HYPO ALPE ADRIA
SUPPORTIVE. FRIENDLY. FAIR.

Annual Report 2012

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 2012

Dear Shareholders,

during the financial year 2012 – that represents the XXVIIth business year and the XXVIth 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 – and in company reorganization – with the aim to adequate the organization structure to the changes operational requirements.

From the capital side, this was put into practice through a decrease of lending volumes and a – even if moderate - growth of deposits volumes.

As tocurrent activities , we have witnessed to a decrease of company profitability. 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 adjustments on credits recorded an increase ascribable to the persisting general economic context of deep crisis and to the consequent further impairment of the credit quality, as well as to the need to adequate – in order to assess problematic loans – the recovery values of the current market values.

The business year 2012 was also characterized by two significant events:

- Transfer of company branch
  Starting from 01/02/2012 the transfer of company branch to Hypo Alpe Adria Leasing Srl mainly represented by non performing loans for a value corresponding to EUR 861 million and by debts towards banks for a total of EUR 778 million was completed. For further details please refer to the section "Other information" of the Report on Operations
- Issues regarding lease contracts indexations
  In the first months of 2013 – due to some controls performer on the IT system of the Bank – anomalies in floating-rate lease contract indexations were found, due to incorrect calculations of interests unduly reckoned. The bank proceeded to correct the identified mistakes according to the principles stated in IAS 8. The paragraph "Restatement of balances from the previous year pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors" of the Notes to the financial statements presents in detail the economic impact of such corrections and the assumptions at the basis of such issue.
  Regarding this issue it should be also pointed out that:

- the Public Prosecutor of Udine has initiated proceeding against the Bank for administrative offense pursuant to art. 24 ter, paragraph 2 of Legislative Decree no. N. 231/01. The details about this procedure are discussed in the paragraph on „Subsequent events" of this report. In this regard, the Directors report that, also on the basis of what was communicated by their legal advisor in charge, it shall be deemed as probable that the organisational model is valid and therefore that the Bank can be considered exempt from responsibilities descending from the administrative offence . Furthermore, the Directors inform that in case of adverse result of the procedure, the eventual fine for the Bank would range from a minimum of € 77,000 to a maximum of € 1.2 million, amount not recognized in the financial statements in accordance with the principles of the international accounting standards. The Directors also inform that they exclude the likelihood that any interdiction measures regarding the operations are applied to the bank as a result of the above proceeding;
- On 22 March 2013, moreover, the Bank of Italy has started an an audit on transparency. This audit was subsequently extended to a general inspection that is currently still in progress.

Macro-economic outlook

International situation

In the financial year 2012, the world economy had a slow-down in comparison with the previous financial year: the increase in the GDP should settle down about a +3.2%, slightly lower than the one recorded in the previous financial year (+3.8%).

US economy showed a weak but positive trend (+2.1%) mainly ascribable to the restarting of residential investments. Europe closed the year 2012 in recession (-0.4%): public budgets reorganization plans resulted as weighty and had negative effects on the development of real economy development, therefore contaminating stronger countries as well. Regarding Northern European countries, they were touched indirectly, due to the reduction of exports toward Mediterranean partners. The weakness of the worldly growth has influenced negatively developing countries' economies as well, which resulted as slowing down.

As to GDP, Italy recorded a decrease corresponding to about 2%. This recession is mainly ascribable to the reduction of private consumptions, caused by a negative trend of available incomes and by the contraction of financial wealth of households. Investments in equipment and machinery, as well the demand of constructions showed a remarkable decrease. The international crisis has negatively influenced also exports. The most worrying effects of the crisis were recorded on the labour market, with an unemployment rate at about 10.8%.

In the delineated economic picture, the monetary policy has kept interest rates at contained levels, therefore trying to contrast the danger of a further contraction of real economy.

The European monetary policy – besides supporting the economic cycle – aimed to reinforce Euro and perform an incentive function towards the Governments of the Union.

The credit market in Italy

The bank activity in the year 2012 was dominated by tensions regarding provisioning.

The differential between internal yields and those of Euro-Area "strong" countries negatively influenced the funding capacity of Italian banks. The withdrawal of funds by foreign operators was not offset by the positive balance of the deposits by residents; this has determined a dependency by Italian banks to ECB financing. Bank balances have therefore recorded an unbalance between lending and deposits for about EUR 200 billion.

The trend of deposits by residents is derived from two opposing dynamics, which recorded a growth of deposits (4%) against a significant reduction of obligations (-5%). This trend is consistent with the current financial crisis – that mainly influences long term components - and it was also facilitated by the failing of the taxation differential between the medium/long-term and short-term financial tools.

Funding difficulties had impacts on the cost of deposits, which has increased despite the decrease in market rates.

Lending has recorded a contraction (-2.6%), in line with the evolution of GDP and the weakness of demand, both for consumptions (-3.2%) and investments (-8.1%). The only component which marked a positive variation was the funding request for debit reorganization operations.

The reduction of lending was more significant in the segment of loans to non-financial enterprises (-3.5%) while it was more contained (-1.3%) in the funding sector to households.

The leasing market closes with an extremely marked downturn: the volume of agreements signed in the year showed a variation corresponding to -34.7% with reference to the previous financial year. If measured in terms of number of contracts, the downturn was more contained and corresponding to -14.3%. This piece of data reflects the fact that the downturn of activities induced the operators to subscribe contracts having a more restricted value. On the performance of the sector weighs the contraction of fixed investments with negative trends in all sectors of goods financeable through leasing. The picture is made more complex by the crisis of the estate sector and by the running short of many of the incentives bound to renewable energy sources.

The negative trend was accentuated with reference to 2011 and extended to sectors which had remained in time untouched by the negative effects of recession – such as the car sector - or that had shown a positive trend - like the energy sector.

The growth of the level of credit riskiness bound to the unfavourable situation has continued: both a worsening of the decay rate and a growth of non-performing loans (+15.7%) was recorded.
The higher cost of deposits and the increase in credit risk have determined an increase in the rates applied to new lending.
However, this increase was not sufficient to prevent the spread contraction between the average rates on loans to households and enterprises and deposit rates.

Profitability of banks had a downtrend: pressures on the interest margin – determined by a dynamic of negative interests far higher than the one of positive interests - was not significantly balanced by other revenues. This has determined a decrease of operating income.

Credit risks provisioning flow was significant.
In this context - against tensions on return flow - cost control remained a priority with impacts in terms of presence on the territory and choice of distribution channels.

The capitalization level has increased with an uptrend of about a point of CoreTier1 ratio.

Operations review

We highlight that – in order to make the financial year 2012 comparable with confrontation data at 31/12/2011 – the trend analysis will be carried out by considering the values net of the assets transferred to HLI.

The total assets in the Balance sheet showed a decrease (-6.65%) in comparison with the same period of the previous year.

This phenomena is mainly due to the decrease of lending net of rectification funds (-7.89%), mainly ascribable to the credit requalification process which concerned both the issuance of new contracts and the review of existing ones.

Direct deposits from customers – indicated in the following prospect – shows a growth: direct deposits were EUR 1 billion and recorded a positive variation corresponding to 4.62%.

Direct deposit data were cleaned up of the deposits of the newly incorporated company HLI and of subordinated debenture bonds – that instead are included in balance schemes.

Amounts in EUR million

Year	Direct deposits with debenture loans	Financial liabilities at fair value	Short-term direct deposits from customers	Total direct deposits
2011	366.48	23.76	568.32	958.56
2012	338.16	6.00	658.70	1,002.86
Variation %	**-7.73%**	**-74.74%**	**+15.90%**	**4.62%**

Indirect deposits are described in the following schedule:

Amounts in EUR million

Anno	Managed deposits	Administered deposits	Total indirect deposits
2011	382.07	251.43	633.49
2012	421.55	207.13	628.68
Variation %	**10.33**	**-17.62%**	**-0.76%**

Total deposits from customers recorded a slight increase (2.48%)

Lending

Inter-bank lending

Total lending amounted to EUR 33.31 million (+39.08%). Variations in comparison with the previous financial year balance are due to settlements of treasury positions at the end of the year.

to customers

At the closing of the financial year receivables from customers – net of write-downs – amounted to EUR 3.030 million, recording a decrease corresponding to -7.89% in comparison with the end of the previous year.

A downtrend of all financing typologies of the bank sector, net of impaired items was recorded, even if mainly concentrated in the short-term bank credit segment.
Leasing credits – gross of transferred credits – showed a reduction (-17.54%).

In the item other operations (+4.33%) other short-term operations are indicated as well, such as advances on bills subject to collection and non-regulated current-account funding.

Impaired assets trend indicates a significant growth (+56.04%). This trend is ascribable to the persisting economic crisis that is straining the repayment capacity of companies – mainly of those having small/medium dimensions, traditional customer area of the Institute.

Lending

Values in thou. EUR

Breakdown by financing typology	31.12.2012	31.12.2011	Variation absolute	Variation %
1. Current Accounts	113.091,00	168.939,00	-55.848,00	-33,06%
2. Positive Repurchase Agreements				
3. Loans	451.901,00	507.499,00	-55.598,00	-10,96%
4. Credit cards, personal loans and transfer of the fifth part of the salary	271,00	455,00	-184,00	-40,44%
5. Financial Leasing	1.666.794,00	2.021.288,00	-354.494,00	-17,54%
6. Factoring			0,00	
7. Other Operations	252.565,00	242.092,00	10.473,00	4,33%
8. Loan Certificates			0,00	
9. Impaired Assets	545.838,00	349.815,00	196.023,00	56,04%
10. Assets Transferred And Not Cancelled				
Total Lending	**3.030.460,00**	**3.290.088,00**	**-259.628,00**	**-7,89%**

The trend of new lease contracts showed a reduction with reference to the previous year, both with reference to the total contract value (-62.73%) and to the number of contracts (-42.80%).

Values in thou. EUR

	31.12.2012		31.12.2011	
Value of new lease contacts	nº ctr	Value	nº ctr	Value
Vehicles	789	35,437	1,308	52,644
Movable property	232	18,006	362	22,386
Aircraft and boat sector	1	831	8	1,032
Real estate	31	12,676	153	94,767
Real estate under construction	0	0	10	8,807
Total	**1,053**	**66,950**	**1,841**	**179,636**

On the contrary, the system recorded a reduction both of the total value of undersigned contracts (-34.72%) and the number of undersigned contracts (-14.31%).

It is to be highlighted that – at a system level – the percentage of gross fixed loans financed through leasing has further reduced, passing from 13.0% in 2011 to 9.6% in 2012.

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

- the Bank occupies the 14th position as to the value of the outstanding debt (12th in 2011)
- the market share – calculated on the total value of undersigned contracts – amounts to 0.41% (0.73% in 2011)

Assets held for trading

The aggregate value amounts to EUR 2.6 million and points out a significant increase (+443.75%) 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

	Book value	
Assets held for trading	31.12.2012	31.12.2011
A) cash assets	0	0
Loan certificate		
Equities		
O.I.C.R.		
Financing		
Impaired assets		
Assets transferred and not cancelled		
B) derivative instruments	**2.61**	**0.48**
Banks	2.55	0.45
Other issuers	0.06	0.03
Total	**2.61**	**0.48**

Equity investment in the Group's company
No changes from last year.

Values in million Euros

Equity investments	Book value 31.12.2012		31.12.2011	
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 2.85 million (-5.19%). The individual sectors are:

Interbank deposits
At the closing of the financial year 2012 interbank deposits – that amounted to EUR 1.81 million – showed a variation corresponding to -8.09% in comparison with volumes of the previous year. This trend was the result of a series of transactions having a different sign.

During the financial year a significant reduction of the negative balance towards the Parent company took place. This phenomenon is ascribable both to the transfer operation of a company branch to HLI – that included the transfer to the receiving company of debt accounts with the Holding for about EUR 780 million – and to repayment transactions for more than EUR 300 million. The repayment was possible tanks to the growth of primary funds and to the liquidity generated through repos with the ECB, using the bonds of the two securitization transactions, Salina and Dolomiti Mortgage. This liquidity – at 31/12/2012 – corresponded to about EUR 160 million.

Interbank deposits refer mainly to the short and medium/long-term deposits from the Parent Company. Recourse to other financing counterparts amounts to approximately 3% 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 1.68 million, with a variation equal to -0.13% in comparison with the end of the previous year.

Values in million Euros

CUSTOMER DEPOSITS Breakdown by technical type	31.12.2012	31.12.2011	Variation absolute	Variation %
1. Current accounts and savings deposits	544.47	451.76	92.71	20.52%
2. Term deposits	120.41	116.56	3.85	3.30%
3. Financing	13.6	14.81	-1.21	-8.17%
3.1 Negative repurchase agreements				
3.2 Other	13.6	14.81	-1.21	-8.17%
4. Liabilities relating to own equity instruments				
5. Other payables	1.14	27.73	-26.59	-95.89%
a. Total payables due to customers (Item 20)	**679.62**	**610.86**	**68.76**	**11.26%**
1. Bonds				
2. Other securities				
b. Outstanding securities (Item 30)	**366.17**	**414.48**	**-48.31**	**-11.66%**
c. Financial liabilities at Fair value (Item 50)	**5.99**	**23.76**	**-17.77**	**-74.79%**
d. Total direct deposits (a+b+c)	**1,051.78**	**1,049.10**	**2.68**	**0.26%**
e. Total indirect deposits	628.68	633.5	-4.82	-0.76%
Total Deposits	**1,680.46**	**1,682.60**	**-2.14**	**-0.13%**

Direct deposits

Direct deposits recorded a variation corresponding to +0.26%.

This trend was determined by the liquidation of a subordinated debt issued in 2002 – recorded in the item outstanding securities – for an amount corresponding to EUR 20 million. By considering the aggregate of direct deposits net of subordinated debts (having the Holding as counterpart), we would otherwise have – as already shown in the previous pages, a positive variation.
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, started in the last months of 2011 and that went on during this financial year as well. 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 51.77% of total direct deposits) amounting to EUR 544.47 million (+20.52% in comparison with the previous financial year). The reduction is counterbalanced by the growth of term deposits.

- Term deposits (corresponding to 11.45% of total direct deposits) for EUR 120.41 million (+3.30%). As said before, the increase is due to the subscription of the term deposits items connected to the Hyposì product

- Bonds (corresponding to 34.81% of direct deposits) amounting to EUR 366.17 million (-11.66% 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" debts towards HLI for the leasing of the Managing offices of Tavagnacco are indicated.

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 these 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 (49.46%) and Manufacturing Enterprises (38.26%).

Indirect deposits

Indirect deposits amounted to EUR 628.68 million, therefore recording a reduction corresponding to -0.76% than at the end of the previous year.

Values in million Euros

Indirect deposits	31.12.2012	31.12.2011	Variation absolute	Variation %
Treasury certificates and multi-year bills (cct, btp)	74.51	97.38	-22.86	-23.48%
Bonds	85.26	102.86	-17.60	-17.11%
Other securities	62.03	72.87	-10.84	-14.88%
Managed funds and open-ended investment	330.91	293.25	37.65	12.84%
Insurance policies	75.97	67.14	8.83	13.16%
Total	**628.68**	**633.50**	**-4.82**	**-0.76%**
Of which managed assets	**421.55**	**382.07**	**39.48**	**10.33%**

The volume of managed deposits – that include, besides asset management, also Equity Management Funds, mutual funds and insurance policies – amounts to approximately 67.05% 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 40.13 million); of the company Skandia Vita S.p.A., Milan office – with total premiums of EUR 29.79 million; of the company Genertellife for about EUR 1.87 million.

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

	31.12.2012			31.12.2011		
Indirect deposits	Internal networks	External networks	**Total**	Internal networks	External networks	**Total**
Total	**210.70**	**417.99**	**628.68**	**233.23**	**400.27**	**633.50**
of which administered	142.77	64.36	207.13	172.76	78.67	251.43
of which managed	67.93	353.62	421.55	60.47	321.60	382.07

Operating result

Below a detailed analysis of the reclassified income statement.

The comparative data considered in the following comments include rectifications of the balances of the previous period in compliance with IAS (Accounting principles, variations of accounting estimations, errors).

Values in thou. EUR

Income statement	2012	2011	Variation Absolute	%
Interest receivable and similar revenues	111,435	143,457	-32,022	-22.32%
Interest payable and similar charges	-48,473	-66,324	17,851	-26.91%
a. Net interest margin	**62,962**	**77,133**	**-14,171**	**-18.37%**
Commission income	15,785	15,455	330	2.14%
Commission expenses	-6,672	-7,608	936	-12.30%
b. Net commissions	**9,113**	**7,847**	**1,266**	**16.13%**
Dividends and similar income	0	0	-	
Net profit (loss) from trading activity	2,698	867	1,831	211.19%
Net profit (loss) from hedging activity	-84	15	-99	-660.00%
Profits (Losses) from sale or repurchase of:	347	129	218	168.99%
a) receivables			-	
b) financial assets available for sale	3	4	-1	
c) financial assets held to maturity			-	
d) financial liabilities	344	125	219	175.20%
Profit/Losses on financial assets/liabilities			-	
at fair value	-166	-198	32	-16.16%
Profit/losses from transfer of investments	56	-19	75	-394.74%
Total other operating income / Operating expenses	12,622	13,330	-708	-5.31%
c. Operating income (a+b)	**87,548**	**99,104**	**-11,556**	**-11.66%**
Administrative expenses:	-58,828	-66,103	7,275	-11.01%
a) personnel costs	-28,090	-32,707	4,617	-14.12%
b) other administrative expenses	-30,738	-33,396	2,658	-7.96%
Net allocations to provisions for risks and charges	-6,943	-1,408	-5,535	393.11%
Net write-downs/ value renewals on tangible assets	-3,249	-3,571	322	-9.02%
Net write-downs/ value renewals on intangible assets	-1,719	-631	-1,088	172.42%
d. Operating costs	**-70,739**	**-71,713**	**974**	**-1.36%**
e. Operating income before write-downs (c-d)	**16,809**	**27,391**	**-10,582**	**-38.63%**
Write-downs/write-backs for impaired:	-65,188	-26,328	-38,860	147.60%
a) receivables	-65,188	-26,328	-38,860	147.60%
b) financial assets available for sale				
c) financial assets held to maturity				
d) other financial assets				
f. Profits from current operations before tax	**-48,379**	**1,063**	**-49,442**	**-4651.18%**
Taxes on income from current operations	12,604	-7,335	19,939	-271.83%
g. Profits on current operations after tax	**-35,775**	**-6,272**	**-29,503**	**470.39%**
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	**-35,775**	**-6,272**	**-29,503**	**470.39%**

In comparison with the previous financial year, the net interest margin recorded a downtrend, by showing a decrease corresponding to -18.37%, mainly ascribable to the downtrend of the credit intermediation activity – as well determined by the transfer of the company branch to the company Hypo Alpe Adria Leasing Srl – and to the erosion of the spread between lending and deposits – which characterized the banking system in 2012.

The operating income has decreased (-11.66%).

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

Net commission showed a variation mainly explainable with the contraction of negative commission (-12.30%) against a value of positive commissions which have remained substantially untouched with reference to the previous financial year (+2.14%).
With reference to positive commission the keeping is due to the positive contribution of the security sector – mainly in the management services, intermediation and consultation segment – in particular to the part connected to managed savings – against a reduction of commissions in the credit sector - determined by lower short-term loan volumes and by the contained number of new issuances in the medium/long-term credit segment.
The reduction of negative commission is ascribable to components linked to the performance of securitization transactions, not replicable in this financial year.

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 a significant improvement.

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 negative variation (-5.31%).

The result of the period, gross of write-downs, shows a contraction corresponding to -38.63%.

Operating costs recorded a decrease (-5.14%).

In details:

- personnel costs: showed a decrease (-14.12%). This downtrend is due to the reduction of the number of employees, which passed from 526 to 410 units. The reduction is mainly referable to the transfer of company branch to Hypo Leasing, which took place during the business year. The need to guarantee this company an organization structure suitable to the new company dimensions – as well as the requirement to guarantee adequate professional figures - had as a consequence that the transfer concerned also 80 employees coming from specific interest areas. During the year the staff rationalization activity – both regarding the managing one and the one referable to sales networks – went on as well and was implemented in the non-confirmation of the fixed-term personnel.

- operating costs: recorded a reduction corresponding to -7.96% in comparison with the previous business year. The reduction is due to different causes. From one hand the cost management activity – started during the previous business years - went on, on the other hand we had a cost reduction following to the transfer operation to HLI. Many functions – such as collection and remarketing activities – and the related costs are today chargeable to the transferee company. Moreover, it is necessary to remind that the value of operating expenses 2011 was influenced by some extraordinary cost items (non-returnable in this financial year) linked to the securitization transactions.

- value write-downs on plant and equipment: strongly reduced (+18.23%) during the year due to the "avviamento" write-downs on provisions for risks and charges: recorded a strong increase. This is determined by 1) a prudential provisioning to the restructuring fund connected to the company reorganization approved by the Board of Directors on August 6th, 2012, 2) a provisioning of compensatory interests for the compensation of late refund to customers of undue charges with reference to anomalies found in the leasing contract indexation that will be explained in details afterwards in this report and in the note to the financial statements.

Write-downs on credits recorded an increase (+147.60%). This increase is ascribable to the persisting a deep crisis of the economic environment and to the consequent impairment of the credit quality, as well as to the need to adequate - in order to evaluate bad loans – the recovery values of current market values.
The loss before tax is equal to EUR 48.38 million (-4,651.18%).

Taxes have a positive balance corresponding to EUR 12.60 million, referable to tax effects of the loss for the period.

The loss for the period is EUR 35.77 million.

The Roe is at -14.08% (-2.38% in 2011), the Roa at -1.07% (-0.17% in 2011).
The previous indicators – at a banking system level - are at 0.9% and at 0.16%, respectively.
Regarding efficiency indicators, the C.i.r. is at 72.87% (70.94% in 2011).

Corporate capital trend

Opening capital was rectified in compliance with instructions defined by the accounting principle no. 8 (detailed in the note to the financial statements). In 2012 the main variations of net assets regarded the loss of the period and the distribution of the statutory reserve for an amount corresponding to EUR 42 million, decided by the Board of Directors on February 22nd, 2012. This decision was motivated by the lower capital absorption consequent to the reduction of credit-risk weighted assets deriving from the transfer performed starting from 01/02/2012.

At December 31st, 2012 Hypo Alpe-Adria-Bank S.p.A. recorded a capital adequacy ratio (CAR) and a tier 1 ratio corresponding to 8.77 %, both above the minimum regulatory level by 8.0 % (CAR). As part of Hypo Alpe Adria Group, the bank was submitted to the „Joint Risk Assessment and Decision (JRAD)" process, ended with the issue of a Joint Decision by the Supervisory Authorities (Austrian Financial Authority, Bank of Slovenia and Banca d'Italia) in January 2013, recommending with reference to Hypo Alpe-Adria-Bank S.p.A. to keep a core tier 1 ratio above 11.5%. In case this ratio were lower than the aforementioned limit, the bank is required to inform Banca d'Italia regarding the measures it intends to undertake in order to face the situation within an adequate time span in order to restore the foreseen capital level within a congruous period. With the aim to restore a tier 1 ratio higher than 11.5 %, the majority shareholder of the bank, Hypo Alpe-Adria-Bank International AG (Austria), and the related suitable bodies have already approved a recapitalization corresponding to EUR 55 million, and has also ensured its commitment to further recapitalize the company to the extent necessary to maintain the minimum capital requirement above. The recapitalization is foreseen within the end of July2013 through capital contribution payment.

As follows, the main recapitalization ratios:

	31.12.2012	31.12.2011
Equity/Loans total amount	7,84%	7,99%
Equity/Managed total amount	7,27%	7,40%
Equity/Total assets	6,92%	7,14%

At the closing of the business year 2012 the Regulatory Capital amounted to EUR 263 million, with a variation corresponding to about EUR 115 million with reference to the end of the previous year (-30.38%). The variations of this item with reference to the previous year can are ascribable:

- to the prosecution of the deduction phase, for Regulatory Capital aims, of the subordinated loans for a nominal value of EUR 28 million issued in 2003
- to the distribution of the statutory reserve indicated above
- to the loss of the year 2012
- To the rectifications pursuant to the provisions defined by the international accounting principle no. 8

We highlight that – in September 2012 – the subordinated debt of EUR 20 million issued in 2002 was repaid at its natural maturity.

It's to be highlighted that:

- Tier 1 (Patrimonio di base)/weighted risk activities ratio corresponds to 8.77% (10.49% in 2011)
- Regulatory Capital/weighted risk activities ratio corresponds to 8.77% (10.63% in 2011)

Development of the Financial Statement

In 2012 there was a positive change of the liquidity flows in comparison with the previous financial year, for EUR + 6.37 million.

In particular:

- operating activities recorded a positive cash flow of EUR 52.98 million. In other words, the liquidity absorbed by the financial assets was lower 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 – 1.75 million;
- the funding activity was positive and recorded a balance of EUR 44.87 million.

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 operational 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.

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

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

- 35.61% 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 3.70% 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 non-performing 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	31.12.2012	31.12.2011
0.00 to 0.02 EUR mio	1.36%	1.24%
0.02 to 0.03 EUR mio	0.92%	0.79%
0.03 to 0.04 EUR mio	0.87%	0.83%
0.04 to 0.06 EUR mio	1.81%	1.63%
0.06 to 0.13 EUR mio	6.70%	6.04%
0.13 to 0.26 EUR mio	10.49%	9.54%
0.26 to 0.52 EUR mio	13.45%	13.92%
0.52 to 2.58 EUR mio	37.89%	37.97%
2.58 to 5.16 EUR mio	13.47%	12.92%
More than 5.16 EUR mio	13.04%	15.12%
Total	**100.00%**	**100.00%**

Table 2

Lending breakdown	31.12.2012	31.12.2011
First 10 clients	3.70%	3.81%
First 20 clients	6.29%	6.01%
First 30 clients	8.59%	7.96%
First 50 clients	12.27%	11.32%
First 60 clients	13.74%	12.75%

Table 3

Breakdown of lending by business sector % of total lending	31.12.2012	31.12.2011
Private households	6.35%	5.48%
Family-run businesses	3.45%	3.28%
Handicrafts	19.54%	18.79%
Financial and insurance companies	0.77%	0.70%
Manufact. Companies	69.71%	71.53%
Non-financial companies	0.12%	0.15%
Public administration	0.05%	0.06%
Other	0.01%	0.01%
Total	**100.00%**	**100.00%**

Table 4

Breakdown of lending by economic activity % Total lending	31.12.2012	31.12.2011
Private households	6.47%	6.02%
Agriculture and forestry	0.63%	0.62%
Petrolchemicals and plastics	1.90%	2.04%
Metalworking and machine contruction	12.53%	12.46%
Energy	0.18%	0.13%
Textiles and clothing	2.08%	2.16%
Other	1.02%	0.88%
Technology/edp	1.56%	1.63%
Automobile	2.23%	2.16%
Building sector	13.08%	13.83%
Foodstuff and fine goods	1.39%	1.02%
Wood and paper processing	4.66%	4.88%
Civil service	0.00%	0.00%
Wholesale and retail	10.78%	10.15%
Tourism	1.85%	2.61%
Services	12.90%	12.54%
Transport and logistics	3.76%	3.73%
Other financial services	22.64%	22.81%
Professionals/freelancers	0.34%	0.33%
Foreign companies	0.00%	00.00%
Total	**100.00%**	**100.00%**

Table 5

Values in million Euros

Doubtful loans gross of value write-downs	31.12.2012		31.12.2011	
Breakdown by economic activity	Amount	% structure	Amount	% structure
Manufact. Companies	123,227	70.11%	368.94	78.02%
Private households	16,341	9.30%	16.72	3.53%
Handicrafts	28,146	16.01%	72.50	15.33%
Family-run businesses	7,609	4.33%	9.39	1.99%
Not classifiable	382	0.25%	5.27	1.13%
Total	**175,705**	**100.00%**	**472.82**	**100.00%**

At the closing of the financial year 2012 total impaired loans, net of write-downs, amounted to EUR 546 million, therefore showing a variation corresponding to – 40.75% in comparison with the previous business year (EUR 921.21 million).

