HYPO ALPE ADRIA
SUPPORTIVE. FRIENDLY. FAIR.

Annual Report 2011

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 Company
Register number: 01452770306
Company performing direction and coordination activities:
Hypo Alpe-Adria-Bank-International A.G. - Klagenfurt (Austria)

Report on operations at 31 December 2011

Dear Shareholders,

during the financial year 2011 – that represents the XXVI° business year and the XIII° year of business in the banking sector – the Bank has mainly been engaged in the re-focalization of business with the main aim to increase primary means and to re-qualify the credit, also at the light of the uncertainty of the macroeconomic situation.

From the capital side, the situation has led to a decrease of lending volumes and to a substantial maintenance of deposit volumes.

As to economic results, we have witnessed a decrease of the net operating profit. The reason can be mainly ascribed to a general decrease of margins, along with a reduction of lending volumes. As to administrative costs, the Bank went on with the careful activity of cost management started during the previous financial years.

The lowering of write downs on credits, even holding a careful approach in the assessment of risks, has been implemented against significant provisions carried out during the previous financial years in concomitance with the most critical phase of the economic cycle.

The Company management, after a careful assessment of available information, also keeping into account forecasts about the future macro-economic trend, believe that there aren't uncertain situations or doubt about the company continuity.

In the following chapters, the activities carried out during the financial year 2011 are minutely explained.

We remind you that – starting from February 1st, 2012 – a transfer of Company branch, mainly made up by non-performing loans, transaction was performed. This operation will be described in details in the Report on operations, in the paragraph "Relevant events occurred after the closing of the financial year".

Macro-economic outlook

International situation

In the financial year 2011, world economy had a slow-down in comparison with the previous financial year: the increase in the GDP should draw up about a +3.5%, decidedly lower than the one recorded in the previous financial year (+5.1%).

US economy finds difficulties to recover a way of development by suffering from a weak labour market, which causes a reduction of the expenses for household consumptions. European growth shows signs of even more visible let-up by presenting growth rates lower than 1% and worrying dynamics of unemployment rate. The economies of developing countries are slacking down as well.

The inflation rate is increasing both in USA and in Europe.

In Italy, after a quite positive half year, the situation got worse: manufacturing decreased almost by 2%, expectations on production are depressed by the diminishing of orders.

As to GDP, Italy recorded a growth lower than the European average (+0.6%). Expansion was concentrated on exporting companies, whilst the domestic demand is still weak, above all in the consumption sector, that suffers from the uncertainty of employment prospects and from the stagnation of real incomes of households.

Unemployment rate is still higher than 8%.

Economic policies have been affected by the financial crisis – that hit sovereign debts markets – and by macro-economic trends abundantly under expectations. This situation determined the succession of emergency budgets, with the aim to achieve the balancing of accounts in 2013.

The credit market in Italy

During the last few months of financial tension the commitment of banks gathered to assure a sufficient flow of resource for the economy, even if matters connected to the growing cost of the capital fund and the issues regarding the sovereign debt have generated a certain hardening of credit offering conditions.

On primary means front – notwithstanding the growing recourse to refinancing at the Central Bank – the banking system showed a distinct capacity to resist current tensions: the growth rate of deposits was steady and anyway it didn't diverged too much from the European average.

Profitability of banks suffered a decline, caused by the slow economic recovery and by tensions on the deposits market that determined a dynamic of passive interests significantly higher than the active interests dynamic with ensuing effects on the interest margin.

The trend of other revenues was negatively influenced by the storminess of financial markets.

The flow of provisions was significant; pressures of the current financial and economic crisis caused a strong increase of write-downs that remained on levels slightly higher than those of the previous financial year.

In this context – against the tensions of revenue flow – control of costs still had priority, even if it was not able to maintain the profitability of the bank sector at levels antecedent the crisis.

The level of capitalization of the main Italian banking group increased mainly thanks to a strong increment of share issues.

Operations review

We highlight that – in order to make the business year 2011 comparable with the comparison data at 31/12/2010 – the trend analysis will be carried out by considering the values gross of assets held for sale.
The total assets in the balance sheet showed a decrease (-4.88%) in comparison with the same period of the previous year.

This fact is due to the drop of lending (-5.59%), mainly ascribable to the re-qualification process of the credit concerning both the granting of new contracts and the review of the current ones.

Direct deposits from the customers – indicated in the following prospect – shows a slight growth:

Amounts in EUR million

Year	Direct deposits with debenture loans	Financial liabilities at fair value	Short-term direct deposits from customers	Total direct deposits
2010	441.68	33.47	504.26	979.41
2011	414.48	23.76	568.32	1,006.56
Variation %	**-6.15%**	**-29.01%**	**+12.70%**	**+2.77%**

Indirect deposits are described in the following schedule:

Amounts in EUR million

Anno	Managed deposits	Administered deposits	Total indirect deposits
2010	386.17	258.48	644.65
2011	382.07	251.43	633.50
Variation %	**-1.06%**	**-2.73%**	**-1.73%**

Total deposits from customers substantially remained stable (+0.37%).

Lending

1* Inter-bank lending

Total lending amounted to EUR 28.29 mio (-4.99%). Variations in comparison with the previous financial year balance are due to settlements of treasury positions at the end of the year.

2* to customers

At the closing of the financial year receivables from customers – net of write-downs – amounted to EUR 4,076 mio, recording a decrease corresponding to -5.59% in comparison with the end of the previous year.

As the schedule shows, a reduction of all technical types, of the bank division net of impaired items, was recorded, even if it was especially concentrated in the segment of short-term bank credits.

Leasing credits – gross of transferred credits – recorded a slight reduction – (-3.90%).

The item „other operations" includes also other short-term items, such as financing for advances on bills subject to collection and grants not regulated on current account.

Impaired assets, although recording a positive change of +3.76%, recorded an improvement on last year's trend (+16.14%).

Lending

Values in thou. EUR

Breakdown by financing typology	31.12.2011	31.12.2010	Variation absolute	Variation %
1. Current Accounts	168,939.00	225,107.00	-56,168.00	-24.95%
2. Positive Repurchase Agreements				
3. Loans	507,499.00	542,823.00	-35,324.00	-6.51%
4. Credit cards, personal loans and loans with repayment of no more than 1/5 of salary	455.00	657.00	-202.00	-30.75%
5. Financial Leasing	2,236,538.00	2,327,351.00	-90,813.00	-3.90%
6. Factoring				
7. Other Operations	242,092.00	334,246.00	-92,154.00	-27.57%
8. Loan Certificates				
9. Impaired Assets	921,212.00	887,822.00	33,390.00	3.76%
10. Assets Transferred And Not Cancelled				
Total Lending	**4,076,735**	**4,318,006**	**- 241,271.00**	**-5.59%**

The trend of new lease contracts was better than in the previous year, both with reference to the total contract value (+6.97%) and to the number of contracts (+19.52%).

Values in thou. EUR

Value of new lease contacts	31.12.2011 n° ctr	31.12.2011 Value	31.12.2010 n° ctr	31.12.2010 Value
Vehicles	1,308	52,644	1,043	39,301
Movable property	362	22,386	311	19,290
Aircraft and boat sector	8	1,032	8	2,200
Real estate	153	94,767	170	96,883
Real estate under construction	10	8,807	5	9,748
Total	**1,841**	**179,636**	**1,537**	**167,422**

On the contrary, the system recorded a reduction both of the total value of undersigned contracts (-9.93%) and the number of undersigned contracts (-0.60%).

As to the market positioning in the leasing sector we point out that (source Assilea):

- the Bank occupies the 10th position as to the value of the outstanding debt (28th in 2010)
- the market share – calculated on the total value of undersigned contracts – amounts to 0.73% (0.61% in 2010)

Assets held for trading

The aggregate value amounts to EUR 0.48 mio and points out a significant decrease in comparison with the value recorded in the last financial year. This item includes both positive values of owned securities and positive values of trading derivatives.

Values in thou. EUR

ASSETS HELD FOR TRADING	Book value 31.12.2011	Book value 31.12.2010
A) cash assets	0	0
Loan certificate		
Equities		
O.I.C.R.		
Financing		
Impaired assets		
Assets transferred and not cancelled		
B) derivative instruments	**0.48**	**1.61**
Banks	0.45	0.81
Other issuers	0.03	0.80
Total	**0.48**	**1.61**

3* Equity investment in the Group's company

No changes from last year.

Values in million Euros

Equity investments	Book value 31.12.2011		31.12.2010	
Hypo Alpe-Adria-Finance S.r.l.	0.82	100%	0.82	100%
HypoService S.r.l.	2.61	100%	2.61	100%
Total	**3.43**	**100%**	**3.43**	**100%**

Other equity investments

There are no equity investments in companies not belonging to the group.

Relations with companies performing steering and coordination activities and with other companies subjected to these activities

Information pertaining to relations with those performing steering and coordination activities and with companies subject to them and the detailed accounting evidences are indicated under section H of the Notes, „Transactions with Related Parties".

Please note that all relations with group companies for the exchange of goods and services were regulated at market conditions in relation to the quantity and quality of the products and/or services offered and/or exchanged.

Direct and indirect deposits

Total deposits amount to around EUR 3,803 million (-5.00%). The individual sectors are:

Interbank deposits

At the closing of the financial year 2011 interbank deposits – that amounted to EUR 2,754 mio –maintained a substantial stability in comparison with volumes of the previous year (+0.73%).

Interbank deposits refer mainly to the short and medium-long term deposits from the Parent Company. Recourse to other financing counterparts amounts to approximately 0.20% of the total balance. The aim of interbank deposit management has been to maintain a balance with Bank lending, in terms of both maturity dates and currencies.

Customer deposits

Total customer deposits – composed by direct and indirect deposits – amounted to EUR 1,682 mio, with a decrease equal to -12.09% in comparison with the end of the previous year.

Values in million Euros

CUSTOMER DEPOSITS Breakdown by technical type	31.12.2011	31.12.2010	Variation absolute	Variation %
1. Current accounts and savings deposits	451.76	503.49	-51.73	-10.27%
2. Term deposits	116.56	0.76	115.80	15.237%
3. Financing	14.81	15.96	-1.15	-7.21%
3.1 Negative repurchase agreements	0			
3.2 Other	14.81	15.96	-1.15	-7.21%
4. Liabilities relating to own equity instruments				
5. Other payables	27.73	274.00	-246.27	-89.87%
a. Total payables due to customers (Item 20)	**610.86**	**794.21**	**-183.35**	**-23.09%**
1. Bonds				
2. Other securities				
b. Outstanding securities (Item 30)	**414.48**	**441.68**	**-27.20**	**-6.16%**
c. Financial liabilities at Fair value (Item 50)	**23.76**	**33.47**	**-9.71**	**-29.01%**
d. Total direct deposits (a+b+c)	**1,049.11**	**1,269.36**	**-220.25**	**-17.35%**
e. Total indirect deposits	633.50	644.65	-11.15	-1.73%
Total Deposits	**1,682.61**	**1,914.02**	**-231.41**	**-12.09%**

4* Direct deposits

Direct deposits recorded a reduction corresponding to -17.35%. This trend cannot be ascribable to the reduction of primary funds placed to the customers that – as shown in the previous pages – instead recorded a slight increase (+2.77%). On the other hand, the phenomenon is due to the restructuring of securitisations, which involved the reduction of the item "Other payables". It's a temporary situation: currently a new securitisation of long-term receivables is being accomplished – which should be ended within the first quarter of 2012 – aimed to restore pre-existing liquidity levels.

It's then to be enhanced that the increase of time-limit deposits from the customers is to be ascribable to the placement of a new product, called Hyposì. It's a package account which offers the possibility to start term deposit items remunerated with competitive rates in comparison with the market offer.

As shown in the table above, direct deposits of the Bank are divided as follows:

- Current accounts and savings deposits (corresponding to 43.06% of total direct deposits) amounting to EUR 451.76 million (10.27% in comparison with the previous financial year). The reduction is counterbalanced by the growth of term deposits.
- Term deposits (corresponding to 11.11% of total direct deposits) for EUR 116.56 mio (+15.237%). As said before, the increase is due to the subscription of the term deposits items connected to the Hyposì product
- Bonds (corresponding to 39.51% of total direct deposits) amounting to EUR 414.48 million (-6.16% in comparison with the previous financial year). The reduction in comparison with the previous year is due to the greater desirability of other forms of deposits that – in a period of high financial turbulence - better suit to customers' requirements, both for the duration of the term and for the offered rates.
- In the item "Other debts" the debts connected with securitisations are inserted. The reduction (-89,87%) is due to the restructuring of the securitisations already commented in the previous pages.

A more detailed analysis of book balances related to ordinary customer deposits (current accounts + savings deposits + certificates of deposit) confirms that approximately 92% of accounts record balances lower than EUR 50,000. The volume of such accounts represents about 21% of the total volume. This trend is certainly due to deposit types such as zero-cost current accounts, which tend to emphasize the 'service' aspect more than the 'interest' aspect, and which record low deposit volumes.

A breakdown of the composition of customer deposits by economic sector shows that deposits are divided between Households (42.62%) and Manufacturing Enterprises (43.05%).

Indirect deposits

Indirect deposits amounted to EUR 633.50 million, therefore recording a reduction corresponding to - 1.73% in comparison with the end of the previous year.

Values in million Euros

Indirect deposits	31.12.2011	31.12.2010	Variation absolute	Variation %
Treasury certificates and multi-year bills (cct, btp)	97.38	69.62	27.76	39.87%
Bonds	102.86	115.54	-12.68	-10.97%
Other securities	72.87	88.74	-15.87	-17.88%
Mutual funds and sicav	293.25	317.83	-24.58	-7.73%
Insurance policies	67.14	52.93	14.21	26.85%
Total	**633.50**	**644.66**	**-11.16**	**-1.73%**
Of which managed assets	**382.07**	**386.16**	**-4.098**	**-1.06%**

The volume of managed deposits – that include, besides asset management, also Equity Management Funds, mutual funds and insurance policies – amounts to approximately 60.31% of total indirect deposits.

As to customer segments, we point out that more than 90% of managed deposits was placed to retail customers.

As to insurance policies, the Bank marketed insurance policies of Grazer Wechselseitige Versicherung A.G. based in Graz (with total premiums of EUR 47.54 million); of the Luxembourg Compania Skandia, Milan office – with total premiums of EUR 7.97 million; of the company Genertellife for about EUR 5.35 million.

The following table shows a cross-section of managed savings and administered savings sectors by placement network.

Indirect deposits	31.12.2011 Internal networks	31.12.2011 External networks	31.12.2011 Total	31.12.2010 Internal networks	31.12.2010 External networks	31.12.2010 Total
Total	**233.23**	**400.27**	**633.50**	**254.66**	**389.99**	**644.65**
of which administered	172.76	78.67	251.43	184.23	74.25	258.49
of which managed	60.47	321.60	382.07	70.43	315.74	386.17

Operating result

Below a detailed analysis of the reclassified income statement:

Values in thou. EUR

Income statement	2011	2010	Variation Absolute	Variation %
Interest receivable and similar revenues	150,861	156,252	-5,391	-3.45%
Interest payable and similar charges	-66,324	-52,473	-13,851	26.40%
a. Net interest margin	**84,537**	**103,779**	**-19,242**	**-18.54%**
Commission income	15,455	20,595	-5,140	-24.96%
Commission expenses	-7,608	-7,836	228	-2.91%
b. Net commissions	**7,847**	**12,759**	**-4,912**	**-38.50%**
Dividends and similar income	0	0	-	
Net profit (loss) from trading activity	1,425	-2,535	3,960	-156.21%
Net profit (loss) from hedging activity	15	56	-41	-73.21%
Profits (Losses) from sale or repurchase of:	130	213	-83	-38.97%
a) receivables			-	
b) financial assets available for sale			-	
c) financial assets held to maturity			-	
d) financial liabilities	130	213	-83	-38.97%
Profit/Losses on financial assets/liabilities			-	
at fair value	-198	64	-262	-409.38%
Profit/losses from transfer of investments	-18	21	-39	-185.71%
Total other operating income / Operating expenses	13,330	13,178	152	1.15%
c. Operating income (a+b)	**107,068**	**127,535**	**-20,467**	**-16.05%**
Administrative expenses:	-66,103	-64,333	-1,770	2.75%
a) personnel costs	-33,120	-33,040	-80	0.24%
b) other administrative expenses	-32,983	-31,293	-1,690	5.40%
Net allocations to provisions for risks and charges	-42	-500	458	-91.60%
Net write-downs/ value renewals on tangible assets	-3,571	-4,052	481	-11.87%
Net write-downs/ value renewals on intangible assets	-632	-708	76	-10.73%
d. Operating costs	**-70,348**	**-69,593**	**-755**	**1.08%**
e. Operating income before write-downs (c-d)	**36,720**	**57,942**	**-21,222**	**-36.63%**
Write-downs/write-backs for impaired:	-26,369	-36,304	9,935	-27.37%
a) receivables	-26,369	-36,304	9,935	-27.37%
b) financial assets available for sale				
c) financial assets held to maturity				
d) other financial assets				
f. Profits from current operations before tax	**10,351**	**21,638**	**-11,287**	**-52.16%**
Taxes on income from current operations	-7,335	-10,818	3,483	-32.20%
g. Profits on current operations after tax	**3,016**	**10,820**	**-7,804**	**-72.13%**
Profits of groups of assets held for sale after tax			0	
on profits of the period	0	0	0	
h. Profit (loss) for the period	**3,016**	**10,820**	**-7,804**	**-72.13%**

In comparison with the previous financial year, the net interest margin increased from EUR 104 mio to EUR 84 mio, with a reduction corresponding to -18.54%, mainly referable to the decrease of credit brokerage.

The operating income has decreased (-16.05%).

The trend of the main components of this item is indicated as follows.

Net commission income amounted to + EUR 7.84 mio, recording a decrease of -38.50%.
The significant contraction can be explained principally with the reduction of the commission for the putting at disposal of sums, bound to lower credit volumes of short-term loans.

Regarding the other sectors, a decrease of commissions related to collection and payment services, and for services for the keeping and management of current accounts was recorded, while a substantial steadiness of commissions referable to management, brokerage and advice services, above all for the part connected to managed savings, was recorded.

The items referable to financial management - deriving from the sum of profits from trading activities, hedging activities and assets and liabilities assessed at fair value - showed an improvement, especially for the part concerning negotiations.

The balance between other operating expenses and operating income - mainly determined by the cost allocation to the customers of taxes and expenses, these latter ones mainly referable to the leasing department - records a substantial steadiness.

The result of the period, gross of write-downs, shows a contraction corresponding to -36.63%.

Operating costs substantially remained steady (+1.08%).

In details:

- personnel costs: substantially remained stable (+0.24%). The staff reduction - passed from 537 to 526 units – indeed was concentrated at the end of the year and will have its full effects in terms of cost reduction in the next business year. The reduction is referable to a logic of staff rationalization - both executive and sales network staff – which took place through a non-confirmation of fixed-term employees.
- operating costs: they mainly include a significant cost value referable to extraordinary items mainly linked to repackaging activities of current securitisations and the structuring of a new securitisation. Significant was then the impact of expenses for the required advice by the Holding and bound to the necessity of le-launching of the banking activity
- value write-downs on plant and equipments: they strongly reduced during the year due to the postponement of some investments
- write-downs on credits: despite keeping a prudent approach in the assessment of risks, a decrease against significant provisioning carried out in the previous years, in coincidence with the most critical phase of the business cycle, was performed.

The profit deriving from current assets is equal to EUR 10.35 mio (-52.16%). The strong contraction with reference to the previous year is mainly due to the contraction of the credit intermediation activity.

Income taxes amount to EUR 7.33 mio.

The profit for the period is of EUR 3.02 mio (-72.13%).

The Roe is at 0.81% (2.89% in 2010), the Roa at 0.07% (0.24% in 2010).

The previous indicators – at a banking system level - are at 0.3% and at 0.6%, respectively.

Regarding efficiency indicators, the C.i.r. is at 61.74% (54.57% in 2010).

Corporate capital trend

During 2011 the main variations of net assets regarded distribution as dividends of the whole profits 2010, with the exception for the Legal Reserve.

A growth of the level of equity with reference to the dimensional development emerges, due to a careful definition of capitalization levels related to deposit and loan patrimonial volumes.

Therefore:

	31.12.2011	31.12.2010
Equity/Loans total amount	9.83%	9.35%
Equity/Managed total amount	8.95%	8.55%
Equity/Total assets	8.76%	8.34%

At the closing of the business year 2011 the Regulatory Capital amounted to EUR 377.58 mio, with a variation corresponding to about – EUR 9.41 mio with reference to the end of the previous year (-2.43%). The variations of this item with reference to the previous year can be explained with the prosecution of the deduction phase, for Regulatory Capital aims, of the subordinated loans for a nominal value of EUR 20 mio issued in 2002 and EUR 28 mio issued in 2003, respectively.

It's to be highlighted that:

- Tier 1 (Patrimonio di base)/weighted risk activities ratio corresponds to 10.49 % (10.09% in 2009)
- Regulatory Capital/weighted risk activities ratio corresponds to 10.63 % (10.49% in 2009)

Development of the Financial Statement

During 2011 there was a negative change of the liquidity flows in comparison with the previous financial year, for EUR - 367 thousand.

In particular:

- operating activities recorded a positive cash flow of EUR – 13,086 thousand. In other words, the liquidity absorbed by the financial assets was higher than the liquidity generated by financial liabilities and operating activities;
- the investment business – namely the balance of selling and purchasing of tangible and intangible assets – was negative corresponding to EUR 3,174 thou;
- the funding activity was negative and recorded a balance of EUR 19,279 thou.

Company risk profiles

The Bank respects the limits set for all risk profiles considered by Banca d'Italia.

The bank developed a risk-control system intended to warrant a reliable and sustainable value creation in a controlled risk context.

The Risk Control Division, in accordance and cooperating with other Bank Divisions, which may be involved when necessary, is intended to market, operating and credit risk protection. This Division performs its functions autonomously from the other organization units and is directly answerable to the Board of Directors of the Bank.

Hereafter an analysis of the single risk profiles of the Bank.

Credit risk

The engagement by the bank regarding credit risk was focussed on the following lines:

a) improve the selection of borrowers through a careful analysis of credit market and guarantees
b) diversify the portfolio, by limiting concentration risk of exposures on single counterparts/groups or on single business sectors or geographical areas to the maximum
c) monitor relations trend carefully, to timely capture the symptoms of impairment of accounts in order to insert them in suitable management credit processes

The following analyses, in order to allow a collation with data at 31/12/2010, consider the value of loans gross of receivables held for sale.

By analysing the credit portfolio it is clear how its development has been performed by keeping an adequate splitting up:

- 34% of loans - including leasing transactions - is represented by credits whose amount does not exceed EUR 520,000 of consumption (table 1)

- The first 10 customers represent 3.81% of the total portfolio (table 2)

- The loan policy was aimed to keep and develop relations with small/medium companies, operating in the entrepreneurial tissue of northern Italy. The business sector framework is characterized by far by manufacturing companies and by a limited number of private households. This framework can be explained with the predominance of the leasing sector, which has its users mainly in the sphere of small companies and handicrafts (table 3)

- A more in-depth analysis of the productive division – through the exam of loans in the „non-financial companies" sector divided by big business branches – confirms an approach aimed to diversification (table 4)

- Regarding the division of doubtful loans – gross of valuation reserves – by business sector/branch, the sectors that are mostly at risk are connected to manufacturing and artisanal divisions, which are also those in which the weight of the loan activity is higher (table 5)

- There is no country risk: pooled loans issued towards countries belonging to OECD B category are indeed entirely hedged by guarantee by the Holding.

