchase of the finished, or under construction/ reorganization building by the leasing company or of the plot where the property to be leased has to be built, the hypocadestral taxes are applied as a standard tax (proportional or fixed according to the status of the seller or the regime applicable to the assignment); upon redemption by the user hypocadestral and registration taxes are applied with a fixed rate; the obligation to register real-estate leasing contracts and pay the proportional registration fee, except for the use, is cancelled (1% or 2% depending on the nature of the property).

In short, with the new rules, registration fee and hypocadestral taxes due in case of real-estate leasing purchase will be exactly equal to the ones due in case of direct purchase.

• For the real-estate leasing agreements signed before 1 January 2011

For the agreements already signed at 01/01/2011, due to the cancellation of the registration fee on the installments and hypocadestral taxes at the redemption, the law requires the payment within 31.03.2011 of a substitute tax. The tax is determined as difference between the hypocadestral taxes due at the redemption (2% on the cost of the asset, if movable, 3% if housing asset) and the registration tax paid up to 31.12.2010 (1% or 2% on the installments according to the nature of the property). On this amount – representing in short what you should have paid in case of redemption of the property at 01.01.2011 - a reduction equal to 4% for each year of residual duration of the agreement is applied.

Therefore, at the end of March the bank will carry out the payment of the substitute tax for a total of EUR 27.705.791, with reference to 4.458 real-estate leasing agreements. This tax will be contextually debited to the related lessees of leasing agreements. At same date the bank will pay the same tax referable to the real-estate leasing agreement concerning the new offices, signed with Hypo Alpe-Adria-Leasing S.r.l. The amount of the substitute tax is EUR 256.911.

Other liabilities

In this item there are the liabilities which aren't referable to other items in the liabilities of the balance sheet.

The item includes, for example:

- amounts at customers' disposal;
- debts connected with the payment of the supply of goods and services;
- deferred incomes different from those to capitalize on the related financial liabilities;
- items under construction.

Income statement

The proceeds are recognized when they are received or anyway when it's probable that future benefits will be received, and these benefits can be quantified in a reliable way.

Costs are accounted at the time they are borne.

The costs and proceeds directly referable to the financial tools assessed at the amortized cost and determinable since their origin, independently of the moment in which they're liquidated, are inserted in the income statement by applying the actual interest rate.

Default interests, if indicated in the agreement, are entered in the income statements only when they are actually cashed.

Commission expenses are generally entered for competence on the basis of the supply of the service (net discounts and allowances).

Value losses are entered in the income statements in financial year in which they're borne.

Criteria to determine the fair value of financial instruments

In case of financial instruments listed on active markets, the determination of the fair value is based on the quotations of active market of reference (that is, the one on which the biggest volume of negotiations takes place), also indicated by international providers and recorded on the last reference day of the financial year. A market is defined as active if quotations reflect real and regular market operations, and when they're immediately and regularly available. If the same financial instrument is quoted on different markets, the quotation to be considered refers to the most favourable market which the enterprise has access to.

In case of non-listed financial instruments, the fair value is reckoned through evaluation techniques aimed towards the assessment of the price which the tool would have had on the market at the date of assessment in a free trade and justified by normal trade considerations. The techniques of assessment concern: use of recent market transactions, reference to the price of financial instruments having the same features of the assessed one, quantitative methods (models of pricing of options, techniques of calculation of current value, models of pricing generally accepted by the market). In particular, for not-listed obligations, discounting models of awaited cash flows are applied, by employing structures of interest rates.

Securities not exchanged in an active market, for which the fair value isn't determinable reliably, are assessed evaluated at cost, rectified to take into account any significant decreases in value.

For payable/until further notice customer collections an immediate expiry of the contractual obligations and coinciding with the date of balance was taken, and therefore their fair value is approximate to book value.

For impaired loans the balance value is considered as an approximation of fair value.

For the medium/long-term debt, represented by securities, for which it was chosen the application of the fair value option, the fair value is determined by discounting residual contractual flows at market rates.

For medium/long-term debit represented by securities assessed at depreciated cost and object of hedging for interest-rate risk, the book value is adjusted due to the effect of fair value hedging attributable to the covered risk, by discounting the related flows.

For over the counter derivative contracts as fair value it's considered the market value at the date of reference, determined according to assessment techniques generally accepted by the market in relation to the typology of contract:

- for the contracts on interest rates the market value is represented by the so-called «replacement cost», determined by the discounting of differences, at provided payment dates of regulation, between flows calculated at contract rates and foreseen flows calculated at market rates, objectively determined, current at the end of the financial year, due to equal residual expiry;
- for the contracts of option on securities and other values, the market value is determined with reference to models of recognized pricing.

Modality of determination of depreciated cost

The depreciated cost of a financial asset or liability is the value at which this was measured at the initial recording, net of capital refunds, increased or decreased of total reckoned depreciation, by employing the method of actual interest, on the differences between the initial value and the value at expiry, net of any lasting value loss.

The actual interest rate is the rate equal to the current value of future payment flows or future money collections up to expiry or to the next date of price recalculation at the net book value of the financial asset or liability.

For the calculation of fair value the actual interest rate is applied to the flow of the future collections or payments assessed along the whole financial life of the asset or liability - or for a shorter period in presence of specific conditions (for instance review of the market rates).

In the cases when it's impossible to assess cash flows or foreseen life with reliability, the Bank uses cash flows provided contractually for the whole contractual duration.

After initial checking, the depreciated cost allows allocating proceeds and costs that decrease or increase in the instrument along the whole expected life of the same, through depreciation process. The determination of the depreciated cost is different whether assets/liabilities subject to evaluation are fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified on the base of known interest rate during credit life. For variable-rate financial assets/liabilities, whose variability isn‘t known beforehand (because, for instance, it's bound to an index), the determination of cash flows is carried out on the basis of the last known rate. At each review date, the recalculation of the depreciation plan and actual yielding rate on all the life of the instrument, namely up to maturity, is carried out. The adjustment is recognized as cost or income in the income statements.

The assessment at depreciated cost is carried out for credits, financial assets held until expiry and those available for sale, for debts and outstanding securities.

Financial assets and liabilities negotiated at market conditions are initially recorded at their fair value, which normally corresponds to the given or paid amount including, for the instruments assessed at depreciated cost, of directly imputable negotiation costs and fees, such as fees and commissions paid to agents, promoters and intermediaries.

Such costs, which should be directly referable to the single financial asset or liability, weigh on the original actual proceeds and make the actual interest rate associated to the transaction different from the contractual interest rate. In the calculation of depreciated costs, the charges the Bank should support independently from the operation (for instance, administrative, stationery, communication costs), aren‘t to consider; they're those that, even if specifically attributable to the operation, are included in the usual credit management procedure (for instance, activities aiming to loan agreements). With special reference to credits, lump-sum refunds of costs borne by the Bank for the fulfilment of a service shouldn't be charged as decrease of loan issuance costs but, if they can be recorded as other operating income, the related costs should be indicated as an independent item in the income statement.

A. 3 –Information note on the fair value

A.3.1 Transfer among portfolios

In this section the information required by FRS 7, par.12th, letters b) and e) should be presented. The required tables aren't drawn up, as the Bank hasn't reclassified financial assets.

A.3.2 Hierarchy of fair value

Appraisals at fair value are classified on the base of a hierarchy of levels reflecting the relevance of the inputs used for the appraisals. The following levels are to be distinguished:

(a) quotations (without adjustments) relieved on the active market –pursuant to the definition given by IAS 39 – for assets or liabilities subject to appraisal (level 1);

(b) input different from the prices quoted at the previous point, which are directly (prices) or indirectly (derived from prices) observable on the market (level 2);

(c) inputs which aren't based on observable market data (level 3).

A.3.2.1 Book portfolios: distribution by levels of fair value

	31.12.2010			31.12.2009		
Assets/liabilities measured at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	0	1,612	0	100	2,710	0
2. Financial assets assessed at fair value	0	0	0	0	0	0
3. Financial assets available for sale	33,988	0	0	0	0	0
4. Hedging derivatives	0	957	0	0	4,436	0
Total	**33,988**	**2,569**	**0**	**100**	**7,146**	**0**
1. Financial liabilities held for trading	0	27,671	0	0	5,255	0
2. Financial liabilities assessed at fair value	0	33,468	0	0	32,862	0
4. Hedging derivatives	0	0	0	0	0	0
Total	**0**	**61,139**	**0**	**0**	**38,117**	**0**

A.3.2.2 Annual variations of financial assets assessed at fair value (level 3)

Financial assets	Held for trading	assessed at fair value	Available for sale	Hedging
1. Opening values	**0**	**0**	**0**	**0**
2. Increases	**29**	**0**	**0**	**0**
2.1. Purchases	29	0	0	0
2.2. Profits allocated to:	0	0	0	0
2.2.1. Income statement	0	0	0	0
- of which surplus revenues	0	0	0	0
2.2.2. Shareholders' equity	X	X	0	0
2.3. Transfers to other levels	0	0	0	0
2.4. Other increasing variations	0	0	0	0
3. Decreases	**29**	**0**	**0**	**0**
3.1. Sales	29	0	0	0
3.2. Repayments	0	0	0	0
3.3. Losses allocated to:	0	0	0	0
3.3.1. Income statement:	0	0	0	0
- of which surplus revenues	0	0	0	0
3.3.2. Shareholders' equity	0	0	0	0
3.4. Transfers to other levels	0	0	0	0
3.5. Other decreasing variations	0	0	0	0
4. Final values	**0**	**0**	**0**	**0**

A.3.2.3 Annual variations of financial liabilities assessed at fair value (level 3)

Kind of operation not present in the Bank.

A.3.3 Information note on the so-called "day one profit/loss"

The initial entering of financial liabilities (debt securities) takes place at the issue date, by taking into consideration their fair value; in case of bond, where the equivalent of the transaction does not correspond to the fair value, the Bank arranged for the booking of the „day one profit“. This difference is not immediately entered onto the income statement, but it is „suspended“ and booked, depending to the duration of the operation. In case of advanced payback of the instrument, the not-amortized amount is indicated in the income statement.

The residual effect deriving from the „day one profit/loss“ reported in the previous business years amounted to EUR 307 thousand. The set-off to the income statement amounted to EUR 239 thousand in the item "interests payable".

Part B
Information on the balance sheet

Assets

Section 1
Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: composition

Items/Values	31.12.2010	31.12.2009
a) Cash	2,721	3,269
b) Free deposits with Central Banks	0	4,500
Total	**2,721**	**7,769**

In this item currencies having legal tender, included foreign banknotes are indicated.

Section 2
A Financial assets held for trading – Item 20

2.1 Financial assets held for trading: composition by type

	31.12.2010			31.12.2009		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	0	0	0	100	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	0	100	0	0
2. Equities	0	0	0	0	0	0
3. O.I.C.P. quotas	0	0	0	0	0	0
4. Loans	0	0	0	0	0	0
4.1 Repurchase agree. receivables	0	0	0	0	0	0
4.2 Other	0	0	0	0	0	0
Total A	**0**	**0**	**0**	**100**	**0**	**0**
B. Derivative instruments						
1. Financial derivatives	0	1,612	0	0	2,710	0
1.1 trading	0	1,127	0	0	2,355	0
1.2 associated with fair value option	0	485	0	0	355	0
1.3 other	0	0	0	0	0	0
2. derivatives on credits	0	0	0	0	0	0
2.1 trading	0	0	0	0	0	0
2.2 connected with fair value option	0	0	0	0	0	0
2.3 other	0	0	0	0	0	0
Total B	**0**	**1,612**	**0**	**0**	**2,710**	**0**
Total (A + B)	**0**	**1,612**	**0**	**100**	**2,710**	**0**

The amount of the under-item B point 1.1 refers to positive derivative agreements, not deriving from hedging transactions (hedge accounting), used for managing hedging.

The amount of the under-item 1.2 refers to positive derivative agreements traded for the hedging structured and/or fixed-rate debenture loans issued by the bank. Hedged entries are classified among financial liabilities appraised at the fair value.

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

Items/Values	31.12.2010	31.12.2009
A. CASH ASSETS		
1. Debt securities	**0**	**100**
a) Governments and Central Banks	0	100
b) Other public bodies	0	0
c) Banks	0	0
d) Other issuers	0	0
2. Equities	**0**	**0**
a) Banks	0	0
d) Other issuers:	0	0
- insurance companies	0	0
- financial companies	0	0
- non-financial companies	0	0
- other	0	0
3. O.I.C.R. (collective savings investment org.) quotas	**0**	**0**
4. Loans	0	0
a) Governments and Central Banks	0	0
b) Other public bodies	0	0
c) Banks	0	0
d) Other	0	0
Total A	**0**	**100**
B. DERIVATIVE INSTRUMENTS		
a) Banks		
- fair value	816	2.644
b) Customers		
- fair value	796	66
Total B	**1,612**	**2,710**
Total (A + B)	**1,612**	**2,810**

2.3 Cash financial assets held for trading: annual variations

Items/Values	Debt securities	Equities	Quotas of O,I,C,R,	Financing	Total
A. Opening balance	**100**	**0**	**0**	**0**	**100**
B. Increases	**212,904**	**38**	**0**	**0**	**212,942**
B1. Purchases	212,901	37	0	0	212,938
B2. Positive fair value variations	0	0	0	0	0
B3. Other variations	3	1	0	0	4
C. Decreases	**213,004**	**38**	**0**	**0**	**213,042**
C1. Sales	212,903	38	0	0	212,941
C2. Reimbursements	100	0	0	0	100
C3. Negative fair value variations	0	0	0	0	0
C4. Trasfers to other portfolios	0	0	0	0	0
C5. Other variations	1	0	0	0	1
D. Closing balance	**0**	**0**	**0**	**0**	**0**

Section 3
Financial assets at fair value – Item 30

There are no financial assets at fair value at 31 December 2010.

Section 4
Financial assets available for sale – Item 40

4.1 Financial assets available for sale: composition by type

	31.12.2010			31.12.2009		
Items/values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	33,988	0	0	0	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	33,988	0	0	0	0	0
2. Equities	0	0	0	0	0	0
2.1 Assessed at fair value	0	0	0	0	0	0
2.2 Assessed at cost	0	0	0	0	0	0
3. O.I.C.R. shares	0	0	0	0	0	0
4. Financings	0	0	0	0	0	0
Total	**33,988**	**0**	**0**	**0**	**0**	**0**

4.2 Financial assets available for sale: composition per debtors/issuers

Items/Values	31.12.2010	31.12.2009
1. Debt securities	**33,988**	**0**
a) Governments and Central banks	33,988	0
b) Other public bodies	0	0
c) Banks	0	0
d) Other issuers	0	0
2. Equities	**0**	**0**
a) Banks	0	0
d) Other issuers:	0	0
- insurance companies	0	0
- financial companies	0	0
- non-financial companies	0	0
- other	0	0
3. O.I.C.R. shares	**0**	**0**
4. Financings	**0**	**0**
a) Governments and Central banks	0	0
b) Other public bodies	0	0
c) Banks	0	0
d) Other issuers	0	0
Total	**33,988**	**0**

4.3 Financial assets available for sale subject to specific hedging

At 31 December 2010 there are no financial assets available for sale subject to specific hedging.

4.4 Financial assets available for sale: annual variations

Items/Values	Debt securities	Equities	O.I.C.R. shares	Financings	Total
A. Opening balances	**0**	**0**	**0**	**0**	**0**
B. Increases	**34,913**	**0**	**0**	**0**	**34,913**
B1. Purchases	34.720	0	0	0	34.720
B2. Positive variations of fair value	0	0	0	0	0
B3. Value renewals	0	0	0	0	0
- Allocated to the income statement	0	X	0	0	0
- Allocated to the shareholders' equity	0	0	0	0	0
B4. Transfers to other portfolios	0	0	0	0	0
B5. Other variations	193	0	0	0	193
C. Decreases	**925**	**0**	**0**	**0**	**925**
C1. Sales	0	0	0	0	0
C2. Repayments	0	0	0	0	0
C3. Negative variations of fair value	911	0	0	0	911
C4. Deprecitions due to impairment	0	0	0	0	0
- Allocated to the income statement	0	0	0	0	0
- Allocated to the shareholders' equity	0	0	0	0	0
C4. Transfers to other portfolios	0	0	0	0	0
C5. Other variations	14	0	0	0	14
D. Closing balances	**33,988**	**0**	**0**	**0**	**33,988**

Section 5
Financial assets held to maturity – Item 50

This section is not used since the Bank does not have any financial assets classified in this category.

Section 6
Receivables due from banks – Item 60

6.1 Receivables due from banks: composition by type

Operation typology/Values	31.12.2010	31,12,2009
A. Receivables due from Central Banks	**22,112**	**959**
1. Term deposits	0	0
2. Legal reserve	22,112	959
3. Repurchase agreements – receivables	0	0
4. Other	0	0
B. Receivables due from banks	**7,666**	**48,819**
1. Current accounts and free deposits	7,666	48,819
2. Term deposits	0	0
3. Other financing	0	0
3.1 Repurchase agreements – receivables	0	0
3.2 Leasing	0	0
3.3 Other	0	0
4. Debt securities	0	0
4.1 Structured securities	0	0
4.2 Other debt securities	0	0
Total (book value)	**29,778**	**49,778**
Total (fair value)	**29,778**	**49,778**

These credits aren't subject to specific hedging.
The fair value is considered equal to the balance value, as they're credits repayable on demand or having short-time maturity.

6.2 Receivables due from banks: assets subject to specific hedging
There are no receivables due from banks, with specific hedging, at 31 December 2010.

6.3 Financial Leasing
There are no receivables due from banks, in leasing, at 31 December 2010.

Section 7
Receivables due from customers – Item 70

7.1 Receivables due from customers: composition by type

	31.12.2010		31,12,2009	
Operation typology/Values	Bonis	Impaired	Bonis	Impaired
1, Current accounts	225,107	75,324	295,149	94,598
2. Repurchase agreements - receivables	0	0	0	0
3. Loans	542,823	151,238	574,273	111,169
4. Credit cards, personal loans and transfer of fifth	657	242	1,322	242
5. Fianancial leasing	2,327,351	624,114	2,420,337	525,305
6. Factoring	0		0	
7. Other operations	334,246	36,904	335,039	33,141
8. Debt securities	0		0	
8.1 Structured securities	0		0	
8.2 Other debt securities	0		0	
Total (book value)	**3,430,184**	**887,822**	**3,626,120**	**764,455**
Total (fair value)	**n.a.**	**n.a.**	**n.a.**	**n.a.**

“Receivables due from customers” indicate net of write-downs deriving from depreciations.

With reference to the indication of the fair value of the credits towards customers, as it isn’t possible to obtain an analytical indication of the “market” value of the credits from the information systems, it was not possible to determine a reliable fair value. Moreover, taken into account that the item in hand concerns relationships settled, both for variable rates and for fixed rates, at market conditions, from an analysis made internally it is considered that the fair value cannot draw away significantly from balance values.

7.2 Receivables due from customers: composition by debtor/issuer

	31.12.2010		31.12.2009	
Operation typology/Values	Bonis	Impaired	Bonis	Impaired
1, Debt securities issued by:	**0**	**0**	**0**	**0**
a) Governments	0	0	0	0
b) Other public bodies	0	0	0	0
c) Other issuers	0	0	0	0
- non-financial companies	0	0	0	0
- financial companies	0	0	0	0
- insurance companies	0	0	0	0
- other	0	0	0	0
2, Financing	**3,430,184**	**887,822**	**3,626,120**	**764,455**
a) Governments	0	0	0	0
b) Other public bodies	76	0	572	0
c) Other issuers	3,430,108	887,822	3,625,548	764,455
- non-financial companies	3,047,857	834,518	3,359,613	717,900
- financial companies	138,228	409	17,404	581
- insurance companies	493	0	528	0
- other	243,530	52,895	248,003	45,974
Total	**3,430,184**	**887,822**	**3,626,120**	**764,455**

The arrangement of financial assets in the different economic section debtors and security issuers belong to is carried out by following the classification criteria indicated by Banca d'Italia.

7.3 Receivables due from customers: assets covered by specific hedging

There are no receivables due from customers, covered by specific hedging, at 31 December 2010.

7.4 Financial Leasing

Reconciliation between gross investment of the leasing and fair value of minimum payments due for the leasing and unguaranteed residual values due to the lessor.

	31.12.2010			
	Minimum payments		Gross	Unguaranteed residual
Kind of operation	Principal	Interests	investment	value (redemption)
Financial lease	2,828,883	881,170	3,544,769	602,209
- of which released	106,979	36,278	143,257	29,422

	31.12.2010		
	Minimum payments		
Time brackets	Principal amount	Interest payments	Gross Investment
Up to 3 months	106,073	28,720	134,794
From 3 months to 1 year	202,897	85,555	288,452
From 1 year to 5 years	812,152	352,038	1,164,190
More than 5 years	1,542,477	414,857	1,957,333
Non-specified duration	165,284	0	0
Total	**2,828,883**	**881,170**	**3,544,769**

Section 8
Hedging derivatives – Item 80

8.1 Hedging derivatives: composition by typology and levels

	31.12.2010				31.12.2009			
	Fair value				Fair value			
	L1	L2	L3	VN	L1	L2	L3	VN
A. Financial derivatives	**0**	**957**	**0**	**37,566**	**0**	**4,436**	**0**	**157,397**
1) Fair value	0	957	0	37,566	0	4,436	0	157,397
2) Cash flows	0	0	0	0	0	0	0	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	**0**	**957**	**0**	**37,566**	**0**	**4,436**	**0**	**157,397**

Legend: VN = National value / L1 = Level 1 / L2 = Level 2 / L3 = Level 3

In this section there are hedging financial derivatives that at the reference date of the financial statements having a positive fair value.

8.2 Hedging derivatives: composition by hedged portfolios and by hedging typology

Operations/Type of hedging	Fair Value						Financial flows		
	Specific								
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More risks	Generic	Specific	Generic	Foreign investments
1. Financial assets available for sale	0	0	0	0	0	X	0	X	X
2. Receivables	0	0	0	X	0	X	0	X	X
3. Financial assets held to maturity	X	0	0	X	0	X	0	X	X
4. Portfolio	X	X	X	X	X	0	X	0	X
5. Other operations	0	0	0	0	0	X	0	X	0
Total assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Financial liabilities	957	0	0	X	0	X	0	X	X
2. Portfolio	X	X	X	X	X	0	X	0	X
Total liabilities	**957**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Expected transactions	X	X	X	X	X	X	0	X	X
2. Portfolio of financial asests and liabilities	X	X	X	X	X	0	X	0	0

Section 9
Change in value of financial assets subject to hedging – Item 90

9.1 Change in value of hedged assets: composition by hedged portfolios
No data entry as of 31 December 2010.

9.2 Assets covered by interest rate risk hedge
No data entry as of 31 December 2010.

Section 10
Equity investments – Item 100

10.1 Equity investments in subsidiaries, companies under joint control or under substantial influence: information on relations between parties holding equity investments

Name	Head office	Capital	Equity investment %	Availability of votes %
A. Totally controlled subsidiaries				
1. Hypo Alpe-Adria-Finance S.r.l.	Via Marinoni, 55 - Udine	1,000	100	100
2. HypoService S.r.l.	Via Alpe Adria, 6 - Tavagnacco (UD)	552	100	100

10.2 Equity investments in subsidiaries, companies under joint control or under substantial influence: accounting information

Name	Total assets	Total Rev.	Profit (Loss)	Share-holders' equity	Book value	Fair value
A. Totally controlled subsidiaries						
1. Hypo Alpe-Adria-Finance S.r.l.	3,234	7,972	1	1,025	821	X
2. HypoService S.r.l.	12,086	913	131	2,388	2,611	X
Total	**15,320**	**8,885**	**132**	**3,413**	**3,432**	**X**

Participations in subsidiaries are evaluated at cost.

During 2010 the corporate name of Hypo Alpe Adria Consultants S.r.l was modified into HypoService S.r.l., the company seat was transferred from Udine, Via Marinoni, 55 to Tavagnacco (UD), Via Alpe Adria, 6. The participation, that is held also to manage and exploit properties, was not depreciated as it is thought that in their activities there are some potential non-booked surplus revenues concerning the buildings entered in the financial statements of the company at purchase cost.

The data indicated are taken from the financial statements at 31.12.2010. in the column "total revenues" the total amount of positive income components, before taxes is indicated.

10.3 Equity investments: annual changes

Items/Values	31.12.2010	31.12.2009
A. Opening balance	**3,432**	**3,432**
B. Increases	**0**	**0**
B1. Purchases	0	0
B2. Write-backs	0	0
B3. Revaluations	0	0
B4. Other variations	0	0
C. Decreases	**0**	**0**
C1. Sales	0	0
C2. Write-downs	0	0
C3. Other variations	0	0
D. Closing balance	**3,432**	**3,432**
E. Total revaluations	**0**	**0**
F. Total adjustments	**0**	**0**

10.4 Commitments referring to equity investments in subsidiaries

There are no commitments referring to equity investments in subsidiaries

10.5 Commitments referring to equity investments in companies under joint control

There are no commitments referring to equity investments in companies under joint control

10.6 Commitments referring to equity investments in companies under substantial influence

There are no commitments referring to participating interests in companies under substantial influence.

Section 11
Tangible assets – Item 110

11.1 Tangible assets: composition of assets valued at cost

Asset/Value	31.12.2010	31,12,2009
A. Asset for functional use		
1.1 owned	**12,154**	**14,549**
a) land	3,166	3,166
b) buildings	2,135	2,192
c) furniture	2,322	2,913
d) electrical equipment	0	0
e) other	4,531	6,278
1.2 acquired in leasing	**28,730**	**29,836**
a) land	4,446	4,446
b) buildings	23,332	24,127
c) furniture	0	0
d) electrical equipment	0	0
e) other	952	1,263
Total A	**40,884**	**44,385**
b. Assets held for investment purposes		
2.1 owned	**2,392**	**0**
a) land	129	0
b) buildings	2,263	0
2.2 acquired in leasing	**0**	**0**
a) land	0	0
b) buildings	0	0
Total B	**2,392**	**0**
Total (A+B)	**43,276**	**44,385**

The under item A. 1.2 “Assets acquired in leasing” refers to the value of the property in Tavagnacco (UD) Via Alpe Adria 6, the administrative centre of the Bank.

11.2 Tangible assets: composition of assets measured at fair value or re-valued

There are no tangible assets measured at fair value or re-valued.