But it is necessary to remind that – with the operation of transfer of company branch to the company Hypo-Alpe-Adria leasing performed on January 19th, 2012 – about EUR 571.40 million of impaired loans were transferred.

In particular, an increase of overdue loans (+2.22%) is to be highlighted. Regarding impaired items: net non-performing loans are EUR 120.25 million (-70.50%) and deadlocks EUR 171 million (-35.19%).

The reduction of non-performing item is determined by the fact that EUR 378 million of non-performing loans were transferred to HLI. By considering the variation net of the transfer, the growth would be +58.87%.

The financial year 2012 was characterized by a significant impairment of credit portfolio.

As more widely described in the paragraph "uncertainty of assessment utilization" that we refer to, the bank, in assessing its exposures at December 31st, 2012, adopted the necessary precautions, by considering the objective elements available at today; however, we highlight that performed assessments could not be confirmed, in case a further impairment of the economic context of reference bank in which the customers of the bank operate, should take place.

With reference to the sales of leased assets and collaterals, in particular when they are real estate assets, considering the fact that the real estate market trend goes on being negative, the presumable value of sales, as well as the estimate of expected recovery times are, as well, hard to be quantified, due to the significant decrease of transactions. Then, we can't rule out that the value of presumable sale of non-performing loans entered into the financial statements can be subject also to significant variations, following to deviations between the appraisal value of real estate collaterals, used in order to ascertain the relevant rectifications, and the cash flows actually achieved and/or following to deviations of recovery times

As follows riskiness indicators:

- impaired loans/total loans ratio, net of write downs, is 18.01% (22.60% at 31/12/2011)
- non-performing loans/loans ratio, the same net of write downs, passed from 10.00% in 2011 to 3.97% in 2012.
- total write downs passed from EUR 108.61 million in 2011 to EUR 105.71 million in 2012 (-2.67% with reference to the previous year); EUR 85.19 million are specific write-downs - they refer to the hedging of impaired assets - the remaining part is instead referable to the performing portfolio.
  The strong contraction was determined by the fact that EUR 48 million of specific write downs were referable to credits subject to transfer, and in their turn they were transferred to Hypo Alpe Adria leasing.

As regards hedging indexes, we note that these indexes should be interpreted by keeping the significant collateralization of credits with underlying real-estate guarantee in mind:

- value adjustments on impaired credits at the end of the business year were 13.50% (8.13% in 2011)
- write-downs/non-performing loans ratio is 31.56% (13.78% in 2011)
- write-downs on performing loans represent 0.83% (0.86% for the previous year)

The comparison with 2011 indicators, recalculated net of receivables held for sale, referred to the previously mentioned transfer of company branch, are the following:

- impaired loans/total loans ratio, net of write-downs, is 18.01% (10.63% in 2011)
- non-performing loans/loans ratio, the same net of write-downs, is 3.79% (2.29% in 2011)
- write-downs on impaired loans at the end of the year are 13.50% (8.70% in 2011)
- write-downs/ non-performing loans ratio is 31.56% (20.73% in 2011)
- write-downs on performing loans are 0.83% (0.91% in 2011).

By recalculating indicators net of transferred credits, a worsening mainly ascribable to the persisting of the economic crisis should be noted, which strains company repayment capacity – mainly small/medium-sized ones, traditional customers of the bank. We have to note that measures aimed to limit credit risk were applied – which were substantiated in a reinforcement of monitoring activities and in actions aimed to improve debtors' repayment capacity, such as credit restructuring, the restructuring of repayment plans, etc. The effectiveness of these measures has already come true in a reduction of impaired loans growth rate (that anyway is still high) during the last quarter.

Market risks

The Capital absorption from this point of view is equal to EUR 2.33 million (-20.03%).

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 BOT (Government Bonds) and CCT (Treasury Credit Certificates), for an amount equal to EUR 44 million, was kept.

Financial derivatives - which at 31/12/2011 amounted to about EUR 0.48 million - amounted to EUR 2.61 million at December 31st, 2012.

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 previsional.

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, Risk Management and General Management.

Relating to liquidity reserves, during the business year 2012 the Institute could make use of:

- a "Committed Line"

it is a credit line provided for by the liquidity contingency plan – allowed by the Holding and yearly renewed – aimed to face potential liquidity stress situations.

Economic conditions are in line with market ones.

As already highlighted above, the Institute in 2011 has incremented further reserves made up of a "marketable" Securities portfolio for an amount which amounts to EUR 43 million.

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 56.71% of the loans total amount.

We would like to remind that HYPO Alpe-Adria Bank International AG has undertaken a formal engagement to keep current funding up to expiry and also showed its engagement to guarantee to HYPO Alpe-Adria Bank S.p.A. the necessary financial means to go on with the common activities for a period at least corresponding to 12 months from the closing of the business year.

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 portfolio has a limited value: it is composed of securities with high liquidity which are mainly used as reserve;
- the existing derivatives, regardless of the accounting criteria, have managing hedging purposes. These derivatives mainly refer to fix-rate or structured bond issues. However, capital consumptions linked to these operations (risk and market and counterpart) are anyway limited.

Trading derivatives refer to forex swaps with managing hedging and to an IRO as well performed with managing hedging aims of floating-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 carried out controls.

This analysis was achieved in dynamic terms by evaluating the system in the context of the inevitable changes arising from time to time 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 examined 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 auditing 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 monitoring 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 main issues of the last update 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)

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

The Organismo di Controllo (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 matter (Chairman)
- Head of the Compliance Division
- Head of the Legal Affairs Division
- Head of the Audit Division

In 2013 the activities of the Organismo di Controllo 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 Organismo di Controllo 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:

• With reference to the Bank sector, we highlight that the branch of Montichiari is being accomplished. From the point of view of the re-launching of the bank sector, some restyling activities have been started as well – which concerned the branches of Udine Viale Venezia, Trieste and Bergamo – as well as the relocation of some branches in sites that are considered as more strategic. This latter activity concerned the branch of Udine Via Mercato Vecchio – which was moved to piazza San Giacomo

• 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.

This expansion plan has got the consent by the Supervisory Body, which has approved the industrial plan 2012-2015, providing for a territorial expansion plan implemented with the opening of six new branches in this period.

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.

	2012			2011		
Region	Bank counters	Leasing agencies	Financial promoters	Bank counters	Leasing agencies	Financial promoters
Veneto	12	10	21	12	10	24
Lombardy	11	14	34	11	14	27
Friuli Venezia Giulia	6	3	16	6	3	24
Emilia Romagna	1	5	1	1	5	1
Tuscany	1	5	4	1	5	4
Total	**31**	**37**	**76**	**31**	**37**	**80**

Organizational Structure and Human Resources

The need to guarantee the Hypo Alpe-Adria-Leasing company - registered in the list of financial intermediaries in accordance with Art. 107 of Legislative Decree 385/93 - an organizational structure suitable with the new size of the business as well as the need to guarantee that adequate professionals can be employed in the recovery and re-marketing activities, had the result that the contribution also involved 80 employees coming from areas of specific interest.

Therefore, the reorganization of some Divisions, with a consequent simplification of the organization structure and the appointment of new heads was necessary.

The staff rationalization activity– both regarding the managing one and the one referable to sales networks – went on as well in the year and was implemented in the non-confirmation of the fixed-term personnel.

This required the consequent reduction of employees of the Institute, who passed from 526 units at 31/12/2011 to 410 units at 31/12/2012.

On August 6th, 2012 the Board of Directors approved the starting of a collective staff reduction plan pursuant to the normative in force. These actions find their justification in the reduction of the total assets of the bank and in the fact that, due to the persisting of the macroeconomic crisis situation, in these latter years the bank business hasn't developed proportionally to the personnel employed in the bank.

The collective personnel reduction action will allow the bank to recover an adequate level of profitability.

After the trade-union agreement, signed on 27/02/2013, in Rome, at the Ministry of Labour, by Bank's representatives and trade-unions, started the practical phase of the redundancy procedure that, at present, can be considered closed.

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

Staff's average age	2011	2012
Men	39.45	41.42
Women	34.98	36.22
Total	**37.56**	**39.24**

Schooling	2011	2012
Middle school diploma	8	6
Diploma	264	208
Degree (*)	254	196

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

Age Bracket - %	31.12.2011	31.12.2012
- 19	0.00%	0.00%
20 – 29	16.73%	8.78%
30 – 39	50.19%	52.20%
40 – 49	24.91%	27.07%
50 – 59	8.17%	11.71%
60 -	0.00%	0.24%

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%
2012	121	5	410	-22.05%

Note: in terminations 2012 the 80 employees transferred to HLI are included

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%
2011	7.14%	0.18%	3.76%	3.19%
2012	25.85%	0.00%	2.99%	22.86% (*)

Note: in the forced and in total turnover of the year 2012, the 80 employees transferred to HLI are included.

Following the transfer of the business that involved the transfer from Hypo Alpe-Adria-Bank SpA to Hypo Alpe-Adria-Leasing S.r.l. of n. 80 employees, during the last financial year, 26 employees filed an appeal against such a transfer. The necessary defensive activities have been prepared using the advice of the Studio Legale Chiomenti of Milan.

Here below, the main projects regarding employees' training carried out during 2012 are detailed.

As to Private Managers, a formative path aimed to supply participants with some techniques for the optimization of the customer management in all phases of the customer life cycle has been set up: from the acquisition phase, through the relation development, up to the relationship fidelization.
This formative activity was developed within the scope of the "Total Retail" project that, during the year 2011, with the aim to increase primary means, above all in the Retail segment, transferred the co-ordination activities of the agencies from the Commercial Corporate Division to the Commercial Retail Division.

According to what provided for by specific normative provisions that provide for a formative obligation, training meeting on the subjects ISVAP, market abuse, anti-money-laundering discipline, have been provided.

Moreover, focus trainings have been provided for some employees that operate in some Managerial divisions that attended courses and seminars arranged by External Institutes such as ABI, Assilea, Fondazione CUOA.

(Internal/external/on-line) training for the year 2012

	2012		
Training activity	Total hours	of which executive	of which non-executive
Internal training	8,381	6,194	2,187
External training	213	128	85
E-leasing self-training	2,221	1,459	762
Total training hours	**10,815**	**7,781**	**3,034**

Corporate Social Responsibility

In 2012 the Bank's involvement in the field of the corporate social 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.

- Project called "Christmas of little, big champions", that had the purpose to collect gifts to be intended to worse-off families and to present teaching materials to associations of the area that give support to children belonging to indigent families.

2. Group Cultural Sphere

- Support to the "school work alternation" project – carried out by Secondary schools - that had the aim to facilitate the placement of young people in the world of work, through a formative period that also includes the placement in companies.

Additional information

Information regarding the securitization operations

During the financial year two securitization operations have been finalized:

Dolomiti Mortgage (performed in December 2012)

Against an amount of transferred loans equal to about EUR 240 million, a Senior note – for an amount equal to EUR 208 million has been issued. Such note underwent the analysis of the Luxembourg Central Bank and it has got from the same - on 04/01/2012 – the eligibility for Repo ECB aims. Therefore, it has been allocated in the Pooling account of Banca d'Italia in order to be used as collateral for Repo operations with the European Central Bank. The liquidity flow generated by this funding operation with the ECB amounts to EUR 72 million; the operation will become due in February 2015.

Salina Leasing (performed on July 27th, 2012)

Against a transferred volume of credits amounting to EUR 550 million, a note – senior class – for EUR 361 million has been issued. On October 2nd, 2012 this note has got the eligibility for Repo operations with the ECB. At the financial year end date, operations for an overall amount of EUR 90 million were being performed and they have been recorded under the item payables due to Banks.

Information regarding fiscal 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 (Revenue Police of 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 May 19th, 2009 deposited on October 13th, 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). With the judgment no. 29/07/12 dated 05/03/2012 Commissione Tributaria Regionale (Regional Tax Committee) has turned down the appeal of the Agenzia delle Entrate by upholding the first instance judgment favourable to the Bank. This judgment became definitive on 28/07/2012. The dispute is to be considered definitively closed in favour of the bank.

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

The Company underwent a 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 May 29th, 2008 with the notification of the Formal Notice of Assessment (Processo Verbale di Constatazione), through which Agenzia delle Entrate (tax office) has challenged, for the years 2004 and 2005, with reference to 7 leasing contracts, 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.

Afterwards, Direzione Regionale delle Entrate (Regional tax office) has cancelled the remark regarding 2004, and kept the one regarding 2005.

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 - started a series of assessments with the involved companies and with known professionals, from which the weakness of the motivations produced by the inspectors has emerged. Same considerations were presented also by the pool of professionals entrusted for defence. About to the disputes in hand, judgments favourable to the leasing companies, have already been deposited at the Commissioni Tributarie provinciali e Regionali (Provincial and Regional Tax Committees).

On December 28th, 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.

On 03/07/2012 the hearing at the Commissione Tributaria

Provinciale (provincial tax commission) of Trieste was held, which by giving the sentence no. 143/02/12, completely upheld the appeal filed by the Bank.

On 08/03/2013 Agenzia delle Entrate notified a second-degree recourse against the aforementioned order. The Bank will deposit the suitable counterclaims within law terms.

For what indicated above, by considering the motivations of the positive first-degree judgment, we consider it at reasonable that the requests by the Bank could be acknowledged at the Regional tax Commission (second degree) as well.

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

On December 28th, 2010, with the same Notice of Assessment with reference to point B) Agenzia delle Entrate (tax office), Direzione Regionale (regional tax office) of Friuli-Venezia Giulia, challenged the Bank for the non-deductibility of VAT for the purchase of the asset 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.

As for the remark at point B) on 03/07/2012 the hearing at the Commissione Tributaria Regionale (regional tax commission) of Trieste was held, which by giving the sentence no. 143/02/12, completely upheld the appeal filed by the Bank. On 08/03/2013 Agenzia delle Entrate filed a second-degree recourse against the aforementioned order. The bank will file the suitable counterclaims within law terms.

Considering the favourable judgment of the first instance, we reasonably consider that this verification cannot produce a relevant impact in terms of economic burdens.

D) PVC - Tax dispute for the fiscal years 2005/2006/2007/2008 – Direct tax - VAT

On June 1st, 2011 Agenzia delle Entrate (tax office), Direzione Regionale (regional tax office) of Friuli-Venezia Giulia – following to an assessment started on September 17th, 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 (IRES 139,066) 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.

Remarks at sub. 1 and sub. 2 have already been subjected to notice of assessment (see next points E and F).
For the remarks at sub. 3 and sub. 4, related to year 2008, we provisioned a limited amount as we reasonably consider that this verification cannot produce relevant impacts in terms of tax increase.

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

On October 27th, 2011 Agenzia delle Entrate (tax office) - Direzione Regionale (regional tax office) of Friuli-Venezia Giulia notified a notice of assessment for the year 2006 with the following remarks:

- IRES report for the year 2006 for € 139,066, object of the Formal

Notices of Assessment (PVC) notified on June 1st, 2011 (see above)
- VAT report for EUR 33,920 regarding the not deductibility of tax about supposed non-existent transactions carried out in 2006
- IVA report for EUR 418,476 regarding the not tax-deductibility of tax on leasing instalments for the new headquarter received in 2006 for share relevant to the land (20%)

The notice of assessment was defined as a tax settlement proposal through a deed dated 22/03/2012 and with an impact on the financial statements within limits of amounts previously allocated.

F) Notice of assessment for the fiscal year 2007 – Direct tax – Irap - VAT

On 19/12/2012 Agenzia delle Entrate notified a notice of assessment for the year 2007 ensuing to remarks challenged for that financial year in the Formal Notices of Assessment (PVC) notified on 17/02/2010, with reference only to 2007, and on 01/06/2011, with reference to 2006, 2007 and 2008 (see point D)

The notice of assessment has confirmed remarks of the Formal Notices of Assessment (PVC) about IRES, IRAP and withholding agent, whereas, it limited some reports about VAT as follows: IRES and IRAP reports for € 89,582.65 relevant to: losses on credits and non-deductible tax contingent liabilities

IVA reports for EUR 319,319.51 relevant to VAT omitted invoicing to customary exporters with reference to estate leasing, to undue tax deductions regarding financial intermediation and the lease of the agencies of Treviso and Bergamo

Reports for withholding agent amounting to EUR 16,004.00 regarding the omitted application of the withholding tax for an indemnity paid to a former leasing agent.

Against this notice of assessment, the Bank, with the aid of its consultants, has filed a tax settlement proposal (istanza di accertamento con adesione), whose proceedings failed. Therefore, the Bank, within terms of law, filed 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 litigation.

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

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

The company on April 18th, 2007 applied Agenzia delle Entrate for the refund of EUR 227,089.18 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 July 29th, 2008 filed recourse to Commissione Tributaria Provinciale (province tax commission) of Udine.

On November 10th, 2009 the Commission deposited the 1st-level order, which acknowledged the request by the company. Against this order Agenzia delle Entrate, on September 14th, 2010, filed recourse at the Commissione Tributaria Regionale (regional tax commission) of Trieste, which through the sentence no. 14/09/12 deposited on 30/03/2012 upheld the first instance judgment. Therefore, the second-instance judgment became final; consequently, the litigation has been definitively closed in favour of the company. On 05/12/2012 Agenzia delle Entrate paid back the Bank taxes for EUR 227,089.18 and relevant interests for EUR 33,210.25

Information regarding the transfer to HLI

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, and tax code no. 02338310309 – was performed. The transferred branch is made up of a set of assets, liabilities, receivables (mainly represented by non-performing loans from customers related to lease contracts) and correlated legal statements.

On the basis of the assessment report drawn up – in compliance with art. 2465 of the Italian Civil Code – by the appraiser Andrea Bonfini with reference to data as of 30/09/2011, the entity of the transferred branch was identified as follows:

amounts expressed in euro at 30.09.2011

Assets	Amounts	Liabilities	Amounts
Receivables from banks	4,339,898	Payables towards banks	799,364,645
Receivables from customers	848,383,670	Transferred asset amortization fund	417,370
Tangible assets	562,650	Credit Risk Fund	50,500,000
Intangible assets	22,808,00	Other liabilities	397,095
Other assets	-	Severance pay	629,916
Total assets	**853,309,026**	**Total liabilities**	**851,309,026**

Following the booking migration and some integrations to the transferred branch, the asset and liability statement, as of 01/02/2012 (date of effectiveness of the same one), is the following:

amounts expressed in euro at 01.02.2012

Assets	Amounts	Liabilities	Amounts
Receivables from banks	-	Payables towards banks	778,397,689
Receivables from customers	861,348,228	Transferred asset amortization fund	435,701
Tangible assets	3,361,148	Credit Risk Fund	55,006,300
Intangible assets	17,840	Other liabilities	26,157,484
Other assets	7,871,081	Severance pay	578,402
Total assets	**872,598,297**	**Total liabilities**	**860,575,576**

On June 29th, 2012 the rectification deed that caused Hypo Alpe-Adria-Leasing S.r.l. to pay a compensatory sum amounting to EUR 10,022,721 was undersigned.

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.

Other fact that matters

Because of the extraordinary event relating to the problems of indexing financial leasing contracts mentioned above and the resulting need to accurately determine the effects, the Board of Directors on 23 April 2013 approved an extension (until 30 June, 2013) of the terms relating to the approval of the 31/12/2012 financial statements and the 31/12/2012 ICAAP Report. This decision was ratified by the shareholders on May 8, 2013.The need for an extension of the deadline to approve the financial statements and the ICAAP report was given official notice also to the Supervisory Authority on 30/04/2013

Relations with the Subsidiaries

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

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 2012 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 performed operations were regulated at current market conditions.

Significant events occurred after the end of the financial year

In February 2013, following a number of checks carried out on the computer system of the Bank, charges unlawfully made over the years have been identified, to the counterparties to the contracts of lease rents indexed. This anomaly appears to have been caused by manipulation of the computer system carried out by employees of the Bank. It became therefore necessary to estimate the effects produced as a result of the above, and to the recognition of an adjustment to the opening balances for the year 2012, according to IAS 8, as more fully described in the section of the notes „ Restatement of balances from the previous year pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors „

During the month of March 2013 was initiated a review by the audit department of the Parent on the indexing issue. As outcome, during the session of the Board of Directors on 26/03/2013, the CEO / General Manager Lorenzo Di Tommaso has resigned and the Board of Director Lorenzo Snaidero - formerly an independent director - has been appointed Managing Director.

On May 8, 2013, the Ordinary Shareholders' Meeting appointed Mr. Fausto Galmarini as a new independent director of the Bank in place of Dr. Lorenzo Snaidero.

The Institute of Credit promptly remedied the defects which have affected the indexing of leases, through the removal of computer manipulation, eliminating, from the outset, from the source code of the procedures in use, the parameters that caused the ‚incorrect billing of indexing.

Currently, therefore, the calculation algorithm is completely aligned with the contractual provisions.

The Bank has also proactively estimated the total amount of interest to be returned to the customer, giving a task to a consulting firm to carry out an independent estimate to support the quantification carried out by the Bank.

Moreover it was also given an assignment to two major law firms in order to analyze the main contractual provisions governing the case described, and the main conditions to be considered in the calculation of refunds to customers.

In addition, the Bank has taken steps to the ultimate resolution of the problem through:

a) the formation of a "task force" dedicated to perform in a timely counts of invoices indexing on individual finance leases and direct reimbursement of charges not due encountered;
b) the definition of a massive repayment plan finalized, proactively, to the repayment of amounts not due to the Bank's initiative, the first tranche of the project to cover the repayment massive financial leasing contracts defined as „performing" and entered into since May 31, 2005
c) the formalization of an „action plan" with the following objectives:
   (i) to determine the conformance profiles of the lease agreements and the related management process;
   (ii) to define the conformance profiles of IT systems;
   (iii) to quantify the financial risk;(iv) update the register of complaints;
   (v) analyze the business processes impacted by the manipulation;
   (vi) inform the supervisory bodies.

To date, the above tasks are complete, with the exception of disclosure to the Supervisory Authorities, which is carried out progressively over time.

During the month of March 2013, moreover, the question concerning the incorrect calculation of the indexation has been subject to analysis by the Control Body set up pursuant to Legislative Decree no. 231/2001, that on March 12, 2013 has prepared an initial report, summarizing the events and the main lines of responsibility to ascertain, which were subsequently the subject of further study by the same Controlling Body. The results of these insights have been summarized in the following report dated June 13, 2013.

Moreover, with reference to the establishment of various profiles of responsibility, the Board of Directors of May 28, 2013 instructed the Chairman and the Chief Executive Officer to file a complaint with the Public Prosecutor at the Court of Udine concerning the alleged wrongdoing occurring at Following the inspections carried out internally by the Bank, including through an IT Forensic commissioned from a leading firm of external consultants.

To date, based on the findings from the analysis carried out by the Group Forensic Department of the parent company disciplinary initiatives have been taken for 3 employees.

On June 21, 2013 was prepared by the Public Prosecutor of Udine an order to search the headquarters of the Hypo Alpe Adria Bank SpA, with the aim of seizure, under the Article. 252 of the Code of Criminal Procedure, of what is deemed relevant to the investigation. The activity of search and seizure took place on the day of June 25, 2013. In this place the Bank was notified of the initiation of proceedings due to administrative offense pursuant to art. 24, paragraph 2, of Legislative 231/2001.

The activity of search and seizure involved the company documentation concerning the law 231/2001 (administrative liability of entities) and a large set of documents and information available on our network and on our servers. In the search warrant that the Bank received, it is stated that there are proceedings against the former Chief Executive Officer and General Manager, Deputy General Managers and former Head of the Legal Service for crimes punished under Articles. 416, para 81, 640, 644 c.p..

Regarding the contracts transferred in Hypo Alpe-Adria-Leasing as of 01/02/2012 – on the basis of a specific agreement entered into with that company – even if the refund will be made directly to customers by Hypo Alpe-Adria-Leasing – its charges will be borne by Hypo Alpe-Adria-Bank, which will be required to repay to Hypo Alpe-Adria-Leasing the interest returned to customers as well as to pay the part of the interest accounted for in excess – as opposed to contractual provisions – which was not collected.

During the first half of 2013, moreover, there has been a further deterioration in credit quality, which has resulted in a significant increase in non-performing loans resulting in the need to increase the value adjustments on loans already in these financial statements.

Foreseeable future trends

Proceeding on the negative track outlined by the latest trend data, a contraction of the Italian GDP for 2013 (-0.6%) and a slow recovery in the following years are expected.

Private households consumptions will keep low (-1%); it is foreseen that fiscal consolidation requirements will take to a further contraction of public consumptions (-3.4%). A negative trend of investments (-0.7%) – above all in the construction segment - and steadiness of foreign demand (+2.6%) are expected.

In the represented economic context, we foresee that the monetary policy will be inclined to keep interest rates on a moderate levels, in pursuit of countering the risk of contraction of the real economy.

We foresee a regularization of interest rates on Italian government securities starting from mid 2013.

In this context of high financial turbulence and worrisome evolution of the business cycle, the bank will focus on credit requalification by delimiting new issuance within strict parameters of the counterparties' creditworthiness and by rigidly adhering to the "Behavioural Measures" set by the Parent Company.

In this context, the objectives of the Bank mainly concern consolidation of volumes and optimization of credit portfolio, through a refocusing of the business.

Financial strategies will still be focussed on the diversification of funding sources other than those granted by the Parent Company. For considerations regarding the going concern assumption applied for the purposes of these financial statements and the related uncertainties, please refer to „going concern basis" in the notes.

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

The Financial Statements (Balance Sheet, Income Statement, Statement of Comprehensive Income, Financial Statements and Notes to the Financial Statements) at 31/12/2012 as well as the Management report and the carrying forward the loss of the period are hereby submitted to Your approval.

In the end, we would like to thank all of the staff members for their commitment, distinguishable endeavour and valuable work performed.