Table 1

Including leasing

Lending to customers Breakdown by amount	31.12.2011	31.12.2010
0.00 to 0.02 EUR mio	1.24%	1.36%
0.02 to 0.03 EUR mio	0.79%	0.95%
0.03 to 0.04 EUR mio	0.83%	0.90%
0.04 to 0.06 EUR mio	1.63%	1.84%
0.06 to 0.13 EUR mio	6.04%	6.34%
0.13 to 0.26 EUR mio	9.54%	9.87%
0.26 to 0.52 EUR mio	13.92%	13.87%
0.52 to 2.58 EUR mio	37.97%	37.73%
2.58 to 5.16 EUR mio	12.92%	13.32%
More than 5.16 EUR mio	15.12%	13.82%
Total	**100.00%**	**100.00%**

Table 2

Lending breakdown	31.12.2011	31.12.2010
First 10 clients	3.81%	3.65%
First 20 clients	6.01%	5.77%
First 30 clients	7.96%	7.60%
First 50 clients	11.32%	10.81%
First 60 clients	12.75%	12.20%

Table 3

Breakdown of lending by business sector % of total lending	31.12.2011	31.12.2010
Private households	5.48%	5.52%
Family-run businesses	3.28%	2.87%
Handicrafts	18.79%	20.35%
Financial and insurance companies	0.70%	1.15%
Manufact. Companies	71.53%	69.89%
Non-financial companies	0.15%	0.15%
Public administration	0.06%	0.06%
Other	0.01%	0.01%
Total	**100.00%**	**100.00%**

Table 4

Breakdown of lending by economic activity % Total lending	31.12.2011	31.12.2010
Private households	6.02%	6.10%
Agriculture and forestry	0.62%	0.57%
Petrolchemicals and plastics	2.04%	2.17%
Metalworking and machine contruction	12.46%	12.54%
Energy	0.13%	0.13%
Textiles and clothing	2.16%	2.03%
Other	0.88%	0.75%
Technology/edp	1.63%	1.58%
Automobile	2.16%	1.97%
Building sector	13.83%	13.54%
Foodstuff and fine goods	1.02%	1.07%
Wood and paper processing	4.88%	4.56%
Civil service	0.00%	0.00%
Wholesale and retail	10.15%	10.61%
Tourism	2.61%	2.55%
Services	12.54%	11.83%
Transport and logistics	3.73%	3.88%
Other financial services	22.81%	23.60%
Professionals/freelancers	0.33%	0.52%
Foreign companies	00.00%	00.00%
Total	**100.00%**	**100.00%**

Table 5

Values in million Euros

Doubtful loans gross of value write-downs	31.12.2011		31.12.2010	
Breakdown by economic activity	Amount	% structure	Amount	% structure
Manufact. Companies	368.94	78.02%	301.02	78.14%
Private households	16.72	3.53%	14.68	3.81%
Handicrafts	72.50	15.33%	53.35	13.85%
Family-run businesses	9.39	1.99%	5.65	1.47%
Not classifiable	5.27	1.13%	10.51	2.73%
Total	**472.82**	**100.00%**	**385.22**	**100.00%**

At the closing of the financial year 2011 total impaired loans, net of value adjustments, amounted to EUR 921.21 million, therefore showing a variation corresponding to + 3.76% in comparison with the previous business year (EUR 887.82 million).

In particular, there has been a significant reduction of past due loans corresponding to – 19.03%. On the other hand, the other impaired items show an increase: doubtful loans are at + 26.15% and substandard loans at + 1.35%.

Regarding doubtful loans, it's suitable to specify that all positions have been assessed analytically and, where necessary, have been adjusted depending on the estimated profit value and of foreseen recovery times, by also considering connected guarantees. As regards leasing credits helped by Collaterals, the analytical provisioning was performed by considering the value of the asset, with reference to appraisals performed by independent appraisers.

The ownership of the asset indeed represents a primary guarantee in favour of the recovery of the credit underlying the transaction. The checking of this guarantee – in the event of default by the counterpart - is subject to scheduled and in-depth analysis by the Risk Control of the Bank. These analyses – by highlighting recovery rates historically realized for the various typologies of assets subject of the contracts and indicating recovery times - allow the management to uninterruptedly improve internal management procedures. Furthermore, a significant improvement in the management of collateral through the recovery of the eligibility of real estate collaterals and the uninterrupted monitoring of the updating of appraisal values is to be signalled.

Regarding the real-estate leasing, it's to be highlighted that the total amount of contractual rescissions during the year has reduced in comparison with the amounts recorded in the previous two business years; regarding sales and/or re-leases of real-estate properties coming from rescinded lease contracts, a slight increase of volumes should be noted, therefore confirming, for the last business year as well, the total recovery of exposure also in the current market situation.

As follows riskiness indicators:

- impaired loans/total loans ratio, net of value adjustments, is at 22.60% (20.56% at 31/12/2010)
- doubtful loans/loans ratio, the same net of value adjustments, passed from 7.48% in 2010 to 10.00% in 2011.
- total value adjustments passed from EUR 108.952 mio in 2010 to EUR 108.606 mio in 2011 (-0.32% with reference to the previous year); EUR 81.54 mio are specific write-downs - they refer to the hedging of the impaired assets - the remaining part is instead referable to the performing portfolio.

As regards hedging indexes, a substantial steadiness with reference to the previous year is to be highlighted. We note that these indexes reflect the significant collateralization of credits with underlying real-estate guarantee:

- value adjustments on impaired credits at the end of the business year were 8.13% (8.21% in 2010)
- write-downs/doubtful loans ratio is 14.03% (16,11% in 2010)
- write-downs on performing loans represent 0.86% (0.86% for the previous year)

We remind that – starting from February 1st, 2012 – a transfer of Company branch, made up mainly by non-performing loans, was carried out. The indicators, recalculated net of receivables held for sale, are the following:

- impaired loans/total loans ratio, net of write-downs, is 10.63%
- doubtful loans/loans ratio, the same net of write-downs, is 2.29%
- write-downs on impaired loans at the end of the year are 8.70%
- write-downs/ doubtful loans ratio is 20.83%
- write-downs on performing loans are 0.91%

Market risks

The Capital absorption from this point of view is equal to EUR 2.9 million.

By also considering the recent trends of the Basel Committee as regards the liquidity risk and by also considering the indications by the Supervisory Body, the „marketable" securities portfolio, mainly made up of CCT (Treasury Credit Certificates), was further increased by an amount equal to EUR 43 mio (+26.47%).

Financial derivatives - which at 31/12/2010 amounted to about EUR 1.6 mio, amount to EUR 0.48 mio at 31st December 2011.

Exchange-rate risk

The exchange-rate risk is connected to the variation of the value of the positions expressed in foreign currency, due to unexpected swings in foreign currency exchange rates.
This risk is not significant, as the Treasury activity is characterized by the balance of foreign currency positions.

Liquidity risk

The Bank ensures a careful liquidity risk monitoring; such analysis aims both at checking the short-period balance and at evaluating the medium-period lending hedging strategy, namely the representation of the schedule of all transactions in the bank portfolio, both current and provisional.

The monitoring activity also provides for the utilization of a liquidity control model by following alternative scenario / stress hypotheses.
In harmony with the indications of the Parent Company, the figure of the Liquidity Manager, entrusted to the Head of the Financial Services Division, is assisted by a Liquidity Risk Management Committee that has

among its members representatives of Treasury, Controlling and Risk Management and General Management.

Relating to liquidity reserves, during the business year 2011 the Institute could make use of:

- a "Committed Line"
It's a credit line provided for by the liquidity contingency plan – granted by the holding and renewed annually – aimed to face potential liquidity stress situations.
Economic conditions are in line with market conditions.

As already highlighted above, the Institute has incremented further reserves made up of a "marketable" Securities portfolio for an amount which passed from EUR 34 to EUR 43 mio.

The hedging of liquidity risk is constantly implemented also through the periodical renegotiation of maturities with the Holding, which supplies about more than 90% of the inter-banking capital fund and about 72% of the loans total amount.

Interest rate risk

The exposure to the interest rate risk is below average values of the whole banking system.

The pricing policy aims at the substantial neutralization of this risk through the identification of indexation parameters of deposits and lending aggregates, which prove consistent.

The careful monitoring obtained through the ALM procedures enables the Treasury to intervene with hedging actions in case of non-alignment.

Operational risk

Regarding operational risk, namely the risk of suffering losses deriving from insufficiencies, malfunctioning or deficiencies in internal processes or following to external events, a work group has been established, which works in line with the strategic guidelines provided by the Parent Company by using the INFORM procedure suggested by the Holding.

It is a Database where the following are inserted:

- the signalling of events which brought to a loss, performed by the involved divisions
- the performed recovery activities, also on the base of the accounting records.

With the Holding, a „Scenario Analysis „ project was started in order to check the potential operating risk scenarios present in the company.

Use of Financial Instruments

With reference to the use of financial instruments, please note that:

- the Institute's bank book has a limited value: it is composed of securities with high liquidity which are mainly used for Repurchase agreements operations with customers;
- the existing derivatives, regardless of the accounting criteria, have a management hedging purpose. These derivatives mainly refer to fix-rate or structured bond issues. However, capital consumptions linked to these operations (market and counterpart risk) are limited.

Trading derivatives refer to swaps transactions (CSS), with the Parent company with the aim of management hedging for the exchange rate risk on foreign currency credits and to a IRO as well performed with management hedging aims of variable-rate loans with Cap.

Regarding exposure and hedging policies for the following risks, it's to be highlighted:

- Price Risk: hedged by means of derivatives transactions.
- Credit Risk: limited by carefully assessing the counterparts, in line with the indications given by the Parent Company and through a careful assessment of guarantees.
- Interest rate and liquidity risk: monitored by means of the ALM procedures, currently being finalised.

Concerning this issue, please refer to the brief descriptive notes given in the above mentioned paragraphs and the comments under E of the Notes to the Financial Statements.

Risk management, measurement and control systems

The bank has adopted an organizational model based on the principle of apartness of the operating units, aimed to distinguish profit roles oriented to the market and those deputed to manage and monitor on performed activities.

Control activities are assigned to three organizational units in staff - Audit, Compliance (in staff to the Board of Directors) and Risk Control - whose verifications are reported to the Board of Directors, to the Board of Statutory Auditors and the Top Management. As well by keeping the autonomy of their functions, the activity of these units is also characterized by the continuous exchange of information; the adequacy and the effectiveness both of Compliance and of Risk Control periodically undergo independent assessment by the Audit.

The Audit Department is responsible for analysing processes and risks, evaluating the entire internal control system in operational terms.

The analysis methodology adopted for this assessment is based on the concept of "audit by organizational procedure and by process". The judgement is based on the „maturity", which expresses the synthesis of the following parameters, considered as fundamental in the exam of each process: comprehension and consciousness, reporting activity adequacy, formalization, technology and automation, compliance, congruousness of the controls carried out.

This analysis was achieved in dynamic terms by evaluating the system in the context of the inevitable changes arising in the organizational, procedural and regulatory context.

The self-diagnosis document in its initial formulation goes back to 2005 and had all the identified processes as subject.

The next revision plans were proposed and approved by the Board of Directors; the verifications performed in realization of this plan were systematically reported to Corporate Administration and Supervisory Bodies.

The revision activity made an increase of the „maturity" emerge, due mainly to an increased consciousness of the risks and of the supervisory issues and a better formalization of each process. Also the degree of efficiency of the technological resources and of the information systems to support each process has improved in a significant way, as the result of the realized investments in data processing resources.

The Compliance function monitors non-compliance risk, intended as the risk to incur in judicial or administrative sanctions, important financial losses or name damages in consequence of violations of mandatory regulations or self-regulations.

Its activity includes:

- identification of applicable rules for the bank
- measurement of the impacts that these regulations have on corporate processes and procedures, in order to verify their adequacy and necessity of to be updated, if any
- ex-ante assessment of all normative provisions applicable to new projects the bank intends to start, in order to implement an operating, procedural, process and commercial framework aligned to normative provisions
- assessment of adequacy and effectiveness of organizational provisions adopted as prevention of non-compliance risk and as control of this risk

The measurement of non-compliance risk, of assessment and mitigation actions are performed thanks to the employment of the operating tool called risk matrix.

Supervisory instructions require that Financial Intermediaries perform an autonomous, recursive and formal assessment of their current and perspective patrimonial adequacy, in relation to undertaken risks and corporate strategies. This process is called Internal Capital Adequacy Assessment Process (ICAAP) and is entrusted to the Risk Control Division. The first ICAAP report was submitted to the Board of Directors on September 24th, 2008 and refers to the status of the Bank at 30/06/2008.

The latest updating of the report will be submitted to the Board of Directors of April 23rd, 2012 to be sent to Banca d'Italia within April 30th, pursuant to the updates of the relevant law.

The main issues concern:

- the description of the strategic lines, of Corporate government, of company organization and supervisory systems
- the tracking of risks, the description of their measurement techniques and the quantification of the required capital
- connection between statutory patrimonial requirements (Regulatory Capital) and internal capital (that is, available capital)

During the 2011 the activities of the Supervisory Body focused on the following processes/issues:

- Anti-money-laundering provisions
- Privacy and safety of information
- Provisions regarding hygiene and industrial safety
- Ethical and Behavioural Code
- Compliance of the services with customer profiles

The Institute has completed the process of definition and adoption of its control model pursuant to the Legislative Decree 231/01.

The Supervisory Body periodically meets to monitor on the effectiveness and the adequacy of the model, to assess the compliance with the provision contained in it, to assess the need to update it.

This Body is a collective organ composed of:
- an external professional belonging to a consultancy company specialized in the issue (Chairman)
- Head of the Compliance Division
- Head of the Legal Affairs Division
- Head of the Audit Division

During 2011 the activities of the Supervisory Body focused on the following processes/issues:
- Anti-money-laundering provisions
- Privacy and safety of information
- Provisions regarding hygiene and industrial safety
- Ethical and Behavioural Code
- Compliance of the services with customer profiles

Half-yearly, furthermore, the Supervisory Body submits to the Board of Directors the report of performed activities and yearly the plan of activities foreseen for the next period.

Note that, in compliance with the "Personal Data Protection Code" (Legislative Decree No. 196/2003), the "Document on Data Protection" (Documento programmatico sulla sicurezza) was updated in accordance with legal provisions..

Business policies

The qualifying points of the business policy can be summed up as follows:

- 3 new branches have been opened: Piove di Sacco, Cittadella, Varese
- we have rationalized and consolidated the network of financial promoters
- a rationalization activity has been implemented in the context of the co-operations with the leasing agents, referable to the subsidiary Hypo Alpe-Adria-Finance S.r.l.
- the consultancy activity to Italian and foreign businesses which intend to avail themselves of the chances offered by the widening of the European Union and that are interested to operate on the Austrian, Croatian, Slovene, Bosnian and Serbian markets has gone on

The expansion policy aim is based on the consolidation of the presence of the Institute in Northern Italy, historical area of the Bank, by strengthening the presence in areas having a high credit potential, therefore evaluating openings in neighbouring areas to those where the current facilities are placed.

We specify that expansion policies have always been monitored by suitable measurement tools of results, aimed to speed up the reaching of the breakeven by the new channels/selling points and verify the attainment of the assigned objectives during of the formulation of the budget.

The following table shows the territorial articulation of sales networks.

	2011			2010		
Region	Branches	Leasing Agencies	Financial promoters	Branches	Leasing Agencies	Financial promoters
Veneto	12	10	24	10	13	22
Lombardy	11	14	27	10	14	30
Friuli Venezia Giulia	6	3	24	6	3	23
Emilia Romagna	1	5	1	1	5	5
Tuscany	1	5	4	1	5	4
Total	**31**	**37**	**80**	**28**	**40**	**84**

Organizational Structure and Human Resources

During the fiscal year 2011 the most significant organizational modifications concerned the review of the commercial structure: from the point of view of a wider focalization with reference to Retail business, with the main aim to increase the primary funds, the passage from coordination activities of Agencies from the Commercial Division – Corporate Division to the Commercial Division – Retail Division was carried out.

The staff at December 31st, 2011 had passed from 537 to 526 units. The male staff is represented by 304 units while the feminine one consists of 222 units.

The following tables offer a wider evidence of the features of the employees.

Staff's average age	2011	2010
Men	39.45	38.40
Women	34.98	33.79
Total	**37.56**	**36.46**

Schooling	2011	2010
Middle school diploma	8	7
Diploma	264	271
Degree (*)	254	259

*in the counting of degrees also bachelor's degrees are included

Age Bracket - %	31.12.2011	31.12.2010
- 19	0.00%	0.00%
20 – 29	16.73%	22.49%
30 – 39	50.19%	48.14%
40 – 49	24.91%	22.68%
50 – 59	8.17%	6.69%
60 -	0.00%	0.00%

Number of employees

Year	Discontinuance	Recruitments	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%
2011	38	27	526	-2.05%

Turnover rate

Year	Total turnover	of which physiological turnover	of which voluntary turnover	of which forced turnover
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%
2010	7.14%	0.18%	3.76%	3.19%

As you can see from the following table, in 2011 the training of employees went on also through a program of meetings with internal and external trainers, in particular aimed to newly hired people, to whom an in-depth training and oriented to the practice is assured.

(Internal/external/self-training) training hours

	BUSINESS YEAR 2011		
Total employees	Total hours	of which executive	of which non-executive
Hours of internal training	4,810	2,082	2,728
Hours of external training	690	202	488
E-leasing self-training hours	2,338	1,124	1,214
Total training hours	**7,838**	**3,408**	**4,430**

Corporate Social Responsibility

In 2011 the Bank's involvement in the field of the corporate responsibility went on.

The main activities were:

1. Social sphere

- Our auditorium was put at disposal to non-profit and aid associations and to entities working for pure beneficial purpose.

2. Group Cultural Sphere

- Hypo Group Alpe Adria started a new common social responsibility project among various Group Countries called „Hypo Pro Future", therefore creating a social & cultural network in seven European countries.

In 2011 the project took the shape of the "Business Dictionary". The dictionary, by offering the reader the explanation of a wide range of terms used by media and specialized publications, contributes to the development of the economic and financial culture.

Additional information

Information regardings the tributary cases

A) Regional tax Commission (Trieste) – Tax dispute for the fiscal year 2004 - VAT

As a result of the assessment notification (avviso di accertamento) – consequent to an inspection conducted by Guardia di Finanza (Tax Police) - Provincial Tax Committee of Trieste (Commissione Tributaria di Trieste), regarding the fiscal year 2004 for direct tax and VAT and was extended to fiscal years 2003, 2005 and 2006 with reference to a specific aspect of VAT related tax treatment for the purchase of mixed-use goods and services – the Provincial Tax Committee of Udine (Commissione Tributaria di Udine), with sentence no. 318/1/2009 dated 19th May 2009 deposited on 13th October 2009 acknowledged in full the petition by the Company, and sentenced Agenzia delle Entrate to the reimbursement of all expenses.

On 26/01/2010 Agenzia delle Entrate (Revenue office) lodged an appeal at Commissione Tributaria Regionale (Regional Tax Committee), Trieste office, that will be held on 5th March 2012.

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 won't produce an actual tax debt.

B) Notice of assessment - Tax dispute for the fiscal years 2003/2007 - Misuse of VAT rights

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 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 the dispute in hand, two judgments have already been deposited at the Commissioni Tributarie Provinciali (Provincial Tax Committees), Treviso and Brescia office; both judgments are favourable to leasing companies.

Year 2004

On 28th 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 total amount of tax, penalties and interests of EUR 108,445.13.

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

Year 2005

On 28th 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), and further recourse at the Commissione Tributaria Provinciale (province tax commission) of Trieste. The hearing hasn't been fixed yet.

For the reasons indicated above, we reasonably think that the petition by the Bank could be acknowledged by the Commissione Tributaria Provinciale (province tax commission).

C) PVC - Tax dispute for the fiscal year 2007 – Direct taxes – Irap - VAT

Agenzia delle Entrate, Regional Office of Friuli-Venezia Giulia issued on 17/02/2010 a Formal Notice of Assessment (Processo Verbale di Constatazione), from which the following remarks emerge:

1. IRES (Corporate Income Tax) and IRAP (Regional Income Tax) verifications for EUR 127,029.03 concerning losses on credits and non-deductible contingencies.

2. VAT verifications for EUR 466,974.25 concerning omitted invoicing of VAT on estate leasing to usual exporters and on illegal tax deductions on financial intermediations, 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 of Tavagnacco.
3. Reports 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.

D) Notice of assessment - Tax dispute for the fiscal year 2005 – non-deductible VAT, non-existent operations

On 28th 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 cannot 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 EUR 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 highlight 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), and further recourse at the Commissione Tributaria Provinciale (province tax commission) of Trieste. The hearing hasn't been fixed yet.

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.

E) PVC - Tax dispute for the fiscal year 2005/2006/2007/2008 – Direct taxes - VAT

On 1st June 2011 Agenzia delle Entrate (tax office), Direzione Regionale (regional tax office) of Friuli-Venezia Giulia – following to an assessment started on 17/09/2010 regarding the accounting and fiscal handling of the credits entered into balance for the years 2005, 2006, 2007 and 2008, also as a consequence of the tutoring activity for 2008 business – has notified a Formal Notice of Assessment (Processo Verbale di Constatazione - PVC) from which the following challenges emerged:

1. IRES report for the year 2006 for EUR 421,409.97 related to depreciations on non-deductable credits in 2006, but in the following financial years.
2. IRES report for the year 2007 for EUR 133,106.07 related to losses on non-deductable credits.
3. IRES report for the year 2008 for EUR 268,063.40 related to losses on non-deductable credits.
4. VAT report for the year 2008 for EUR 185,635.91 related to non-invoicing of VAT on real estate leasing to usual exporters and to undue tax deductions on leasing instalments of the new head offices for the contribution related to the land and on the mixed VAT referable to separated Bank business VAT.

With reference to the remark at sub 1. and 2. we have already provisioned in the Balance at 31/12/2011 the disputed amount and the related penalties, by considering to propose Agenzia delle Entrate the settlement of disputed situations, and this because the accounting and tax behaviour indicated by Agenzia delle Entrate is to be considered as correct.

For the remarks at point sub 3. (IRES year 2008) and sub 4. (VAT year 2008) we have not provisioned any amount for the year 2011, as we think that the accounting and tax behaviour of the bank is correct.

F) Notice of assessment - Tax dispute for the fiscal year 2006 - VAT

On 27th October 2011 Agenzia delle Entrate (tax office), Direzione Regionale (regional tax office) of Friuli-Venezia Giulia, notified a notice of assessment (Avviso di Accertamento):

1. IRES remark for the year 2006 of EUR 421,409.97 included in the Formal Notice of Assessment (Processo Verbale di Constatazione) notified on 1st June 2011 (see above)
2. A VAT remark for EUR 33,920 about the non-deductibility of the tax on supposed non-existent operations performed in the year 2006
3. A VAT remark for EUR 418,476 about the non-deductibility of the tax on leasing instalments of the new head offices received in 2006 for the quota concerning the land (20%).

The remark sub 1. has already been subject to provisioning; for the remark sub 2. as well provisioning in the balance has been already performed, to be considered as congruous to face any burdens which could be generated in the future.

For the remark sub 3. the Bank, with the help of its consultants, has filed a tax settlement proposal (istanza di accertamento con adesione), whose proceedings are still outstanding. In case this attempt does not produce any effects, the Company will file recourse at the Commissione Tributaria Provinciale (province tax commission) of Trieste, considering that the dispute by Agenzia delle Entrate allows wide margins to be successful in the litigation.

G) Notice of assessment - Tax dispute for the fiscal year 2003/2004 - Irap

The company on 18th April 2007 applied Agenzia delle Entrate for the refund of about EUR 230,000 for IRAP for the years 2003 and 2004 as the Veneto region had unduly applied an increased rate.

Against the refusal silence by Agenzia delle Entrate, the company on 29th July 2008 filed recourse to Commissione Tributaria Provinciale (province tax commission) of Udine.

On 10th November 2009 the Commission deposited the 1st-level order, which acknowledged the request by the company.

Against this order Agenzia delle Entrate, on 14th September 2010, filed recourse at the Commissione Tributaria Regionale (regional tax commission) of Trieste, whose hearing was held on 23rd January 2012. At today the order has not been filed yet.

Total retail

During 2011 - after the planning phase - the activity aimed to business refocusing started, also with the help of a consulting company, Resolving - specialized in strategy and finance, suggested by the Holding HBInt.

In the context of the objectives definite in new Business Plan for the period 2011-2016 – which redefined the growth strategy by stating more moderated and balanced aims, by emphasizing financial balance, reduction of credit risk and the control of costs - the attention was placed on direct deposits and on the importance to develop the retail segment to guarantee solid financial bases on which to put the dimensional development.

In 2012 and following years, with investments dedicated to the opening of new Agencies in city centres of the reference area and the widening of human resources dedicated to retail business, we aim at rebalancing primary servicing lending transactions.

As regards research and development activities, these kind of costs haven't been borne and therefore there is no capitalization for them. This above all derives from the fact that software developments for the data processing and transmission service are directly performed by the supplying companies with current outsourcing agreements.

Relations with the Subsidiaries

These are relations with Hypo Alpe-Adria-Finance S.r.l. and Hypo-Service S.r.l.

HypoService S.r.l. – with registered offices in Tavagnacco, Via Alpe Adria n. 6 – operates in the real estate field.
As regards real-estate sales activity, the company is engaged in leading previously undertaken real estate initiatives at the best profit value. Regarding the rent of buildings for commercial purpose, the aim is still to pursue the ideal remuneration from the investments in the buildings to be rented.

Hypo Alpe-Adria-Finance S.r.l. - with registered offices in Tavagnacco, Via Alpe Adria no. 6 – has been enrolled since February 3rd, 2005 in the general list of intermediaries operating in the financial sector. Since April 1st, 2005 – when it underwent the transfer of the company branch „Leasing Agents Network“ - is responsible for the promotion and placement of leasing contracts.

The relations with the two subsidiaries were regulated at market conditions, by considering the characteristics of the rendered services. The most significant relations during the business year are described in the Note to the financial statements.

Relations with the Parent Company

They refer to the relations with the Holding Hypo Alpe-Adria-Bank International AG.

It's to be highlighted that - on 30.12.2009 - the Republic of Austria became 100% shareholder of Hypo-Alpe-Adria-Bank International.

