(Translation from the Italian original which remains the definitive version)

2012 Annual Report

(Pictorial representation of “Colle Sabulo” – Oil on wood panel owned by Carifermo)

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BOARD OF DIRECTORS
Meeting of 25 March 2013

Directors' report

Dear shareholders,

Before presenting the bank's financial statements as at and for the year ended 31 December 2012, the further serious worsening in the general economic situation during the year requires discussion. This very worrying situation had already been presented and commented on in the 2011 Annual Report and fully materialised in 2012.

The 2011 Annual Report commented on how severe and disquieting the economic crisis was in that year.

At the end of 2012, it is clear that Italy is still mired in the effects of the 2008 financial crisis and the two serious recessionary phases that followed this crisis.

The second and particularly difficult recession, which started in mid 2011, has still not eased its grip on the economy allowing it to recover.

Certain unembellished data represent the ongoing economic situation better than any comment: GDP decreased by roughly 2.4% in 2012 alone, industrial production and gross capital expenditure dropped by nearly 25% while employment numbers fell by more than half a million persons.

During 2012, Italy faced the grim financial crisis in which its public finances are enmeshed. Indeed, financial instability, hinged on the difficulty in classifying Italian public debt securities, after the worst low at the end of 2011, gradually started to stabilise with a contraction in the spread compared to the ten-year German bund from over 500 basis points to 319 basis points at the end of the year.

This strong reduction in the spread was the result of the measures taken by the Italian government and the ECB.

They included the decisions taken by the ECB's governing council at the start of the year which were effective in circulating its monetary policy within the Eurozone and maintained the necessary liquidity conditions of the Euro System which, in turn, contributed to pushing up demand for government bonds by banks.

The painful decisions aimed at protecting investors holding government bonds of the EU states in economic difficulties by setting up the European Financial Stability Facility (EFSF) represented an about-turn in the second half of the year easing the financial difficulties of these peripheral states, including Italy.

The Italian government's tax and economic policy was affected by the international pressure to bring forward break-even to 2013.

The general financial conditions do not allow shilly-shallying, second thoughts or delays given the country's weak situation, worsened by the serious sovereign debt issue.

The measures undertaken improved foreign confidence in Italy but also had a serious pro-cyclical effect, exacerbating an already very perturbing situation.

The above figures speak for themselves.

The tax programmes must be continued with renewed focus on the need to mitigate social and redistribution consequences.

In order not to damage the domestic production sector, Italy must now aim for a sharp improvement in the competitiveness of its companies, containing costs and especially increasing productivity, with the significant renewal of industry and private services, larger and better investments in production and technological innovation in a context of simpler rules and public services that are finally efficient.

A reduction in tax rates is fundamental for both individuals and companies, even if this issue is to be implemented over the medium term in a balanced manner and with due care to public debt constraints.

The bank's operating model was very successful in the above context.

Its approach was two-pronged: organisational innovation and operating prudence.

Organisational innovation entailed the awaited take-off of a very advanced branch model which achieved its important ambitious objectives. Customer service levels improved visibly and the branches also managed to reduce their costs thanks to both the technologies adopted and their better ability to offer banking services.

Once again in 2012, the bank's policy hinged on prudence. It favoured Italian government bonds over other forms of investment, which are certainly more remunerative but have higher credit and market risks, especially after the 2008 crisis.

This decision was a successful contributor to the bank's results, as already described in the 2011 Annual Report. The gains recognised in profit or loss and the reversals of impairment losses on AFS securities benefitted the bank, improving its profitability and its already excellent capitalisation levels.

The bank's credit policy was similarly prudent and far-reaching. Despite the clear premonitory signs of the rapidly declining economic situation, the bank did not change its traditional support of households and businesses in its local areas, although it did give greater attention to business projects and their effective repayment abilities.

Nonetheless, credit quality deteriorated significantly during the year and the related impairment losses led to a contraction in the profit for the year.

2012 saw a new drive towards the ongoing improvement of the bank's products, impacting its statement of financial position and revenue from services.

The lending business was substantially stable, backing up the bank's intention not to withdraw but rather to make available its large resources to the local businesses through the unceasing supply of funds against repayments.

Direct funding grew strongly despite the lack of a policy aimed at developing this segment artificially. Customers showed their ability to discern and reward the bank, especially in this difficult economic climate, given its solid financial base and attractive products considering the diverse demand for savings.

Indirect funding, and especially managed funds, was adversely affected by the widespread uncertainty on the financial markets and the measures about the stamp duty which caused great consternation to investors, alongside the reform of the tax on financial income.

The bank's income statement figures, summarised by a high profit for the year of €10,320 thousand and total income of €15,950 thousand, include, on the one hand, the positive results of securities trading, due to the reversals of impairment losses on securities and trading activities, as well as, on the other hand, the large impairment losses on loans and receivables.

The figures (explained later) are an interesting starting point to comment the improvement in the core business profits as shown by the satisfactory performance of net interest income.

However, the outlook for all banks is very complex.

Two recessions in three years, impairing the quality of bank assets, have led to losses on loans and receivables that strongly squeeze profits. Moreover, the sovereign debt crisis has made wholesale market bank funding more complex and costly, further impacting the traditional lending business' profitability.

International situation

The global economy remained weak in 2012 due to continuation of the previous year's deluding results. International trade flows stagnated despite the signs of a recovery in certain emerging countries whose positive economic phases were not strong enough to counter the adverse trend of the Euro zone crisis. In addition, the US public debt imbalances and the feared outcome of a fiscal cliff fed the fears of continued uncertainty compromising the outlook for global growth.

The more developed economies, excluding China, continue to be incapable of resolving the quandary of excess debt on the one side and the need to finance a new expansionary phase on the other.

The uncertainties in the EU political scene are viewed negatively by the international community. Internal divisions and delays in taking the necessary decisions ballast the Eurozone's economic potential and further aggravate the financial difficulties that are seriously damaging the peripheral countries.

Inflation continues to be relatively acceptable in the developed economies, stable at 2% net of the energy and foodstuffs components. However, the underlying pressure in the emerging countries has continued leading to rapid increases in inflation, due also to the hikes in prices of raw materials and strength of the economic recovery.

The financial markets were very volatile in 2012. After an initial positive phase, thanks to the ECB's two refinancing transactions, the markets spiralled out of control again in March, due to the Spanish government's announcement of its intention to put off reducing its budget deficit, compared to the agreed objectives.

The tensions were eased in the months from June to August thanks to two important events: the EU summit of 28 and 29 June, which laid the groundwork for the Eurozone's future structure and, especially, the ECB president's intervention at the end of August, reassuring the markets about the central bank's intention to protect the Euro project.

Another two difficult situations affected the markets at the end of the year.

The first related to the debate in the US about the restrictions imposed by the public spending legislation, i.e., the whole fiscal cliff issue.

The second event was the announcement of early elections in Italy which generated additional concerns about government bonds. The markets' uncertainty about the outcome of the elections and the future governability of the country would seem to indicate another phase of greater volatility is due.

UNITED STATES

The US GDP increased by 1.5% on a year-on-year basis while it contracted, as expected, slightly in the fourth quarter of the year by 0.1% compared to the previous quarter, mainly due to the abrupt slowdown in public spending, especially in the military sector.

Personal consumption and investment spending grew, including investments in the residential construction sector where prices picked up considerably and construction activity took off in the last quarter of the year.

The labour market continued to improve with an unemployment rate of 7.8% at year end. The Department of Labour published figures showing average monthly new jobs created of 181 thousand for the whole year compared to a preliminary estimate of 153 thousand.

As a result, available income increased significantly thus improving the savings rate to 4.7%.

The annual inflation rate at year end decreased to 1.7% and was considerably lower than the 3% figure at the end of 2011. This trend is a result of the modest fluctuations in energy commodities prices and price stability of the foodstuffs sector. The inflation rate net of foodstuffs and energy commodities was thus 1.9%.

The target set by the FOMC[1] for the official Federal funds rate remained between 0% and 0.25%. The real new factor to stimulate the economy was the Federal Reserve's decision to maintain interest rates very low, not solely for the extremely expansionary monetary policy, as long as the unemployment rate continues to be above 6.5%, and inflation forecasts are steady at 2.5%. The Federal Reserve also decided to adopt a securitised loan purchase policy in 2012, purchasing USD40 billion a month as well as long-term treasury bonds of USD45 billion/month.

JAPAN

The economic indicators were vaguely positive towards the end of the year concurrently with the re-election of the prime minister *Shinzo Abe*, whose economic policy tends towards fighting deflation.

In December, the Japanese GDP was stable at 2011 levels but the 12-month inflation rate was still negative at around -0.1%.

Japan's central bank seems to have adopted an approach complementary to and functional for the growth objectives indicated by the government. Indeed, the central bank's recent decisions about a more accommodating monetary policy with an inflation target of 2% are designed to boost the country's economy.

Measures adopted include maintenance of a call rate on overnight deposits between 0% and 0.1% and the communication of new measures for the direct purchase of financial assets of YEN13,000 billion/month[2].

The government also noted that the "Yen's excessive appreciation is abating", which has positive effects for exporters and direct benefits on the balance of payments.

The government announced a package of YEN10,300[3] billion to finance the reconstruction programmes after the 2011 earthquake.

CHINA

The most recent figures for the Chinese GDP confirm the local economy's liveliness, with growth at +7.9% in 2012, a slowdown after the strong increases seen in 2010 (+10.4%) and 2011 (+9.3%).

Although official figures do not exist, the GDP seems to be pushed up by the steady rise in domestic consumption and investments.

Inflation intensified towards the end of the year with an annual rate of 2.5%, mostly reflecting the rise in foodstuff prices.

Exports and imports recovered near year end and brought up the annual trade balance up to USD232.8 billion, the highest level since 2009.

The Chinese central bank maintained the reference rate and reserve obligation unchanged in December.

UK

The most recent GPD figures for England confirm its stagnant economy and a zero change on 2011 after the more comforting increases seen in 2010 (+1.8%) and 2011 (+0.9%).

The stagnation is due to the contraction in the industrial sector while the services sector remained unchanged.