Tavagnacco, 30/06/2013

On behalf of the Board of Directors

Additional information

Financial result indicators

Descrizione	31.12.2011	31.12.2011 Netto conferimento	31.12.2012
SOLIDITY RATIOS			
EQUITY / TANGIBLE AND INTANGIBLE FIXED ASSETS	660.58%	567.13%	486.09%
EQUITY / NET NON-PERFORMING LOANS	74.56%	346.94%	186.29%
EQUITY / RECEIVABLES FROM CUSTOMERS	7.46%	7.93%	7.39%
EQUITY / LOANS VOLUME	7.99%	8.66%	7.84%
EQUTY / ADMINISTERED VOLUME	7.40%	7.97%	7.27%
EQUITY / TOTAL ASSETS	7.14%	7.52%	6.92%
CAPITALIZATION RATIOS			
TIER 1 = BASE CAPITAL / TOTAL WEIGHTED ASSETS	9.68%	10.49%	8.77%
TOTAL CAPITAL RATIO = REGULATORY CAPITAL INCLUDED TIER 3 / WEIGHTED ASSETS	10.07%	10.63%	8.77%
RISK RATIOS			
NET NON-PERFORMING LOANS / EQUITY	134.12%	28.82%	53.68%
WRITE-DOWNS / GROSS NON-PERFORMING LOANS	13.78%	20.73%	31.56%
WRITE-DOWNS ON IMPAIRED LOANS / IMPAIRED LOANS	8.13%	8.70%	13.50%
WRITE-DOWNS ON PERFORMING LOANS / PERFORMING LOANS	0.86%	0.91%	0.83%
NET NON-PERFORMING LOANS / RECEIVABLES FROM CUSTOMERS	10.00%	2.29%	3.97%
EFFICIENCY RATIOS			
PROFITS BEFORE TAXES / OPERATING INCOME	27.64%	27.64%	19.20%
LABOUR COST / OPERATING INCOME	33.00%	33.00%	32.08%
C.I.R. = COST INCOME RATIO	70.94%	70.94%	72.87%
STRUCTURE RATIOS			
RECEIVABLES FROM CUSTOMERS / TOTAL ASSETS	95.70%	122.86%	93.58%
CUSTOMER DEPOSITS / TOTAL ASSETS	24.63%	39.18%	32.48%
MANAGED DEPOSITS / INDIRECT DEPOSITS	60.31%	60.31%	67.05%
POSITIVE INTERBANKING BALANCES / NEGATIVE INTERBANKING BALANCES	1.03%	1.22%	1.84%
PROFITABILITY RATIOS			
NET PROFIT / NET ASSETS (ROE AFTER TAX)	-1.98%	-2.38%	-14.75%
PROFIT BEFORE TAX / NET ASSETS (ROE AFTER TAX)	0.31%	0.38%	-19.95%
NET PROFIT / AVERAGE TOTAL ASSETS (NET ROA)	-0.15%	-0.17%	-1.07%
PROFIT BEFORE TAX / AVERAGE TOTAL ASSETS (GROSS ROA)	0.02%	0.03%	-1.44%
PROFIT BEFORE TAX / NET SALES PROFITS (ROS)	0.64%	0.64%	-35.57%
DPO = PAID DIVIDENDS / NET PROFIT	tbd	tbd	tbd
NIM = NET INTEREST INCOME / INTEREST-BEARING CAPITALS	1.86%	1.86%	2.02%

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

Descrizione	31.12.2011	31.12.2012
EFFICIENCY RATES		
INTEREST INCOME / AVERAGE EMPLOYEES	145,259.89	134,536.32
OPERATING INCOME / AVERAGE EMPLOYEES	186,636.53	187,070.51
CREDITS / AVERAGE EMPLOYEES	7,677,457.63	6,475,341.88
DIRECT + INDIRECT DEPOSITS / AVERAGE EMPLOYEES	3,168,757.06	3,590,726.50
BANKING PRODUCT / AVERAGE EMPLOYEES	10,846,214.69	10,066,068.38
ASSET UNDER MANAGMENT / NO. OF FINANCIAL PROMOTERS (*)	4,775,865.01	5,546,710.53

Hypo Alpe-Adria-Bank S.p.A.
Financial statements for the year ended at 31 December 2012

English translation from original Italian version

Balance sheet at December 31st, 2012

Assets items	31.12.2012	31.12.2011*	Absolute change
10. Cash and cash equivalents	8,721,586	2,353,636	6,367,950
20. Financial assets held for trading	2,611,423	477,971	2,133,452
30. Financial assets at fair value	0	0	0
40. Financial assets available for sale	44,214,134	42,850,124	1,364,010
50. Financial assets held to maturity	0	0	0
60. Receivables due from banks	33,311,162	23,951,436	9,359,726
70. Receivables due from customers	3,030,459,835	3,290,087,806	(259,627,971)
80. Hedging derivatives	477,029	613,009	(135,980)
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	44,897,338	43,380,373	1,516,965
120. Intangible assets hereof:	1,190,041	2,635,971	(1,445,930)
- goodwill	0	1,113,941	(1,113,941)
130. Tax assets	40,638,336	25,200,971	15,437,365
a) current	11,395,132	6,720,941	8,701,073
b) pre-paid	29,243,204	18,480,030	6,736,292
Of which: Law no. 214/11:	29,243,204	0	25,216,322
140. Non-current assets and groups of assets held for sale	0	791,136,601	(791,136,601)
150. Other assets	28,285,579	33,789,764	(5,504,185)
Total assets	**3,238,238,076**	**4,259,909,275**	**(1,021,671,199)**

(*) Balances of the previous business year, with reference to published ones, reflect the variations illustrated in the chapter „Adjustment of balances of the previous business year pursuant to IAS 8 provisions" (accounting principles, variations of accounting assessments and errors) we refer to.

Total liabilities and shareholders' equity	31.12.2012	31.12.2011*	Absolute change
10. Payables due to banks	1,806,885,744	1,965,993,914	(159,108,170)
20. Payables due to customers	679,631,583	610,860,114	68,771,469
30. Outstanding securities	366,165,662	414,481,418	(48,315,756)
40. Financial liabilities held for trading	6,045,719	13,348,605	(7,302,886)
50. Financial liabilities at fair value	5,997,064	23,765,385	(17,768,321)
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	0	789,136,601	(789,136,601)
100. Other liabilities	132,814,680	128,461,682	4,352,998
110. Provision for employee severance payment (TFR)	2,633,530	2,647,163	(13,633)
120. Provisions for liability and charges:	14,040,154	7,249,889	6,790,265
a) pensions and similar benefit obligations	0	0	0
b) other provisions	14,040,154	7,249,889	6,790,265
130. Valuation reserves	(734,395)	(1,432,678)	(698,283)
140. Redeemable shares	0	0	0
150. Capital instruments	0	0	0
160. Reserves	(57,654,106)	(6,518,513)	(51,135,593)
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	(35,775,159)	(6,271,905)	(29,503,254)
Total liabilities and Shareholders' equity	**3,238,238,076**	**4,259,909,275**	**(1,021,671,199)**

(*) Balances of the previous business year, with reference to published ones, reflect the variations illustrated in the chapter „Adjustment of balances of the previous business year pursuant to IAS 8 provisions" (accounting principles, variations of accounting assessments and errors) we refer to.

Income statement at December 31st, 2012

Income statement items	31.12.2012	31.12.2011*	Absolute change
10. Interest receivable and similar revenues	111,434,722	143,456,658	(32,021,936)
20. Interest payable and similar charges	(48,472,504)	(66,323,975)	(17,851,471)
30. Net interest margin	**62,962,218**	**77,132,683**	**(14,170,465)**
40. Commission income	15,785,090	15,455,390	329,700
50. Commission expenses	(6,672,442)	(7,608,331)	(935,889)
60. Net commissions	**9,112,648**	**7,847,059**	**1,265,589**
70. Dividends and similar income	0	0	0
80. Net profit (loss) from trading activity	2,697,631	867,079	1,830,552
90. Net profit (loss) from hedging activity	(84,482)	14,713	(99,195)
100. Profits (Losses) from sale or repurchase of:	347,338	129,751	217,587
a) receivables	0	0	0
b) financial assets available for sale	3,080	4,265	(1,185)
c) financial assets held to maturity	0	0	0
d) financial liabilities	344,258	125,486	218,772
110. Profit/Losses on financial assets/liabilities at fair value	(165,544)	(198,388)	(32,844)
120. Operating income	**74,869,809**	**85,792,897**	**(10,923,088)**
130. Write-downs/write-backs for impaired:	(65,187,596)	(26,327,981)	38,859,615
a) receivables	(65,187,596)	(26,327,981)	38,859,615
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	**9,682,213**	**59,464,916**	**(49,782,703)**
150. Administrative expenses:	(58,827,653)	(66,103,701)	(7,276,048)
a) personnel costs	(28,089,816)	(32,707,692)	(4,617,876)
b) other administrative expenses	(30,737,837)	(33,396,009)	(2,658,172)
160. Net allocations to provisions for risks and charges	(6,943,606)	(1,407,897)	5,535,709
170. Net write-downs/write-backs on tangible fixed assets	(3,248,850)	(3,570,775)	(321,925)
180. Net write-downs/write-backs on intangible fixed assets	(605,964)	(631,743)	(25,779)
190. Other operating expenses/income	12,622,427	13,330,893	(708,466)
200. Operating costs	**(57,003,646)**	**(58,383,223)**	**(1,379,577)**
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	(1,113,941)	0	(1,113,941)
240. Profit (loss) from sale of investments	56,400	(18,964)	(75,364)
250. Profit (loss) before tax from continuing operations	**(48,378,974)**	**1,062,729**	**(49,441,703)**
260. Income taxes on continuing operations for the year	12,603,815	(7,334,634)	(19,938,449)
270. Profit (loss) from continuing operations after taxes	**(35,775,159)**	**(6,271,905)**	**(29,503,254)**
280. Profit (loss) of groups of assets held for sale. net of income taxes	0	0	0
290. Profit (loss) for the year	**(35,775,159)**	**(6,271,905)**	**(29,503,254)**

(*) Balances of the previous business year, with reference to published ones, reflect the variations illustrated in the chapter „Adjustment of balances of the previous business year pursuant to IAS 8 provisions" (accounting principles, variations of accounting assessments and errors) we refer to.

Statement of total profitability

Items	31.12.2012	31.12.2011*
10. Profit (loss) for the year	(35,775)	(6,272)
Other income components after taxes		
20. Financial assets available for sale	1,403	(829)
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	**1,403**	**(829)**
120. Total Comprehensive Income (Item 10+110)	**(34,372)**	**(7,101)**

(*) Balances of the previous business year, with reference to published ones, reflect the variations illustrated in the chapter „Adjustment of balances of the previous business year pursuant to IAS 8 provisions" (accounting principles, variations of accounting assessments and errors) we refer to.

The examined prospect shows the aggregate amount "Total profitability" 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 provision 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 31.12.2011	Balance as of 31.12.2010	Change in opening Balances*	Balance as of 01.01.2011	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	(63,650)	7,060)	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**	**(63,650)**	**321,345**	**0**	**(10,279)**

(*) The column "Change in opening balances" reflects the adjustments at 31/12/2010 illustrated in the chapter "Adjustment of balances of the previous business year pursuant to IAS 8 provisions" (accounting principles, variations of accounting assessments and errors) we refer to.

Statement of changes in shareholders' equity at 31.12.2011	Balance as of 31.12.2011*	Change in opening Balances	Balance as of 01.01.2012	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	(6,519)	0	(6,519)	152	0
b) others	0	0	0	0	0
Valuation reserves:	(1,432)	0	(1,432)	0	0
Capital instruments	0	0	0	0	0
Own shares	0	0	0	0	0
Net profit/loss for the period	(6,272)	0	(6,272)	(152)	(2,864)
Shareholders' equity	**303,965**	**0**	**303,965**	**0**	**(2,864)**

(*) The column "Change in opening balances" reflects the adjustments at 31/12/2010 illustrated in the chapter "Adjustment of balances of the previous business year pursuant to IAS 8 provisions" (accounting principles, variations of accounting assessments and errors) we refer to.

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	(6,519)
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	(6,272)	(6,272)
0	**0**	**0**	**0**	**0**	**0**	**0**	**(7,101)**	**303,965**

(**) The column "Net profit (loss) for the period 2011" reflects the adjustments at 31/12/2010 illustrated in the chapter "Adjustment of balances of the previous business year pursuant to IAS 8 provisions" (accounting principles, variations of accounting assessments and errors) we refer to.

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 2012	Shareholders' equity 31.12.2012
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
(9,288)	0	0	(42,000)	0	0	0	0	(57,655)
0	0	0	0	0	0	0	0	0
(705)	0	0	0	0	0	0	1,403	(734)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
9,288	0	0	0	0	0	0	(35,775)	(35,775)
(705)	**0**	**0**	**(42,000)**	**0**	**0**	**0**	**(34,372)**	**224,024**

Statement of the cash flows - Indirect method	31.12.2012	31.12.2011*
A. OPERATING ACTIVITIES		
1. Operations	25,773	(14,909)
- profit/loss for the period (+/-)	(35,775)	(6,272)
- capital gains/losses on financial assets held for trading on financial assets/liabilities valued at fair value (-/+)	(2,532)	(669)
- capital gains/losses on hedging operations (+/-)	84	(15)
- net write-offs/write-backs due to impairment (+/-)	66,302	26,328
- net write-offs/write backs on tangible and intangible assets (+/-)	3,855	4,203
- net provisions to reserves for liabilities and charges and other revenues/expenses (+/-)	1,760	(45,819)
- tax and duties not settled (+)	(7,921)	7,335
- 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	975,728	179,095
- financial assets held for trading	(2,133)	1,134
- financial assets valued at fair value	0	0
- financial assets available for sale	(1,364)	(8,862)
- receivables due from banks: payable on demand	(22,753)	4,052
- receivables due from banks: other receivables	13,393	1,774
- receivables due from customers	213,872	1,028,263
- other assets	774,713	(847,266)
3. Liquidity generated/absorbed by financial liabilities	(948,521)	(151,100)
- payables due to banks: payable on demand	25,986	(55,022)
- payables due to banks: other payables	(185,094)	(713,102)
- payables due to customers	68,771	(183,356)
- securities outstanding	(48,316)	(27,203)
- financial liabilities held for trading	(7,303)	(14,322)
- financial liabilities valued at fair value	(17,768)	(9,703)
- other liabilities	(784,797)	851,608
Net liquidity generated/absorbed by operating activities	**52,980**	**13,086**

Statement of the cash flows - Indirect method	31.12.2012	31.12.2011*
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	130	1,126
- sale of equity investments	0	-
- dividends collected on equity investments	0	-
- sale of financial assets held to maturity	0	-
- sale of tangible assets	130	1,126
- sale of intangible assets	0	-
- sale of subsidiaries and divisions	0	-
2. Liquidity absorbed by	(1,878)	(4,300)
- purchase of equity investments	0	-
- purchase of financial assets held to maturity	0	-
- purchase of tangible assets	(1,604)	(3,640)
- purchase of intangible assets	(274)	(660)
- purchase of subsidiaries and divisions	0	-
Net liquidity generated/absorbed by operating activities	(1,748)	(3,174)
C. FUNDING ACTIVITIES		
- issue/purchase of own shares	0	-
- issue/purchase of capital instruments	0	-
- dividend distribution and other purposes	(44,864)	(10,279)
Net liquidity generated/absorbed by operating activities	(44,864)	(10,279)
Net liquidity generated/absorbed during the year	**6,368**	**(367)**

Reconciliation

Balance sheet items	Amount 31.12.2012	Amount 31.12.2011*
Opening balance of cash and cash equivalents	2,354	2,721
Net total liquidity generated/absorbed during the year	6,368	(367)
Cash and cash equivalents: effect of changes in exchange rates	0	0
Closing balance of cash and cash equivalents	**8,722**	**2,354**

(*) Balances of the previous business year, with reference to published ones, reflect the variations illustrated in the chapter „Adjustment of balances of the previous business year pursuant to IAS 8 provisions" (accounting principles, variations of accounting assessments and errors) we refer to.

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 2012 in comparison with the financial year 2011 are positive for EUR 6,368 thousand and are due to:

- Operative business: generated liquidity for EUR 52,980 thousand;
- Investment business: absorbed liquidity for EUR 1,748 thousand;
- Capital fund business due to the distribution of reserves/dividends: absorbed liquidity for EUR 44,864 thousand.

Notes to the financial statements

Structure and content of the Financial Statements at 31 December 2012

Part A
Accounting policies

A.1 – General part

Section 1
Statement of compliance with international accounting principles

The Balance sheet 2012 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.).

In May 2012 the International Accounting Standards Board (IASB), in the sphere of the annual modification of the IFRS process, published a document that introduces some modifications to five international accounting principles (IFRS):

- IFRS 1, First adoption of International Financial Reporting Standards;
- IAS 1, Presentation of the Financial Statements;
- IAS 16, Real Estate, Equipment and Machinery;
- IAS 32, Financial instruments: exposure and notes to the financial statements;
- IAS 34, interim financial statements.

Introduced changes have been discussed by the IFRS Interpretation Committee and by the IASB in the two-year period 2009-2011. The changes to the five standards will be in force starting from January 1st, 2013.

Section 2
Drawing-up general principles

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

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

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

The financial statements therefore respect the general principles listed below:

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

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

The financial statements 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 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 February 6th, 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.

Going concern assumption

The financial statements as of December 31st, 2012 shows a loss amounting to EUR 35.77 million, mainly due to the impairment on loans attributable to the progressive deterioration of the credit quality, related to the difficult economic context, together with the reduction of the net equity of the Bank deriving from the correction of errors in accordance with the IAS 8 described above . It should also be reminded that the adjustement of the Bank's net equity described above was necessary, as better described in the paragraph "Restatement of balances from the previous year pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors" of these Notes, due to the identification of interests unlawfully calculated on indexed lease contract installments. In this regard, we point out that the Public Prosecutor of Udine started the proceedings against the Bank for the administrative offence pursuant to art. 24 ter, paragraph 2 of D.Lgs. n. 231/01 (for further details reference should be made to the Report on Operations) and the Bank of Italy started an audit on transparency, subsequently extended to a general audit, which is currently still in progress. Furthermore, in the paragraph "Uncertainty in utilization of estimates", the balances of the financial statements characterized by uncertainties are described with particular reference to presumable recovery value of non-performing loans. The significant loss of the year, together with the reduction of the net equity described above determined the failure to achieve the minimum capital requirement provided by the Bank of Italy. As part of the Hypo Alpe Adria Group the bank was subject to a joint assessment process by the Supervisory Authorities, the "Joint Risk Assessment and Decision (JRAD)" Process which was finalized with the issuance of the Joint Decision, dated January 2013. In its joint decision the Bank of Italy recommends to Hypo Alpe-Adria-Bank S.p.A. to hold a core tier 1 ratio above 11.50%. In case of a shortfall the bank is requested to inform the Bank of Italy of the measures it plans to take in order to restore a core tier 1 ration above the requested level in an adequate period of time. Furthermore, the Bank of Italy reserves the right to take any supervisory action to prevent measures that could jeopardize the bank's stability and the interest of depositors.

Due to the effect of these phenomena the bank shows a "Capital Adequacy Ratio" (CAR) and a "Tier 1" ratio of 8.77% which are above the legal minimum level of 8%, but below the 11.5% stated by the Bank of Italy.

For the purpose of assuring the going concern, the Supervisory Board of the majority shareholder, HYPO Alpe-Adria Bank International AG has already approved a recapitalization of 55 million euro and has assured its own commitment to further recapitalize the Company in the amount necessary to maintain the minimum capital requirement described above, for a total amount of 85 million euro, and to assure the necessary financial support to continue the normal operations.

The amount of this recapitalization will also result adequate to build up again the equity of the Bank, which was reduced as a consequance of the negative effect of the correction of errors in the interests unlawfully calculated in the variable interest rate lease contracts..

We also point out the strong dependence of the Bank from the funding granted by the Parent Company HYPO Alpe-Adria Bank International AG, which represent the prevailing portion of the funding currently used by the Bank.

In order to face this situation, HYPO Alpe-Adria Bank International AG has undertaken a formal commitment to maintain the existing funding untill their maturity and showed its commitment to assure to HYPO Alpe-Adria Bank S.p.A. the financial means necessary to continue the normal operations for a period of at least 12 months from the end of the year.

By considering the described funding and financial dependency of HYPO Alpe-Adria Bank S.p.A. from the holding, it is suitable to remind that the latter has started a group reorganization process for years, with the aim of significantly reducing it through the sale of all the units considered as salable, so that to repay the funds put at disposal by the Austrian government in a short timespan. Moreover, on May 12th, 2009, the European Commission started a verification procedure on Hypo Alpe-Adria-Bank International AG, aimed to examine the government aid received in the years 2008-2012, whose conclusion is due for the year 2013. We believe that results of such verification procedure will not effect either the financial support assured by HYPO Alpe-Adria-Bank S.p.A. or the decision regarding the recapitalization. It is not possible to exclude that the decisions taken by the European Commission as result of the above-mentioned verification procedure could determine significant effects on the activity of the whole group and of Hypo Alpe Adria Bank spa .

It should be hightlited that even in the currently umpredictable case that, on the basis of the decision of the European Commission regarding the procedure to assess the state aid, it would be necessary to significantly limit the operations of the Bank, reducing to the minimum the new lending business, it is deemed that this will not cause any effect on the going concern assumption adopted to draft these financial statements.

It should furthermore be highlighted that, in the context of the „Joint Risk Assessment & Decision Process" („JRAD1") already started by the supervisory authority in 2011, the holding was required to keep a minimum level of „total capital ratio", corresponding to 12.04%. In 2012 the holding reached to an agreement with its shareholders, approved by the European commission, as regards a 1.5-billion recapitalization, through a capital increase by the Republic of Austria for EUR 500 million and the issuance of subordinated securities guaranteed by the Government for 1 EUR billion. This had allowed bringing the total capital ratio of the holding to 13% at December 31st, 2012. In 2012 the supervisory authorities re-examined the risks and the required capital, therefore determining a total capital ratio of at least 12.40% for the group, communicated to the Group in January 2013. Should the expected risk reduction and the further improvements of the risk profile not prove sufficient to ensure the minimum capital level required by the authorities, a potential business continuity risk (mitigated by any further intervention by the Republic of Austria) would exist.

According to the indications given in the sphere of the document no. 02 of 06/02/2009 issued jointly by Banca d'Italia, Consob and Isvap, we point out that the circumstances described above, indicate the existence of a relevant uncertainty, which can raise significant doubts about the Bank's capability to continue operating on the basis of the going concern assumption. Nonetheless, after assessing the circumstances described above, considering the recapitalization in course, as well as the commitment of the Parent Company to provide the necessary funding to continue the normal operations, the funding and financial resources of the bank are deemed as adequate to continue its operations in a predictable future and, consequently, the going concern assumption is still applied for the drafting of the financial statements as of December 31, 2012.

Uncertainty in the utilization of estimates

The drawing up of the financial statements required also the recourse to estimates and assumptions that can determine significant effects on the values entered in the schemes of the Balance Sheet and the Income Statement, as well as on the information concerning potential assets and liabilities.

The assumptions at the basis of the formulated estimates consider all available information at the date of the drawing up of the financial statements, as well as the suppositions considered as reasonable to the light of the historical experience and the special moment characterizing capital markets. To this purpose, we highlight that the situation caused by the continuation of the crisis which characterizes the current general economic and financial context, as well as the territorial reference environment of the Bank regarding the future trend, made assumptions, characterized by uncertainty elements, necessary. Indeed in consideration of the uncertain situation, it is not possible to exclude that the assumed hypotheses, however reasonable, could not be confirmed in the future scenarios in which the bank will have to work. The results that will be achieved in the future could therefore be different from the estimates made for the drawing up of the financial statements and rectifications, at today neither foreseeable nor assessable with respect to the book value of assets and liabilities entered in the same financial statements, could be necessary.
The main cases for which subjective assessments are more required by the company management are the following:

- quantification of losses due to credit value reduction and, in general, of the other financial assets;
- determination of the fair value of financial tools;
- quantification of staff's funds and the funds for risks and burdens;

The description of the accounting policies applied to the main items of the financial statements gives the information details required to identify the main subjective assumptions and assessments used for the drawing up of the financial statements for the period.

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

We highlight in particular that the financial year 2012 was characterized by a significant impairment of the credit portfolio. In particular, for some non-performing accounts for a significant amount, for which collection activities based on current agreed (or under definition) repayment plans with the debtors, reorganization plans or liquidation of guarantee assets, are funded on the presupposition that i) these plans are complied with by debtors ii) liquidation values of guarantee assets reflect the assessments drawn up by instructed external appraisers iii) recovery perspectives will be confirmed in the results of current disputes iv) repayment time is coherent with forecasts formulated on the base of available information. The bank, in assessing its exposures at December 31st, 2012, adopted the necessary precautions, by considering the objective elements available at today; however, we highlight that performed assessments could not be confirmed would a further impairment of the economic context of reference bank in which the customers of the bank operate, take place.

With reference to the sale of leasing and collateral assets for granted loans, in particular when they are real estate assets, considering the fact that the real estate market trend goes on being negative, the presumable value of sales, as well as the estimate of expected recovery times are, as well, hard to be quantified, due to the significant decrease of transactions. Therefore, it stands the situation of uncertainty about the capacity of the above-mentioned appraisals to duly evaluate real cash flows resulting from real estate sales through the enforcement of the above indicated collaterals or to allow the recovery of exposure and about recovery times used to calculate relevant discounting. Then, we can't rule out that the value of presumable sale of non-performing loans entered into the financial statements can be subject also to significant variations, following to deviations between the appraisal value of real estate collaterals, used in order to ascertain the relevant rectifications, and the cash flows actually achieved and/or following to deviations of recovery times.

Exclusion from the arrangement of the Consolidated Financial Statement

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

Section 3
Subsequent events to the Financial Statement reference date

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

Section 4
Other issues

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

Comparability of balances

For comparison aims of the balances of the financial year 2012 with those of the previous year, we specify that the indicated balances at 31/12/2011 include assets and liabilities that were subject of transfer to Hypo Alpe-Adria-Leasing S.r.l., at the item 140 of assets "Non-current assets and groups of assets held for sale" and at the item 90 of liabilities "Liabilities related to groups of assets held for sale", respectively.

Restatement of balances from the previous year pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The bank, after in-depth analyses, has verified the presence of a part of unduly reckoned interests on indexed instalment lease contracts during the year 2012 and in the previous years. These – for the aim of their recording into the balance - were considered as corrections of mistakes considered as important and determinable. Therefore, as required by the accounting principle IAS 8, we have performed their retrospective correction, as highlighted in the following tables.

The quantification of effects, referred to the years from 2003 to 2012, by considering the ten-year limitation period, has brought to determine the total undue sums towards the customers for a total EUR 81,488,927.

To determine the mentioned effects, the Bank made also use of independent consultants, both for the in-depth examination of legal and fiscal themes and for the assessment of the refunds due to the customers.

From this point of view, we highlight that the findings of the report by the external company (drawn up also by making use of statistical sampling) show a total amount of EUR 79,294,824, compensatory interests included.

This amount results lower than the one caculated by the Bank, which totally amounts to EUR 81,488,927, interests included.

The Board of Directors thinks it more prudential to consider the quantification by the back offices of the Bank, by considering their better accuracy and analitycity.

The total amount above mentioned is allocated as follows:

- equity as of 1/1/2011: 63,64 m EUR;
- profit and loss 2011: 9,28 m EUR;
- equity as of 31/12/2011: 72,92 m EUR
- profit and loss 2012 8,57 m EUR
- equity as of 31/12/2012: 81,49 m EUR

I suddetti importi sono dettagliati nelle tabelle che seguono.

Balance sheet at 31.12.2010

As follows, we are summarizing all produced adjustments:

Assets items	31.12.2010	Adjustments	01.01.2011 Adjusted
10. Cash and cash equivalents	2,721,262	0	2,721,262
20. Financial assets held for trading	1,611,635	0	1,611,635
30. Financial assets at fair value	0	0	0
40. Financial assets available for sale	33,987,919	0	33,987,919
50. Financial assets held to maturity	0	0	0
60. Receivables due from banks	29,777,865	0	29,777,865
70. Receivables due from customers	4,318,005,927	0	4,318,005,927
80. Hedging derivatives	957,455	0	957,455
90. Change in value of financial assets recorded as part of a macrohedge (+/-)	0	0	0
100. Equity investments	3,431,613	0	3,431,613
110. Tangible assets	43,275,791	0	43,275,791
120. Intangible assets	2,627,184	0	2,627,184
hereof:			
- goodwill	1,113,941	0	1,113,941
130. Tax assets	18,679,733	0	18,679,733
a) current	683,691	0	683,691
b) pre-paid	17,996,042		17,996,042
140. Non-current assets and groups of assets held for sale	0	0	0
150. Other assets	32,492,829	0	32,492,829
Total assets	**4,487,569,213**	**0**	**4,487,569,213**

Liabilities and Shareholders' equity	31.12.2010	Adjustments	01.01.2011 Adjusted
10. Payables due to banks	2,734,118,090	0	2,734,118,090
20. Payables due to customers	810,393,525	0	810,393,525
30. Outstanding securities	425,507,669	0	425,507,669
40. Financial liabilities held for trading	27,670,656	0	27,670,656
50. Financial liabilities at fair value	33,468,153	0	33,468,153
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	0	0	0
100. Other liabilities	65,347,717	59,848,351	125,196,068
110. Provision for employee severance payment (TFR)	3,289,540	0	3,289,540
120. Provisions for liability and charges:	2,778,683	3,801,621	6,580,304
a) pensions and similar benefit obligations	0	0	0
b) other provisions	2,778,683	3,801,621	6,580,304
130. Valuation reserves	(602,770)	0	(602,770)
140. Redeemable shares	0	0	0
150. Capital instruments	0	0	0
160. Reserves	56,590,400	(63,649,972)	(7,059,572)
170. Issue premiums	0		0
180. Share capital	318,187,600	0	318,187,600
190. Own shares (-)	0		0
200. Profit (Loss) for the year	10,819,950	0	10,819,950
Total liabilities and Shareholders' equity	**4,487,569,213**	**0**	**4,487,569,213**

The following adjustments have been performed:

1. In the item "Other liabilities" the sums available to leasing customers due to credit notes to be issued have been indicated.