Following to the modified share arrangement, the new members of the Supervisory Board („Aufsichtsrat") were appointed.

The steering and coordination activity is performed by Hypo Alpe-Adria-Bank International AG with registered offices in A-9020 Klagenfurt, Alpen Adria Platz 1.

In 2010 the relations with the holding Hypo Alpe-Adria-Bank International AG - with registered offices in A-9020 Klagenfurt, Alpen Adria Platz 1 - were characterized by the strictest cooperation: specific attention was given to Accountings, Finance, Human Resources, Risk Management, Management Control and Audit issues.

As regards credit lines with the Holding, attention was paid to the correlation with lending maturities. All the performed operations were regulated at current market conditions.

Significant events occurred after the end of the financial year

On 19/01/2012 the transfer of the company branch to the company Hypo Alpe-Adria-Leasing S.r.l. – with registered offices in Tavagnacco, Via Alpe Adria 6, tax code no. 02338310309 – was performed, made up of a set of assets, liabilities, receivables and correlated legal statements, mainly represented by non-performing loans from customers related to lease contracts, indicated in the following table.

Amounts expressed in euro at 30.09.2011

Assets	Amounts	Liabilites	Amounts
Receivables from banks	4,339,898	Payables towards banks	799,364,645
Receivables from customers	797,883,670	Other liabilities	397,095
Tangible assets	145,280	Severance pay	629,916
Intangible assets	22,808	-	-
Total assets	**802,391,656**	**Total liabilities**	**800,391,656**

amounts expressed in euro at 31.12.2011

Assets	Amounts	Liabilites	Amounts
Receivables from banks	4,340,000	Payables towards banks	788,109,989
Receivables from customers	786,646,000	Other liabilities	397,095
Tangible assets	132,000	Severance pay	629,916
Intangible assets	19,000	-	-
Total assets	**791,137,000**	**Total liabilities**	**789,137,000**

The transfer of the Company Branch for which the „Assessment Report" pursuant to art. 2465 of the Italian Civil Code was drawn up by the assessment appraiser Dr. Andrea Bonfini, entrusted by the Bank – involved patrimonial assets and elements functionally organized to the better management of non-performing loans towards the customers - from Hypo Bank to Hypo Leasing is included in a reorganization process of the assets held in Italy by the Austrian banking group referable to Hypo Alpe-Adria-Bank International AG.

Because of the considered transfer operation, Hypo Alpe-Adria-Leasing will take on a volume of assets which can allow its enrolment in the list indicated by art. 107 of the Legislative Decree 385/93.

In details, therefore, the transfer operation had the aim to transfer the Company branch regarding the management of impaired credits in a specific corporate structure, characterized by a high competence profile and professionalisms functional to collection and re-marketing activities of the real-estate collaterals.

Following the transfer of the Company Branch and the ensuing reduction of weighted assets for the credit risk, the Board of Directors – on February 22nd 2012 – will decide to pay up a part of the Statutory Reserve, for an amount equal to EUR 42 mio. The date foreseen for the out-payment is February 29th 2012.

Bank's capital ratio will remain at adequate levels in comparison with the relevant regulations and with specific indications received by Banca d'Italia, by remaining at levels above 10%.

More in detail, the effects of this transfer are indicated in the Note to the financial statements.

Foreseeable future trends

Proceeding on the negative track outlined by the latest trend data, a contraction of the Italian GDP for 2012 (-1.3%) and a very slow recovery in the following years are expected.

Private households consumptions will keep low; it is foreseen that fiscal consolidation requirements will take to a further contraction of public consumptions. A negative trend of investments and steadiness of foreign demand are expected.

The perspective dynamics of the interest rates on Italian government securities is conditioned by the hypotheses of lowering of tensions in the Country; normalization of operations are supposed starting from half 2013.

In this context of high financial turbulence and worrisome evolution of the business cycle, the banking sector will have to try to ensure an adequate credit flow to economy and at the same time to implement a funding policy made more difficult by the issues of sovereign debts yields and of the re-emerging of counterpart risk.

Therefore, a limited growth level of the banking activity is foreseen that – along with perspective low interest rate levels - will limit the economic views of the Financial Institutes.

In this context, the objectives of the Bank mainly concern consolidation of volumes and optimization of credit portfolio, through a refocusing of the business that - in the current historical and economic period - we are called to operate.

Financial strategies will still be focussed on the diversification of funding sources other than those granted by the Parent Company, by means of primary funds and by the performance of securitisation transactions.

Proposal for approval of the Financial Statements and for appropriation of profits

The Financial Statements (Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Cash flows and Notes to the Financial Statements) at 31/12/2011, as well as the Management report are hereby submitted to Your approval and we are awaiting your decision regarding the appropriation of the operating income amounting to EUR 3,015,994 million.

We would also like to express our esteem for all staff members and to thank them for their commitment, distinguishable endeavour and valuable work towards achieving these results.

Tavagnacco, 22nd February 2012

On behalf of the Board of Directors

Additional information

Financial result indicators

In the last column of the following schedule indicators calculated on assets values net of assets held for sale have been indicated. Moreover, we have considered the reduction of the equity after the distribution of extraordinary dividends amounting to EUR 42 mio.

DESCRIPTION	31.12.2009	31.12.2010	31.12.2011	31.12.2011 Netto conferimento
SOLIDITY RATIOS				
EQUITY / TANGIBLE AND INTANGIBLE FIXED ASSETS	788.84%	815.16%	812.53%	719.08%
EQUITY / NET NON-PERFORMING LOANS	152.14%	115.79%	91.71%	439.89%
EQUITY / RECEIVABLES FROM CUSTOMERS	8.53%	8.67%	9.17%	10.06%
EQUITY / LOANS VOLUME	9.17%	9.35%	9.83%	8.70%
EQUTY / ADMINISTERED VOLUME	8.40%	8.55%	8.95%	8.00%
EQUITY / TOTAL ASSETS	8.22%	8.34%	8.78%	9.54%
CAPITALIZATION RATIOS				
TIER 1 = BASE CAPITAL / TOTAL WEIGHTED ASSETS	9.16%	9.68%	10.49%	
TOTAL CAPITAL RATIO = REGULATORY CAPITAL INCLUDED TIER 3 / WEIGHTED ASSETS	9.89%	10.07%	10.63%	
RISK RATIOS				
NET NON-PERFORMING LOANS / EQUITY	65.73%	86.37%	109.04%	22.73%
WRITE-DOWNS / GROSS NON-PERFORMING LOANS	15.39%	16.11%	14.03%	20.83%
WRITE-DOWNS ON IMPAIRED LOANS / IMPAIRED LOANS	7.43%	8.21%	8.13%	8.70%
WRITE-DOWNS ON PERFORMING LOANS / PERFORMING LOANS	0.70%	0.86%	0.86%	0.91%
NET NON-PERFORMING LOANS / RECEIVABLES FROM CUSTOMERS	5.61%	7.48%	10.00%	2.29%
EFFICIENCY RATIOS				
PROFITS BEFORE TAXES / OPERATING INCOME	9.93%	16.97%	9.67%	9.67%
LABOUR COST / OPERATING INCOME	25.11%	25.91%	30.93%	30.93%
C.I.R. = COST INCOME RATIO	52.62%	54.57%	61.74%	61.74%
STRUCTURE RATIOS				
RECEIVABLES FROM CUSTOMERS / TOTAL ASSETS	96.38%	96.22%	95.70%	30.23%
CUSTOMER DEPOSITS / TOTAL ASSETS	30.76%	28.29%	24.63%	60.31%
MANAGED DEPOSITS / INDIRECT DEPOSITS	55.17%	59.90%	60.31%	0.87%
POSITIVE INTERBANKING BALANCES / NEGATIVE INTERBANKING BALANCES	1.86%	1.09%	1.03%	1.09%
PROFITABILITY RATIOS				
NET PROFIT / NET ASSETS (ROE AFTER TAX)	0.95%	2.89%	0.81%	0.81%
PROFIT BEFORE TAX / NET ASSETS (ROE AFTER TAX)	3.62%	5.78%	2.77%	2.77%
NET PROFIT / AVERAGE TOTAL ASSETS (NET ROA)	0.07%	0.24%	0.07%	0.07%
PROFIT BEFORE TAX / AVERAGE TOTAL ASSETS (GROSS ROA)	0.28%	0.48%	0.24%	0.24%
PROFIT BEFORE TAX / NET SALES PROFITS (ROS)	6.18%	12.02%	5.97%	5.97%
DPO = PAID DIVIDENDS / NET PROFIT	tbd	tbd	tbd	tbd
NIM = NET INTEREST INCOME / INTEREST-BEARING CAPITALS	2.56%	2.37%	2.04%	2.04%

Legend: ROS = Indicates, for each EUR 100 gained, how many Euros were earned on average
ROI = Indicates the yield rate of invested capital / ROE = Gives the indication of the amount achieved for each EUR 100 risked in the business
ROA = Indicates the yield for each EUR 100 invested in intermediated funds

Non-financial result indicators

DESCRIPTION	31.12.2009	31.12.2010	31.12.2010
EFFICIENCY RATES			
INTEREST INCOME / AVERAGE EMPLOYEES	205,781.39	190,422.02	159,209.04
OPERATING INCOME / AVERAGE EMPLOYEES	246,684.73	234,018.35	201,638.42
CREDITS / AVERAGE EMPLOYEES	7,932,393.86	7,922,944.95	7,677,457.63
DIRECT + INDIRECT DEPOSITS / AVERAGE EMPLOYEES	3,631,815.72	3,511,963.30	3,168,757.06
BANKING PRODUCT / AVERAGE EMPLOYEES	11,564,209.58	11,434,908.26	10,846,214.69
ASSET UNDER MANAGMENT / NO. OF FINANCIAL PROMOTERS (*)	3,816,105.83	4,597,240.26	4,775,865.01

Hypo Alpe-Adria-Bank S.p.A.
Financial statements for the year ended at 31 December 2011

English translation from original Italian version

Balance sheet at 31st December 2011

Assets items	31.12.2011	31.12.2010	Absolute change
10. Cash and cash equivalents	2,353,636	2,721,262	(367,626)
20. Financial assets held for trading	477,971	1,611,635	(1,133,664)
30. Financial assets at fair value	0	0	0
40. Financial assets available for sale	42,850,124	33,987,919	8,862,205
50. Financial assets held to maturity	0	0	0
60. Receivables due from banks	23,951,436	29,777,865	(5,826,429)
70. Receivables due from customers	3,290,087,806	4,318,005,927	(1,027,918,121)
80. Hedging derivatives	613,009	957,455	(344,446)
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	43,380,373	43,275,791	104,582
120. Intangible assets hereof:	2,635,971	2,627,184	8,787
- goodwill	1,113,941		
130. Tax assets	25,200,971	18,679,733	6,521,238
a) current	6,720,941		
b) pre-paid	18,480,030		
140. Non-current assets and groups of assets held for sale	791,136,601	0	791,136,601
150. Other assets	33,789,764	32,492,829	1,296,935
Total assets	**4,259,909,275**	**4,487,569,213**	**(227,659,938)**

Total liabilities and shareholders' equity	31.12.2011	31.12.2010	Absolute change
10. Payables due to banks	1,965,993,914	2,734,118,090	(768,124,176)
20. Payables due to customers	610,860,114	794,216,410	(183,356,296)
30. Outstanding securities	414,481,418	441,684,784	(27,203,366)
40. Financial liabilities held for trading	13,348,605	27,670,656	(14,322,051)
50. Financial liabilities at fair value	23,765,385	33,468,153	(9,702,768)
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	0	0
a) current	0	0	0
b) deferred	0	0	0
90. Liabilities related to groups of assets held for sale	789,136,601	0	789,136,601
100. Other liabilities	60,691,431	65,347,717	(4,656,286)
110. Provision for employee severance payment (TFR)	2,647,163	3,289,540	(642,377)
120. Provisions for liability and charges:	2,082,269	2,778,683	(696,414)
a) pensions and similar benefit obligations	0	0	0
b) other provisions	2,082,269	2,778,683	(696,414)
130. Valuation reserves	(1,432,678)	(602,770)	829,908
140. Redeemable shares	0	0	0
150. Capital instruments	0	0	0
160. Reserves	57,131,459	56,590,400	541,059
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	3,015,994	10,819,950	(7,803,956)
Total liabilities and Shareholders' equity	**4,259,909,275**	**4,487,569,213**	**(227,659,938)**

Values as of 31/12/2010 referable to liability items "20. Payables due to customers" and "30. Outstanding securities" were amended, in comparison with those indicated for the reference financial year pursuant to IAS8 provisions. For a detailed collation, please refer to what indicated in Part A of the Notes to the financial statements, where the comparative information required by IAS1 is given.

Income statement at 31st December 2011

Income statement items	31,12,2011	31,12,2010	Absolute change
10, Interest receivable and similar revenues	150,861,203	156,252,170	(5,390,967)
20, Interest payable and similar charges	(66,323,975)	(52,473,140)	13,850,835
30, Net interest margin	**84,537,228**	**103,779,030**	**(19,241,802)**
40, Commission income	15,455,390	20,595,031	(5,139,641)
50, Commission expenses	(7,608,331)	(7,835,736)	(227,405)
60, Net commissions	**7,847,059**	**12,759,295**	**(4,912,236)**
70, Dividends and similar income	0	0	0
80, Net profit (loss) from trading activity	1,425,403	(2,535,656)	(3,961,059)
90, Net profit (loss) from hedging activity	14,713	56,025	(41,312)
100, Profits (Losses) from sale or repurchase of:	129,751	213,860	(84,109)
a) receivables	0	0	0
b) financial assets available for sale	4,265	0	4,265
c) financial assets held to maturity	0	0	0
d) financial liabilities	125,486	213,860	(88,374)
110, Profit/Losses on financial assets/liabilities at fair value	(198,388)	64,000	(262,388)
120, Operating income	**93,755,766**	**114,336,554**	**(20,580,788)**
130, Write-downs/write-backs for impaired:	(26,368,950)	(36,304,159)	(9,935,209)
a) receivables	(26,368,950)	(36,304,159)	(9,935,209)
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	**67,386,816**	**78,032,395**	**(10,645,579)**
150, Administrative expenses:	(66,103,701)	(64,332,774)	1,770,927
a) personnel costs	(32,707,692)	(32,677,464)	30,228
b) other administrative expenses	(33,396,009)	(31,655,310)	1,740,699
160, Net allocations to provisions for risks and charges	(41,898)	(500,545)	(458,647)
170, Net write-downs/write-backs on tangible fixed assets	(3,570,775)	(4,051,753)	(480,978)
180, Net write-downs/write-backs on intangible fixed assets	(631,743)	(708,362)	(76,619)
190, Other operating expenses/income	13,330,893	13,178,503	152,390
200, Operating costs	**(57,017,224)**	**(56,414,931)**	**602,293**
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	(18,964)	20,845	(39,809)
250, Profit (loss) before tax from continuing operations	**10,350,628**	**21,638,309**	**(11,287,681)**
260, Income taxes on continuing operations for the year	(7,334,634)	(10,818,359)	(3,483,725)
270, Profit (loss) from continuing operations after taxes	**3,015,994**	**10,819,950**	**(7,803,956)**
280, Profit (loss) of groups of assets held for sale, net of income taxes	0	0	0
290, Profit (loss) for the year	**3,015,994**	**10,819,950**	**(7,803,956)**

Statement of comprehensive income

Items	31.12.2011	31.12.2010
10. Profit (loss) for the year	3,016	10,820
Other income components after taxes		
20. Financial assets available for sale	(829)	-619
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. Share of valuation reserves of participations valued at shareholders' equity	0	0
110. Total other income components after taxes	**(829)**	**-619**
120. Total Comprehensive Income (Item 10+110)	**2,187**	**10,201**

The examined prospect shows the aggregate amount "Total 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 changes to valuation reserves.

Statement of changes in shareholders' equity

Statement of changes in shareholders' equity at 31.12.2010	Balance as of 31.12.2009	Change in opening Balances	Balance as of 01.01.2010	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) others	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)**

Statement of changes in shareholders' equity at 31.12.2011	Balance as of 31.12.2010	Change in opening Balances	Balance as of 31.11.2011	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	56,590	0	56,590	541	0
b) others	0	0	0	0	0
Valuation reserves:	(603)	0	(603)	0	0
Capital instruments	0	0	0	0	0
Own shares	0	0	0	0	0
Net profit/loss for the period	10,820	0	10,820	(541)	(10,279)
Shareholders' equity	**384,995**	**0**	**384,995**	**0**	**(10,279)**

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 Option	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**

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 Option	Net profit (loss) For the period 2011	Shareholders' equity 31.12.2011
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	57,131
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	(829)	(1,432)
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	3,016	3,016
0	**0**	**0**	**0**	**0**	**0**	**0**	**2,187**	**376,903**

Statement of the cash flows - Indirect method	31.12.2011	31.12.2010
A. OPERATING ACTIVITIES		
1. Operations	52,761	36,925
- profit/loss for the period (+/-)	3,016	10,820
- capital gains/losses on financial assets held for trading on financial assets/liabilities valued at fair value (-/+)	(1,227)	2,472
- capital gains/losses on hedging operations (+/-)	(15)	(56)
- net write-offs/write-backs due to impairment (+/-)	26,369	36,304
- net write-offs/write backs on tangible and intangible assets (+/-)	4,202	4,760
- net provisions to reserves for liabilities and charges and other revenues/expenses (+/-)	13,081	(28,193)
- tax and duties not settled (+)	7,335	10,818
- 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	179,095	38,886
- financial assets held for trading	1,134	1,198
- financial assets valued at fair value	0	0
- financial assets available for sale	(8,862)	(33,988)
- receivables due from banks: payable on demand	4,052	(21,153)
- receivables due from banks: other receivables	1,774	41,153
- receivables due from customers	1,028,263	50,461
- other assets	(847,266)	1,215
3. Liquidity generated/absorbed by financial liabilities	(218,770)	(74,521)
- payables due to banks: payable on demand	(55,022)	(508)
- payables due to banks: other payables	(713,102)	51,375
- payables due to customers	(183,356)	55,022
- securities outstanding	(27,203)	(187,725)
- financial liabilities held for trading	(14,322)	22,415
- financial liabilities valued at fair value	(9,703)	607
- other liabilities	783,938	(15,707)
Net liquidity generated/absorbed by operating activities	**13,086**	**1,290**

Statement of the cash flows - Indirect method	31.12.2011	31.12.2010
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	1,126	256
- 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	1,126	255
- sale of intangible assets	0	1
- sale of subsidiaries and divisions	0	0
2. Liquidity absorbed by	(4,300)	(3,225)
- purchase of equity investments	0	0
- purchase of financial assets held to maturity	0	0
- purchase of tangible assets	(3,640)	(2,995)
- purchase of intangible assets	(660)	(230)
- purchase of subsidiaries and divisions	0	0
Net liquidity generated/absorbed by operating activities	(3,174)	(2,969)
C. FUNDING ACTIVITIES		
- issue/purchase of own shares	0	0
- issue/purchase of capital instruments	0	0
- dividend distribution and other purposes	(10,279)	(3,369)
Net liquidity generated/absorbed by operating activities	(10,279)	(3,369)
Net liquidity generated/absorbed during the year	**(367)**	**(5,048)**

Reconciliation

Balance sheet items	Amount 31.12.2011	Amount 31.12.2010
Opening balance of cash and cash equivalents	2,721	7,769
Net total liquidity generated/absorbed during the year	(367)	(5,048)
Cash and cash equivalents: effect of changes in exchange rates	0	0
Closing balance of cash and cash equivalents	**2,354**	**2,721**

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 2011 in comparison with the financial year 2010 are negative for EUR 367 thousand and are due to:

- Operative business: generated liquidity for EUR 13,086 thousand;
- Investment business: absorbed liquidity for EUR 3,174 thousand;
- Capital fund business due to the distribution of dividends: absorbed liquidity for EUR 10,279 thousand.

Note to the financial statements

Structure and content of the Financial Statements at 31 December 2011

Part A
Accounting policies

A.1 – General part

Section 1
Statement of compliance with international accounting principles

The Balance sheet 2011 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, Statement of Comprehensive Income, the statement of changes in shareholders' equity, the statement of the cash flows 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 thousand of Euros.

The financial statements were drawn up in the perspective of the continuity of company business. To this aim, the Directors have performed the required verifications of the principle of company continuity, on the base of the industrial plan approved by the Board of Directors on 30/01/2011, as well as of the engagement undertaken by Hypo Alpe-Adria-Bank International AG to implement all possible actions in order to guarantee Hypo Alpe-Adria-Bank S.p.A. the availability of the required resources to finance the activity.

The financial statements were drawn up by following the principle of accounting on an accrual basis, in compliance with the principle of information relevance and pertinence, 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.

Reclassifications
Balance sheet item subject to reclassification

From the verifications performer during the year, it emerged that in the financial years from December 31st 2008 to December 31st 2010 negative operations with underlying repurchased own-issued securities, were reclassified in the item "20.- Payables towards customers".

Analogously with the provisions of Supervisory instructions by Banca d'Italia, the negative repurchase agreements with underlying repurchased own-issued securities are to be assimilated to a new placement on the market of these securities, with undertaking to refund at the end of the repurchase agreement transaction.

Therefore, this kind of transactions should be indicated in the liabilities in the item "30 – Outstanding securities".

As follows we are indicating the required comparative information of the case from IAS 1 and from IAS 8.

Liability items	01.01.2010 Before reclassification	Reclassification	01.01.2010 After reclassification
20. Payables towards the customers	739,195	(9,791)	729,404
30. Outstanding securities	629,410	9,791	639,201

Liability items	31.12.2010 Before reclassification	Reclassification	31.12.2010 After reclassification
20. Payables towards the customers	810,393	(16,177)	794,216
30. Outstanding securities	425,508	16,177	441,685

Income statement items subject to reclassification

In the financial year, after clarifications by the Supervisory Board and in the framework of a timelier representation of administrative expenses, we have reclassified in the sub item "Other administrative expenses" costs not strictly attributable to personnel and that previously were classified in the sub item "Personnel costs".

The following reclassifications were carried out:

Liability items	31.12.2010 Before reclassification	Reclassification	31.12.2010 After reclassification
150 a) Personnel costs	33,040	(362)	32,678
150 b) Administrative costs	31,293	362	31,655

Exclusion from the arrangement of the Consolidated Financial Statement

The "consolidated financial statements" aren'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.

The drawing up of the financial statements requires as well the recourse to assessments and assumptions which could determine significant effects on the values recorded into the balance sheet and the income statement, as well as on the information note related to potential assets and liabilities indicated on the balance.

The processing of these assessments implies the use of available information and the adoption of subjective estimations, founded on historical experience used for the aims of the formulation of reasonable assumptions for the recording of management events.

Due to their nature, used assessments and assumptions could vary from period to period; therefore, it cannot be excluded that in the subsequent business years the current values recorded in the financial statements could be different also meaningfully due to the changing in used subjective assessments.

The main cases for which the employment of subjective assessment by the Board of Directors is required are:
- quantification of losses due to the reduction of value of receivables and, in general, of other financial assets;
- determination of the fair value of financial instruments;
- employment of evaluative models for the recording of the fair value of the financial instruments not listed in active markets;
- quantification of personnel funds and of the funds for risks and charges
- assessments and assumptions regarding the recoverability of positive deferred taxes.

The description of the accounting policies applied on the main balance aggregates gives information details needed to single out the main assessments and subjective assumptions used in the drawing up of the financial statements.

For more detailed information regarding the composition and the related recording values of the items involved in the considered assumptions, please refer to the specific sections of the notes to the financial statements.

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 2011 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

Recognition criteria

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 to be leased are entered at the signature of the contract among receivables due to "Other operations" and are transferred to receivables due to "Financial lease" at the time when the contracts are "granted".

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, repurchase agreements operations, receivables deriving from leasing operations (that pursuant to IAS17 are indicated 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 amortised 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 amortised 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 (doubtful 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 (“Esposizioni 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 (“Esposizione 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 categories 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, 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: a) 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

Rules regarding “de-recognition” pursuant to IAS39 were applied in compliance with what allowed by IFRS1. 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, the 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", 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:

- prospective 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.

With the first time adoption of the IAS/IFRS, derivative instruments designated as hedging in accordance with prudent national accounting standards have been virtually entirely reclassified 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 is 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 treated 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.

Tangible assets (for functional use) include also those accounted due to financial lease contracts, although their legal ownership remains to the leasing company. Tangible assets 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 or groups of assets/liabilities held for sale

Classification criteria

In the asset item "Non-continuing assets and groups of assets held for sale" and in the liability item "Liabilities associated to assets held for sale" non-continuing assets or groups of assets/liabilities for which a sales process has been started and their sale is considered as highly probable, are classified, in accordance with IFRS 5.