Despite this, the labour market continued to gain ground steadily with a year-end unemployment rate of +7.7%.

The rise in bank lending shows an improvement that may have a positive effect on future growth rates.

Annual inflation increased by 2.7%, basically unchanged from the previous year.

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[1] Federal Open Market Committee
[2] equal to roughly €104 billion
[3] equal to roughly €82.4 billion

The considerable unused production capacity affected the weak salary trends. These factors may contribute to controlling prices in the future.

The UK's monetary policy continued to be expansionary although the central bank does not officially confirm this approach in its published communications. In December, the Bank of England maintained the official rate for merchant bank reserves unchanged at 0.5% and kept the stock provided for by the securities acquisition programme unchanged at GBP375[4] billion, funded by issuing reserves.

EUROZONE

Economic activities continued to lose ground in the Eurozone in the last quarter of the year. The financial difficulties encountered by certain member states during the year and the effects of public finances consolidation adversely affected those economies that had seemed to be impervious from the crisis.

In December, the *€-coin*[5] indicator was roughly -0.3%. Internal demand was flat although certain sectors, such as new car registrations, performed very negatively. Industrial production contracted by 2.3%.

Consumer inflation in the Eurozone was 2.2% in December, mainly due to the strong deceleration of energy commodities prices. Real inflation, measured net of foodstuffs and energy commodities, was substantially stable at around 1.5%.

The financial markets' conditions improved considerably in 2012 compared to the last few months of 2011. Their deterioration had hindered the Eurozone's cyclical recovery. Returns on government bonds dropped in the countries in greater difficulties, partly due to the upturn in capital flows towards some of the countries most affected by the sovereign debt crisis.

The ECB maintained its very expansionary policy and the main refinancing rate was brought to 0.75% during the year and has been maintained stable at year end.

A return to calmer market conditions was assisted by the outcome of certain important measures, such as the ECB's announcement of the OMT[6] transactions during the summer and, more recently, the Council of economic and finance ministers of the EU reached agreement about a single supervisory mechanism.

These measures contributed significantly to breaking the vicious circle of sovereign debt and banking system conditions.

The improvement in the sovereign debt markets had a positive effect on the monetary and financial conditions of the affected countries. However, there are still sharp divides in bank interest rates, reflecting the spreads on government bonds in the Eurozone and the repercussions of the unfavourable economic situation on banking customers' credit ratings. The average cost of funding for households, businesses and financial brokers in Italy and Spain was still roughly 100 basis points higher than that of the countries less affected by the crisis in October.

ITALY

According to ISTAT (the Italian consumer price index), the domestic GDP decreased by 0.9% in the last quarter of the year compared to the previous quarter and by 2.7% on an annual basis.

Based on the number of days actually worked, the national income contracted by an estimated 2.2% for the year.

The brake on the Italian economy is the result of the reduction in added value of all the economic sectors. Household consumption, gross capital expenditure and public spending all contributed negatively to the GDP in the third quarter of 2012: -2.4%, -0.1% and -0.2%, respectively.

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[4] equal to roughly €432 billion
[5] provides an estimate of quarterly changes in the EU's GDP net of short-term fluctuations.
[6] Outright Monetary Transactions

On the other hand, the trade balance made a positive contribution of 2.1%, as did stockpiling (0.7%).

All the main industrial production sectors performed negatively. The worst decreases were seen for intermediate goods (down 9.4%) and consumables (down 7.7%) while energy and operating assets saw more modest reductions at -3.7% and -2.5%, respectively.

New manufacturing orders in November dropped 6.7% on an annual basis while retail sales contracted by 3.3%.

Business confidence continued to be negative in January and worse than the previous month, down from -15.9% to -16.8%.

The labour market continues to be the major thorn in Italy's side: December unemployment levels were +11.1%, stable compared to the previous two months for an average annual 10.6%.

The December consumer price index was steady at +2.6% compared to the previous month, although the core component improved from +1.6% to +1.7%.

MARCHE REGION

The local economic situation, which had worsened again between the summer and the start of autumn 2011, continued to be negative in early 2012.

Industrial demand shrank again, affected by the contraction in internal demand.

Overall, industrial production dropped in the first half of the year, especially in the mechanical and construction related sectors.

The economy was bolstered by foreign demand although regional exports have not returned to pre-crisis levels.

Construction sector difficulties worsened: revenue has dropped significantly and house purchases have fallen by more than 25%. The services segment, heavily dependent on internal demand, is stagnant.

The tertiary sector was adversely affected by the weak demand for consumables. The unfavourable economic climate impacted commercial activities, tourism and freight and passenger transportation services.

Employment levels decreased and, accordingly, resort to welfare support has increased. Although better than the national average, the unemployment rate has doubled on the average 2007 figure, before the crisis, supported by the upturn in jobs on offer.

Bank loans decreased by 3.3%. They were 5.2% lower for the business sector, especially the SME segment, and substantially stable for the household sector at 0.1% after a steady slowdown.

Bank loans have continued to drop since early 2012. According to the most recent information available, this contraction increased during the summer and related solely to business loans, mainly to SMEs, while household loans remained stable in June after a gradual reduction. This downturn is due to continued very selective lending policies and weak demand from households and companies.

Affected by the transfer to the non-performing category of loans to construction companies, loan quality continued to decline with a non-performing loan/loan ratio of 8.9% in September 2012. This was significantly worse than the figures recorded by the banks in central Italy and all of Italy at 5.3% and 6.0%, respectively.

Impaired loans in the region increased from €2,204 million to €2,937 million in the period from June 2011 to June 2012 (+33.25%).

Bank funding was buoyed up by bank deposits with longer maturities, which were more attractive than other forms of savings investments, also due to the better terms offered by banks. At the end of September 2012, bank funding had grown 4.1% on an annual basis, again significantly worse than the figures of the Central Italian banks and those of the whole of Italy at +13.8% and +6.8%, respectively.

THE ITALIAN BANKING SYSTEM

2012 was another extremely tough year for banks due to the complicated conditions faced by many Italian production companies. This is worsened by problems of a more structural nature due to the high costs.

The drastic drop in profit margins over the last few years and especially in 2012 have diminished resources while the spread on existing rates on government bonds makes it more arduous and expensive to obtain funds on the market, thus checking the banks' ability to sustain the economy.

Rather than commenting on the credit crunch, it would be more appropriate to analyse the effects of the unprecedented deposit crunch based on the situation shown by an analysis of credit demand and offer.

Mitigation of the financial markets' crisis by the partial recovery of government bond prices has led to a good improvement in profitability.

Marginal recoveries of profitability were achieved with an improvement in service quality to allow expansion and a partial rebalancing of revenue. New technologies introduced on a wider scale into the banks' production processes and the public's greater confidence in using them have started to assist the rationalisation of production processes and networks.

During 2012, the Italian banks participated in the ECB's financing transactions, thus overcoming in part the difficulties encountered by businesses in the past in obtaining liquidity. Towards the end of 2012, resort to the European central bank's liquidity through the refinancing transactions was very limited, like in the summer. The average interest rate applied to current accounts, the main component of retail funding, was 0.5% in November.

The interest rate paid to households on new deposits with terms of up to one year, very sensitive to tensions on the wholesale funding market, was 2.7% while the return on new bonds decreased by roughly 1% both for fixed and floating rate securities to 3.3% and 3.1%, respectively.

Loans to non-financial companies closed the year down 2.3% on an annual basis, less of a reduction than in previous months, which hit minimum lows since the historical performance at the end of the 1990's.

Loans to households confirmed a modest drop. According to the adjusted data for securitisations, the annual variation was slightly negative at -0.5% on an annual basis. An analysis of this component in December showed an insignificant reduction in property loans (-0.6%) while consumer credit continued to contract significantly (-6.9%). Other loans, including those to family businesses decreased by -0.1% on an annual basis.

In the third quarter of 2012, the new non-performing loans/loans ratio (net of seasonal factors and on an annual basis) increased to 2.2%. New non-performing loans for households were relatively low at 1.4%, without a significant variation on the previous year. Those for businesses reached 3.3%.

As a percentage of total loans, loans to companies with temporary difficulties (doubtful and restructured loans) amounted to 7.9% in October.

Deposits from residential customers stepped up their pace in December 2012 to 6.9% on an annual basis, the best since the end of 2008, compared to the drop seen in December 2001 of -0.5%.

Deposits picked up towards the end of the year thanks to the better performance of current accounts while flows to term deposits continued regularly.

Resort to the more stable technical forms of deposits continued: deposits with a set term exceeded €162 billion, equal to 13.6% of total deposits. Given the 2012 levels, it can reasonably be expected that the growth rate is slowing down, although it continues to be brisk.

Bank bonds contracted significantly at year end, down 6.8% on 2011. Issues for institutional customers on the wholesale market recommenced in July 2012 when fears about the sovereign debt risks abated. The performance of bank bonds is also affected by the fact that issues earmarked for households are replaced by certificates of deposit, even though the latter have shorter maturities.

Overall, customer funding grew slightly for the fourth consecutive month in December with a slight speeding up to 1.6% on an annual basis and 1.5% on a monthly basis.

The growth in deposits was offset by the drop in debt securities held by customers with banks (-3.3% in December, after -2.0% in November)[7].

Specifically, debt securities held on behalf of households and companies saw a sharp acceleration in the negative trend, which decreased to 6.0% for consumer households in December on an annual basis from -2.3% in November.

In volume terms, debt securities held on behalf of households decreased by €19.5 billion on a monthly basis. Compared to the start of the year, when the maximum level was achieved, they decreased by almost €52 billion for debt securities held for consumer households and by €11.7 billion for businesses.

Therefore, the improvement in current accounts at year end and the tailing off of the drop in securities deposited with banks shows customers' preference for liquidity in this situation of renewed tension and significantly lower interest rates on securities.

Bank capitalisation continued in the third quarter of 2012. At the end of September, the core Tier 1 ratio of the top five groups was an average 10.8%. The Tier 1 ratio and the total capital ratio were 11.5% and 14.3%, respectively.