11.3 Tangible assets for functional use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**7,612**	**29,612**	**6,319**	**0**	**24,392**	**67,935**
A.1 Total net value reductions	0	3,293	3,405	0	16,852	23,550
A.2 Net opening balance	**7,612**	**26,319**	**2,914**	**0**	**7,540**	**44,385**
B. Increases	0	41	34	0	528	603
B.1 Acquired	0	41	34	0	528	603
B.2 Expenses for capitalized improvements	0	0	0	0	0	0
B.3 Write-backs	0	0	0	0	0	0
B.4 Positive fair value variations						
charged to	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
B.5 Positive exchange rate differences	0	0	0	0	0	0
B.6 Transfers from property held						
for investment purposes	0	0	0	0	0	0
B.7 Other variations	0	0	0	0	0	0
C. Decreases:	**0**	**893**	**625**	**0**	**2,586**	**4,104**
C.1 Sales	0	0	0	0	255	255
C.2 Depreciation	0	893	625	0	2,331	3,849
C.3 Write-downs for impairment						
charged to	0	0	0	0	0	0
a) shareholder's equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.4 Negative fair value variations						
charged to	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.5 Negative exchange rate differences	0	0	0	0	0	0
C.6 Transfers to:	0	0	0	0	0	0
a) tangible assets held for						
investment purposes	0	0	0	0	0	0
b) assets held for sale	0	0	0	0	0	0
C.7 Other variations	0	0	0	0		0
D. Net closing balance	**7,612**	**25,467**	**2,323**	**0**	**5,482**	**40,884**
D.1 Net total value reductions	0	4,186	4,030	0	19,183	27,399
D.2 Gross closing balance	**7,612**	**29,653**	**6,353**	**0**	**24,665**	**68,283**
E. Valuations at cost	0	0	0	0	0	0

11.4 Tangible assets held for investment purposes: annual changes

	Land	Buildings	Total
A. Gross opening balance	**0**	**0**	**0**
B. Increases:	**129**	**2,263**	**2,392**
B.1 Purchases	129	2,263	2,392
B.2 Expensed for capitalized improvements	0	0	0
B.3 Positive variations of fair value	0	0	0
B.4 Write-backs	0	0	0
B.5 Positive foreign exchange differences	0	0	0
B.6 Transfers from functional-use properties	0	0	0
B.7 Other variations	0	0	0
C. Decreases:	**0**	**0**	**0**
C.1 Sales	0	0	0
C.2 Depreciations	0	0	0
C.3 Negative variations of fair value	0	0	0
C.4 Value adjustments due to impairment	0	0	0
C.5 Negative foreign exchange differences	0	0	0
C.6 Transfers to other asset portfolios:	0	0	0
a) functional-use properties	0	0	0
b) non-current assets held for sale	0	0	0
C.7 Other changes	0	0	0
D. Closing balance	**129**	**2,263**	**2,392**
E. Assessment at fair value	622	5,350	5,972

11.5 Commitments for purchases of tangible assets

No commitments are recorded for purchases of tangible assets.

Section 12
Intangible assets – Item 120

12.1 Intangible assets: composition by asset typology

Assets/Values	31.12.2010 Limited duration	31.12.2010 Unlimited duration	31,12,2009 Limited duration	31,12,2009 Unlimited duration
A,1 Goodwill	X	1,114	X	1,114
A.2 Other intangible assets	1,513	0	1,991	0
A.2.1 Assets valued at cost:	1,513	0	1,991	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	1,513	0	1,991	0
A.2.2 Assets measured at fair value:	0	0	0	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	0	0	0	0
Total	**1,513**	**1,114**	**1,991**	**1,114**

The under A.1 item "goodwill" includes the value corresponding to the goodwill residual paid net of the amortization rates accrued until 31 December 2004 (date of the change to the new accounting criteria), related to the acquisition of the Italian branch of "Karntner Landes-und Hypothekenbank A.G.", now Hypo Alpe-Adria-Bank International A.G. in Klagenfurt (Austria).

The residual value was subject to the so-called "impairment test".

This verification process is carried out on an annual basis and requires the determination of the recoverable value, represented by the value in use, i.e. by the current value of expected financial flows coming from activity undergoing verification. The value in use therefore reflects the estimate of financial flows expected from the activity, the estimate of the possible changes in the amount and/or in the timing of the financial flows, the financial value of time, as well as the price suitable to remunerate the riskiness of the activity.

In the determination of the value in use, the Bank in particular uses the method of the discounting of future cash flows. Since goodwill cannot produce financial flows independently from other activities or groups of activity, in order to carry out the verification of the resistance of the book value, the Bank arranged to identify the CGU (cash generating unit) the goodwill was allocated to, to quantify the expected flows for the CGU and to compare the discounted value with the value entered in the books, including goodwill.

The main hypotheses used for the calculation of the value in use concern the discount rate (corresponding to the rate of return on invested capital for 10,25%) and the growth rate of the profitability produced by the CGU, prudentially quantified equal to the economy growth rate during the period assumed for the calculation (10 years). Therefore, our Bank adopted a discount rate before taxes which reflects the current market evaluations of the cost of money and of the specific risk connected to the CGU.

In particular the CGU was identified in the four branches (Vicenza, Udine, Brescia and Conegliano) subject of acquisition of the Italian branch of „Karntner Landes-und Hypothekenbank AG", now Hypo Alpe-Adria-Bank International AG of Klagenfurt (Austria).

The impairment test has highlighted a use value, net of invested capital return, of about EUR 2.300 thousand.

The other intangible assets having limited duration refer to licenses of use of the software and to ancillary costs linked to the opening of the branches.

12.2 Intangible assets: annual changes

		Other intangible assets generated internally		Other intangible assets		
	Goodwill	Limited lenght	Illimited lenght	Limited lenght	Illimited lenght	Total
A. Opening balance	**1,114**	**0**	**0**	**9,090**	**0**	**10,204**
A.1 Net total value reductions	0	0	0	7,099	0	7,099
A.2 Net opening balance	**1,114**	**0**	**0**	**1,991**	**0**	**3,105**
B. Increases:	**0**	**0**	**0**	**230**	**0**	**230**
B.1 Purchases	0	0	0	230	0	230
B.2 Increases in internal intangible assets	X	0	0	0	0	0
B.3 Write-backs	X	0	0	0	0	0
B.4 Positive fair value variations	X	0	0	0	0	0
- shareholders' equity	X	0	0	0	0	0
- income statement	X	0	0	0	0	0
B.5 Positive exchange rate differences	0	0	0	0	0	0
B.6 Other variations	0	0	0	0	0	0
C. Decreases:	**0**	**0**	**0**	**708**	**0**	**708**
C.1 Sales	0	0	0	1	0	1
C.2 Write-downs	0	0	0	707	0	707
- Depreciation	X	0	0	707	0	707
- Devaluations	0	0	0	0	0	0
+ shareholders' equity	X	0	0	0	0	0
+ income statement	0	0	0	0	0	0
C.3 Negative variations of fair value	0	0	0	0	0	0
- shareholders' equity	0	0	0	0	0	0
- income statement	0	0	0	0	0	0
Transfer to non-current assets held for sale	0	0	0	0	0	0
C.5 Negative exchange rate differences	0	0	0	0	0	0
C.6 Other variations	0	0	0	0	0	0
D. Net closing balance	**1,114**	**0**	**0**	**1,513**	**0**	**2,627**
D.1 Net total value reductions	0	0	0	7,806	0	7,806
D.2 Gross closing balance	**1,114**	**0**	**0**	**9,319**	**0**	**10,433**
E. Valuations at cost	0	0	0	0	0	0

12.3 Other information

On the base to what required by IAS 38, paragraph 122 and 124, we specify what follows:

- there are no revaluated intangible assets; as a consequence there are no impediments to the distribution to the shareholders of capital gains concerning revaluated intangible assets (IAS 38, paragraph 124, letter b);
- there are no intangible assets acquired through government concession (IAS 38, paragraph 122, letter c);
- there are no intangible assets in debit guarantees (IAS 38, paragraph 122, letter d);
- there are no intangible assets subject to lease operations.

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

13.1 Assets for pre-paid taxes: composition

Assets for pre-paid taxes	31.12.2010
– Entertainment expenses	10
– Goodwill	318
– Additional indemnity for the customers	53
– Credits devaluations	16,655
– Credits devaluations	596
– Tangible fixed assets	57
– AFS securities	292
– Other	15
Total	**17,996**

13.2 Liabilities for deferred taxes: composition
At the balance sheet date there are no liabilities for deferred taxes.

13.3 Change in prepaid taxes (income statement contra-entry)

Assets/Values	31.12.2010	31,12,2009
1. Opening balance	**14,232**	**5,632**
2. Increases	**5,036**	**9,095**
2.1 Prepaid taxes arising during the year	5,036	8,730
a) relating to previous years	0	151
b) due to change in accounting criteria	0	0
c) write-backs	0	0
d) other	5,036	8,579
2.2 New taxes or tax rate increases	0	14
2.3 Other increases	0	351
3. Decreases	**1,564**	**495**
3.1 Pre-paid tax assets derecognised during the year	979	495
a) reversals of temporary differences	979	495
b) write-downs of non recoverable items	0	0
c) new accounting criteria	0	0
d) other	0	0
3.2 Tax rate reductions	1	0
3.3 Other decreases	584	0
4. Final amount	**17,704**	**14,232**

13.4 Change in deferred taxes (income statement contra-entry)

Assets/Values	31.12.2010	31.12.2009
1. Opening balance	**658**	**1.514**
2. Increases	**0**	**0**
2.1 Deferred taxes arising during the year	0	0
a) relating to previous years	0	0
b) due to change in accounting criteria	0	0
c) other	0	0
2.2 New taxes or tax rate increases	0	0
2.3 Other increases	0	0
3. Decreases	**658**	**856**
3.1 Deferred tax assets derecognised during the year	658	856
b) reversal of temporary differences	658	856
c) due to change in new accounting criteria	0	0
d) other	0	0
3.2 Tax rate reductions	0	0
3.3 Other reductions	0	0
4. Final amount	**0**	**658**

13.5 Change in prepaid taxes (shareholders' equity contra-entry)

Assets/Values	31.12.2010	31.12.2009
1. Opening balance	**0**	**0**
2. Increases	**292**	**0**
2.1 Advance taxes accounted for the period	292	0
a) related to previous periods	0	0
b) due to the changing of accounting criteria	0	0
c) other	292	0
2.2 New taxes or increases of fiscal rates	0	0
2.3 Other increases	0	0
3. Decreases	**0**	**0**
3.1 Advanced taxes cancelled in the period	0	0
a) transfers	0	0
b) depreciations due to occured irrecoverableness	0	0
c) due to the changing of accounting criteria	0	0
3.2 Reductions of fiscal rates	0	0
3.3 Other decreases	0	0
4. Final amount	**292**	**0**

13.6 Change in deferred taxes (shareholders' equity contra-entry)

There are no changes in the deferred taxes in contra-entry to the shareholders' equity.

13.7 Other information

Composition of current taxation.

Assets for current taxes

Description	31.12.2010	31.12.2009
IRES - IRAP tax part payments	13,928	18,971
Tax credits receivable	3,210	0
Assets for gross current taxes	**17,138**	**18,971**
Compensation with current fiscal liabilities	16,454	18,846
Assets for net current taxes	**684**	**125**

Liabilities for current taxes

Description	31.12.2010	31,12,2009
Tax liabilities for direct taxes	16,454	18,846
Debts for gross current taxes	**16,454**	**18,846**
Compensation with current fiscal assets	16,454	18,846
Debits for net current taxes	**0**	**0**

Other information

VAT contentious 2004

In 2006 the Bank underwent an inspection conducted by Guardia di Finanza (Tax Police) - Trieste unit. The tax inspection was focused on tax year 2004 for direct tax and VAT and was extended to tax years 2003, 2005 and 2006 with reference to VAT related tax treatment for the purchase of mixed use goods and services.

The Agenzia delle Entrate (tax office), Udine branch office issued on 23rd July 2007 a notice of assessment (Avviso di Accertamento) for the year 2004 for a total amount including taxes, penalties and interests of EUR 2.892.660,75.

After the notice of assessment the Company, by considering the negative result of the attempts of amicable settlement, on 4th February 2008 submitted a self-defence application to Commissione Tributaria Provinciale (Provincial Tax Committee), Udine office.

The Commissione Tributaria Provinciale (Provincial Tax Committee), Udine office, with sentence no. 318/1/2009 dated 19 May 2009 deposited on 13 October 2009 acknowledged in full the petition by the Company, and sentenced Agenzia delle Entrate to the reimbursement of all expenses. On 29/01/2010 Agenzia delle Entrate (Revenue office) lodged an appeal at Commissione Tributaria Provinciale (Provincial Tax Committee), Trieste office.

As regards the content of the dispute in hand, on the base of the justified considerations made by the pool of professionals entrusted for the protection and of the clear sentence pronounced in first instance by Commissione Tributaria Provinciale (Provincial Tax Committee), Udine office, we believe that the approach by the company is correct and that, as a consequence, the assessment cannot produce an actual tax debt.

Abuse of VAT rights on nautical leasing 2004 and 2005

The Company underwent a further tax inspection conducted by Agenzia delle Entrate (tax office), Friuli-Venezia Giulia branch office, on the issue of treatment of VAT in some nautical leasing contracts for the years 2003 to 2007. The inspection was ended on 29th May 2008 with the notification of the Formal Notice of Assessment (Processo Verbale di Constatazione), through which Agenzia delle Entrate (tax office) has charged, with reference to 7 lease contracts, with the application of flat-rate VAT as per Ministerial Circular no. 49/2002 instead of full VAT rate, asking for the re-qualification of the leasing contract as sales contract. The whole amount of notified VAT is EUR 98.550,56.

On 28 December 2009 the Agenzia delle Entrate (tax office) notified the related notice of assessment (Avviso di Accertamento) about the three contracts drawn up in 2004 for a the total amount of tax, penalties and interests of EUR 108.445,13.

Against the notice of assessment the Company required its annulment by own determination. Direzione Regionale delle Entrate (Regional tax office), with notification sent on 19 April 2010 has therefore notified the cancellation in self-protection of the notice of assessment (avviso di accertamento).

On 28 December 2010 Agenzia delle Entrate (tax office) notified the notice of assessment related to a single contract signed in 2005, for a total amount, included tax, sanctions and interests of EUR 46.113,89. Against the notice of assessment the Company filed a tax settlement proposal (istanza di accertamento con adesione). If this attempt produces no effects, the Bank will file recourse at the Commissione Tributaria Provinciale (province tax commission) of Trieste.

The above-mentioned verification involved the most part of Italian leasing companies, as it had started from an initiative directly led by Agenzia delle Entrate, central office of Rome. After some inspections and notifications carried out by the different leasing companies, Assilea, the Trade Association of Leasing Companies, has started a series of assessments with the involved companies and with known professionals, from which the weakness of the motivations produced by the inspectors has emerged. Same considerations were presented also by the pool of professionals entrusted for defence. About to the dispute in hand, two judgments have already been deposited at the Commissione Tributaria Provinciale (Provincial Tax Committee), Treviso and Brescia office; both judgments are favourable to leasing companies. For these reasons, we believe reasonably that this tax inspection as well shouldn't generate a real tax debt.

Tutoring activities for the year 2007

On 29 October 2009 the same Agenzia delle Entrate, Regional Office of Friuli-Venezia Giulia started a further tax audit, called „tutorage activity", having as object the check of direct taxes, IRAP (Italian regional tax on productive activities), VAT and the withholding tax obligations for the tax period 2007 of some special cases and/or balance accounts.
The verification was ended on 17 February 2010 with the notification of a Notification of Findings, from which the following disputes emerge:

- IRES (Corporate Income Tax) and IRAP (Regional Income Tax) verifications for EUR 127.029,03 concerning losses on credits and non-deductible contingencies.
- VAT verifications for EUR 466.974,25 concerning omitted invoicing of VAT on estate leasing to usual exporters and on illegal tax deductions on a financial intermediation, on leasing instalments of the new head offices for the share concerning land, on the lease of the agencies of Treviso and Bergamo and the building costs of the head offices.
- Surveys for withholding tax for EUR 16.303,73 concerning omitted application of withholding tax on an indemnity paid to a former leasing agent.
- At today Agenzia delle Entrate (tax office) has not yet notified the related notice of assessment. At any rate, on the base of justified evaluations and of the weakness of the presented dispute, we reasonably consider that also this verification cannot produce relevant impacts in terms of tax increase. In any case, we think that the allocations entered in the financial statements are appropriate to face any burdens which could to be produced in the future.

Non-deductibility of VAT on non-existent transactions for the year 2005

On 28 December 2010 Agenzia delle Entrate (tax office), Direzione Regionale (regional tax office) of Friuli-Venezia Giulia notified a notice of assessment (avviso di accertamento) through which they disputed the non-deductibility of VAT related to 4 leasing movables transactions. In particular, from inspections carried out by Guardia di Finanza (tax police) on the suppliers of these goods, it was evidenced that these operations cannon be considered as existing, as the underlying assets appear as never purchased by the supplier company before, or they have been contextually sold to more than one purchaser.

In these leasing transactions the Bank appears as pure intermediary between the supplier of the asset and the leasing customer. The leasing agreements result as currently all closed, with difficulty in the collection of the credit.

The disputed VAT through notice of assessment, along with the interests, amounts to euro 169.535,68. The notice of assessment does not charge any sanctions because, as indicated in the reports by Guardia di Finanza, the Company wasn't "aware of the fraudulent transactions" plotted by the supplier and by the customer and applied "the common diligence with reference to the fraud perpetrated against it".

We notice that the notice involved also other leasing companies involved in the fraud.

Against the notice of assessment the Company filed a tax settlement proposal (istanza di accertamento con adesione). If this attempt produces no effects, the Bank will assess along with its consulting team, whether to file recourse at the Commissione Tributaria Provinciale (province tax commission) of Trieste.

By considering the existing jurisprudence, we reasonably think that this ascertainment could in case produce a limited impact in terms of economic burdens. In any case we think that the provisions entered into balance are appropriate to face any burdens that could be generated in the future.

Tutoring activity for the year 2008 and verification of credits for the years 2005, 2006, 2007 and 2008

Agenzia delle Entrate (tax office), Direzione Regionale (regional tax office) of Friuli-Venezia Giulia on 17 September 2010 started a further verification regarding the accounting and fiscal handling of the credits entered into balance for the years 2005, 2006, 2007 and 2008. The inspection starts from a communication regarding the accounting modalities of credits in the software made available by our outsourcer Cedacri SpA and also concerns the other banks served by this supplier.

Further on, on 2 February 2011, Agenzia delle Entrate extended the inspection to the tutoring activity for the year 2008. We remind that tutoring is an inspection activity on specific issues carried out by Agenzia delle Entrate annually on all the companies having a turnover exceeding EUR 300 million.

For the time being the inspection is in progress.

Verification activity of Register of relationships

Last of all we point out that Agenzia delle Entrate, Direzione Centrale Accertamento (central tax assessment office), on 25 January 2011 notified us the results of the inspections regarding the correct data reporting to the Register of relationships, as a consequence of the entering carried out on 4 December 2009.

The result report indicates some anomalies regarding wrong or omitted communications of bank relationships, that anyway from the point of view of the company, result as regularly reported. Therefore, the Bank will indicate Agenzia delle Entrate the references related to the carried out reports and to the consequent non-existence of anomalies.

Section 14
Non-current assets and groups of assets held for sale, and associated liabilities – Item 140 of the assets and Item 90 of the liabilities

14.1 Non-current assets and groups of assets held for sale: composition by asset typology
There are no non-current assets and groups of assets held for sale.

Section 15
Other assets – Item 150

15.1 Other assets: composition

	31.12.2010	31.12.2009
Unpaid bills – third party protest	232	586
Protested cheques	11	49
Credits and advance payments for indirect taxes	3,695	3,170
Suppliers for invoices to be issued	299	632
Advance payments to suppliers	2,969	3,562
Income and charges not attributed to specific items	4,189	4,012
Items in transit with branches	8	290
Incrementing costs on third party goods	4,242	4,600
Various debtors	9,784	8,908
Items under construction	7,064	8,743
Total	**32,493**	**34,552**

The “Incrementing costs on third party goods” are made up by costs for improvements that cannot be broken up from the assets, different from those referable to the item “material assets”.

The “Items under construction” are related to items assumed in the last days of the year and that were almost completely adjusted in the first days of the next financial year.

Liabilities

Section 1
Payables due to banks – Item 10

1.1 Payables due to banks: composition by typology

Operation typology/Values	31.12.2010	31,12,2009
1. Payables due to Central Banks	**35,022**	**80,002**
2. Payables due to Banks	**2,699,096**	**2,603,249**
2.1 Current accounts and free deposits	25,688	26,197
2.2 Term deposits	1,204,490	901,039
2.3 Financing	1,468,918	1,676,013
2.3.1 Repurchase agreements payable	0	0
2.3.2 Other	1,468,918	1,676,013
2.4 Payables for buyback commitments of own asset instruments	0	0
2.5 Other debts	0	0
Total	**2,734,118**	**2,683,251**
Fair value	**2,734,118**	**2,683,251**

This aggregate is mainly referred to short and medium-term collection with our parent company Hypo Alpe-Adria-Bank-International AG in Klagenfurt.

The fair value of payables towards banks is considered as equal to the balance value, as they're payables on demand or at variable rate.

1.2 Details of item 10 "Payables due to banks": subordinate payables
At the balance sheet date, there are no subordinate payables due to banks.

1.3 Details of item 10 "Payables due to banks": structured payables
There are no structured payables due to banks at the balance sheet date.

1.4 Payables due to banks: debts covered by specific hedging
There are no payables due to banks and covered by specific hedging at the balance sheet date.

1.5 Leasing debts
There are no payables due to banks for leasing at the balance sheet date.

Section 2
Payables due to customers – Item 20

2.1 Payables due to customers: composition by typology

Operation typology/Values	31.12.2010	31.12.2009
1. Current accounts and free deposits	503,494	455,882
2. Term deposits	758	2,299
3. Financing	32,141	26,858
3.1 Repurchase agreements payable	16,177	9,791
3.2 Other	15,964	17,067
4. Payables for buyback commitments of own asset instruments	0	0
5. Other debts	274,001	254,156
Total	**810,394**	**739,195**
Fair value	**810,394**	**739,195**

In this item there are payables towards customers, in all their technical forms, different from those indicated at items 30, 40 and 50.

These payables aren't subject to specific hedging.

The Fair value of the payables towards customers is considered is considered as equal to the balance value, as they're on-demand or short-term rate payables.

2.2 Details of item 20 "Payables due to customers": subordinate payables
There are no subordinate payables due to customers at the balance sheet date.

2.3 Details of item 20 "Payables due to customers": structured payables
There are no structured payables due to customers at the balance sheet date.

2.4 Payables due to customers: payables subject to specific hedging
There were no payables due to customers subject to specific hedging at the balance sheet date.

2.5 Payables for leasing
At the balance sheet date the under item 3.1 "financing - other" indicated in table 2.1 "Payables due to customers: composition by typology" are exclusively represented by payables due to Hypo Alpe-Adria-Leasing S.r.l. for the leasing acquisition of the real estate property of the headquarters of our Bank

The "debt", represented by the financed value, corresponding to EUR 33.500 thousand, net of the capital share of leasing fees paid from the time of their employment until 31 December 2010, corresponding to EUR 17.536 thousand, amounts totally to EUR 15.964 thousand.

Section 3
Outstanding securities – Item 30

3.1 Outstanding securities: composition by typology

Security typology/Values	31.12.2010				31.12.2009			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1 bonds	424,095	0	430,606	0	622,898	0	625,141	0
1.1 structured	0	0	0	0	0	0	0	0
1.2 altre	424,095	0	430,606	0	622,898	0	625,141	0
2. other securities	1,413	0	1,413	0	6,512	0	6,512	0
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	1,413	0	1,413	0	6,512	0	6,512	0
Total	**425,508**	**0**	**432,019**	**0**	**629,410**	**0**	**631,653**	**0**

Legend: L1 = Level 1 / L2 = Level 2 / L3 = Level 3

In this item there are issued securities assessed at amortized cost. Securities that at the balance date of reference are expired but not yet repaid are included.

In the item there are also securities having specific hedging, pursuant to the discipline of "hedge accounting".

The under-item 2.2 „Other securities - other", refers entirely certificates of deposit.

For the determination of the fair value of issued securities, a cash flows discounting model based on the yield rate curve for the period up to the maturity was employed.

3.2 Details of item 30 "Outstanding securities": subordinate securities

On 31 December 2010 the "outstanding subordinate securities" amount to EUR 48.104 thousand and haven't varied in comparison with the previous business year.

The detail of the features of subordinate liabilities at 31 December 2010 is indicated in Part F – "Information on Shareholders' equity", Section 2 – "Information regarding equity and supervisory coefficients", under-section 2.1. "Supervisory portfolio", A "qualitative information", paragraph 3. Supplementary portfolio (Tier 2).

3.3 Outstanding securities: securities subject to specific hedging

Operation typology/Values	31.12.2010	31.12.2009
1. Securities subject to specific fair value hedging:	**38,437**	**162,475**
a) interest rate risk	38,437	162,475
b) exchange rate risk	0	0
c) more risks	0	0
2. Securities subject to specific financial flow hedging:	**0**	**0**
a) interest rate risk	0	0
b) exchange rate risk	0	0
c) more risks	0	0

The "Securities subject to specific fair value hedging" refer to some obligations indicated in the previous under item 3.1 "Outstanding securities: composition by typology". The amount indicated is formed by the principal, by the maturing accrual at the balance sheet reference date and by the hedging share considered effective.

Section 4
Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: composition by typology

Operation typology/Values	31.12.2010					31.12.2009				
	VN	Fair value			FV*	VN	Fair value			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1, Payables due to banks	0		0	0	0	0		0	0	0
2, Payables due to customers	0		0	0	0	0		0	0	0
3, Debt securities	0		0	0	0	0		0	0	0
3,1 Bonds	0		0	0	0	0		0	0	0
3,1,1 Structured	0		0	0	X	0		0	0	X
3,1,2 Other bonds	0		0	0	X	0		0	0	X
3,2 Other securities	0		0	0	0	0		0	0	0
3,2,1 Structured	0		0	0	X	0		0	0	X
3,2,2 Other	0		0	0	X	0		0	0	X
Total A	**0**		**0**	**0**	**0**	**0**		**0**	**0**	**0**
B. Derivative instruments										
1, Financial derivatives	X		27,671	0	X	X		5,255	0	X
1.1 Trading	X		27,096	0	X	X		4,146	0	X
1.2 Associated with the fair value option	X		575	0	X	X		1,109	0	X
1.3 Other	X		0	0	X	X		0	0	X
2. Credit derivatives	X		0	0	X	X		0	0	X
2.1 Trading	X		0	0	X	X		0	0	X
2.2 Associated with the fair value option	X		0	0	X	X		0	0	X
2.3 Other	X		0	0	X	X		0	0	X
Total B	**X**		**27,671**	**0**	**X**	**X**		**5,255**	**0**	**X**
Total (A+B)	**0**		**27,671**	**0**	**0**	**0**		**5,255**	**0**	**0**

Legend: FV* = fair value calculated excluding value variations due to the change in credit worth of the issuer in comparison with the issue date
VN = nominal or notional value / L1 = Level 1 / L2 = Level 2 / L3 = Level 3

The amount at the under-item B. 1.1. refers to derivative agreements having a negative value, not referable to hedging transactions, but used for management coverings.

Financial liabilities held for negotiation shown at the under-item B. 1.2 of the table represent the negative value of derivative instruments (IRS, options), for which the fair value option is applicable, as managerially connected to hedged liabilities appraised at the fair value.

4.2 Details of item 40 "Financial liabilities held for trading": subordinate liabilities
There are no subordinate trading financial liabilities at the balance sheet date.

4.3 Details of item 40 "Financial liabilities held for trading": structured debts
There are no subordinate trading financial liabilities related to structured debts at the balance sheet date.

4.4 Cash financial liabilities (excluding "technical deficits") held for trading: annual variations
At 31 December 2010 there are no financial cash liabilities, so there are no variations to report for the period.

Section 5
Financial liabilities at fair value – Item 50

5.1 Financial liabilities at fair value: composition by typology

	31.12.2010					31.12.2009				
		Fair value					Fair value			
Tipologia operazione/Valori	VN	L1	L2	L3	FV*	VN	L1	L2	L3	FV*
1, Payables due to banks	0	0	0	0	0	0	0	0	0	0
1.1 Structured	0	0	0	0	X	0	0	0	0	X
1.2 Other	0	0	0	0	X	0	0	0	0	X
2. Payables due to customers	0	0	0	0	0	0	0	0	0	0
2.1 Structured	0	0	0	0	X	0	0	0	0	X
2.2 Other	0	0	0	0	X	0	0	0	0	X
3. Outstanding securities	34,133	0	33,468	0	0	34,042	0	32,862	0	0
3.1 Structured	34,133	0	33,468	0	X	34,042	0	32,862	0	X
3.2 Other	0	0	0	0	X	0	0	0	0	X
Total	**34,133**	**0**	**33,468**	**0**	**0**	**34,042**	**0**	**32,862**	**0**	**0**

Legend: FV* = fair value calculated excluding value variations due to the change in credit worth of the issuer in comparison with the issue date
VN = nominal or notional value / L1 = Level 1 / L2 = Level 2 / L3 = Level 3

The item in object includes only bonds issued by the Bank connected to hedging derivative contracts of the interest rate risk, assessed on the base of the so called fair value option indicated in the IAS 39.