Measurement and appraisal criteria of the revenue components

The single non-continuing assets or the groups of assets held for sale are assessed at the lower value between the book value and their fair value, net of transfer costs, excluded these assets, which are still assessed in compliance with the reference principle:

- Deferred fiscal assets
- Assets deriving from benefits for personnel
- Financial instruments
- Real-estate investments

Proceeds (interests receivable and dividends, etc.) and costs (interests payable, depreciations, etc.), referable to the single non-continuing assets or to groups of assets held for sale and to the related liabilities held for sale are still booked in the same item, while proceeds (interests receivable and dividends, etc.) and costs (interests payable, depreciations, etc.), referable to sold operative units, are indicated, net of the current and deferred taxes, in the item "Proceeds (losses) of non-continuing assets held for sale after taxes" in the Income Statement.

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 31/12/2011 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 5.32% 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) and by the Law by Decree no. 98 of 06/07/2011 (so-called emergency budget 2011), 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 2011 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 the 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 ceases, 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 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 the revenue components
Negative income components represented by 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 are entered onto the income statement under the item «Profit/losses from assignment or repurchase of: d) financial liabilities».

14. Financial liabilities –held for 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, normally corresponding to amounts 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 the 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;

- 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 the 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, deriving from the conversion of monetary elements, 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.

Securitisations

In the financial statements there are no transaction completed before January 1st 2004. Currently there are only transactions completed after this date, through which receivables are transferred to vehicle companies and where, 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 in 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 operations - IAS 17

The financial leasing is a contract which substantially transfers all the risks and the benefits deriving from the ownership of the asset. The possessory title can be transferred or not at the end of the contract.

The leasing starts its validity at the date at which the lessee is authorized to exercise his/her right to the use of the leased asset and therefore it corresponds to the date of initial recognition of the leasing.

• Tangible assets acquired in financial leasing

At the starting date of the contract, the lessee records financial leasing transactions as assets and liabilities in its balance, with values corresponding to fair value of the leased asset or, if lower, at the current value of minimum payments due.

To determine the current value of minimum payments due, the used discount rate is the implicit contractual interest rate, if determinable; if not, the interest rate of the lessee's marginal funding is otherwise used. Any initial direct costs paid by the lessee are added to the amount booked as asset.

The minimum payments due are divided between financial costs and reduction of the residual debit. The first are divided along the contractual duration, so as to determine a constant interest rate on the residual liability.

The financial leasing contract requires the booking of the depreciation share of the assets subject of the contract and of the financial burdens for each financial year. The depreciation criterion used for leased assets is consistent with the one adopted for owned assets.

• Credits originated by financial leasing transactions

At the starting date of the contract, the lessor registers the leased assets in the balance sheet indicating them as receivables for a value corresponding to the net investment in the leasing.

The initial direct costs are often paid by the lessor and include sums such as commissions, court charges and internal costs which increase and are directly attributable to leasing transaction and completion.

These exclude general management expenses such as sales and marketing costs. For the financial leasing different from those in which the lessor is a manufacturer or a dealer, the initial direct costs are included in the initial assessment of financial leasing implicit receivables and reduce the value of the proceeds recorded during the leasing. The implicit leasing interest rate is defined so that the initial direct costs are automatically included in financial leasing implicit credits; it is not necessary to add them separately.

With reference to the financial leasing, the booking of financial proceedings is based on modalities which reflect a constant periodic yield rate on the lessor's net investment.

The lessor should subdivide the financial income along the duration of the leasing with a systematic and rational criterion. This income sharing is based on modalities which reflect a constant periodical yield on the lessor's net investment. Leasing instalments related to the period, services costs excluded, are imputed to the leasing gross investment to reduce both the principal amount and the non-matured financial profit.

Valuations of the unguaranteed residual values used in the calculation of the leasing gross investment are periodically reviewed. In case of a reduction in the valuation of the non-guaranteed residual value, the distribution of proceedings along the leasing is reviewed and any reduction concerning already booked amounts is recorded immediately.

• Leasing under Construction ("Leasing in Costruendo")

In the item "Credits towards customers" the assets under construction and awaiting to be leased, for which there was a "risk transfer", net of advances, if any, paid to the user at the time of entering into the agreement have been reclassified.

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 of 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 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 amortised cost

The amortised cost of a financial asset or liability is the value at which this is 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 amortised 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 amortised 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 amortised 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 amortised 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 amortised costs, the charges the Bank should support independently from the operation (for instance, administrative, stationery, communication costs), aren't to be considered; 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 IFRS 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) inputs 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

Assets/liabilities measured at fair value	31.12.2011 Level 1	31.12.2011 Level 2	31.12.2011 Level 3	31.12.2010 Level 1	31.12.2010 Level 2	31.12.2010 Level 3
1. Financial assets held for trading	0	478	0	0	1,612	0
2. Financial assets assessed at fair value	0	0	0	0	0	0
3. Financial assets available for sale	42,850	0	0	33,988	0	0
4. Hedging derivatives	0	613	0	0	957	0
Total	**42,850**	**1,091**	**0**	**33,988**	**2,569**	**0**
1. Financial liabilities held for trading	0	13,349	0	0	27,671	0
2. Financial liabilities assessed at fair value	0	23,765	0	0	33,468	0
4. Hedging derivatives	0	0	0	0	0	0
Total	**0**	**37,114**	**0**	**0**	**61,139**	**0**

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

Typology of operations not present at the Bank.

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

Typology of operations not present at the Bank.

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

The initial recognition 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 non-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 113 thousand. The set-off to the income statement amounted to EUR 194 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

Voci/Valori	31.12.2011	31.12.2010
a) Cash	2,354	2,721
b) Free deposits with Central Banks		
Total	**2,354**	**2,721**

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

Section 2
Financial assets held for trading – Item 20

2.1 Financial assets held for trading: composition by type

	31.12.2011			31.12.2010		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	0	0	0	0	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	0	0	0	0
2. Equity securities	0	0	0	0	0	0
3. O.I.C.R. quotas	0	0	0	0	0	0
4. Financing	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**	**0**	**0**	**0**
B. Derivative instruments						
1. Financial derivatives	0	478	0	0	1,612	0
1.1 trading	0	313	0	0	1,127	0
1.2 associated with fair value option	0	165	0	0	485	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**	**478**	**0**	**0**	**1,612**	**0**
Total (A + B)	**0**	**478**	**0**	**0**	**1,612**	**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	31.12.2011	31.12.2010
A. Cash assets		
1. Debt securities	**0**	**0**
a) Governments and Central Banks	0	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. (collective savings investment org.) quotas	**0**	**0**
4. Financing	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**	**0**
B. DERIVATIVE INSTRUMENTS		
a) Banks		
- fair value	452	816
b) Customers		
- fair value	26	796
Total B	**478**	**1,612**
Total (A + B)	**478**	**1,612**

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	**0**	**0**	**0**	**0**	**0**
B. Increases	**164,609**	**37**	**0**	**0**	**164,646**
B1. Purchases	164,605	37	0	0	164,642
B2. Positive fair value variations	0	0	0	0	0
B3. Other variations	4	0	0	0	4
C. Decreases	**164,609**	**37**	**0**	**0**	**164,646**
C1. Sales	164,609	37	0	0	164,646
C2. Reimbursements	0	0	0	0	0
C3. Negative fair value variations	0	0	0	0	0
C4. Trasfers to other portfolios	0	0	0	0	0
C5. Other variations	0	0	0	0	0
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 31st December 2011.

Section 4
Financial assets available for sale – Item 40

4.1 Financial assets available for sale: composition by type

Items/Values	31.12.2011 Level 1	Level 2	Level 3	31.12.2010 Level 1	Level 2	Level 3
1. Debt securities	42,850	0	0	33,988	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	42,850	0	0	33,988	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. quotas	0	0	0	0	0	0
4. Financing	0	0	0	0	0	0
Total	**42,850**	**0**	**0**	**33,988**	**0**	**0**

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

Items/Values	31.12.2011	31.12.2010
1. Debt securities	**42,850**	**33,988**
a) Governments and Central banks	42,850	33,988
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. quotas	**0**	**0**
4. Financing	**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	**42,850**	**33,988**

4.3 Financial assets available for sale subject to specific hedging

At 31st December 2011 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. quotas	Financing	Total
A. Opening balances	**33,988**	**0**	**0**	**0**	**33,988**
B. Increases	**35,267**	**0**	**0**	**0**	**35,267**
B1. Purchases	34,577	0	0	0	34,577
B2. Positive variations of fair value	134	0	0	0	134
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	556	0	0	0	556
C. Decreases	**26,405**	**0**	**0**	**0**	**26,405**
C1. Sales	0	0	0	0	0
C2. Repayments	24,850	0	0	0	24,850
C3. Negative variations of fair value	1,380	0	0	0	1,380
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
C5. Transfers to other portfolios	0	0	0	0	0
C6. Other variations	175	0	0	0	175
D. Closing balances	**42,850**	**0**	**0**	**0**	**42,850**

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	31.12.2011	31.12.2010
A. Receivables due from Central Banks	**18,060**	**22,112**
1. Term deposits	0	0
2. Legal reserve	18,060	22,112
3. Repurchase agreements - receivables	0	0
4. Other	0	0
B. Receivables due from banks	**5,891**	**7,666**
1. Current accounts and free deposits	5,891	7,666
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)	**23,951**	**29,778**
Total (fair value)	**23,951**	**29,778**

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.
From the total as of 31st December 2011 the accounts subject to transfer to Hypo Alpe-Adria Leasing S.r.l. for EUR 4,340 thousand, classified in the item 140 "Non-current assets and groups of assets held for sale" are excluded.

6.2 Receivables due from banks: assets subject to specific hedging
There are no receivables due from banks, with specific hedging, at 31st December 2011.

6.3 Financial Leasing
There are no receivables due from banks, in leasing, at 31st December 2011.

Section 7
Receivables due from customers – Item 70

7.1 Receivables due from customers: composition by type

	31.12.2011		31.12.2010	
Operation typology/Values	Performing	Impaired	Performing	Impaired
1. Current accounts	168,939	40,730	225,107	75,324
2. Repurchase agreements - receivables	0	0	0	0
3. Loans	507,499	119,886	542,823	151,238
4. Credit cards, personal loans and transfer of fifth	455	223	657	242
5. Financial leasing	2,021,288	175,091	2,327,351	624,114
6. Factoring	0		0	
7. Other operations	242,092	13,885	334,246	36,904
8. Debt securities	0		0	
8.1 Structured securities	0		0	
8.2 Other debt securities	0		0	
Total (book value)	**2,940,273**	**349,815**	**3,430,184**	**887,822**
Total (fair value)	**n.d.**	**n.d.**	**n.d.**	**n.d.**

"Receivables due from customers" are indicated net of write-downs deriving from depreciations.

With reference to the indication of the fair value of the receivables from 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.

From the total as of 31st December 2011 the accounts subject to transfer to Hypo Alpe-Adria Leasing S.r.l. for EUR 786,646 thousand, classified in the item 140 "Current assets and groups of assets held for sale" are excluded.

7.2 Receivables due from customers: composition by debtor/issuer

Operation typology/Values	31.12.2011 Performing	31.12.2011 Impaired	31.12.2010 Performing	31.12.2010 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 to	**2,940,273**	**349,815**	**3,430,184**	**887,822**
a) Governments	0	0	0	0
b) Other public bodies	69	0	76	0
c) Other issuers	2,940,204	349,815	3,430,108	887,822
- non-financial companies	2,672,079	307,261	3,047,857	834,518
- financial companies	48,429	278	138,228	409
- insurance companies	258	0	493	0
- other	219,438	42,276	243,530	52,895
Total	**2,940,273**	**349,815**	**3,430,184**	**887,822**

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 31st December 2011.

7.4 Financial Leasing

Reconciliation among leasing gross investment and current value of minimum payments due for the leasing and non-guaranteed residual values due to the lessor.

	31.12.2011			
	Minimum payments		Gross	Non-guaranteed residual
Operation tipology	Principal	Interests	investment	values (redemption)
Financial lease	2,659,328	796,651	3,455,979	586,490
- of which back-leased contracts	95,124	30,581	125,705	28,227

	31.12.2011				
	Write-downs		Minimum payments		Gross
Time brackets	Specific	Portfolio	Principal	Interest	Investment
Up to 3 months	9,893	562	112,040	26,049	138,089
From 3 months to 1 year	2,198	1,400	188,594	77,698	266,292
From 1 year to 5 years	6,733	3,157	743,704	324,197	1,067,902
More than 5 years	12,029	1,612	1,462,300	368,707	1,831,007
Non-specified duration	6,057	0	152,690	0	0
Total	**36,910**	**6,731**	**2,659,328**	**796,651**	**3,303,290**

General description of significant agreements

Typology of leased asset	Starting value	Outstanding debt at 31.12.2011	Duration years	Periodicity	Fixed/ Indexed
1 Real estate	30,600	26,248	20	Monthly	Indexed
2 Real estate	25,997	17,599	15	Monthly	Indexed
3 Real estate	16,002	14,163	15	Monthly	Indexed
4 Real estate	15,021	14,134	18	Monthly	Indexed
5 Real estate	12,500	9,045	18	Monthly	Indexed
6 Real estate	12,027	8,353	15	Monthly	Indexed
7 Real estate	11,226	9,206	18	Monthly	Indexed
8 Real estate	10,914	7,459	15	Monthly	Indexed
9 Real estate	9,872	8,550	15	Monthly	Indexed
10 Real estate	9,546	7,843	15	Monthly	Indexed
11 Real estate	9,300	7,524	18	Monthly	Indexed
12 Real estate	9,201	7,189	30	Quarterly	Indexed
13 Real estate	9,167	7,539	20	Monthly	Indexed
14 Real estate	8,800	3,281	15	Monthly	Indexed
15 Real estate	8,492	7,805	21	Monthly	Indexed
16 Real estate	8,336	4,786	15	Monthly	Indexed
17 Real estate	8,326	7,388	20	Monthly	Indexed
18 Real estate	8,000	5,964	15	Monthly	Indexed
19 Real estate	8,000	5,618	15	Monthly	Indexed
20 Real estate	7,803	5,900	15	Monthly	Indexed
21 Real estate	7,657	6,316	19	Quarterly	Indexed
22 Real estate	7,453	5,669	18	Monthly	Indexed
23 Real estate	7,385	6,677	18	Monthly	Indexed
24 Real estate	7,147	6,090	20	Monthly	Indexed
25 Real estate	6,878	5,682	17	Monthly	Indexed
26 Real estate	6,731	4,950	18	Monthly	Indexed
27 Real estate	6,559	5,565	18	Monthly	Indexed
28 Real estate	6,409	3,348	15	Monthly	Indexed
29 Real estate	6,400	4,843	15	Monthly	Indexed
30 Real estate	6,359	5,681	18	Monthly	Indexed
31 Real estate	6,324	5,417	15	Monthly	Indexed
32 Real estate	6,050	4,661	18	Monthly	Indexed
33 Real estate	5,713	3,219	15	Monthly	Indexed
34 Real estate	5,670	3,390	8	Monthly	Indexed
35 Real estate	5,610	4,757	18	Monthly	Indexed
36 Real estate	5,561	3,997	15	Monthly	Indexed
37 Real estate	5,542	3,058	15	Monthly	Indexed
38 Real estate	5,367	4,715	20	Monthly	Indexed
39 Real estate	5,327	1,746	4	Monthly	Indexed
40 Real estate	5,300	3,973	15	Monthly	Indexed

Section 8
Hedging derivatives – Item 80

8.1 Hedging derivatives: composition by typology and hierarchical levels

	31.12.2011				31.12.2010			
	Fair value				Fair value			
	L1	L2	L3	VN	L1	L2	L3	VN
A. Financial derivatives	**0**	**613**	**0**	**12,585**	**0**	**957**	**0**	**37,566**
1) Fair value	0	613	0	12,585	0	957	0	37,566
2) Financial 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) Financial flows	0	0	0	0	0	0	0	0
Total	**0**	**613**	**0**	**12,585**	**0**	**957**	**0**	**37,566**

Legend: VN = Notional 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 had a positive fair value.

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

Operations/Type of hedging	Fair Value						Financial flows		Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More risks				
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	613	0	0	X	0	X	0	X	X
2. Portfolio	X	X	X	X	X	0	X	0	X
Total liabilities	**613**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Foreseen 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 generic hedging – Item 90

9.1 Change in value of hedged assets: composition by hedged portfolios
No data entry as of 31st December 2011.

9.2 Assets covered by interest rate risk hedge
No data entry as of 31st December 2011.

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. Hypo Service 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.	2,849	8,780	3	1,028	821	X
2. HypoService S.r.l.	11,264	1,887	232	2,621	2,611	X
Total	**14,113**	**10,667**	**235**	**3,649**	**3,432**	**X**

Participations in subsidiaries are evaluated at cost.

The participation in HypoService S.r.l., born to manage and exploit properties, was not depreciated, as it is thought that in the activities of the Company 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 31.12.2011. In the column "total revenues" the total amount of positive income components, before taxes is indicated.

10.3 Equity investments: annual changes

Items/Values	31.12.2011	31.12.2010
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	31.12.2011	31.12.2010
A. Asset for functional use		
1.1 owned	**12,254**	**12,154**
a) land	3,291	3,166
b) buildings	2,925	2,135
c) furniture	1,655	2,322
d) electrical equipment	0	0
e) other	4,383	4,531
1.2 acquired in leasing	**27,775**	**28,730**
a) land	4,446	4,446
b) buildings	22,536	23,332
c) furniture	0	0
d) electrical equipment	0	0
e) other	793	952
Total A	**40,029**	**40,884**
b. Assets held for investment purposes		
2.1 owned	**3,351**	**2,392**
a) land	129	129
b) buildings	3,222	2,263
2.2 acquired in leasing	**0**	**0**
a) land	0	0
b) buildings	0	0
Total B	**3,351**	**2,392**
Total (A + B)	**43,380**	**43,276**

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.

From the total as of 31st December 2011 tangible assets subject to transfer, whose net value, corresponding to EUR 132 thousand, is included in the item 140 "Current assets and groups of assets held for sale" are excluded.

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**	**29,653**	**6,353**	**0**	**24,665**	**68,283**
A.1 Total net value reductions	0	4,186	4,030	0	19,183	27,399
A.2 Net opening balance	**7,612**	**25,467**	**2,323**	**0**	**5,482**	**40,884**
B. Increases	125	888	26	0	2,601	3,640
B.1 Acquired	125	888	26	0	2,601	3,640
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**	**694**	**0**	**2,908**	**4,495**
C.1 Sales	0	0	0	0	1,126	1,126
C.2 Depreciation	0	893	589	0	1,756	3,238
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	105	0	26	131
a) tangible assets held for						
investment purposes	0	0	0	0	0	0
b) assets held for sale	0	0	105	0	26	131
C.7 Other variations	0	0	0	0		0
D. Net closing balance	**7,737**	**25,462**	**1,655**	**0**	**5,175**	**40,029**
D.1 Net total value reductions	0	5,079	4,618	0	20,939	30,636
D.2 Gross closing balance	**7,737**	**30,541**	**6,273**	**0**	**26,114**	**70,665**
E. Assessments 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	**129**	**2,263**	**2,392**
B. Increases:	**0**	**959**	**959**
B.1 Purchases	0	959	959
B.2 Expenses 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 variations	0	0	0
D. Closing balance	**129**	**3,222**	**3,351**
E. Assessment at fair value	622	5,350	5,972

11.5 Commitments for purchases of tangible asset

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	31.12.2011 Limited duration	31.12.2011 Unlimited duration	31.12.2010 Limited duration	31.12.2010 Unlimited duration
A.1 Goodwill	X	1,114	X	1,114
A.2 Other intangible assets	1,522	0	1,513	0
A.2.1 Assets valued at cost:	1,522	0	1,513	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	1,522	0	1,513	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	**1,522**	**1,114**	**1,513**	**1,114**

The under-item A.1 "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 the 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 remuneration rate on the invested capital, 10.25%) and the growth rate of the profitability produced by the CGU quantified prudentially as the economy growth rate foreseen for the period assumed for the calculation (10 years). Therefore, our Bank adopted a gross 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 usage value net of invested capital remuneration of about EUR 1,200 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.

From the total as of 31st December 2011 intangible assets subject to transfer to Hypo Alpe-Adria Leasing S.r.l., corresponding to EUR 19 thousand, whose value is included in the item 140 "Current assets and groups of assets held for sale" are excluded.

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets generated internally		Other intangible assets		Total
		Limited duration	Illimited duration	Limited duration	Illimited duration	
A. Opening balance	**1,114**	**0**	**0**	**9,319**	**0**	**10,433**
A.1 Net total value reductions	0	0	0	7,806	0	7,806
A.2 Net opening balance	**1,114**	**0**	**0**	**1,513**	**0**	**2,627**
B. Increases:	**0**	**0**	**0**	**660**	**0**	**660**
B.1 Purchases	0	0	0	660	0	660
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**	**651**	**0**	**651**
C.1 Sales	0	0	0	0	0	0
C.2 Write-downs	0	0	0	632	0	632
- Depreciation	X	0	0	632	0	632
- 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
C.4 Transfer to non-current assets held for sale	0	0	0	19	0	19
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**	**1,522**	**0**	**2,636**
D.1 Net total value reductions	0	0	0	8,438	0	8,438
E. Gross closing balance	**1,114**	**0**	**0**	**9,960**	**0**	**11,074**
F. 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 sharehol-ders 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	31.12.2011
- Goodwill	289
- Additional indemnity for the customers	66
- Credits devaluations	17,036
Non-certain and/or non-determined costs	283
Tangible fixed assets	86
AFS securities	708
- Other	12
Total	**18,480**

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)

Items / Values	31.12.2011	31.12.2010
1. Opening balance	**17,704**	**14,232**
2. Increases	**1,562**	**5,036**
2.1 Prepaid taxes arising during the year	1,538	5,036
a) relating to previous years	4	0
b) due to change in accounting criteria	0	0
c) write-backs	0	0
d) other	1,534	5,036
2.2 New taxes or tax rate increases	24	0
2.3 Other increases	0	0
3. Decreases	**1,494**	**1,564**
3.1 Pre-paid tax assets derecognised during the year	1,476	979
a) reversals	1,476	979
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	1
3.3 Other decreases	17	584
4. Final amount	**17,772**	**17,704**

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

Items / Values	31.12.2011	31.12.2010
1. Opening balance	**-**	**658**
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	**0**	**658**
3.1 Deferred tax derecognised during the year	0	658
a) transfers	0	658
b) due to change in new accounting criteria	0	0
c) other	0	0
3.2 Tax rate reductions	0	0
3.3 Other reductions	0	0
4. Final amount	**0**	**0**

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

Items / Values	31.12.2011	31.12.2010
1. Opening balance	**292**	**0**
2. Increases	**416**	**292**
2.1 Advance taxes accounted for the period	409	292
a) related to previous periods	0	0
b) due to the changing of accounting criteria	0	0
c) other	409	292
2.2 New taxes or increases of fiscal rates	7	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	**708**	**292**

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	31.12.2011	31.12.2010
IRES - IRAP tax part payments	12,812	13,928
Tax credits receivable	3,203	3,210
Assets for gross current taxes	**16,015**	**17,138**
Compensation with current fiscal liabilities	9,294	16,454
Assets for net current taxes	**6,721**	**684**

Liabilities for current taxes

Description	31.12.2011	31.12.2010
Tax liabilities for direct taxes	9,294	16,454
Debts for gross current taxes	**9,294**	**16,454**
Compensation with current fiscal assets	9,294	16,454
Debits for net current taxes	**0**	**0**

Other information

With reference to current fiscal disputes, please refer to the detailed descriptions in the related space of the Report on Operations.

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 and associated liabilities: composition by asset typology

Description	31.12.2011	31.12.2010
A. Single assets		
A.1 Financial assets	0	0
A.2 Participations	0	0
A.3 Tangible assets	0	0
A.4 Intangible assets	0	0
A.5 Other non-current assets	0	0
Total A	**0**	**0**
B. Groups of assets (sold operative units)		
B.1 Financial assets held for trading	0	0
B.2 Financial assets assessed at fair value	0	0
B.3 Assets available for sale	0	0
B.4 Financial assets held to maturity	0	0
B.5 Receivables from banks	4,340	0
B.6 Receivables from customers	786,646	0
B.7 Participations	0	0
B.8 Tangible assets	132	0
B.9 Intangible assets	19	0
B.10 Other assets	0	0
Total B	**791,137**	**0**
C. Liabilities associated to single assets held for sale		
C.1 Payables	0	0
C.2 Securities	0	0
C.3 Other liabilites	0	0
Total C	**0**	**0**
D. Liabilities associated to groups of assets held for sale		
D.1 Payables towards banks	788,110	0
D.2 Payables towards customers	0	0
D.3 Outstanding securities	0	0
D.4 Financial liabilities held for trading	0	0
D.5 Financial liabilites assessed at fair value	0	0
D.6 Funds	0	0
D.7 Other liabilities	1,027	0
Total D	**789,137**	**0**

14.2 Other information

On November 3rd 2011 the Bank entrusted to an external professional the task to perform the appraisal of the economic capital of a Company Branch, made up by a set of activities, credit liabilities and correlated juridical relations having as main component not performing loans from the customers concerning lease contracts. Assets and liabilities will be transferred in the next business year to the company Hypo Alpe-Adria-Leasing S.r.l.