Financial leverage, measured as the ratio of total assets to Tier 1 capital, was 19, considerably lower than the average for a sample of large European banks (27).

[7] Nominal amount, including bank bonds.

The bank's operations

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

The changes to the legislative framework were often hard to interpret, thus making their implementation even more arduous.

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

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

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

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

1. activation of the text alerts service for debit card transactions;
2. adoption of a new regulation for Loans on Pledges, with the review of the organisational and operational procedures;
3. adoption of specific organisational measures ("Internet security controls") to combat attempted fraud to customers' detriment through the theft of electronic ID on internet/home banking channels;
4. activation of a collaboration agreement with Agos Ducato to offer financing and consumer credit;
5. renewal of the collaboration with American Express for its credit cards:
6. activation of an agreement to place and distribute CF Assicurazioni's insurance policies;
7. activation of the crediting of INPS pensions to bearer savings deposits;
8. definition of new more efficient organisational and operational procedures for safes, secrets, keys and time devices.

During 2012, the bank commenced the operating stage of the "banca h24" project, which entails the sweeping reorganisation of the way in which bank branches are managed and devised. The project's main objectives are:

1. improvement of employees' interchangeability with the related reduction in the branch's costs;
2. transition of routine activities from the counter to the ATM machines located in a self service area, which is always open to the public;
3. optimisation of the codes and introduction of an automated system which reduces customers' waiting time at counters;
4. increasing customer loyalty by enhancing the branch personnel's role whereby they mainly provide consultancy rather than simply carrying out transactions;
5. encouraging cross-selling, especially as regards the services sector;
6. widespread introduction of new technologies and concurrent cutting of the cost of equipping bank branches;

7. raising security levels with elimination of perimeter protection and adoption of a cash protection system through the widespread adoption of time safes;
8. reduction of the surface space occupied by branches.

The “banca h24” project’s operational stage commenced in 2012. The organisational innovation affected the following branches, with a high success factor and full achievement of the set objectives:

1. Sant’Elpidio a Mare, a branch with seven employees;
2. Roma - 3, a branch with three employees;
3. Piane di Montegiorgio, a banch with four employees;
4. Casette d’Ete, a branch with five employees;
5. Monte Urano, a branch with 10 employees;
6. Fermo – Piazza Mascagni, a branch with seven employees.

Deployment of the new organisational model by the above branches was accompanied by an extraordinary design and organisational project which involved both the bank’s headquarters’ units and the network employees (who were provided with much training), immediately showing their high satisfaction with their new roles.

The preparation of the above branches led to a large increase in investments and maintenance costs, as can be seen clearly from the income statement.

Given the results, the reorganisation will be continued in 2013 with the activation of another three medium sized branches with roughly 25 employees.

The “contractual process” project, complementary to the “banca h24” project, tends to secure the process of commencing new bank transactions guiding the tellers by defining the contractual process required each time in a rigid manner, currently managed through tables. This project has an extremely high value added component for the newly designed branches and will also be implemented at the other branches given its importance.

This second project is of fundamental importance given the activities agreed with the IT *outsourcer*, CSE, and will cover all branch contract activities, meaning it is quite complex. Issue of the various forms will take place over the project’s duration.

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

In this respect, the bank properly used the new branch operating system, NSC, designed specifically to provide very sophisticated and integrated assistance to bump up their commercial development.

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

During 2012, the bank stepped up its actions to strengthen and build up its positioning in its traditional locations, aiming specifically at complying with budget objectives designed especially to assist customers while considering the sensitive issue of the branches’ growing profits, particularly those opened more recently.

The objectives were tailored for the particularly delicate financial trading sector and shared with the network, considering customer’s preferences for financial instruments and financial risk appetite.

The ongoing attainment of profit objectives by most of the branches confirms the bank’s strategic objective of maintaining a high presence in the region without sacrificing prudent management, despite the increasing general economic difficulties.

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

In addition to strengthening the bank's branches and multi-channel approach, its primary objective has been to improve its product and service portfolios to its customers' benefit on a day-to-day basis with increasingly customised products and services that meet with their favour.

The bank's securities trading approach is a sure value added factor, consistently based on providing a low risk service which is constantly monitored to ensure compliance with MiFID regulations.

Attention is paid to strengthening relationships with customers in line with the bank's strategies rather than forcing more profitable but much less transparent financial trading services where the return for customers is less certain.

This approach was particularly profitable in a year, such as 2012, when financial risks multiplied, to the detriment also of government securities, which had always been a safe haven for the more prudent savers.

With respect to lending policies, the bank continued to monitor new risk, especially in this period of economic crisis with borrowers finding it increasingly difficult to repay loans.

Despite this, its lending policy continued to include assisting businesses and households as can be seen by total lending volumes, which are in line with 2011 and, therefore, above the sector average.

The bank's projects included:

a. solidarity fund for first home loans, suspended during the year following enactment of Law no. 92 of 28 June 2012;
b. ABI's family plan for the suspension of loan repayments;
c. the "New measures for credit for SMEs" agreement of 28 February 2012, which replaces the "Standard notice for the suspension of payables of SMEs" of 3 August 2009 and the "Agreement for credit for SMEs" of 16 February 2011, no longer effective;
d. ABI's memorandum of understanding of 23 November 2011, designed to offset the impact of the new terms for communicating impaired positions for companies (past due or overdue by more than 90 days);
e. project to assist employees on government-sponsored lay-off schemes, based on a similar project applied in 2009.

Given market pressure and the increasingly critical liquidity crisis, the bank's funding policy aimed at maintaining its position without having to compete at unfavourable conditions. Direct funding was positive throughout the year assisted by the market's perception of the bank's solid position, which is a real success factor in the current scenario.

Given the very delicate and difficult interbank market situation, the bank's treasury management policies were based on prudence and aimed at ensuring suitable protection for the payment system.

In order to best carry out its essential operations, the treasury unit activated the procedures for participation in the LTROs[8] by collateralising part of its securities portfolio mainly made up of government bonds as well as €70 million of its own bonds guaranteed by the government.

Participation in these operations allowed the bank to increase its liquidity significantly, which would allow it to continue to provide financial support to its local base, even if it was unable to renew the bond maturities due to other financial upheavals.

The duration of the securities portfolio remained quite short in order to avoid an undesirable rise in market risk. Its trading activities were very intense and profitable involving its HFT portfolio.

[8] LTRO, acronym for *"long term refinancing operations"*.

The bank's treasury and cash service provided to local bodies continued to be intense and very profitable. During the year, it was able to strengthen its traditional role in this segment.

The introduction of the centralisation of funds of bodies in the bank's treasury service followed by those of schools eliminated the contribution of funds deriving from this service. This made it necessary to renegotiate the previously-agreed service conditions.

The bank encouraged and consolidated collaboration agreements with the local bodies, including during the difficult renegotiation phase, aimed at exploiting all possible synergies to the advantage of the local communities served.

It thus began an intense programme to implement the available technologies to improve the service and concurrently cut costs. Accordingly, it rolled out and activated the procedures for the IT mandate, drawn up for Chambers of Commerce, schools and public sector bodies.

In the latter case, the parallel phase with the main bodies managed by the bank will be completed in early 2013, to be followed by the operating stage via the IT mandate.

At year end, the bank managed 22 treasury services and 25 cash services[9].

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

The bank's 2012 income statement figures are affected by fair value losses on securities and impairment losses on loans and receivables.

The income statement and statement of comprehensive income figures are commented on in detail in a specific section of this report, but it is clear that this information should be integrated by disclosures of the key events of the year which had macroscopic effects considerably affecting the bank's results.

Net interest income improved considerably despite the increase in the cost of funding and net fee and commission income from services.

The securities treasury business generated large profits, developing trading activities while being careful not to take on large financial risk. This business focused on exploiting all possible upswings in the prices of the securities traded.

Activation of the "banca h24" branches and certain maintenance work on historical buildings owned by the bank, which did not meet the requirements for capitalisation, led to a significant increase in administrative expenses.

The cost of credit grew considerably as a direct result of the above-mentioned serious economic crisis. This increase was due to both the larger volumes of irregular loans and the further deterioration in the estimated recoverable amount of loans classified as irregular in previous years.

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

Organisation and workforce

The bank developed its operating structure during the year by opening its 60th branch, the third operational in Rome.

At 31 December 2012, the bank's 60 branches were located in seven provinces and three regions as shown in the following table:

REGION	PROVINCE	No. of branches 2012

[9] Cash services decreased from 35 to 25, mainly due to the combination of the bodies managed.

Marche	Fermo	28
Marche	Ascoli Piceno	11
Marche	Macerata	13
Marche	Ancona	2
Abruzzo	Teramo	2
Abruzzo	Pescara	1
Lazio	Rome	3

The property maintenance programme included ongoing work to maintain all the bank's properties, both owned and leased, in order to improve their working and comply with the laws about safety in the workplace. The bank focused on crime prevention measures through ongoing resort to cutting edge technological solutions to ensure the highest available security standards for its employees and customers.

Maintenance work included completion of the work at the Fermo headquarters, the Sant'Elpidio a Mare property and the Montottone property. The properties' age and location made the work very costly.

In 2012, the bank acquired two properties, one of roughly 400 square metres, located near its Services Centre, to be used as an archive and, if necessary, to house certain general management offices. The other property is in Piane di Montegiorgio to be used by the branch with the "banca h24" technology, replacing the previously leased property used by the branch.

The bank's owned property used for operations has a surface of roughly 28,285 square metres while its leased property has a total surface of roughly 8,250 square metres.

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

At year end, the bank had a total workforce of 403 employees, excluding the cleaner, as follows:

	31/12/2012	31/1/2011	31/12/2010
Managers:	2	2	2
Junior managers (3rd and 4th level):	43	40	40
Junior managers (1st and 2nd level):	62	62	63
3nd professional area:	286	292	299
2nd professional area:	10	7	8
Total	**403**	**403**	**412**
Cleaning staff	*1*	*1*	*1*

The above workforce did not include employees with term contracts at the year end.

In 2012, 11 employees left the bank while another 11 people were hired.