5.2 Details of item 50 "Financial liabilities at fair value": subordinated liabilities
At the balance sheet date there are no financial liabilities at fair value represented by subordinate securities.

5.3 "Financial liabilities at fair value": annual variations

	Liabilities due to banks	Liabilities due to customers	Circulating securities	Total
A. Opening balance	**0**	**0**	**32,862**	**32,862**
B. Increases	**0**	**0**	**1,607**	**1,607**
B.1 Issues	0	0	0	0
B.2 Sales	0	0	942	942
B.3 Positive fair value changes	0	0	564	564
B.4 Other changes	0	0	101	101
C. Decreases	**0**	**0**	**1,001**	**1,001**
C.1 Purchases	0	0	934	934
C.2 Reimbursements	0	0	0	0
C.3 Negative fair value changes	0	0	62	62
C.4 Other changes	0	0	5	5
D. Closing balance	**0**	**0**	**33,468**	**33,468**

The "Positive and negative fair value changes" (under items B.3) related to "Circulating securities" are recorded in the income statement under the item 110 "Net result of financial assets and liabilities at fair value".

The under item B.4 "Other changes" among the decreases of "Circulating securities" with EUR 10 thousand refers to sales losses recorded in the income statement under the item 110 "Net result of financial assets and liabilities at fair value", for EUR 91 thousand to the difference between issue dismissals at the beginning and at the end of the financial year.

The under item C.4 "Other changes" among the decreases of "Circulating securities" refers to negotiation proceeds recorded in the income statement under the item 110 "Net result of financial assets and liabilities at fair value".

Section 6
Hedging derivatives – Item 60

6.1 Hedging derivatives: composition by typology of hedging and hierarchical levels

At 31 December 2010 the bank has no negative "Hedging derivatives".

Section 7
Change in value of financial liabilities subject to generic hedging - Item– 70

7.1 Change in value of hedged liability

There are no hedged liabilities at 31 December 2010.

7.2 Financial liabilities subject to generic hedging of the interest rate risk: composition

At the balance sheet date there are no liabilities subject to generic hedging of the interest rate risk.

Section 8
Tax liabilities – Item 80

For information regarding tax liabilities, refer to what indicated in Section 13 of Assets.

Section 9
Liabilities associated with assets held for sale – Item 90

At the balance sheet date there are no liabilities associated with assets held for sale.

Section 10
Other liabilities – Item 100

10.1 Other liabilities: composition

	31.12.2010	31,12,2009
Liabilities associated with staff	2,524	2,561
Payables due to insurance bodies	1,373	1,388
Sums to pay to the revenue authorities for third parties	2,987	1,934
Sums available to customers	4,866	3,974
Payables due to suppliers	27,447	33,734
Income and charges not attributable to specific items	3,194	4,354
Transit items with branches	0	10
Various creditors	15,813	19,316
Items under contruction	4,195	12,055
Adjustment of illiquid items related to invest. portfolio and others	2,949	950
Total	**65,348**	**80,276**

The "Items under construction" are related to items assumed in the last days of the year and that were almost completely adjusted in the first days of the next financial year.

Section 11
"Employee benefits" Staff severance (TFR) – Item 110

11.1 TFR: annual variations

	31.12.2010	31.12.2009
A. Opening balance	**3,411**	**3,425**
B. Increases	**153**	**175**
B.1 Provisions during the year	153	175
B.2 Other increases	0	0
C. Decreases	**274**	**189**
C.1 Payments made	262	175
C.2 Other decreases	12	14
D. Closing balance	**3,290**	**3,411**

In this item there is the TFR calculated through the method indicated by IAS 19.

At the financial statements date, the Bank made use of the possibility to indicate in the Income Statement the Actuarial Profits or Losses which took place during the period; therefore, the item D. "Closing balance" of the registered fund coincides with its Actuarial value.

The main actuarial hypothesis are summed up as follows:

	31.12.2010	31.12.2009
Annual rate of techcnical discount	4.60%	4.50%
Annual rate of inflaction	2.00%	2.00%
Annual rate of increase of TFR (severance pay)	2.94%	2.22%

11.2 Other information

Without prejudice for what indicated above, the severance fund, reckoned in compliance with art. 2120 Italian Civil Code, not assigned to complementary severance funds or to INPS (Italian socieal security) Treasury fund, amounts to EUR 3.750 thousand (3.913 thousand at 31st December 2009).

Section 12
Provisions for risks and expenses – Item 120

12.1 Provisions for risks and expenses: composition

Items/Values	31.12.2010	31.12.2009
1. Provisions for company pensions	0	0
2. Other provisions for contingent liabilities & contingent assets	2,779	2,719
2.1 legal disputes	1,591	1,646
2.2 personnel expenses	0	0
2.3 other	1,188	1,073
Total	**2,779**	**2,719**

12.2 Provisions, contingent liabilities & contingent assets: Annual changes

	Provisions for severance	Other provisions	Total
A. Opening balance	**0**	**2,719**	**2,719**
B. Increases	**0**	**501**	**501**
B.1 Provisions during the year	0	501	501
B.2 Variations due to the passage of time	0	0	0
B.3 Variations due to changes in the discount rate	0	0	0
B.4 Other increases	0	0	0
C. Decreases	**0**	**441**	**441**
C.1 Used in the year	0	441	441
C.2 Variations due to changes in the discount rate	0	0	0
C.3 Other decreases	0	0	0
D. Closing balance	**0**	**2,779**	**2,779**

12.3 Provisions, contingent liabilities & contingent assets with defined service
At the balance sheet date there are no provisions for severance with defined service.

12.4 Provisions, contingent liabilities & contingent assets – other provisions
The under item 2.1 "Provisions for legal disputes" consists of potential liabilities due to passive suits.

The item "Other provisions for contingent liabilities & contingent assets – other provisions" consists of provisions recorded in 2010 and in previous financial years for compensation for end of agency relationship and for end-mandate compensation of Directors.

Section 13
Redeemable shares – Item 140
This item is not used.

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

14.1 Corporate assets and own shares: composition

Items/components	31.12.2010	31.12.2009
Share Capital (EUR)	**318,187,600**	**318,187,600**
No. of equities	**318,187,600**	**318,187,600**
From nominal: EURO each	1	1
Of which no. Own shares	**0**	**0**
From nominal: EURO each	0	0

At the reference date of the balance sheet the Share capital of the Bank is subscribed and paid in full.

14.2 Share capital – Number of shares: annual variations

Items/Typologies	Ordinary	Other
A. Shares at the start of the year		
- completely freed	318,187,600	0
- not completely freed	0	0
A.1 Own shares (-)	0	0
A.2 Outstanding shares: opening balance	**318,187,600**	**0**
B. Increases	**0**	**0**
B.1 New issues	0	0
- on payment:	0	0
- company aggregate transactions	0	0
- warrant exercise	0	0
- other	0	0
- free of charge:	0	0
- to employees	0	0
- to directors	0	0
- other	0	0
B.2 Sale of own shares	0	0
B.3 Other changes	0	0
C. Decreases	**0**	**0**
C.1 Annulment	0	0
C.2 Purchase of own shares	0	0
C.3 Company sale operations	0	0
C.4 Other variations	0	0
D. Outstanding shares: closing balance	**318,187,600**	**0**
D.1 Own shares (+)	0	0
D.2 Shares at the end of the year	318,187,600	0
- completely freed	318,187,600	0
- not completely freed	0	0

14.3 Share capital: other information

There are no own shares in portfolio at the reference date.

The Share Capital of the Bank is variable and it's represented by nominal shares having a nominal value of EUR 1 (one) each.

The shares are free from rights, liens and bonds.

14.4 Profit reserves: other information

Items/Components	31.12.2010	31.12.2009
1. Legal reserve	8,544	8,367
2. Statutary reserve	47,346	47,346
3. Other	700	700
Total	**56,590**	**56,413**

On the base of what required by IAS 1, paragraph 76, letter b), as follows we are indicating the description of the nature and aim of each reserve included in the shareholder's equity.

Reserves:
Legal reserve: art. 2430 Italian Civil Code requires the obligatory creation of a legal reserve, to protect the share capital from possible losses. The legal reserve created through annual withdrawals from net profit of the financial year, in percentages indicated by the law (Law by Decree 385/93 – so-called "Bank Law"), until reaching an amount corresponding to a fifth of the share capital.

Statutory reserve: it's created with annual withdrawals from the net profit of the financial year, for an amount determined by the Shareholders' meeting from time to time, following to a proposal by the Boards of Directors, and by considering the conditions of art. 31 of the Articles of Incorporation of the Bank; it isn't subject to legal or statutory obligations during its employment.

Other: it includes the "Reserve for general bank risks" referable to former Law by Decree no. 87/92 which, on the base of IAS, was reclassified directly among the items of the shareholder's equity; it isn't subject to legal or statutory obligations during its employment.

Valuation reserves:
Special revaluation laws: it includes the reserves created on the base of legal provisions issued before the coming into force of international accounting principles.

As follows, in compliance to what indicated by art. 2427, subsection 1, no. 7-bis) of the Italian Civil Code, we are giving the analytical indication of the single items of the net equity of the Bank, by distinguishing them by their origin, by the possibility of employment and distributability.

Nature/description	Amount	Possibility of employment	Available amount	Summary of employments carried out in the three previous business years: hedging of losses	Summary of employments carried out in the three previous business years: for other reasons
a) Share capital	**318,188**				
b) Capital reserves	**0**				
c) Profit reserves	**56,590**		**42,290**		
- Legal	8,544	B			
- Statutory	48,046	A B C	42,290		
d) Evaluation reserves	**-603**	**A B**			
e) Profit for the period	**10,820**	**A B C**	**10,820**		
Total (a)+(b)+(c)+(d)+(e)	**384,995**		**53,110**		
Non-distributable quota			**5,756**	**(1)**	

Legend: A: for capital increase / B: for the hedging of losses / C: to distribute to the shareholders

(1) The non-distributable quota represents:
for EUR 5.756 thousand: part to hedge multi-annual costs not yet amortized.

14.5 Capital instruments: composition and annual variations

This item is not used.

14.6 Other information

Composition of valuation reserves:

Items/Components	31.12.2010	31.12.2009
Valuation reserves:		
- Financial assests available for sale	-619	0
- Special revaluation laws	16	16
Total	**-603**	**16**

Other information

1. Guarantees issued and commitments

Operazioni	31.12.2010	31.12.2009
1) Guarantees issued, of a financial nature	4,411	11,556
a) Banks	1,114	1,214
b) Customers	3,297	10,342
2) Guarantees issued, of a commercial nature	4,829	8,680
a) Banks	274	2,912
b) Customers	4,555	5,768
3) Irrevocable engagments to issue funds	106,668	289,702
a) Banks	8	9,119
i) use certain	8	20
ii) use uncertain	0	9,099
b) Customers	106,660	280,583
i) use certain	60	1,159
ii) use uncertain	106,600	279,424
4) Host commitments to credit derivatives: sales of protection	0	0
5) Assets comprising guarantee of third-party bonds	0	0
6) Other commitments	0	0
Total	**115,908**	**309,938**

2. Assets comprising guarantee of own liabilities and commitments

At 31 December 2010 there are no assets comprising guarantee of own liabilities and commitments

3. Information on operative leasing

At 31 December 2010 there are no assets or liabilities in operative leasing.

4. Third party management and brokerage

Service typology	31.12.2010	31.12.2009
1. Financial instrument trading for third parties		
a) Purchases	0	0
1. regulated	0	0
2. not regulated	0	0
b) Sales	0	0
1. regulated	0	0
2. not regulated	0	0
2. Asset management		
a) Individual	164,898	153,996
b) Collective	0	0
3. Security management and custody		
a) Third-party securities in deposit: associated with deposit bank operations (excluding asset management)	0	0
1. securities issued by the bank drawing up the balance sheet	0	0
2. other securities	0	0
b) Third-party securities in deposit (excluding asset management): other	685,129	760,186
1. securities issued by the bank drawing up the balance sheet	421,149	475,576
2. other securities	263,980	284,610
c) Third-party securities deposited with third parties	655,485	720,616
d) Own securities deposited with third parties	207,900	26,478
4. Other operations		
4.1 Collectionof credits for thirds: debit/credit adjustments		
a) "debit" adjustments	141,136	164,597
1. Current accounts	22,857	29,199
2. Central portfolio	99,802	109,569
3. Cash	16,608	23,841
4. Other accounts	1,869	1,988
b) "credit" adjustments	144,085	165,547
1. Current accounts	55	212
2. Assignors of bills and documents	142,849	164,227
3. Other accounts	1,181	1,108
4.2 Other operations		
a) Third parties' portfolio held for collection	195,639	165,499

Part C
Information on the Income Statement

Section 1
Interests – Items 10 and 20

1.1 Interest receivable and similar revenues: composition

Items/technical forms	Titoli di debito	Finanziamenti	Altre operazioni	31.12.2010	31.12.2009
1. Financial assets held for trading	1	0	0	1	360
2. Financial assets available for sale	286	0	0	286	0
3. Financial assets held to maturity	0	0	0	0	0
4. Receivables due from banks	0	1,211	0	1,211	2,029
5. Receivables due from customers	0	151,922	0	151,922	191,025
6. Financial assets at fair value	0	0	0	0	0
7. Hedging derivatives	0	0	2,828	2,828	3,342
8. Other activities	X	X	4	4	27
Total	**287**	**153,133**	**2,832**	**156,252**	**196,783**

1.2 Interest receivable and similar revenue: differentials associated with hedging operations

Items/values	31.12.2010	31.12.2009
A. Positive differentials related to hedging operations:	2,828	3,408
B. Negative differentials related to hedging operations:	0	66
C. Balance (A + B)	**2,828**	**3,342**

1.3 Interest receivable and similar revenue: other information

1.3.1 Interest receivable on financial assets in foreign currency

Items/Values	31.12.2010	31.12.2009
Interest receivable on financial assets in foreign currency	432	654

1.3.2 Interest receivable on leasing operations

Items/Values	31.12.2010	31.12.2009
Interest receivable on leasing operations	118,514	133,595

1.4 Interest payable and similar charges: composition

Items/Technical forms	Debts	Securities	Other operations	31,12,2010	31,12,2009
1, Payables due to central banks	188	X	0	188	160
2. Payables due to banks	28,640	X	0	28,640	48,427
3. Payables due to customers	9,785	X	0	9,785	10,290
4. Outstanding securities	X	13,706	0	13,706	22,099
5. Financial liabilities held for trading	0	0	154	154	1,907
6. Financial liabilities at fair value	0	0	0	0	0
7. Other liabilities and funds	X	X	0	0	0
8. Hedging derivatives	X	X	0	0	0
Total	**38,613**	**13,706**	**154**	**52,473**	**82,883**

1.5 Interest payable and similar charges: differentials associated with hedging operations

There are no interest payable and similar charges at 31 December 2010.

1.6 Interest payable and similar charges: other information

1.6.1 Interest payable on liabilities in foreign currency

Items/Values	31.12.2010	31.12.2009
Interest payable on liabilities in foreign currency	3,869	4,931

1.6.2 Interest payable on liabilities for leasing operations

Items/Values	31.12.2010	31.12.2009
Interest payable on liabilities for leasing operations	499	580

This interest is for the leasing contract for the property in Tavagnacco (UD) Via Alpe Adria 6, the administrative headquarters of our Bank.

Section 2
Commission – Items 40 and 50

2.1 Commission income: composition

Service Typology/Values	31.12.2010	31.12.2009
a) Guarantees issued	149	223
b) Derivatives on receivables	0	0
c) On asset management, trading and consulting services:	8,936	8,007
1. security trading	18	16
2. foreign currency trading	133	292
3. asset management:	3,641	2,767
3.1. individual	3,641	2,767
3.2. Collective	0	0
4. custody and administration of securities	165	157
5. depositary bank	0	0
6. security placement	2,394	2,034
7. order collection	1,528	1,539
8. consulting activities	0	0
8.1 in investments	0	0
8.2 in financial structure	0	0
9. distribution of third-party services:	1,057	1,202
9.1. asset management	0	0
9.1.1. individual	0	0
9.1.2. collective	0	0
9.2. insurance products	1,057	1,202
9.3. other products	0	0
d) Collection and payment services	2,089	2,466
e) Servicing services for securitisation transactions	0	0
f) Services for factoring operations	0	0
g) Tax collection services	0	0
h) Managing activities of multilateral trading systems	0	0
i) Keeping and management of current account	1,828	2,239
j) Other services	7,593	5,187
Total	**20,595**	**18,122**

2.2 Commission income: distribution channels for products and services

Service typology/Values	31.12.2010	31,12,2009
a) At own bank branches:	**934**	**862**
1. asset management	425	480
2. security placement	396	205
3. third-party products and services	113	177
b) External network:	**6,158**	**5,141**
1. asset management	3,216	2,287
2. security placement	1,998	1,829
3. third-party products and services	944	1,025
c) Other distribution channels:	**0**	**0**
1. asset management	0	0
2. security placement	0	0
3. third-party products and services	0	0

2.3 Passive commissions: composition

Service typology/Values	31.12.2010	31.12.2009
a) Guarantees issued	1,100	303
b) Derivatives on receivables	0	0
c) Asset management and trading services:	4,924	5,395
1. financial instrument trading	187	178
2. foreign currency trading	1	5
3. asset management:	0	0
3.1. own portfolio	0	0
3.2. third-party portfolios	0	0
4. custody and administration of securities	40	46
5. placement of financial instruments	0	0
6. external network supply of finan. instrum. products & serv.	4,696	5,166
d) Collection and payment services	747	932
e) Other services	1,065	1,616
Total	**7,836**	**8,246**

Section 3
Dividends and similar income – Item 70

3.1 Dividends and similar income: composition
There are no dividends or similar income at 31 December 2010.

Section 4
Profit (Loss) from trading activities – Item 80

4.1 Net profit from trading activities: composition

Operations/revenue components	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading loss (D)	Net profit [(A+B) - (C+D)]
1. Financial assets held for trading	**0**	**4**	**1**	**0**	**3**
1,1 Debt securities	0	4	1	0	3
1,2 Equities	0	0	0	0	0
1,3 O,I,C,R, quotas	0	0	0	0	0
1,4 Financing	0	0	0	0	0
1,5 Other	0	0	0	0	0
2. Financial liabilities held for trading	**0**	**0**	**0**	**0**	**0**
1,1 Debt securities	0	0	0	0	0
2,2 Debts	0	0	0	0	0
2,3 Other	0	0	0	0	0
3. Other financial assets and liabilities: exchange rate diff.	**X**	**X**	**X**	**X**	**- 1,660**
4. Derivative instruments	**0**	**0**	**879**	**0**	**- 879**
4.1 Financial derivatives	0	0	879	0	- 879
- On debt securities and interest rates	0	0	879	0	- 879
- On equities and stock market indices	0	0	0	0	0
- On foreign currencies and gold	X	X	X	X	0
- Other	0	0	0	0	0
4.2 Derivatives on receivables	0	0	0	0	0
Total	**0**	**4**	**880**	**0**	**- 2,536**

Section 5
Net profit from hedging activities – Item 90

5.1 Net profit from hedging activities: composition

Items/Values	31.12.2010	31.12.2009
A.Revenues associated with:		
A.1 Fair value hedging derivatives	0	0
A.2 Hedged financial assets (fair value)	0	0
A.3 Hedged financial liabilities (fair value)	2.121	942
A.4 Financial derivatives hedging financial flows	0	0
A.5 Assets and liabilities in foreign currency	0	0
Total income from hedging operations (A)	**2.121**	**942**
B. Charges associated with:		
B.1 Fair value hedging derivatives	2.065	780
B.2 Hedged financial assets (fair value)	0	0
B.3 Hedged financial liabilities (fair value)	0	0
B 4 Financial derivatives hedging financial flows	0	0
B.5 Assets and liabilities in foreign currency	0	0
Total positive differentials (B)	**2.065**	**780**
C. Net profit from hedging activities (A + B)	**56**	**162**

Section 6
Profit (Loss) from sale/repurchase – Item 100

6.1 Profit (Loss) from sale/repurchase: composition

Items/revenue components	31.12.2010 Profit	Loss	Net result	31.12.2009 Profit	Loss	Net result
Financial assets						
1. Receivables due from banks	0	0	0	0	0	0
2. Reeivables due from customers	0	0	0	0	0	0
3. Financial assets available for sale	0	0	0	0	0	0
3.1 Debt securities	0	0	0	0	0	0
3.2 Equities	0	0	0	0	0	0
3.3 O.I.C.R. quotas	0	0	0	0	0	0
3.4 Financing	0	0	0	0	0	0
4. Financial assets held to maturity	0	0	0	0	0	0
Total assets	**0**	**0**	**0**	**0**	**0**	**0**
Financial liabilities						
1. Payables due to banks	0	0	0	0	0	0
2. Payables due to customers	0	0	0	0	0	0
3. Outstanding securities	214	0	214	138	0	138
Total liabilities	**214**	**0**	**214**	**138**	**0**	**138**

Section 7
Net profit from financial assets and liabilities at fair value – Item 110

7.1 Net change in the value of financial assets/liabilities at fair value: composition

Operations/Revenue components	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading loss (D)	Profit (loss) [(A+B) - (C+D)]
1. Attività finanziarie	**0**	**0**	**0**	**0**	**0**
1.1 Titoli di debito	0	0	0	0	0
1.2 Titoli di capitale	0	0	0	0	0
1.3 Quote di O.I.C.R.	0	0	0	0	0
1.4 Finanziamenti	0	0	0	0	0
2. Passività finanziarie di	**62**	**5**	**564**	**10**	**-507**
2.1 Titoli in circolazione	62	5	564	10	-507
2.2 Debiti verso banche	0	0	0	0	0
2.3 Debiti verso clientela	0	0	0	0	0
3. Altre attività e passività finanziarie: differenze di cambio	**X**	**X**	**X**	**X**	**0**
4. Derivati creditizi e finanziari	**628**	**0**	**57**	**0**	**571**
Totale	**690**	**5**	**621**	**10**	**64**

Section 8
Net write downs/backs for impairment – Item 130

8.1 Net write-downs for impairment of receivables: composition

Operations/Revenue comp.	Write downs			Write backs				31.12.2010	31.12.2009
	Specific		Portfolio	Specific		Portfolio			
	De-recognition	Other		A	B	A	B		
A. Receiv. due from banks	0	0	0	0	0	0	0	0	0
- Financing	0	0	0	0	0	0	0	0	0
- Debt securities	0	0	0	0	0	0	0	0	0
B. Receiv. due from cust.	8,901	43,816	4,058	8,946	11,525	0	0	36,304	51,135
- Financing	8,901	43,816	4,058	8,946	11,525	0	0	36,304	51,135
- Debt securities	0	0	0	0	0	0	0	0	0
C. Total	**8,901**	**43,816**	**4,058**	**8,946**	**11,525**	**0**	**0**	**36,304**	**51,135**

Legend: A = From interest / B = Other

8.2 Net write downs for impairment of financial assets available for sale: composition
At 31 December 2010 there are no write downs for impairment of financial assets available for sale.

8.3 Net write downs for impairment of financial assets held to maturity: composition
At 31 December 2010 there are no write downs for impairment of financial assets held to maturity.

8.4 Net write downs for impairment other financial assets: composition
At 31 December 2010 there are no write downs for impairment of other financial assets

Section 9
Administrative expenses – Item 150

9.1 Personnel costs: composition

Costs/Values	31.12.2010	31,12,2009
1) Employees	**31,877**	**33,086**
a) salaries	22,795	23,803
b) welfare charges	6,264	6,529
c) TFR (staff severance)	1,657	1,591
d) national insurance costs	0	0
e) TFR provision	153	175
f) provision to pension fund or similar:	0	0
- specific contribution	0	0
- for specific service	0	0
g) payments to supplementary external insurance funds:	54	50
- specific contribution	54	50
- for specific service	0	0
h) costs deriving from payment agreements based on own asset instruments	0	0
i) other staff benefits	954	938
2) Other personnel in activity	**0**	**0**
3) Directors and internal auditors	**1,152**	**1,212**
4) Retired personnel	**0**	**0**
5) Recovers of costs for personnel transferred ot other companies	**0**	**26**
6) Remboursement of costs for personnel of third parties transferred to other companies	**11**	**13**
Total	**33,040**	**34,285**

9.2 Average number of employees per category

Cost typology/Values	31.12.2010	31.12.2009
1. Employees	**545**	**553**
a) Top managers	6	5
b) Managerial staff	210	214
- 3rd and 4th level	106	111
c) Remaining personnel	329	334
2. Other personnel	**0**	**0**
Total	**545**	**553**

9.3 Company pension funds, for specific service: total costs

This item does not appear at 31 December 2010.

9.4 Other staff benefits

Cost typology/Values	31.12.2010	31.12.2009
Lunch vouchers	288	314
Training costs	138	60
Expense and transfer reimbursements	362	386
Insurance premiums paid	117	116
Other expenses	49	62
Total	**954**	**938**

9.5 Other administrative expenses: composition

Items/values	31.12.2010	31.12.2009
Indirect duties and taxes	5,029	4,744
Electricity, gas, water	859	869
Telephone	403	871
Fees payable - miscelleneous services	3,816	3,360
Fees payable - data transmission and processing	646	767
Transport	378	345
Stationery and printing supplies	227	253
Postal expenses	877	933
Expenses for owned cars	543	480
Credit collection expenses	582	497
Expenses for lawyers and notaries	3,011	3,109
Consulting services	1,522	1,359
Expenses for other professional services	1,694	1,956
Financial statements auditing services	126	112
Rents payable	2,955	2,935
Maintenance expenses- buildings and furnishing	1,155	1,076
Insurance premiums	839	598
Reimbursement of expenses - not employees	6	10
Staff training - not employees	6	5
Contributions to professional associations	271	279
Business expenses	130	139
Advertising	192	370
Charity and sponsorships	19	65
Joint owners' fees	742	937
Miscellaneous contributions	84	80
Company registration and commercial information searches	1,296	1,622
Night watchman service	172	173
Cleaning of bank premises	269	515
Subscriptions and publications	47	47
Other payments to third parties	0	9
Other leasing services expenses	1,985	2,244
Other miscellaneous expenses	1,412	111
Total	**31,293**	**30,870**

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

10.1 Net provisions to reserves for liabilities and charges: composition

Items/values	31.12.2010	31.12.2009
a) Provisions associated with severance grants for agency agreements	104	79
b) Provisions associated with end-of-service payments to Directors	63	62
c) Provision associated to risks and fees for legal desputes	334	1.289
Total	**501**	**1.430**

Section 11
Net write downs/backs on tangible assets – Item 170

11.1 Net write downs on tangible assets: composition

	Amortisation (a)	Write downs for impairment (b)	Write backs (c)	Net result (a + b - c)
A. Tangible assets				
A,1 Owned	2,946	0	0	2,946
- For functional use	2,946	0	0	2,946
- For investment	0	0	0	0
A.2 Purchased in leasing	1,106	0	0	1,106
- For functional use	1,106	0	0	1,106
- For investment	0	0	0	0
Total	**4,052**	**0**	**0**	**4,052**

Section 12
Net write downs/backs on intangible assets – Item 180

12.1 Net write downs on intangible assets: composition

	Amortisation (a)	Write downs for impairment (b)	Write backs (c)	Net result (a + b – c)
A. Intangible assets				
A.1 Owned	708	0	0	708
– Generated internally by the company	0	0	0	0
– Other	708	0	0	708
A.2 Purchased in leasing	0	0	0	0
Total	**708**	**0**	**0**	**708**

Section 13
Other operating expenses/income – Item 190

13.1 Other operating expenses: composition

	31.12.2010	31.12.2009
1. Amortis. of expenses for improvements to third party goods	451	450
2. Other	564	1,245
Total	**1,015**	**1,695**

13.2 Other operating income: composition

	31.12.2010	31,12,2009
1, Charged to third parties on deposits and current accounts	116	234
2. Charged to third parties to recover taxes	2,761	3,041
3.Charged to third parties to recover various costs	9,492	9,923
4. Rents and fees receivable	512	513
5. Other income	1,313	1,251
Total	**14,194**	**14,962**

Section 14
Profits (losses) from equity investments – Item 210

14.1 Profits (Losses) on equity investments: composition
This item is not used.

Section 15
Net result of tangible and intangible assets at fair value – Item 220

15.1 Net result of the tangible and intangible assets at fair value
This item is not used.

Section 16
Adjustments to goodwill – Item 230

16.1 Adjustments to goodwill: composition
The goodwill associated with the conferment of the Italian branch of "Karntner Landes-und Hypothekenbankn A.G." now Hypo Alpe Adria-Bank International A.G. headquartered in Klagenfurt (Austria), was subjected to an impairment test at 31.12.2010. The outcome of this test did not indicate any lasting value loss, so the start period value has been maintained.