Hypo Leasing is participated by a single partner, Hypo Alpe-Adria-Leasing-Holding Gmbh, company incorporated under the Austrian law, with registered offices in Klagenfurt.

The transferred Company Branch includes assets, liabilities and the related juridical relations for the management of not performing loans of our Bank, made up by:

- doubtful loans that include all those positions referable to closed bank accounts and rescinded real estate lease contracts;
- other impaired loans, which include the category:
  - substandard loans
  - past due loans
  - related to lease contracts
- performing loans
- receivables from banks
- tangible and intangible assets;

and correlated and inherent liabilities made up by:

- negative bank accounts;
- severance pay and other liabilities connected to the personnel.

Section 15
Other assets – Item 150

15.1 Other assets: composition

	31.12.2011	31.12.2010
Unpaid bills – third party protest	56	232
Protested cheques	29	11
Credits and advance payments for indirect taxes	1,943	3,695
Suppliers for invoices to be issued	143	299
Advance payments to suppliers	2,647	2,969
Income and charges not attributed to specific items	5,271	4,189
Items in transit with branches	220	8
Incrementing costs on third party goods	3,962	4,242
Various debtors	6,808	9,784
Items under construction	12,711	7,064
Total	**33,790**	**32,493**

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	31.12.2011	31.12.2010
1. Payables due to Central Banks	**0**	**35,022**
2. Payables due to Banks	**1,965,994**	**2,699,096**
2.1 Current accounts and free deposits	637	25,688
2.2 Term deposits	895,157	1,204,490
2.3 Financing	1,070,200	1,468,918
2.3.1 Repurchase agreements payable	0	0
2.3.2 Other	1,070,200	1,468,918
2.4 Payables for buyback commitments of own asset instruments	0	0
2.5 Other debts	0	0
Total	**1,965,994**	**2,734,118**
Fair value	**1,965,994**	**2,734,118**

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.

From the total as of 31st December 2011 payables due to banks subject to transfer to Hypo Alpe-Adria Leasing S.r.l. for EUR 788,110 thousand, included in the item 90 "Payables associated to assets held for sale" are excluded.

1.2 Details of item 10 "Payables due to banks": subordinated payables

There are no subordinated payables due to banks at the balance sheet date.

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	31.12.2011	31.12.2010
1. Current accounts and free deposits	451,760	503,494
2. Term deposits	116,561	758
3. Financing	14,809	15,964
3.1 Repurchase agreements payable	0	0
3.2 Other	14,809	15,964
4. Payables for buyback commitments of own asset instruments	0	0
5. Other debts	27,730	274,001
Total	**610,860**	**794,217**
Fair value	**610,860**	**794,217**

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 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": subordinated payables
There are no subordinated 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 3.2 "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 December 31st 2011, corresponding to EUR 18,691 thousand, amounts totally to EUR 14,809 thousand.

Section 3
Outstanding securities – Item 30

3.1 Outstanding securities: composition by typology

Security typology/Values	31.12.2011				31.12.2010			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1 bonds	413,313	0	398,027	0	440,272	0	446,783	0
1.1 structured	0	0	0	0	0	0	0	0
1.2 other	413,313	0	398,027	0	440,272	0	446,783	0
2. other securities	1,168	0	1,168	0	1,413	0	1,413	0
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	1,168	0	1,168	0	1,413	0	1,413	0
Total	**414,481**	**0**	**399,195**	**0**	**441,685**	**0**	**448,196**	**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 reference balance date 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": subordinated securities

Typology of supervision	Denomination	Issue date	Expiry date	Currency	Rate	Book value 31.12.2011	Book value 31.12.2010
Tier 2	HYPOBANK 30ST12 SUB	30/09/2002	30/09/2012	EUR	variable	20,127	20,102
Tier 2	HYPOBANK 30GIU13 SUB	30/06/2003	30/06/2013	EUR	variable	28,001	28,002
Total						**48,128**	**48,104**

Here it's indicated a detail of the previous table 3.1 showing all subordinated Securities present at the end of the business year 2011 and the related main features. The amounts reckonable in the Supervisory capital are indicated in part F section 2 "The supervisory capital".

3.3 Outstanding securities: securities subject to specific hedging

Operation typology/Values	31.12.2011	31.12.2010
1. Securities subject to specific fair value hedging:	**12,988**	**38,437**
a) interest rate risk	12,988	38,437
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 bonds 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	31.12.2011					31.12.2010				
		Fair value					Fair value			
	VN	L1	L2	L3	FV*	VN	L1	L2	L3	FV*
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		13,348	0	X	X		27,671	0	X
1.1 Trading	X		13,006	0	X	X		27,096	0	X
1.2 Associated with the fair value option	X		342	0	X	X		575	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**		**13,348**	**0**	**X**	**X**		**27,671**	**0**	**X**
Total (A+B)	**0**		**13,348**	**0**	**0**	**0**		**27,671**	**0**	**0**

Legend: FV*= fair value calculated excluding value variations due to the change in credit worthiness 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 hedging.

Financial liabilities held for negotiation shown at the under-item B. 1.2 of the table represent the negative value of derivative inst-ruments (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": subordinated liabilities

There are no subordinated 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 31st December 2011 there are no cash financial 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

	31.12.2011					31.12.2010				
		Fair value					Fair value			
Operation typology/Values	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	24,159	0	23,765	0	0	34,133	0	33,468	0	0
3.1 Structured	24,159	0	23,765	0	X	34,133	0	33,468	0	X
3.2 Other	0	0	0	0	X	0	0	0	0	X
Total	**24,159**	**0**	**23,765**	**0**	**0**	**34,133**	**0**	**33,468**	**0**	**0**

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

The considered item 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 subordinated securities.

5.3 "Financial liabilities at fair value": annual variations

Assets / Values	Liabilities due to banks	Liabilities due to customers	Outstanding securities	Total
A. Opening balance	**0**	**0**	**33,468**	**33,468**
B. Increases	**0**	**0**	**866**	**866**
B.1 Issues	0	0	0	0
B.2 Sales	0	0	355	355
B.3 Positive fair value changes	0	0	268	268
B.4 Other changes	0	0	243	243
C. Decreases	**0**	**0**	**10,569**	**10,569**
C.1 Purchases	0	0	353	353
C.2 Reimbursements	0	0	10,054	10,054
C.3 Negative fair value changes	0	0	15	15
C.4 Other changes	0	0	147	147
D. Closing balance	**0**	**0**	**23,765**	**23,765**

The "Positive and negative fair value changes" (under-item 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 increases of "Outstanding securities" with EUR 222 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 21 thousand to among positive issue differences.

The under item C.4 "Other changes" among the decreases of "Outstanding 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 31st December 2011 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 31st December 2011.

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 at Section 13 of Assets.

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

As to the information note regarding liabilities associated with assets held for sale, please refer to Section 14 of the Assets

Section 10
Other liabilities – Item 100

10.1 Other liabilities: composition

	31.12.2011	31.12.2010
Liabilities associated with staff	1,976	2,524
Payables due to insurance bodies	1,362	1,373
Sums to pay to the revenue authorities for third parties	3,366	2,987
Sums available to customers	4,149	4,866
Payables due to suppliers	25,203	27,447
Income and charges not attributable to specific items	3,763	3,194
Itinerant items with branches	16,172	15,813
Various creditors	4,298	4,195
Items under contruction	800	2,949
Adjustment of illiquid items related to invest. portfolio and others	61,089	65,348
Total A	**65,348**	**80,276**
Other liabilities held for sale:		
liabilities connected to personnel	161	0
debts towards insurance bodies	159	0
different creditors	77	0
Total B	**397**	**0**
Totale A - B	**60,692**	**65,348**

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

	31.12.2011	31.12.2010
A. Opening balance	**3,290**	**3,411**
B. Increases	**142**	**153**
B.1 Provisions during the year	142	153
B.2 Other increases	0	0
C. Decreases	**785**	**274**
C.1 Payments made	152	262
C.2 Other decreases	633	12
– of which: divested	630	0
D. Closing balance	**2,647**	**3,290**

In this item there is the TFR (severance pay) 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 hypotheses are summed up as follows:

	31.12.2011	31.12.2010
Annual rate of technical discount	4.25%	4.60%
Annual rate of inflation	2.00%	2.00%
Annual rate of increase of TFR (severance pay)	3.88%	2.94%

From the total as of 31st December 2011 the amount related to TFR of employees transferred to Hypo Alpe-Adria Leasing S.r.l. for EUR 630 thousand, due to the quoted transfer, included in the item 90 "Receivables associated to assets held for sale" are excluded.

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 social security) Treasury fund, amounts to EUR 3,724 thousand (3,750 thousand at 31st December 2010).

Section 12
Provisions for risks and expenses – Item 120

12.1 Provisions for risks and expenses: composition

Items/Values	31.12.2011	31.12.2010
1. Provisions for company pensions	0	0
2. Other provisions for contingent liabilities & contingent assets	2,082	2,779
2.1 legal disputes	768	1,591
2.2 personnel expenses	0	0
2.3 other	1,314	1,188
Total	**2,082**	**2,779**

12.2 Provisions, contingent liabilities & contingent assets: Annual changes

	Provisions for severance	Other provisions	Total
A. Opening balance	**0**	**2,779**	**2,779**
B. Increases	**0**	**379**	**379**
B.1 Provisions during the year	0	379	379
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**	**1,076**	**1,076**
C.1 Used in the year	0	738	738
C.2 Variations due to changes in the discount rate	0	0	0
C.3 Other decreases	0	338	338
D. Closing balance	**0**	**2,082**	**2,082**

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 2011 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	31.12.2011	31.12.2010
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 openung of the year	**318,187,600**	**0**
- 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	31.12.2011	31.12.2010
1. Legal reserve	9,085	8,544
2. Statutory reserve	47,346	47,346
3. Other	700	700
Total	**57,131**	**56,590**

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	**57,131**		**42,543**		
- Legal	9,085	B			
- Statutory	48,046	A B C	42,543		
d) Evaluation reserves	**(-1,432)**	**A B**			
e) Profit for the period	**3,016**	**A B C**	**3,016**		
Total (a)+(b)+(c)+(d)+(e)	**376,903**		**45,559**		
Non-distributable quota			**5,503**	**(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 5,503 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	31.12.2011	31.12.2010
Valuation reserves:		
- Financial assests available for sale	(-1,448)	(-619)
- Special revaluation laws	16	16
Total	**(-1,432)**	**(-603)**

Other information

1. Guarantees issued and commitments

Operations	31.12.2011	31.12.2010
1) Guarantees issued, of a financial nature	3,301	4,411
a) Banks	1,183	1,114
b) Customers	2,118	3,297
2) Guarantees issued, of a commercial nature	2,491	4,829
a) Banks	274	274
b) Customers	2,217	4,555
3) Irrevocable engagments to issue funds	64,314	106,668
a) Banks	353	8
i) use certain	353	8
ii) use uncertain	0	0
b) Customers	63,961	106,660
i) use certain	37	60
ii) use uncertain	63,924	106,600
4) Host commitments to credit derivatives: sales of	0	0
protection	0	0
5) Assets comprising guarantee of third-party bonds	0	0
6) Other commitments	**70,106**	**115,908**

2. Assets comprising guarantee of own liabilities and commitments

At 31st December 2011 there are no current advances.

Portfolios	31.12.2011	31.12.2010
1. Financial assets held for trading	0	
2. Financial assets at fair value	0	
3. Financial assets available for sale	20,010	
4. Financial assets held to maturity	0	
5. Receivables due from banks	0	
6. Receivables due from customers	0	
7. Tangible assets	0	

3. Information on operating leasing

At 31st December 2011 there are no assets or liabilities in operating leasing.

4. Third party management and brokerage

Service typology	31.12.2011	31.12.2010
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	152,454	164,898
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	674,480	685,129
1. securities issued by the bank drawing up the balance sheet	396,513	421,149
2. other securities	277,967	263,980
c) Third-party securities deposited with third parties	647,332	655,485
d) Own securities deposited with third parties	148,600	207,900
4. Other operations		
4.1 Collectionof credits for thirds: debit/credit adjustments		
a) "debit" adjustments	156,119	141,136
1. Current accounts	31,836	22,857
2. Central portfolio	104,281	99,802
3. Cash	17,174	16,608
4. Other accounts	2,828	1,869
b) "credit" adjustments	156,919	144,085
1. Current accounts	34	55
2. Assignors of bills and documents	155,520	142,849
3. Other accounts	1,365	1,181
4.2 Other operations		
a) Third parties' portfolio held for collection	363,767	195,639

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	Debt securities	Financing	Other operations	31.12.2011	31.12.2010
1. Financial assets held for trading	0	0	522	522	1
2. Financial assets available for sale	956	0	0	956	286
3. Financial assets held to maturity	0	0	0	0	0
4. Receivables due from banks	0	1,428	0	1,428	1,211
5. Receivables due from customers	0	147,731	0	147,731	151,922
6. Financial assets at fair value	0	0	0	0	0
7. Hedging derivatives	0	0	224	224	2,828
8. Other activities	X	X	0	-	4
Total	**956**	**149,159**	**746**	**150,861**	**156,252**

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

Items/values	31.12.2011	31.12.2010
A. Positive differentials related to hedging operations:	224	2,828
B. Negative differentials related to hedging operations:	0	0
C. Balance (A + B)	**224**	**2,828**

1.3 Interest receivable and similar revenue: other information

1.3.1 Interest receivable on financial assets in foreign currency

Items/values	31.12.2011	31.12.2010
Interest receivable on financial assets in foreign currency	222	432

1.3.2 Interest receivable on leasing operations

Items/values	31.12.2011	31.12.2010
Interest receivable on leasing operations	72,066	118,514

1.4 Interest payable and similar charges: composition

Items/Technical forms	Debts	Securities	Other operations	31.12.2011	31.12.2010
1. Payables due to central banks	28	X	0	28	188
2. Payables due to banks	38,800	X	0	38,800	28,640
3. Payables due to customers	14,015	X	0	14,015	9,785
4. Outstanding securities	X	13,481	0	13,481	13,706
5. Financial liabilities held for trading	0	0	0	0	154
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	**52,843**	**13,481**	**0**	**66,324**	**52,473**

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

There are no interest payable and similar charges at 31st December 2011.

1.6 Interest payable and similar charges: other information

1.6.1 Interest payable on liabilities in foreign currency

Items/Values	31.12.2011	31.12.2010
Interest payable on liabilities in foreign currency	4,162	3,869

1.6.2 Interest payable on liabilities for leasing operations

Items/Values	31.12.2011	31.12.2010
Interest payable on liabilities for leasing operations	516	499

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	31.12.2011	31.12.2010
a) Guarantees issued	73	149
b) Derivatives on receivables	0	0
c) On asset management, trading and consulting services:	7,348	8,936
1. security trading	11	18
2. foreign currency trading	117	133
3. asset management:	3,123	3,641
3.1. individual	3,123	3,641
3.2. collective	0	0
4. custody and administration of securities	142	165
5. depositary bank	0	0
6. security placement	2,091	2,394
7. order collection and transmission	1,197	1,528
8. consulting activities	0	0
8.1 in investments	0	0
8.2 in financial structure	0	0
9. distribution of third-party services:	667	1,057
9.1. asset management	0	0
9.1.1. individual	0	0
9.1.2. collective	0	0
9.2. insurance products	656	1,057
9.3. other products	11	0
d) Collection and payment services	1,677	2,089
e) Servicing for securitizations	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 accounts	1,596	1,828
j) Other services	4,761	7,593
Total	**15,455**	**20,595**

2.2 Commission income: distribution channels of products and services

Service typology/Values	31.12.2011	31.12.2010
a) At own bank branches:	**771**	**934**
1. asset management	307	425
2. security placement	300	396
3. third-party products and services	164	113
b) External network:	**5,110**	**6,158**
1. asset management	2,816	3,216
2. security placement	1,791	1,998
3. third-party products and services	503	944
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	31.12.2011	31.12.2010
a) Guarantees issued	622	1,100
b) Derivatives on receivables	0	0
c) Asset management and trading services:	4,758	4,924
1. financial instrument trading	158	187
2. foreign currency trading	0	1
3. asset management:	0	0
3.1. own portfolio	0	0
3.2. third-party portfolios	0	0
4. custody and administration of securities	24	40
5. placement of financial instruments	0	0
6. external network supply of finan. instrum. products & serv.	4,576	4,696
d) Collection and payment services	658	747
e) Other services	1,570	1,065
Total	**7,608**	**7,836**

Section 3
Dividends and similar income – Item 70

3.1 Dividends and similar income: composition

There are no dividends or similar income at 31st December 2011.

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**	**0**	**439**	**(-435)**
1.1 Debt securities	0	4	0	439	(-435)
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**	**738**
4. Derivative instruments					
4.1 Financial derivatives	1,122	0	0	0	1,122
- On debt securities and interest rates	1,122	0	0	0	1,122
- On equities and stock market indexes	0	0	0	0	0
- On foreign currencies and gold	1,122	0	0	0	1,122
- Other	0	0	0	0	0
4.2 Derivatives on receivables	0	0	0	0	0
Total	**1,122**	**4**	**0**	**439**	**1,425**

Section 5
Net profit from hedging activities – Item 90

5.1 Net profit from hedging activities: composition

Items/Values	31.12.2011	31.12.2010
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)	77	2,121
A. 4 Financial derivatives hedging financial flows	109	0
A. 5 Assets and liabilities in foreign currency	0	0
Total income from hedging operations (A)	**186**	**2,121**
B. Charges associated with:		
B. 1 Fair value hedging derivatives	70	2,065
B. 2 Hedged financial assets (fair value)	0	0
B. 3 Hedged financial liabilities (fair value)	101	0
B. 4 Financial derivatives hedging financial flows	0	0
B. 5 Assets and liabilities in foreign currency	0	0
Total charges from hedging operations (B)	**171**	**2,065**
C. Net profit from hedging activities (A + B)	**15**	**56**

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

6.1 Profit (Loss) from sale/repurchase: composition

Items/revenue components	31.12.2011 Profit	31.12.2011 Losses	31.12.2011 Net resut	31.12.2010 Profit	31.12.2010 Losses	31.12.2010 Net resut
Financial assets						
1. Receivables due from banks	0	0	0	0	0	0
2. Receivables due from customers	0	0	0	0	0	0
3. Financial assets available for sale	4	0	4	0	0	0
3.1 Debt securities	4	0	4	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	**4**	**0**	**4**	**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	137	11	126	214	0	214
Total liabilities	**137**	**11**	**126**	**214**	**0**	**214**
Total	**141**	**11**	**130**	**214**	**0**	**214**

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 profits (B)	Capital losses (C)	Trading loss (D)	Profit (loss) [(A+B) - (C+D)]
1. Financial assets	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0
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
2. Financial liabilities	**15**	**147**	**268**	**222**	**(328)**
2.1 Outstanding securities	15	147	268	222	(328)
2.2 Debits towards banks	0	0	0	0	0
2.3 Debits towards customers	0	0	0	0	0
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**0**
4. Derivative instruments	**285**	**0**	**0**	**155**	**130**
Total	**300**	**147**	**268**	**377**	**(198)**

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

8.1 Net write-downs for impairment of receivables: composition

	Write downs			Write backs					
	Specific			Specific		Portfolio			
Operations/Revenue comp.	De-recognition	Other	Portfolio	A	B	A	B	31.12.2011	31.12.2010
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.	10,551	42,525	0	13,811	9,359	0	3,537	26,369	36,304
- Financing	10,551	42,525	0	13,811	9,359	0	3,537	26,369	36,304
- Debt securities	0	0	0	0	0	0	0	0	0
C. Total	**10,551**	**42,525**	**0**	**13,811**	**9,359**	**0**	**3537**	**26,369**	**36,304**

Legend: A = From interest / B = Other

8.2 Net write downs for impairment of financial assets available for sale: composition

At 31st December 2011 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 31st December 2011 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 31st December 2011 there are no write downs for impairment of other financial assets

Section 9
Administrative expenses – Item 150

9.1 Personnel costs: composition

Type of costs/Values	31.12.2011	31.12.2010
1) Employees	**31,459**	**31,515**
a) salaries	22,866	22,795
b) welfare charges	6,210	6,264
c) TFR (staff severance)	1,631	1,657
d) national insurance costs	0	0
e) TFR provision	155	153
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:	60	54
- specific contribution	60	54
- for specific service	0	0
h) costs deriving from payment agreements based on own asset instruments	0	0
i) other staff benefits	537	592
2) Other personnel in activity	**0**	**0**
3) Directors and internal auditors	**1,249**	**1,152**
4) Retired personnel	**0**	**0**
5) Recovers of costs for personnel transferred ot other companies	**0**	**0**
6) Reimbursement of costs for personnel of third parties transferred to other companies	**0**	**11**
Total	**32,708**	**32,678**

9.2 Average number of employees per category

Cost typology/Values	31.12.2011	31.12.2010
1. Employees	**531**	**545**
a) Top managers	7	6
b) Managerial staff	207	210
- 3rd and 4th level	101	106
c) Remaining personnel	317	329
2. Other personnel	**0**	**0**
Total	**531**	**545**

9.3 Company pension funds, for specific service: total costs

This item does not appear at 31st December 2011.

9.4 Other staff benefits

Cost typology/Values	31.12.2011	31.12.2010
Lunch vouchers	281	288
Training costs	97	138
Insurance premiums paid	130	117
Other expenses	29	49
Total	**537**	**592**

9.5 Other administrative expenses: composition

Items/values	31.12.2011	31.12.2010
Indirect duties and taxes	5,635	5,029
Electricity, gas, water	960	859
Telephone	359	403
Fees payable - miscelleneous services	3,328	3,816
Fees payable - data transmission and processing	677	646
Transport	344	378
Stationery and printing supplies	231	227
Postal expenses	693	877
Expenses for owned cars	508	543
Credit collection expenses	451	582
Expenses for lawyers and notaries	2,752	3,011
Consulting services	3,247	1,522
Expenses for other professional services	1,728	1,694
Financial statements auditing services	102	126
Rents payable	3,028	2,955
Maintenance expenses- buildings and furnishing	1,410	1,155
Insurance premiums	1,052	839
Reimbursement of expenses - employees	413	362
Reimbursement of expenses - not employees	62	6
Staff training - not employees	7	6
Contributions to professional associations	333	271
Business expenses	123	130
Advertising	289	192
Charity and sponsorships	5	19
Joint owners' fees	748	742
Miscellaneous contributions	79	84
Company registration and commercial information searches	1,254	1,296
Night watchman service	173	172
Cleaning of bank premises	269	269
Subscriptions and publications	47	47
Other payments to third parties	14	0
Other leasing services expenses	2,531	1,985
Other miscellaneous expenses	544	1,412
Total	**33,396**	**31,655**

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	31.12.2011	31.12.2010
Provisions	380	501
Legal disputes	221	334
Other risks and charges:	159	167
– Agency relations discontinuance indemnity risk fund	96	104
– Relationships with directors discontinuance indemnity fund	63	63
Reassegnations	338	0
Legal disputes	338	0
Total	**42**	**501**

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	2,617	0	0	2,617
– For functional use	2,617	0	0	2,617
– For investment	0	0	0	0
A.2 Purchased in leasing	954	0	0	954
– For functional use	954	0	0	954
– For investment	0	0	0	0
Total	**3,571**	**0**	**0**	**3,571**

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	632	0	0	632
– Generated internally by the company	0	0	0	0
– Other	632	0	0	632
A.2 Purchased in leasing	0	0	0	0
Total	**632**	**0**	**0**	**632**

Section 13
Other operating expenses/income – Item 190

13.1 Other operating expenses: composition

	31.12.2011	31.12.2010
1. Amortis. of expenses for improvements to third party goods	445	451
2. Other	742	564
Total	**1,187**	**1,015**

13.2 Other operating income: composition

	31.12.2011	31.12.2010
1. Charged to third parties on deposits and current accounts	1,166	116
2. Charged to third parties to recover taxes	2,246	2,761
3. Charged to third parties to recover various costs	8,474	9,492
4. Rents and fees receivable	668	512
5. Other income	1,964	1,313
Total	**14,518**	**14,194**

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 revalued value of tangible and intangible assets at fair value
This item is not used.