2. In the item "Provisions for liabilities and charges b) other provisions" the provision related to compensatory interests repaying the patrimonial damage for delayed refund, calculated until the year 2010, was recorded.

3. In the item "Reserves" the algebraic sum of the negative elements of the Income Statement for the years before 2010, was reclassified.

Balance sheet at 31.12.2011

As follows, we are summarizing all produced rectifications:

Assets items	31.12.2011*	Adjustments	31.12.2011 Adjusted
10. Cash and cash equivalents	2,353,636	0	2,353,636
20. Financial assets held for trading	477,971	0	477,971
30. Financial assets at fair value	0	0	0
40. Financial assets available for sale	42,850,124	0	42,850,124
50. Financial assets held to maturity	0	0	0
60. Receivables due from banks	23,951,436	0	23,951,436
70. Receivables due from customers	3,290,087,806	0	3,290,087,806
80. Hedging derivatives	613,009	0	613,009
90. Change in value of financial assets recorded as part of a macrohedge (+/-)	0	0	0
100. Equity investments	3,431,613	0	3,431,613
110. Tangible assets	43,380,373	0	43,380,373
120. Intangible assets	2,635,971	0	2,635,971
hereof:			
- goodwill	1,113,941	0	1,113,941
130. Tax assets	25,200,971	0	25,200,971
a) current	6,720,941	0	6,720,941
b) pre-paid	18,480,030		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	0	33,789,764
Total assets	**4,259,909,275**	**0**	**4,259,909,275**

(*) In this column the balances as indicated in the financial statements approved for the fiscal year 2011 are indicated.

Liabilities and Shareholders' equity	31.12.2011*	Adjustments	31.12.2011 Adjusted
10. Payables due to banks	1,965,993,914	0	1,965,993,914
20. Payables due to customers	610,860,114	0	610,860,114
30. Outstanding securities	414,481,418	0	414,481,418
40. Financial liabilities held for trading	13,348,605	0	13,348,605
50. Financial liabilities at fair value	23,765,385	0	23,765,385
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	67,770,251	128,461,682
110. Provision for employee severance payment (TFR)	2,647,163	0	2,647,163
120. Provisions for liability and charges:	2,082,269	5,167,620	7,249,889
a) pensions and similar benefit obligations	0	0	0
b) other provisions	2,082,269	5,167,620	7,249,889
130. Valuation reserves	(1,432,678)	0	(1,432,678)
140. Redeemable shares	0	0	0
150. Capital instruments	0	0	0
160. Reserves	57,131,459	(63,649,972)	(6,518,513)
170. Issue premiums	0	0	0
180. Share capital	318,187,600	0	318,187,600
190. Own shares (-)	0	0	0
200. Profit (Loss) for the year	3,015,994	(9,287,899)	(6,271,905)
Total liabilities and Shareholders' equity	**4,259,909,275**	**0**	**4,259,909,275**

(*) In this column the balances as indicated in the financial statements approved for the fiscal year 2011 are indicated.

The following rectifications have been performed:

1. In the item "Other liabilities" the sums available to leasing customers due to credit notes to be issued for the reckoning mistakes in leasing contract indexations, have been indicated.

2. In the item "provisions for liabilities and charges b) other provisions" the provision related to compensatory interests repaying the patrimonial damage for delayed refund, matured in the financial years from 2003 to 2011, was reclassified.

3. In the item "Profit (loss) for the year" the writing-off of the interests related to "financial leasing" instalments for the year 2011has been recorded.

Income statement as at 31.12.2011

As follows, we are summarizing all produced adjustments:

Income statement items	31.12.2011	Adjustments	31.12.2011 Adjusted
10. Interest receivable and similar revenues	150.861.203	(7.404.545)	143.456.658
20. Interest payable and similar charges	(66.323.975)	0	(66.323.975)
30. Net interest margin	**84.537.228**	**(7.404.545)**	**77.132.683**
40. Commission income	15.455.390	0	15.455.390
50. Commission expenses	(7.608.331)	0	(7.608.331)
60. Net commissions	**7.847.059**	**0**	**7.847.059**
70. Dividends and similar income	0	0	0
80. Net profit (loss) from trading activity	1.425.403	(558.324)	867.079
90. Net profit (loss) from hedging activity	14.713	0	14.713
100. Profits (Losses) from sale or repurchase of:	129.751	0	129.751
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	0	125.486
110. Profit/Losses on financial assets/liabilities at fair value	(198.388)	0	(198.388)
120. Operating income	**93.755.766**	**(7.962.869)**	**85.792.897**
130. Write-downs/write-backs for impaired:	(26.368.950)	40.969	(26.327.981)
a) receivables	(26.368.950)	40.969	(26.327.981)
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**	**(7.921.900)**	**59.464.916**
150. Administrative expenses:	(66.103.701)	0	(66.103.701)
a) personnel costs	(32.707.692)	0	(32.707.692)
b) other administrative expenses	(33.396.009)	0	(33.396.009)
160. Net allocations to provisions for risks and charges	(41.898)	(1.365.999)	(1.407.897)
170. Net write-downs/write-backs on tangible fixed assets	(3.570.775)	0	(3.570.775)
180. Net write-downs/write-backs on intangible fixed assets	(631.743)	0	(631.743)
190. Other operating expenses/income	13.330.893	0	13.330.893
200. Operating costs	**(57.017.224)**	**(1.365.999)**	**(58.383.223)**
210. Utile (Perdite) delle partecipazioni	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)	0	(18.964)
250. Profit (loss) before tax from continuing operations	**10.350.628**	**(9.287.899)**	**1.062.729**
260. Income taxes on continuing operations for the year	(7.334.634)	0	(7.334.634)
270. Profit (loss) from continuing operations after taxes	**3.015.994**	**(9.287.899)**	**(6.271.905)**
280. Profit (loss) of groups of assets held for sale, net of income taxes on continuing operations for the year	0	0	0
290. Profit (loss) for the year	**3.015.994**	**(9.287.899)**	**(6.271.905)**

1. In “Interests receivable and similar revenues” the writing-off of the interests related to “financial leasing” instalments has been recorded.

2. In “Net profit (loss) from trading activity” the writing-off of exchange rate indexations to be recognized to leasing Customers was reclassified.

3. In the item “Net write-downs/write backs for impaired: receivables” losses of the period related to leasing Customers with debt exposure towards the Bank have been recorded.

4. In the item “Net allocations to provisions for risks and charges” the provision related to compensatory interests repaying the patrimonial damage for delayed refund to customers of due sums, was adjusted.

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 2012 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 depreciated cost, equal to the first entry increased/decreased by capital repayments, write-downs/write-backs and depreciation – calculated using the effective interest rate method – of the difference between the amount granted and the amount repayable at maturity, typically attributable to costs/revenues directly charged to the individual loan. The actual interest rate is reckoned by calculating the rate corresponding to the current value of future credit flows, including principal and interest, of the disbursed amount, including the cost/income linkable to the credit. The financial logic followed by this accounting method makes it possible to distribute the economic impact of the costs/revenues throughout the expected residual life of the loan. The depreciated cost method is not used for short-duration receivables, which are felt to be negligibly affected by the actualization approach. These receivables are measured at the historical cost and the related costs/revenues are entered on the Income Statement in a linear manner, throughout the duration of the contract. A similar assessment criterion is adopted for the credits without a defined maturity or until further notice.

At the close of every financial year or any infra-annual balance, receivables are recognized in order to identify those that, following events occurring after registration, objectively show signs of a potential loss in value. At first, we evaluate the need to write down impaired loans individually (non-performing 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:

- Non-performing loans: loans to subjects that are in a state of insolvency or in substantially equivalent situations;
- Watch-list loans: 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: 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;
- Expired loans: 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 for more than 90 days.

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.

Non-performing 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 homoge-

neous in terms of credit risk, and the relative loss percentages are estimated taking into consideration historical data, based on elements that can be observed on the measurement date, which make it possible to estimate the value of the latent loss in each credit category.

Write-downs calculated collectively are charged to the Income Statement.

At the reference balance sheet date possible additional write-downs or value renewal are recalculated differentially.

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

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

De-recognition

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", according to the whether a positive or negative fair value is recorded at the balance sheet reference date.

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

The hedging typologies applied are:

- fair value hedge: hedging the exposure to the fair value variations of assets, liabilities, unaccounted commitments, or of a portion of these, that can be attributed to a specific risk;
- cash flow hedge: hedging the exposure to the variability of future cash flows that can be attributed to specific risks associated with an asset or a liability;
- hedging the effects of an investment denominated in a foreign currency; this relates to hedging the risks of an investment in a foreign company, expressed in foreign currency.

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

Hedge effectiveness is monitored by:

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

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

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

Moreover, operations are no longer classified as hedging if:

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

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 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 recognised in P&L with the exception of those relating to items which are charged or credited directly to equity. The tax burden is measured in accordance with effective tax laws and conservative and reasonable expectations about current taxes and deferred tax assets and liabilities.

With particular reference to the recognition of "deferred tax liabilities and/or deferred tax assets" in financial statements, it should be specified that the "balance sheet liability method" has been applied in compliance with IAS 12 and Banca d'Italia's specific requirements. Therefore, the accounting treatment for deferred tax assets and liabilities implies the recognition of:

- a change in operating income taxes if the temporary difference relates to components which concerned the income statement;
- a change in equity if the temporary difference relates to a transaction which directly concerned the equity without affecting the income statement.

Nonetheless, it is currently deemed that there is no well-founded certainty that in the future a sufficient taxable profit will be available to allow the benefit of all deferred tax assets to be utilised.

That is why:

- we solely maintained and recognised deferred tax assets relating to IRES (corporation tax), which in accordance with Article 2, sub-paragraphs from 55 to 58, of Law Decree 225/2010 converted into Law 214/2011, can be transformed into tax credits when occurring operating losses or tax losses; these are deferred tax assets relating to NPLs and the amortisation of goodwill which have not yet been deducted from the taxable income;
- we reversed deferred tax assets due to the impossibility to recover remaining deferred tax assets as of 01/01/2012 both in Income Statement and Equity;
- we failed to recognise remaining deferred tax assets, which might have developed in 2012, since the tax deductibility of specific costs was postponed to future fiscal years in accordance with TUIR (Income Tax Rules).

The IRES component of deferred tax assets relating to NPLs and the amortisation of goodwill should be kept reported for the following reasons:

- in the event of future taxable profits these components will be recovered through deduction from the taxable income;
- in the event of future tax losses, Article 2, sub-paragraph 56-bis of Law Decree 225/2010 converted into Law 10/2011, establishes that deferred tax assets accounted for tax loss – to the extent of the loss reported in the tax declaration – and relating to significant downward changes reported in the tax declaration (NPLs, amortisation of goodwill and other intangible assets) can be transformed into tax credits;
- this means that the components relating to NPLs and the amortisation of goodwill impacting in future fiscal years will reduce taxes in the event and to the extent of taxable profits or will turn into tax credits in the event of tax losses; the economic benefit of these deferred tax assets is not basically lost in any ways;
- this benefit is not lost either in the event of voluntary wind-up, compulsory wind-up or insolvency proceedings since sub-paragraph 56-ter of the law itself widens the scope of this law and therefore the possibility of these prepaid deferred tax assets to be transformed into tax credits applies also to final financial statements relating to a closure of business and to the relevant tax declaration; in this regard, it should be reminded that in the event of these extraordinary administrations, the amounts relating to NPLs and the amortisation of goodwill (as well as all costs whose deductibility has been postponed to

future operating years), which have not yet been deducted, are fully deductible in the final tax declaration concerning the closure of business; in the event of a tax loss relating to the closure of business, the relevant entire prepaid tax assets, which are made of the downward changes due to the deduction of the amounts for remaining NPLs and amortisation of goodwill, can be transformed into tax credit;
- by way of conclusion, with reference to the probability that deferred tax assets can be utilised and therefore that there is a tax credit in any situation in which the Bank might be, sub-paragraph 57 of the mentioned law establishes that a tax credit could be offset, without any limits to the amount, by any other tax or contribution (i.e. VAT, tax and social security contributions, etc.); any remaining tax credit after these offset operations is refundable by ticking in the specific box reported in the tax declaration (in 2013 Tax Declaration Model: Section I of Box RU11, credit code 80) and therefore, in an assumed tax declaration relating to the closure of business as well.

Furthermore, it should be specified that:

- the estimated tax burden for tax assets relating to prepaid taxes has been measured by taking account of IRES only at a 27.5% rate, which is deemed that it can still be effective in the single operating years over which the temporary differences will impact; IRAP (regional tax on production) has not been taken into account since in the event of tax losses no deferred tax assets would obviously be recognised for the IRAP-related "loss" and therefore there would be no benefit arising from the possibility of the deferred tax assets to turn into a tax credit;
- changes in the prepaid taxes are included under item 130 "Tax assets";
- it should be specified that as of 31/12/2012 there are no transactions implying that deferred tax liabilities are utilised neither in Income Statement nor in Equity.

With reference to Article 9 of Law no. 214 of 22/12/2011, a proportionate amount – resulting from the outcome between the operating loss and the ratio of substantial prepaid tax assets to equity (share capital and reserves) – of prepaid tax assets relating to NPLs and tax revaluation of goodwill will be turned, with the approval of this financial statement, into a tax credit for a total amount of 4.026.882 euros due to the existing obligation to transform this amount into tax credit and connected with the realised operating loss.

12. Provisions for risks and charges

Initial Recognition

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

Classification criteria

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

Measurement criteria and record of revenue components

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

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

Allocated funds are periodically reviewed and, in case, corrected to reflect the best current assessment. When, after the review, sustaining the burden proves improbable, the allocation is written off.

The allocation is recorded in the income statement under the item "Net allocations to provisions for risks and charges". In the item the balance, positive or negative, between allocations and re-allocations to the income statement of provisions that are considered redundant, if any, is recorded.

Net allocations include as well decreases of the provisions, due to the effect of discounting, as well as the correspondent increases due to elapsed time (maturation of implicit interest in the discounting).

As regards provisions related to benefits to employees, please refer to the next chapter regarding "Personnel severance pay".

De-recognition

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

Personnel severance pay (Trattamento di Fine Rapporto, TFR)

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

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

The obligations towards the employees are assessed biannually by an independent actuary.

Actuarial profits and losses, defined as the difference between the liability book value and the present value of the liabilities at the end of the period, are booked for the entire sum directly on the Income statement.

In June 2011, IASB approved the new IAS 19 principle, relevant to the payment of benefits to employees. With the pubblication of the rules (EU) no. 475/2012 dated June 5th 2012 on the Official Gazette of the European Union the relevant process of endorsement was concluded.

The main new element is the determination for the defined benefit plans (indemnity), of a single method of accounting for actuarial gains and losses, which have to be immediately included in the calculation of net liabilities to employees and on the other side directly in the shareholders' equity (OCI - Other Comprehensive Income).IAS 19 must therefore be applied from 1 January 2013 with early application of the faculty of the year 2012.

In case there is no early application, the obligation still exists in the 2012 budget to provide quantitative information about the potential impact of its adoption.

For more detailed information concerning the composition and values of the items affected by the estimates in question, it should be refered to the specific sections of the notes.

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

Classification criteria

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

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

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

De-recognition

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

Measurement criteria and record of revenue components

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

15. Financial liabilities valued at fair value

Initial recognition

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

Classification criteria

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

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

Appraisal criteria

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

De-recognition

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

Measurement criteria and record of revenue components

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

16. Foreign currency transactions

When initially recorded, foreign currency transactions are entered in the account currency, converting the foreign currency amount at the exchange rate in force on the transaction date.
At every balance sheet close date, balance sheet items in foreign currency are measured as follows:

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

With regard to monetary items, exchange rate differences generated between the transaction date and the relative payment date, 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 assets

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.

Securitizations

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 the financial year in which they‘re borne.

Criteria to determine the fair value of financial instruments

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

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

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

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

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

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

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

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

- for the contracts on interest rates the market value is represented by the so-called «replacement cost», determined by the discounting of differences, at provided payment dates of regulation, between flows calculated at contract rates and foreseen flows calculated at market rates, objectively deter-

mined, current at the end of the financial year, due to equal residual expiry;
- for the contracts of option on securities and other values, the market value is determined with reference to models of recognized pricing.

Modality of determination of depreciated cost

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

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

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

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

After initial checking, the depreciated cost allows allocating proceeds and costs that decrease or increase in the instrument along the whole expected life of the same, through depreciation process. The determination of the depreciated cost is different whether assets/liabilities subject to evaluation are fixed or variable rate. For fixed-rate instruments, future cash flows are quantified on the base of known interest rate during credit life. For variable-rate financial assets/liabilities, whose variability isn't known beforehand (because, for instance, it's bound to an index), the determination of cash flows is carried out on the basis of the last known rate. At each review date, the recalculation of the depreciation plan and actual yielding rate on all the life of the instrument, namely up to maturity, is carried out. The adjustment is recognized as cost or income in the income statements.

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

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

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

A.3 – Information note on the Fair Value

A.3.1 Transfer among portfolios

In this section the information required by 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	31.12.2012 Level 1	31.12.2012 Level 2	31.12.2012 Level 3	31.12.2011 Level 1	31.12.2011 Level 2	31.12.2011 Level 3
1. Financial assets held for trading	0	2,611	0	0	478	0
2. Financial assets assessed at fair value	0	0	0	0	0	0
3. Financial assets available for sale	44,214	0	0	42,850	0	0
4. Hedging derivatives	0	477	0	0	613	0
Total	**44,214**	**3,088**	**0**	**42,850**	**1,091**	**0**
1. Financial liabilities held for trading	0	6,046	0	0	13,349	0
2. Financial liabilities assessed at fair value	0	5,997	0	0	23,765	0
4. Hedging derivatives	0	0	0	0	0	0
Total	**0**	**12,043**	**0**	**0**	**37,114**	**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 11 thousand. The set-off to the income statement amounted to EUR 102 thousand in the item „Interests payable".

Part B
Information on the balance sheet

Assets

Section 1
Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: composition

Items/Values	31.12.2012	31.12.2011
a) Cash	3,722	2,354
b) Free deposits with Central Banks	5,000	0
Total	**8,722**	**2,354**

In this item currencies having legal tender, included foreign banknotes, and free deposits towards the Central Bank are indicated.

Section 2
Financial assets held for trading – Item 20

2.1 Financial assets held for trading: composition by type

	31.12.2012			31.12.2011		
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	2,611	0	0	478	0
1.1 trading	0	2,611	0	0	313	0
1.2 associated with fair value option	0	0	0	0	165	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**	**2,611**	**0**	**0**	**478**	**0**
Total (A + B)	**0**	**2,611**	**0**	**0**	**478**	**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.

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

Items/Values	31.12.2012	31.12.2011
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	2,548	452
b) Customers		
- fair value	63	26
Total B	**2,611**	**478**
Total (A + B)	**2,611**	**478**

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	**2,420**	**146**	**0**	**0**	**2,566**
B1. Purchases	2,414	145	0	0	2,559
B2. Positive fair value variations	0	0	0	0	0
B3. Other variations	6	1	0	0	7
C. Decreases	**2,420**	**146**	**0**	**0**	**2,566**
C1. Sales	2,420	145	0	0	2,565
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 2012.

Section 4
Financial assets available for sale – Item 40

4.1 Financial assets available for sale: composition by type

Items/Values	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	44,214	0	0	42,850	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	44,214	0	0	42,850	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	**44,214**	**0**	**0**	**42,850**	**0**	**0**

The under item 1.2 is composed exclusively of Italian Government's debt securities (BOTs (ordinary treasury bills, CTTs (treasury certificates) and BTPs (treasury bonds)). These investments are framed in a strategy aimed to manage the bank's liquidity risk.

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

Items/Values	31.12.2012	31.12.2011
1. Debt securities	**44,214**	**42,850**
a) Governments and Central banks	44,214	42,850
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	**44,214**	**42,850**

4.3 Financial assets available for sale subject to specific hedging

At 31st December 2012 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	**42,850**	**0**	**0**	**0**	**42,850**
B. Increases	**46,258**	**0**	**0**	**0**	**46,258**
B1. Purchases	44,054	0	0	0	44,054
B2. Positive variations of fair value	1,425	0	0	0	1,425
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	779	0	0	0	779
C. Decreases	**44,894**	**0**	**0**	**0**	**44,894**
C1. Sales	0	0	0	0	0
C2. Repayments	44,282	0	0	0	44,282
C3. Negative variations of fair value	0	0	0	0	0
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	612	0	0	0	612
D. Closing balances	**44,214**	**0**	**0**	**0**	**44,214**

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	31.12.2012	31.12.2011
A. Receivables due from Central Banks	**4,667**	**18,060**
1. Term deposits	0	0
2. Legal reserve	4,667	18,060
3. Repurchase agreements - receivables	0	0
4. Other	0	0
B. Receivables due from banks	**28,644**	**5,891**
1. Current accounts and free deposits	28,644	5,891
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)	**33,311**	**23,951**
Total (fair value)	**33,311**	**23,951**

By considering the prevalent short-term duration of receivables due from banks, the fair value is assumed as corresponding to the book value.

6.2 Receivables due from banks: assets subject to specific hedging
There are no receivables due from banks, with specific hedging, at December 31st , 2012.

6.3 Financial Leasing
There are no receivables due from banks, in leasing, at December 31st, 2012.

Section 7
Receivables due from customers – Item 70

7.1 Receivables due from customers: composition by type

Operation typology/Values	31.12.2012			31.12.2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Current accounts	113,091	0	32,428	168,939	0	40,730
2. Repurchase agreements - receivables	0	0	0	0	0	0
3. Loans	451,901	0	164,262	507,499	0	119,886
4. Credit cards, personal loans and transfer of fifth	271	0	167	455	0	223
5. Financial leasing	1,666,794		339,951	2,021,288		175,091
6. Factoring	0	0	0	0	0	0
7. Other operations	252,565		9,030	242,092		13,885
8. Debt securities	0	0	0	0	0	0
8.1 Structured securities	0	0	0	0	0	0
8.2 Other debt securities	0	0	0	0	0	0
Total (book value)	**2,484,622**	**0**	**545,838**	**2,940,273**	**0**	**349,815**
Total (fair value)	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**

"Receivables due from customers" are indicated in the balance at the depreciated cost value and net of analytical and flat depreciations, pursuant to IAS 39 principle.

In the under item 3. "Loans" and in the under item 5. "Financial leasing", transferred and not derecognized assets are included, referable to mortgage loans and to receivables deriving from lease contracts transferred in the sphere of securitization operations called "Dolomiti Mortgage 6" and "Salina 5", respectively, which, not having the requisites provided for by IAS 39 for the so-called derecognition, were kept in the balance.

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.

7.2 Receivables due from customers: composition by debtor/issuer

Operation typology/Values	31.12.2012			31.12.2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities issued by:	**0**	**0**	**0**	**0**	**0**	**0**
a) Governments	0	0	0	0	0	0
b) Other public bodies	0	0	0	0	0	0
c) Other issuers	0	0	0	0	0	0
- non-financial companies	0	0	0	0	0	0
- financial companies	0	0	0	0	0	0
- insurance companies	0	0	0	0	0	0
- other	0	0	0	0	0	0
2. Financing to	**2,484,621**	**0**	**545,839**	**2,940,273**	**0**	**349,815**
a) Governments	0	0	0	0	0	0
b) Other public bodies	46	0	0	69	0	0
c) Other issuers	2,484,575	0	545,839	2,940,204	0	349,815
- non-financial companies	2,189,642	0	506,905	2,672,079	0	307,261
- financial companies	114,039	0	125	48,429	0	278
- insurance companies	231	0	0	258	0	0
- other	180,663	0	38,808	219,438	0	42,276
Totale	**2,484,621**	**0**	**545,839**	**2,940,273**	**0**	**349,815**

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 December, 31st, 2012.

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.

	31.12.2012			
	Minimum payments			
Operation tipology	Principal	Interests	Gross investment	Non-guaranteed residual values (redemption)
Financial lease	1,874,866	550,951	2,425,817	435,918
- of which back-leased contracts	83,918	27,115	111,033	26,195

	31.12.2012				
	Write-downs		Minimum payments		
Time brackets	Specific	Portfolio	Principal	Interest	Gross Investment
Up to 3 months	5,878	132	73,154	18,981	92,135
From 3 months to 1 year	1,769	258	142,746	56,066	198,812
From 1 year to 5 years	12,022	1,025	566,601	230,750	797,351
More than 5 years	27,886	1,881	1,039,686	245,154	1,284,840
Non-specified duration	0	0	52,679		52,679
Total	**47,555**	**3,296**	**1,874,866**	**550,951**	**2,425,817**

General description of significant agreements

Typology of leased asset	Starting value	Outstanding debt at 31.12.2012	Duration years	Periodicity	Fixed/ Indexed
1 Real estate	16,001,602	13,353,283	15	Monthly	Indexed
2 Real estate	11,225,668	9,167,433	18	Monthly	Indexed
3 Real estate	12,500,000	8,943,161	18	Monthly	Indexed
4 Real estate	12,026,833	8,469,037	15	Monthly	Indexed
5 Real estate	10,914,000	7,135,188	15	Monthly	Indexed
6 Real estate	9,872,000	8,090,731	15	Monthly	Indexed
7 Real estate	8,492,350	7,788,383	21	Monthly	Indexed
8 Real estate	8,326,327	7,337,230	20	Monthly	Indexed
9 Real estate	9,167,083	7,300,951	20	Monthly	Indexed
10 Real estate	9,300,000	7,151,408	18	Monthly	Indexed
11 Real estate	9,201,028	7,090,251	30	Quarterly	Indexed
12 Real estate	7,384,954	6,428,766	18	Monthly	Indexed
13 Real estate	7,146,800	5,878,812	20	Monthly	Indexed
14 Real estate	7,803,000	5,765,197	15	Monthly	Indexed
15 Real estate	7,452,765	5,528,431	18	Monthly	Indexed
16 Real estate	6,877,570	5,479,437	17	Monthly	Indexed
17 Real estate	6,358,651	5,437,351	18	Monthly	Indexed
18 Real estate	6,559,203	5,382,037	18	Monthly	Indexed
19 Real estate	6,324,000	5,310,945	15	Monthly	Indexed
20 Real estate	5,504,399	4,877,952	15	Monthly	Indexed
21 Real estate	5,127,320	4,654,896	18	Monthly	Indexed
22 Real estate	5,610,000	4,576,417	18	Monthly	Indexed
23 Real estate	6,400,000	4,547,128	15	Monthly	Indexed
24 Real estate	8,335,564	4,537,642	15	Monthly	Indexed
25 Real estate	5,367,000	4,525,131	20	Monthly	Indexed
26 Real estate	6,050,000	4,505,845	18	Monthly	Indexed
27 Real estate	4,783,819	3,798,616	15	Monthly	Indexed
28 Real estate	4,480,299	3,798,525	20	Monthly	Indexed
29 Real estate	5,076,521	3,778,739	15	Monthly	Indexed
30 Real estate	3,878,006	3,759,010	30	Monthly	Indexed
31 Real estate	4,000,000	3,756,855	25	Monthly	Indexed
32 Real estate	5,560,722	3,741,217	15	Monthly	Indexed
33 Real estate	4,642,134	3,734,988	18	Monthly	Indexed
34 Real estate	4,293,060	3,710,641	18	Monthly	Indexed
35 Real estate	5,185,102	3,693,103	15	Monthly	Indexed
36 Real estate	3,834,885	3,689,452	25	Monthly	Indexed
37 Real estate	4,868,449	3,637,984	20	Monthly	Indexed
38 Real estate	4,403,600	3,582,381	15	Monthly	Indexed
39 Real estate	5,230,000	3,550,193	18	Monthly	Indexed
40 Real estate	4,114,461	3,469,518	18	Monthly	Indexed

Typology of leased asset	Starting value	Outstanding debt at 31.12.2012	Duration years	Periodicity	Fixed/ Indexed
41 Real estate	4,828,800	3,423,657	15	Monthly	Indexed
42 Real estate	4,330,000	3,388,559	20	Monthly	Indexed
43 Real estate	4,068,019	3,384,434	21	Monthly	Indexed
44 Real estate	3,705,860	3,285,411	15	Monthly	Indexed
45 Real estate	8,800,000	3,265,751	15	Monthly	Indexed
46 Real estate	4,161,944	3,255,783	15	Monthly	Indexed
47 Real estate	5,670,000	3,236,354	18	Monthly	Indexed
48 Real estate	3,950,000	3,235,775	20	Monthly	Indexed
49 Real estate	4,202,400	3,234,298	18	Monthly	Indexed
50 Real estate	3,750,000	3,214,996	20	Monthly	Indexed

Section 8
Hedging derivatives – Item 80

8.1 Hedging derivatives: composition by typology and hierarchical levels

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

	31.12.2012				31.12.2011			
	Fair value				Fair value			
	L1	L2	L3	VN	L1	L2	L3	VN
A. Financial derivatives	**0**	**477**	**0**	**12,585**	**0**	**613**	**0**	**12,585**
1) Fair value	0	477	0	12,585	0	613	0	12,585
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**	**477**	**0**	**12,585**	**0**	**613**	**0**	**12,585**

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	477	0	0	X	0	X	0	X	X
2. Portfolio	X	X	X	X	X	0	X	0	X
Total liabilities	**477**	**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 December 31st, 2012.