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

Changes in the workforce					
	31/12/2012	**2012 departures**	**2012 entries**	**Changes in employment**	**31/12/2011**

				contracts	
Managers	2	0	0	0	2
Junior managers (3rd and 4th level)	43	0	2	1	40
Junior managers (1st and 2nd level)	62	3	1	2	62
3rd professional area	286	8	4	-2	292
2nd professional area	10	0	4	-1	7
Total	**403**	**11**	**11**	**0**	**403**

At year end, the bank had 24 employees with part-time contracts.

The containment and streamlining of operating processes associated with the increasingly intense development of IT technologies, together with adoption of more efficient organisational models, allowed the redistribution of human resources with 69.3% at the branches and the other 30.7% at head office.

This distribution, difficult to achieve given the bank's status as an independent bank, has effectively contributed to the necessary containment of overheads.

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

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

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

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

The aims were threefold:

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

The bank also has an e-learning platform for on-line courses, consultation of course materials and monitoring scheduled training activities.

During the year, training courses included especially issues pertinent to the roll out of the "banca h24" technology.

During 2012, there was a downwards trend in the number and percentage of transactions in securities performed on-line.

Purchases and sales of securities made on-line by customers decreased to 53.5% compared to 58.4% in 2011 and made up 38.8% of the total volumes traded.

Altogether, the internet banking service, which includes on-line trading, is well met by customers and 10,460 customers activated the service at year end compared to 8,983 at the end of 2011.

Alongside the internet banking service, designed for individuals, the bank successfully launched its corporate banking service with an increasing number of businesses using this option. At 31 December 2012, 3,844 businesses had registered with this service compared to 3,397 at the end of 2011.

A large number of different transactions previously performed at the bank's premises are now carried out on-line. With respect to commercial bill collection presentation requests, 74.7% are performed on-line compared to the previous 72.5% involving collection order (RIBA), interbank direct relationship (RID) and payment against notice (MAV) requests.

The ATM service has 1,232 machines compared to 1,031 at the end of 2011 (+19.4%) with transaction volumes up 14.8% on an annual basis.

Internal controls

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

The controls involve the board of directors, the board of statutory auditors, senior management and all personnel, based on their roles and responsibilities.

Specifically, responsibility for the internal controls lies solely with the board of directors, whose duty it is accordingly to:

- establish guidelines, strategies and risk management policies;
- approve the bank's organisational structure, ensuring duties and responsibilities are allocated clearly and appropriately;
- regularly check the organisational structure's adequacy and effective working;
- ensure that the control units are sufficiently independent of the other units and have the appropriate resources to correctly carry out their duties.

The board of directors also regularly assesses the internal control's compliance with the bank's business model and their overall functionality, effectiveness and efficiency. It adopts any remedial actions promptly if it identifies weaknesses and/or irregularities during its checks.

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

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

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

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

Over the last few years, the Inspection Office has focused more on audit issues.

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

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

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

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

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

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

Risk Management

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

Accordingly, it monitors the following risks:

Market risk

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

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

Liquidity risk

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

Interest rate risk

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

Credit risk

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

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

Single-name and geo-business segment concentration risk

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

Compliance Unit

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

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

IT risks and personal data protection

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

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

Following enactment of Legislative decree no. 196/2003, the Privacy Code, which became effective on 1 January 2004, the bank drew up the data protection document as per point 2011 of the Technical Regulations, Annex B to the aforesaid Legislative decree. This document is revised regularly.

Law decree no. 5 of 9 February 2012 set out urgent measures for simplification and development and was converted, with amendments, by Law no. 35 of 4 April 2012. Without prejudice to the other security measures of ruling legislation, it abolished the requirement to prepare and update the data protection document.

Although the bank is not formally required to prepare this document, the security of personal data processing is a key objective. The existing controls are designed to ensure the correct working of the bank's IT system, the systems and their ability to combat attempted hacking of equipment exposed to internet risks.

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

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

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

In order to reduce the potential risks of on-line connections to the internet, the bank has a management system for internal e-mails.

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

Business continuity and disaster recovery plans

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

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

IT Audit

The participating banks assigned the IT audit to Ernst & Young Financial Business Advisors S.p.A.. This audit includes checking the security of CSE procedures. The consultants also carry out checks and follow-ups of the main findings of the IT audit of the previous year and specific analysis of the system's vulnerability to threats and external attacks.

Privacy - Legislative decree no. 196/2003

Pursuant to the Data Protection Ombudsman's measure of 27 November 2008, amended by its measure of 25 June 2009 about system administrators, the bank has communicated the identity of its system administrations.

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

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

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

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

With respect to Law no. 262 of 28 December 2005, the bank sends Consob a prospectus each year necessary to trade its bonds. In this respect, after carefully examining the documentation received, on 22 December 2012, with its measure no. 10103671, Consob approved the bank's prospectus for the issue of bonds as part of the Issuance Programme approved by the board of directors on 23 October 2012.

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

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

Law no. 231/2001 - Companies' administrative liability

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

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

Law no. 231/2007 - Prevention of the use of the financial system for the purpose of money laundering and terrorist financing

Specifically, during 2012, the following measures were taken to align the bank's procedures and processes with the anti-money laundering legislation, including:

a) circulation of the Italian Financial Intelligence Unit communication of 23 April 2012;
b) review of the procedure for communicating suspect transactions;
c) improvement of the procedures to identify and record transactions in the Centralised Computer Database;
d) instructions to the network for the adequate checks;
e) implementation of IT procedures for questionnaires about adequate checks, searches using external lists, quality and completeness of customer information.

Legislative decree no. 141/2010 - Consumer credit contracts

The bank has prepared internal regulations about this issue with the necessary changes to its organisational and operating processes for personal loans and mortgage loans covered by the above Legislative decree.

Other laws and regulations

- Adjustment to reflect changes in tax regulations about stamp duty on current accounts and savings books and financial products and instruments (Law decree no. 201 of 6 December 2011 converted into Law no. 214 of 22 December 2011).
- Adjustment to reflect changes in tax regulations about the taxing of financial income (Law decree no. 138 of 13 August 2011 converted with amendments by Law no. 148 of 14 September 2011).
- Alignment with the regulations about conflicts of interest for the placing of insurance policies by the bank (ISVAP measure no. 2946 of 6 December 2011).
- Basic account offer, a product with financial inclusion purposes (Law decree no. 201 of 6 December 2011, converted with amendments by Law no. 214 of 22 December 2011).
- Limit of €1,000 for salaries and pensions paid by public sector bodies and administrations (Law decree no. 16 of 2 March 2012, converted with amendments by Law no. 44 of 26 April 2012).

- Alignment with the regulations about the interest rate paid on credit facilities and overdrafts on current accounts and the opening of credit, following introduction of the fast investigation commission (Law decree no. 29 of 24 March 2012, converted by Law no. 62 of 18 May 2012).
- Alignment with regulations about joint and several liability for contracts and subcontracts for works and services (Law decree no. 83 of 22 June 2012, converted by Law no. 134 of 7 August 2012) for the management of contracts entered into by the bank as customer.

THE BANK'S FINANCIAL POSITION

Lending

Breakdown of lending by product

				Half year difference		Annual difference	
	31/12/2012	30/06/2012	31/12/2011	Amount	%	Amount	%
Current accounts	195,287	187,926	189,737	7,361	3.9%	5,550	2.9%
Postal current accounts	13	54	28	-41	-75.9%	-15	-53.6%
Financing for advances	195,001	186,893	201,911	8,108	4.3%	-6,910	-3.4%
Loans	569,988	564,084	567,374	5,904	1.0%	2,614	0.5%
Subsidies not settled through current accounts	64,986	65,872	68,748	-886	-1.3%	-3,762	-5.5%
Loans on pledges	66	81	65	-15	-18.5%	1	1.5%
Salary-backed loans	137	215	264	-78	-36.3%	-127	-48.1%
Non-performing loans	29,172	26,827	25,130	2,345	8.7%	4,042	16.1%
Portfolio risk	714	893	879	-179	-20.0%	-165	-18.8%
Treasury transactions	91	5,188	3,606	-5,097	-98.2%	-3,515	-97.5%
Total lending	**1,055,455**	**1,038,033**	**1,057,742**	**17,422**	**1.7%**	**-2,287**	**-0.2%**
- of which in Euros	1,052,945	1,034,310	1,053,244	18,635	1.8%	-299	0.0%
- of which in foreign currency	2,510	3,723	4,498	-1,213	-32.6%	-1,988	-44.2%

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

The bank's ability to couple its vocation as the local reference bank with its characteristic healthy and prudent approach to business, which is one of its strengths, was confirmed again by the ongoing economic difficulties.

As can be seen in the notes to the financial statements and indirectly in the breakdown of the loans by product, where loans are up to 54% compared to 53.6% in 2011, guarantee levels remained at the usual suitable levels, especially given the current economic climate.

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

Overall, the lending business was substantially stable at €1,055,455 thousand, down 0.2% on 2011.

As shown in the above breakdown by product, the half year growth dropped in the first six months to gain ground in the second half of the year, managing to almost return to the 2011 year-end balance at 31 December 2012.

Loan concentration, assessed by borrower, carried on the trend seen in previous years continuing its steady splitting, as shown in the following table:

Loan concentration							
	2012	2011	2010	2009	2008	2007	2006
Top 10 customers	7.17%	7.17%	7.21%	7.71%	8.06%	9.87%	10.15%
Top 50 customers	18.38%	18.58%	18.83%	19.57%	20.04%	21.19%	20.86%
Top 100 customers	25.26%	25.89%	25.92%	27.14%	27.08%	27.80%	27.61%

An analysis of lending by product confirms the slowdown in growth of the longer-term products at €569,988 thousand compared to €567,374 thousand at the end of 2011, an increase of €2,614 thousand or 0.5%, thus representing a slow down in a very positive growth trend seen in previous years.

The non-performing loans/performing loans ratio continued to be very modest in 2012 in line with previous years, with only a small growth. During the year, the bank activated the procedures to renegotiate loans as part of collective agreements for a total of €18,557 thousand, equal to 3.25% of all loans.