Section 16
Goodwill impairment– Item 230

16.1 Goodwill impairment: composition
The goodwill associated with the conferment of the Italian branch of "Karntner Landes-und Hypothekenbank A.G." now Hypo Alpe Adria-Bank International A.G. headquartered in Klagenfurt (Austria), was subjected to an impairment test at 31.12.2011. 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	31.12.2011	31.12.2010
A. Real Estate	**0**	**0**
- Profits from sale	0	0
- Losses from sale	0	0
B. Other assets	**(19)**	**21**
- Profits from sale	1	21
- Losses from sale	20	0
Net profit	**(19)**	**21**

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	31.12.2011	31.12.2010
1. Current taxes (-)	(7,542)	(15,532)
2. Changes in current taxes of previous years (+/-)	126	0
3. Reduction in current taxes for the year (+)	0	0
4. Change in pre-paid taxes (+/-)	81	4,056
5. Change in deferred taxes (+/-)	0	658
6. Taxes for the year	**(7,335)**	**(10,818)**

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

Components/Values	IRES	
Taxes at nominal rate	**2,846**	**27.50%**
ICI (municipal property tax) and other non-deductable taxes	292	2.82%
Non-deductable interests payable	723	6.99%
Expenses for company vehicles	47	0.45%
Telephone and data transmission expenses	25	0.24%
Other components (cellulars, fines, board and lodging-non-deductable expenses)	133	1.29%
Total tax effect: increases	**1,220**	**11.78%**
10% IRAP deductable	96	0.92%
Other non-taxable components	14	0.13%
Tax fund adjustment	126	1.22%
Total tax effect: decreases	**236**	**2.28%**
Taxes charged to the income statement	**3,830**	**37.00%**

Components/Values	IRAP	
Taxes at nominal rate	**551**	**5.32%**
ICI (municipal property tax)	73	0.71%
Non-deductable interests payable	168	1.62%
Personnel expenses	1,696	16.39%
Net adjustments/ renewals per impairment	1,403	13.55%
Expenses for Directors and other fees	52	0.50%
Other administrative costs (10%)	169	1.63%
Depreciations (10%) and Provisions	27	0.26%
Total tax effect: increases	3,588	34.67%
Deductions for employees' income	525	2.05%
Other non-deductible/taxable management charges/income	85	0.29%
Rectification for anticipated taxes due to reduction of the tax rate	24	0.23%
Total tax effect: decreases	**634**	**6.13%**
Taxes charged to the income statement	**3,505**	**33.86%**
Total taxes charged to the income statement	**7,335**	**70.86%**

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

At 31st December 2011 no "Revenues/Losses" coming from "Groups of assets held for sale" were recorded.

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.

	31.12.2011	31.12.2010
Basic earnings per share	0.009	0.034
Diluted earnings per share	0.009	0.034

21.1 Average number of diluted capital ordinary shares

	31.12.2011	31.12.2010
Weighted average of ordinary shares	318,188	318,188
Write down for diluting effect	0	0
Weighted 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 31st December 2011 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**	**10,351**	**(7,335)**	**3,016**
	Other revenue components			
20.	Financial assets available for sale:	(1,243)	414	(829)
	a) variations of fair value	(1,246)	415	(831)
	b) reversal to the income statement	3	(1)	2
	- rectifications from impairing	0	0	0
	- profits/losses from sales	3	(1)	2
	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 fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
70.	Foreign exchange differences:	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
80.	non-current assets held for sale	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
90.	Actuarial profit (loss) on plans with defined benefits	0	0	0
100.	Share 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
	- rectifications from impairing	0	0	0
	- profits/losses from sales	0	0	0
	c) other variations	0	0	0
110.	**Total other revenue components**	**(1,243)**	**414**	**(829)**
120.	**Total Comprehensive income (Item 10+110)**	**9,108**	**(6,921)**	**2,187**

Part E
Information on risks and related risk hedging policies

Section 1
Credit risk

Information regarding quality

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 by limiting, as much as possible, phenomena of exposure concentration on single counter-parties/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 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 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 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 generally monthly in relation to the most recent acquired information and to the changed operating conditions of the involved person, or immediately in case of specific events (changes of status, acquisition of new balance, etc.).

In addition to the preliminary investigation and revision, the (ordinary) 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 monthly 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 that 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, Doubtful loans 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 counter-party is reversible or not;
- delegate positions to internal or external people who are in charge for recovering the credit by phone and 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 and past due are subject to collective impairment.

The classification of doubtful loan 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 doubtful loan 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.

Information regarding quantity

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	Substandard loans	Restructured loans	Past due loans	Other assets	Total
1. Financial assets held for trading	0	0	0	0	478	478
2. Financial assets available for sale	0	0	0	0	42,850	42,850
3. Financial assets held to maturity	0	0	0	0	0	0
4. Receivables due from banks	0	0	0	0	23,951	23,951
5. Receivables due from customers	75,219	117,125	7,702	149,769	2,940,273	3,290,088
6. Financial assets at fair value	0	0	0	0	0	0
7. Financial assets held for sale	332,452	147,080	0	91,865	219,589	790,986
8. Hedging derivatives	0	0	0	0	613	613
Total at 31/12/2011	**407,671**	**264,205**	**7,702**	**241,634**	**3,227,754**	**4,148,966**
Total at 31/12/2010	**323,162**	**260,689**	**5,538**	**298,433**	**3,496,519**	**4,384,341**

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 net of the related uncertain results.

Past due loans refer to the so-called "persistent defaults" where delays in payments exceed 180 days, and to exposures guaranteed by overdue/overdrafting real-estate assets 90 to 180 days.

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

Portfolios/quality	Non performing assets			Performing			Total
	Gross exposure	Specific write downs	Net exposure	Gross exposure	Portfolio write downs	Net exposure	(net exposure)
1. Financial assets held for trading	0	0	0	X	X	478	478
2. Financial assets available for sale	0	0	0	42,850	0	42,850	42,850
3. Financial assets held to maturity	0	0	0	0	0	0	0
4. Receivables due from banks	0	0	0	23,951	0	23,951	23,951
5. Receivables due from cust.	383,151	33,336	349,815	2,966,887	26,614	2,940,273	3,290,088
6. Financial assets at fair value	0	0	0	0	0	0	0
7. Financial assets held for sale	619,600	48,203	571,397	220,042	453	219,589	790,986
8. Hedging derivatives	0	0	0	X	X	613	613
Total at 31.12.2011	**1,002,751**	**81,539**	**921,212**	**3,253,730**	**27,067**	**3,227,754**	**4,148,966**
Total at 31.12.2010	**967,193**	**79,371**	**887,822**	**3,523,531**	**29,581**	**3,496,519**	**4,384,341**

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, the 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 followed criteria to determine impaired overdue exposures, on the base of the current supervisory instructions on the matter, have been adopted.

A.1.2.1 Distribution of "performing" loan exposures by belonging portfolio

Overdue portfolios/seniority	Overdue up to 3 months	Overdue for more than 3 to 6 months	Overdue for more than 6 months to 1 year	Overdue for more than a year	Not overdue	Overdue up to 3 months	Overdue for more than 3 to 6 months	Overdue for more than 6 months to 1 year	Overdue for more than a year	Not overdue	Total (net exposure)
1. Financial assets held for trading	0	0	0	0	0	0	0	0	0	478	478
2. Financial assets available for sale	0	0	0	0	0	0	0	0	0	42,850	42,850
3. Financial assets held to maturity	0	0	0	0	0	0	0	0	0	0	0
4. Receivables due from banks	0	0	0	0	0	0	0	0	0	23,951	23,951
5. Receivables due from customers	16,385	25	919	392	19,560	444,558	37,621	24,843	7,554	2,388,416	2,940,273
6. Financial assets at fair value	0	0	0	0	0	0	0	0	0	0	0
7. Financial assets held for sale	0	0	0	0	0	89681	14,373	23,200	0	92,335	219,589
8. Hedging derivatives	0	0	0	0	0	0	0	0	0	613	613
Total	**16,385**	**25**	**919**	**392**	**19,560**	**534,239**	**51,994**	**48,043**	**7,554**	**2,548,643**	**3,227,754**

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	0	0	X	0
b) Substandard loans	0	0	X	0
c) Restructured loans	0	0	X	0
d) Past due loans	0	0	X	0
e) Other assets	28,291	X	0	28,291
– of which: sold	(4,340)	X	0	(4,340)
Total A	**23,951**	**0**	**0**	**23,951**
B. Off-balance sheet loans				
a) Non-performing	0	0	X	0
b) Other	2,522	X	0	2,522
Total B	**2,522**	**0**	**0**	**2,522**
Total A + B	**26,473**	**0**	**0**	**26,473**

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 31st December 2011, 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 loans				
Doubtful loans	472.833	65.161	X	407.672
minus: assets held for sale	(377.946)	(45.493)	X	(332.453)
a) Doubtful loans	94.887	19.668	X	75.219
Substandard loans	277.670	13.466	X	264.204
minus: assets held for sale	(149.747)	(2.668)	X	(147.079)
b) Substandard loans	127.923	10.798	X	117.125
Restructured loans	7.702	0	X	7.702
minus: assets held for sale	0	0	X	0
c) Restructured loans	7.702	0	X	7.702
Past due loans	244.546	2.912	X	241.634
minus: assets held for sale	(91.907)	(42)	X	(91.865)
d) Past due loans	152.639	2.870	X	149.769
Other assets	3.225.439	X	27.067	3.198.372
minus: assets held for sale	(215.703)	X	(453)	(215.250)
e) Other assets	3.009.736	X	26.614	2.983.122
	4.228.190	**81.539**	**27.067**	**4.119.584**
minus: assets held for sale	**(835.303)**	**(48.203)**	**(453)**	**(786.647)**
Total A	**3.392.887**	**33.336**	**26.614**	**3.332.937**
B. Off-balance exposure				
a) Impaired	626	0	X	626
b) Other	73.756	X	0	73.756
Total B	**74.382**	**0**	**0**	**74.382**

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 note that exposures include not only financings, but also financial assets towards the customers, coming from item 40 „Financial assets available for sale" (securities).

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

Reasons/Categories	Doubtful loans	Substandard loans (incagli)	Restructured loans	Past due loans
A. Opening gross loans	**385,218**	**274,383**	**5,538**	**302,054**
- of which: sold and not de-recognised	3,190	4,571	69	16,520
B. Increases	**146,541**	**192,519**	**5,819**	**264,402**
B.1 Additions from performing loans	11,585	72,341	5,753	243,138
B.2 Transfers from other categories of impaired loans	131,466	111,741	0	9,692
B.3 Other increases	3,490	8,437	66	11,572
C. Decreases	**58,926**	**189,232**	**3,655**	**321,910**
C.1 Outgoings toward performing loans	0	44,086	2,804	177,160
C.2 De-recognitions	26,412	186	0	2
C.3 Collected	32,514	24,702	0	12,705
C.4 Realized by sale	0	0	0	0
C.5 Transfers to other categories of impaired loans	0	120,258	598	132,043
C.6 Other decreases	0	0	253	0
Final Gross Exposure	**472,833**	**277,670**	**7,702**	**244,546**
minus: assets held for sale	**(377,946)**	**(149,747)**	**0**	**(91,907)**
D. Closing gross loans	**94,887**	**127,923**	**7,702**	**152,639**
- of which: sold and not de-recognised	0	129	0	8,092

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

Reasons/Categories	Doubtful loans	Substandard loans (incagli)	Restructured loans	Past due loans
A. Opening total write downs	**62,055**	**13,694**	**0**	**3,622**
- of which: sold and not de-recognised	0	0	0	0
B. Increases	**47,282**	**9,985**	**0**	**1,916**
B.1 Write downs	41,209	8,909	0	1,863
B.2 Transfers from other categories of impaired loans	6,073	1,065	0	53
B.3 Other increases	0	11	0	0
C. Decreases	**44,176**	**10,213**	**0**	**2,626**
C.1 Valuation write backs	16,302	3,210	0	841
C.2 Collection write backs	1,461	972	0	384
C.3 De-recognitions	26,413	240	0	1
C.4 Transfers to other categories of impaired loans	0	5,791	0	1,400
C.5 Other decreases	0	0	0	0
Final Total write-downs	**65,161**	**13,466**	**0**	**2,912**
minus: sold and not derecognised exposures	**(45,493)**	**(2,668)**	**0**	**(42)**
D. Closing total write downs	**19,668**	**10,798**	**0**	**2,870**
- of which: sold and not de-recognised	0	0	0	0

A. 2 Loan classification in accordance with external and internal ratings

In relation to the credit portfolio of the bank, mainly made up of small and medium-size companies, the classification of exposures on the base of external ratings is not relevant. On the other hand, regarding internal ratings, the bank has an internal rating procedure able to classify the customers „performing" 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 total 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.

A manual revision activity of the rating produced by the procedure, on the base of a codified authorizing course is also provided and regulated.
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);

The opinions expressed by the rating system are used as informative support and complement of the above-mentioned processes.

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	Collaterals (1)			Personal guarantees (2)									Total (1) + (2)
					Derivatives on credits					Signature credits				
					C L N	Other derivatives								
		Real estate	Securities	Other real guarantees		Government and central banks	Other public bodies	Banks	Other bodies	Governments and central banks	Other public bodies	Banks	Other bodies	
Guaranteed loan exposures per cash:	**3,472,725**	**5,858,923**	**25,830**	**36,230**	**0**	**0**	**0**	**0**	**0**	**0**	**806**	**73,858**	**3,689,051**	**9,684,698**
1.1. totally guaranteed	3,163,265	5,762,078	23,419	28,018	0	0	0	0	0	0	806	73,722	3,578,938	9,466,981
-of which impaired	726,169	812,941	2,945	5,786	0	0	0	0	0	0	0	2,659	1,231,268	2,055,599
1.2 partially guaranteed	309,460	96,845	2,411	8,212	0	0	0	0	0	0	0	136	110,113	217,717
- of which impaired	81,591	19,895	65	2,557	0	0	0	0	0	0	0	0	37,962	60,479
Loan exposures "out of balance" guaranteed	**24,731**	**8,991**	**2,352**	**552**	**0**	**0**	**0**	**0**	**0**	**0**	**250**	**9,396**	**18,245**	**39,786**
2.1. totally guaranteed	23,087	8,991	1,876	512	0	0	0	0	0	0	250	9,396	17,871	38,896
- of which impaired	403	0	0	0	0	0	0	0	0	0	0	0	959	959
2.2 partially guaranteed	1,644	0	476	40	0	0	0	0	0	0	0	0	374	890
- of which impaired	29	0	0	0	0	0	0	0	0	0	0	0	0	0

B. Distribution and concentration of credit exposures

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

Loans/Counterparties	Governs			Other public bodies			Financial companies		
	Net exposure	Spec.write downs	Portf. write downs	Net exposure	Spec.write downs	Portf. write downs	Net exposure	Spec.write downs	Portf. write downs
A. Cash loans									
A.1 Doubtful loans	0	0	0	0	0	0	280	22	0
of which: sold	0	0	0	0	0	0	249	21	0
A.2 Substandard loans	0	0	0	0	0	0	5	1	0
of which: sold	0	0	0	0	0	0	0	0	0
A.3 Restructured loans	0	0	0	0	0	0	0	0	0
of which: sold	0	0	0	0	0	0	0	0	0
A.4 Past dues	0	0	0	0	0	0	242	31	0
of which: sold	0	0	0	0	0	0	0	0	0
A.5 Other loans	42,850	0	0	69	0	1	76,716	0	648
of which: sold	0	0	0	0	0	0	28288	0	412
TOTAL A	**42,850**	**0**	**0**	**69**	**0**	**1**	**77,243**	**54**	**648**
of which: sold	**0**	**0**	**0**	**0**	**0**	**0**	**28,537**	**21**	**412**
B. „Off-balance sheet" loans									
B.1 Doubtful loans	0	0	0	0	0	0	0	0	0
B.2 Substandard loans	0	0	0	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0	0	0	0
B.4 Other loans	0	0	0	0	0	0	10,890	0	0
TOTAL B	**0**	**0**	**0**	**0**	**0**	**0**	**10,890**	**0**	**0**
TOTAL (A + B) 31.12.2011	**42,850**	**0**	**0**	**69**	**0**	**1**	**88,133**	**54**	**648**
of which: sold	**0**	**0**	**0**	**0**	**0**	**0**	**28,537**	**21**	**412**
TOTAL (A + B) 31.12.2010	**33,988**	**0**	**0**	**76**	**0**	**1**	**142,365**	**223**	**615**

Insurance companies			Non-financial companies			Other		
Net exposure	Spec.write downs	Portf. write downs	Net exposure	Spec.write downs	Portf. write downs	Net exposure	Spec.write downs	Portf. write downs
0	0	0	389,346	61,697	0	18,046	3,442	0
0	0	0	322,964	43,948	0	9,240	1,524	0
0	0	0	247,805	12,033	0	16,394	1,432	0
0	0	0	146,345	2,656	0	735	12	0
0	0	0	6,700	0	0	1,002	0	0
0	0	0	0	0	0	0	0	0
0	0	0	220,691	2,388	0	20,702	494	0
0	0	0	87,972	41	0	3893	1	0
258	0	18	2,855,699	0	24,943	222,779	0	1,458
0	0	0	183,620	0	41	3342	0	0
258	**0**	**18**	**3,720,241**	**76,118**	**24,943**	**278,923**	**5,368**	**1,458**
0	**0**	**0**	**740,901**	**46,645**	**41**	**17,210**	**1,537**	**0**
0	0	0	45	0	0	0	0	0
0	0	0	237	0	0	3	0	0
0	0	0	342	0	0	0	0	0
0	0	0	60,415	0	0	2,451	0	0
0	**0**	**0**	**61,039**	**0**	**0**	**2,454**	**0**	**0**
258	**0**	**18**	**3,781,280**	**76,118**	**24,943**	**281,377**	**5,368**	**1,458**
0	**0**	**0**	**740,901**	**46,645**	**41**	**17,210**	**1,537**	**0**
493	**0**	**2**	**3,989,222**	**74,847**	**27,315**	**301,097**	**4,301**	**1,648**

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

Esposizioni/Aree geografiche	Italy		Other european countries		America		Asia		Rest of the world	
	N.E.	R.V.W.D.	N.E.	R.V.W.D.	N.E.	R.V.W.D.	N.E.	R.V.W.D.	N.E.	R.V.W.D.
A. **Cash loans**										
A.1 Non-performing loans	405,804	65,060	1,867	101	0	0	0	0	0	0
of which: sold	330,646	45,407	1,807	86	0	0	0	0	0	0
A.2 Deadlock	263,629	13,459	575	7	0	0	0	0	0	0
of which: sold	147,079	2,668	0	0	0	0	0	0	0	0
A.3 Restructured loans	7,702	0	0	0	0	0	0	0	0	0
of which: sold	0	0	0	0	0	0	0	0	0	0
A.4 Expired loans	240,548	2,878	1,087	34	0	0	0	0	0	0
of which: sold	91,865	42	0	0	0	0	0	0	0	0
A.5 Other loans	3,192,445	26,967	5,712	99	133	0	82	1	0	0
of which: sold	215,249	453	0	0	0	0	0	0	0	0
TOTAL A	**4,110,128**	**108,364**	**9,241**	**241**	**133**	**0**	**82**	**1**	**0**	**0**
of which: sold	**784,839**	**48,570**	**1,807**	**86**	**0**	**0**	**0**	**0**	**0**	**0**
B. **"Off-balance sheet" loans**										
B.1 Non-performing loans	45	0	0	0	0	0	0	0	0	0
B.2 Deadlock	240	0	0	0	0	0	0	0	0	0
B.3 Other impaired assets	342	0	0	0	0	0	0	0	0	0
B.4 Other loans	73,756	0	0	0	0	0	0	0	0	0
TOTAL B	**74,383**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL 31.12.2011	**4,184,511**	**108,364**	**9,241**	**241**	**133**	**0**	**82**	**1**	**0**	**0**
of which: sold	**784,839**	**48,570**	**1,807**	**86**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL 31.12.2010	**4,458,057**	**108,383**	**8,983**	**169**	**145**	**400**	**56**	**0**	**0**	**0**

Legenda: N.E. = Net exposure / T.V.W.D. = Total value write-downs

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

Loan/Geographic areas	Italy		Other European Countries		America		Asia		Rest of the world	
	N.E.	T.V.W.D.	N.E.	T.V.W.D.	N.E.	T.V.W.D.	N.E.	T.V.W.D.	N.E.	T.V.W.D.
A. Cash loans										
A.1 doubtful loans	0	0	0	0	0	0	0	0	0	0
A.2 doubtful loans	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 dues	0	0	0	0	0	0	0	0	0	0
A.5 Other loans	24,750	0	1,063	0	1,237	0	1,213	0	29	0
of which: sold	4,340									
TOTAL	**24,750**	**0**	**1,063**	**0**	**1,237**	**0**	**1,213**	**0**	**29**	**0**
of which: sold	**4,340**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. „Off-balance sheet" loans										
B.1 doubtful loans	0	0	0	0	0	0	0	0	0	0
B.2 doubtful loans	0	0	0	0	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0	0	0	0	0
B.4 Other loans	1,302	0	1,219	0	1	0	0	0	0	0
TOTAL	**1,302**	**0**	**1,219**	**0**	**1**	**0**	**0**	**0**	**0**	**0**
TOTAL 31.12.2011	**26,052**	**0**	**2,282**	**0**	**1,238**	**0**	**1,213**	**0**	**29**	**0**
of which: sold	**4,340**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL 31.12.2010	**30,194**	**0**	**2,369**	**0**	**237**	**0**	**139**	**0**	**1**	**0**

Legend: N.E. = Net exposure / T.V.W.D. = Total value write-downs

B. 4 Major risks

Items/values	31.12.2011	31.12.2010
a) Balance value	81,226	38,708
b) Weighted value	0	0
c) Number	2	1

On the base of the regulations, it's considered "major risk" the amount of risk assets by cash and of off-balance transactions, referred to a single customer or to groups of connected customers, corresponding to or higher than 10% of the regulatory capital of the Bank. To this aim the exposure is considered without the application of the related weighting factors.

After 31st December 2011 the following major risks are to be signalled:

- Exposure towards Hypo Alpe-Adria-Bank International AG, for a total nominal amount of about EUR 38,376 thousand. To exposures among subjects belonging to the same banking group, provided that they are all subject to consolidated supervision in a member state of the European Union, a weighting factor of zero per cent is applied.
- Exposures towards the Italian Government related to the nominal value of EUR 42,850 thousand of Securities held in the portfolio, with a weighting corresponding to zero.

C. Securitisation and asset sale transactions

C.1 Securitisations

Information relating to quality

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, „junior" and „senior" notes tranches.

All the securitisations belong to the Bank, carried out by employing the following vehicle companies:

- Dolomiti Mortgage S.r.l., company incorporated in Italy, with registered offices in Via Vittorio Alfieri, 1 – 33015 Conegliano (Treviso) for the transaction called "Dolomiti Mortgage".
  Securitized assets refer to "performing" residential and commercial mortgage loans signed by the Bank with its customers.
  The rating of the credits underlying the transaction was assigned by the rating agencies "Moody's" and "Dominion Bond Rating Service (DBRS)".

- Salina Leasing S.r.l., company incorporated in Italy, with registered offices in Via Vittorio Alfieri, 1 – 33015 Conegliano (Treviso) for the transaction called "Salina Leasing".
  Securitized assets refer to credits deriving from "performing" lease agreements, signed by the Bank with its customers.

At the reference date of this document (31/12/2011) the transaction hadn't been concluded yet, but it was under completion.
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 2"

In December 2002 the Bank concluded the second transfer and securitisation transaction regarding lease contracts portfolio having as subject cars, instrumental assets, real estate properties and commercial vehicles.

With this transaction the bank transferred a credit equal to EUR 250.00 million to Dolomiti Finance S.r.l., vehicle company incorporated under Italian law. The transferred credits were denominated in Euro, with 1-month Euribor, 3-month Euribor or 3-month Libor on Yen fixed or variable indexed rate.

The structure of the transaction was "revolving", characterized by 3-montly transfers. This allowed to keep the consistency of the underlying portfolio in time and to lengthen the average life of the bonds (W.A.L.).

"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, performing, deriving from lease contracts.

By the vehicle company, Dolomiti Finance Srl securities for EUR 143.50 million were issued; during the year, this transaction as well was closed in advance, by repaying and cancelling all issued securities.

In short the phases have been the following:

- Through a transfer contract signed on 31st March 2011, Dolomiti Finance transferred without recourse and in block to Salina Leasing S.r.l. for an amount corresponding to about EUR 71 million, part of the credits previously transferred by the Bank to Dolomiti Finance S.r.l.. This amount was then used to partially repay Class A notes.

- With a "Repurchase" contract the Bank, in October 2011, purchased from Dolomiti Finance for EUR 37 million the remaining credits belonging to the transferred portfolio.

- All swap contracts signed in the precincts of the securitisation have been closed.

"Securitisation 4"

In August 2009 the Bank carried out the fourth securitisation with the European Investment Bank (EIB).

The Transaction involved the transfer of a pecuniary credit portfolio denominated in Euro, for about EUR 408 million, performing, deriving from lease contracts.

The vehicle company Dolomiti Finance S.r.l., in order to finance the purchase, issued ABF (Asset backed floating rate notes) securities for EUR 408.45 million; during the year this transaction as well was closed in advance, by repaying and cancelling all issued securities.

In the sphere of a "repurchase" contract, the bank in October 2011 purchased from Dolomiti Finance the credits belonging to the transferred portfolio. As consideration for the purchase of the credits, the bank has paid EUR 216 million.

All signed swap contracts signed in the sphere of securitisation were settled.

"Securitisation Salina 5"

The fifth securitization called "Salina 5" had as subject the transfer of credits deriving from leasing credits.