9.2 Assets covered by interest rate risk hedge
No data entry as of December 31st, 2012.

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.	2,419	5,831	10	1,028	821	X
2. HypoService S.r.l.	11,201	794	22	2,642	2,611	X
Total	**13,620**	**6,625**	**32**	**3,670**	**3,432**	**X**

Participations in subsidiaries are evaluated at cost.

The data indicated are taken from the financial statements at 31.12.2012. In the column "total revenues" the total amount of positive income components, before taxes, is indicated.

10.3 Equity investments: annual changes

Items/Values	31.12.2012	31.12.2011
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	31.12.2012	31.12.2011
A. Asset for functional use		
1.1 owned	**11,432**	**12,254**
a) land	3,381	3,291
b) buildings	2,746	2,925
c) furniture	1,275	1,655
d) electrical equipment	0	0
e) other	4,030	4,383
1.2 acquired in leasing	**26,822**	**27,775**
a) land	4,446	4,446
b) buildings	21,741	22,536
c) furniture	0	0
d) electrical equipment	0	0
e) other	635	793
Total A	**38,254**	**40,029**
b. Assets held for investment purposes		
2.1 owned	**6,643**	**3,351**
a) land	0	129
b) buildings	6,643	3,222
2.2 acquired in leasing	**0**	**0**
a) land	0	0
b) buildings	0	0
Total B	**6,643**	**3,351**
Total (A+B)	**44,897**	**43,380**

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

11.2 Tangible assets: composition of assets measured at fair value or re-valued
There are no tangible assets measured at fair value or re-valued.

11.3 Tangible assets for functional use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**7,737**	**30,541**	**6,273**	**0**	**26,114**	**70,665**
A.1 Total net value reductions	0	5,079	4,618	0	20,939	30,636
A.2 Net opening balance	**7,737**	**25,462**	**1,655**	**0**	**5,175**	**40,029**
B. Increases	90	31	140	0	1,343	1,604
B.1 Acquired	90	31	137	0	1,342	1,600
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	3	0	1	4
C. Decreases:	**0**	**1,005**	**519**	**0**	**1,855**	**3,379**
C.1 Sales	0	90	0	0	40	130
C.2 Depreciation	0	915	519	0	1,815	3,249
C.3 Write-downs for impairment						
charged to	0	0	0	0	0	0
a) shareholder's equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.4 Negative fair value variations						
charged to	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.5 Negative exchange rate differences	0	0	0	0	0	0
C.6 Transfers to:	0	0	0	0	0	0
a) tangible assets held for						
investment purposes	0	0	0	0	0	0
b) assets held for sale	0	0	0	0	0	0
C.7 Other variations	0	0	0	0		0
D. Net closing balance	**7,827**	**24,488**	**1,276**	**0**	**4,663**	**38,254**
D.1 Net total value reductions	0	5,995	5,137	0	22,754	33,886
D.2 Gross closing balance	**7,827**	**30,483**	**6,413**	**0**	**27,417**	**72,140**
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**	**3,222**	**3,351**
B. Increases:	**0**	**6,089**	**6,089**
B.1 Purchases	0	6,089	6,089
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:	129	2,668	2,797
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	129	2,668	2,797
D. Closing balance	**0**	**6,643**	**6,643**
E. Assessment at fair value	0	8,296	8,296

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	31.12.2012 Limited duration	31.12.2012 Unlimited duration	31.12.2011 Limited duration	31.12.2011 Unlimited duration
A.1 Goodwill	X	0	X	1,114
A.2 Other intangible assets	1,190	0	1,522	0
A.2.1 Assets valued at cost:	1,190	0	1,522	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	1,190	0	1,522	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	**1,190**	**0**	**1,522**	**1,114**

The under-item A.1 "goodwill" 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) was subject to the so-called "impairment test" and it was completely impaired during the 2012 financial statement.

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

12.2 Intangible assets: annual changes

	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**	**9,960**	**0**	**11,074**
A.1 Net total value reductions	0	0	0	8,438	0	8,438
A.2 Net opening balance	**1,114**	**0**	**0**	**1,522**	**0**	**2,636**
B. Increases:	**0**	**0**	**0**	**274**	**0**	**274**
B.1 Purchases	0	0	0	273	0	273
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	1	0	1
C. Decreases:	**1,114**	**0**	**0**	**606**	**0**	**1,720**
C.1 Sales	0	0	0	0	0	0
C.2 Write-downs	1,114	0	0	606	0	1,720
- Depreciation	X	0	0	606	0	606
- Devaluations	1,114	0	0	0	0	1,114
+ shareholders' equity	X	0	0	0	0	0
+ income statement	1,114	0	0	0	0	1,114
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	0	0	0
C.5 Negative exchange rate differences	0	0	0	0	0	0
C.6 Other variations	0	0	0	0	0	0
D. Net closing balance	**0**	**0**	**0**	**1,190**	**0**	**1,190**
D.1 Net total value reductions	0	0	0	9,063	0	9,063
E. Gross closing balance	**0**	**0**	**0**	**10,253**	**0**	**10,253**
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 shareholders of capital gains concerning revaluated intangible assets (IAS 38, paragraph 124, letter b);
- there are no intangible assets acquired through government concession (IAS 38, paragraph 122, letter c);
- there are no intangible assets in debit guarantees (IAS 38, paragraph 122, letter d);
- there are no intangible assets subject to lease operations.

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

13.1 Assets for pre-paid taxes: composition

Attività per imposte anticipate	31.12.2012
Con contropartita Conto Economico	
- Avviamento	212
- Svalutazione crediti	29,031
Totale	**29,243**

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)

Attività/Valori	31.12.2012	31.12.2011
1. Opening balance	**17,772**	**17,704**
2. Increases	**13,076**	**1,561**
2.1 Prepaid taxes arising during the year	13,076	1,538
a) relating to previous years	86	4
b) due to change in accounting criteria	0	0
c) write-backs	0	0
d) other	12,990	1,534
2.2 New taxes or tax rate increases	0	23
2.3 Other increases	0	0
3. Decreases	**1,605**	**1,493**
3.1 Pre-paid tax derecognized during the year	1,603	1,476
a) reversals of temporary differences	1,200	1,476
b) write-downs of non recoverable items	403	0
c) new accounting criteria	0	0
d) other	0	0
3.2 Tax rate reduction	1	0
3.3 Other decreases	1	17
a) transformation into tax credits pursuant to law 214/2011	-	0
b) other	1	17
4. Final amount	**29,243**	**17,772**

13.3.1 Change of pre-paid tax pursuant to Law 214/2011 (income statement contra-entry)

Items / Values	31.12.2012	31.12.2011
2. Increases	**17,325**	**16,972**
3. Decreases	**13,076**	**1,401**
3.1 Reversals	**1,158**	**1,048**
3.2 Transformation into tax credit	1,117	1,032
a) deriving from tax losses	0	0
b) deriving from fiscal losses	0	0
3.3 Other decreases	0	0
4. Final amount	41	16
4. Importo finale	**29,243**	**17,325**

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

Items / Values	31.12.2012	31.12.2011
1. Opening balance	**0**	**0**
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**	**0**
3.1 Deferred tax derecognised during the year	0	0
a) transfers	0	0
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	**708**	**292**
2. Increases	**0**	**416**
2.1 Advance taxes accounted for the period	0	409
a) related to previous periods	0	0
b) due to the changing of accounting criteria	0	0
c) other	0	409
2.2 New taxes or increases of fiscal rates	0	7
2.3 Other increases	0	0
3. Decreases	**708**	**0**
3.1 Advanced taxes cancelled in the period	707	0
a) transfers	461	0
b) depreciations due to occured irrecoverableness	246	0
c) due to the changing of accounting criteria	0	0
3.2 Reductions of fiscal rates	1	0
3.3 Other decreases	0	0
4. Final amount	**0**	**708**

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	31.12.2012	31.12.2011
IRES - IRAP tax part payments	7,407	12,812
Tax credits receivable	6,202	3,203
Assets for gross current taxes	**13,609**	**16,015**
Compensation with current fiscal liabilities	2,214	9,294
Assets for net current taxes	**11,395**	**6,721**

Liabilities for current taxes

Description	31.12.2012	31.12.2011
Tax liabilities for direct taxes	2,213	9,294
Debts for gross current taxes	**2,213**	**9,294**
Compensation with current fiscal assets	2,213	9,294
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	31.12.2012	31.12.2011
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	0	4,340
B.6 Receivables from customers	0	786,646
B.7 Participations	0	0
B.8 Tangible assets	0	132
B.9 Intangible assets	0	19
B.10 Other assets	0	0
Total B	**0**	**791,137**
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	0	788,110
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	0	1,027
Total D	**0**	**789,137**

During the month of February 2012 the transfer of a business unit was finalized. The business unit was consisting primarily of non-performing loans and liabilities to the parent company, to the HYPO Alpe-Adria-Leasing Srl as part of the operation called „Brush“. The value of the assets transferred was also the subject of appraisal by an independent expert in accordance with the provisions of the Civil Code.

Section 15
Other assets – Item 150

15.1 Other assets: composition

	31.12.2012	31.12.2011
Unpaid bills - third party protest	146	56
Protested cheques	100	29
Credits and advance payments for indirect taxes	2,215	1,943
Suppliers for invoices to be issued	49	143
Advance payments to suppliers	883	2,647
Income and charges not attributed to specific items	4,681	5,271
Items in transit with branches	232	220
Incrementing costs on third party goods	3,788	3,962
Various debtors	6,785	6,808
Items under construction	9,407	12,711
Total	**28,286**	**33,790**

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	31.12.2012	31.12.2011
1. Payables due to Central Banks	**162,572**	**0**
2. Payables due to Banks	**1,644,314**	**1,965,994**
2.1 Current accounts and free deposits	26,623	637
2.2 Term deposits	968,265	895,157
2.3 Financing	649,426	1,070,200
2.3.1 Repurchase agreements payable	0	0
2.3.2 Other	649,426	1,070,200
2.4 Payables for buyback commitments of own asset instruments	0	0
2.5 Other debts	0	0
Total	**1,806,886**	**1,965,994**
Fair value	**1,806,886**	**1,965,994**

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

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

1.2 Details of item 10 "Payables due to banks": 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	31.12.2012	31.12.2011
1. Current accounts and free deposits	544,470	451,760
2. Term deposits	120,413	116,561
3. Financing	13,601	14,809
3.1 Repurchase agreements payable	0	0
3.2 Other	13,601	14,809
4. Payables for buyback commitments of own asset instruments	0	0
5. Other debts	1,148	27,730
Total	**679,632**	**610,860**
Fair value	**679,632**	**610,860**

In this item there are payables towards customers, in all their typologies, 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 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 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, 2012, corresponding to EUR 19,899 thousand, amounts totally to EUR 13,601 thousand.

Section 3
Outstanding securities – Item 30

3.1 Outstanding securities: composition by typology

Security typology/Values	31.12.2012				31.12.2011			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1 bonds	365,439	0	371,222	0	413,313	0	398,027	0
1.1 structured	0	0	0	0	0	0	0	0
1.2 other	365,439	0	371,222	0	413,313	0	398,027	0
2. other securities	727	0	727	0	1,168	0	1,168	0
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	727	0	727	0	1,168	0	1,168	0
Total	**366,166**	**0**	**371,949**	**0**	**414,481**	**0**	**399,195**	**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 have 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 flow discounting model based on the yield rate curve for the period up to the maturity was used.

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

Typology of supervision	Denomination	Issue date	Expiry date	Currency	Rate	Book value 31.12.2012	Book value 31.12.2011
Tier 2	HYPOBANK 30ST12 SUB	30/09/2002	30/09/2012	EUR	variable	-	20,127
Tier 2	HYPOBANK 30GIU13 SUB	30/06/2003	30/06/2013	EUR	variable	28,000	28,001
Total						**28,000**	**48,128**

Here it's indicated a detail of the previous table 3.1 showing all subordinated Securities present at the end of the business year 2012 and the related main features.

3.3 Outstanding securities: securities subject to specific hedging

Operation typology/Values	31.12.2012	31.12.2011
1. Securities subject to specific fair value hedging:	**12,606**	**12,988**
a) interest rate risk	12,606	12,988
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 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	31.12.2012					31.12.2011				
		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		6,046	0	X	X		13,348	0	X
1.1 Trading	X		6,034	0	X	X		13,006	0	X
1.2 Associated with the fair value option	X		12	0	X	X		342	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**		**6,046**	**0**	**X**	**X**		**13,348**	**0**	**X**
Total (A+B)	**0**		**6,046**	**0**	**0**	**0**		**13,348**	**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 instruments (IRS, options), for which the fair value option is applicable, as managerially connected to hedged liabilities appraised at the fair value.

4.2 Details of item 40 "Financial liabilities held for trading": subordinated liabilities

There are no subordinate trading financial liabilities at the balance 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 date.

4.4 Cash financial liabilities (excluding "technical deficits") held for trading: annual variations

At December 31st, 2012 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

	31.12.2012					31.12.2011				
		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	6,000	0	5,997	0	0	24,159	0	23,765	0	0
3.1 Structured	6,000	0	5,997	0	X	24,159	0	23,765	0	X
3.2 Other	0	0	0	0	X	0	0	0	0	X
Total	**6,000**	**0**	**5,997**	**0**	**0**	**24,159**	**0**	**23,765**	**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 date there are no financial liabilities at fair value represented by subordinate 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**	**23,765**	**23,765**
B. Increases	**0**	**0**	**474**	**474**
B.1 Issues	0	0	0	0
B.2 Sales	0	0	46	46
B.3 Positive fair value changes	0	0	77	77
B.4 Other changes	0	0	351	351
C. Decreases	**0**	**0**	**18,242**	**18,242**
C.1 Purchases	0	0	136	136
C.2 Reimbursements	0	0	18,106	18,106
C.3 Negative fair value changes	0	0	0	0
C.4 Other changes	0	0	0	0
D. Closing balance	**0**	**0**	**5,997**	**5,997**

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 "Circulating securities", refers to sales losses 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 December 31st, 2012 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 December 31st, 2012.

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

At the balance 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

	31.12.2012	31.12.2011
Partite viaggianti con filiali	66	0
Passività connesse al personale	1.229	1.976
Debiti verso enti previdenziali	1.083	1.362
Importi da versare fisco c/terzi	2.065	3.366
Somme a disposizione della clientela	3.711	4.149
Somme a disposizione della clientela „leasing“	74.788	67.771
Debiti verso fornitori	16.886	25.203
Ratei e risconti non riconducibili a voce propria	2.765	3.763
Creditori diversi	14.383	16.171
Partite in corso di lavorazione	12.033	4.298
Rettifiche di partite illiquide relative al portafoglio effetti ed altri	3.806	800
Totale A	**132.815**	**128.859**
Altre passività in corso di dismissione:		
– Passività connesse al personale	0	161
– Debiti verso enti previdenziali	0	159
– Creditori diversi	0	77
Totale B	**0**	**397**
Totale A – B	**132.815**	**128.462**

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

	31.12.2012	31.12.2011
A. Opening balance	**2,647**	**3,290**
B. Increases	**162**	**142**
B.1 Provisions during the year	121	142
B.2 Other increases	41	0
C. Decreases	**175**	**785**
C.1 Payments made	175	152
C.2 Other decreases	0	633
– of which: divested	0	630
D. Closing balance	**2,634**	**2,647**

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:

	31.12.2012	31.12.2011
Annual rate of technical discount	2.70%	4.25%
Annual rate of inflation	2.00%	2.00%
Annual rate of increase of TFR (severance pay)	3.30%	3.88%

On June 16th, 2011 IASB issued an amendment to IAS 19 – Benefits to employees – requiring that all actuarial profits or losses are immediately entered into the Prospect "Other comprehensive income", so that the entire net amount of the funds for defined benefits is entered into the liabilities of the financial statements. Amendments moreover require that variations between a fiscal year and the following one of the fund for defined benefits should be divided into three components: cost components linked to the working performance of the year should be recorded into the Income Statement as "service costs"; net financial burdens calculated by applying the appropriated discount rate to the balance of the fund for defined benefits resulting at the opening of the year should be entered in the Income Statement as such, actuarial profits or losses deriving from the re-assessment of assets and liabilities should be entered into the Prospect "Other total incomes (losses)". The amendment moreover introduces new additional information to give in the notes to the financial statements. The amendment is applicable retrospectively from the financial year starting afterwards or from January 1st, 2013. The effects, reasonably assessable, deriving from the application of these variations of the principle to the balances at December 31st, 2012, are reflected with an increase of liabilities for EUR 380 thousand.

11.2 Other information

Without prejudice for what indicated above, the severance fund, reckoned pursuant to art. 2120 Italian Civil Code, not assigned to complementary severance funds or to INPS (Italian social security) Treasury fund, amounts to EUR 3,013 thousand (3,724 thousand at December 31st, 2011).

Section 12
Provisions for risks and expenses – Item 120

12.1 Provisions for risks and expenses: composition

Items/Values	31.12.2012	31.12.2011
1. Provisions for company pensions	0	0
2. Other provisions for contingent liabilities & contingent assets	14,040	7,250
2.1 legal disputes	973	768
2.2 personnel expenses	0	0
2.3 other	13,067	6,482
Total	**14,040**	**7,250**

12.2 Provisions, contingent liabilities & contingent assets: Annual changes

	Provisions for severance	Other provisions	Total
A. Opening balance	**0**	**7,250**	**7,250**
B. Increases	**0**	**6,943**	**6,943**
B.1 Provisions during the year	0	6,943	6,943
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**	**153**	**153**
C.1 Used in the year	0	153	153
C.2 Variations due to changes in the discount rate	0	0	0
C.3 Other decreases	0	0	0
D. Closing balance	**0**	**14,040**	**14,040**

12.3 Provisions, contingent liabilities & contingent assets with defined service

At the balance 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” for EUR 973 thousand regards potential liabilities due to passive suits.

The under item 2.3 “Other provisions for contingent liabilities & contingent assets – other provisions” consists of provisions recorded in 2012 and in previous financial years, is composed of:

- EUR 729 thousand compensation for end of Agency relationships;
- EUR 692 thousand end mandate compensation of Directors;
- EUR 4,945 thousand possible expenses regarding the restructuring of the company;
- EUR 6,701 thousand against potential burdens connected to possible claims of repayment by customers due to incorrect leasing instalment invoicing.

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	31.12.2012	31.12.2011
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	31.12.2012	31.12.2011
1. Legal reserve	9.237	9.085
2. Statutory reserve	5.346	47.346
3. Other	700	700
4. Losses carried forward	(72.938)	(63.650)
Total	**(57.655)**	**(6.519)**

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.

Losses carried forward: they concern the losses from the previous financial years waiting to be covered.

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.

Corporate assets
Possibility of employment and distributability (pursuant to art. 2427 - paragraph - bis)

				Summary of employments carried out in the three previous business years	
Nature/description	Amount	Possibility of employment*	Available amount	hedging of losses	for other reasons
Capital	**318,188**				
Reserves	**(57,655)**				
- Legal	9,238	B			
- Statutory	5,345	B			
- Other	700	B			
Losses carried forward	(72,938)				
Evaluation reserves	**(734)**				
- Reserves from special revaulation laws	16	B			
- Reserves from valuations of assets held for sale	(750)				
Profit (loss) for the period	**(35,775)**				
Total	**224,024**				
Non-distributable quota			**4,978**	**(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 4,978 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	31.12.2012	31.12.2011
Valuation reserves:		
- Financial assests available for sale	(750)	(1,448)
- Special revaluation laws	16	16
Total	**(734)**	**(1,432)**

Other information

1. Guarantees issued and commitments

Operations	31.12.2012	31.12.2011
1) Guarantees issued, of a financial nature	3,333	3,301
a) Banks	1,327	1,183
b) Customers	2,006	2,118
2) Guarantees issued, of a commercial nature	1,594	2,491
a) Banks	0	274
b) Customers	1,594	2,217
3) Irrevocable engagments to issue funds	42,170	64,314
a) Banks	0	353
i) use certain	0	353
ii) use uncertain	0	0
b) Customers	42,170	63,961
i) use certain	58	37
ii) use uncertain	42,112	63,924
4) Host commitments to credit derivatives: sales of protection	0	0
5) Assets comprising guarantee of third-party bonds	0	0
6) Other commitments	3,159	6,097
Total	**50,256**	**76,203**

2. Assets comprising guarantee of own liabilities and commitments

At 31st December 2011 there are no current advances.

Portfolios	31.12.2012	31.12.2011
1. Financial assets held for trading	0	0
2. Financial assets at fair value	0	0
3. Financial assets available for sale	19,950	20,010
4. Financial assets held to maturity	0	0
5. Receivables due from banks	0	0
6. Receivables due from customers	0	0
7. Tangible assets	0	0

In item 3 the fair values, including maturing accruals, of securities used as collaterals of advances for syndicated transactions (Eurosystem credit transactions) are entered.

3. Information on operating leasing

At December 31st, 2012 there are no assets or liabilities in operative leasing.

4. Third party management and brokerage

Service typology	31.12.2012	31.12.2011
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	141,937	152,454
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	603,582	674,480
1. securities issued by the bank drawing up the balance sheet	348,631	396,513
2. other securities	254,951	277,967
c) Third-party securities deposited with third parties	602,962	647,332
d) Own securities deposited with third parties	509,800	148,600
4. Other operations		
4.1 Collectionof credits for thirds: debit/credit adjustments		
a) "debit" adjustments	117,146	156,119
1. Current accounts	21,866	31,836
2. Central portfolio	78,348	104,281
3. Cash	15,311	17,174
4. Other accounts	1,621	2,828
b) "credit" adjustments	120,952	156,919
1. Current accounts	1	34
2. Assignors of bills and documents	119,414	155,520
3. Other accounts	1,537	1,365
4.2 Other operations		
a) Third parties' portfolio held for collection	148,413	363,767

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	31.12.2012	31.12.2011
1. Financial assets held for trading	0	0	0	0	522
2. Financial assets available for sale	1,274	0	0	1,274	956
3. Financial assets held to maturity	0	0	0	0	0
4. Receivables due from banks	0	266	0	266	1,428
5. Receivables due from customers	0	109,619	0	109,619	140,327
6. Financial assets at fair value	0	0	0	0	0
7. Hedging derivatives	0	0	276	276	224
8. Other activities	X	X	0	0	0
Total	**1,274**	**109,885**	**276**	**111,435**	**143,457**

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

Items/values	31.12.2012	31.12.2011
A. Positive differentials related to hedging operations:	276	224
B. Negative differentials related to hedging operations:	0	0
C. Balance (A + B)	**276**	**224**

1.3 Interest receivable and similar revenue: other information

1.3.1 Interest receivable on financial assets in foreign currency

Items/values	31.12.2012	31.12.2011
Interest receivable on financial assets in foreign currency	364	222

1.3.2 Interest receivable on leasing operations

Items/values	31.12.2012	31.12.2011
Interest receivable on leasing operations	77,202	104,424

1.4 Interest payable and similar charges: composition

Items/Technical forms	Debts	Securities	Other operations	31.12.2012	31.12.2011
1. Payables due to central banks	747	X	0	747	28
2. Payables due to banks	20,834	X	0	20,834	38,800
3. Payables due to customers	15,195	X	0	15,195	14,015
4. Outstanding securities	X	11,546	0	11,546	13,481
5. Financial liabilities held for trading	0	0	150	150	0
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	**36,776**	**11,546**	**150**	**48,472**	**66,324**

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

There are no interest payable and similar charges at December 31st, 2012.

1.6 Interest payable and similar charges: other information

1.6.1 Interest payable on liabilities in foreign currency

Items/Values	31.12.2012	31.12.2011
Interest payable on liabilities in foreign currency	3,455	4,162

1.6.2 Interest payable on liabilities for leasing operations

Items/Values	31.12.2012	31.12.2011
Interest payable on liabilities for leasing operations	410	516

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	31.12.2012	31.12.2011
a) Guarantees issued	60	73
b) Derivatives on receivables	0	0
c) On asset management, trading and consulting services:	8,404	7,348
1. security trading	8	11
2. foreign currency trading	127	117
3. asset management:	3,074	3,123
3.1. individual	3,074	3,123
3.2. collective	0	0
4. custody and administration of securities	138	142
5. depositary bank	0	0
6. security placement	2,536	2,091
7. order collection and transmission	1,208	1,197
8. consulting activities	0	0
8.1 in investments	0	0
8.2 in financial structure	0	0
9. distribution of third-party services:	1,313	667
9.1. asset management	0	0
9.1.1. individual	0	0
9.1.2. collective	0	0
9.2. insurance products	1,240	656
9.3. other products	73	11
d) Collection and payment services	1,763	1,677
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	1,569	1,596
j) Other services	3,989	4,761
k) Security lending transactions	0	0
Total	**15,785**	**15,455**

2.2 Commission income: distribution channels of products and services

Service typology/Values	31.12.2012	31.12.2011
a) At own bank branches:	**748**	**771**
1. asset management	125	307
2. security placement	367	300
3. third-party products and services	256	164
b) External network:	**6,175**	**5,110**
1. asset management	2,949	2,816
2. security placement	2,169	1,791
3. third-party products and services	1,057	503
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	31.12.2012	31.12.2011
a) Guarantees issued	8	622
b) Derivatives on receivables	0	0
c) Asset management and trading services:	5,039	4,758
1. financial instrument trading	139	158
2. foreign currency trading	0	0
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	24
5. placement of financial instruments	0	0
6. external network supply of finan. instrum. products & serv.	4,876	4,576
d) Collection and payment services	648	658
e) Other services	977	1,570
f) Security lending transactions	0	0
Total	**6,672**	**7,608**

Section 3
Dividends and similar income – Item 70

3.1 Dividends and similar income: composition

There are no dividends or similar income at December 31st, 2012.