Current account balances amounted to €195,287 thousand at year end, up 2.9% on an annual basis, reflecting the significant assistance offered, in the form of ordinary credit, mainly to companies.

Financing for advances decreased slightly from €201,911 thousand at 31 December 2011 to €195,001 thousand, down 3.4%, entirely due to the negative economic situation which penalises companies' turnover. Statistics for bills presented for collection or under reserve show a similar annual decrease of 4.9% (number of transactions) and by 4% (amounts involved).

Subsidies not settled through current accounts decreased to €64,986 thousand compared to €68,748 thousand at the end of 2011.

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

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

The Management Controls and Risk Management Units kept general management up to date on developments with respect to the risk of repayment date extensions and the interest rate risk.

Credit quality showed the generalised difficult situation for all Italian banks.

Overdue positions increased from €2,636 thousand at the end of 2011 to €7,352 thousand at year end, with impairment losses of €418 thousand, covering 5.7% of the loans.

Substandard loans, including estimated losses, came to €41,982 thousand compared to €38,150 thousand at 31 December 2011, which includes impairment losses and discounting of €5,882 thousand, equal to 14% of the loans.

Non-performing loans amounted to €55,608 thousand at 31 December 2012 compared to €45,110 thousand at the end of 2011, including estimated losses, while impairment losses came to €26,433 thousand against €19,979 thousand. Net of these impairment losses, non-performing loans total €29,175 thousand compared to €25,131 thousand at 31 December 2011, an increase of 16.1%.

The drastic economic crisis has severely challenged the traditional credit measurement and selection methods. The chronic under-capitalisation of local companies, which is not always fully perceived by local entrepreneurs, makes it difficult to assess their credit standing which is partly overcome by analysing the stability of their revenue and trade receivables collections. The ongoing economic crisis has highlighted a widespread lack of liquidity in addition to the problem of scarce internally-generated funds especially for the footwear sector, which is the main local business, accustomed to working on the basis of a strict production schedule which is often adversely affected by competition from “ready to wear” articles.

This has obviously led to temporary financial difficulties often countered by considerable efforts and maximum operating flexibility, thus increasing the probability of irregular trends.

An analysis of irregular loans shows that the percentage of new loans reclassified as non-performing increased significantly during the year and amounted to €17,339 thousand, equal to 38.4% of the entire non-performing category at the end of 2012, including €16,139 thousand of loans previously classified as substandard.

New non-performing loans in 2011 amounted to €15,180 thousand, showing the steady decline in credit quality.

On the other hand, collections received during the year were consistently high, directly offsetting non-performing loans which came to €6,842 thousand compared to €6,423 thousand in 2011.

The financial crisis followed by the economic crisis, seen from 2008, has significantly affected the banks’ assets, which no longer have sufficient resources to maintain their prior allowances for impairment.

The following table shows the performance of irregular loans and the bank’s coverage ratio:

Carrying amount	**31/12/2008**	**31/1/2009**	**31/12/2010**	**31/12/2011**	**31/12/2012**
Non-performing loans	14,202	17,760	18,672	25,131	29,175
Substandard loans	26,800	30,638	39,351	34,514	36,100
Past due/overdue loans	1,783	4,512	3,118	2,522	6,934
Total	**42,785**	**52,910**	**61,141**	**62,167**	**72,209**
Gross amount	**31/12/2008**	**31/12/2009**	**31/12/2010**	**31/12/2011**	**31/12/2012**
Non-performing loans	29,880	35,602	36,355	45,111	55,608
Substandard loans	30,290	35,023	43,126	38,150	41,982
Past due/overdue loans	2,013	4,688	3,269	2,636	7,352
Total	**62,183**	**75,313**	**82,750**	**85,897**	**104,942**
Total covering ratio	31.20%	29.75%	26.11%	27.63%	31.19%

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

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

The implicit risk on performing loans is determined by considering the economic climate and making a collective impairment, currently calculated to be €12,136 thousand compared to €9,831 thousand at 31 December 2011, equal to 1.22% of the performing loans, which falls within the high end bracket of the performing loans of the Italian banking system.

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

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

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

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

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

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

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

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

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

The following activities were carried out:

Leases: the bank continued its operations in the finance lease sector through its operating agreements with Leasint S.p.A. (of the Intesa Sanpaolo group), leading to the finalisation of 17 contracts worth €3,704 thousand.

Credit cards: the bank's operations in this sector were satisfactory with 745 new cards being issued for a total 18,027 at year end. It also continued to issue Eura cards with 4,074 cards issued at year end, a modest increase compared to 4,069 at 31 December 2011.

Investments

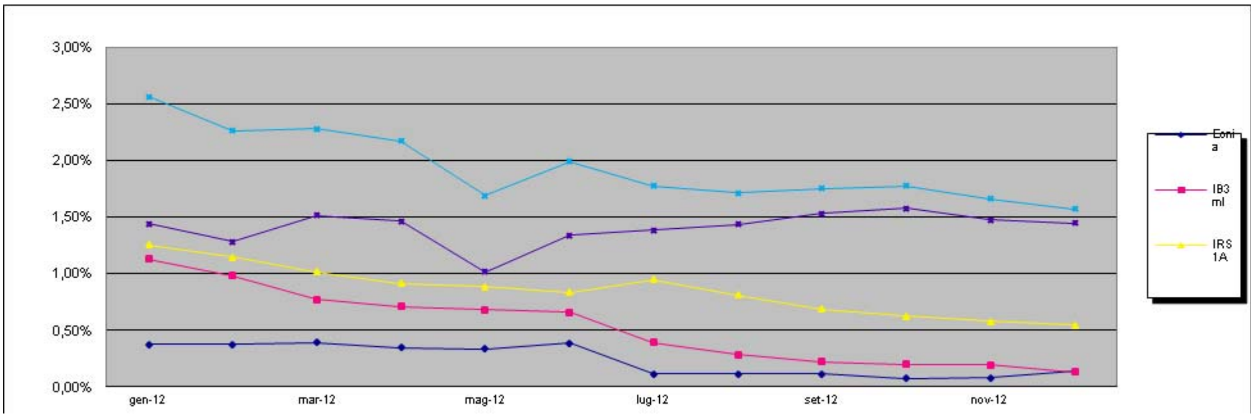
2012 saw a downwards trend in the risk-free[10] interest rates curve, reflecting the ECB's moderately expansionary monetary policies. The spread between the 3-month Euribor and the 10-year swap rate remained steady.

The 3-month Euribor was roughly 0.2% at year end, fluctuating within a range of between 1.5% and 0.13%, while the EONIA rate, which is much more sensitive to the ECB's marginal refinancing transactions, performed similarly and continued to fluctuate between 0.5% and 0.13%.

As can be seen in the following graph, all the interest rate curves decreased.

The spread between the 10-year swap rate and the 3-month Euribor remained steady at about 150 basis points.

[10] Market rates less the issuer risk component.



As a result of the sovereign debt crisis, the risk free rates have lost their traditional role as leading indicator to the Italian banking sector, given the large spread between Italian and German securities and the internal rates which acted as guides for the banks.

The Italian BTP treasury bonds-Bund spread dropped from 417 basis points at the start of the year to 319 basis points in December 2012 but continued to significantly impact interest rates on funding and lending.

The bank's financial investments are wholly comprised of government bonds (more than 80%) and senior bonds issued by major Italian and international banks.

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

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

The bank's investment choices and resource allocation decisions meant that the average life of its investments was one year and 177 days at year end and its portfolio has an average remaining duration of two years and 357 days.

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

The bank's involvement in open market operations called by the ECB led to the acquisition of short-term government bonds, not held for trading and thus classified as available-for-sale.

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

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

Breakdown of bonds in the HFT and AFS portfolios
Nominal amounts

			difference	
	31/12/2012	**31/12/2011**	**amount**	**%**
BOT and Zero coupon	57,853	23,525	34,328	145.92%
CCT	149,985	168,982	-18,997	-11.24%
BTP	177,475	24,016	153,459	638.99%
Bonds	90,342	128,841	-38,499	-29.88%
Shares	0	6	-6	-100.00%
Total	**475,655**	**345,370**	**130,285**	**37.72%**

Given the slow recovery in value of the spread between Italian and German government bonds and the related drop in returns on government bonds, the bank's securities portfolio gradually regained value and reached €12,044 thousand for the trading portfolio at year end and €8,399 thousand for the AFS securities portfolio.

The AFS portfolio gained an additional €6,916 thousand on securities purchased during the year.

The bank maintained its traditional position as a lender on the interbank market during 2012, given both the trends in lending and direct deposits.

Furthermore, given the drastic change in the markets after July 2011, the bank extended its operating opportunities by implementing the operating procedures which allow it to access the ECB's open market operations, including through its own securities acquiring government guarantees for them.

In this context, its Euro treasury activities had two objectives:

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

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

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

The 2008 financial crisis, its effects and reclassification measures

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

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

Accordingly, it reclassified certain securities from the HFT category into the AFS category, leading to a decrease in HFT assets while AFS assets increased from €3,552 thousand to €118,673 thousand at 31 December 2008.

The fair value loss on AFS securities of €3,359 thousand, net of deferred tax assets, at the end of 2008 was recognised in equity.

At 31 December 2012, the fair value measurement of just the debt instruments reclassified to the AFS category, with a residual nominal amount of €79,110 thousand, gave rise to a gross reversal of impairment losses of €8,399 thousand which, net of the related deferred tax assets, increased equity.

All securities reclassified and that matured during the year were redeemed at par.

Equity investments:

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

During the year, the bank sold its investment with a carrying amount of €2 thousand in SI.TE.BA S.p.A.. It reversed impairment losses of €0.7 thousand on its investment in Intesa Sanpaolo.

At 31 December 2011, the bank's investments amounted to €3,609 thousand.