Section 17
Profit (Loss) from sale of investments – Item 240

17.1 Profit (loss) from sale of investments: composition

Revenue components/Values	31.12.2010	31.12.2009
A. Real Estate	**0**	**0**
– Profits from sale	0	0
– Losses from sale	0	0
B. Other assets	**21**	**8**
– Profits from sale	21	8
– Losses from sale	0	0
Net profit	**21**	**8**

Section 18
Income taxes from continuing operations for the year – Item 260

18.1 Income taxes on continuing operations for the year: composition

Component/Values	31.12.2010	31.12.2009
1. Current taxes (-)	- 15,532	- 19,838
2. Changes in current taxes of previous years (+/-)	0	372
3. Reduction in current taxes for the year (+)	0	0
4. Change in pre-paid taxes (+/-)	4,056	8,600
5. Change in deferred taxes (+/-)	658	856
6. Taxes for the year	**- 10,818**	**- 10,010**

18.2 Reconciliation between theoretical fiscal burden and effective balance sheet fiscal burden

Components/Values	IRES	
Taxes at nominal rate	**5,951**	**27.50%**
ICI (municipal property tax) and other non-deductable taxes	245	1.13%
Non-deductable interests payable	577	2.66%
Expenses for company vehicles	56	0.26%
Telephone and data transmission expenses	30	0.14%
Other components (cellulars, fines, flats plafonds)	151	0.70%
Total tax effect: increases	**1,059**	**4.89%**
Credit towards Treasury for 10% IRAP deductable	130	0.60%
Other non-taxable components	6	0.03%
Total tax effect: decreases	**136**	**0.63%**
Taxes charged to the income statement	**6,874**	**31.75%**

Components/Values	IRAP	
Taxes at nominal rate	**985**	**4.58%**
ICI (municipal property tax) and other non-deductable taxes	39	0.18%
Non-deductable interests payable	117	0.54%
Personnel expenses	1,451	6.70%
Net adjustments/ renewals per impairment	1,654	7.64%
Expenses for Directors and other fees	37	0.17%
Other administrative costs (10%)	140	0.65%
Depreciations (10%) and Provisions	27	0.12%
Rectification for anticipated taxes due to reduction of the tax rate	1	0.00%
Total tax effect: increases	**3,466**	**16.01%**
Deductions for employees' income	444	2.05%
Other management charges/income	63	0.29%
Total tax effect: decreases	**507**	**2.34%**
Taxes charged to the income statement	**3,944**	**18.25%**
Taxes charged to the income statement	**10,818**	**50.00%**

Section 19
Profit (Loss) of groups of assets held for sale, net of income taxes – Item 280

In 2010 there are no assets/liabilities classified under the item “non-continuing operations and groups of assets held for sale and associated liabilities”.

Section 20
Other information

There is no other information to report in this section.

Section 21
Earnings per share

The earnings per share (Eps) reported in the following section in accordance with IAS 33 are the net profit of an organisation divided by the number of ordinary shares: in other words, it indicates how much of the annual profit would theoretically be due to the owner of one share of the Registered Stock. The international accounting standards indicate how this measurement should be made, and give two earnings indicators:

- "Basic earnings per share", calculated by dividing the net profit (numerator) by the weighted average of outstanding ordinary shares (denominator);

- "Diluted earnings per share" calculated by dividing the net profit by the weighted average of outstanding shares, also considering the classes of instruments with diluting effects.

	31.12.2010	31.12.2009
Basic earnings per share	0.034	0.011
Diluted earnings per share	0.034	0.011

21.1 Average number of diluted capital ordinary shares

	31.12.2010	31.12.2009
weighted average of diluted capital ordinary shares	318,188	318,188
Write down for diluting effect	0	0
Wrighted average of diluted capital ordinary shares	318,188	318,188

The average number of ordinary shares used as the denominator in the calculation of the basic earnings per share has been calculated using the number of outstanding ordinary shares at the start of the year, adjusted by the number of ordinary shares issued during the year multiplied by the number of days that the shares were outstanding in proportion to the total number of days in the year.

21.2 Other information

Our Bank has ordinary shares only. At 31 December 2010 all shares are authorised and paid in full and have the same rights in terms of dividend payments and capital reimbursements. There are no own shares in the portfolio at the balance sheet date.

Part D
Comprehensive Income

Detailed statement of Comprehensive Income

Items		Gross amount	Income tax	Net amount
10.	**Profit (loss) of the period**	**21,638**	**-10,818**	**10,820**
	Other revenue components			
20.	Financial assets availble for sale:	-911	292	-619
	a) variations of fair value	-911	292	-619
	b) reversal to the income statement	0	0	0
	- rettifications from impairing	0	0	0
	- profits/losses from sales	0	0	0
	c) other variations	0	0	0
30.	Tangible assets	0	0	0
40.	Intangible assets	0	0	0
50.	Coverage of foreign investments:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
60.	Coverage of financial flows:	0	0	0
	a) variations of the fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variaitons	0	0	0
70.	Foreign exchange differences:	0	0	0
	a) variation of value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variaitons	0	0	0
80.	non-current assets held for sale	0	0	0
	a) variations of the fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variaitons	0	0	0
90.	Actuarial profit (loss) on pland with defined benefits	0	0	0
100.	Quotas of revaluation reserves of participations assesses at net assets:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	- rettifications from impairing	0	0	0
	- profits/losses from sales	0	0	0
	c) other variations	0	0	0
110.	**Total other revenue components**	**-911**	**292**	**-619**
120.	**Total Comprehensive Income (Item 10+110)**	**20,727**	**-10,526**	**10,201**

Part E
Information on risks and related risk hedging policies

Section 1
Credit risk

Qualitative information

1. General aspects

The aim of the credit policies and strategies is to:

- Improve loan selection by means of careful analyses of creditworthiness and guarantees, in order to limit the risk of insolvency.
- Diversify the portfolio limiting, as much as possible, phenomena of exposure concentration on single counterparties / groups, or on single business sectors or geographic areas.
- Carefully monitor the trend of the relationship in order to note promptly (before default) any symptoms of deterioration in the positions, so that these same positions can be put into special credit management processes.

2. Credit risk management policies

2.1 Organisational aspects

The credit portfolio risk profile is checked in the phases of opening, management/revision and monitoring through:

- the continuative checking of the assumptions of reliability, that is the capacity of the customers to face their debits currently and in perspective with their income resources and with the consequent cash flows;
- the analysis of the requirements of the applier that are compared to the economic and patrimonial present situation, to the trend of outstanding credit relationships, to the position of the counterpart with reference to the system, to considerations regarding the economic sector in which they operate, to the existence of other borrowers and to the assessment of presented guarantees.

The credit process requires various levels of autonomy, all concentrated at the Central Management and requires the attribution of a rating to all counterparts subject to verification during the phase of credit granting and revision. The rating is brought up to date monthly in relation to the most recent acquired information and to the changed operating conditions of the involved person.

In addition to the preliminary investigation and revision monitoring (ordinary) of loans, Monitoring activity ensures preventive control over positions showing symptoms of impairment. In particular, the loan portfolio is filtered by specific anomaly indicators, including rating changes occurring over time, in order to move critical positions to special, locked-up control and revision processes. The objective is to allow the sales network - and the customer himself – to correct their behaviour and, if possible, to restore normal conditions.

Additionally, the Risk Control, which autonomously performs its activity with reference to the organizational units involved in the processes of opening, management and monitoring, creates synthetic indicators to indicate the representation of the credit risk supported by the Bank, with specific attention to the components identified by Basel, namely PD and LGD.

2.2 Systems of management, measurement and control

During the phase of analysis of the applications for funding, the units involved in the process of opening and granting make use of all information at disposal of the Bank to analyze the financial and economic soundness of the applicant, in order to assess the feasibility of the operation.

In particular, the Units also make use of the CRS (Credit Rating System) which, through a system of indexes, summarizes the set of available information at the time of the analysis.

Credit Monitoring, on the other hand, analyses impairment symptoms by continuously analysing the trend of positions, in other words checking that payments are made regularly and punctually, that loans are congruent with utilization, the existence of systemic prejudicial elements and the quality of the rating assigned by the procedure. Counter-parties resulting positive to the controls conducted (showing that previously quantified tolerance limits have been exceeded) are moved from the ordinary management procedure to a special control and revision procedure requiring the intervention of the sales network, and also the intervention of a qualified Central Management analysis department.

The Risk Control performs the 2nd level control activities, as described in the Banca d'Italia Supervisory Instructions. This level is called "risk management control", and its objective is to define the risk measurement methodologies, check that the various operating functions adhere to their assigned limits, and control the operational coherence of individual production areas with their assigned risk-yield target.

In general, the credit risk management and control are accomplished in the analysis of:

- the impairment of the creditworthiness of the party taking out the loan;
- the inability of the debtor to honour his/her obligations in full and on time, without recourse to executive action;
- the value impairment of the guarantees received;
- loan portfolio concentration on specific technical forms, customer categories, maturity dates, etc.

2.3 Credit risk mitigation techniques

The preliminary investigation process of each loan always specifies that guarantees should be measured carefully.

Ownership of the good specified in a leasing contract is a primary guarantee in favour of recovering the credit underlying the operation. If the counter-party defaults, Risk Control examines this type of guarantee recurrently and thoroughly. Risk Control then calculates the internal LGD, indicating the past recovery rates for the various types of leased assets, and also specifies the average recovery times, therefore allowing the company management team to continuously improve its internal management procedures.

The LGD is estimated continuously, also for technical forms other than leasing, and its particular aim is to note the difference between loans covered by mortgage guarantee and other operations.

In compliance to what indicated by the regulation regarding the requisites of prudence (Basel), the Bank has arranged specific processes and procedures for the gathering of information regarding collateral and other forms of guarantee and for their monitoring.

Moreover, periodical reports to the General Management and second-level controls produced by the Risk Control and regarding the suitability of guarantees are provided for.

The Bank inside its operative manuals has formalized the minimum levels of guarantee which should be acquired in case of specific forms of loans and client segments.

Moreover, the Bank organizes a monthly meeting between the General Management and the Rehabilitation Division for the detailed analysis of the positions that are and will be transferred to Substandard loans (“incaglio”), Doubtful loans (“sofferenza”) or Loss.

2.4 Impaired financial assets

The Bank has special organizational units to manage impaired loans. These units apply specified management and recovery methodologies, in accordance with the loan typology in terms of amount and risk class.

With regard to Substandard loans (“crediti incagliati”) and past due a trend monitoring procedure is executed, in order to:

- check if the economic-financial situation of the counterparty is reversible or not;
- delegate positions to internal or external people who are in charge for recovering the credit by phone script activities, as well as tax collection;
- evaluate the re-entry programs presented by debtors, with reference to the relative repayment capacities in the time frames specified by these same programs;
- examine the outcome of the initiatives taken in order to normalize/collect these same loans, as well as the reasons behind any unsuccessful outcome;
- calculate the relative loss forecasts, analytically.

To the aim of the Financial statements, if not assessed analytically, Substandard loans (“crediti incagliati”) and past due are subject to collective impairment.

The classification of the bad debts is based on the criteria indicated by the regulatory regulations. Therefore, in this category the expositions towards insolvent individuals are inserted, even if not established judicially, or in situations substantially equivalent, for whose balancing legal actions or anyway lawsuits for their recovery have been started.

Risk control of problem positions is achieved by taking the following action:

- for new positions, revocation of loans and urgent requests to debtors asking them to settle their positions;
- passing new positions over to internal and/or external

legal advisors, for firm action to be initiated against debtors and related guarantors;
- for positions already placed in recovery, checking that debtors respect the commitments assumed;
- periodically checking the sufficiency of the loss forecasts and the recoverability conditions of positions.

For balance aims, the impairments are subject of analytical assessment in order to define the reserve funds related to expected losses. For each position and in its sphere, for each relation, the amount of the expected loss is determined on the base of the debtors' solvency, the typology and the value of the guarantees and the status of the applied procedures.

The original value of the deteriorated credits is restored in the following business years if the reasons which have determined the rectification are no more valid, provided that this assessment is objectively linkable to an event occurred after the same rectification.

Quantitative information

A. Credit quality

A.1 Performing and non performing credit exposures: amounts, write downs, trend, economic and geographic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolios/quality	Doubtful loans ("Sofferenze")	Substandard loans ("Incagli")	Restructured loans	Past due loans ("Esposizioni scadute")	Other assets	Total
1. Financial assets held for trading	0	0	0	0	1,612	1,612
2. Financial assets available for sale	0	0	0	0	33,988	33,988
3. Financia assets held to maturity	0	0	0	0	0	0
4. Receivables due from banks	0	0	0	0	29,778	29,778
5. Receivables due from customers	323,162	260,689	5,538	298,433	3,430,184	4,318,006
6. Financial assets at fair value	0	0	0	0	0	0
7. Financial assets held for sale	0	0	0	0	0	0
8. Hedging derivatives	0	0	0	0	957	957
Total at 31.12.2010	**323,162**	**260,689**	**5,538**	**298,433**	**3,496,519**	**4,384,341**
Total at 31.12.2009	**246,229**	**217,081**	**6,449**	**294,696**	**3,683,144**	**4,447,599**

The table highlights, with reference to different portfolios of financial assets, the structure by credit quality, in compliance with the definition of impaired loans indicated by Banca D'Italia and adopted for the drawing up of the financial statements as well. The values indicated are therefore balance values, net of the related uncertain results.

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

Portfolios/quality	Non-performing assets			Performing			Totale
	Gross exposure	Specific write downs	Net exposure	Gross exposure	Specific write downs	Net exposure	(net exposure)
1. Financial assets held for trading	0	0	0	X	X	1,612	1,612
2. Financial assets available for sale	0	0	0	33,988	0	33,988	33,988
3. Financial assets held to maturity	0	0	0	0	0	0	0
4. Receivables due from banks	0	0	0	29,778	0	29,778	29,778
5. Receivables due from cust.	967,193	79,371	887,822	3,459,765	29,581	3,430,184	4,318,006
6. Financial assets at fair value	0	0	0	0	0	0	0
7. Financial assets held for sale	0	0	0	X	X	0	0
8. Hedging derivatives	0	0	0	X	X	957	957
Total at 31.12.2010	967,193	79,371	887,822	3,523,531	29,581	3,496,519	4,384,341
Total at 31.12.2009	825,776	61,321	764,455	3,701,421	25,523	3,683,144	4,447,599

The table highlights, with reference to different portfolios of financial assets, the structure by credit quality, in compliance with the definition of impaired loans indicated by Banca D'Italia and adopted for the drawing up of the financial statements as well.

The following table differentiates, for the only "performing" credits, expositions subject to collective renegotiation agreements (such as, for example, those related to the suspensions of loan instalments to families and SME) and other exposures.

To single out expired exposures the same criteria were followed, on the base of the current supervisory instructions on the matter, to determine impaired overdue exposures have been adopted.

Detailed information regarding performing loans

Typology / Residual duration	Up to 3 months			Over 3 months to 6 months			Over 6 months to 1 year		
	Gross exposure	Portfolio write downs	Net exposure	Gross exposure	Portfolio write downs	Net exposure	Gross exposure	Portfolio write downs	Net exposure
Credits from customers									
1,1 With collective agreements	3,309,573	27,966	3,281,607	22,003	971	21,032	16,824	341	16,483
of which:									
overdue	7,718	X	X	3,076	X	X	984	X	X
1.2 With collective agreements	5,392	174	5,218	0	0	0	0	0	0
of which:									
overdue	18	X	X	0	X	X	0	X	X
Total	**3,314,965**	**28,140**	**3,286,825**	**22,003**	**971**	**21,032**	**16,824**	**341**	**16,483**
of which:									
overdue	**7,736**	**X**	**X**	**3,076**	**X**	**X**	**984**	**X**	**X**

Typology / Residual duration	Over 1 year			Total		
	Gross exposure	Portfolio write downs	Net exposure	Gross exposure	Portfolio write downs	Net exposure
1, Crediti verso clientela						
1,1 With collective agreements	5,973	129	5,844	3,354,373	29,407	3,324,966
of which:						
overdue	144	X	X	11,922	X	X
1.2 With collective agreements	0	0	0	5,392	174	5,218
of which:						
overdue	0	X	X	18	X	X
Total	**5,973**	**129**	**5,844**	**3,359,765**	**29,581**	**3,330,184**
of which:						
overdue	**144**	**X**	**X**	**11,940**	**X**	**X**

A.1.3 Cash and off-balance sheet exposures toward banks: gross and net values

Exposure typology/values	Gross exposure	Specific write downs	Portfolio write downs	Net exposure
A. Cash exposures				
a) Doubtful loans ("Sofferenze")	0	0	X	0
b) Substandard loans ("Incagli")	0	0	X	0
c) Restructured loans	0	0	X	0
d) Past due loans ("Esposizioni scadute")	0	0	X	0
e) Other assets	29,778	X	0	29,778
Total A	**29,778**	**0**	**0**	**29,778**
B. Off-balance sheet loans				
a) Non-performing ("Deteriorate")	0	0	X	0
b) Other	3,161	X	0	3,161
Total B	**3,161**	**0**	**0**	**3,161**
Total A + B	**32,939**	**0**	**0**	**32,939**

The table highlights, with reference to relations towards banks, the structure by credit quality, in compliance with the definition of impaired loans indicated by Banca D'Italia and adopted for the drawing up of the financial statements as well. The values indicated are therefore balance values, gross and net of uncertain results.
Off-balance sheet exposures include all financial transactions different from cash transactions (issued collaterals, obligations, derivatives, including hedging derivatives) requiring the assuming of a credit risk, assessed through the measurement criteria indicated by Banca d'Italia.

A.1.4 Cash loans to banks: trend of impaired exposures

Since there are no impaired exposures, there are no changes to report.

A.1.5 Cash loans to banks: total write-down trend.

At 31 December 2010, there are no write downs for cash loans to banks.

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

Exposure typology/values	Gross exposure	Specific write downs	Portfolio write downs	Net exposure
A. Cash exposures				
a) Doubtful loans ("Sofferenze")	385,218	62,056	X	323,162
b) Substandard loans ("Incagli")	274,383	13,694	X	260,689
c) Restructured loans	5,538	0	X	5,538
d) Past due loans ("Esposizioni scadute")	302,054	3,621	X	298,433
e) Other assets	3,493,753	X	29,581	3,464,172
Total A	**4,460,946**	**79,371**	**29,581**	**4,351,994**
B. Off-balance sheet loans				
a) Non-performing ("Deteriorate")	6,539	0	X	6,539
b) Other	108,708	X	0	108,708
Total B	**115,247**	**0**	**0**	**115,247**

The table highlights, with reference to relationships towards the customers, the composition by credit quality, according to the definition of impaired exposures indicated by Banca d'Italia and adopted also for balance purposes.

Since the subject of classification by credit quality is the whole financial assets portfolio, we notice that exposures include not only financings, but also financial assets towards the customers, coming from item 40 „Financial assets held for negotiation“ (securities).

A.1.7 Cash loans to customers: trend of gross impaired exposures

Reasons/Categories	Doubtful loans ("Sofferenze")	Substandard loans ("Incagli")	Restructured loans	Past due loans ("Esposizioni Scadute")
A. Opening gross loans	**291,013**	**228,996**	**6,614**	**299,153**
- of which: sold and not de-recognised	2,234	2,185	62	17,431
B. Increases	**140,703**	**244,923**	**2,150**	**467,858**
B.1 Additions from performing loans	38,897	87,177	2,045	418,878
B.2 Transfers from other categories of impaired loans	100,025	145,276	0	30,794
B.3 Other increases	1,781	12,470	105	18,186
C. Decreases	**46,498**	**199,536**	**3,226**	**464,957**
C.1 Outgoings toward performing loans	0	61,688	515	271,941
C.2 De-recognitions	13,786	409	163	0
C.3 Collected	32,603	31,673	0	24,845
C.4 Realized by sale	0	0	0	0
C.5 Transfers to other categories of impaired loans	109	105,766	2,049	168,171
C.6 Other decreases	0	0	499	0
D. Closing gross loans	**385,218**	**274,383**	**5,538**	**302,054**
- of which: sold and not de-recognised	3,190	4,571	69	16,520

A.1.8 Cash loans to customers: trend of total write downs

Reasons/Categories	Doubtful loans ("Sofferenze")	Substandard loans ("Incagli")	Restructured loans	Past due loans ("Esposizioni Scadute")
A. Opening total write downs	**44,784**	**11,915**	**165**	**4,457**
- of which: sold and not de-recognised	0	0	0	0
B. Increases	**45,441**	**9,921**	**0**	**4,299**
B.1 Write downs	40,765	7,866	0	4,086
B.2 Transfers from other categories of impaired loans	4,177	1,705	0	213
B.3 Other increases	499	350	0	0
C. Decreases	**28,170**	**8,142**	**165**	**5,134**
C.1 Valuation write backs	12,613	1,778	0	1,884
C.2 Collection write backs	1,695	1,772	0	729
C.3 De-recognitions	13,786	409	163	0
C.4 Transfers to other categories of impaired loans	76	4,021	2	1996
C.5 Other decreases	0	162	0	525
D. Closing total write downs	**62,055**	**13,694**	**0**	**3,622**
- of which: sold and not de-recognised	0	0	0	0

A.2 Loan classification in accordance with external and internal ratings
The bank has an internal rating procedure able to classify the customers „in bonis" within eight rating classes.

On the base of some specific parameters (sector of economic activity, juridical form and operating dimension) the customers are broken up into segments of analysis.

For each segment of analysis, specific criteria of calculation of some operating indexes are provided which, through a mechanism of thresholds and weights, lead to the formulation of a score for the single position.

The Credit Rating System (CRS) carries out both Fundamental analysis by elaborating information regarding the scenario or the sector economic, business strategies and the economic/ financial structure of the position, and the trend analysis by elaborating information pertaining the bank system and the trend of the current relationships with the Bank.

The informative basis to carry out this analysis is integrated in the information system.

The procedure elaborates the information monthly.

To each rating class a Probability of default -PD - was associated, obtained by the calculation of the "Long Run Default Frequency" of the positions included in the same class.

It's also provided and regulated a manual revision activity of the rating produced by the procedure, on the base of a codified authorizing course.

The refining of the Cedacri rating system and the implementation to the CRS models have defined a more and more performing CRS, therefore making less necessary manual interventions, both massive and case by case.

The rating system finds its application in the following operating spheres:

- Loan resolutions (the parameter is observed by the analysts responsible of the opening and the deliberating organs);
- automatic renewal of credit procedures (the Bank has a procedure of automatic renewal of loan issuing subject to revocation founded on thresholds set up also depending on the good quality of the rating given to the position);
- calculation the provisions on „performing" credits (the assessment of provisions corresponds to the expected loss calculated according to the formula suggested by the Basel Committee).

Assessment of the loss given at default (LGD) parameter
The LGD is assessed by employing information regarding closed non-performing loans (bad debts with the Bank) and on closed lease contracts (and later sold or relocated), by taking into account the "MacroSegment" of belonging (Corporate - Retail) and distinguishing the type of loan (e.g.: real estate, instrumental leasing, car leasing; mortgage and unsecured loans, etc).

In particular, in the calculation of provisions, the Bank uses weighted LGD (ratio between total of the recovery amount and total of initial exposure) and discounted.

The LGD, calculated as indicated above in short, finds its application in the following operating spheres:

- Calculation of collective provisions on „performing" credits;
- Calculation of collective provisions on the part of the "non-performing" credits where the analysis is developed for families of homogeneous credit.

Assessment of the cure rate parameter
The definition of default provided by the Basel Committee includes all the „defaulted" credits.

The estimates of LGD created starting from the sole consideration of the Doubtful Loans positions ("posizioni a sofferenza"), that are not resolved leasing contracts, are not directly applicable to relations in bonis. They need the application of a corrective factor, able to take into account the mitigation induced by the positions, that once passed to default positions (for instance, Substandard loans/"Incagli") are transferred back to in bonis without causing losses.

This mitigation factor is called „cure rate" and, in HBI, is calculated by distinguishing the mitigation factor on the performing loans, from that on Persisting Defaults and on Substandard loans ("Incagli").

In general, the adopted methodology consists in distinguishing the probabilities an exposure in bonis or other status different from non-performing has to pass to non-performing status, by taking into consideration also the probabilities the same position has to stay in statuses different from non-performing.

For instance, the cure rate of the performing loans should consider:

- the probability to pass (in a year) from "performing/bonis" to "Doubtful loan/sofferenza" = P (Bonis>Doubtful loan)
- the probability to pass (in a year) from "performing/bonis" to "Substandard loan/incaglio" = P (Bonis>Substandard loan)
- the probability to pass from "Substandard loan/incaglio" to "Doubtful loan" = P (Substandard loan->Doubtful loan/sofferenza)

While in case of direct passage from "performing/bonis" to "Doubtful loan/sofferenza" there is a real loss, to assess through the Doubtful loan LGD parameter, in case of passage from "performing/bonis" to "Substandard loan/incaglio" there isn't necessarily a loss, as a possibility exists that the "Substandard loan/incaglio" position is included, after a certain period, in "performing/bonis", without becoming "Doubtful loan/sofferenza".

Is therefore assesses the probability that an exposure passes to "Doubtful loan/sofferenza after being a "Substandard loan/incaglio or that a Substandard loan/incaglio becomes "performing/in bonis".

For the assessment of the expected loss on the performing loans, the following formula is therefore used:

PA = [P(Bonis->Doubtful loan/sofferenza) + P(Bonis->Substandard loan/incaglio) * P (Substandard loan/incaglio ->Doubtful loan/sofferenza)] * LGD * CA

Where:

PA = Expected loss

LGD = LGD on Doubtful loans/sofferenza

CA = Amortized costs

The same principle is used to analyze expected losses on Substandard loan/incaglio and Persistent default exposures.

A.3 Distribution of guaranteed loans by type of guarantee

A.3.1 Cash loans to guaranteed banks

This item is not used.