To carry out the transaction, on 31st March 2011, the vehicle company Salina Finance S.r.l purchased without recourse from Dolomiti Finance a credit portfolio coming from the third securitization. On 25th May 2011 the Bank transferred without recourse to the vehicle company Salina Finance S.r.l a further credit portfolio for EUR 231 million.

On 30th November 2011 the Bank transferred a second lease credits portfolio to the vehicle company Salina Finance S.r.l for EUR 254 million.

Based on these transactions, in 2012 a structure allowing the issuance of "asset-backed" securities, pursuant to the Securitization law, will be pursued.

"Securitization Dolomiti Mortgage 6"

During November 2011, the Bank moreover performed a further securitisation, the sixth one, of a performing mortgage loan portfolio amounting to about EUR 226 million.

In December 2011 the Notes connected to it were issued.
The Bank has signed, with reference to the transferred portfolio, the issued Asset Backed Securities (ABS), the so-called self-securitisation transactions.

AAA senior securities, after achieving the eligibility, namely the suitability to be used in marginal refinancing transactions at the European Central Bank, were allocated in the Pooling account of Banca d'Italia, waiting to be used as collateral for repo transactions.
The transaction is therefore not included among the information to provide in this Section.

Internal systems of risk measurement and control

The bank, with its structure, carries out monthly and quarterly analysis about assets underlying the single securitisations 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 the so-called trigger ratios trend, to default and 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 Top management receives a concise and detailed scheme about securitisation transactions carried out by the Bank in time, by highlighting any critical situations on which to intervene.

Class	S&P Rating	Denomination	Nominal Amount in EUR	Interest rate	Issue date	Foreseen redemption
A	AAA	Dolomiti Mortgage S.r.l. 2011-2051 TV	103,600,000	3 M Euribor + 0,50%	02.12.2011	27.07.2051
C	not rated	Dolomiti Mortgage S.r.l. 2011-2051 TV	156,799,000	2,00%	02.12.2011	27.07.2051

Information relating to quantity

Securitisation transactions in which the originator bank subscribes at the issuance the total issued liabilities (e.g. ABS securities, financing in the "warehousing" phase) are not indicated in this Part.

Therefore, at 31st December 2011, there are no own or third parties' transactions to be indicated.

C.1.6 Co-interests in the vehicle company

The Bank does not hold any co-interests in the "vehicle" company:

- Salina Leasing S.r.l.,
- Dolomiti Mortgage S.r.l.

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's" work is paid 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.

	Securitized assets (end-period figure)		Credit collect. in the year		Percentage quota of reimbursed securities (end-period figure)					
					Senior		Mezzanine		Junior	
Vehicle company	Impaired	Performing	Impaired	Performing	Impaired assets	Perform. assets	Impaired assets	Perform. assets	Impaired assets	Perform. assets
Dolomiti 2002/1										
Dolomiti Finance S.r.l	0	0	0	4,962	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Dolomiti 2009/1										
Dolomiti Finance S.r.l	0	0	0	81,467	100.00%	100.00%	0	0	100.00%	100.00%
Dolomiti 2009/2										
Dolomiti Finance S.r.l	0	0	0	216,638	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Dolomiti Mortgage 2011/12										
Dolomiti Mortgage S.r.l.		227,110		12,483	0	0	0	0	0	0
Salina 2011/2										
Salina Leasing S.r.l	8,221	515,726		48,217	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	31.12.2011	31.12.2010
A. Cash assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**429,646**
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	0	0	0	0	429,646
B. Derivative instruments	0	0	0	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	0	0
Total 31/12/2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
of which impaired	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**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**	**X**	**429,646**
of which impaired	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**24,350**	**0**	**0**	**X**	**24,350**

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)

The two current transactions at 31st December 2011 are not included in the sphere of information to give in this Section.

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	Financial assets available for sale	Financial assets held to maturity	Receivables due from banks	Receivables due from customers	Total
1. Payable to customers	**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
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 31.12.2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total 31.12.2010	**16,177**	**0**	**0**	**0**	**0**	**271,133**	**287,310**

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

Information regarding quality

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 or other price variations and interest rate, 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 Head of the Division, who can delegate the operating activity to the Head 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 Head of Treasury/Financial Services and afterwards can be delegated to the Responsible of the Head and Finance Department.

d) Signalling to the body with management functions
Monthly the Risk Control provides the organ with management functions 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 of 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
Positions 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) Information flows are moreover regularly sent to the BoD.

B.2 – Prudent assessment methods

Depending on the typology of products, the following sources of information are used:

a) acquisition of assessment from Bloomberg
b) acquisition of information from HBInt. regarding cross-currency swaps and part of FX swaps
c) assessment through internal certified software procedures (Cedacri)

Periodically, the assessments deriving from different sources of information are collated in order to verify their alignment.

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.

Information regarding quantity

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	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Repo 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**	**39,232**	**1,002**	**430**	**12,815**	**47,428**	**0**	**0**
3.1 With host security	0	461	353	0	106	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	71	353	0	36	38,124	0	0
+ Short positions	0	390	0	0	70	0	0	0
3.2 Without host security	0	38,771	649	430	12,709	9,304	0	0
- Options								
+ Long positions	0	647	2	357	6,516	4,348	0	0
+ Short positions	0	0	647	73	6,193	4,956	0	0
- Other derivatives								
+ Long positions	0	38,124	0	0	0	0	0	0
+ Short positions	0	0	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: 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 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 Repo 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**	**49,900**	**0**	**0**	**0**	**49,900**	**0**	**0**
3.1 With host security	0	0	0	0	0	49,900	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	49,900	0	0
3.2 Without host security	0	49,900	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	49,900	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.

2.2 Interest rate and price risk – bank portfolio

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 Head 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.

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 (IRS). 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 31st December 2011 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.

Information regarding quantity

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	**490,302**	**2,245,906**	**68,680**	**198,404**	**248,473**	**13,649**	**1,739**	**0**
1.1 Debt securities	304	0	9,862	19,865	8,629	4,190	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	304	0	9,862	19,865	8,629	4,190	0	0
1.2 Financing to banks	6,366	18,060	0	0	0	0	0	
1.3 Financing to customers	483,632	2,227,846	58,818	178,539	239,844	9,459	1,739	0
- current accounts	227,645	814	1,509	16,132	22,438	3294	0	0
- other financing	255,987	2,227,032	57,309	162,407	217,406	6,165	1,739	0
- with early repayment option	54,432	570,146	154	195	1,073	764	1,084	0
- other	201,555	1,656,886	57,155	162,212	216,333	5,401	655	0
2. Cash liabilities	**608,625**	**1,927,813**	**226,397**	**64,040**	**169,693**	**14,809**	**0**	**0**
2.1 Payables to customers	477,893	58,239	15,295	36,956	4,289	14,809	0	0
- current accounts	431,871	58,239	15,295	36,956	4,289	0	0	0
- other payables	46,022	0	0	0	0	14,809	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	46,022	0	0	0	0	14,809	0	0
2.2 Payables to banks	122,871	1,777,200	66,000	0	0	0	0	0
- current accounts	637	0	0	0	0	0	0	0
- other payables	122,234	1,777,200	66,000	0	0	0	0	0
2.3 Debt securities	7,861	92,374	145,102	27,084	165,404	0	0	0
- with early repayment option	128	20,000	28,000	0	0	0	0	0
- other	7,733	72,374	117,102	27,084	165,404	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	**162**	**1,359,915**	**21,387**	**9,170**	**18,585**	**35**	**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	162	1,359,915	21,387	9,170	18,585	35	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	162	1,359,915	21,387	9,170	18,585	35	0	0
+ long positions	0	678,942	5,387	9,170	18,585	35	0	0
+ short positions	162	680,973	16,000	0	0	0	0	0

1.B Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: USA 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	**1,761**	**3,783**	**240**	**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	1,749	0	0	0	0	0	0	0
1.3 Financing to customers	12	3,783	240	0	0	0	0	0
- current accounts	1	0	0	0	0	0	0	0
- other financing	11	3,783	240	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	11	3,783	240	0	0	0	0	0
2. Cash liabilities	**2,063**	**702**	**150**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	2,063	702	150	0	0	0	0	0
- current accounts	2,063	702	150	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
- current accounts	0	0	0	0	0	0	0	0
- other payables	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**	**5,039**	**386**	**174**	**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	5,039	386	174	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	5,039	386	174	0	0	0	0
+ long positions	0	1,272	0	0	0	0	0	0
+ short positions	0	3,767	386	174	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	**137**	**99**	**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	136	0	0	0	0	0	0	0
1.3 Financing to customers	1	99	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other financing	1	99	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	1	99	0	0	0	0	0	0
2. Cash liabilities	**27**	**7**	**56**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	27	7	56	0	0	0	0	0
- current accounts	27	7	56	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**	**277**	**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	277	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	277	0	0	0	0	0	0
+ long positions	0	36	0	0	0	0	0	0
+ short positions	0	241	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	**6,928**	**191,326**	**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	1,230	0	0	0	0	0	0	0
1.3 Financing to customers	5,698	191,326	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other financing	5,698	191,326	0	0	0	0	0	0
- with early repayment option	225	1,129	0	0	0	0	0	0
- other	5,473	190,197	0	0	0	0	0	0
2. Cash liabilities	**24**	**78,842**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	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
- 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	24	78,842	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	24	78,842	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**	**66,466**	**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	66,466	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	66,466	0	0	0	0	0	0
+ long positions	0	1,833	0	0	0	0	0	0
+ short positions	0	64,633	0	0	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	**49**	**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	49	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	**63**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	63	0	0	0	0	0	0	0
- current accounts	63	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	**17,076**	**659,028**	**8**	**5**	**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	419	0	0	0	0	0	0	0
1.3 Financing to customers	16,657	659,028	8	5	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other financing	16,657	659,028	8	5	0	0	0	0
- with early repayment option	554	8,236	0	0	0	0	0	0
- other	16,103	650,792	8	5	0	0	0	0
2. Cash liabilities	**246**	**709,098**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	178	0	0	0	0	0	0	0
- current accounts	178	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	68	709,098	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	68	709,098	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**	**49,758**	**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	49,758	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	49,758	0	0	0	0	0	0
+ long positions	0	49,758	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0

1.G Supervisory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives

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	**282**	**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	282	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	**135**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	135	0	0	0	0	0	0	0
- current accounts	135	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**	**145**	**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	145	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	145	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	145	0	0	0	0	0	0

2. 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 of 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 checks that the foreign exchange position falls within the limits set by internal regulations, and the following day the Risk Control Division carries out a second-level check using available procedural printouts.

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 limit fixed for open positions in foreign exchanges for the year 2011, shared with HBInt, corresponds to EUR 500,000.

Quantitative information

1. Distribution by currency of assets, liabilities and derivatives

Item	Currency					
	US Dollar	Pound	Yen	Canadian Dollar	Swiss Franc	Others
A. Financial assets	**5,785**	**235**	**198,253**	**49**	**676,119**	**282**
A.1 Debt securities	0	0	0	0	0	0
A.2 Equities	0	0	0	0	0	0
A.3 Loans to banks	1,749	136	1,230	49	419	282
A.4 Loans to customers	4,036	99	197,023	0	675,700	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	**77**	**56**	**0**	**13**	**24**	**8**
C. Financial liabilities	**2,914**	**90**	**78,866**	**63**	**709,345**	**135**
C.1 Payables towards banks	0	0	78,866	0	709,167	0
C.2 Payables towards customers	2,914	90	0	63	178	135
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	**5,600**	**277**	**116,366**	**0**	**49,758**	**145**
- Options	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0
- Others	5,600	277	116,366	0	49,758	145
+ long positions	1,272	36	1,833	0	49,758	0
+ Short positions	4,328	241	114,533	0	0	145
Total assets		**327**	**200,086**	**62**	**725,901**	**290**
Total liabilities		**331**	**193,399**	**63**	**709,345**	**280**
Accounting deficit (+/-)		**-4**	**6,687**	**-1**	**16,556**	**10**

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 2011, the correlated VaR calculated by the PMS procedure on all exchanged currencies oscillated between a maximum of EUR 960 and a minimum of EUR 320. They are very low values, as the limit concerning open positions in foreign exchanges for 2011 is very limited (corresponding to EUR 500,000).

2.4 Derivative instruments

A. Financial derivatives

A. Supervisory trading portfolio: notional end-period and average values

Underlying assets/Typologies of derivatives	31.12.2011 Over the counter	31.12.2011 Central counterparts	31.12.2010 Over the counter	31.12.2010 Central counterparts
1. Debt securities and interest rates	**2,833**	**0**	**3,301**	**0**
a) Options	2,833	0	3,167	0
b) Swap	0	0	0	0
c) Forward	0	0	134	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	**49,900**	**0**	**127,908**	**0**
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	49,900	0	127,908	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	**52,733**	**0**	**131,209**	**0**
Average value	**91,971**	**0**	**164,206**	**0**

A.2 Bank portfolio: notional end-period and average values

A.2.1 Hedging

Underlying assets/Typologies of derivatives	31.12.2011 Over the counter	31.12.2011 Central counterparts	31.12.2010 Over the counter	31.12.2010 Central counterparts
1. Debt securities and interest rates	**12,585**	**0**	**37,566**	**0**
a) Options	0	0	0	0
b) Swap	12,585	0	37,566	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	**12,585**	**0**	**37,566**	**0**
Average value	**25,075**	**0**	**97,481**	**0**

A.2.2 Other derivatives

Underlying assets/Typologies of derivatives	31.12.2011		31.12.2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	**26,995**	**0**	**46,936**	**0**
a) Options	2,833	0	12,797	0
b) Swap	24,162	0	34,139	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Equities and share indexes	**48,000**		**58,000**	
a) Options	48,000	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	**104,715**		**162,607**	
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	104,715	0	162,607	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	**179,710**	**0**	**267,543**	**0**
Average value	**223,626**	**0**	**256,467**	**0**

A.3 Financial derivatives: gross positive fair value – composition by products

Portfolio/Typologies of derivatives	Positive Fair value			
	31.12.2011		31.12.2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Supervisory trading portfolio	**16**	**0**	**284**	**0**
a) Options	16	0	40	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	244	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
B. Bank portfolio – hedging	**613**	**0**	**957**	**0**
a) Options	0	0	0	0
b) Interest rate swap	613	0	957	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	**454**	**0**	**1,323**	**0**
a) Options	0	0	0	0
b) Interest rate swap	165	0	485	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	289	0	838	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**1,083**	**0**	**2,564**	**0**

A.4 Financial derivatives: gross negative fair value – composition by products

Portfolio/Typologies of derivatives	Positive Fair value			
	31.12.2011		31.12.2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Supervisory trading portfolio	**11,871**	**0**	**22,900**	**0**
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	11,871	0	22,900	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
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	**909**	**0**	**5,039**	**0**
a) Options	60	0	283	0
b) Interest rate swap	342	0	575	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	507	0	4,181	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**12,780**	**0**	**27,939**	**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**	**2,891**	**0**	**0**	**0**	**0**
- notional value	0	0	2,833	0	0	0	0
- positive fair value	0	0	16	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	42	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) Currencies and gold	**0**	**0**	**62,152**	**0**	**0**	**0**	**0**
- notional value	0	0	49,900	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	11,871	0	0	0	0
- future exposure	0	0	381	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 31st December 2011 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**	**37,961**	**0**	**0**	**0**	**2,849**
- notional value	0	0	36,748	0	0	0	2,833
- positive fair value	0	0	778	0	0	0	0
- negative fair value	0	0	342	0	0	0	16
- future exposure	0	0	93	0	0	0	0
2) Equities and share indexes	**0**	**0**	**25,560**	**0**	**0**	**0**	**24,043**
- notional value	0	0	24,000	0	0	0	24,000
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	43
- future exposure	0	0	1,560	0	0	0	0
3) Currencies and gold	**0**	**0**	**104,258**	**0**	**0**	**450**	**1,814**
- notional value	0	0	102,503	0	0	441	1,770
- positive fair value	0	0	267	0	0	0	22
- negative fair value	0	0	498	0	0	5	4
- future exposure	0	0	990	0	0	4	18
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 31st December 2011 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	**0**	**0**	**52,733**	**52,733**
A.1 Financial derivatives on debt securities and interest rates	0	0	2,833	2,833
A.2 Financial derivatives on equities and share indexes	0	0	0	0
A.3 Financial derivatives on exchange rates and gold	0	0	49,900	49,900
A.4 Financial derivatives on other values	0	0	0	0
B. Bank portfolio	**158,877**	**30,585**	**2,833**	**192,295**
B.1 Financial derivatives on debt securities and interest rates	18,162	18,585	2,833	39,580
B.2 Financial derivatives on equities and share indexes	36,000	12,000	0	48,000
B.3 Financial derivatives on exchange rates and gold	104,715	0	0	104,715
B.4 Financial derivatives on other values	0	0	0	0
Total 31.12.2011	**158,877**	**30,585**	**55,566**	**245,028**
Total 31.12.2010	**297,344**	**86,620**	**52,353**	**436,317**

A. 10OTC 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 31st December 2011 the item is not used.

Section 3
Liquidity risk

Information regarding quality

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 analysis 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.

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.

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", „severe" 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, mild 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, of which one is carried out in the occasion of the Finance Committee.

Control tools: Supervisory activity for Banca d'Italia

In the sphere of the monitoring activity of short-term liquidity position defined by Banca d'Italia, the Treasury/Financial Services Division – Treasury and Finance Department and by the Risk Control Division – Market Risk Department draw up daily the "Maturity ladder" report.

The report includes certain and/or foreseeable with reasonable certainty cash income/expenses in the time frame of the following 3 months, by differentiating these sections:

1. Operations with istitutional counterparts
2. Operations with corporate / large corporate customers
3. Treasury budgetary document
4. Securities and finance management
5. Counterbalancing capacity

Cash income/expenses, identified by following the sections above, generate the total liquidity net balance calculated by a maturity ladder defined as follows:

1 day, 2 days, 3 days, 4 days, 5 days, 2 weeks, 3 weeks, 1 month, 2 months and 3 months

Regarding operations with the Parent Company, in determining the total liquidity net balance neither the committed credit line, nor any internal short term re-financing lines are considered and no roll-over hypothesis of maturing deposits is applied.

Coherently with the provisions of the Circular no. 263 of 27th December 2006 – 4th updating of 13th December 2010 ("Without prejudice for the responsibility of corporate bodies in determining the threshold of tolerance of the liquidity risk, the adopted survival horizon cannot be shorter than 30 days.") it is determined that the normal operations of the treasury should guarantee that the total liquidity net balance from the bracket "1 day" to the bracket "1 month" is always positive:

	Maturity									
	1d	2d	3d	4d	5dg	2w	3w	1m	2m	3m
Total liquidity net balance	>0	>0	>0	>0	>0	>0	>0	>0		

The non-compliance with this condition generates an internal escalation process requiring the immediate involvement of HBI's Management (as well through the discussion at periodical meetings, such as Liquidity Rounds and Finance Committees).

In its turn, the Management reports to the Board of Directors the exceeding of the limit, for the definition and the implementation of the suitable measures to be applied.

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.

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 the Holding provides for a "committed line" that the Bank can use in case of liquidity crisis scenarios.

Information relating quantity

1. Time distribution by residual contractual duration of financial assets and liabilities

Currency: Euro

Items/ Time periods	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	**369,710**	**152,368**	**9,082**	**31,103**	**129,267**	**100,874**	**319,697**	**966,096**	**1,177,388**	**18,060**
A.1 Government bonds	0	0	0	0	0	9,862	19,865	9,391	4,654	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	369,710	152,368	9,082	31,103	129,267	91,012	299,832	956,705	1,172,734	18,060
- Banks	6,366	0	0	0	0	0	0	0	0	18,060
- Customers	363,344	152,368	9,082	31,103	129,267	91,012	299,832	956,705	1,172,734	0
Cash liabilities	**600,788**	**127**	**1,180**	**5,321**	**68,723**	**332,909**	**347,739**	**957,250**	**694,009**	**0**
B.1 Deposits and current accounts	450,783	127	1,180	942	55,990	310,295	206,956	109,354	355,000	0
- Banks	686	0	0	0	0	295,000	170,000	105,000	355,000	0
- Customers	450,097	127	1,180	942	55,990	15,295	36,956	4,354	0	0
B.2 Debt securities	90	0	0	4,379	12,733	22,614	60,783	333,896	0	0
B.3 Other liabilities	149,915	0	0	0	0	0	80,000	514,000	339,009	0
„Off-balance sheet“ transactions	**74**	**17,371**	**101,030**	**2,252**	**52**	**840**	**502**	**1,426**	**38,631**	**0**
C.1 Financial derivatives with capital swap	0	17,371	101,030	1,712	-	740	170	106	38,124	0
- Long positions	0	14,431	52,530	150	0	740	170	36	38,124	0
- Short positions	0	2,940	48,500	1,562	0	0	0	70	0	0
C.2 Financial derivatives without capital swap	16	0	0	196	46	71	327	0	0	0
- Long positions	16	0	0	196	0	0	210	0	0	0
- Short positions	0	0	0	0	46	71	117	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	58	0	0	344	6	29	5	1,320	507	0

Currency: USA Dollar

Items/ Time periods	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	**1,762**	**253**	**774**	**1,908**	**915**	**249**	**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	1,762	253	774	1,908	915	249	0	0	0	0
- Banks	1,749	0	0	0	0	0	0	0	0	0
- Customers	13	253	774	1908	915	249	0	0	0	0
Cash liabilities	**2,063**	**170**	**0**	**48**	**484**	**150**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	2,063	170	0	48	484	150	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Customers	2,063	170	0	48	484	150	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**	**2,405**	**2,580**	**54**	**0**	**386**	**174**	**0**	**0**	**0**
C.1 Financial derivatives with capital swap	0	2,405	2,580	54	0	386	174	0	0	0
- Long positions	0	1,272	0	0	0	0	0	0	0	0
- Short positions	0	1,133	2,580	54	0	386	174	0	0	0
C.2 Financial derivatives without capital swap	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

Items/ Time periods	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	**137**	**42**	**0**	**60**	**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	137	42	0	60	0	0	0	0	0	0
- Banks	136	0	0	0	0	0	0	0	0	0
- Customers	1	42	0	60	0	0	0	0	0	0
Cash liabilities	**27**	**0**	**0**	**0**	**7**	**56**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	27	0	0	0	7	56	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Customers	27	0	0	0	7	56	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**	**277**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital swap	0	277	0	0	0	0	0	0	0	0
- Long positions	0	36	0	0	0	0	0	0	0	0
- Short positions	0	241	0	0	0	0	0	0	0	0
C.2 Financial derivatives without capital swap	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

Items/ Time periods	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	**3,822**	**33**	**593**	**1,057**	**3,375**	**5,795**	**9,666**	**55,339**	**115,510**	**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	3,822	33	593	1,057	3,375	5,795	9,666	55,339	115,510	0
- Banks	1,230	0	0	0	0	0	0	0	0	0
- Customers	2,592	33	593	1,057	3,375	5,795	9,666	55,339	115,510	0
Cash liabilities	**24**	**0**	**0**	**4,990**	**0**	**0**	**0**	**73,852**	**0**	**0**
B.1 Deposits and current accounts	23	0	0	4,990	0	0	0	12,974	0	0
- Banks	23	0	0	4,990	0	0	0	12,974	0	0
- Customers	0	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	60,878	0	0
„Off-balance sheet“ transactions	**0**	**13,833**	**51,036**	**1,597**	**0**	**0**	**0**	**0**	**49,900**	**0**
C.1 Financial derivatives with capital swap	0	13,833	51,036	1,597	0	0	0	0	49,900	0
- Long positions	0	236	0	1,597	0	0	0	0	0	0
- Short positions	0	13,597	51,036	0	0	0	0	0	49,900	0
C.2 Financial derivatives without capital swap	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

Items/ Time periods	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	**49**	**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	49	0	0	0	0	0	0	0	0	0
- Banks	49	0	0	0	0	0	0	0	0	0
- Customers	0	0	0	0	0	0	0	0	0	0
Cash liabilities	**63**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	63	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Customers	63	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 swap	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 swap	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

Items/ Time periods	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	**7,323**	**31**	**1,675**	**3,855**	**11,865**	**16,525**	**32,902**	**207,547**	**385,859**	**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	7,323	31	1,675	3,855	11,865	16,525	32,902	207,547	385,859	0
- Banks	419	0	0	0	0	0	0	0	0	0
- Customers	6,904	31	1,675	3,855	11,865	16,525	32,902	207,547	385,859	0
Cash liabilities	**246**	**0**	**0**	**0**	**0**	**41,132**	**0**	**221,290**	**446,676**	**0**
B.1 Deposits and current accounts	243	0	0	0	0	41,132	0	221,290	208,111	0
- Banks	65	0	0	0	0	41,132	0	221,290	208,111	0
- Customers	178	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	3	0	0	0	0	0	0	0	238,565	0
„Off-balance sheet" transactions	**0**	**1,006**	**48,752**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital swap	0	1,006	48,752	0	0	0	0	0	0	0
- Long positions	0	1,006	48,752	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 swap	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

Items/ Time periods	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	**282**	**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	282	0	0	0	0	0	0	0	0	0
- Banks	282	0	0	0	0	0	0	0	0	0
- Customers	0	0	0	0	0	0	0	0	0	0
Cash liabilities	**135**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	135	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Customers	135	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**	**10**	**32**	**104**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital swap	0	10	32	104	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	10	32	104	0	0	0	0	0	0
C.2 Financial derivatives without capital swap	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

Information regarding quality

A. General aspects, management processes and measurement methods of the operational risk

In the sphere of ‚operational risks' our institute 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 operational 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.