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

Funding:

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

Breakdown of direct funding by product							
				Half year difference		Annual difference	
	31/12/2012	30/06/2012	31/12/2011	Amount	%	Amount	%
Savings deposits	127,071	128,471	132,811	- 1,400	-1.1%	- 5,740	-4.3%
Current accounts	754,460	709,919	709,966	44,541	6.3%	44,494	6.3%
Repos	12,641	22,148	12,197	- 9,507	-42.9%	444	3.6%
Certificates of deposit	109,972	121,289	58,530	- 11,317	-9.3%	51,442	87.9%
Bonds	241,000	237,264	247,015	3,736	1.6%	- 6,015	-2.4%
Total direct funding	**1,245,144**	**1,219,091**	**1,160,519**	**26,053**	**2.1%**	**84,625**	**7.3%**

Overall, direct funding amounted to €1,245,144 thousand, up 7.3% or €84,625 thousand on an annual basis. The increase was more visible in the second half of the year as shown in the above table.

There were numerous issues about fund management during 2012. To start with, the legislative framework led to large differences in the products on offer after the great changes incurred at the start of 2011 which required a long time to digest. The bank countered these difficulties by updating its price lists and access to the traded instruments.

Once again, the legislative uncertainty related to fund management products with introduction of a revised stamp duty which would seem to be a surrogate capital tax given its indirect and stamp duty nature.

Moreover, growing uncertainty about financial market trends led to considerable confusion among a large part of the customers, who adopted wait and see approaches, preferring short-term investments while waiting to see whether other investment opportunities materialised, despite the large increase in the risk premium as mentioned earlier.

This explains the rise in current account overdraft runs while the older savings deposits have continued to lose ground, both on a half year and annual basis.

Bonds lost popularity, mostly due to the bank's intention to avoid mechanical adjustments of the return on its products to those of its competitors, confirming its traditional policy of promoting transparency and simplicity of the products offered.

This policy was matched with the bank's assessment of customers' financial capacity to purchase the products proposed.

Given the considerable confusion reigning on the markets, the bank's bonds with the above characteristics, together with its solid reputation (including abroad), were positive factors for the placing of bond issues on the primary market where bonds as a whole amounted to €241,000 thousand.

The bank's overall financial position, its funding policy and access to the ECB open market operations allowed it to maintain maximum prudence even with competitors' borderline transactions, thus avoiding undesirable increases in the cost of funding.

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

Bonds accounted for roughly 19.4% of the entire direct funding at year end.

The average financial duration of the issued bonds is one year and 181 days, while the average outstanding duration is one year and 103 days.

At 31 December 2012, the bank had 23 bond issues, described in the annexes to the financial statements. Seven issues matured during the year while six new issues were placed with the financial characteristics established in the prospectus approved by Consob and valid from time to time.

Certificates of deposit amounted to €109,972 thousand at year end, a very significant improvement of 87.9%, thanks to the reduction in the tax component and the introduction of an innovation, the dematerialised certificates of deposit.

The treatment of certificates of deposit similarly to bonds, solely for stamp duty purposes, contributed to the moderate drop in the second half of the year.

Savings books declined in popularity steadily during the year to €127,071 thousand, down 4.3%.

Repos were stable at €12,641 thousand, substantially unchanged from 31 December 2011.

Current accounts grew again, by €44,494 thousand (+6.3%) to €754,460 thousand, confirming their position as customers' preferred short-term funding product at 60.6% of the entire direct funding.

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

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

Indirect funding at year end may be analysed as follows:

	31/12/2012	30/06/2012	31/11/2012	Half year difference		Annual difference	
				Amount	**%**	**Amount**	**%**
Government bonds	343,936	357,894	358,541	-13,958	-3.90%	-14,605	-4.07%
Bonds	173,977	175,405	174,283	-1,428	-0.81%	-306	-0.18%
Shares	83,824	105,317	108,048	-21,493	-20.41%	-24,224	-22.42%
Funds and OEICs	175,284	171,826	172,964	3,458	2.01%	2,320	1.34%
Asset management	26,672	26,097	32,283	575	2.20%	-5,611	-17.38%
Total indirect funding	***803,693***	***836,539***	***846,119***	***-32,846***	***-3.93%***	***-42,426***	***-5.01%***
Insurance and pension products	158,400	155,687	154,163	2,713	1.74%	4,237	2.75%
Total	**962,093**	**992,226**	**1,000,282**	**-30,133**	**-3.13%**	**-38,189**	**-3.82%**

Indirect funding, consisting of administered and managed funds, decreased at year end to €803,693 thousand compared to €846,119 thousand at 31 December 2011.

If the analysis is extended to include insurance and pension products, indirect funding shows a smaller decrease of €38,189 or 3.8% on 31 December 2011 to €962,093 thousand.

A breakdown of indirect funding, compared to that at 31 December 2011, shows customers' greater wariness of government bonds, which lost 4%, although the BTP bonds are preferred due to their better return.

The corporate bond sector, on the other hand, remained stable at €173,977 thousand compared to €174,283 thousand at 31 December 2011.

Share custody services decreased to €83,824 thousand against €108,048 thousand at 31 December 2011. As in the past, this form of funding tends to contract in the event of economic and financial stability even though the stock exchange indexes anticipate positive cycles and are climbing back to the 2007 peaks.

With respect to fund management, mutual funds and OEICs were stable at €175,284 thousand (+1.3%) compared to €172,964 thousand at the end of 2011.

Altogether, the year-end net funding balance confirms the sector trend which reflects the general figures for the Italian fund management business with a drop of €10,000 thousand for funds and OEICs while the asset management and fund management businesses lost another €6,801 thousand.

At 31 December 2012, the percentage of managed funds compared to the entire indirect funding was 25.1% against 24.2% at the end of 2011.

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

Finally, life policies and open pension fund products increased by 2.7% or €4,237 thousand on an annual basis.

INCOME STATEMENT

The following table summarises the key income statement figures, using the same reclassification criteria adopted in previous years.

	2012	2011	Difference	
			Amount	%
Net interest income	39,118	36,631	2,487	6.79%
Net operating income	81,603	47,625	33,978	71.34%
Operating costs	-49,348	-44,999	-4,349	9.66%
Operating profit	32,255	2,626	29,629	1128.29%
Pre-tax profit from continuing operations	18,268	405	17,863	4410.62%
Profit for the year	10,321	132	10,189	7718.94%

The individual balances are shown below:

Net interest income

	2012	2011	Difference	
			Amount	%
Interest income:				
- Ordinary customers	43,983	41,785	2,198	5.26%
- Securities portfolio	12,557	7,060	5,497	77.86%
- Banks	148	463	-315	-68.03%
Interest expense:				
- Ordinary customers	-6,551	-5,705	-846	14.83%
- Bonds	-9,664	-6,737	-2,927	43.45%
- Banks	-1,355	-235	-1,120	476.60%
Net interest income	**39,118**	**36,631**	**2,487**	**6.79%**

Net interest income was up a very positive 6.8% or €2,487 thousand on 2011 to €39,118 thousand.

It requires analysis by component (customers and financial items).

Net interest income with respect to ordinary customers came to €27,768 thousand for the year compared to €29,343 thousand for 2011, a decrease of 5.3%.

With respect to financial investments, net interest income increased by €4,057 thousand (+55.6%) to €11,345 thousand compared to €7,288 thousand for 2011.

This result is mainly due to the growth of the portfolio following the bank's participation in ECB's refinancing operations and that described earlier about the funding and lending trends.

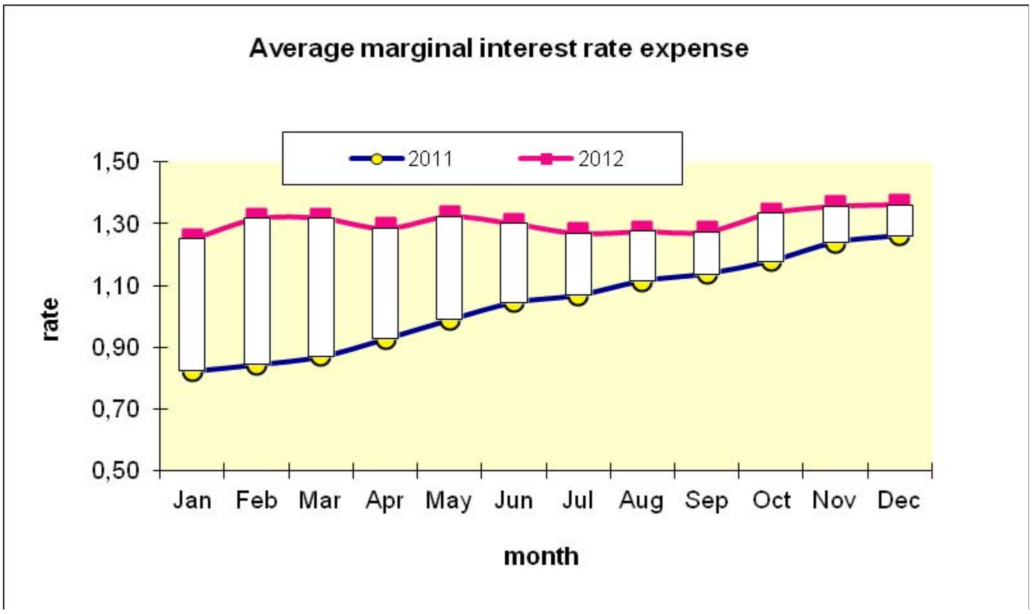
Moreover, the bank benefitted from the high interest rates on public debt securities during the year, leading to the mentioned upturn in profits which improved net interest income, thanks to the short financial term of its securities.

The maintenance of a high spread between the return on Italian government bonds compared to that on the German Bund, perceived as a risk-free investment by the market, had a follow-on effect on interest rates paid and received which, in turn, heavily affected interest income and expense.

Specifically, the increase in interest income from customers of €2,198 thousand was countered by a rise of €846 thousand in interest expense together with the higher interest expense on bonds of €2,927 thousand.