A.3.2 Guaranteed loan exposures towards customers

	Net exposure	Real guarantees (1)			Personal guarantees (2)									Total (1) + (2)
					Derivatives on credits					Signature credits				
					C L N	Other derivatives								
		Real estate	Securities	Other real guarantees		Governments and central banks	Other public bodies	Banks	Other bodies	Governments and central banks	Other public bodies	Banks	Other bodies	
1. Guaranteed loan exposures per cash:	**3,686,522**	**2,918,082**	**14,744**	**24,724**		**0**	**0**	**0**	**0**	**0**	**0**	**36,232**	**613,720**	**3,607,502**
1.1. totally guaranteed	3,489,580	2,835,309	12,367	18,730		0	0	0	0	0	0	35,149	583,408	3,484,963
-of which impaired	729,120	510,142	794	4,148		0	0	0	0	0	0	150	210,584	725,818
1.2 partially guaranteed	196,942	82,773	2,377	5,994		0	0	0	0	0	0	1,083	30,312	122,539
- of which impaired	51,557	10,025	133	2,506		0	0	0	0	0	0	0	17,322	29,986
2. Loan exposures "out of balance" guaranteed	**74,062**	**3,630**	**1,783**	**1,043**		**0**	**0**	**0**	**0**	**0**	**0**	**2,701**	**18,888**	**28,045**
2.1. totally guaranteed	25,149	3630	966	527		0	0	0	0	0	0	2,701	17,325	25,149
- of which impaired	6,017	0	44	168		0	0	0	0	0	0	0	5,849	6,061
2.2 partially guaranteed	48,913	0	817	516		0	0	0	0	0	0	0	1,563	2,896
- of which impaired	400	0	0	201		0	0	0	0	0	0	0	0	201

B. Distribution and concentration of credit exposures

B.1 Sector distribution of cash and "off-balance sheet" loans to customers (balance value)

	Governs			Other public bodies			Financial companies		
Loans/Counterparties	Net exposure	Specific write downs	Portfolio write downs	Net exposure	Specific write downs	Portfolio write downs	Net exposure	Specific write downs	Portfolio write downs
A. Cash loans									
A.1 Doubtful loans ("Sofferenze")	0	0	0	0	0	0	118	222	0
A.2 Substandard loans ("Incagli")	0	0	0	0	0	0	0	0	0
A.3 Restructured loans	0	0	0	0	0	0	0	0	0
A.4 Past due loans ("Esposizioni scadute")	0	0	0	0	0	0	291	1	0
A.5 Other loans	33,988	0	0	76	0	1	138,228	0	615
TOTAL A	**33,988**	**0**	**0**	**76**	**0**	**1**	**138,637**	**223**	**615**
B. "Off-balance sheet" loans									
B.1 Doubtful loans ("Sofferenze")	0	0	0	0	0	0	0	0	0
B.2 Substandard loans ("Incagli")	0	0	0	0	0	0	0	0	0
B.3 Other non-performing asset	0	0	0	0	0	0	0	0	0
B.4 Other loans	0	0	0	0	0	0	3,728	0	0
TOTAL B	**0**	**0**	**0**	**0**	**0**	**0**	**3,728**	**0**	**0**
TOTAL (A + B) 31.12.2010	**33,988**	**0**	**0**	**76**	**0**	**1**	**142,365**	**223**	**615**
TOTAL (A + B) 31.12.2009		**0**	**0**	**572**	**0**	**0**	**28,064**	**7**	**104**

Insurance companies			Non financial companies			Other		
Net exposure	Specific write downs	Portfolio write downs	Net exposure	Specific write downs	Portfolio write downs	Net exposure	Specific write downs	Portfolio write downs
0	0	0	306,178	59,253	0	16,866	2,581	0
0	0	0	242,465	12,435	0	18,224	1,259	0
0	0	0	4,386	0	0	1,152	0	0
0	0	0	281,490	3,159	0	16,652	461	0
493	0	2	3,047,858	0	27,315	243,529	0	1,648
493	**0**	**2**	**3,882,377**	**74,847**	**27,315**	**296,423**	**4,301**	**1,648**
0	0	0	83	0	0	0	0	0
0	0	0	52	0	0	2	0	0
0	0	0	6,002	0	0	400	0	0
0	0	0	100,708	0	0	4,272	0	0
0	**0**	**0**	**106,845**	**0**	**0**	**4,674**	**0**	**0**
493	**0**	**2**	**3,989,222**	**74,847**	**27,315**	**301,097**	**4,301**	**1,648**
528	**0**	**0**	**4,358,468**	**58,072**	**23,858**	**297,854**	**3,241**	**1,560**

B.2 Geographic distribution of cash and "off-balance sheet" loans to customers (balance value)

	Italy		Other European Cuntries		America		Asia		Rest of the World	
Esposizioni/Aree geografiche	Net exposure	Total value write downs	Net exposure	Total value write downs	Net exposure	Total value write downs	Net exposure	Total value write downs	Net exposure	Total value write downs
A. Cash loans										
A.1 Doubtful loans ("Sofferenze")	323,100	61,641	60	15	2	400	0	0	0	0
A.2 Substandard loans ("Incagli")	259,191	13,555	1,498	139	0	0	0	0	0	0
A.3 Restructured loans	5,538	0	0	0	0	0	0	0	0	0
A.4 Past due loans ("Esposizioni scadute")	294,700	3,621	3,733	0	0	0	0	0	0	0
A.5 Other loans	3,460,281	29,566	3,692	15	143	0	56	0	0	0
TOTAL	**4,342,810**	**108,383**	**8,983**	**169**	**145**	**400**	**56**	**0**	**0**	**0**
B. "Off-balance sheet" loans										
B.1 Doubtful loans ("Sofferenze")	83	0	0	0	0	0	0	0	0	0
B.2 Substandard loans ("Incagli")	54	0	0	0	0	0	0	0	0	0
B.3 Other non-performing asset	6,402	0	0	0	0	0	0	0	0	0
B.4 Other loans	108,708	0	0	0	0	0	0	0	0	0
TOTAL	**115,247**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL 31.12.2010	**4,458,057**	**108,383**	**8,983**	**169**	**145**	**400**	**56**	**0**	**0**	**0**
TOTAL 31.12.2009		**86,222**	**10,779**	**222**	**158**	**400**	**69**	**0**	**0**	**0**

B.3 Geographic distribution of cash and "off-balance sheet" loans to banks (balance value)

Esposizioni/Aree geografiche	Italy		Other European Cuntries		America		Asia		Rest of the World	
	Net exposure	Total value write downs	Net exposure	Total value writedowns	Net exposure	Total value writedowns	Net exposure	Total value writedowns	Net exposure	Total value writedowns
A. Cash loans										
A.1 Doubtful loans ("Sofferenze")	0	0	0	0	0	0	0	0	0	0
A.2 Substandard loans ("Incagli")	0	0	0	0	0	0	0	0	0	0
A.3 Restructured loans	0	0	0	0	0	0	0	0	0	0
A.4 Past due loans ("Esposizioni scadute")	0	0	0	0	0	0	0	0	0	0
A.5 Other loans	28,724	0	677	0	237	0	139	0	1	0
TOTALE	**28,724**	**0**	**677**	**0**	**237**	**0**	**139**	**0**	**1**	**0**
B. "Off-balance sheet" loans										
B.1 Doubtful loans ("Sofferenze")	0	0	0	0	0	0	0	0	0	0
B.2 Substandard loans ("Incagli")	0	0	0	0	0	0	0	0	0	0
B.3 Other non-performing asset	0	0	0	0	0	0	0	0	0	0
B.4 Other loans	1,470	0	1,692	0	0	0	0	0	0	0
TOTAL	**1,470**	**0**	**1,692**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL 31.12.2010		**0**	**2,369**	**0**	**237**	**0**	**139**	**0**	**1**	**0**
TOTAL 31.12.2009		**0**	**16,840**	**0**	**6,003**	**0**	**825**	**0**	**99**	**0**

B.4 Major risks

Items/values	31.12.2010	31.12.2009
a) Balance values	38,708	0
b) Weighted value	0	0
c) Number	1	0

At 31 December 2010 there is the presence of a major risk position for a balance value of EUR 38.708 thousand towards Hypo Alpe-Adria-Bank International AG.
Pursuant to the regulations of solvency supervision, to exposures among companies belonging to the same banking group, provided that they are all subject to consolidated supervision in a EU member country, a zero per cent weighting factor is applied.

C. Securitisation and asset sale transactions

C.1 Securitisation transactions

Qualitative information

Securitisations were generally structured by the Bank with the aim to find new financial means, as an alternative to direct indebtedness and to decrease the mismatching of maturities between medium/long-term collections and loans.

The risks which remain against the Bank as transferor, due to the effect of securitisations, are represented by the Bank "mezzanine", "junior" and „senior" notes tranches.

All the securitisations belong to the Bank, carried out by employing the same vehicle company to which securitized assets were transferred pro-soluto:

- Dolomiti Finance S.r.l., company established in Italy, with registered office in Via Vittorio Alfieri, 1 - 33015 Conegliano (Treviso).

Securitisations all refer to credits deriving from „performing" leasing contracts, drawn up by the Bank with its customers.

The rating referable to the credits underlying the single operations was assigned by primary agencies, such as Standards and Poor' s and Moody' s.

For all current securitisation, the Bank has subscribed specific servicing contracts with the vehicle company. The role of Servicer allows the Bank, as agent for credit collection and recovery, to keep the management of the customer.
As Servicer, the Bank sends to the suitable vehicle quarterly informative reports on the status of the transferred credits of each single operation.

As follows the features of the securitisations carried out by the Bank, pursuant to Law 130/99:

"Securitisation 1"
The first transfer transaction was concluded in June 2000, with the securitisation of a loan portfolio regarding lease contracts having as subject cars, fixed assets, real estate assets and commercial vehicles.

By means of this operation the Bank sold "pro-soluto" a loan portfolio amounting to EUR 158 million, to Dolomiti Finance S.r.l., an Italian securitisation company.

At the reference date of the balance this operation got extinguished naturally.

"Securitisation 2"
In December 2002 the Bank initiated the second securitisation transaction for performing loans deriving from leasing contracts.

This transaction related to the sale of loans amounting originally to EUR 250 million, to Dolomiti Finance S.r.l. The sold loans are denominated in euro at a fixed interest rate or at a variable interest rate indexed to the 1-month Euribor, the 3-month Euribor or to the 3-month Libor on Yen.
The referred transaction is "revolving", namely it allows carrying out subsequent transfers quarterly; through this mechanism the equivalence between current credits and issued securities is kept.
At 31 December 2010 the sale value relating to the securitized loans, including the subsequent "revolving" sales, amounts to EUR 608 million.

The transaction was submitted to the valuation of Moody's rating agency. The vehicle company issued securities amounting to EUR 250 million, divided as shown below.

Class		Moody's rating	Name	Nominal amount In euro	Interest rate	Expected average weighted life	Expected repayment	Legal expiry
Senior	A1	AAA	Dolomiti Finance S.r.l. 2002-2017 TV	150,000,000	Interest rate Bei +0.15%	7.5 years	15.12.2015	15.12.2017
Senior	A2	AAA	Dolomiti Finance S.r.l. 2002-2017 TV	75,000,000	3 M Euribor + 0,44%	7.5 years	15.12.2015	15.12.2017
Mezzanine	B	A2	Dolomiti Finance S.r.l. 2002-2017 TV	22,500,000	3 M Euribor + 1,00%	10 years	15.12.2015	15.12.2017
Junior	C	not rated	Dolomiti Finance S.r.l. 2002-2017 TV	2,500,000	–	–	15.12.2015	15.12.2017

The junior class securities (Class C), not rated, have been fully underwritten by our Bank.
We underline that for the securitisation carried before 1 January 2004, a revolving period is provided (subsequent sales), therefore the Bank decided against applying the "de-recognition" specified by IAS 39.
For what mentioned above, from an accounting point of view, securitisation are indicated in the balance sheet as follows:

- Securitizated "leasing assets" have been reclassified under item 70 of assets "receivables due from customers" at the under-item "assets sold and not de-recognised ;
- Liabilities for financing received from the vehicle company have been entered under the item 20 of liabilities "payables due to costumers" at the under-item "assets sold and not de-recognised";
- "junior" securities have been cancelled.

"Securitisation 3"

In April 2009 the third Securitisation was completed. The operation required the transfer of a pecuniary credit portfolio, denominated in Euro, for about EUR 243,5 million, in bonis, deriving from lease contracts originated by the Transferor and and from the same claimed towards some of its customers (the „Credits"), with reference to vehicles and motor-vehicles for the transport of people, lorries, trailers and industrial and commercial vehicles for the transport of things or people, systems, equipment, machinery, furniture and buildings.
It is a pro soluto transfer, namely without guarantee of solvency of the transferred debtors.
To the operation was assigned a rating by the agency Standard & Poor's.
The vehicle company Dolomites Finance S.r.l., to finance the purchase, issued ABF (Asset backed floating rate notes) securities in the following tranches:

Class	Rating by S&P	Denomination	Nominal amount in euro	Interest rate	Issue date	Expected repayment
A	AAA	Dolomiti Finance S.r.l. 2009-2029 TV	172,900,000	3 M Euribor + 0.45%	29.04.2009	25.01.2029
B	not rated	Dolomiti Finance S.r.l. 2009-2029 TV	70,600,000	2.00%	29.04.2009	25.01.2029

Class B notes (Junior) were subscribed with a premium, in this way giving the vehicle, thanks to the difference with the nominal value of Notes, a Cash Reserve recognized by the rating company as Credit Enhancement of the amount structure, corresponding to EUR 5,00 million.

Furthermore, a hedging agreement (Swap) was subscribed, with the aim to:

1. "immunize" the vehicle from the consequences deriving from interest-rate risk, therefore removing the mismatching between the Senior and transferred credits;

2. "protect" the portfolio from the risk of loss of value through the periodic redefinition of the notional taken as a reference (balance guaranteed approach);

3. "improve" the operation tranching, by maximising the issued Senior class.

The direct and integral subscription of notes issued by the vehicle, even if they don't allow at the time to obtain direct liquidity from the market, has anyway allowed the Bank to carry out refinancing operations at the European Central Bank and available for repurchase agreements. The Notes with rating AAA made deliverable as collateral give the capacity to face the short-term obligations, as they can be liquidated immediately.

The integral subscription of the notes involves, under the balance profile:

- the substantial keeping of risks and benefits of the transferred portfolio;
- according to the standards provided by the international accounting principle IAS 39 on the matter of „de-recognition", assigned credits cannot be cancelled from the balance sheet;
- subscribed Notes are not indicated in the balance sheet;
- securitisation is not indicated in this Part of the note to the financial statements; only in case, after the operation, the Bank transfers the notes totally or partially the transfer should be indicated.

"Securitisation 4"
In August 2009 the Bank carried out with the European Investment Bank (EIB) a further securitisation.
The Transaction involved the transfer of a pecuniary credit portfolio denominated in Euro, for about EUR 408 million, in bonis, deriving from lease contracts originated by the Transferor and from the same claimed towards some of its customers (the „Credits"), with reference to vehicles and motor-vehicles for the transport of people, lorries, trailers and industrial and commercial vehicles for the transport of things or people, systems, equipment, machinery, furniture and buildings.
It is a pro soluto transfer, namely without guarantee of solvency of the transferred debtors.

The vehicle company Dolomites Finance S.r.l., to finance the purchase, issued ABF (Asset backed floating rate notes) securities in the following tranches:

Class	Rating by S&P	Denomination	Nominal amount in euro	Interest rate	Step-up clause	Issue date	Expected repayment
A	AAA	Dolomiti Finance S.r.l. 2009-2042 TV	295,000,000	3 M Euribor + 0.50%	1.00%	10.08.2009	27.01.2042
B	A	Dolomiti Finance S.r.l. 2009-2042 TV	36,750,000	3 M Euribor + 0.55%	–	10.08.2009	27.01.2042
C	not rated	Dolomiti Finance S.r.l. 2009-2042 TV	76,700,000	2.00%	–	10.08.2009	27.01.2042

Like Dolomiti 3 transaction, Dolomiti 4 transaction has a Cash Reserve as guarantee of the solidity of the structure and a liquidity line (Liquidity Facility) placed at disposal by the parent company HBInt, for the hedging of specific „short-fall“ events of payments.

Both instruments were recognized by the rating agency as Credit Enhancement elements of the securitisation.

Against the subscription of the whole amount of the class A Notes by the institutional body EIB and the definition of a framework agreement between the latter one and Originator, Hypo Alpe-Adria-Bank S.p.a. undertook to transfer the whole amount of EIB subscription to the benefit of small and medium enterprises (SME) through financing projects having facilitated conditions in the industrial, agricultural, touristic and the service sectors.
Hypo Alpe-Adria-Bank S.p.a. undertook to employ the total amount of EIB Finance for the funding of Initiatives within and not later than 15 April 2011, pursuant to what provided by the framework agreement subscribed by the parts.

The structure of the transaction furthermore provides for a 48-month revolving period during which the Vehicle Company could buy from the Transferor, quarterly, „further portfolios“, in order to take back the amount in the portfolio to its starting value, provided that events of early conclusion of the rotation period“ do not take place (Purchase Termination Event-Trigger Event). At 31 December 2010 the transfer counter-value related to the securitized total credits, including “revolving” transfers which have took place, amounts to EUR 503 million.

Also in this operation, a hedging agreement (Swap) was subscribed, with the aim to:

1. “immunize“ the vehicle from the consequences deriving from interest-rate risk, therefore removing the mismatching between the Senior and transferred credits;

2. “protect“ the portfolio from the risk of loss of value through the periodic redefinition of the notional taken as a reference (balance guaranteed approach);

3. “improve“ the operation tranching, by maximising the issued Senior class.

For this transaction as well, like for the previous ones, the securitized assets were entered into the balance sheet and the ABF securities subscribed at the issue were cancelled.

Internal systems of risk measurement and control

The bank with its structure, carry out monthly and quarterly analysis about assets hosting the single securitisation transactions of performing loans deriving from leasing contracts, with the aim to verify the efficient management of collections and recoveries of expired loans. A special care is addressed to c.d. trigger ratios trend, to default e delinquent performance indicators and to remuneration concerning the junior notes that the bank has kept in its portfolio. At least with a quarterly frequency the managing director receive a concise and detailed scheme about securitisation transactions carried out by the Bank in time, by highlighting any critical situations on which to intervene.

Information relating to quantity

C.1.1 Loans deriving from securitisation transactions identified by underlying asset quality

Quality of host assets / Loans	Cash loans						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	GE	NE	GE	NE	GE	NE	GE	NE	GE	NE	GE	NE	GE	NE	GE	NE	GE	NE
A. With own host assets :																		
a) Impaired	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b) Other	0	0	36,750	36,750	79,200	79,200	0	0	0	0	0	0	0	0	0	0	0	0
B. With third-party host assets:																		
a) Impaired	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b) Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Legend: GE = Gross exposure / NE = Net exposure

The table highlights exposures undertaken by the Bank with reference to securitisation transactions.

C.1.2 Loans deriving from main "own" securitisation transactions divided by typology of securitized asset and of loan and typology of loan

Tipologia attività cartolarizzate / Esposizioni	Cash loans						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	BV	WD/B	BV	WD/B	BV	WD/B	BV	WD/B	BV	WD/B	BV	WD/B	BV	WD/B	BV	WD/B	BV	WD/B
A. De-recognised totally from balance sheet	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. De-recog, partially from balance sheet	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. Not de-recog,from bal, sh,	**0**	**0**	**36,750**	**0**	**89,238**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Dolomiti 2000/1																		
- performing leasing	0	0	0	0	2,500	0	0	0	0	0	0	0	0	0	0	0	0	0
C.2 Dolomiti 2009/2																		
- performing leasing	0	0	36,750	0	86,738	0	0	0	0	0	0	0	0	0	0	0	0	0

Legend: BV = Book value / WD/B = Write downs / Backs

The table highlights exposures undertaken by the Bank with reference to each securitisation operation with the highlighting as well of the contractual technical forms related to sold assets.

C.1.3 Loans deriving from main "third-party" securitisation transactions divided by typology of securitized asset and by type of loan

At 31 December 2010 there are no "third-party" securitisation transactions on the balance sheet.

C.1.4 Exposures toward the securitisation operations divided by portfolio and by typology.

At 31 December 2010 there are no securitisation transactions on the balance sheet, either own or third party, in which the sold assets have been totally de-recognised from the asset side of the balance sheet.

C.1.5 Total amount of securitized assets hosting junior bonds and other forms of credit support

Assets / Values	Traditional securitisation	Synthetic securitisation
A. Own host assets :		
A.1 Totally de-recognised	0	X
1. Non-performing loans	0	X
2. Deadlock	0	X
3. Restructured loans	0	X
4. Expired loans	0	X
5. Other assets	0	X
A.2 Partially de-recognised	0	X
1. Non-performing loans	0	X
2. Deadlock	0	X
3. Restructured loans	0	X
4. Expired loans	0	X
5. Other assets	0	X
A.3 Not de-recognised	79,200	0
1. Non-performing loans	0	0
2. Deadlock	0	0
3. Restructured loans	0	0
4. Expired loans	0	0
5. Other assets	79,200	0
B. Third-party host assets :		
B.1 1. Non-performing loans	0	0
B.2 2. Deadlock	0	0
B.3 3. Restructured loans	0	0
B.4 4. Expired loans	0	0
B.5 5. Other assets	0	0

C.1.6 Co-interests in the vehicle company

The Bank does not hold any co-interests in the "vehicle" company, Dolomiti Finance S.r.l. (Italian securitisation company).

C.1.7 Servicer activity – collection of securitized loans and reimbursement of securities issued by the vehicle company

For both securitisation transactions the Bank also plays the role of portfolio "servicer" continuing to invoice, collect and administer the sold loans. This "servicer" work is paid for by means of a "servicing fee". The bank has the duty to arrange monthly, quarterly and yearly reports containing information relevant to collections and recoveries carried out.

Vehicle company	Securitized assets (end-period figure)		Credit collect. in the year		Percentage quota of reimbursed securities (end-period figure)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Perform. assets	Impaired assets	Perform. assets	Impaired assets	Perform. assets
Dolomiti 2002/1										
Dolomiti Finance S.r.l	5,655	28,144	3,878	37,643	9.34%	88.61%	0	0	0	0
Dolomiti 2009/1										
Dolomiti Finance S.r.l	18,694	163,843	3,974	48,606	0	0	0	0	0	0
Dolomiti 2009/2										
Dolomiti Finance S.r.l	12,251	380,102	5,866	95,673	0	0	0	0	0	0

C.2 SALE OPERATIONS

C.2.1 Financial assets sold and not de-recognised

Technical forms/ Portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Receivables due from banks			Receivables due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31.12.2010	31.12.2009
A. Cash assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**429,646**	**0**	**0**	**429,646**	**436,556**
1. Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Equities	0	0	0	0	0	0	0	0	0	X	X	X	X	X	X	X	X	X	0	0
3. O.I.C.R.	0	0	0	0	0	0	0	0	0	X	X	X	X	X	X	X	X	X	0	0
4. Financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	429,646	0	0	429,646	436,556
B. Derivative instruments	0	0	0	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	0	0
Total 31.12.2010	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**429,646**	**0**	**0**	**429,646**	**0**
of which impaired	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**24,350**	**0**	**0**	**24,350**	
Total 31.12.2009	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**436,556**	**0**	**0**	**X**	**436,556**
of which impaired	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**21,900**	**0**	**0**	**X**	**21,900**

Legend:
A = Sold financial assets, entire amount taken over (book value)
B = Sold financial assets, taken over in part (book value)
C = Sold financial assets, taken over in part (whole value)

C.2.2 Financial liabilities for financial assets sold and not de-recognised

Liability/Asset portfolio	Financial assets held for trading	Financial assets at fair value	Attività finanziarie disponibili per la vendita	Financial assets held to maturity	Receiv, due from banks	Receiv, due from customers	Total
1. Payable to customers	**16,177**	**0**	**0**	**0**	**0**	**271,133**	**287,310**
a) for assets taken over in full	16,177	0	0	0	0	271,133	287,310
b) for assets taken over in part	0	0	0	0	0	0	0
2. Payable to banks	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) for assets taken over in full	0	0	0	0	0	0	0
b) for assets taken over in part	0	0	0	0	0	0	0
Total 31.12.2010	**16,177**	**0**	**0**	**0**	**0**	**271,133**	**287,310**
Total 31.12.2009	**89,793**	**0**	**0**	**0**	**0**	**252,646**	**342,439**

The table highlights the book value of financial liabilities registered as offset of financial assets sold and not de-recognised from the assets of the balance sheet. In the case of our Bank, they are liabilities registered for operations of repurchase agreements payable and sales of “leasing” credits regarding securitisations.

C.3 Covered bond operations

This item is not used.

D. Models for the measurement of credit risk
The bank has acquired a rating system integrated with the generality of company procedures which assesses the creditworthiness of the single client by analyzing completely and integrally a series of information useful to determine it. The main aim of the system is the classification of the customers into risk classes having probability of homogeneous defaults. For further details please refer to paragraph 2 “Credit risk management policies” of this part E.

Section 2
Market risk

2.1 Interest rate risk and price risk – supervisory trading portfolio

Qualitative information

A. General aspects

Strategy of transaction
The trading activity, intended as holding of positions aimed to a further short-term divestment, with the purpose to benefit from the differences between purchase and sale prices, is carried out by the Treasury/Financial Services in the sphere of the Trading Book portfolio (regulated in the Operative Manual of Treasury/Financial Services, in the annex 2 “Treasury-Limit Application”).

In strategic terms, the liquidity not aimed to economic loans, which represents the “core business” of the bank, and not classified in the strategic liquidity reserve, can be used with trading aims.

For the business year 2011 as well the carrying out of a systematic trading activity is not expected, therefore reserving the amount in available liquidity to the function of strategic provision.

In the Supervisory Trading Book there are moreover, in the sphere of the Market Risk Steering portfolio (regulated by the Operative Manual of Treasury/Financial Services, in the annex 2 “Treasury-Limit Application”), derivatives created on purpose for coverage (of the interest rate risk and exchange risk), for which it isn’t anyway easy to prove the connection with the related balance items and the relation of effectiveness.

The Treasury Limit Application is required by the directives of the instructions of the Holding and should be approved by it annually.

This document consists of a request by the Bank of suitable limits (in terms of maximum profit/loss and VaR) related to the Treasury activity, with reference to employed financial instruments.

Policies and procedures of active management

a)Trading desk
The management of the Trading Book portfolio and Market Risk Steering is carried out by the Treasury/Financial Services, directly by the Responsible of the Division, who can delegate the operating activity to the Responsible of the Treasury and Finance Department.
The trading desk is therefore the Treasury and Finance Department.

b) Position limits
The activity on the Trading Book portfolio and Market Risk Steering has a total volume limit approved by the Holding and today it is essentially concentrated on:

Investments in shares
Not allowed.

Forex activity with the customers.
- Spot and forward sales activity of foreign currency, carried out with the customers.

Forex Swap, Cross Currency Swap, Interest Rate Option
- Derivatives created with a basic aim of coverage of the Interest rate risk and Exchange rate risk, for which it isn’t anyway easy to prove the connection with the related balance items and the relation of effectiveness.

(For information, in the Trading Book described in the “Treasury-Limit Application” of the Holding there are, besides the above-mentioned instruments, as well own-issued debt securities, purchased in order to create a secondary market on them. These instruments are not indicated in the balance, as they have been repurchased).

The adequacy of limits is submitted to verifications in time by Treasury/Financial Services and Risk Control with the coordination of the Holding.

By considering the compositions of portfolios no relevant risks are to be noticed.

c) Limits of "dealers"
As mentioned above, the activity on the Trading Book and Market Risk Steering is performed by the Responsible of Treasury/Financial Services and afterwards can be delegated to the Responsible of the Treasury and Finance Department.

d) Signalling to the body with management functions
Monthly the Risk Control provides the organ with management functions produces the reporting with the following information regarding current trading positions:

- Code and description of the financial instrument
- Rating (if existing)
- Value At Risk
- Nominal value
- Market value
- Balance value
- Plus/Minus

e) Negotiability/hedging of positions
Positions are actively managed by the Treasury and Finance Department on the base of the information coming from the market and an assessment is operated as to their negotiability or to the possibility of carrying out hedging transactions, either of the positions or of the risks composing it, by verifying in particular:

- the quality and the availability of market data used in the assessment process;
- the level of trade on the market;
- the dimension of the positions negotiated on the market.