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**	**7**	**0**	**1**	**6**
1.1 Debt securities	0	7	0	1	6
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**	**2,642**
4. Derivative instruments	**50**	**0**	**0**	**0**	**50**
4.1 Financial derivatives	50	0	0	0	50
- On debt securities and interest rates	50	0	0	0	50
- On equities and stock market indexes	0	0	0	0	0
- On foreign currencies and gold	X	X	X	X	0
- Other	0	0	0	0	0
4.2 Derivatives on receivables	0	0	0	0	0
Total	**50**	**7**	**0**	**1**	**2,698**

Section 5
Net profit from hedging activities – Item 90

5.1 Net profit from hedging activities: composition

Items/Values	31.12.2012	31.12.2011
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)	65	77
A. 4 Financial derivatives hedging financial flows	0	109
A. 5 Assets and liabilities in foreign currency	0	0
Total income from hedging operations (A)	**65**	**186**
B. Charges associated with:		
B. 1 Fair value hedging derivatives	149	70
B. 2 Hedged financial assets (fair value)	0	0
B. 3 Hedged financial liabilities (fair value)	0	101
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)	**149**	**171**
C. Net profit from hedging activities (A + B)	**(84)**	**15**

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

6.1 Profit (Loss) from sale/repurchase: composition

	31.12.2012			31.12.2011		
Items/revenue components	Profit	Losses	Net resut	Profit	Losses	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	44	41	3	4	0	4
3.1 Debt securities	44	41	3	4	0	4
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	**44**	**41**	**3**	**4**	**0**	**4**
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	360	16	344	137	11	126
Total liabilities	**360**	**16**	**344**	**137**	**11**	**126**
Total	**404**	**57**	**347**	**141**	**11**	**130**

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	**0**	**0**	**77**	**351**	**(428)**
2.1 Outstanding securities	0	0	77	351	(428)
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	**95**	**168**	**0**	**0**	**263**
Total	**95**	**168**	**77**	**351**	**(165)**

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

8.1 Net write-downs for impairment of receivables: composition

Operations/Revenue comp.	Write downs			Write backs				31.12.2012	31.12.2011
	Specific			Specific		Portfolio			
	De-recognition	Other	Portfolio	A	B	A	B		
A. Receiv. due from banks	0	0	0	0	0	0	0	0	0
- Financing	0	0	0	0	0	0	0	0	0
- Debt securities	0	0	0	0	0	0	0	0	0
B. Receiv. due from cust.	8,803	72,285	0	6,910	3,807	0	5,183	65,188	26,328
Purchased	0	0	0	0	0	0	0	0	0
- Financing	0	0	X	0	0	0	X	0	0
- Debt securities	0	0	X	0	0	0	X	0	0
Other credits	8,803	72,285	0	6,910	3,807	0	5,183	65,188	26,328
- Financing	8,803	72,285	0	6,910	3,807	0	5,183	65,188	26,328
- Debt securities	0	0	0	0	0	0	0	0	0
C. Total	**8,803**	**72,285**	**0**	**6,910**	**3,807**	**0**	**5,183**	**65,188**	**26,328**

Legend: A = From interest / B = Other

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

At December 31st, 2012 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 December 31st, 2012 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 December 31st, 2012 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	31.12.2012	31.12.2011
1) Employees	**27,137**	**31,459**
a) salaries	19,977	22,866
b) welfare charges	5,330	6,210
c) TFR (staff severance)	1,153	1,631
d) national insurance costs	0	0
e) TFR provision	121	155
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:	47	60
- specific contribution	47	60
- for specific service	0	0
h) costs deriving from payment agreements based on own asset instruments	0	0
i) other staff benefits	509	537
2) Other personnel in activity	**0**	**0**
3) Directors and internal auditors	**953**	**1,249**
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**	**0**
Total	**28,090**	**32,708**

9.2 Average number of employees per category

Cost typology/Values	31.12.2012	31.12.2011
1. Employees	**468**	**531**
a) Top managers	8	7
b) Managerial staff	196	207
- 3rd and 4th level	96	101
c) Remaining personnel	264	317
2. Other personnel	**0**	**0**
Total	**468**	**531**

9.3 Company pension funds, for specific service: total costs

This item does not appear at December 31st, 2012.

9.4 Other staff benefits

Cost typology/Values	31.12.2012	31.12.2011
Lunch vouchers	191	281
Training costs	145	97
Insurance premiums paid	139	130
Other expenses	34	29
Total	**509**	**537**

9.5 Other administrative expenses: composition

Items/values	31.12.2012	31.12.2011
Indirect duties and taxes	4,541	5,635
Electricity, gas, water	1,117	960
Telephone	382	359
Fees payable - miscelleneous services	2,834	3,328
Fees payable - data transmission and processing	606	677
Transport	353	344
Stationery and printing supplies	183	231
Postal expenses	613	693
Expenses for owned cars	356	508
Credit collection expenses	335	451
Expenses for lawyers and notaries	4,123	2,752
Consulting services	1,570	3,247
Expenses for other professional services	1,613	1,728
Financial statements auditing services	95	102
Rents payable	2,974	3,028
Maintenance expenses- buildings and furnishing	1,179	1,410
Insurance premiums	1,171	1,052
Reimbursement of expenses - employees	397	413
Reimbursement of expenses - not employees	8	62
Staff training - not employees	2	7
Contributions to professional associations	271	333
Business expenses	57	123
Advertising	404	289
Charity and sponsorships	6	5
Joint owners' fees	1,175	748
Miscellaneous contributions	87	79
Company registration and commercial information searches	837	1,254
Night watchman service	153	173
Cleaning of bank premises	257	269
Subscriptions and publications	31	47
Other payments to third parties	14	14
Other leasing services expenses	2,816	2,531
Other miscellaneous expenses	178	544
Total	**30,738**	**33,396**

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	31.12.2012	31.12.2011
Provisions	6,944	1,408
Legal disputes	323	221
Other risks and charges:	6,621	1,187
- Agency relations discontinuance indemnity risk fund	104	96
- Relationships with directors discontinuance indemnity fund	38	63
- Company restructuring fund	4,945	0
- Compensation interests fund - leasing refunds	1,534	1,028
Reassegnations	0	338
Legal disputes	0	338
Total	**6,944**	**1,070**

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	2,295	0	0	2,295
- For functional use	2,295	0	0	2,295
- 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	**3,249**	**0**	**0**	**3,249**

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	606	0	0	606
- Generated internally by the company	0	0	0	0
- Other	606	0	0	606
A.2 Purchased in leasing	0	0	0	0
Total	**606**	**0**	**0**	**606**

Section 13
Other operating expenses/income – Item 190

13.1 Other operating expenses: composition

	31.12.2012	31.12.2011
1. Amortis. of expenses for improvements to third party goods	452	445
2. Other	1,067	742
Total	**1,519**	**1,187**

13.2 Other operating income: composition

	31.12.2012	31.12.2011
1. Charged to third parties on deposits and current accounts	454	17
2. Charged to third parties to recover taxes	1,886	2,246
3. Charged to third parties to recover various costs	8,978	9,623
4. Rents and fees receivable	564	668
5. Other income	2,260	1,964
Total	**14,142**	**14,518**

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 Hypothekenbankn A.G, now Hypo Alpe Adria-Bank International A.G. headquartered in Klagenfurt (Austria), è stato interamente svalutato nel corso dell'esercizio. La svalutazione è pari a 1.190 migliaia di euro.

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

17.1 Profit (loss) from sale of investments: composition

Revenue components/Values	31.12.2012	31.12.2011
A. Real Estate	**0**	**0**
- Profits from sale	0	0
- Losses from sale	0	0
B. Other assets	**56**	**(19)**
- Profits from sale	67	1
- Losses from sale	11	20
Net profit	**56**	**(19)**

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

18.1 Income taxes on continuing operations for the year: composition

Components/Values	31.12.2012	31.12.2011
1. Current taxes (-)	(1,270)	(7,542)
2. Changes in current taxes of previous years (+/-)	2,488	126
3.1 Reduction in current taxes for the year (+)	0	0
3.2 Reduction in current taxes for the year due to tax credits pursuant to law no. 214/2011 (+)	-	0
4. Change in pre-paid taxes (+/-)	11,386	2,621
5. Change in deferred taxes (+/-)	0	0
6. Taxes for the year	**12,604**	**(4,795)**

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

Components/Values	IRES	
Taxes at nominal rate	**13,304**	**27,50%**
IMU	(159)	-0,33%
Non-deductable interest payable	(532)	-1,10%
Deductable costs in subsequent years not recorded among DTA	(1,927)	-3,98%
Intervened non-recoverability of past DTA	(307)	-0,64%
Fiscal losses not recorded among DTA (deferred tax assets)	(17,404)	-35,97%
Depreciation of goodwill	(306)	-0,63%
Other components (cellulars, fines, flats platfonds, non-deductable costs)	(200)	-0,41%
Total tax effect: increases	**(20,835)**	**-43,07%**
IRAP 2012 deducibile	349	0,72%
Records in PN due to write-offs of past indexations	18,637	38,52%
IRES refund application due to personnel IRES cost	1,528	3,16%
Other non-taxable components	43	0,09%
Total tax effect: decreases	**20,557**	**42,49%**
Taxes charged to the income statement	**13,026**	**26,92%**

Components/Values	IRAP	
Taxes at nominal rate	**2,566**	**5,30%**
IMU	(30)	-0,06%
Non-deductable interests payable	(124)	-0,26%
Expenses and provisions for employees and directors	(1,755)	-3,63%
Net value adjustments/recoveries due to impairment	(3,458)	-7,15%
Other administrative costs (10%)	(160)	-0,33%
Provisions to funds not recordable in deferred tax assets	(104)	-0,21%
Write-offs of past tax assets	(96)	-0,20%
Depreciation of goodwill and non-deductable amortizations	(80)	-0,16%
Rectifications of advanced tax	0	0,00%
Total tax effect: increases	(5,807)	-12,00%
Deductions for employees	478	0,99%
IRAP 2003.-2004 refund	260	0,54%
Records in PN due to write-offs of past indexations	1,316	2,72%
Rectification of tax fund	700	1,45%
Other	65	0,13%
Total tax effect: decreases	**2,819**	**5,83%**
Taxes charged to the income statement	**(422)**	**-0,87%**
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 December 31st, 2012 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.

	31.12.2012	31.12.2011
Basic earnings per share	(0.112)	(0.020)
Diluted earnings per share	(0.112)	(0.020)

21.1 Average number of diluted capital ordinary shares

	31.12.2012	31.12.2011
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 December 31st, 2012 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
Total profitability

Analytical prospect of total profitability

items		Gross amount	Income tax	Net amount
10.	**Profit (loss) of the period**	**(48,379)**	**12,604**	**(35,775)**
	Other revenue components			
20.	Financial assets available for sale:	1,403	0	1,403
	a) variations of fair value	1,425	0	1,425
	b) reversal to the income statement	(22)	0	(22)
	- rectifications from impairing	0	0	0
	- profits/losses from sales	(22)	0	(22)
	c) other variations	0	0	0
30.	Tangible assets	0	0	0
40.	Intangible assets	0	0	0
50.	Coverage of foreign investments:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
60.	Coverage of financial flows:	0	0	0
	a) variations of the fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
70.	Foreign exchange differences:	0	0	0
	a) variation of value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
80.	non-current assets held for sale	0	0	0
	a) variations of the fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
90.	Actuarial profit (loss) on plans with defined benefits	0	0	0
100.	Quotas of revaluation reserves of participations			
	assessed 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**	**1,403**	**0**	**1,403**
120.	**Total profitability (Item 10+110)**	**(46,976)**	**12,604**	**(34,372)**

Part E
Information on risks and related risk hedging policies

Section 1
Credit risk

Information regarding quality

1. General aspects

The aim of the bank regarding credit is to:

- Improve borrower 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 links to 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 and draws up the required reports for the steering bodies.

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 conducted controls (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.

The General Management is uninterruptedly updated and involved in the management and control of credit quality through the periodical reporting, but also through the meeting schedule fixed with Rehabilitation, Monitoring and Credit Management Divisions.

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 Watchlist, Non-performing 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 watch-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, watch-loans and past due are subject to collective impairment.

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

Risk control of non-performing positions is achieved by taking the following action:

- for new positions, revocation of loans and urgent requests to debtors asking them to settle their positions;

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

For balance aims, 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 impaired and performing loans: amounts, write downs, trend, economic and geographic distribution

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

Portfolios/quality	Non performing loans	Deadlock	Restructured loans	Expired loans	Other assets	Total
1. Financial assets held for trading	0	0	0	0	2,611	2,611
2. Financial assets available for sale	0	0	0	0	44,214	44,214
3. Financial assets held to maturity	0	0	0	0	0	0
4. Receivables due from banks	0	0	0	0	33,311	33,311
5. Receivables due from customers	120,254	171,230	7,361	246,994	2,484,621	3,030,460
6. Financial assets at fair value	0	0	0	0	0	0
7. Financial assets held for sale	0	0	0	0	0	0
8. Hedging derivatives	0	0	0	0	477	477
Total at 31/12/2012	**120,254**	**171,230**	**7,361**	**246,994**	**2,565,234**	**3,111,073**
Total at 31/12/2011	**407,671**	**264,205**	**7,702**	**241,634**	**3,227,754**	**4,148,966**

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.

We highlight that, regarding balances at December 31st, 2011 the following are included:

- non-performing loans for EUR 332,452 thousand;
- deadlocks for EUR 147,080 thousand;
- overdue exposures for EUR 91,865 thousand;
- other assets for EUR 219,589 thousand.

Examined assets are related to accounts transferred to the company Hypo Alpe Adria Leasing srl, classified at the end of the business year 2012 under the item 140 current assets and group of assets held for sale.

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

Portfolios/quality	Impaired 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	2,611	2,611
2. Financial assets available for sale	0	0	0	44,214	0	44,214	44,214
3. Financial assets held to maturity	0	0	0	0	0	0	0
4. Receivables due from banks	0	0	0	33,311	0	33,311	33,311
5. Receivables due from cust.	631,028	85,189	545,839	2,505,138	20,517	2,484,621	3,030,460
6. Financial assets at fair value	0	0	0	0	0	0	0
7. Financial assets held for sale	0	0	0	0	0	0	0
8. Hedging derivatives	0	0	0	X	X	477	477
Total at 31.12.2012	**631,028**	**85,189**	**545,839**	**2,582,663**	**20,517**	**2,565,234**	**3,111,073**
Total at 31.12.2011	**1,002,751**	**81,539**	**921,212**	**3,253,730**	**27,067**	**3,227,754**	**4,148,966**

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.

We specify that under the item "non-performing assets" and "performing", balances at December 31st, 2011, assets for EUR 571,397 thousand net of write-downs for EUR 48,203 thousand and assets for EUR 219,589 thousand, net of write-downs for EUR 453 thousand related to accounts transferred to the company Hypo Alpe-Adria leasing srl, classified at the end of the financial year 2011 under the item 140 current assets and group of assets held for sale, are included.

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	2,611	2,611
2. Financial assets available for sale	0	0	0	0	0	0	0	0	0	44,214	44,214
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	33,311	33,311
5. Receivables due from customers	11,635	3,254	0	0	60,094	192,755	43,339	22,300	3,809	2,147,435	2,484,621
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	0	0	0	0	0	0
8. Hedging derivatives	0	0	0	0	0	0	0	0	0	477	477
Total at 31.12.2012	**11,635**	**3,254**	**0**	**0**	**60,094**	**192,755**	**43,339**	**22,300**	**3,809**	**2,228,048**	**2,565,234**
Total at 31.12.2011	**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	33,311	X	0	33,311
Total A	**33,311**	**0**	**0**	**33,311**
B. Off-balance sheet loans				
a) Impaired	0	0	X	0
b) Other	4,352	X	0	4,352
Total B	**4,352**	**0**	**0**	**4,352**
Total A + B	**37,663**	**0**	**0**	**37,663**

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 December 31st, 2012, 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				
a) Non-performing loans	175,705	55,451	X	120,254
b) Deadlock	191,316	20,086	X	171,230
c) Restructured loans	7,851	490	X	7,361
d) Expired loans	256,156	9,162	X	246,994
e) Other assets	2,549,351	X	20,517	2,528,834
Total A	**3,180,379**	**85,189**	**20,517**	**3,074,673**
B. Off-balance sheet loans				
a) Impaired	528	0	X	528
b) Other	48,406	X	0	48,406
Total B	**48,934**	**0**	**0**	**48,934**

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 held for sale“ (securities).

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

Reasons/Categories	Npls	Watch-Loans (incagli)	Restructured loans	Expired loans
A. Opening gross loans	**472,833**	**277,670**	**7,702**	**244,546**
- of which: sold and not de-recognised	0	0	0	0
B. Increases	**109,910**	**164,650**	**169**	**379,394**
B.1 Additions from performing loans	14,607	50,591	0	363,064
B.2 Transfers from other categories of impaired loans	89,877	101,436	0	2,235
B.3 Other increases	5,426	12,623	169	14,095
C. Decreases	**407,038**	**251,004**	**20**	**367,784**
C.1 Outgoings toward performing loans	0	25,253	0	138,307
C.2 De-recognitions	12,009	995	0	0
C.3 Collected	17,083	8,766	0	10,265
C.4 Realized by sale	0	0	0	0
C.5 Transfers to other categories of impaired loans	0	66,243	0	127,305
C.6 Other decreases	377,946	149,747	20	91,907
D. Closing gross loans	**175,705**	**191,316**	**7,851**	**256,156**
- of which: sold and not de-recognised	0	0	0	0

We highlight that the amounts indicated in the sub-item C.6 refer to credits related to accounts transferred to the Company Hypo Alpe-Adria Leasing S.r.l. during the business year.

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

Reasons/Categories	Npls	Watch-Loans	Restructured loans	Expired loans
A. Opening total write downs	**65,161**	**13,466**	**0**	**2,912**
- of which: sold and not de-recognised	0	0	0	0
B. Increases	**56,386**	**16,670**	**490**	**8,921**
B.1.1 Write downs	51,617	15,947	490	8,732
B.1.2 Losses from transfers	0	0	0	0
B.2 Transfers from other categories of impaired loans	4,767	684	0	28
B.3 Other increases	2	39	0	161
C. Decreases	**66,096**	**10,050**	**0**	**2,671**
C.1 Valuation write backs	8,038	705	0	1,119
C.2.1 Collection write backs	399	201	0	248
C.2.2 Revenues from transfers	0	995	0	0
C.3 De-recognitions	12,008	0	0	0
C.4 Transfers to other categories of impaired loans	0	4,216	0	1,263
C.5 Other decreases	45,651	3,933	0	41
D. Closing total write downs	**55,451**	**20,086**	**490**	**9,162**
- of which: sold and not de-recognised	0	0	0	0

We highlight that the amounts indicated in the under item C.5 are referred to devaluations related to account transferred to the company Hypo Alpe-Adria Leasing srl.

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

A.2.1 – Distribution of credit exposures by cash and "off-balance" by classes of external ratings.

In relation to the credit portfolio, mainly made up of exposures towards small and medium-size companies, family and artisanal enterprises, professionals and private households, the distribution of cash and "off-balance" exposures by external rating classes is not relevant. Regarding exposure towards Banks, we highlight that the counterparts we have relations with normally have a rating higher than the investment grade.

A.2.2 - Distribuzione delle esposizioni per cassa e „fuori bilancio" per classi di rating interni

Regarding internal ratings, as indicated at the previous point, the judgement expressed by the rating system are exclusively used as information complement and do not have decisional importance in the assessments of the granting process.

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

		Collaterals (1)			
		Real estate			
	Net explosure	Mortages	Leasing	Securities	Other collaterals
Guaranteed loan exposures per cash:	**2,777,477**	**1,490,739**	**3,156,084**	**18,972**	**362,030**
1.1. totally guaranteed	2,757,860	1,486,064	3,156,084	17,671	356,421
- of which impaired	536,523	431,356	503,391	1,409	78,437
1.2 partially guaranteed	19,617	4,675	0	1,301	5,609
- of which impaired	757	268	0	40	97
Loan exposures "out of balance" guaranteed	**25,298**	**1,504**	**0**	**888**	**996**
2.1. totally guaranteed	24,241	1,504	0	480	811
- of which impaired	160	0	0	0	20
2.2 partially guaranteed	1,057	0	0	408	185
- of which impaired	330	0	0	329	0

	Personal guarantees (2)									
	Derivates on credits					Signature credits				
	C L N	Other derivates								
		Government and central banks	Other public bodies	Banks	Other bodies	Government and central banks	Other public bodies	Banks	Other bodies	Total (1) + (2)
Guaranteed loan exposures per cash:	**0**	**0**	**0**	**0**	**0**	**0**	**1,610**	**3,746**	**2,813,103**	**7,846,284**
1.1. totally guaranteed	0	0	0	0	0	0	860	3,086	2,810,329	7,830,515
- of which impaired	0	0	0	0	0	0	0	2,551	875,402	1,892,546
1.2 partially guaranteed	0	0	0	0	0	0	750	660	2,774	15,769
- of which impaired	0	0	0	0	0	0	0	0	653	1,058
Loan exposures "out of balance" guaranteed	**0**	**0**	**0**	**0**	**0**	**0**	**241**	**0**	**23,393**	**27,022**
2.1. totally guaranteed	0	0	0	0	0	0	241	0	23,313	26,349
- of which impaired	0	0	0	0	0	0	0	0	150	170
2.2 partially guaranteed	0	0	0	0	0	0	0	0	80	673
- of which impaired	0	0	0	0	0	0	0	0	0	329

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 Non-performing loans	0	0	0	0	0	0	104	209	0
A.2 Deadlock	0	0	0	0	0	0	12	2	0
A.3 Restructured loans	0	0	0	0	0	0	0	0	0
A.4 Expired dues	0	0	0	0	0	0	8	1	0
A.5 Other loans	44,214	0	0	46	0	1	114,040	0	57
TOTAL A	**44,214**	**0**	**0**	**46**	**0**	**1**	**114,164**	**212**	**57**
B. „Off-balance sheet“ loans									
B.1 Non-performing loans	0	0	0	0	0	0	0	0	0
B.2 Deadlock	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	1,163	0	0
TOTAL B	**0**	**0**	**0**	**0**	**0**	**0**	**1,163**	**0**	**0**
TOTAL (A + B) 31.12.2012	**44,214**	**0**	**0**	**46**	**0**	**1**	**115,327**	**212**	**57**
TOTAL (A + B) 31.12.2011	**42,850**	**0**	**0**	**69**	**0**	**1**	**59,596**	**33**	**236**

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	107,770	51,078	0	12,380	4,164	0
0	0	0	164,103	18,800	0	7,116	1,284	0
0	0	0	7,228	490	0	133	0	0
0	0	0	227,805	8,681	0	19,180	480	0
231	0	17	2,189,642	0	19,401	180,663	0	1,042
231	**0**	**17**	**2,696,548**	**79,049**	**19,401**	**219,472**	**5,928**	**1,042**
0	0	0	0	0	0	0	0	0
0	0	0	374	0	0	0	0	0
0	0	0	154	0	0	0	0	0
0	0	0	45,302	0	0	1,941	0	0
0	**0**	**0**	**45,830**	**0**	**0**	**1,941**	**0**	**0**
231	**0**	**17**	**2,742,378**	**79,049**	**19,401**	**221,413**	**5,928**	**1,042**
258	**0**	**18**	**3,040,379**	**29,473**	**24,902**	**264,167**	**3,831**	**1,458**

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

	Italy		Other european countries		America		Asia		Rest of the world	
Loan/Geographic areas	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	120,252	55,451	2	0	0	0	0	0	0	0
A.2 Deadlock	170,701	20,029	529	56	0	0	0	0	0	0
A.3 Restructured loans	7,361	490	0	0	0	0	0	0	0	0
A.4 Expired loans	245,985	9,153	1,008	10	0	0	0	0	0	0
A.5 Other loans	2,523,162	20,418	5,412	99	193	0	68	0	0	0
TOTAL A	**3,067,461**	**105,541**	**6,951**	**165**	**193**	**0**	**68**	**0**	**0**	**0**
B. **"Off-balance sheet" loans**										
B.1 Non-performing loans	0	0	0	0	0	0	0	0	0	0
B.2 Deadlock	374	0	0	0	0	0	0	0	0	0
B.3 Other impaired assets	154	0	0	0	0	0	0	0	0	0
B.4 Other loans	48,406	0	0	0	0	0	0	0	0	0
TOTAL B	**48,934**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL 31.12.2012	**3,116,395**	**105,541**	**6,951**	**165**	**193**	**0**	**68**	**0**	**0**	**0**
TOTAL 31.12.2011	**3,399,672**	**59,794**	**7,434**	**155**	**133**	**0**	**82**	**1**	**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)

	Italy		Other European Countries		America		Asia		Rest of the world	
Loan/Geographic areas	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 Non-performing loans	0	0	0	0	0	0	0	0	0	0
A.2 Deadlock	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 Expired loans	0	0	0	0	0	0	0	0	0	0
A.5 Other loans	16,562	0	11,279	0	1,286	0	4,140	0	43	0
TOTAL	**16,562**	**0**	**11,279**	**0**	**1,286**	**0**	**4,140**	**0**	**43**	**0**
B. „Off-balance sheet" loans										
B.1 Non-performing loans	0	0	0	0	0	0	0	0	0	0
B.2 Deadlock	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	1,236	0	3,116	0	0	0	0	0	0	0
TOTAL	**1,236**	**0**	**3,116**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL 31.12.2012	**17,798**	**0**	**14,395**	**0**	**1,286**	**0**	**4,140**	**0**	**43**	**0**
TOTAL 31.12.2011	**21,712**	**0**	**2,282**	**0**	**1,238**	**0**	**1,213**	**0**	**29**	**0**

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

B. 4 Major risks

Items/values	31.12.2012	31.12.2011
a) Balance value	44,214	81,226
b) Weighted value	0	0
c) Number	1	2

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 December 31st, 2012 our Bank indicates the exposure towards Italian Government, related to the nominal value of EUR 45 million of Securities held in the portfolio with a weighting corresponding to zero, as a "major risk".

C. Securitization and asset sale transactions

C.1 Securitizations

Information relating to quality

Securitizations 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 securitizations, are represented by the Bank, „junior“ and „senior“ notes tranches.

All current securitizations have been carried out by employing the following vehicle companies:

- 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.
  The rating of the credits underlying the transaction was assigned by the rating agencies "Moody's" and "Dominion Bond Rating Service (DBRS)".
- 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)".

For all current securitization, 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 securitizations carried out by the Bank, pursuant to Law 130/99:

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

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

In July 2012 the issuance of the notes connected to it was carried out.

Class	DBRS/Moody's Rating	Denomination	Nominal Amount in EUR	Interest rate	Issue date	Foreseen redemption
A	AAA	Salina Leasing S.r.l. 2012-2046 floating rate	361,200,000	3 M Euribor + 0,50%	26.07.2012	30.10.2046
B	not rated	Dolomiti Mortgage S.r.l. 2011-2051 floating rate	207,559,000	3 M Euribor	26.07.2012	30.10.2046

The Bank has signed, with reference to the transferred portfolio, the issued Asset Backed Securities (ABS), the so-called self-securitization transactions.

"A" 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.

The transaction is therefore not included among the information to provide in this Section.

On 30/07/2012 the senior note was partially repaid ("Pool factor") for EUR 116,000,000.
On 30/10/2012 the senior note was partially repaid ("Pool factor") for EUR 27,000,000.

"Securitization Dolomiti Mortgage 6"

In November 2011, the Bank moreover performed a further securitization, 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.

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

The Bank has signed, with reference to the transferred portfolio, the issued Asset Backed Securities (ABS), the so-called self-securitization transactions.

"A" 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.

The transaction is therefore not included among the information to provide in this Section.

On 21/02/2012 Moody's has downsized the rating of the senior note from Aaa to Aa2.
On 02/08/2012 Moody's has further downsized the rating of the senior note from Aa2 to A2.

Internal systems of risk measurement and control

The bank, with its structure, carries out monthly and quarterly analysis about assets underlying the single securitizations, 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 securitization transactions carried out by the Bank in time, by highlighting any critical situations on which to intervene.