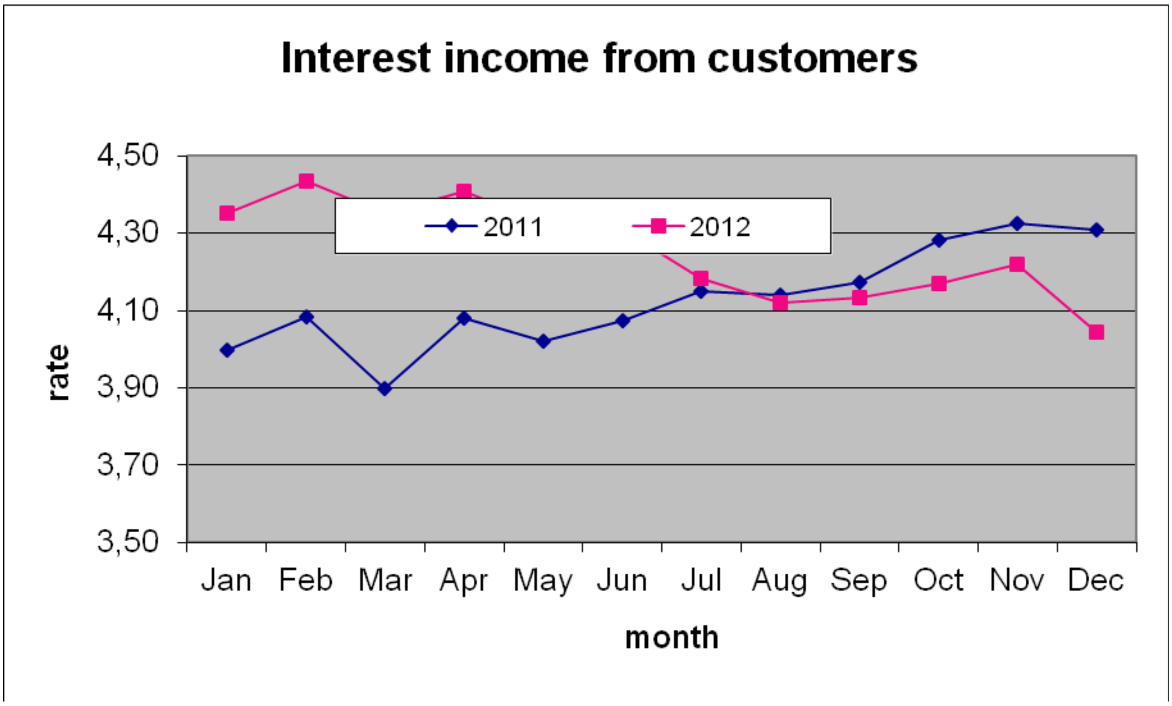
The average annual rate paid on direct funding was 1.31% compared to the average 1.04% at the end of 2011, an average rise of 27 bp, and the 2012 year-end rate was 1.36%.

The following graph shows interest rate trends in 2012 and 2011:

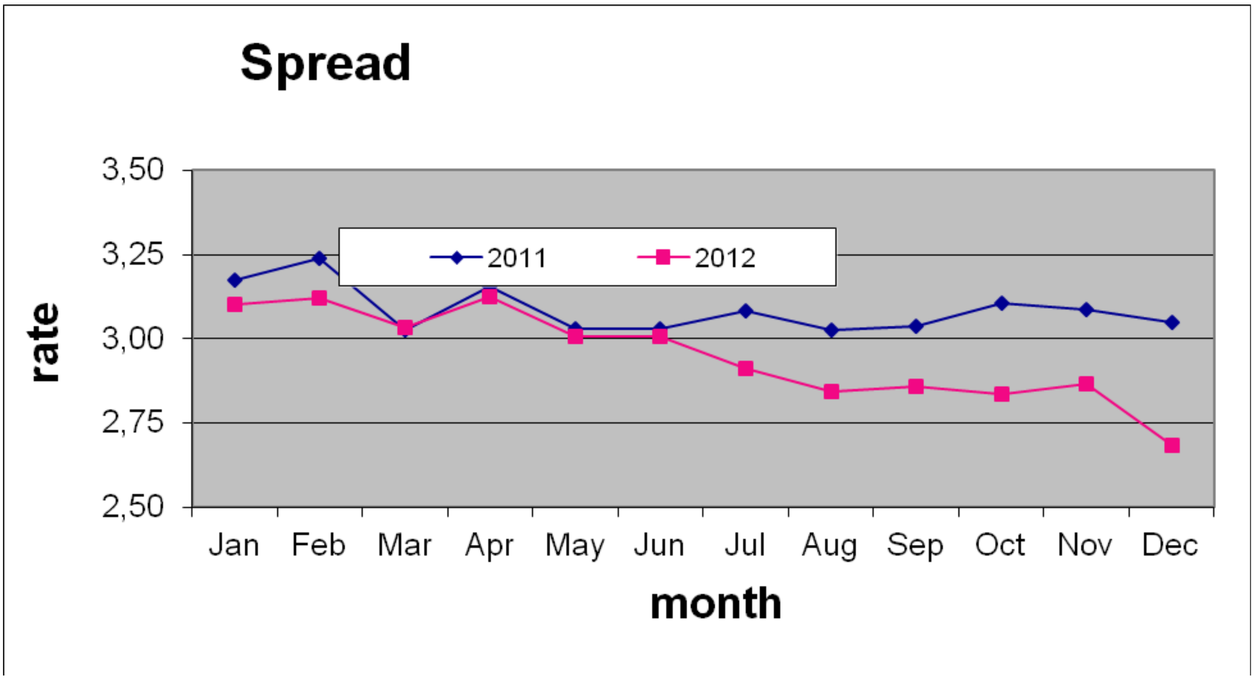


Interest income from ordinary customers, shown in the following graph, went from an average 4.13% in 2011 to an average 4.25% at the end of 2012, with an average increase of 12 bp, despite the abrupt drop mainly seen in the last quarter of the year.

The following graph shows interest rate trends with a rate of 4.04% in December 2012.



The 2012 spread on average rates applied to ordinary customers was generally below that of 2011 as shown in the following graph:



going from an average 3.09% for 2011 to the current 2.96%.

NET OPERATING INCOME

	2012	2011	Difference	
			Amount	%
Net interest income	**39,118**	**36,631**	**2,487**	**6.79%**
Dividends	180	195	-15	-7.69%
Net fee and commission income	19,692	19,333	359	1.86%
Net trading income (expense)	17,677	-13,242	30,919	-233.49%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	0	-3	3	-100.00%
Other operating income	4,936	4,711	225	4.78%
Net operating income	**81,603**	**47,625**	**33,978**	**71.34%**

Net operating income increased by €33,978 thousand to €81,603 thousand for 2012.

There was a drop in dividends from €195 thousand in 2011 to €180 thousand, partly due to the sale of equity investments.

Net fee and commission income increased on 2011, going from €19,333 thousand to the current €19,692 thousand, up €359 thousand or 1.9%.

The most significant contributor to this increase was the securities placement business which gained €461 thousand on an annual basis, going from €1,524 thousand to €1,985 thousand.

Current account management services increased similarly by €251 thousand.

Net trading income had a positive effect on net interest income at €17,677 thousand compared to an expense of €13,242 thousand for 2011. This improvement of €30,919 thousand heavily influenced the profit for the year.

This caption was particularly affected by the above-mentioned fair value measurement of financial assets held for trading.

The financial assets most concerned by reversals of impairment losses included the treasury certificates (CCT), the prices of which rose after the sovereign debt crisis of certain EU states, and with respect to the Italian government bonds held in the bank's securities portfolio.

As an explanation of the above, income from financial transactions (caption 80 of the income statement) may be broken down as follows:

1. Income from securities trading of €5,035 thousand;
2. Net exchange rate gains of €128 thousand;
3. Trading income on OTC derivatives of €15 thousand.

OPERATING PROFIT

	2012	2011	Difference	
			Amount	%
Net operating income	**81,603**	**47,625**	**33,978**	**71,34%**
Personnel expense	-29,098	-27,494	-1,604	5.83%
Administrative expenses	-18,933	-16,164	-2,769	17.13%
Amortisation and depreciation	-1,317	-1,341	24	-1.79%
Operating costs	**-49,348**	**-44,999**	**-4,349**	**9.66%**
Operating profit	**32,255**	**2,626**	**29,629**	**1128.29%**

The operating profit for the year was €32,255 thousand compared to €2,626 thousand for 2011.

The caption includes an increase in both personnel expense (€1,604 thousand or 5.8%) and other administrative expense (€2,769 thousand, 17.13%).

The growth in personnel expense was mainly due to:

1. higher wages and salaries of approximately €913 thousand;
2. an increase in the service costs for supplementary pension funds;
3. an increase in the 2012 bonus to be paid in 2013 as per the current contractual terms which ties the bonus to the bank's results.

Other administrative expenses, also up on the previous year, came to €18,933 thousand. The most significant variations were seen in the following sub captions:

1. legal fees for credit recovery, up from €1,305 thousand to €1,420 thousand due to the larger number of irregular loans;
2. maintenance, repair and conversions, which came to €2,661 thousand compared to €744 thousand for 2011. The costs related to the maintenance necessary to roll out the "banca h24" branches and other maintenance work on own properties, the age of which made the work particularly difficult;
3. car hire costs and data transmission lines, up from €1,264 thousand to €1,306 thousand;

Conversely, the following expenses decreased:

1. consultancy, from €762 thousand to €730 thousand;
2. third party services, from €2,940 thousand to €2,896 thousand.

Depreciation and net impairment losses on property, equipment and investment property dropped again to €1,282 thousand compared to €1,299 thousand for 2011.

Amortisation and net impairment losses on intangible assets continued to be minimal.

Pre-tax profit from continuing operations

	2012	2011	Difference	
			Amount	%
Operating profit	**32,255**	**2,626**	**29,629**	**1128.29%**
Net accruals to provisions for risks and charges	-1,546	-196	-1,350	688.78%
Net impairment losses on loans	-12,455	-2,043	-10,412	509.64%
Net impairment losses on other assets	0	0	0	0.00%
Net gains on held-to-maturity and other investments	14	18	-4	-22.22%
Pre-tax profit from continuing operations	**18,268**	**405**	**17,863**	**4410.62%**

The pre-tax profit from continuing operations jumped to €18,268 thousand from €405 thousand for 2011.