B. Management processes and methods measurement of interest rate risk and price risk

Policies and procedures for the control of positions

The monitoring of trading positions at the light of the bank's negotiation strategy is performed by the Finance Settlement Department, as regards the verification of regularity of operations and by the Risk Control for the assessment of positions.

a) Capital requirements
Quarterly the Accounting and the Risk Control arranges to calculate and review the capital requirements with reference to the following risks:

- Counterparty
- Generic and specific position
- Settlement
- Concentration
- Foreign exchange
- Option

b) Assessment of positions

- Mark-to-market

Position for which an active and liquid market both for purchase and for sale exists are evaluated daily with the respective market values of Info provider Reuters.

- Mark-to-model

In the other cases, the assessment takes place through suitable models through which the bank, for each typology of exposure, is able to:

- identify all relevant risks;
- obtain reliable estimates for the main hypotheses and parameters used in the model

Systems and controls for the prudent assessment of the positions belonging to the supervisory trading portfolio

Systems of assessment and control procedures suitable to assure that the assessment estimates are prudent and reliable were created.

B.1 – Systems and controls

a) The responsibility of the assessment is entrusted to the Risk Control, independent division from the „trading desk".
b) Market data are acquired in real time by the Info Provider „Reuters" (price of the securities, interest rates, exchange rates).
c) Informative flows (reporting) are independent from the „trading desk" and are discussed at the Finance Committee, advisory body to which the General Management and the Managing Director take part.
d) Informative flows are moreover regularly sent to Board of Directors.

B.2 – Prudent assessment methods

a) market prices

For the assessment of listed securities the „Last“ price shown on Reuter is used.

b) models of assessment (mark-to-model)

For the assessment of the Options on Interest rates and Purchases/Sales with agreed terms of currency and Cross Currency Swap, the following requirements were complied:

- the management body is informed that non-listed instruments are assessed through the mark-to-model;
- the assessment is performed through certified internal software (Cedacri);
- the methodologies used for the assessment are currently accepted on the market:
  - Options on Interest rates: Black and Scholes model;
  - Forward purchases/sales with agreed terms of currency and CCS: discounting of forward legs with currency rates and conversion of the leg into currency with Spot exchange rate at the valuation date.

B.3 – Supervisory value adjustments

All value adjustments are connected to scarcely liquid positions, identified by examining the following factors:

- time required to hedge the position;
- average „money/letter“ gap and their volatility;
- availability of market quotations;
- average of the negotiated volumes and their volatility.

Value At Risk (VaR)

For the supervisory negotiation portfolio a Value at Risk is calculated.

The VaR model is not used at present for the calculation of capital requirements on market risks, but it is used for managerial aims and internal control.

The Value at Risk (VaR) expresses the maximum loss linked to market transactions in non-extreme conditions. The methodology used for the calculation of VaR belongs to the class of variance-covariance models, according to which it is supposed that factors of risk which affect value change distribution have a normal distribution.

The VaR is monitored daily by the Risk Control and reported to the Management Body. z

Quantitative information

1.A Supervisory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives.

Currency: Euro

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec. duration
1, Cash assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment				0	0	0	0	0
option	0	0	0					
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2, Cash liabilities	**53**	**12,606**	**3,318**	**200**	**0**	**0**	**0**	**0**
2.1 P.C.T. liabilities	53	12,606	3,318	200	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**179,178**	**12**	**91**	**21,847**	**55,030**	**0**	**0**
3.1 With host security	0	66,394	12	39	1,704	38,124	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	66,288	8	30	5	38,124	0	0
+ Short positions	0	106	4	9	1,699	0	0	0
3.2 Without host security	0	112,784	0	52	20,143	16,906	0	0
- Options								
+ Long positions	0	848	0	50	10,472	7,605	0	0
+ Short positions	0	0	0	2	9,671	9,301	0	0
- Other derivatives								
+ Long positions	0	106,214	0	0	0	0	0	0
+ Short positions	0	5,722	0	0	0	0	0	0

1.B Supervisory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives

Currency: US Dollar

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec. duration
1. Cash assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Cash liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 P.C.T. liabilities	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**145**	**0**	**0**	**0**	**0**	**0**	**0**
3.1 With host security	0	0	0	0	0	0	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
3.2 Without host security	0	145	0	0	0	0	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	69	0	0	0	0	0	0
+ Short positions	0	76	0	0	0	0	0	0

1.C Supervisory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives

Currency: Japanese Yen

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1. Cash assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1,1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment				0	0	0	0	0
option	0	0	0					
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Cash liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 P.C.T. liabilities	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**48,401**	**0**	**0**	**1,914**	**46,019**	**0**	**0**
3.1 With host security	0	0	0	0	1,914	46,019	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	1,914	0	0	0
+ Short positions	0	0	0	0	0	46,019	0	0
3.2 Without host security	0	48,401	0	0	0	0	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	2,382	0	0	0	0	0	0
+ Short positions	0	46,019	0	0	0	0	0	0

1.D Supervisory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives

Currency: Swiss Franc

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1, Cash assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment				0	0	0	0	0
option	0	0	0					
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Cash liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 P.C.T. liabilities	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**165,264**	**0**	**0**	**0**	**0**	**0**	**0**
3.1 With host security	0	79,974	0	0	0	0	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	79,974	0	0	0	0	0	0
3.2 Without host security	0	85,290	0	0	0	0	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	3,495	0	0	0	0	0	0
+ Short positions	0	81,795	0	0	0	0	0	0

2. Supervisory trading portfolio: distribution of exposures in equities and indexes for the main Countries of the quotation market

This item is not used.

3. Supervisory trading portfolio: inner models and other methodologies of analysis of sensitivity

The supervisory trading portfolio is mainly composed of FOREX instruments.

Therefore the analyses can be referred to what described in the paragraph related to foreign exchange risk.

Information relating to quality

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

General aspects

The interest rate risk taken on by the Bank for its bank portfolio comes mainly from the typical activities performed by the Bank and arising particularly from the differences between asset and liability items in terms of amount, maturity date of rate repricing, financial duration and interest rate.

The interest-rate risk control of the bank portfolio is guaranteed by the Risk Control Division. Instead, the Treasury/Financial Services Division carries out the transactions by managing the interest rate risk; it performs this activity subject to the opinion of the Finance Committee, in order to optimize the economic return for the Bank.

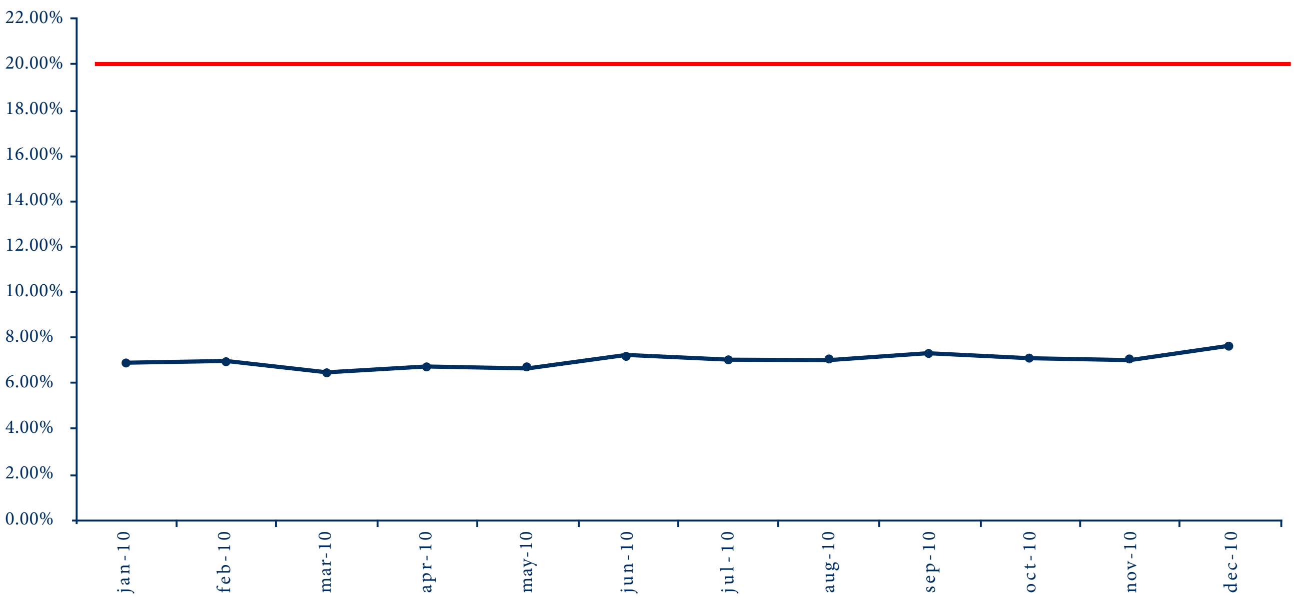
The Bank provides for the summoning, at least monthly, of the Finance Committee (to which the General Management and the Responsible of the Treasury/Financial Services, Risk Control, Financial Controlling Departments and the Commercial Departments of the Bank participate). During the meetings some reports produced by the Risk Control Department, which summary the interest rate risk position taken by the Bank are analyzed, discussed and recorded.

Index of riskiness with reference to the Regulatory Capital

The bank adopted during 2010 the guidelines which allow determining the indicator of riskiness suggested by the supervision law (Title III Chapter 1 Annex C of the Supervisory regulations of Banca d'Italia).

As regards this risk, the Bank assessed the impact on the bank portfolio of a hypothetical variation of interest rates equal to 200 base points.

In the following scheme we are indicating the monthly values of the Index of riskiness starting from January 2010, as pursuant to the Circular 263 dated 27 December 2006, valid until 31 December 2010. The monthly values of the Index of riskiness are under the threshold of 20%.



The risk index, measured according to normative criteria, in December 2010 amounts to 7,64% of the Regulatory Capital.

B. Fair value hedging operations

Interest rate limitation activity has meant that some fixed interest bonds have been hedged by a plain vanilla Interest Rate Swap. Hedging portfolios of this kind, consisting of hedging instruments (IRS) and hedge assets (bond market loans), have been subjected to Hedge Accounting checks, in accordance with IAS regulations, and have been found to be totally effective.

Retrospective and prospective tests are conducted to check the level of efficacy. With regard to retrospective tests, the dollar off set method was used. This method consists of calculating the ratio between the Fair Value variations of the hedging instrument and the hedged asset, controlling that this ratio lies between 80 % and 125%.

The prospective efficacy tests consists of analysing the sensitivity, in relation to the Fair Value calculation of the hedging instrument and the hedged asset, hypothesising a parallel shock of +/- 100 base points on the interest rates curve.

C. Hedging of financial flows

Cash Flow Hedge

At 31 December 2010 the Bank does not have any hedging instrument against the interest rate risk from financial flows.

Assessment of derivatives: Fair Value Option

The regime of Fair Value Option was employed by the Bank for the Derivatives hedging Structured Debenture Loans by making use of the possibility of not breaking up the implicit derivative.
Also in this case both instruments (Derivatives and Debenture Loans) are assessed at Fair Value.

Quantitative information

1.A Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: Euro

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1. Cash assets	**1,111,221**	**1,921,795**	**38,681**	**94,585**	**248,820**	**8,820**	**1,682**	**7,439**
1.1 Debt securities	22	14,098	19,868	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	22	14,098	19,868	0	0	0	0	0
1.2 Financing to banks	6,491	22,112	0	0	0	0	0	
1.3 Financing to customers	1,104,708	1,885,585	18,813	94,585	248,820	8,820	1,682	7,439
- current accounts	270,270	13,673	910	5,513	10,062	0	0	0
- other financing	834,438	1,871,912	17,903	89,072	238,758	8,820	1,682	7,439
- with early repayment option	53,860	599,042	183	294	1,183	798	1,206	0
- other	780,578	1,272,870	17,720	88,778	237,575	8,022	476	7,439
2. Cash liabilities	**825,593**	**2,025,689**	**184,710**	**26,380**	**119,030**	**5,019**	**0**	**0**
2.1 Payables to customers	736,146	0	69	0	0	0	0	0
- current accounts	442,545	0	69	0	0	0	0	0
- other payables	293,601	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	293,601	0	0	0	0	0	0	0
2.2 Payables to banks	82,626	1,843,000	66,000	0	0	0	0	0
- current accounts	25,687	0	0	0	0	0	0	0
- other payables	56,939	1,843,000	66,000	0	0	0	0	0
2.3 Debt securities	6,821	182,689	118,641	26,380	119,030	5,019	0	0
- with early repayment option	104	20,000	28,000	0	0	0	0	0
- other	6,717	162,689	90,641	26,380	119,030	5,019	0	0
2.4 Other liabilities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives	**30,305**	**1,406,248**	**39,830**	**6,638**	**36,706**	**883**	**0**	**0**
3.1 With underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0		0	0	0	0	0	0
+ short positions	0	0	0	0	0		0	0
3.2 Without underlying security	30,305	1,406,248	39,830	6,638	36,706	883	0	0
- Options	0	848	0	0	0	848	0	0
+ long positions	0	0	0	0	0	848	0	0
+ short positions	0	848	0	0	0	0	0	0
- Other derivatives	30,305	1,405,400	39,830	6,638	36,706	35	0	0
+ long positions	0	725,174	266	5,429	36,706	35	0	0
+ short positions	30,305	680,226	39,564	1,209	0	0	0	0

1.B Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: US Dollar

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1, Cash assets	**402**	**3,070**	**144**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Financing to banks	381	0	0	0	0	0	0	0
1.3 Financing to customers	21	3,070	144	0	0	0	0	0
- current accounts	2	0	0	0	0	0	0	0
- other financing	19	3,070	144	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	19	3,070	144	0	0	0	0	0
2. Cash liabilities	**2,205**	**8,054**	**0**	**36**	**0**	**0**	**0**	**0**
2.1 Payables to customers	2,204	570	0	36	0	0	0	0
- current accounts	2,204	570	0	36	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.2 Payables to banks	1	7,484	0	0	0	0	0	0
- current accounts	1	0	0	0	0	0	0	0
- other payables	0	7,484	0	0	0	0	0	0
2.3 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.4 Other liabilities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**7,110**	**262**	**0**	**0**	**0**	**0**	**0**
3.1 With underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security	0	7,110	262	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	7,110	262	0	0	0	0	0
+ long positions	0	6,919	0	0	0	0	0	0
+ short positions	0	191	262	0	0	0	0	0

1.C Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: English pound

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1. Cash assets	**38**	**20**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Financing to banks	38	0	0	0	0	0	0	0
1.3 Financing to customers	0	20	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other financing	0	20	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	20	0	0	0	0	0	0
2. Cash liabilities	**55**	**7**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	55	7	0	0	0	0	0	0
- current accounts	55	7	0	0	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.2 Payables to banks	0	0	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
2.3 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.4 Other liabilities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**59**	**0**	**0**	**0**	**0**	**0**	**0**
3.1 With underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security	0	59	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	59	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	59	0	0	0	0	0	0

1.D Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: Japanese Yen

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1. Cash assets	**6,124**	**194,425**	**0**	**0**	**0**	**0**	**0**	**107**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Financing to banks	148	0	0	0	0	0	0	0
1.3 Financing to customers	5,976	194,425	0	0	0	0	0	107
- current accounts	1	0	0	0	0	0	0	0
- other financing	5,975	194,425	0	0	0	0	0	107
- with early repayment option	183	1,289	0	0	0	0	0	0
- other	5,792	193,136	0	0	0	0	0	107
2. Cash liabilities	**38,909**	**85,596**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	38,893	0	0	0	0	0	0	0
- current accounts	38,893	0	0	0	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.2 Payables to banks	16	85,596	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	16	85,596	0	0	0	0	0	0
2.3 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.4 Other liabilities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**92,402**	**23,421**	**1,844**	**0**	**0**	**0**	**0**
3.1 With underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security	0	92,402	23,421	1,844	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	92,402	23,421	1,844	0	0	0	0
+ long positions	0	20,990	23,421	1,200	0	0	0	0
+ short positions	0	71,412	0	644	0	0	0	0

1.E Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: Canadian Dollar

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1. Cash assets	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Financing to banks	2	0	0	0	0	0	0	0
1.3 Financing to customers	0	0	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other financing	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2. Cash liabilities	**9**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	9	0	0	0	0	0	0	0
- current accounts	9	0	0	0	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.2 Payables to banks	0	0	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
2.3 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.4 Other liabilities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
3.1 With underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0

1.F Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: Swiss Franc

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1. Cash assets	**16,933**	**726,350**	**122**	**116**	**138**	**0**	**0**	**538**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Financing to banks	406	0	0	0	0	0	0	0
1.3 Financing to customers	16,527	726,350	122	116	138	0	0	538
- current accounts	0	0	0	0	0	0	0	0
- other financing	16,527	726,350	122	116	138	0	0	538
- with early repayment option	1,279	9,689	114	112	0	0	0	0
- other	15,248	716,661	8	4	138	0	0	538
2. Cash liabilities	**101**	**649,376**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	83	0	0	0	0	0	0	0
- current accounts	83	0	0	0	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.2 Payables to banks	18	649,376	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	18	649,376	0	0	0	0	0	0
2.3 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.4 Other liabilities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**55,783**	**0**	**0**	**0**	**0**	**0**	**0**
3.1 With underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security	0	55,783	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	55,783	0	0	0	0	0	0
+ long positions	0	28,105	0	0	0	0	0	0
+ short positions	0	27,678	0	0	0	0	0	0

1.G Portafoglio bancario: distribuzione per durata residua (per data di riprezzamento) delle attività e delle passività finanziarie

Currency: other Currencies

Typology / Residual duration	On demand	up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Unspec, duration
1. Cash assets	**199**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Financing to banks	199	0	0	0	0	0	0	0
1.3 Financing to customers	0	0	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other financing	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2. Cash liabilities	**114**	**66**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	114	66	0	0	0	0	0	0
- current accounts	114	66	0	0	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.2 Payables to banks	0	0	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	0	0	0	0	0	0	0	0
2.3 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.4 Other liabilities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
3.1 With underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0

Bank portfolio: inner models and other methodologies of analysis of sensitivity

The price risk, for the shares classified as "participations" is not subject to specific monitoring at the time.

2.3 EXCHANGE RATE RISK

Qualitative information

A.General aspects, management processes and measurement methods the exchange rate risk

The exchange rate risk is related to the change in value of positions expressed in foreign currency, due to unexpected fluctuations in cross rates between currencies.

Exchange rates risks are monitored daily by the Treasury / Financial Services Divisions, by equalizing positions in foreign currencies. At the end of every day, the Administrative Support Division and the Risk Control Division check that the foreign exchange position falls within the limits set by internal regulations

B. Hedging activity of exchange-rate risk

The Forex operations (Spot and Swap first of all) is developed by the Treasury/Financial Services Division with hedging intents of the operations in currency developed with the customers.

This hedging is carried out cumulatively on a set of operations of the same currency and separately (back to back) for operations having a high amount.

In any case, the overnight limit fixed for open positions in foreign exchanges for the year 2010, shared with HBInt, corresponds to EUR 200,000.

Quantitative information

Distribution by currency of assets, liabilities and derivatives

Item	Currency					
	US Dollar	Pound	Yen	Canadian Dollar	Swiss Franc	Others
A. Financial assets	**3,615**	**58**	**200,656**	**2**	**744,197**	**199**
A.1 Debt securities	0	0	0	0	0	0
A.2 Equities	0	0	0	0	0	0
A.3 Loans to banks	381	38	148	2	406	199
A.4 Loans to customers	3,234	20	200,508	0	743,791	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	**77**	**55**	**5**	**10**	**25**	**1**
C. Financial liabilities	**10,296**	**62**	**124,505**	**9**	**649,478**	**181**
C.1 Deposits from banks	7,485	0	85,612	0	649,395	0
C.2 Deposits from customers	2,811	62	38,893	9	83	181
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	**0**	**0**	**0**	**0**	**0**	**0**
E. Financial derivates	**7,517**	**59**	**166,069**	**0**	**141,073**	**0**
- Options	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0
- Others	7,517	59	166,069	0	141,073	0
+ long positions	6,988	0	47,994	0	31,600	0
+ Short positions	529	59	118,075	0	109,473	0
Total assets	**10,680**	**113**	**248,655**	**12**	**775,822**	**200**
Total liabilities	**10,825**	**121**	**242,580**	**9**	**758,951**	**181**
Accounting deficit (+/-)	**-145**	**-8**	**6,075**	**3**	**16,871**	**19**

2. Internal models and other methodologies for sensitivity analysis

The risk connected to the positions in currency derives from the exchange rates fluctuation and especially from the effect this fluctuation has on Open positions in the various currencies held by the institute.
Daily, the Risk Control Division takes care to send the foreign exchange position to the Holding, which, through the PMS procedure, calculates the Var with a 99% level of confidence and a time horizon (holding period) of 1 day.

During 2010, the correlated VaR calculated by the PMS procedure on all exchanged currencies oscillated between a maximum of EUR 862 and a minimum of EUR 129. They are very low values, as the limit concerning open positions in foreign exchanges for 2010 is very limited (corresponding to EUR 200,000).

2.4 Derivative financial instruments

A. Financial derivatives

A.1 Supervisory trading portfolio: notional end-period and average values

Underlying assets/Typologies of derivatives	31.12.2010		31.12.2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	**3,301**	**0**	**4,893**	**0**
a) Options	3,167	0	3,417	0
b) Swap	0	0	0	0
c) Forward	134	0	1,476	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Equities and share indexes	**0**	**0**	**0**	**0**
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
3. Currencies and gold	**127,908**	**0**	**192,311**	**0**
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	127,908	0	192,311	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
4. Goods	**0**	**0**	**0**	**0**
5. Other underlyings	**0**	**0**	**0**	**0**
Total	**131,209**	**0**	**197,204**	**0**
Average value	**164,206**	**0**	**289,581**	**0**

A.2 Bank portfolio: notional end-period and average values

A.2.1 Hedging

Underlying assets/Typologies of derivatives	31.12.2010		31.12.2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	**37,566**	**0**	**157,397**	**0**
a) Options	0	0	0	0
b) Swap	37,566	0	157,397	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Equities and share indexes	**0**		**0**	
a) Options	**0**	**0**	**0**	**0**
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
3. Currencies and gold	**0**		**0**	
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
4. Goods	**0**	**0**	**0**	**0**
5. Other underlyings	**0**	**0**	**0**	**0**
Total	**37,566**	**0**	**157,397**	**0**
Average value	**97,481**	**0**	**150,323**	**0**

A.2.2 Other derivatives

Underlying assets/Typologies of derivatives	31.12.2010		31.12.2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	**46,936**	**0**	**47,047**	**0**
a) Options	12,797	0	13,232	0
b) Swap	34,139	0	33,815	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Equities and share indexes	**58,000**		**58,000**	
a) Options	**58,000**	**0**	**58,000**	**0**
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
3. Currencies and gold	**162,607**		**140,345**	
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	162,607	0	140,345	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
4. Goods	**0**	**0**	**0**	**0**
5. Other underlyings	**0**	**0**	**0**	**0**
Total	**267,543**	**0**	**245,392**	**0**
Average value	**256,467**	**0**	**394,993**	**0**

A.3 Financial derivatives: gross positive fair value – composition by products

Portfolio/Typologies of derivatives	Positive Fair value			
	31.12.2010		31.12.2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Supervisory trading portfolio	**284**	**0**	**1,201**	**0**
a) Options	40	0	48	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	244	0	5	0
d) Equity swap	0	0	0	0
e) Forward	0	0	1,148	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
B. Bank portfolio – hedging	**957**	**0**	**4,436**	**0**
a) Options	0	0	0	0
b) Interest rate swap	957	0	4,436	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
C. Bank portfolio – other derivatives	**1,323**	**0**	**1,509**	**0**
a) Options	0	0	0	0
b) Interest rate swap	485	0	355	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	838	0	1,154	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**2,564**	**0**	**7,146**	**0**

A.4 Financial derivatives: gross negative fair value – composition by products

Portfolio/Typologies of derivatives	Positive Fair value			
	31.12.2010		31.12.2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Supervisory trading portfolio	**22,900**	**0**	**1,482**	**0**
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	22,900	0	1,006	0
d) Equity swap	0	0	0	0
e) Forward	0	0	476	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
B. Bank portfolio – hedging	**0**	**0**	**0**	**0**
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
C. Bank portfolio – other derivatives	**5,039**	**0**	**4,229**	**0**
a) Options	283	0	455	0
b) Interest rate swap	575	0	1,109	0
c) Cross currency swap	0	0	0	0
d) Equity swap	4,181	0	2,665	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**27,939**	**0**	**5,711**	**0**

A.5 "Over the counter" financial derivatives – supervisory trading portfolio: gross positive and negative notional values, fair value by counterparts – contracts not included in offsetting agreements

Contracts not included in offsetting agreements	Governments and Central banks	Other public bodies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1) Debt securities and interest rates	**0**	**0**	**3,255**	**0**	**0**	**0**	**134**
- notional value	0	0	3,167	0	0	0	134
- positive fair value	0	0	40	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	48	0	0	0	0
2) Equities and share indexes	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0
3) Currecies and gold	**0**	**0**	**151,964**	**0**	**0**	**0**	**0**
- notional value	0	0	127,908	0	0	0	0
- positive fair value	0	0	244	0	0	0	0
- negative fair value	0	0	22,900	0	0	0	0
- future exposure	0	0	912	0	0	0	0
4) Other values	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0

A.6 "Over the counter" financial derivatives – supervisory trading portfolio: gross positive and negative notional values, fair value by counterparts – contracts included in offsetting agreements

At 31 December 2010 the item is not used.

A.7 "Over the counter" financial derivatives – bank portfolio: gross positive and negative notional values, fair value by counterparts – contracts not included in offsetting agreements

Contracts not included in offsetting agreements	Governments and Central banks	Other public bodies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1) Debt securities and interest rates	**0**	**0**	**78,721**	**0**	**0**	**0**	**8,174**
- notional value	0	0	76,520	0	0	0	7,982
- positive fair value	0	0	1,443	0	0	0	0
- negative fair value	0	0	575	0	0	0	192
- future exposure	0	0	183	0	0	0	0
2) Equities and share indexes	**0**	**0**	**31,220**	**0**	**0**	**0**	**29,091**
- notional value	0	0	29,000	0	0	0	29,000
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	91
- future exposure	0	0	2,220	0	0	0	0
3) Curreci‌es and gold	**0**	**0**	**120,646**	**0**	**0**	**22,552**	**25,888**
- notional value	0	0	115,715	0	0	22,056	24,836
- positive fair value	0	0	43	0	0	65	730
- negative fair value	0	0	3,897	0	0	210	74
- future exposure	0	0	991	0	0	221	248
4) Other values	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0

A.8 "Over the counter" financial derivatives – bank portfolio: gross positive and negative notional values, fair value by counterparts – contracts included in offsetting agreements

At 31 December 2010 the item is not used.