Information relating to quantity

Securitization 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 December 31st, 2012, 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 securitization 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 Mortgage 2011/12										
Dolomiti Mortgage S.r.l.	16,750	416,560	4,789	114,315	0	39.74%	0	0	0	0
Salina 2011/2										
Salina Leasing S.r.l	17,980	180,344	2,922	26,387	0	0	0	0	0	0

C.2 Sale operations

A. Financial assets sold and not integrally de-recognised

C.2.1 Financial assets sold and not de-recognised: balance value and full value

The two current transactions at December 31st, 2012 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: balance value

This item is not indicated.

C.2.3 Covered bond operations

Sales transactions with liabilities having recourses exclusively on transferred assets: fair value.
This item is not used.

B. Financial assets sold and integrally de-recognised with indication of the uninterrupted involving

This item is not used.

C.3 Covered bond transactions

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 and Market Risk Steering 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 2013 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.

Yearly, the Treasury/Financial Services/Risk Control Divisions draw up the "Treasury Limit Application", document in which the bank requires the holding the approval of suitable limits (in terms of volumes, maximum profit/loss and VaR) related to the Treasury trading activity, with reference to employed financial instruments.
After that the holding has approved the document (by eventually bringing some changes coherent with the strategy of the Group), it becomes the basis for the daily and periodical controls of limits.

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 swap with the customers (Trading Book)
  - Spot and forward sales activity of foreign currency, carried out with the customers and related hedging transactions with bank counterparts.

- Forex Swap, Cross Currency Swap, Interest Rate Option (Market Risk Steering)
  - 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 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) Signalling to the body with management functions

Daily the Risk Control provides the organ having management functions (and the Treasury/Financial Services and Group Risk Control) the reporting at portfolio level with the following information regarding value at risk and economic performance of current trading positions.
Produced reports are moreover discussed monthly during the Finance Committee (Consultive Body to which the General Management and the Heads of Treasury/Financial Services, Risk Control and Commercial Divisions of the bank take part) and, in case of overcoming of the limit, also during the Liquidity Rounds (Information Committee based on the issue of liquidity the General Management, the Treasury/Financial Services, Risk

Control and Financial Controlling Divisions of the bank take part). Information flows are moreover regularly sent to the Board of Directors.

d) 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

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.

Appropriate evaluation systems and control procedures to assure that valuation assessments are cautious and reliable have been established.

The assessment responsibility is assigned to Risk Control, independent division from the "trading desk", through the daily control of reports produced by PMS procedure of the Holding.
Controls regard consistency/plausibility of data and the compliance with the position limits, VaR and economic performance from the beginning of the year.

According to the type of financial product, the PMS procedure of the Holding is fed by the following information flows:

a) Fx-Swap

The procedure is automatically fed by the ObjFin procedure (CEDACRI) whenever the trading desk enters into a new operation and after that the Settlement Finance Department has verified its correctness.

b) CCS

The procedure carries out an own assessment of the position on the basis of personal details recorded at the time of the stipulation of the operation and of market data got from Bloomberg info provider.
Monthly the position is compared with the assessment obtainable from Bloomberg info provider.

c) IRO

The procedure carries out an its own assessment of the position on the basis of personal details recorded at the moment of the operation stipulation and of market data got from Bloomberg info provider.
Monthly the position is compared with the assessment produced by Orizzonte procedure (CEDACRI) and by Bloomberg info provider.

At present, the VaR model is not used to calculate capital requirements for market risks, but it's utilized for managerial and internal control purposes.

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 option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Cash liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 P.C.T. liabilities	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**143,772**	**1,786**	**3,469**	**67,991**	**5,396**	**0**	**0**
3.1 With host security	0	619	69	9	400	-	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	504	35	9	4	0	0	0
+ Short positions	0	115	35	0	396	0	0	0
3.2 Without host security	0	143,153	1,717	3,460	67,591	5,396	0	0
- Options								
+ Long positions	0	1,322	395	2,155	14,378	2,431	0	0
+ Short positions	0	0	1,322	1,305	15,089	2,965	0	0
- Other derivatives								
+ Long positions	0	89,224	0	0	38,124	0	0	0
+ Short positions	0	52,607	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: 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. Attività per cassa	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Titoli di debito	0	0	0	0	0	0	0	0
- con opzione di				0	0	0	0	0
rimborso anticipato	0	0	0					
- altri	0	0	0	0	0	0	0	0
1.2 Altre attività	0	0	0	0	0	0	0	0
2. Passività per cassa	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 P.C.T. passivi	0	0	0	0	0	0	0	0
2.2 Altre passività	0	0	0	0	0	0	0	0
3. Derivati finanziari	**0**	**52,601**	**0**	**0**	**0**	**0**	**0**	**0**
3.1 Con titolo sottostante	0	0	0	0	0	0	0	0
- Opzioni								
+ Posizioni lunghe	0	0	0	0	0	0	0	0
+ Posizioni corte	0	0	0	0	0	0	0	0
- Altri derivati								
+ Posizioni lunghe	0	0	0	0	0	0	0	0
+ Posizioni corte	0	0	0	0	0	0	0	0
3.2 Senza titolo sottostante	0	52,601	0	0	0	0	0	0
- Opzioni								
+ Posizioni lunghe	0	0	0	0	0	0	0	0
+ Posizioni corte	0	0	0	0	0	0	0	0
- Altri derivati								
+ Posizioni lunghe	0	52,601	0	0	0	0	0	0
+ Posizioni corte	0	0	0	0	0	0	0	0

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

Currency: Japanese Yen

Typology / Residual duration	On demand	up to 3 months	3-6 months	6 months-1 year	1-5 years	5-10 years	More than 10 years	Unspec. duration
1. Cash assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Cash liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 P.C.T. liabilities	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**92,484**	**0**	**0**	**44,010**	**0**	**0**	**0**
3.1 With host security	0	0	0	0	0	0	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
3.2 Without host security	0	92,484	0	0	44,010	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	92,484	0	0	44,010	0	0	0

1.D Portafoglio di negoziazione di vigilanza: distribuzione per durata residua (data di riprezzamento) delle attività e delle passività finanziarie per cassa e derivati finanziari

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	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Cash liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 P.C.T. liabilities	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**99**	**0**	**0**	**0**	**0**	**0**	**0**
3.1 With host security	0	0	0	0	0	0	0	0
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
3.2 Without host security	0	99	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	99	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. 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 (Consultancy Body to which the General Management and the Head of Treasury/Financial Services, Risk Control And Commercial Divisions of the bank take part), in order to optimize the economic return for the Bank.

The Bank provides for the summoning, at least monthly, of the Finance Committee and of the Liquidity Round. During the meetings some reports produced by the Risk Control Division, which summary the interest rate risk position taken by the Bank are analyzed, discussed and recorded.

In detail, the following are analyzed:

- Analysis report of the mismatching between loans and deposits, with reference to repricing date on which the accounting entry is indexed (gap analysis);
- Analysis report of the impact that rates variation produces on the interest margin of the current accounting year (model of the Current Profits in which we suppose a non-uniform variation of the rate curve);
- Analysis report of the impact that the rates variation produces on the interest margin during the twelve months after analysis date (Current Profits model in which we suppose both a uniform and a non-uniform variation of the rate curve).

For the measurement of internal capital for the interest rate risk (in customary situations and in stress scenarios) instructions indicated by the Annex C to Title III, Chapter 1 of the Circular by Banca d'Italia 263/2006 have been followed

As a Class 2 Bank, the model proposed by Banca d'Italia was plunged into by producing the following variations:

- Replacement of accounting values of Assets and Liabilities items with their current value calculated by using non-flat spot curves and referring to all relevant currencies;
- Calculation of modified durations by using the above mentioned curves and not a single yield equal to 5%;
- Besides scenarios proposed by regulations, also stress scenarios fixed by the Holding and a scenario deemed as more probable by the bank have been taken into consideration (as to decrease scenarios, non-negativity of rates restriction is guaranteed).

From carried out analyses come out that the worst case scenario is represented by the parallel movement of 200 bp provided by regulations.

The price risk comes from the purchase of government securities (BOT, BTP and CCT) held in the portfolio as ordinary liquid reserve (transfer of securities in the pooling account and their possible utilization in collection operations secured by the ECB) and as stress reserve (that can be used only with the previous authorization by the Holding).

The risk is monitored by Risk Control, according to the similar procedure used for the supervisory trading portfolio: daily verification of economic performance and Var limits.

B. Fair value hedging operations

Interest rate limitation activity has meant that some fixed interest bonds have been hedged by a 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.

At any evaluation time, regardless of results of the perspective test, the non-performance of the retrospective test causes the divestment of the hedging assets only if the economic impact of the difference between Fair Value deltas of the Hedging instrument and of the hedged object is higher than 1% of the notional and at the same time, this impact is higher than 1% of the economic result of the bank for the same reference period (before tax).

On the contrary, the Fair Value Option regime was used by the Bank for derivates that hedge structured debenture loans by making use of the possibility of not breaking up the implied derivate.
Also in this case, both instruments (derivatives and debenture loan) are assessed at Fair Value.

C. C. Hedging of financial flows

Cash Flow Hedge

At December 31st, 2012 the Bank does not have any hedging instrument against the interest rate risk from financial flows.

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	**2,210,194**	**69,318**	**41,118**	**58,613**	**67,860**	**1,561**	**1,357**	**0**
1.1 Debt securities	9,608	4,675	29,931	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	9,608	4,675	29,931	0	0	0	0	0
1.2 Financing to banks	21,520	4,667	0	0	0	0	0	
1.3 Financing to customers	2,179,066	59,976	11,187	58,613	67,860	1,561	1,357	0
- current accounts	121,510	1,266	1,336	5,496	15,909	0	0	0
- other financing	2,057,556	58,710	9,851	53,117	51,951	1,561	1,357	0
- with early repayment option	585,786	1,195	94	379	861	751	1,117	0
- other	1,471,770	57,515	9,757	52,738	51,090	810	240	0
2. Cash liabilities	**728,584**	**1,156,752**	**137,962**	**131,565**	**89,855**	**6,667**	**0**	**0**
2.1 Payables to customers	539,365	25,646	22,333	55,896	23085	6,667	0	0
- current accounts	524,870	25,335	22,019	55,257	17,415	0	0	0
- other payables	14,495	311	314	639	5,670	6,667	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	14,495	311	314	639	5,670	6,667	0	0
2.2 Payables to banks	189,195	1,017,392	0	0	0	0	0	0
- current accounts	26,623	0	0	0	0	0	0	0
- other payables	162,572	1,017,392	0	0	0	0	0	0
2.3 Debt securities	24	113,714	115,629	75,669	66,770	0	0	0
- with early repayment option	0	0	28,000	0	0	0	0	0
- other	24	113,714	87,629	75,669	66,770	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	**385**	**20,543**	**12,454**	**0**	**13,615**	**385**	**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	385	20,543	12,454	0	13,615	385	0	0
- Options	385	1,030	0	0	1,030	385	0	0
+ long positions	385	0	0	0	1,030	0	0	0
+ short positions	0	1,030	0	0	0	385	0	0
- Other derivatives	0	19,513	12,454	0	12,585	0	0	0
+ long positions	0	3,228	6,454	0	12,585	0	0	0
+ short positions	0	16,285	6,000	0	0	0	0	0
3. Other off-balance transactions	**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.B Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: US Dollar

Typology / Residual duration	On demand	up to 3 months	3-6 months	6 months-1 year	1-5 years	5-10 years	More than 10 years	Unspec. duration
1. Cash assets	**1,663**	**2,822**	**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	1,662	0	0	0	0	0	0	0
1.3 Financing to customers	1	2,822	0	0	0	0	0	0
- current accounts	1	0	0	0	0	0	0	0
- other financing	0	2,822	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	2,822	0	0	0	0	0	0
2. Cash liabilities	**4,122**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	4,122	0	0	0	0	0	0	0
- current accounts	4,122	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**	**126**	**455**	**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	126	455	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	126	455	0	0	0	0	0
+ long positions	0	41	0	0	0	0	0	0
+ short positions	0	85	455	0	0	0	0	0
3. Other off-balance transactions	**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.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	**78**	**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	78	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	**67**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	67	0	0	0	0	0	0	0
- current accounts	67	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**	**13**	**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	13	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	13	0	0	0	0	0	0
+ long positions	0	13	0	0	0	0	0	0
+ short positions	0	0	0	0	0	0	0	0
3. Other off-balance transactions	**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.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	**5,261**	**130,040**	**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	4,152	0	0	0	0	0	0	0
1.3 Financing to customers	1,109	130,040	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other financing	1,109	130,040	0	0	0	0	0	0
- with early repayment option	575	0	0	0	0	0	0	0
- other	534	130,040	0	0	0	0	0	0
2. Cash liabilities	**528**	**37,857**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	528	0	0	0	0	0	0	0
- current accounts	528	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	37,857	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	0	37,857	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**	**5,449**	**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	5,449	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	5,449	0	0	0	0	0	0
+ long positions	0	2,456	0	0	0	0	0	0
+ short positions	0	2,993	0	0	0	0	0	0
3. Other off-balance transactions	**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.E Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

Currency: Autralian 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	**121**	**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	121	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	**124**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	124	0	0	0	0	0	0	0
- current accounts	124	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
3. Other off-balance transactions	**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	**9,663**	**508,092**	**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	887	0	0	0	0	0	0	0
1.3 Financing to customers	8,776	508,092	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other financing	8,776	508,092	0	0	0	0	0	0
- with early repayment option	6,829	0	0	0	0	0	0	0
- other	1,947	508,092	0	0	0	0	0	0
2. Cash liabilities	**1,606**	**562,442**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	1,606	0	0	0	0	0	0	0
- current accounts	1,606	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	562,442	0	0	0	0	0	0
- current accounts	0	0	0	0	0	0	0	0
- other payables	0	562,442	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**	**1,164**	**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	1,164	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	1,164	0	0	0	0	0	0
+ long positions	0	1,102	0	0	0	0	0	0
+ short positions	0	62	0	0	0	0	0	0
3. Other off-balance transactions	**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.G Bank portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities

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	**224**	**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	224	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	**193**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Payables to customers	193	0	0	0	0	0	0	0
- current accounts	193	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**	**31**	**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	31	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	31	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0	0	0
+ short positions	0	31	0	0	0	0	0	0
3. Other off-balance transactions	**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

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 risk tied to currency positions comes from variation of interest rates and in particular, from the effect that such variation has on open positions in different currencies held by the Bank.

The exchange risk is monitored daily by the Treasury / Financial Services Division through the balancing activity of currency positions.

At the end of each day the Administrative Support Division verifies that the Exchange position is included in the limits fixed by internal regulations, and the following day the Risk Control Division performs a second-level control by using available procedural printouts.

Moreover, the Exchange position is sent daily to the Holding that, through the PMS procedure, performs the VaR calculation with a 99% confidence level and a time horizon (holding period) of 1 day.

In 2012, the correlated VaR calculated by the PMS procedure in all exchanged currencies fluctuated between a maximum of EUR 686 and a minimum of EUR 140. They are very low values, as the limit related to the Exchange open position for 2013 is very limited (corresponding to EUR 200,000).

B. Hedging activity of exchange-rate risk

The Forex operations (Spot, Outright and Swap) 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.

Quantitative information

1.1. Distribution by currency of assets, liabilities and derivatives

Item	Currency					
	US Dollar	Pound	Yen	Australian Dollar	Swiss Franc	Others
A. Financial assets	**4,486**	**78**	**135,301**	**121**	**517,755**	**224**
A.1 Debt securities	0	0	0	0	0	0
A.2 Equities	0	0	0	0	0	0
A.3 Loans to banks	1,662	78	4,152	121	887	224
A.4 Loans to customers	2,824	0	131,149	0	516,868	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	**56**	**74**	**9**	**0**	**12**	**25**
C. Financial liabilities	**4,122**	**67**	**38,385**	**123**	**564,048**	**193**
C.1 Payables towards banks	0	0	37,857	0	562,442	0
C.2 Payables towards customers	4,122	67	528	123	1,606	193
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	**76**	**0**	**0**	**0**	**0**	**0**
E. Financial derivates	**581**	**113**	**97,932**	**0**	**53,765**	**31**
- Options	0	0	0	0	0	0
+ long positions	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0
- Others	581	113	97,932	0	53,765	31
+ long positions	41	13	2,456	0	53,703	0
+ Short positions	540	100	95,476	0	62	31
Total assets		**165**	**137,766**	**121**	**571,470**	**249**
Total liabilities		**167**	**133,861**	**123**	**564,110**	**224**
Accounting deficit (+/-)		**-2**	**3,905**	**-2**	**7,360**	**25**

2.4 Derivative instruments

A. Financial derivatives

A.1 Supervisory trading portfolio: notional end-period and average values

Underlying assets/Typologies of derivatives	31.12.2012 Over the counter	31.12.2012 Central counterparts	31.12.2011 Over the counter	31.12.2011 Central counterparts
1. Debt securities and interest rates	**3,052**	**0**	**2,833**	**0**
a) Options	2,500	0	2,833	0
b) Swap	0	0	0	0
c) Forward	552	0	0	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	**145,184**	**0**	**49,900**	**0**
a) Options	0	0	0	0
b) Swap	44,010	0	0	0
c) Forward	101,174	0	49,900	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	**148,236**	**0**	**52,733**	**0**
Average value	**100,485**	**0**	**91,971**	**0**

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

A.2.1 Hedging

Underlying assets/Typologies of derivatives	31.12.2012		31.12.2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	**12,585**	**0**	**12,585**	**0**
a) Options	0	0	0	0
b) Swap	12,585	0	12,585	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**	**12,585**	**0**
Average value	**12,585**	**0**	**25,075**	**0**

A.2.2 Other derivatives

Underlying assets/Typologies of derivatives	31.12.2012		31.12.2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	**8,500**	**0**	**26,995**	**0**
a) Options	2,500	0	2,833	0
b) Swap	6,000	0	24,162	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Equities and share indexes	**12,000**		**48,000**	
a) Options	12,000	0	48,000	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	**4,680**		**104,715**	
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	4,680	0	104,715	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	**25,180**	**0**	**179,710**	**0**
Average value	**102,445**	**0**	**223,626**	**0**

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

Portfolio/Typologies of derivatives	Positive Fair value			
	31.12.2012		31.12.2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Supervisory trading portfolio	**2,547**	**0**	**16**	**0**
a) Options	6	0	16	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	2,541	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
B. Bank portfolio - hedging	**477**	**0**	**613**	**0**
a) Options	0	0	0	0
b) Interest rate swap	477	0	613	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	**63**	**0**	**454**	**0**
a) Options	0	0	0	0
b) Interest rate swap	0	0	165	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	63	0	289	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**3,087**	**0**	**1,083**	**0**

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

Portfolio/Typologies of derivatives	Positive Fair value			
	31.12.2012		31.12.2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Supervisory trading portfolio	**5,946**	**0**	**11,871**	**0**
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	5,929	0	11,871	0
d) Equity swap	0	0	0	0
e) Forward	17	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	**102**	**0**	**909**	**0**
a) Options	7	0	60	0
b) Interest rate swap	12	0	342	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	83	0	507	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**6,048**	**0**	**12,780**	**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**	**2,544**	**0**	**0**	**0**	**552**
- notional value	0	0	2,500	0	0	0	552
- positive fair value	0	0	6	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	38	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**	**155,063**	**0**	**0**	**0**	**0**
- notional value	0	0	145,184	0	0	0	0
- positive fair value	0	0	2,541	0	0	0	0
- negative fair value	0	0	5,945	0	0	0	0
- future exposure	0	0	1,393	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 December 31st, 2012 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**	**19,137**	**0**	**0**	**0**	**2,506**
- notional value	0	0	18,585	0	0	0	2,500
- positive fair value	0	0	477	0	0	0	0
- negative fair value	0	0	12	0	0	0	6
- future exposure	0	0	63	0	0	0	0
2) Equities and share indexes	**0**	**0**	**6,360**	**0**	**0**	**0**	**6,001**
- notional value	0	0	6,000	0	0	0	6,000
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	1
- future exposure	0	0	360	0	0	0	0
3) Currencies and gold	**0**	**0**	**0**	**0**	**0**	**461**	**4,410**
- notional value	0	0	0	0	0	455	4,225
- positive fair value	0	0	0	0	0	1	63
- negative fair value	0	0	0	0	0	1	82
- future exposure	0	0	0	0	0	4	40
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 December 31st, 2012 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	**101,726**	**44,010**	**2,500**	**148,236**
A.1 Financial derivatives on debt securities and interest rates	552	0	2,500	3,052
A.2 Financial derivatives on equities and share indexes	0	0	0	0
A.3 Financial derivatives on exchange rates and gold	101,174	44,010	0	145,184
A.4 Financial derivatives on other values	0	0	0	0
B. Bank portfolio	**22,680**	**12,585**	**2,500**	**37,765**
B.1 Financial derivatives on debt securities and interest rates	6,000	12,585	2,500	21,085
B.2 Financial derivatives on equities and share indexes	12,000	0	0	12,000
B.3 Financial derivatives on exchange rates and gold	4,680	0	0	4,680
B.4 Financial derivatives on other values	0	0	0	0
Total 31/12/2012	**124,406**	**56,595**	**5,000**	**186,001**
Total 31/12/2011	**158,877**	**30,585**	**55,566**	**245,028**

A.10 OTC financial derivatives: counterpart risk/financial risk – inner models

The OTC financial derivatives held by the Bank have, as counterpart, primary bank institutes.

Following to a group of analyses on the data of held derivatives, it was considered as non-significant the impact the counterpart risk can have in the whole assessment of the same derivative.

B. Credit derivatives

This section is not used.

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparts

At December 31st, 2012 the item is not used.

Section 3
Liquidity risk

Information regarding quality

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

The liquidity risk is connected to the possibility that the Bank is not able to fulfil its payment obligations at their maturity because of its incapacity to obtain adequate funding (funding liquidity risk), namely of the presence of limits to the disinvestment of assets (market liquidity risk).

In this sphere the risk that the bank, in order to meet its payment commitments, is impelled to bear a high cost for the funding, namely to sustain losses in capital account in case of disinvestment of assets, is as well included.

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.

As risk mitigation tool, the bank has set up a readily liquidable asset portfolio (Italian Government bonds) aimed to liquidity reserve for ordinary management and liquidity reserve to be used in stressed situations (this latter one usable only after the authorization by the Holding).

The bank has moreover signed with the Holding a committed line agreement, which provides for a credit line aimed to cover potential liquidity stress situations.

Control tools: ALM analysis - Long-term analysis liquidity

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, by considering a long-term time horizon, 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.

Control tools: Cash Flow Balance – analysis of short-time liquidity

The ALM analysis 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 (similarly to long-term liquidity analysis).
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) – short-term 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) in the sphere of the short-term liquidity, 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 stochastic and deterministic) connected to (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" (lower than the differentials between cumulated liquidity gaps and available reserves for their hedging).

These reports are recursively made available to the General Management and 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 institutional 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									
	1g	2g	3g	4g	5g	2s	3s	1m	2m	3m
Total liquidity 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 the Bank'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 Flow 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.

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	**273,170**	**2,226**	**8,011**	**39,701**	**97,863**	**114,793**	**198,567**	**695,340**	**1,083,467**	**4,664**
A.1 Government bonds	163	0	0	0	47	30,000	0	15,000	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	273,007	2,226	8,011	39,701	97,816	84,793	198,567	680,340	1,083,467	4,664
- Banks	21,531	0	0	0	0	0	0	0	0	4,664
- Costumers	251,476	2,226	8,011	39,701	97,816	84,793	198,567	680,340	1,083,467	0
Cash liabilities	**566,220**	**2,852**	**87,067**	**56,251**	**85,855**	**241,416**	**240,772**	**659,027**	**320,867**	**0**
B.1 Deposits and current accounts	564,834	2050	86,940	8907	12,877	195,361	72,232	230,308	125,000	0
- Banks	26,623	0	85230	0	0	172,922	15,074	213,000	125,000	0
- Costumers	538,211	2050	1,710	8,907	12,877	22,439	57,158	17,308	0	0
B.2 Debt securities	238	802	127	7,160	22,574	45,591	82,274	216,049	0	0
B.3 Other liabilities	1,148	0	0	40,184	50,404	464	86266	212,670	195,867	0
„Off-balance sheet“ transactions	**6**	**4,136**	**51,730**	**56,570**	**24**	**505**	**343**	**39,696**	**0**	**0**
C.1 Financial derivatives with capital swap	0	3,106	51,730	56,351	0	454	9	38,666	0	0
- Long positions	0	1,197	27,100	26,526	0	454	9	38,173	0	0
- Short positions	0	1,909	24,630	29,825	0	0	0	493	0	0
C.2 Financial derivatives with capital swap	6	1,030	0	219	24	51	334	1,030	0	0
- Long positions	6	0	0	219	0	0	271	1,030	0	0
- Short positions	0	1,030	0	0	24	51	63	0	0	0
C.3 Deposits and financing to be received	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 committments to issue 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
- 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.6 Received financial guarantees	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.7 Credit derivatives with capital exchange	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.8 Credit derivatives without capital exchange	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

Currency: US 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	**1,663**	**139**	**724**	**1,957**	**101**	**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	1,663	139	724	1,957	101	0	0	0	0	0
- Banks	1,662	0	0	0	0	0	0	0	0	0
- Costumers	1	139	724	1,957	101	0	0	0	0	0
Cash liabilities	**4,122**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	4,122	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Costumers	4,122	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**	**126**	**0**	**0**	**0**	**455**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital swap	0	126	0	0	0	455	0	0	0	0
- Long positions	0	41	0	0	0	0	0	0	0	0
- Short positions	0	85	0	0	0	455	0	0	0	0
C.2 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.3 Deposits and financing to be received	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 committments to issue 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
- 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.6 Received financial guarantees	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.7 Credit derivatives with capital exchange	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.8 Credit derivatives without capital exchange	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

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	**78**	**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	78	0	0	0	0	0	0	0	0	0
- Banks	78	0	0	0	0	0	0	0	0	0
- Costumers	0	0	0	0	0	0	0	0	0	0
Cash liabilities	**67**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	67	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Costumers	67	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**	**13**	**99**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital swap	0	13	99	0	0	0	0	0	0	0
- Long positions	0	13	0	0	0	0	0	0	0	0
- Short positions	0	0	99	0	0	0	0	0	0	0
C.2 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.3 Deposits and financing to be received	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 committments to issue 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
- 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.6 Received financial guarantees	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.7 Credit derivatives with capital exchange	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.8 Credit derivatives without capital exchange	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

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	**5,289**	**18**	**353**	**936**	**2,780**	**4,114**	**7,277**	**40,615**	**75,811**	**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	5,289	18	353	936	2,780	4,114	7,277	40,615	75,811	0
- Banks	4,152	0	0	0	0	0	0	0	0	0
- Costumers	1,137	18	353	936	2,780	4,114	7,277	40,615	75,811	0
Cash liabilities	**528**	**0**	**0**	**0**	**0**	**0**	**26,519**	**11,443**	**0**	**0**
B.1 Deposits and current accounts	528	0	0	0	0	0	26,519	11,443	0	0
- Banks	0	0	0	0	0	0	26,519	11,443	0	0
- Costumers	528	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**	**1,223**	**25,378**	**27,320**	**0**	**0**	**0**	**44,010**	**0**	**0**
C.1 Financial derivatives with capital swap	0	1,223	25,378	27,320	0	0	0	44,010	0	0
- Long positions	0	695	176	1,584	0	0	0	0	0	0
- Short positions	0	528	25,202	25,736	0	0	0	44,010	0	0
C.2 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.3 Deposits and financing to be received	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 committments to issue 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
- 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.6 Received financial guarantees	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.7 Credit derivatives with capital exchange	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.8 Credit derivatives without capital exchange	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

Currency: Australian 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	**121**	**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	121	0	0	0	0	0	0	0	0	0
- Banks	121	0	0	0	0	0	0	0	0	0
- Costumers	0	0	0	0	0	0	0	0	0	0
Cash liabilities	**124**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	124	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Costumers	124	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 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.3 Deposits and financing to be received	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 committments to issue 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
- 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.6 Received financial guarantees	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.7 Credit derivatives with capital exchange	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.8 Credit derivatives without capital exchange	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

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	**5,842**	**23**	**1,769**	**4,016**	**12,057**	**16,717**	**30,063**	**166,620**	**288,822**	**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	5,842	23	1,769	4,016	12,057	16,717	30,063	166,620	288,822	0
- Banks	887	0	0	0	0	0	0	0	0	0
- Costumers	4,955	23	1,769	4,016	12,057	16,717	30,063	166,620	288,822	0
Cash liabilities	**1,606**	**0**	**0**	**0**	**49,751**	**0**	**0**	**255,948**	**256,792**	**0**
B.1 Deposits and current accounts	1,606	0	0	0	49,751	0	0	255,948	16,567	0
- Banks	0	0	0	0	49,751	0	0	255,948	16,567	0
- Costumers	1,606	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	240,225	0
„Off-balance sheet“ transactions	**0**	**1,164**	**24,437**	**28,164**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital swap	0	1,164	24,437	28,164	0	0	0	0	0	0
- Long positions	0	1,102	24,437	28,164	0	0	0	0	0	0
- Short positions	0	62	0	0	0	0	0	0	0	0
C.2 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.3 Deposits and financing to be received	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 committments to issue 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
- 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.6 Received financial guarantees	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.7 Credit derivatives with capital exchange	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.8 Credit derivatives without capital exchange	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

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	**214**	**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	214	0	0	0	0	0	0	0	0	0
- Banks	214	0	0	0	0	0	0	0	0	0
- Costumers	0	0	0	0	0	0	0	0	0	0
Cash liabilities	**193**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	193	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Costumers	193	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**	**31**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C.1 Financial derivatives with capital swap	0	31	0	0	0	0	0	0	0	0
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	31	0	0	0	0	0	0	0	0
C.2 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.3 Deposits and financing to be received	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 committments to issue 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
- 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.6 Received financial guarantees	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.7 Credit derivatives with capital exchange	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.8 Credit derivatives without capital exchange	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

Section 4
Operational risk

Information regarding quality

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

In the sphere of ‚operating 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 operating risks, carried out through an application supplied by the Holding, INFORM, have the aim of focusing the attention on improvement of processes.