Quarterly, the Risk Control Division through risk reports (reports required by the Holding) brings to the attention of the General Management information 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, the Bank still uses BIA (Basic Indicator Approach) method, which defines the requirement as:

(operating income average in the last 3 business years) x 15%

Mitigation tools of Operational 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.

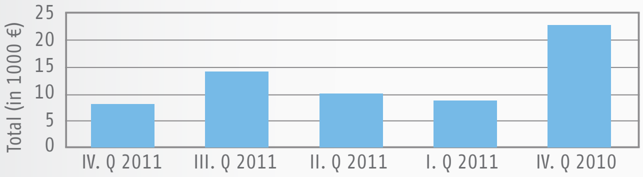
To manage and monitor insurance agreements, inside the Organization Support Division a specific resource was identified and instructed, with experience in the sector.

Quantitative information

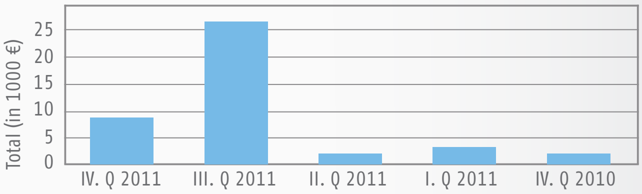
With reference to what expressed as regards to the use of BIA approach, it's necessary to highlight that the patrimonial requirement for the operating risks at 31/12/2011 is equal to EUR 16,658 thousand.

A summary scheme of operating risks registered at 31/12/2011 in the previously described INFORM procedure is indicated below.

Subdivision on the base of event date



Subdivision on the base of recording date



Subdivision on the base of event date

Losses	IV. Q 2011	III. Q 2011	II. Q 2011	I. Q 2011	IV. Q 2010
Gross loss	**0.7**	**1.5**	**9.9**	**9.2**	**23.0**
Insurance recovery	0.0	0.0	0.0	0.9	1.1
Other type of recovery	0.0	0.0	0.0	0.0	0.0
Net loss	**0.7**	**1.5**	**9.9**	**8.3**	**22.0**
Potential loss (not booked)	7.2	12.6	0.1	0.3	0.7
Total (Net + Potential)	7.8	14.0	9.9	8.6	22.7
2011 cumulated	**40.4**				

Subdivision on the base of recording date

Losses	IV. Q 2011	III. Q 2011	II. Q 2011	I. Q 2011	IV. Q 2010
Gross loss	**2.3**	**17.9**	**18.3**	**37.7**	**4.2**
Insurance recovery	0.0	0.0	0.0	4.8	0.0
Other type of recovery	0.0	0.0	0.0	0.0	0.0
Net loss	**2.3**	**17.9**	**18.3**	**32.9**	**4.2**
Potential loss (not booked)	87.4	247.4	0.3	0.0	16.2
Total (Net + Potential)	89.7	265.2	18.6	32.9	20.3
2011 cumulated	**406.4**				

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 27th December, 2006, no. 263), at Title IV «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	31.12.2011	31.12.2010
Equity	318,188	318,188
2. Issue premiums	0	0
3. Reserves	57,131	56,590
- of profits		
a) legal	9,085	8,544
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	-1,432	-603
- Financial assets available for sale	-1,448	-619
- Revaluation Special laws	16	16
7. Profit (Loss) for the year	3,016	10,820
Total	**376,903**	**384,995**

At 31/12/2011 "Shareholder's equity" of the Bank amounted to EUR 376,903 thousand and it compares with EUR 384,995 thousand of 31/12/2010.
The decrease amounting to EUR 8,093 thousand, is essentially due to:

- Provisioning of negative revaluation reserves (financial assets available for sale AFS) for EUR 829 thousand.
- distribution of 2010 dividend for an amount of EUR 10,279 thousand;
- entering of 2011 profit amounting to EUR 3,016 thousand.

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

	31.12.2011		31.12.2010	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
Debt securities	0	1,448	0	619
Equities	0	0	0	0
O.I.C.R. quotas	0	0	0	0
Financing	0	0	0	0
Total	**0**	**1,448**	**0**	**619**

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

	Debt securities	Equity	O.I.C.R. quotas	Financing
1. Opening balances	**619**	**0**	**0**	**0**
2. Positive variations	**90**	**0**	**0**	**0**
2.1 Increments of fair value	88	0	0	0
2.2 Reversal to the income statement of negative reserves: due to impairment	0	0	0	0
due to sales	2			
2.3 Other variations	0	0	0	0
3. Negative variations	**919**	**0**	**0**	**0**
3.1 Reduction of fair value	919	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	**1,448**	**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 31st December 2011 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 18th December 1991 and subsequent updates, net of the intangible assets entered onto the balance sheet under item 120 of the assets.

2. Supplementary equity (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 subordinated loan that on 31st December 2011 in inserted in the supplementary equity calculation:

Nominal EUR 28,000 thousand subordinate debenture loan, issued on 30th June 2003:

- share calculated in the regulatory capital: EUR 5,600 thousands;
- interest rate: euribor 6 months, increased by 0.55%;
- expiry date: 30th 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 (Patrimonio di terzo livello)

At the reference date of the balance there are no instruments accountable in Tier 3.

4.Other information

On 18th 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).

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 31st December 2011 the incidence of assessment of securities in object would have caused a diminution of the solvency capital of EURO 1,448 thousand.

B. Quantitative information

	31.12.2011	31.12.2010
A. Tier 1 before solvency filters	372,817	372,616
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 before deductions (A+B)	372,817	372,616
D. Deductions from core capital	411	411
E. TIER 1 (C-D)	372,406	372,205
F.Tier 2 before solvency filters	5,587	15,200
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 before deductions (F+G)	5,587	15,200
I. Deductions from Tier 2	411	411
L. Total Tier 2 (H-I)	5,176	14,789
M. Deductions from Tier 1 and Tier 2	**0**	**0**
N. Capital for regulatory purposes (E+L-M)	377,582	386,994
O. TIER 3	**0**	**0**
P. Capital for regulatory purposes included Tier 3 (N+O)	377,582	386,994

2.2 Capital Adequacy

A. 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 10.49% (10.09% at 31.12.2010) and a ratio between supervisory capital and weighted risk activities (total capital ratio) equal to 10.63% (10.49% at 31.12.2010) with a surplus of 2.63 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 EURO 93.498 thousand; this amount is considered as adequate for the current needs and to growth forecasts.

The following table that supplies 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 70.08% by credit risk, for about 0.77% by market risks and for about 4.39% by operational risk, whereas, the remaining 24.76% is the available capital ("free capital").

B. Quantitative information

Categories/Values	Non-weighted amounts		Weighted amounts/requir.	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
A. Risk assets				
A.1 Credit and Counterpart Risk	**4,607,986**	**4,887,930**	**3,307,503**	**3,438,746**
1. Standard approach	4,607,986	4,856,680	3,307,503	3,407,496
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. Securitization	0	31,250	0	31,250
B. Regulatory capital requirements				
B.1 Credit and counterpart risk			**264,600**	**274,618**
B.2 Market risk			**2,916**	**2,767**
1. Standard methodology			2,916	2,767
2. Internal models			0	0
3. Risk of concentration			0	0
B.3 Operative risk			**16,568**	**17,703**
1. Base method			16,568	17,703
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			**284,084**	**295,088**
C. Risk assets and solvency coefficients				
C.1 Risk weighted assets			3,551,050	3,688,600
C.2 Core capital/risk weighted assets (Tier 1 capital ratio)			10.49%	10.09%
C.3 Capital for regulatory purposes included TIER 3/ risk weighted assets (Total capital ratio)			10.63%	10.49%

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 remunerations of managers and directors with strategic responsibilities

	31.12.2011	31.12.2010
Managers	1,046	1,033
- pays	983	970
- personnel severance pay (TFR)	63	63
Auditors	266	175
Strategic directors	1,229	940

In the table the remunerations of Managers and Auditors, as well as the remunerations related to the other Directors having strategic responsibilities included in the concept of "related parties" are indicated.

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	1,786
b) Officers with strategic responsibility	132	95	0	0	307
b) Close relatives of the parties referred to in a) and b)	0	0	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. - Italy	8,411	73	0	4	0	0
H.A.A. Finance S.r.l - Italy	0	708	2,106	26	0	0
b) Companies within H.A.A.B - Austria Group						
H.A.A.B. International AG - Austria	0	0	2,796,601	657	0	12,593
H.A.A AG - Austria	0	0	0	0	217	0
H.A.A. Leasing Srl - Italy	28,700	87	14,809	0	0	0
H.A.A. Bank d.d. Ljubljana - Slovenia	0	0	42	0	0	0
H.A.A. Bank d.d. Zagreb - Croatia	0	0	15	0	0	0
H.A.A. Bank d.d. Mostar - Bosnia	0	0	75	0	0	0
H.A.A. Bank d.d. Banja Luka - Bosnia	0	0	17	0	0	0
H.A.A. Bank d.d. Beograd - Serbia	0	0	48	0	206	0
H.A.A. Marketing und Advertising GmbH	0	0	0	0	0	0
H.A.A. AD Podgorica - Montenegro	0	0	32	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
H.A.A. Nekretnine D.O.O Croatia	0	0	0	3	0	0
Probus Real Estate GMBH - Austria	0	0	0	6	-	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. - Italy	181	18	0	898
H.A.A. Finance S.r.l - Italy	0	501	20	8,780
b) Companies within group H.A.A.B - Austria				
H.A.A.B. International AG - Austria	630	10,588	38,666	2,083
H.AA AG - Austria	0	1	0	0
H.A.A. Leasing Srl - Italy	721	142	516	0
H.A.A. Bank d.d. Ljubljana - Slovenia	0	1	1	0
H.A.A. Bank d.d. Zagreb - Croatia	0	16	1	31
H.A.A. Bank d.d. Mostar - Bosnia	0	9	2	9
H.A.A. Bank d.d. Banja Luka - Bosnia	0	8	1	4
H.A.A. Bank d.d. Beograd - Serbia	0	18	1	9
H.A.A. Marketing und Advertising GmbH	0	0	0	0
H.A.A. AD Podgorica - Montenegro	0	1	0	3
H.A.A. Immobilien AG - Austria	0	0	0	0
H.A.A.B. AG - Austria	0	0	0	0
H.AA Leasing Holding GmbH -Austria	0	0	0	0
H.A.A. Nekretnine D.O.O Croatia	0	0	0	11
Probus Real Estate GMBH - Austria	0	0	0	20

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 among 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 31st December 2010 of our Parent Company;
- a table summarizing all the most significant transactions settled in 2011 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 2010 - Hypo Alpe-Adria-Bank International A.G.

Assets	31.12.2010	31.12.2009
Cash and cash equivalent	41,636	34,207
Treasury sec. and similar securities	324,239	287,433
Receivables due from banks	12,312,422	11,278,439
Receivables due from customers	9,234,816	10,899,889
Bonds and other debt securities	875,419	1,179,498
Stocks, shares and other equities	23,011	28,133
Equity investments	10,786	10,786
Equity investments in Group comp.	2,843,652	2,645,749
Intangible fixed assets	1,206	2,432
Tangible fixed assets	1,507	1,582
Other assets	654,806	512,041
Accrued income and deferred charges	30,877	52,955
Total Assets	**26,354,377**	**26,933,144**

Liabilities	31.12.2010	31.12.2009
Payables due to banks	4,201,765	4,326,546
Payables due to customers	1,798,029	1,877,699
Payables represented by securities	17,437,116	17,977,557
Other liabilities	484,420	329,130
Accruals and deferred income	65,845	78,498
Provisions	160,216	254,623
Subordinated liabilities	894,735	893,969
Share capital	1,623,247	1,023,247
Reserves	503,614	523,558
Annual profit	(-814,610)	(-351,683)
Total Liabilities	**26,354,377**	**26,933,144**

Income Statement

	31.12.2010	31.12.2009
Interest receivable and similar revenue	1,148,712	1,445,783
Interest payable and similar charges	-1,045,051	-1,405,341
Dividends and other income	58,852	52,579
Commission income	28,890	24,221
Commissions expenses	-7,696	-6,434
Profit/loss from financial transactions	10,946	9,470
Other operating income	17,025	11,409
Administrative expenses	-141,711	-128,776
a) personnel costs	-43,831	-41,886
b) other administrative costs	-97,880	-86,890
Write-downs on fixed assets	-1,300	-1,693
Other operating expenses	-27,216	-12,956
Net write-downs / Write back	-468,727	-2,332,187
Profit on ordinary activities	**-427,276**	**-2,343,925**
Extraordinary profit	-18,425	1,078,726
Income tax	-17,226	-16,601
Profits after tax	**-462,927**	**-1,281,800**
Reserve movements	0	930,117
Previous Losses	-351,683	
Losses for the year	**-814,610**	**-351,683**

Details of relationships with Hypo Group Alpe Adria companies

Balance Sheet	31.12.2010
Assets	**37,979**
70. Receivables due from customers	37,111
150. Other assets	868
Liabilities	**2,814,442**
10. Payables due to banks	2,796,831
20. Payables due to customers	16,915
100. Other liabilities	696
Income statement items	**53,303**
10. Interest receivable and similar revenue	1,531
20. Interest payable and similar charges	39,207
40. Commission income	637
50. Commission expenses	10,528
80. Net result of trading	10,586
150 b. Administrative costs	1,321
190. Other operating expenses/income	79

Part I
Own equity settled share-based payment agreements

This section is not used.

Part L
Sector report

This section is not used.

Deloitte.

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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, 2011, 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, 2011. 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 April 1, 2011.

3. In our opinion, the financial statements present fairly the financial position of Hypo Alpe-Adria-Bank S.p.A. as at December 31, 2011, 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma
Roma Torino Treviso Verona

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Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

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, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Adriano Petterle
Partner

Treviso, Italy
March 16, 2012

This report has been translated into the English language solely for the convenience of international readers.

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors on the annual profit at 31.12.2011

Dear Shareholders,
This report of the Board of Statutory Auditors to the Assembly of Shareholders of the company Hypo Alpe-Adria-Bank S.p.a. (Udine Companies Register, Tax Code, V.A.T. No. 01452770306) was drafted in compliance with Civil Code provisions – specifically Art. 2429 – and Art. 153, paragraph 1, Legislative Decree 24.02.1998 No. 58.

The Company is directed and coordinated by the Parent Company, Hypo Alpe-Adria-Bank International AG, with head office in A-9020 Klagenfurt. The Republic of Austria has been 100% shareholder of the Parent Company since 30.12.2009.

The Company controls 100% of Hypo Alpe-Adria-Finance S.r.l., with head office in Udine, and of Hypo Service S.r.l., with head office in Tavagnacco.

Consolidated Financial Statements are not required since this obligation is the responsibility of the Parent Company.

Applying the international IAS/IFRS accounting standards, the Company has prepared, and sent to the Parent Company, accounting tables for consolidated periodic reporting purposes.

The Company's Financial Statements are audited by Deloitte & Touche S.p.a., since this company has been assigned the task of auditing the books for the 2010-2102 three-year period, in accordance with Art. 2409-ter of the Civil Code.

In the course of the financial year ending on 31.12.2011 the Board of Statutory Auditors conducted the supervision activity specified by the law and by the standards and rules of conduct recommended by the National Council of Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili); the activities conducted are summarized here below:

- regarding legal and Statutory compliance

The Board of Statutory Auditors:
- attended all the meetings of the corporate bodies (No. 7 Board of Director meetings, No. 1 Ordinary Shareholders' Assembly);
- exchanged information with the company directors and with the control organs of the subsidiaries;
- periodically acquired information from the managing director;
- acquired information from the Legal Auditors regarding the functions for which they are responsible;
- obtained information from those in charge of the respective functions;
- examined the company documents;
- conducted inspection and control operations;

without recording any legal or Statutory violations.

- regarding compliance with the principles of correct administration

Based on the activities conducted, the information acquired or received from the administrative organ, also by participating in Board of Director meetings and in discussions with those in charge of the division involved, the Board of Statutory Auditors considers that the directors have not executed any operations that are:
- extraneous to the company mission;
- in conflict with the interests of the company;
- in contrast with the deliberations taken by the assembly or by the Board of Directors;
- clearly imprudent or hazardous or in any case likely to compromise the integrity of the company assets.

- regarding the adequacy and functioning of the organisational structure

Within the range of its area of competence, the Board of Statutory Auditors has acquired knowledge about: the regulations and directives; the procedures adopted in order to ensure that the decision-making power is exercised competently and responsibly; the organization and the structure, and their compatibility with the dimensions of the Company and the specific requirements of the company mission, without identifying any significant risks related to the adequacy and functioning of the organizational structure.

The organisational Model is operational, in accordance with Legislative Decree 231/2001. In the course of periodic meetings there was an exchange of information with the Control Organ, implemented with technical support.

- regarding the adequacy and functioning of the internal control system

In the course of its activities, and also as a result of the information exchanged with the Auditors, the meetings held with the Division Heads, the information collected, the direct observations made, the Board of Statutory Auditors has noted the company procedures, the monitoring of risk factors, the emergence and management of critical situations, without recording any significant facts requiring notification to the control organs or mention in this report.

- regarding the adequacy and functioning of the administration-accounting system

The administration-accounting system uses the CEDACRI outsourcing procedures.

Based on the information received from the Auditors, from the description of administration events, the Board of Statutory Auditors considers that the administration-accounting system is adequate and that the information is reliable, in accordance with the accounting standards adopted and with Banca d'Italia directives.

- regarding the annual balance sheet and the management report

The Board of Statutory Auditors has checked:

– the regulatory compliance of balance sheet and income statement;
– for the supplementary notes, that the specification of the assessment criteria comply with the legal requirements and with the accounting standards adopted;
– that the legally specified contents are present in the supplementary notes and in the management report, the accuracy and clarity of the information given, the adequacy of the information on company risks provided by the management report;
– compliance with the provisions of Art. 2426, paragraph 1, No. 5 and No. 6 of the Civil Code, regarding the registration of installation and start-up costs onto the balance sheet; the Board of Statutory Auditors gives its consent to these registrations.

The Board of Statutory Auditors has supervised compliance with anti-money laundering legislation, and in particular regarding the obligation to notify suspect transactions.

No cases ex Art. 2408 of the Civil Code have been found.

The directors do not appear to have taken recourse to the derogation specified by Art. 2423, paragraph 4 of the Civil Code.

The balance sheet reflects the facts and the information of which the Board of Statutory Auditors is aware as a result of attendance at meetings of the company organs, conducting its supervision duties and its powers of inspection and control. Together with the Auditors, the Board of Statutory Auditors has supervised the application of the accounting standards, compliance with legal provisions and monitoring of the rectifying funds.

In terms of relations with related parties, in accordance with the provisions of paragraph 2 of Art. 2391 bis of the Civil Code, the Board of Statutory Auditors confirms that it has supervised – and that nothing has been noted – regarding compliance with the rules that the company has set itself in order to ensure the transparency, and the fundamental and procedural accuracy of the operations executed with related parties.

The annual net profit records a further reduction due to the economic cycle, and to the reductions in volumes and margins. The Business branch transfer operation, effective from 01.02.2012, the strategic repositioning with the credit risk limitation and cost control and the commitment of the Parent Company to guarantee the required resources constitute conditions for renewed profit growth.

The Balance Sheet at 31.12.2011, here submitted for your inspection, closes with a profit amounting to euro 3,015,995, total assets amounting to euro 4,259,909,275 and net assets amounting to euro 376,902,375.

Proposal.

The Board of Statutory Auditors, having taken note of:

- the procedure for drawing up, control, and approval of the balance sheet adopted by the directors, and its compliance with the provisions of the Civil Code, with the principles issued by Banca d'Italia and with the international accounting standards;
- the Auditors' Report, the conclusion of which does not note any significant facts;
- the checks conducted and the general controls executed in order to ascertain that the balance sheet has been written correctly;
- the failure of the directors to exercise the derogation specified in Art. 2423, paragraph 4 of the Civil Code;
- the consent given regarding the registration (item 120) of start-up and multi-year costs among the balance sheet assets (Art. 2426, No. 6, 5, Civil Code);

unanimously
expresses
its approval of the balance sheet, bearing in mind Banca d'Italia specifications (the most recent on 05.03.2012) regarding dividend distribution and remuneration policies, and therefore regarding the appropriacy of earmarking profits to the reserves.

The Board of Statutory Auditors thanks you for your trust and reminds you that its mandate expires the date of the assembly convened in order to approve the Balance Sheet.

This report has been deposited, with previous authorisation, in derogation of Legal specifications.

Tavagnacco, 16 March 2012

The Board of Statutory Auditors
Dr. Dino Biasotto – President
Dr. Adino Cisilino – Permanent Auditor
Dr. Richard Burchia – Permanent Auditor

Annexes to the balance statement

Disclosure of compensations regarding Audit and services different from audit

The new point 16-bis) inserted in the first paragraph of art. 2427 of the Italian Civil Code by art. 37, paragraph 16 of the Legislative Decree 39/2010 requires that the note to the financial statements should indicate the total amount of compensations paid to the auditor or to the auditing company for the auditing of annual statements, the total amount of compensations paid for the other performed auditing services, the total amount of compensations paid for fiscal consultancy services and the total amount of compensations paid for the other services different from auditing.

In the following table, the information regarding the compensations paid to the Auditing Company Deloitte & Touche S.p.A. is indicated, for the following services:

Job description	Amount
Half-year and annual auditing	85
Verification of the compliance of accounts and of the correct recording of management facts in the accountings, verifications required for the signing of tax returns	21
Other services (audit activity required for the securitization)	45

International accounting principles approved on 31st 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 statements	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 parties	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 affiliated 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 recorded 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

Balance sheet at 31st December 2011

Assets items	31.12.2011	31.12.2010	01.01.2010
10. Cash and cash equivalents	2,353,636	2,721,262	7,769,280
20. Financial assets held for trading	477,971	1,611,635	2,809,997
30. Financial assets at fair value	0	0	0
40. Financial assets available for sale	42,850,124	33,987,919	0
50. Financial assets held to maturity	0	0	0
60. Receivables due from banks	23,951,436	29,777,865	49,778,118
70. Receivables due from customers	3,290,087,806	4,318,005,927	4,390,575,156
80. Hedging derivatives	613,009	957,455	4,435,879
90. Change in value of financial assets			
recorded as part of a macrohedge (+/-)	0	0	0
100. Equity investments	3431613	3,431,613	3,431,613
110. Tangible assets	43,380,373	43,275,791	44,385,178
120. Intangible assets	2,635,971	2,627,184	3,105,497
hereof:			
- goodwill	1,113,941	1,113,941	1,113,941
130. Tax assets	25,200,971	18,679,733	14,357,535
a) current	6,720,941	683,691	125,343
b) pre-paid	18,480,030	17,996,042	14,232,192
140. Non-current assets and groups of assets held for sale	791,136,601	0	0
150. Other assets	33,789,764	32,492,829	34,552,152
Total assets	**4,259,909,275**	**4,487,569,213**	**4,555,200,405**

Liabilities and Shareholders' equity	31.12.2011	31.12.2010	01.01.2010
10. Payables due to banks	1,965,993,914	2,734,118,090	2,683,251,083
20. Payables due to customers	610,860,114	794,216,410	729,403,662
30. Outstanding securities	414,481,418	441,684,784	639,200,850
40. Financial liabilities held for trading	13,348,605	27,670,656	5,255,556
50. Financial liabilities at fair value	23,765,385	33,468,153	32,861,611
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	0	657,804
a) current	0	0	0
b) deferred	0	0	657,804
90. Liabilities related to groups of assets held for sale	789,136,601	0	0
100. Other liabilities	60,691,431	65,347,717	80,275,653
110. Provision for employee severance payment (TFR)	2,647,163	3,289,540	3,411,222
120. Provisions for liability and charges:	2,082,269	2,778,683	2,719,509
a) pensions and similar benefit obligations	0	0	0
b) other provisions	2,082,269	2,778,683	2,719,509
130. Valuation reserves	- 1,432,678	- 602,770	16,485
140. Redeemable shares	0	0	0
150. Capital instruments	0	0	0
160. Reserves	57,131,459	56,590,400	56,412,936
170. Issue premiums	0	0	0
180. Share capital	318,187,600	318,187,600	318,187,600
190. Own shares (-)	0	0	0
200. Profit (Loss) for the year	3,015,994	10,819,950	3,546,434
Total liabilities and Shareholders' equity	**4,259,909,275**	**4,487,569,213**	**4,555,200,405**

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