A.9 Residual life of OTC financial derivatives: notional values

Underlying/Residual life	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A. Supervisory trading portfolio	**80,108**	**1,914**	**49,186**	**131,208**
A.1 Financial derivatives on debt securities and interest rates	134	0	3,167	3,301
A.2 Financial derivatives on equities and share indexes	0	0	0	0
A.3 Financial derivatives on exchange rates and gold	79,974	1,914	46,019	127,907
A.4 Financial derivatives on other values	0	0	0	0
B. Bank portfolio	**217,236**	**84,706**	**3,167**	**305,109**
B.1 Financial derivatives on debt securities and interest rates	44,629	36,706	3,167	84,502
B.2 Financial derivatives on equities and share indexes	10,000	48,000	0	58,000
B.3 Financial derivatives on exchange rates and gold	162,607	0	0	162,607
B.4 Financial derivatives on other values	0	0	0	0
Total 31.12.2010	**297,344**	**86,620**	**52,353**	**436,317**
Total 31.12.2009	**453,963**	**139,196**	**6,834**	**599,993**

A.10 OTC financial derivatives: counterpart risk/financial risk – inner models

The OTC financial derivatives held by the Bank have, as counterpart, primary bank institutes.
Following to a group of analyses on the data of held derivatives, it was considered as non significant the impact the counterpart risk can have in the whole assessment of the same derivative.

B. Credit derivatives

This section is not used.

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparts

At 31 December 2010 the item is not used.

Section 3
Liquidity risk

Qualitative information

A. General aspects, management processes and measurement methods of the liquidity risk

Process and strategy of liquidity management
The liquidity risk is connected to the possibility that the Bank is not able to fulfil its obligations at their maturity because of its incapacity to liquidate assets or obtain adequate funding (that also with respect to their cost, with consequent impacts on profitability).

The Bank manages the liquidity according to a Group centralized logic. The Holding Treasury represents the main body for the funding and the coordination on the international markets at whole group level and it is, moreover, the lender of last resort for all the companies belonging to the group, acting as central „compensation institute".

The local Treasury finances the business through the local markets (local customers, local financial intermediaries) and through the Group Treasury; the access to the international markets is allowed in coordination with the Group Treasury.

In the context of the Group ALCO Committee (Assets/Liabilities Committee) the specific liquidity management strategies with reference to the Group in its whole and the single subsidiaries are defined:

- The Group Treasury is responsible for liquidity management of the whole Group.

- The Local Treasury, in coordination with the Group Treasury, carries out the local management: to the purpose, a local Liquidity manager entrusted to chair the Liquidity Rounds, i.e. the local meetings regularly organized to make information exchange between the Board and all the Divisions involved in the process of liquidity management and control easier, is appointed.

Control tools: ALM of mismatching maturities of balance positive and negative items
Monthly the Risk Control Division arranges the reports aimed to represent the current and perspective dimension of the liquidity risk supported by the Bank. They are ALM analysis prospects which analyze the mismatching connected on the various balance asset and liability maturities.

In short a „maturity ladder" is created, which allows assessing the balance of expected cash flows by opposing assets and liabilities whose maturity is inside every single time bracket. The creation of accumulated imbalances allows the calculation of the net balance of the financial requirement (or of the surplus) in the considered time horizon.

The reports are drawn up to present data coherently with the conventions adopted by Holding, with the aim to allow it to create a consolidated report at a Group level.

The Reports are drawn up by considering a long time horizon and allow developing, simultaneously, for each time bucket:

- The punctual mismatching analysis among balance items at the assessment date;
- The mismatching analysis integrated with perspective flows from the budget.

Control tools: Cash Flow Balance – analysis of short-time liquidity
The ALM analysis (capital restraints) indicated in the previous point is integrated by a specific short-term analysis (time horizon limited to one year) where explicit recourse is made to the technique of scenarios and related sensitivities which suppose, with reference to asset and liability items, the occurrence of modifying events of some aggregates in the different brackets the maturity ladder is composed of.

The time horizon of liquidity risk vigilance in this case is restricted to a year to obtain very close „time buckets" and have an uninterrupted vision of mismatching in time.

The analysis is set up to present Bank data coherently with the standards adopted by the Holding in order to allow it to arrange well-established reports at a Group level.

Weekly the Risk Control Division arranges informative flows feeding a tool conceived by the Holding („Liquidity Ratios Tool") that offers a representation of the accumulated maturity mismatching and, therefore, indicates liquidity deficits or the surpluses linked to various hypotheses of scenario.

Like the medium/long-time analysis, the control activity considers the following elements generating Cash Flow:

1. Existing asset and liability item.
2. Perspective asset and liability item ("planned-delta budget").
3. Items deriving from the re-lending of maturing assets and liabilities ("planned-expiring business").
4. Liquidity reserves.

Hypotheses of scenarios (sensitivity analysis)

A status of liquidity crisis is defined as a situation of difficulty or incapacity of the Bank to fulfil its maturing cash obligations without activating procedures and/or using tools not referable, for intensity or modality, to ordinary administration.

In order to prevent and manage these crises, some scenarios are identified and characterized („mild" or light, „severe" or serious and extreme ones), used both to carry out the preventive stress tests and identify the level of emergency to state and to face.

Therefore:
- the analysis of suitable indicators allows identifying the existence of one of the scenarios described below and therefore to identify a status of crisis;
- the stress analysis allows simulating beforehand the features of the scenarios and the capacity of the Bank to face them.

The existence of crisis scenarios is deducted from the analysis of suitable indicators formalized by the Bank, which can concern the Bank's name or the situation of the market.

The stress analysis on the liquidity is performed for each scenario (name, market, light and severe) by defining the sensitivity of each item originating a cash flow („sensitivity analysis") and the sensitivity of liquidity reserves („counterbalancing capacity").

These sensitivities are defined in an "expert" way by the Liquidity Manager which interfaces to his Holding referent so that they are as much as possible realistic.

In short, they are percentages which determine an increase or a reduction, with reference to a normal scenario, liquidity income and expenditures connected to (stochastic and deterministic) asset and liability items, reserves, planned items and out-of-balance items. Therefore, these percentages (different in the various scenarios) modify, in a stress hypothesis, the absolute amount of mismatching in the different definite "time buckets".

For each scenario reports containing the following are obtained:
- the graphic representation of the trend of the cumulative perspective liquidity, in the different time buckets, in a 12-month period;
- the calculation of "Liquidity ratios".

These reports are recursively made available to the Liquidity Manager and are simultaneously transmitted to the holding as well that, with close terms, has the possibility of verifying liquidity requirements in the short/very short period. Furthermore, the local Liquidity Manager has the possibility of collating the analysis to manage the relationship with the General Management uniformly to the defined Contingency Founding Plan, therefore starting the escalation process depending on learnt liquidity tensions.
Moreover, reports become the base of comparison every two weeks, during Liquidity Rounds.

Contingency Funding Plan

With the Contingency Funding Plan the approach of the Bank to the liquidity management in emergency conditions is formalized. The purpose of the plan is to guarantee the solvency of the Bank and of Hypo Group in these emergency conditions, by trying to contain funding costs at most, to manage the liquidity reserves optimally and promptly, to avoid as much as possible that the situation could cause losses, lack of solvency and effects of adverse publicity towards the customers, the partners and the supervisory bodies.

The local Liquidity Manager is responsible of the drawing up of the liquidity emergency plan of the Bank. Each subsidiary of Hypo group has its emergency plan, connected to more general emergency plan of the Group, but however created on the basis of the operating specificities of the single national bank.

The plan includes the following elements:
- Definition of crisis scenarios: main features and risk indicators;
- Stress hypotheses included in the control models (in particular scenario hypotheses provided by the Cash Liquidity Balance), so that the suitable actions to be undertaken to safeguard the Bank liquidity balance can be evaluated – from a preventive point of view;
- Modality of statement and identification of the liquidity emergency statuses;
- Responsibility and roles in the management of liquidity crises.

Furthermore HBInt provides for a "committed line" that HBI can use in case of liquidity crisis scenarios.

Quantitative information

1. Time distribution by residual contractual duration of financial assets and liabilitie

Currency: Euro

Voci / Scaglioni temporali	On demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Unspec. Duration
Cash assets	**379,028**	**188,879**	**8,072**	**50,153**	**151,291**	**84,417**	**218,552**	**1,005,660**	**1,330,986**	**22,112**
A.1 Government bonds	0	0	0	0	0	0	9,988	9,967	14,810	0
A.2 Other debt securites	0	0	0	0	0	0	0	0	0	0
A.3 OICR quotas	0	0	0	0	0	0	0	0	0	0
A.4 Financing	379,028	188,879	8,072	50,153	151,291	84,417	208,564	995,693	1,316,176	22,112
- Banks	6,491	0	0	0	0	0	0	0	0	22,112
- Customers	372,537	188,879	8,072	50,153	151,291	84,417	208,564	995,693	1,316,176	0
Cash liabilities	**512,516**	**189**	**137**	**50,037**	**34,350**	**70,359**	**312,131**	**1,081,797**	**1,155,096**	**0**
B.1 Deposits and current counts	487,731	0	0	0	0	69	100,000	275,177	375,000	0
- Banks	25,763	0	0	0	0	0	100,000	275,000	375,000	0
- Customers	461,968	0	0	0	0	69	0	177	0	0
B.2 Debt securities	0	0	0	9,989	27,118	46,972	71,931	300,620	0	0
B.3 Other liabilities	24,785	189	137	40,048	7,232	23,318	140,200	506,000	780,096	0
"Off-balance sheet" transactions	**113**	**109,472**	**42,763**	**47,677**	**7,993**	**24,012**	**2,789**	**4,803**	**38,635**	**0**
C.1 Financial derivatives with capital	0	89,436	42,763	47,118	7,261	23,870	1,862	1,737	38,124	0
- Long positions	0	68,163	40,000	37,156	95	274	644	29	38,124	0
- Short positions	0	21,273	2,763	9,962	7,166	23,596	1,218	1,708	0	0
C.2 Financial derivatives without capital	40	0	0	359	331	60	302	1,549	0	0
- Long positions	40	0	0	359	291	0	201	1,149	0	0
- Short positions	0	0	0	0	40	60	101	400	0	0
C.3 Deposits and financing to receive	0	20,000	0	0	0	0	0	0	0	0
- Long positions	0	10,000	0	0	0	0	0	0	0	0
- Short positions	0	10,000	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to supply funds	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.5 Issued financial guarantees	73	36	0	200	401	82	625	1,517	511	0

Currency: US Dollar

Voci / Scaglioni temporali	On demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Unspec. Duration
Cash assets	**399**	**238**	**179**	**1,087**	**1,555**	**167**	**33**	**99**	**0**	**0**
A.1 Government bonds	0	0	0	0	0	0	0	0	0	0
A.2 Other debt securites	0	0	0	0	0	0	0	0	0	0
A.3 OICR quotas	0	0	0	0	0	0	0	0	0	0
A.4 Financing	399	238	179	1,087	1,555	167	33	99	0	0
- Banks	381	0	0	0	0	0	0	0	0	0
- Customers	18	238	179	1087	1,555	167	33	99	0	0
Cash liabilities	**2,205**	**0**	**0**	**49**	**521**	**0**	**7,520**	**0**	**0**	**0**
B.1 Deposits and current counts	2,205	0	0	49	521	0	7,520	0	0	0
- Banks	1	0	0	0	0	0	7,484	0	0	0
- Customers	2,204	0	0	49	521	0	36	0	0	0
B.2 Debt securities	0	0	0	0	0	0	0	0	0	0
B.3 Other liabilities	0	0	0	0	0	0	0	0	0	0
"Off-balance sheet" transactions	**0**	**145**	**0**	**6,923**	**187**	**262**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital	0	145	0	6,923	187	262	0	0	0	0
- Long positions	0	69	0	6,829	90	0	0	0	0	0
- Short positions	0	76	0	94	97	262	0	0	0	0
C.2 Financial derivatives without capital	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.3 Deposits and financing to receive	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to supply funds	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.5 Issued financial guarantees	0	0	0	0	0	0	0	0	0	0

Currency: English pound

Voci / Scaglioni temporali	On demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Unspec. Duration
Cash assets	**38**	**0**	**0**	**20**	**3**	**0**	**0**	**0**	**0**	**0**
A.1 Government bonds	0	0	0	0	0	0	0	0	0	0
A.2 Other debt securites	0	0	0	0	0	0	0	0	0	0
A.3 OICR quotas	0	0	0	0	0	0	0	0	0	0
A.4 Financing	38	0	0	20	3	0	0	0	0	0
- Banks	38	0	0	0	0	0	0	0	0	0
- Customers	0	0	0	20	3	0	0	0	0	0
Cash liabilities	**55**	**0**	**0**	**0**	**7**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current counts	55	0	0	0	7	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Customers	55	0	0	0	7	0	0	0	0	0
B.2 Debt securities	0	0	0	0	0	0	0	0	0	0
B.3 Other liabilities	0	0	0	0	0	0	0	0	0	0
"Off-balance sheet" transactions	**0**	**0**	**0**	**59**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital	0	0	0	59	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	59	0	0	0	0	0	0
C.2 Financial derivatives without capital	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.3 Deposits and financing to receive	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to supply funds	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.5 Issued financial guarantees	0	0	0	0	0	0	0	0	0	0

Currency: Japanese Yen

Voci / Scaglioni temporali	On demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Unspec. Duration
Cash assets	**2,266**	**2,247**	**462**	**952**	**2,932**	**4,692**	**9,143**	**57,838**	**116,664**	**0**
A.1 Government bonds	0	0	0	0	0	0	0	0	0	0
A.2 Other debt securites	0	0	0	0	0	0	0	0	0	0
A.3 OICR quotas	0	0	0	0	0	0	0	0	0	0
A.4 Financing	2,266	2,247	462	952	2,932	4,692	9,143	57,838	116,664	0
- Banks	148	0	0	0	0	0	0	0	0	0
- Customers	2,118	2,247	462	952	2,932	4,692	9,143	57,838	116,664	0
Cash liabilities	**38,910**	**0**	**0**	**0**	**12,885**	**0**	**4,602**	**68,109**	**0**	**0**
B.1 Deposits and current counts	38,909	0	0	0	12,885	0	4,602	11,965	0	0
- Banks	16	0	0	0	12,885	0	4,602	11,965	0	0
- Customers	38,893	0	0	0	0	0	0	0	0	0
B.2 Debt securities	0	0	0	0	0	0	0	0	0	0
B.3 Other liabilities	1	0	0	0	0	0	0	56,144	0	0
"Off-balance sheet" transactions	**0**	**1,126**	**29,562**	**54,911**	**7,270**	**23,421**	**1,844**	**1,914**	**46,019**	**0**
C.1 Financial derivatives with capital	0	1,126	29,562	54,911	7,270	23,421	1,844	1,914	46,019	0
- Long positions	0	1,126	2,817	10,245	7,270	23,421	1,200	1,914	0	0
- Short positions	0	0	26,745	44,666	0	0	644	0	46,019	0
C.2 Financial derivatives without capital	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.3 Deposits and financing to receive	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to supply funds	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.5 Issued financial guarantees	0	0	0	0	0	0	0	0	0	0

Currency: Canadian Dollar

Voci / Scaglioni temporali	On demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Unspec. Duration
Cash assets	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
A.1 Government bonds	0	0	0	0	0	0	0	0	0	0
A.2 Other debt securites	0	0	0	0	0	0	0	0	0	0
A.3 OICR quotas	0	0	0	0	0	0	0	0	0	0
A.4 Financing	2	0	0	0	0	0	0	0	0	0
- Banks	2	0	0	0	0	0	0	0	0	0
- Customers	0	0	0	0	0	0	0	0	0	0
Cash liabilities	**9**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current counts	9	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Customers	9	0	0	0	0	0	0	0	0	0
B.2 Debt securities	0	0	0	0	0	0	0	0	0	0
B.3 Other liabilities	0	0	0	0	0	0	0	0	0	0
"Off-balance sheet" transactions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.2 Financial derivatives without capital	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.3 Deposits and financing to receive	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to supply funds	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.5 Issued financial guarantees	0	0	0	0	0	0	0	0	0	0

Currency: Swiss Franc

Voci / Scaglioni temporali	On demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Unspec. Duration
Cash assets	**4,295**	**6**	**1,907**	**4,351**	**13,600**	**18,971**	**36,745**	**231,468**	**422,215**	**0**
A.1 Government bonds	0	0	0	0	0	0	0	0	0	0
A.2 Other debt securites	0	0	0	0	0	0	0	0	0	0
A.3 OICR quotas	0	0	0	0	0	0	0	0	0	0
A.4 Financing	4,295	6	1,907	4,351	13,600	18,971	36,745	231,468	422,215	0
- Banks	406	0	0	0	0	0	0	0	0	0
- Customers	3,889	6	1,907	4,351	13,600	18,971	36,745	231,468	422,215	0
Cash liabilities	**101**	**0**	**0**	**0**	**0**	**0**	**0**	**215,131**	**434,245**	**0**
B.1 Deposits and current counts	95	0	0	0	0	0	0	215,131	202,319	0
- Banks	12	0	0	0	0	0	0	215,131	202,319	0
- Customers	83	0	0	0	0	0	0	0	0	0
B.2 Debt securities	0	0	0	0	0	0	0	0	0	0
B.3 Other liabilities	6	0	0	0	0	0	0	0	231,926	0
"Off-balance sheet" transactions	**0**	**101,878**	**39,194**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital	0	101,878	39,194	0	0	0	0	0	0	0
- Long positions	0	20,083	11,516	0	0	0	0	0	0	0
- Short positions	0	81,795	27,678	0	0	0	0	0	0	0
C.2 Financial derivatives without capital	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.3 Deposits and financing to receive	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to supply funds	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.5 Issued financial guarantees	0	0	0	0	0	0	0	0	0	0

Currency: other currencies

Voci / Scaglioni temporali	On demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Unspec. Duration
Cash assets	**199**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
A.1 Government bonds	0	0	0	0	0	0	0	0	0	0
A.2 Other debt securites	0	0	0	0	0	0	0	0	0	0
A.3 OICR quotas	0	0	0	0	0	0	0	0	0	0
A.4 Financing	199	0	0	0	0	0	0	0	0	0
- Banks	199	0	0	0	0	0	0	0	0	0
- Customers	0	0	0	0	0	0	0	0	0	0
Cash liabilities	**114**	**0**	**0**	**0**	**66**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current counts	114	0	0	0	66	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Customers	114	0	0	0	66	0	0	0	0	0
B.2 Debt securities	0	0	0	0	0	0	0	0	0	0
B.3 Other liabilities	0	0	0	0	0	0	0	0	0	0
"Off-balance sheet" transactions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.2 Financial derivatives without capital	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.3 Deposits and financing to receive	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to supply funds	0	0	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.5 Issued financial guarantees	0	0	0	0	0	0	0	0	0	0

Section 4
Operational risk

Qualitative information

A. General aspects, management processes and measurement methods of the operational risk

In the sphere of ‚operating risks' HBI has codified and made operative a process of collection of information related to the events of errors causing an actual or only potential loss for the Bank.

The collection and the further analysis of the events bound to operating risks, carried out through an application supplied by the Holding, INFORM, have the aim of focusing the attention on improvement of processes.

In the Bank the activity is coordinated by the Risk Control Division, which supports the various Departments in the collection of reports from time to time emerged and sets up the activity of recovery of past events starting from the reports from the employees and the analysis of the internal accounting documentation.

Periodically, the Risk Control Division brings to the attention of the General Management and the Internal Auditing Division some reports regarding:

- Numerousness of collected events;
- Distribution of events by responsible organizational units;
- Typologies (event type) of events;
- Reference business line of reported events;
- Main events occurred.

With regards to the data indicated in the reports, the General Management can analyze the progresses of collection of loss events and have a unitary representation of what pointed out up to that time, in order to activate the required corrective interventions.

With reference to the calculation of patrimonial requirements against Operational Risk, HBI still uses BIA (Approach indicator Basic) method, which defines the requirement as:

(operating income average in the last 3 business years) x 15%

Mitigation tools of Operative Risk: Insurances

In order to face the possibility of harmful situations for the Bank, due to objective or subjective reasons, anyway not predictable, various insurance policies have been stipulated in the time that, compatibly with the limits set by the single companies, provide for a covering for various typologies of events.

The specific and dense operations in the context of leasing products has furthermore suggested the creation of specific risk covering modalities on the assets subject of the contract that – even in case the lessee does not autonomously fulfil the obligation to sign suitable policies, as provided for contractually - allow the Bank to get guarantees of indemnity in case of damaging events.

To manage and monitor insurance agreements, inside the Organization Support Division a specific resource was identified and instructed, with experience in the sector.

Quantitative information

With reference to what expressed as regards to the use of BIA approach, it's necessary to highlight that the patrimonial requirement for the operational risks at 31/12/2010 is equal to EUR 17.703 thousand.

A summary scheme of operational risks registered at 31/12/2010 in the previously described INFORM procedure is indicated below.

	31.12.2010		
Events	Net loss	Potential loss	no. Events
Inner frauds	736	106	7
Outer frauds	198	1.182	15
Procedures of employment and safety at the workplace	40	632	122
Customers, products and business procedures	80	197	26
Damage to physical assets	298	125	179
Interruptions of operativity and malfunction of Systems	5	9	18
Performance, Delivery and Management of processes	751	564	182
Total	**2,108**	**2,815**	**549**

Information note to the public

We would like to underline that the information regarding the composition of the Supervision Property, the patrimonial adequacy, the exposure and the measurement of the risks required by the „New solvency supervisory provisions for the banks" (Circular 27 December, 2006, no.263), at Title IV title «Information note to the public» will be published on the Internet site of the Bank, www.hypo-alpe-adria.it, in the «normative» section, «Information note to the public».

Part F
Information regarding Shareholders' equity

Section 1
Corporate assets

A. Qualitative Information

Asset management involves all the policies and the choices required to define the dimension of the same assets, as well as the optimal arrangement of the different alternative capitalization tools, in order to ensure that Bank assets and ratios are coherent with the adopted risk profile and observe regulatory requirements.

The bank is subject to capital adequacy requirements fixed by the Basel Committee on the base of the standards determined by Banca d'Italia, according to which the ratio between equity and risk adjusted assets should be at least 8%. Regarding the policies to comply with capital requirements, as well as policies and processes adopted for assets management, please refer to Section 2 below "Shareholders' Equity and Banking Regulatory Ratios".

B. Quantitative Information

B. 1 Corporate assets

Items/Values	31.12.2010	31.12.2009
Equity	318,188	318,188
2. Issue premiums	0	0
3. Reserves	56,590	56,413
- of profits		
a) legal	8,544	8,367
b) statutory	47,346	47,346
c) own shares	0	0
d) others	700	700
- others	0	0
4. Capital Instruments	0	0
5. (Own shares)	0	0
6. Valuation reserves	-603	16
- Financial assets available for sale	-619	0
- Revaluation Special laws	16	16
7. Profit (Loss) for the year	10,820	3,546
Total	**384,995**	**378,163**

At 31/12/2010 "Shareholder's equity" of the Bank amounted to EUR 384.955 thousand and it compares with EUR 378.163 thousand of 31/12/2009.

The increase amounting to EUR 6.832 thousand, is essentially due to:

- Provisioning of negative revaluation reserves (financial assets available for sale AFS) for EUR 619 thousand.
- distribution of 2009 dividend for an amount of EUR 3.369 thousand;
- entering of 2010 profit amounting to EUR 10.820 thousand.

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

	31.12.2010		31.12.2009	
Assets/Values	Positive reserve	Negative reserve	Positive reserve	Negative reserve
Debt securities	0	619	0	0
Equities	0	0	0	0
O.I.C.R. quotas	0	0	0	0
Financings	0	0	0	0
Total	**0**	**619**	**0**	**0**

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

	Debt securities	Equity	O.I.C.R. quotas	Financings
1. Opening balances	**0**	**0**	**0**	**0**
2. Positive variations	**0**	**0**	**0**	**0**
2.1 Increments of fair value	0	0	0	0
2.2 Reversal to the income statement of negative reserves due to impairment from sales	0	0	0	0
2.3 Other varaitions	0	0	0	0
3. Negative variations	**619**	**0**	**0**	**0**
3.1 Reduction of fair value	619	0	0	0
3.2 Write-downs due to impairment	0	0	0	0
3.3 Reversal to the income statement of positive reserves from sales	0	0	0	0
3.4 Other variations	0	0	0	0
4. Closing balances	**-619**	**0**	**0**	**0**

Section 2
Shareholders' Equity and Banking Regulatory Ratios.

2.1 Capital for regulatory purposes

A. Qualitative information

Banca d'Italia, with the issue of the Circular no. 263 of 27th December 2006 ("New solvency regulatory normative for the banks") and further updates, has redesigned the solvency normative of the banks and of the banking groups by implementing Community directives regarding the capital adequacy of financial intermediaries: New Basel Agreement on Capital (the so-called "Basel 2").

The new structure of the solvency regulation is based on three Pillars:

- the First gives importance to risks and capital measurement, providing for the compliance with patrimonial requirements to face some important typologies of risks (of credit, counterpart, market and operating) of banking and financial activities; to such aim, alternative methodologies of calculation of patrimonial requirements characterized by various levels of complexity in the measurement of risks and organizational control requirements are provided;

- the Second asks financial intermediaries to provide themselves with a strategy and a process to check capital adequacy, current and perspective, by highlighting the importance of governance as element having basic significance, as well from the point of view of the Supervisory Board, entrusted for the inspection of reliability and correctness of this inner assessment;

- the Third regards market discipline and requires the banks to supply the public a series of information, so as to allow the operators to assess the situation of the various institutes as regards to their field of operations, their capital, exposures to risk, risk management procedures and, as a consequence, capital adequacy.

The supervisory capital is made up of the base capital, admitted in full in the calculation, and of the additional capital, which is admitted in the maximum limit of the basic capital, net of deductions.

On the base of the enunciated rules, the Supervision Capital of the bank at the reference date is articulated as follows:

1. Core Capital (Tier 1)
At 31 December 2010 the equity consisted exclusively of the registered stock, the legal reserve and the other equity reserves that could be calculated in accordance with Banca d'Italia Circular No. 155 of 18 December 1991 and subsequent updates, net of the intangible assets entered onto the balance sheet under item 120 of the assets and with the negative solvency filter related to the net fiscal benefit for the tax exemption of goodwill (art. 15 of legislative Decree no. 185/2008).

2. Tier 2
The supplementary equity of the bank consists of the revaluation reserves, subordinated liabilities, net of the estimates of doubtful credits for country risk.

Participations issued by non-consolidated financial institutes are deduced for 50% from core capital (Tier 1) and 50% from Tier 2.

The section below describes the main contractual features of the instruments that appear in the supplementary equity calculation:

EUR 20,000 thousand subordinate bond market loan issued on 30 September 2002:

- share calculated in the regulatory capital: EUR 4.000 thousand;
- interest rate: euribor 6 months, increased by 0,65%;
- expiry date: 30 September 2012;
- early repayment clause: after the 18th month, and subject to Banca d'Italia approval, the Bank is entitled to repay the loan in advance, either in full or in part, without any penalties or charges;
- subordination clauses: these specify that should the Bank wind up or go into liquidation, the bonds will be repaid only after all the other non equally subordinated creditors have been satisfied;
- capital conversion is not foreseen.

EUR 28,000 thousand subordinate bond market loan, issued on 30 June 2003:

- share calculated in the regulatory capital: EUR 11.200 thousands;
- interest rate: euribor 6 months, increased by 0,55%;
- expiry date: 30 June 2013;
- early repayment clause: after the 18th month, and subject to Banca d'Italia approval, the Bank is entitled to repay the loan in advance, either in full or in part, without any penalties or charges.
- subordination clauses: these specify that should the Bank wind up or go into liquidation, bonds will be repaid only after all the other non-equally subordinated creditors have been satisfied;
- capital conversion is not foreseen.

3. Tier 3
At the reference date of the balance there are no instruments accountable in Tier 3.

4.Other information
On 18 May 2010 Banca d'Italia issued a measure for the treatment of revaluation reserves related to debt securities, issued by European Union Countries, held in portfolio (financial assets available for sale (AFS) for the aim of calculation of the solvency capital (solvency filters).