In the Bank the activity is coordinated by the Risk Control Division, which supports the various Departments in the collection of reports from time to time emerged and sets up the activity of recovery of past events starting from the reports from the employees and the analysis of the internal accounting documentation.

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 Operating 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.

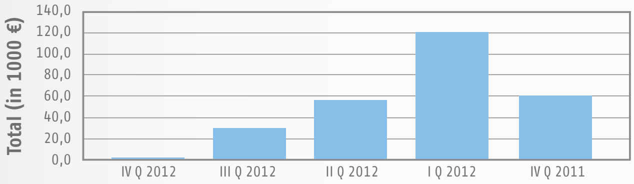
To manage and monitor insurance agreements, inside the Organization Support Division a specific resource was identified and instructed, with experience in the sector.

Informazioni di natura quantitativa

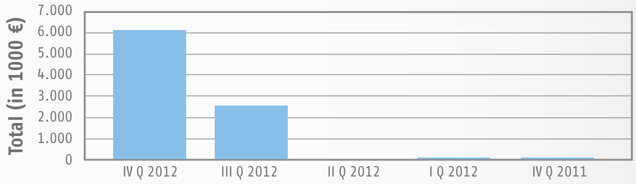
With reference to what expressed as regards to the use of BIA approach, it's necessary to highlight that the patrimonial requirement for the operating risks at 31/12/2012 is equal to 14,148 EUR thousand.

A summary scheme of operating risks registered at 31/12/2012 in the previously described INFORM procedure is indicated below.

Suddivision on the base of event date



Suddivision on the base of recording date



Suddivision on the base of event date

Losses	IV. Q 2012	III. Q 2012	II. Q 2012	I. Q 2012	IV. Q 2011
Gross loss	**0.0**	**0.0**	**14.3**	**20.3**	**57.9**
Insurance recovery	0.0	0.0	0.0	0.0	0.0
Other type of recovery	0.0	0.0	0.0	0.0	0.0
Net loss	**0.0**	**0.0**	**14.3**	**20.3**	**57.9**
Potential loss (not booked)	1.4	29.6	41.1	99.5	2.3
Total (Net + Potential)	1.4	29.7	55.4	119.8	60.2
2012 cumulated	**206.3**				

Suddivision on the base of recording date

Losses	IV. Q 2012	III. Q 2012	II. Q 2012	I. Q 2012	IV. Q 2011
Gross loss	**6,002.8**	**2,317.6**	**9.0**	**18.9**	**16.9**
Insurance recovery	0.0	0.0	0.0	0.0	0.0
Other type of recovery	0.0	0.0	0.0	0.0	0.0
Net loss	**6,002.8**	**2,317.6**	**9.0**	**18.9**	**16.9**
Potential loss (not booked)	81.3	230.3	0.0	8.3	27.3
Total (Net + Potential)	6,084.0	2,547.9	9.0	27.1	44.2
2012 cumulated	**8,668.,2**				

N.B. In June, on input by the Holding, an activity of analysis and recovery of previous provisions performed against operational risk events connected to credit risk. This explains the high amounts present in the last two quarters was started.

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 December 27th, 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	31.12.2012	31.12.2011
Equity	318,188	318,188
2. Issue premiums	0	0
3. Reserves	(57,655)	(6,519)
- of profits		
a) legal	9,238	9,085
b) statutory	5,345	47,346
c) own shares	0	0
d) others	700	700
e) losses carried forward	(72,938)	(63,650)
- others	0	0
4. Capital Instruments	0	0
5. (Own shares)	0	0
6. Valuation reserves	(734)	(1,432)
- Financial assets available for sale	(750)	(1,448)
- Revaluation Special laws	16	16
7. Profit (Loss) for the year	(35,775)	(6,272)
Total	**224,024**	**303,965**

At 31/12/2012 "Shareholder's equity" of the Bank amounted to EUR 224,024 thousand and it compares with EUR 303,965 thousand of 31/12/2011.

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

	31.12.2012		31.12.2011	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
Debt securities	0	750	0	1,448
Equities	0	0	0	0
O.I.C.R. quotas	0	0	0	0
Financing	0	0	0	0
Total	**0**	**750**	**0**	**1,448**

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

	Debt securities	Equity	O.I.C.R. quotas	Financing
1. Opening balances	**1,448**	**0**	**0**	**0**
2. Positive variations	**982**	**0**	**0**	**0**
2.1 Increments of fair value	956	0	0	0
2.2 Reversal to the income statement of negative		0	0	0
reserves: due to impairment	0	0	0	0
due to sales	26			
2.3 Other variations	0	0	0	0
3. Negative variations	**284**	**0**	**0**	**0**
3.1 Reduction of fair value	0	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	48	0	0	0
3.4 Other variations	236	0	0	0
4. Closing balances	**750**	**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 December 27th 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 December 31st, 2012 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's Circular No. 155 of December 18th, 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 net of the estimates of doubtful credits for country risk.

Participations issued by non-consolidated financial institutes at the presence of supplementary negative assets, are deduced for 100% from core capital.

- 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

In order to consider the impact deriving from the application of international accounting principles on the calculation of the supervisory capital, some "solvency filters", to be applied to balance data (IAS/IFRS), have been introduced, aimed to safeguard the quality of the supervisory capital and to reduce its potential volatility coming from the application of the same principles.

In general, for the activities different from trading ones, the integral deduction from the core assets of capital losses from fair value assessments and the partial reckoning of fair value capital gains in the supplementary capital (the so-called "asymmetrical" approach), is required.

On May 18th, 2010 Banca d'Italia has partially reviewed this approach, in line with what performed by the main EU Countries, by allowing banks the possibility to completely neutralize both capital gains and capital losses, limited to securities issued by central administrations of Countries belonging to the European Union and included in the portfolio of financial assets available for sale (AFS).

The bank has decided to take the option offered by Banca d'Italia therefore neutralizing both capital gains and capital losses recorded starting from January 1st, 2010 on securities issued by central administrations of countries belonging to the European Union included in the "Financial assets available for sale" portfolio. This option was applied in the calculation of the supervisory capital starting from June 30th, 2010.

In particular, we highlight that at December 31st, 2012 capital losses not deducted from the core capital correspond to EUR 505 thousand.

B. Quantitative information

	31.12.2012	31.12.2011
A. Tier 1 before solvency filters	223,568	372,817
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)	223,568	372,817
D. Deductions from core capital	821	411
E. TIER 1 (C-D)	222,747	372,406
F.Tier 2 before solvency filters	(5)	5,587
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)	5,587
I. Deductions from Tier 2	0	411
L. Total Tier 2 (H-I)	(5)	5,176
M. Deductions from Tier 1 and Tier 2	0	0
N. Capital for regulatory purposes (E+L-M)	222,742	377,582
O. TIER 3	0	0
P. Capital for regulatory purposes included Tier 3 (N+O)	222,742	377,582

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 8.77% (10.49% at 31.12.2011) and a ratio between supervisory capital and weighted risk activities (total capital ratio) equal to 8.77% (10.63% at 31.12.2011).
The following table that supplies quantitative information about risk operations and about solvency coefficients.

B. Quantitative information

Categories/Values	Non-weighted amounts		Weighted amounts/requir.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
A. Risk assets				
A.1 Credit and Counterpart Risk	**3,162,082**	**4,607,986**	**2,327,730**	**3,307,503**
1. Standard approach	3,162,082	4,607,986	2,327,730	3,307,503
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	0	0	0
B. Regulatory capital requirements				
B.1 Credit and counterpart risk			**186,218**	**264,600**
B.2 Market risk			**2,818**	**2,916**
1. Standard methodology			2,818	2,916
2. Internal models			0	0
3. Risk of concentration			0	0
B.3 Operative risk			**14,148**	**16,568**
1. Base method			14,148	16,568
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			**203,184**	**284,084**
C. Risk assets and solvency coefficients				
C.1 Risk weighted assets			2,539,800	3,551,050
C.2 Core capital/risk weighted assets (Tier 1 capital ratio)			8.77%	10.49%
C.3 Capital for regulatory purposes included TIER 3/ risk weighted assets (Total capital ratio)			8.77%	10.63%

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

	31.12.2012	31.12.2011
Managers	759	1,046
- pays	721	983
- personnel severance pay (TFR)	38	63
Auditors	232	266
Strategic directors	1,002	1,229

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	1,885
b) Officers with strategic responsibility	111	80	0	0	395
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	8.163	261	0	0	0	0
H.A.A. Finance S.r.l - Italy	0	461	1.853	230	0	0
b) Companies within H.A.A.B - Austria Group						
H.A.A.B. International AG - Austria	10.000	6	1.625.703	32	0	5.929
H.A.A AG - Austria	0	1	0	0	91	0
H.A.A. Leasing Srl - Italy	0	171	20.942	0	0	0
H.A.A. Bank d.d. Ljubljana - Slovenia	0	0	68	0	0	0
H.A.A. Bank d.d. Zagreb - Croatia	0	1	73	0	0	0
H.A.A. Bank d.d. Mostar - Bosnia	0	0	183	0	0	0
H.A.A. Bank d.d. Banja Luka - Bosnia	0	0	289	0	0	0
H.A.A. Bank d.d. Beograd - Serbia	0	1	95	0	0	0
H.A.A. Marketing und Advertising GmbH	0	0	0	0	0	0
H.A.A. AD Podgorica - Montenegro	0	0	4	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	0	0
H.A.A. Nekretnine D.0.0 Croatia	0	0	0	0	0	0
Probus Real Estate GMBH - Austria	0	0	0	0	0	0
Malpensa Gestioni - Italy	0	0	146	0	0	0

Company name	interests receivable on granted financing	Commission income and other income	Interests payable on granted financing	commission expenses and other expense
a) Subsidiaries				
HypoService S.r.l. - Italy	159	17	0	768
H.A.A. Finance S.r.l - Italy	0	500	15	5.626
b) Companies within group H.A.A.B - Austria				
H.A.A.B. International AG - Austria	168	5.959	19.889	1.176
H.AA AG - Austria	0	0	0	0
H.A.A. Leasing Srl - Italy	128	341	539	0
H.A.A. Bank d.d. Ljubljana - Slovenia	0	0	0	0
H.A.A. Bank d.d. Zagreb - Croatia	0	14	0	27
H.A.A. Bank d.d. Mostar - Bosnia	0	7	1	3
H.A.A. Bank d.d. Banja Luka - Bosnia	0	7	0	3
H.A.A. Bank d.d. Beograd - Serbia	0	10	0	7
H.A.A. Marketing und Advertising GmbH	0	0	0	0
H.A.A. AD Podgorica - Montenegro	0	2	0	4
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.0.0 Croatia	0	0	0	13
Probus Real Estate GMBH - Austria	0	0	0	0
Malpensa Gestioni - Italy	0	1	0	0

Interest receivable and payable are the payments at market rates of financing granted and received, of free and term deposit relationships and of current account relationships.

The other costs and revenues refer to commission income and expenses and to the various administrative costs sustained for services rendered reciprocally 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 December 31st, 2011 of our Parent Company;

- a table summarizing all the most significant transactions settled in 2012 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 December 31st, 2011 - Hypo Alpe-Adria-Bank International A.G.

Assets	31.12.2011	31.12.2010
Cash and cash equivalent	3,238	41,636
Treasury sec. and similar securities	448,942	324,239
Receivables due from banks	9,080,954	12,312,422
Receivables due from customers	8,988,814	9,234,816
Bonds and other debt securities	886,503	875,419
Stocks, shares and other equities	29,201	23,011
Equity investments	8,174	10,786
Equity investments in Group comp.	2,626,076	2,843,652
Intangible fixed assets	1,178	1,206
Tangible fixed assets	1,671	1,507
Other assets	576,020	654,806
Accrued income and deferred charges	19,255	30,877
Total Assets	**22,670,026**	**26,354,377**

Liabilities	31.12.2011	31.12.2010
Payables due to banks	4,263,837	4,201,765
Payables due to customers	1,767,537	1,798,029
Payables represented by securities	14,277,010	17,437,116
Other liabilities	133,781	484,420
Accruals and deferred income	55,547	65,845
Provisions	139,367	160,216
Subordinated liabilities	895,718	894,735
Share capital	808,637	1,623,247
Reserves	493,286	503,614
Annual loss	-164,694	-814,610
Total Liabilities	**22,670,026**	**26,354,377**

Income Statement

	31.12.2011	31.12.2010
Interest receivable and similar revenue	1,134,506	1,148,712
Interest payable and similar charges	-1,080,537	-1,045,051
Dividends and other income	83,863	58,852
Commission income	20,424	28,890
Commissions expenses	-25,931	-7,696
Profit/loss from financial transactions	-1,823	10,946
Other operating income	54,645	17,025
Administrative expenses	-162,558	-141,711
a) personnel costs	-52,395	-43,831
b) other administrative costs	-110,163	-97,880
Write-downs on fixed assets	-1,107	-1,300
Other operating expenses	-3,762	-27,216
Net write-downs / Write back	-159,004	-468,727
Profit on ordinary activities	**-141,284**	**-427,276**
Extraordinary profit	-15,950	-18,425
Income tax	-7,460	-17,226
Profits after tax	**-164,694**	**-462,927**
Reserve movements	0	0
Previous Losses	0	-351,683
Losses for the year	**-164,694**	**-814,610**

Details of relationships with Hypo Group Alpe Adria companies

Balance Sheet	
Assets	10,000
70. Receivables due from customers	8,163
150. Other assets	901
Liabilities	
10. Payables due to banks	1,626,415
20. Payables due to customers	22,942
100. Other liabilities	261
Income statement items	
10. Interest receivable and similar revenue	456
20. Interest payable and similar charges	20,444
40. Commission income	660
50. Commission expenses	6,712
80. Net result of trading	5,952
150 b. Administrative costs	913
190. Other operating expenses/income	246

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, 2012, 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, 2012. 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.

   The financial statements present for comparative purposes the prior year's balances and in the specific section "Restatement of balances from the previous year pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors" of the explanatory notes, the balance sheet as at January 1, 2011. As described in the section named above, the Directors have restated the comparative balances of the prior year and of the balance sheet as at January 1, 2011 which derive from the financial statements as at December 31, 2011 and December 31, 2010, compared to the balances previously presented, audited by us and on which we had issued our auditors' reports dated March 13, 2012 and April 1, 2011. The criteria applied for the restatement of comparative balances and the related disclosure presented in the above mentioned section have been examined by us for the purpose of expressing our opinion on the financial statements as of December 31, 2012.

3. In our opinion, the financial statements present fairly the financial position of Hypo Alpe-Adria-Bank S.p.A. as at December 31, 2012, 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. For a better understanding of the financial statements, we draw your attention on the following relevant matters, more widely commented by the Directors in the Report on operations and in the notes to the financial statements:

    - The Bank has identified the presence of interest income unlawfully calculated on indexed installment leasing contracts and has consequently corrected errors in accordance with the IAS 8. In the section "Restatement of balances from the previous year pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors" of the notes to the financial statements the detail of the impacts on the income statement and on the equity, the assumptions applied for their quantification and the related reasons are illustrated. With reference to these circumstances the Directors inform in particular that:
        - the Public Prosecutor of Udine has initiated a proceeding against the Bank for the administrative offence pursuant to art. 24 ter, paragraph 2 of D.Lgs. n. 231/01. With reference to this, the Directors, also based on what communicated by their legal advisor in charge and considering the organizational model adopted by the Bank, believe that the Bank can be considered exempt from responsibilities descending from the administrative offence and consequently have not recorded a specific provision in the financial statements. Moreover, the Directors inform that, in case of an adverse result of the proceeding, the eventual fine for the Bank could range from a minimum amount of 77 thousand Euro to a maximum amount of 1,2 million Euro. The Directors also inform that they exclude the likelihood that interdiction measures regarding the operations are applied to the Bank as a result of the above proceeding;
        - on March 22, 2013 the Bank of Italy started an audit on transparency, subsequently extended to a general audit, which at the date of approval of the financial statements as at December 31, 2012 is still in progress;

    - The financial statements as at December 31, 2012 shows a loss of 35,8 million Euro, mainly due to the impairment on loans attributable to the progressive deterioration of the credit quality, related to the difficult economic context, together with the reduction of the net equity of the Bank deriving from the correction of errors in accordance with the IAS 8 described above. Furthermore, with reference to this, in the paragraph "Uncertainty in utilization of estimates", the Directors illustrate the balances of the financial statements characterized by uncertainties and in particular they point out that it is not possible to exclude that the presumable recovery value of non-performing loans included in the financial statements can be subject to variations, also significant, following to deviations between the appraisal value of real estate collaterals, used in order to determine the impairment on loans, and the actual cash flows and/or following to deviations of the recovery timing. The significant loss of the year, together with the reduction of the net equity described above determined the failure to achieve the minimum capital requirement provided by the Bank of Italy, and corresponding to a "core tier 1 ratio" equal to 11,5%. With reference to this, the Directors inform that, for the purpose of assuring the going concern, the Bank's majority stockholder has already approved a recapitalization of 55 million Euro and has assured its own commitment to further recapitalize the Company in the measure necessary to maintain the minimum capital requirement described above, for a total amount of 85 million Euro, and to assure the necessary financial support to continue the normal operations for a period of at least 12 months from the end of the year.

The Directors inform that the circumstances described above, together with the other profiles more widely described in the paragraph "Going concern assumption" of the notes to the financial statements, with reference to the conclusion of the proceeding currently in course by the European Commission on the parent company Hypo Alpe-Adria Bank International AG and to the capital requirement dictated to it by the regulator in terms of "total capital ratio", indicate the existence of a relevant uncertainty, which can raise significant doubts about the Bank's capability to continue operating on the basis of the going concern assumption. Nonetheless, the Directors, after assessing the uncertainties described above, considering the recapitalization in course, as well as the commitment of the Parent Company to provide the necessary funding to continue the normal operations, have the reasonable expectation that the Bank has the adequate capital and financial resources to continue its operations in a predictable future and, consequently, they have continued to apply the going concern assumption for the preparation of the financial statements as of December 31, 2012.

5. 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.

6. 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, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Adriano Petterle
Partner

Treviso, Italy
July 8, 2013

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 in compliance with article 2429 of the civil code and article 153 of the decree-law no. 58/1998.

Dear Shareholders,

this board, in its current structure, has taken office further to the decision taken by the Shareholders' Assembly on 21 March 2012 during which most of the actual members of the control body were renewed.

During the past financial year, we carried out our supervision activity in compliance with Article 2403 of the Civil Code.

Our activity was based upon the aforementioned law provisions as well as the Standards of Conduct of the Board of Statutory Auditors issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Association of Chartered Accountants).

Moreover, we also audited the "Progetto di bilancio" (financial statements project) as of 31 December 2012, prepared by the Board of Directors, and whose final edition was forwarded to the Board of Statutory Auditors on 30 June 2012 along with the relevant reports, annexes and the management report.

In the light of the foregoing, we point out the following remarks.

1. Remarks on the compliance with law and articles of association

The Board declares that:

- it examined the compliance with law rules and that in particular, the activity performed by the bank was compliant with the abovementioned rules although there are evident and significant exceptions. First of all and undoubtedly the most important exception concerns the unlawful calculation of index-linked interest for leasing contracts, which is the outcome of behaviours which the Board, on the basis of objective evidence, deemed to be aware and voluntary behaviours on the part of the bank top management personnel and on whom the Legal Authorities are still carrying out the in-depth enquiries due. The second exception concerns failure to comply with the provision set forth by the articles of association relating to the period of time by which the financial statements are to be approved (within 120 days of its end), which has not been complied with in this case. With reference to the first highlighted exception, the Board, in the light of the foregoing, deemed that there were the conditions for reporting the occurrence to Banca d'Italia in compliance with Art. 52, paragraph 1 of the TUB (Italian Banking Law Act). Therefore, the report was promptly forwarded to Banca d'Italia by registered letter with return receipt requested on 27 March 2013 shortly after receiving and examining the report prepared by the "Organismo di Controllo" in compliance with Art. 231/2001 of 25 March 2013. With reference to the second exception, the Board declared that in the light of the particular situation which has developed since mid-March this year, the need for utterly correct financial statements was to prevail against the mere compliance with terms, which could, however important, have not ensured, over a shorter period of time than the actual period spanned, what was necessary to prepare financial statements as much reliable;
- from the beginning of its term of office, it conducted 27 verifications and prepared as many minutes which are included in the appropriate book;
- again from the beginning of its term of office, it took part in the meetings of the Board of Directors making its contribution to 13 Board of Directors' Meetings and 3 Shareholders' Assemblies.

2. Remarks on the compliance with correct management

The Board declares that:

- notwithstanding the unlawful index-linked interest calculation for leasing contracts, it did not identify transactions which, due to their nature or extent, were atypical or could be defined unusual.

3. Remarks on the adequacy of the organisational, administrative and accounting structure

The Board declares that:

- from the beginning of its term of office, it analysed the organisational structure and examined the internal control system by holding repeated meetings with the Heads of the various Divisions and of the Supervision and Control body, outside and inside the bank; as a result of these meetings and of the related outcomes, the Board deemed that it could not confirm that the entire system was fair and reliable, and therefore deemed that a review of the system would be fundamental, which it also urged formally. The urgency is furthermore consistent with the very recent indications on the part of Banca d'Italia (revision no. 15 of 2 July 2013) which are indeed designed to enhance banks and banking groups' capacity to monitor corporate risks;
- it verified the administrative-accounting system and, notwithstanding the foregoing, it deemed it to be appropriate to represent the management
- it identified the need, instead, for a deep analysis of the past accounting manners in relation to the credit notes which were issued to repay customers following their complaint letters. In

this regard, the audit firm was required to prepare an expert opinion on the manners whereupon the controls were that time conducted by the same audit firm over the past accounting.

4. Evidence of opinions given

The Board declares that:

- it gave an opinion in compliance with Article 2389 of the Civil Code about the remuneration which the Board of Directors assigned to the CEOs, although the Board of Statutory Auditors was not in certain cases enabled to give this opinion by the established terms.

5. Remarks on legal audit functions

The Board declares that it had repeated exchanges of information with the legal auditor in compliance with Article 2409 – septies of the Civil Code.

On 5 February 2013, an in-depth analysis was in particular devoted to the main issues which the audit firm believed to be significant with reference to the 2012 financial statements, that is the allocation of provisions to deal with the risks and expenses arising from the personnel reduction and the non-performing loans.

Only afterwards, the same audit firm for the first time informed the Board of Statutory Auditors by means of a letter dated 4 March 2013 about those problems arising from what, at the beginning, was generally defined "procedural non-conformities" relating to the calculation of the index-linked interest of the leasing contracts.

After this date, various meetings were held (15 April, 21 May, 4 and 17 June 2013) concerning both the unlawful index-linked interest calculation for leasing contracts and the issues pertaining to the financial statements and arising from that unlawful interest calculation.

It should also be highlighted that with the approval of the 2012 financial statements the term of office of the audit firm expires, and therefore it is necessary for a decision to be taken for the following period of time 2013-2021.

6. Remarks on the financial statements as of 31.12.2012

We examined the financial statements as of 31.12.2012 and we report the following remarks:

- since we are not entrusted with controlling the financial statements' content, we supervised the general approach taken, their general compliance with the law with reference to the manner they are prepared and the structure they have, and in this regard we do not have any particular remarks to report;
- we verified the consistency of the financial statements with occurrences and information of which we were aware and about which we learnt after discharging our duties; in this regard, we point out the following remarks: 1) the unlawful calculation of index-linked interest for leasing contracts, which was "due to manipulations of the IT system on the part of bank employees", caused a damage to customers which is estimated at overall € 8,49m (including interest), of which 72,94m have been deducted from the initial equity and 8,55m have been booked in the P&L 2) the necessary assumption of the going concern is according to the Directors linked to the "currently ongoing recapitalisation" estimated at € 55m and to the "parent company's commitment to make the resources available to carry on the ordinary business" for additional 30m, and so, to a capital contribution of total € 85m, and without that immediate contribution there would not be the necessary requirement for the basis of the preparation of the financial statements;
- to our knowledge, the Directors complied with all laws in the preparation of the financial statements, that is Article 2423, 4th paragraph and Article 2423-bis, 2nd paragraph of the Civil Code;
- no statements were made on the part of the Shareholders in compliance with Article 2408 of the Civil Code;

In the light of the foregoing, and of the evidence arising from the activity conducted by the body entrusted with the legal auditing, and which is contained in the appropriate report attached to the financial statements and having the same date of 8 July 2013 (about which we were informed today), the Board of Statutory Auditors, in drawing the Shareholders' attention to the foregoing in matters of requirements, which according to the Directors enable to consider the assumption of the going concern still existing, recommends that the Shareholders' Assembly approves the financial statements as prepared by the Directors, since it was meanwhile informed about the capital contribution of € 85.000.000 on the part of the parent company as "increase in capital reserves" which occurred on 8 July 2013.

Tavagnacco, 9 July 2013

Claudio Siciliotti, Chairman
Adino Cisilino, Permanent Member
Alessandro Zanon, Permanent Member

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, VAT included, to the Auditing Company Deloitte & Touche S.p.A. is indicated, for the following services:

Job description	Amount
Half-year and annual auditing	91
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)	44

International accounting principles approved on December 31st, 2012

Accounting principles		Regulation compliance	Variations
IAS 1	Presentation of the balance statements	1126/08	1260/08; 1274/08; 53/2009; 70/2009; 243/2010; 149/11; 475/12
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; 475/12
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; 149/11
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, 1256/12
IAS 33	Profits per share	1126/08	1274/08
IAS 34	Intermediate balance statements	1126/08	70/2009; 149/11
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; 149/11
IFRS 2	Payments based on shares	1126/08	1261/08
IFRS 3	Corporate Aggregations	1126/08	149/11
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; 149/11;1256/12
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	149/11
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

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