In particular, as alternative to the “asymmetrical” approach (complete deduction from net capital losses from Tier 1 and partial inclusion of net capital gains in Tier 2) already contemplated by the Italian law, it was admitted the possibility to wholly neutralize capital losses and capital gains identified in the mentioned provisions (“symmetrical” approach).

The banks, by 30 December 2010, could opt for the application of the solvency filter that neutralizes the effect of the assessment on the regulatory capital.

As to this fact, our Bank, upon communication to Banca d’Italia, has opted for the “full neutralization” of effects related to the assessment of securities included in “AFS” portfolio.

For information, at 31 December 2010 the incidence of assessment of securities in object would have caused a diminution of the solvency capital of EURO 619 thousand.

B. Quantitative information

	31.12.2010	31.12.2009
A. Tier 1 before solvency filters	**372,616**	**371,586**
B. Tier 1 solvency filters	**0**	**0**
B.1 positive IAS/IFRS solvency filters(+)	0	0
B.2 negative IAS/IFRS solvency filters(-)	0	0
C. Tier 1 after solvency filters (A+B)	**372,616**	**371,586**
D. Deductions from core capital	**411**	**411**
E. TIER 1 (C-D)	**372,205**	**371,175**
F.Tier 2 before solvency filters	**15,200**	**29,932**
G. Tier 2 solvency filters	**0**	**0**
G.1 positive IAS/IFRS solvency filters (+)	0	0
G.2 negative IAS/IFRS solvency filters (-)	0	0
H. Tier 2 after solvency filters (F+G)	**15,200**	**29,932**
I. Deductions from Tier 2	**411**	**411**
L. Total Tier 2 (H-I)	**14,789**	**29,521**
M. Deductions from Tier 1 and Tier 2	**0**	**0**
N. Capital for regulatory purposes(E+L-M)	**386,994**	**400,696**
O. TIER 3	**0**	**0**
P. Capital for regulatory purposes included Tier 3 (N+O)	**386,994**	**400,696**

2.2 Capital Adequacy

Qualitative Information

On the base of the Supervisory instructions, our Bank should constantly keep, as a capital requirement with regards to risks of loss due to defaults of the debtors (credit risk), an amount of Supervisory capital corresponding to at least 8 per cent of risk-adjusted exposures (total capital ratio).

We‘re furthermore bound to respect capital requirements regularly for the risks produced by business on the markets by financial tools, currencies and goods. With reference to market risks calculated on the whole trading book, the law identifies and disciplines the handling of the various types of risk: risk of position on debit securities and equities, settlement risk and concentration risk. With reference to the whole balance statements, it‘s furthermore necessary to determine exchange rate risk and risk of position on the goods.

Also the following ratios have remarkable importance for the assessment of the patrimonial solidity:

- Tier 1 capital ratio , represented by the ratio between base capital and total weighted risk activities;

- Core Tier 1 capital ratio , represented by the ratio between base capital (net of innovative capital tools) and total pondered risk activities.

As resulting from the composition of the supervisory capital and from the following detail regarding solvency requirements, the Bank has a ratio between basic capital and weighted risk activities (Tier 1 capital ratio) equal to 10,09% (9,16% at 31.12.2009) and a ratio between supervisory capital and weighted risk activities (total capital ratio) equal to 10,49% (9,89% at 31.12.2009) with a surplus of 2,49 basic points higher than the minimum requisite of 8% provided by the regulations. In absolute terms the capital surplus in comparison with the minimum requisite, the so called “free capital”, amounts to EUR 91.906 thou.; this amount is considered as adequate for the current needs and to growth forecasts.

The following table, supplying quantitative information about risk operations and about solvency coefficients, by showing a low capital absorption related to different types of risk, highlights a management characterized by caution. The regulatory capital is absorbed for about 70,96% by credit risk, for about 0,72% by market risks and for about 4,57% by operational risk, whereas, the remaining 23,75% is the available capital (“free capital”)
Anyway, we have to highlight that the data indicate below, relating to 31 December 2010 are not homogeneous with the compared values and published on 31 December 2009.
In particular, the inclusion of a specification regarding the solvency regulation in the circular by the Bank of Italy no. 263 (5th updating of 22.12.2010), required that at 31 December 2010 to loans guaranteed by housing properties granted to real-estate companies and building companies the reduced weighting for the calculation of the capital requirement for the credit risk was not applied. For these subjects the sale and/or lease to thirds of the properties is the main activity, therefore their capacity to repay the debt should depend on other sources and not only form the flows generated by the property.

B. Quantitative information

Categories/Values	Non-weighted amounts 31/12/2010	Non-weighted amounts 31.12.2009	Weighted amounts/requir. 31.12.2010	Weighted amounts/requir. 31.12.2009
A. Risk assets				
A.1 Credit and Counterpart Risk	**4,887,930**	**5,430,796**	**3,438,746**	**3,770,387**
1. Standard approach	4,856,680	5,399,546	3,407,496	3,739,137
2. Methodology based on inner ratings	0	0	0	0
2.1 Base	0	0	0	0
2.2 Advanced	0	0	0	0
3. Securitisation	31,250	31,250	31,250	31,250
B. Regulatory capital requirements				
B.1 Credit and counterpart risk			**274,618**	**301,631**
B.2 Market risk			**2,767**	**4,621**
1. Standard methodology			2,767	4,621
2. Internal models			0	0
3. Risk of concentration			0	0
B.3 Operative risk			**17,703**	**17,820**
1. Base method			17,703	17,820
2. Standardized method			0	0
3. Advanced method			0	0
B.4 Other solvency requirements			**0**	**0**
B.5 Other calculation elements			**0**	**0**
B.6 Total solvency requirements			**295,088**	**324,072**
C. Risk assets and solvency coefficients				
C.1 Risk weighted assets			3,688,600	4,050,900
C.2 Core capital/risk weighted assets (Tier 1 capital ratio)			10.09%	9.16%
C.3 Capital for regulatory purposes included TIER 3/risk weighted assets (Total capital ratio)			10.49%	9.89%

Part G
Aggregation operations regarding businesses or company branches

This section is not used.

Part H
Transactions with related parties

Transactions with related parties

1. Information on pays of managers and directors with strategic responsibilities

	31.12.2010	31.12.2009
Managers	1,033	1,077
- pays	970	1,015
- personnel severance pay (TFR)	63	62
Auditors	175	197
Strategic directors	940	896

In the table the pay of Managers and Auditors, as well as the pays related to the other Directors having strategic responsibilities included in the concept of "related parties".

2. Information on transactions with related parties

Transactions with Managers, Auditors and General Management

	Loans and guarantees-cash		Loans & guarantees-signature		
Related party	Agreed	Utilized	Agreed	Utilized	Collected
a) Managers and Auditors	0	0	0	0	1,108
b) Dirictors with strategic responsibility	147	110	0	0	131
b) Close relative of the parties referred to in a) and b)	223	223	0	0	

Infra-group relationships

Company name	Receivables on granted financing	Other receivables	Debts on received financing	Other debts	Guarantees	Commitments
a) Subsidiaries						
HypoService S.r.l. - Italia	9,243	70	0	0	0	630
H.A.A. Finance S.r.l - Italia	0	1,028	1,986	129	0	0
b) Companies within H.A.A.B - Austria Group						
H.A.A.B. International AG - Austria	0	0	2,708,623	765	302,375	22,900
H.A.A AG - Austria	0	0	0	0	217	0
H.A.A. Leasing Srl - Italia	35,299	120	15,964	0	0	0
H.A.A. Bank d.d. Lubiana - Slovenia	0	0	26	0	0	0
H.A.A. Bank d.d. Zagabria - Croazia	0	0	29	7	0	0
H.A.A. Bank d.d. Mostar - Bosnia	0	0	98	0	0	0
H.A.A. Bank d.d. Banja Luka - Bosnia	0	0	110	0	0	0
H.A.A. Bank d.d. Belgrado - Serbia	0	0	72	0	206	0
H.A.A. Marketing und Advertising GmbH	0	0	0	0	0	0
H.A.A. AD Podgorica - Montenegro	0	0	6	0	0	0
H.A.A. Immobilien AG - Austria	0	0	0	0	0	0
H.A.A. Leasing Holding GmbH - Austria	0	0	0	0	38,000	0

Company name	Interests receivable on granted financing	Commission income and other income	Interests payable on granted financing	Commission expenses and other expenses
a) Subsidiaries				
HypoService S.r.l. - Italia	160	18	0	883
H.A.A. Finance S.r.l - Italia	0	501	9	7,953
b) Companies within group H.A.A.B - Austria				
H.A.A.B. International AG - Austria	508	0	26,944	24,447
H.A.A AG - Austria	0	2	0	0
H.A.A. Leasing Srl - Italia	364	187	501	0
H.A.A. Bank d.d. Lubiana - Slovenia	0	0	140	0
H.A.A. Bank d.d. Zagabria - Croazia	0	18	0	49
H.A.A. Bank d.d. Mostar - Bosnia	0	8	1	14
H.A.A. Bank d.d. Banja Luka - Bosnia	0	7	1	7
H.A.A. Bank d.d. Belgrado - Serbia	0	14	0	8
H.A.A. Marketing und Advertising GmbH	0	0	0	0
H.A.A. AD Podgorica - Montenegro	0	2	0	0
H.A.A. Immobilien AG - Austria	0	0	0	0
H.A.A.B. AG - Austria	0	0	0	0
H.A.A. Leasing Holding GmbH - Austria	0	0	0	0

Interest receivable and payable are the payments at market rates of financing granted and received, of free and term deposit relationships and of current account relationships.

The other costs and revenues refer to commission income and expenses and to the various administrative costs sustained for services rendered reciprocally between Group Companies.

Parent Company direction and coordination activities

In relation to accounting information on company coordination and direction activities, paragraph 4 Article 2497-bis specifies that the Bank must exhibit a table summarizing the main figures of the last approved Financial Statements of the company performing direction and coordination activities.

The section below shows:

- the balance sheet and economic figures relating to the balance sheet at 31 December 2009 of our Parent Company;
- a table summarizing all the most significant transactions settled in 2010 by our Bank with the Parent Company Hypo Alpe-Adria-Bank International AG and with other companies belonging to the "Hypo Group Alpe Adria".

Balance sheet at 31 December 2009 - Hypo Alpe-Adria-Bank International A.G.

Assets	31.12.2009	31.12.2008
Cash and cash equivalent	34,207	33,202
Treasury sec. and similar securities	287,433	244,945
Receivables due from banks	11,278,439	11,566,738
Receivables due from customers	10,899,889	12,122,002
Bonds and other debt securities	1,179,498	1,072,590
Stocks, shares and other equities	28,133	168,647
Equity investments	10,786	13,041
Equity investments in Group comp.	2,645,749	3,278,017
Intangible fixed assets	2,432	3,033
Tangible fixed assets	1,582	1,568
Other assets	512,041	540,771
Accrued income and deferred charges	52,955	54,666
Total Assets	**26,933,144**	**29,099,220**

Liabilities	31.12.2009	31.12.2008
Payables due to banks	4,326,546	4,805,767
Payables due to customers	1,877,699	1,889,140
Payables represented by securities	17,977,557	18,005,838
Other liabilities	329,130	310,111
Accruals and deferred income	78,498	88,859
Provisions	254,623	98,863
Subordinated liabilities	893,969	915,457
Share capital	1,023,247	962,474
Reserves	523,558	2,022,711
Annual profit	-351,683	0
Total Liabilities	**26,933,144**	**29,099,220**

Income Statement

	31.12.2009	31.12.2008
Interest receivable and similar revenue	1,445,783	2,068,401
Interest payable and similar charges	-1,405,341	-2,056,878
Dividends and other income	52,579	104,882
Commission income	24,221	27,729
Commissions expenses	-6,434	-6,573
Profit/loss from financial transactions	9,470	-415
Other operating income	11,409	12,730
Administrative expenses	-128,776	-94,253
a) personnel costs	-41,886	-27,217
b) other administrative costs	-86,890	-67,036
Write-downs on fixed assets	-1,693	-1,744
Other operating expenses	-12,956	-12,271
Net write-downs / Write back	-2,332,187	-491,765
Profit on ordinary activities	**-2.343.925**	**-450.157**
Extraordinary profit	1,078,726	-192,500
Income tax	-16,601	-8,334
Reserve movements	930,117	650,991
Net profit/losses for the year	**-351,683**	**0**

Details of relationships with Hypo Group Alpe Adria companies

Balance Sheet	31.12.2010
Assets	**45,758**
60. Receivables due from banks	0
70. Receivables due from customers	44,541
150. Other assets	1,217
Liabilities	**2,727,818**
10. Payables due to banks	2,708,967
20. Payables due to customers	17,950
100. Other liabilities	901
Income statement items	**40,861**
10. Interest receivable and similar revenue	1.032
20. Interest payable and similar charges	27.596
40. Commission income	631
50. Commission expenses	10.122
150 b. Administrative costs	1.355
190. Other operating expenses/income	125

Part I
Own equity settled share-based payment agreements

This section is not used.

Part L
Sector report

This section is not used.

Annexes to the balance statement

Pubblicity of audit fees and of the fees for services different from audit

The new point 16-bis) inserted in the first paragraph of art. 2427 of the Italian Civil Code and the art. 37, paragraph 16 of the Legislative Decree 39/2010 requires that the note to the financial statements for the period should indicate the total amount of fees paid to the legal auditor or to the audit company for the auditing of annual accounts, the total amount of fees for the other audit services carried out, the total amount of fees for the financial consulting services and the total amount of fees for the services different from audit.

In the following table information regarding the fees paid to the audit company Deloitte & Touche S.p.A. are indicated, for the these services:

Description of the service	Importo
Half-yearly and annual audit	133
Verification of the regular book-keeping and of the correct indication of management-related issues in the books, of the required checks for tax returns	23

International accounting principles approved on 31 December 2010

Accounting principles		Regulation compliance	Variations
IAS 1	Presentation of the balance statements	1126/08	1260/08; 1274/08; 53/2009; 70/2009; 243/2010
IAS 2	Surpluses	1126/08	70/2009
IAS 7	Financial statement	1126/08	1260/08; 1274/08; 70/2009
IAS 8	Accounting principles, changes of assessments and mistakes	1126/08	1274/08; 70/2009
IAS 10	Facts happened after balance statements reference date	1126/08	1274/08; 70/2009
IAS 11	Long-term orders	1126/08	1260/08; 1274/08
IAS 12	Income tax	1126/08	1274/08
IAS 16	Immovable assets, systems and machinery	1126/08	1274/08; 70/2009; 70/2009
IAS 17	Leasing	1126/08	243/2010
IAS 18	Proceeds	1126/08	69/2009
IAS 19	Benefits for employees	1126/08	1274/08; 70/2009
IAS 20	Computation of public contributions and informative on public assistance.	1126/08	1274/08; 70/2009
IAS 21	Effects of exchange rates variations of foreign currencies	1126/08	1274/08; 69/2009
IAS 23	Financial expenses	1126/08	1260/08; 70/2009
IAS 24	Balance report on operations with correlated parts	1126/08	1274/08; 632/2010
IAS 26	Record and representation in the balance statements of welfare funds	1126/08	
IAS 27	Consolidated and separated balance statements	1126/08	1274/08; 69/2009; 70/2009
IAS 28	Participations in connected companies	1126/08	1274/08; 70/2009
IAS 29	Accounting information in over-inflated economies	1126/08	1274/08; 70/2009
IAS 31	Participations in joint ventures	1126/08	70/2009
IAS 32	Financial tools: exposures in the balance statements	1126/08	1274/08; 53/2009; 70/2009; 1293/2009
IAS 33	Profits per share	1126/08	1274/08
IAS 34	Intermediate balance statements	1126/08	70/2009
IAS 36	Durable value reduction of assets	1126/08	1274/08; 69/2009; 70/2009; 243/2010
IAS 37	Provisions, liabilities and potential assets	1126/08	1274/08
IAS 38	Intangible assets	1126/08	1260/08; 1274/08; 70/2009; 243/2010
IAS 39	Financial tools: record and assessment	1126/08	1274/08; 53/2009; 70/2009 ; 1171/2009; 243/2010
IAS 40	Investments in immovable assets	1126/08	1274/08; 70/2009
IAS 41	Agriculture	1126/08	1274/08; 70/2009
IFRS 1	First adoption of International Financial Reporting Standards	1126/08	1274/08; 69/2009; 1136/2009 ; 1136/2009, 550/2010; 574/2010
IFRS 2	Payments based on shares	1126/08	1261/08
IFRS 3	Corporate Aggregations	1126/08	
IFRS 4	Insurance Agreements	1126/08	1274/08; 1165/2009
IFRS 5	Non-current assets held for sale and ceased operating activities	1126/08	1274/08; 70/2009
IFRS 6	Exploration and assessment of mineral resources	1126/08	
IFRS 7	Financial Tools: Integrative Information	1126/08	1274/08; 53/2009; 70/2009; 1165/2009
IFRS 8	Operating Sectors	1126/08	1260/08; 1274/08; 243/2010 ; 632/2010

Interpretations		Regulation compliance	Variations
IFRIC 1	Changes of liabilities recoded per dismantlement, restoring and similar liabilities	1126/08	1260/08; 1274/08
IFRIC 2	Shareholders' shares in cooperative entities and similar tools	1126/08	53/2009
IFRIC 4	Determine if an agreement contains a leasing	1126/08	
IFRIC 5	Rights deriving from profit-sharing in funds for dismantlement, restoring and environmental improvements	1126/08	
IFRIC 6	Liabilities deriving from the participation to a specific market – Waste of electric and electronic apparatuses	1126/08	
IFRIC 7	Application of the method of re-determination in compliance with IAS 29 – Accounting information in over-inflated economies	1126/08	1274/08
IFRIC 8	Application sphere of IFRS 2	1126/08	
IFRIC 9	Revaluation of incorporated derivatives	1126/08	1171/09
IFRIC 10	Intermediate balance statements and durable interruption of value	1126/08	1274/08
IFRIC 11	Operations with own shares and belonging to the group	1126/08	
IFRIC 13	Customer fidelization programs	1126/08	
IFRIC 14	IAS 19 – Limit relevant to an activity at the service of a definite benefits plan, minimum contribution previsions and their interaction	1126/08	1274/08; 633/2010
IFRIC 15	Agreements for construction of real estates	1126/08	636/09
IFRIC 16	Net investment hedging in a foreign management	1126/08	460/09
IFRIC 17	Distribution to shareholders of assets not represented by liquid assets	1126/08	1142/09
IFRIC 18	Transfer of assets by customers	1126/08	1164/09
IFRIC 19	Redemption of financial liabilities through capital representative tools	662/10	
SIC 7	Introduction of Euro	1126/08	1274/08
SIC 10	Public assistance – No specific relation with operative activities	1126/08	1274/08
SIC 12	Consolidation – Company with specific destination (Vehicle company)	1126/08	
SIC 13	Companies with joined control – Purchases in nature by the participating parts to control	1126/08	1274/08
SIC 15	Operative leasing - Incentives	1126/08	1274/08
SIC 21	Income taxes – Recover of re-valued non-amortizable assets	1126/08	
SIC 25	Income taxes – Changes of the tax positions of a company or of its shareholders	1126/08	1274/08
SIC 27	The assessment of the substance of operations in the legal form of leasing	1126/08	
SIC 29	Integrating information – Agreements for contracting out	1126/08	1274/08
SIC 31	Proceeds – Operations of barter including advertising services	1126/08	
SIC 32	Intangible assets – Costs connected to websites	1126/08	1274/08

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors ("Collegio Sindacale") regarding the Results of the business Year at 31/12/2010 to the Shareholders' Meeting pursuant to art. 2429, par. 2, of the Italian Civil Code (Shareholders' Meeting of April 20th, 2011)

Dear Shareholders,
this report of the Board of Statutory Auditors to the Shareholders' Meeting of the company Hypo Alpe-Adria-Bank S.p.a. (T.R. of Udine, Tax code, VAT registration no. 01452770306) is drawn up on the base of the provisions of the Italian Civil Code – chiefly art. 2429 - and article 153, paragraph 1 of the Legislative Decree 24/02/98 no. 58. The company was subject to a management and coordination activity by the Parent company Hypo Alpe-Adria-International AG, with head office in A-9020 Klagenfurt.

Starting from 30.12.2009 the Republic of Austria became 100% shareholder of the parent company.

The company 100% controls: Hypo Alpe-Adria-Finance S.r.l., with head office in Udine and Hypo Service S.r.l. with head office in Tavagnacco.

The drawing up of the consolidated financial statements is not required, as this accomplishment is entrusted to the Parent company.

The Company, in accordance in application of the international accounting IAS/IFRS principles, prepared and transmitted to the Holding company the accounting reports for the purposes of consolidated periodical reports.

The financial statements of the Company is submitted to audit by Deloitte & Touche S.p.a., following to the assignation to this company of the auditing task for the three-year period 2010-2012, pursuant to art. 2409-bis of the Italian Civil Code.

During the business year ended on 12.31.2010, the Board of Statutory Auditors performed the supervision activity required by the law, by the directions issued by Banca d'Italia and according to the principles of behaviour recommended by the National Councils of Chartered Accountants and Accounting Consultants (Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili), whose activity results are summed up as follows:

on the observance of the law and the Articles of Association

The Board of Statutory Auditors has:

- took part to all the meetings of the corporate bodies (no. 9 meetings of the Board of Directors no. 3 general Shareholders' meetings);
- exchanged information with the Directors of the company and the control bodies of the subsidiaries;
- periodically acquired information from the managing Director;
- acquired (and exchanged with) information from Legal Auditors – Independent Auditors – regarding the functions of their competence;
- performed inspection and control operations;
- acknowledged inner regulations;

without identifying violations of the law and the Articles of Association.

on the compliance with the principles of correct management

The Board of Statutory Auditors, on the base of the performed activity, and based on the information received from the management body, as well by taking part to the Management Board meetings and from some committees, from the interviews with the Top Management and the heads of Divisions, thinks that the Directors did not performed operations:

- extraneous to the company objective
- in conflict of interest with the company
- against the deliberations of the Shareholders' Meeting and the Management Board;
- openly negligent or careless and anyway such to compromise the integrity of the company assets

on the adequacy and the functioning of the organizational structure

The Board of Statutory Auditors, having acknowledged: the directives and procedures adopted in order to guarantee that the decision-making power is performed with competence and responsibility, of the organization and structure and of their compatibility to the dimensions of the Company and the specificity of the corporate object, has not reasonably identified risks regarding the adequacy and the functioning of the organizational structure.

The Organizational Model, pursuant to the Legislative Decree 231/2001, is operating. With the Board of Control (Organismo di Controllo), implemented with technical contribution, information was exchanged during the periodical meetings.

on the adequacy and the functioning of the system of internal control

The Board of Statutory Auditors, in the performance of its activities, as well due to the exchange of information with the independent auditors, has ascertained that the corporate procedures allow an adequate monitoring of risk factors, of their emersion and a correct management of criticalities, and therefore reasonably expresses a positive judgment on the adequacy and the functioning of the inner control system.

on the adequacy and the functioning of the administrative/ accounting system

The administrative/accounting system uses procedures in CEDACRI outsourcing.

From the information received by the independent auditors, from the representation of management activities, the Board of Statutory Auditors thinks that the administrative/ accounting system is complete, correct and well timed and the information reliable, pursuant to the adopted accounting principles and the directives by Banca d'Italia.

Regarding the financial statements for the period and the management report

In particular the Board of Statutory Auditors has verified:

- the compliance with the prescriptions for the layout of the balance sheet and the income statement;
- in the note to the financial statements, the compliance of the indication of assessment criteria with the law and the adopted accounting principles;
- the presence of the contents indicated by the law in the note to the financial statements and in the management report, their completeness, correctness and clarity of information; the adequacy of information given in the management report, with reference to corporate risks;
- the compliance with the prescriptions of art. 2426, par. 1, no. 6, of the entering in the balance of goodwill, on which inclusion it expresses its consent;
- the compliance with the prescriptions of art. 2426, par. 1, no. 5 of the Italian Civil Code of the entering in the balance of installation and enlargement costs, on which inclusion it expresses its consent.

The Board of Statutory Auditors has supervised on the observance of money laundering law and, in particular, the obligation of signalling of suspicious operations.

Reported cases ex art. 2408 of the Italian Civil Code did not emerge.

It doesn't appear that the Directors availed themselves of the derogations pursuant to art. 2423 par. 4 Italian Civil Code.

The financial statements corresponds to the facts and information the Board of Statutory Auditors has got knowledge of due to the participation to corporate bodies meetings, the performance of its supervisory tasks and of its inspection and control powers. The Board of Statutory Auditors has supervised, as well through direct and joined verifications with the independent auditors, the implementation of the accounting principles, the compliance with law regulations and the creation of rectification funds to cover risks, in particular of credit risk.

Regarding the relationships with correlated parts, the Board of Statutory Auditors, pursuant to the provisions of art. 2391 par. 2 bis Italian Civil Code, it confirms it has supervised – and that it has no remarks – on the observance of the regulations the company has implemented in order to ensure substantial and procedural transparency and correctness of the operations performed with the correlated parts.

The Financial Statements at 31.12.2010 that is submitted to Your approval ends with a profit of EUR 10,819,950, total assets for EUR 4,487,569,213, equity for EUR 384,995,180 and obligations for EUR 4,102,574,033.

Proposal

The Board of Statutory Auditors, having acknowledged:

- the drawing-up, control and approval procedure of the financial statements adopted by the Directors and its compliance with the provisions of the Italian Civil Code, with the principles issued by Banca d'Italia and the international accounting principles;
- the indications received verbally on the report that will be drawn up by the independent auditors, which should be closed with a judgment having no importance;
- the performed verifications and synthetic controls aimed to ascertain the correct drawing up of the financial statements;
- the non-application of the derogation pursuant to art. 2423, par. 4, Italian Civil Code by the Directors;
- of the consent expressed with reference of the entering of goodwill among balance assets (art. 2426, no. 6, Italian Civil Code);

unanimously its components

express

favourable opinion regarding the approval of the financial statements, by reminding the indications by Banca d'Italia on the suitability of provisioning of profits to funds.

Tavagnacco, April 1st, 2011

The Board of Statutory Auditors

Dino Biasotto - Chairman

Adino Cisilino - Member of the Board of Statutory Auditors

Richard Burchia - Member of the Board of Statutory Auditors

Deloitte.

Deloitte & Touche S.p.A.
Via Fratelli Bandiera, 3
31100 Treviso
Italia

Tel: +39 0422 587.5
Fax: +39 0422 587812
www.deloitte.it

AUDITORS' REPORT
PURSUANT TO ARTICLES 14 AND 16 D. Lgs. 27.1.2010, n. 39

To the Shareholders of
HYPO ALPE-ADRIA-BANK S.p.A.

1. We have audited the financial statements, which comprise the balance sheet as at December 31, 2010, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes of Hypo Alpe-Adria-Bank S.p.A. as at December 31, 2010. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of Hypo Alpe-Adria-Bank S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued by us on March 24, 2010.

3. In our opinion, the financial statements present fairly the financial position of Hypo Alpe-Adria-Bank S.p.A. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Bank, as requested by law, included in the notes to the financial statements the essential data of the last financial statements of the Company which exerts direction and coordination on it. Our opinion on Hypo Alpe-Adria-Bank S.p.A.'s financial statements is not extended to these data.

5. The directors of Hypo Alpe-Adria Bank S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the Report on Operations is consistent with the financial statements of Hypo Alpe-Adria Bank S.p.A. as at December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Adriano Petterle
Partner

Treviso, Italy
April 1, 2011

This report has been translated into the English language solely
for the convenience of international readers.

HYPO GROUP
ALPE ADRIA

Hypo Alpe-Adria-Bank S.p.a.
Via Alpe Adria, 6 - 33010 Tavagnacco (UD)
tel. 0432 537211
fax 0432 538551
bank.italy@hypo-alpe-adria.com
www.hypo-alpe-adria.it