Net accruals to provisions for risks and charges of €1,546 thousand reflect the bank's prudent evaluation of the higher risks of ongoing legal disputes and claw-back claims as well as operating risks and charges and potential risks on endorsement credits.

Specifically, the bank was required to make a specific accrual following settlement of a dispute with a group of employees and this partly justified the above increase.

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

Impairment losses on irregular loans were recognised considering the borrowers' objective repayment difficulties and the recovery value of the underlying guarantees. The bank estimated the possible recovery times of the loans, considering the frequent resort to term negotiations, and made additional discounts.

Overall, individual impairment losses on irregular loans related to both loans that became impaired during the year and previous years. New appraisals were carried out for the previous year impaired loans, when necessary.

The following table shows the impairment losses recognised:

Category	**Impairment losses on loans impaired in 2012** (€'000)	**Impairment losses on loans impaired before 2012** (€'000)	**Total** (€'000)
Non-performing loans	5,194	3,284	8,778
Substandard loans	2,841	2,078	4,919
Past due loans	401	6	407
TOTAL	**8,436**	**5,668**	**14,104**

The collective impairment losses considered the implicit risk of the different business segments using historical and forward-looking statistics. These collective impairment losses cover 1.22% of the loans.

Overall, the bank had to counter the drop in credit quality by recognising larger impairment losses and losses on loans of €16,926 thousand, offset however by reversals of impairment losses of €4,471 thousand for a net balance of €12,455 thousand compared to €2,043 thousand for 2011.

The cost of credit was 1.28% and shows the bank's attention to safeguarding against credit risk, which has increased considerably due to the ongoing economic crisis.

PROFIT FOR THE YEAR:

	2012	2011	Difference	
			Amount	%
Pre-tax profit from continuing operations	**18,268**	**405**	**17,863**	**4410.62%**
Income taxes	-7,947	-273	-7,674	2810.99%
Profit (loss) from discontinued operations	0	0	0	0.00%
Profit for the year	**10,321**	**132**	**10,189**	**7718.94%**

As disclosed in section 18 of Part C of the notes, estimated direct IRES and IRAP taxes for the year came to €12,766 thousand compared to €1,379 thousand for 2011, due to the significant rise in the IRES tax base of an estimated €34,375 thousand compared to €259 thousand for the previous year.

The bank derecognised the effects of fiscally-driven entries by calculating deferred tax assets and liabilities. This gave rise to new deferred tax assets, net of those recognised in previous years, of €2,223 thousand, mainly arising on the impairment losses on loans exceeding the 0.3% ceiling established by article 106.3 of the Consolidated Income Tax Act.

Accordingly, the profit for the year amounted to €10,321 thousand.

Comprehensive income for 2012 is €15,950 thousand.

Positive contributors were the fair value gains on the AFS portfolio recognised net of the tax effect in a specific equity reserve (€10,255 thousand) while the actuarial loss on the supplementary pension fund and post-employment benefits recognised during the year after adoption of the standard for the immediate recognition of actuarial gains or losses led to a decrease in the related equity reserve of €4,625 thousand.

Cash flows:

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

Cash flows generated and used during the year, split between operating, investing and financing activities, clearly show the high contribution offered by trading activities.

Financial assets used large cash flows of €157,285 thousand, mostly due to the rise in AFS securities.

Changes in financial liabilities reflect the increase of €41,383 thousand in amounts due to bank, principally related to use of the credit facilities made available by the ECB, of €39,198 thousand in customer funding and of €44,445 thousand in debt securities.

Net cash flows generated by operating activities thus amounted to €4,923 thousand compared to €2,001 thousand for 2011.

Investing activities used funds of €2,534 thousand, due to the purchase of property, equipment and investment property for €2,159 thousand compared to sales of €24 thousand.

Financing activities did not use cash flows as the bank did not distribute dividends in 2012.

As a result, the net cash flows for the year were €2,413 thousand.

Indicators:

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

Financial statements indicators	2012	2011
Capitalisation ratios:		
Equity/total assets	9.03%	9.65%
Core Tier 1	13.44%	12.26%
Total capital ratio	14.74%	13.70%
Non-current assets/equity	12.88%	13.38%
Net non-recurring loans/equity	19.65%	17.84%
Own funds/third-party funds	11.93%	12.14%
Risk ratios:		
Net non-recurring loans/loans	2.76%	2.38%
Collective impairment losses/performing loans	1.22%	0.98%
Allowance for impairment/total loans	4.08%	3.08%
Profitability ratios:		
Net interest income/total income	51.02%	85.36%
Income from financial transactions/total income	23.06%	-30.86%
Gross operating profit/equity	21.72%	1.87%
Profit/equity	6.95%	0.10%
Profit/total assets	0.63%	0.01%
Tax ratio	43.50%	67.00%
Net other administrative expenses /total income	18.26%	26.22%
Personnel expense/total income	37.95%	64.53%
Administrative expenses/total income	56.21%	90.75%
Cost/income	57.93%	93.88%
Costs/gains on fair value measurement of securities	68.72%	71.21%
Administrative expenses/total assets	2.92%	2.99%
Productivity/distribution efficiency		
Loans and receivables with customers/employees	2,613	2,618
Due to customers/employees	3,082	2,873
Total income/average employees	189.77	105.053
Average employees/branches	6.733	6.924
Cost per employee	69.65	65.41
Loans and receivables with customers and due to customers/average employees	5,695	5,430
Loans and receivables with customers and due to customers/branches	38,343	37,598
Branch employees/employees	69.31%	70.79%

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

Specifically, all the indicators for the bank's capitalisation continued to be very positive in 2012.

The Tier 1 capital ratio is 13.44%, confirming the fundamental importance of its capitalisation to the bank and its risk assumption policy, aimed at matching exposure more to own funds than to extending debt.

The equity/total assets ratio decreased again to 12.88%.

The credit risk indicators show the stronger coverage level at 4.08% compared to 3.08% for 2011.

The net non-performing loans/performing loans ratio increased to 2.76% from 2.38% for 2011 as a result of the current economic crisis.

The performing loans indicator continues to be high at 1.22% compared to 0.98% for 2011.

The bank's profitability profile is clearly conditioned by the fair value measurement of securities. That being said, ROE is 6.95% while ROA is 0.63%.

As a result, the cost/income ratio is 57.93%, but net of the unrealised fair value gains/losses on securities, is 68.72% compared to 71.21% in 2011, confirming the continued improvement in the bank's efficiency.

The efficiency indicator shows the overall stability of the indicators.

Objectives: have they been met:

The bank avails of two tools which operate independently as part of its corporate governance system: the business plan and the annual budget.

The bank has made progress with the objectives included in the business plan, which covers the period to 31 December 2012, aimed at improving general efficiency. Such progress has included:

1. Introduction of an new Internal Services Guide;
2. Commencement of the Open Bank project;
3. Outsourcing of low value added services.

With respect to the objectives for the bank's operations and profitability, it should be noted that the general economic climate and forecasts made in 2009 when the board of directors prepared and approved the business plan and envisaged a generalised relaunch of the economy, especially in those developed countries after the devastating consequences of the 2008 banking crisis, were actually light years away compared to what actually happened in the years covered by the plan.

The shock about the vulnerability of the states' sovereign debt, especially in the Euro zone, previously considered to be untouchable, gave rise to the differences between the initial forecasts and actual results. The far-reaching consequences of this alarming fact led to the subsequent spiralling of the financial and economic crisis, an end to which has still not been seen and which was felt in full in 2012.

Despite all this:

lending, including the allowance for impairment, estimated to amount to €1,159,708 thousand at year end, actually came to €1,095,151 thousand, 5.5% below forecasts;

direct funding was estimated to amount to €1,381,378 thousand and actually came to €1,243,131; the difference of €138,245 thousand was mainly due to households' smaller capacity to put away new savings;

indirect funding was estimated to amount to €1,306,389 thousand compared to the actual €962,093 thousand; the difference of €344,296 thousand or 26.3% was again mainly due to households' financial difficulties.

The next table compares the forecast income statement figures as per the business plan with the actual figures:

	ANALYSIS OF PROFITABILITY		Difference compared to forecast
	Actual 2012	**Plan 2012**	
Net interest income	39,118	38,640	478
Total income	81,603	63,359	18,244
Administrative expenses	-18,933	-17,290	-1,643
Amortisation and depreciation	-1,317	-1,439	122
Personnel expenses	-29,098	-28,843	-255
Operating profit	32,255	15,787	16,468
Net impairment losses	-14,001	-2,438	-11,563
Pre-tax profit from continuing operations	18,254	13,349	4,905
Income taxes	-7,934	-5,277	-2,657
Profit for the year	**10,320**	**8,072**	**2,248**

Regulatory capital	**148,580**	**152,730**	**-4,150**

The table clearly shows that the bank exceeded its objectives, although the composition was different due to realised gains on securities and the large amount of impairment losses on loans.

An analysis of the regulatory capital should be based on the same reasonings as that underlying the examination of the income statement captions as any deviation from the plan forecasts not caused by the external variables, described exhaustively earlier, is worthy of attention and requires correction to the bank's policies.

That being said, forecast regulatory capital at 31 December 2012 was estimated at €152,730 thousand compared to the actual €148,580 thousand, with the shortfall mainly attributable to the effects of the revision of IAS 19 which led to recognition of a negative equity reserve of €2,752 thousand at the end of the year, clearly unforeseeable in 2009. Once again, therefore, the bank basically met its objectives.

The 2012 budget was prepared considering a worsening in the financial crisis affecting the debt of some of the peripheral Euro zone countries, including Italy.

The board of directors had considered the effects of this crisis solely in terms of a deterioration in credit quality. It had intentionally excluded an assessment of the impacts of the financial crisis, given the extremely volatile market prices.

Accordingly, the 2012 budget included downwards-revised growth estimates for lending (€1,135,359 thousand) and direct funding (€1,198,140 thousand).

Actual lending figures slightly underperformed the 2012 budget, down €40,208 thousand, while direct funding overperformed by €44,991 thousand.

The budget revised the business plan objectives in respect of the profit for the year and forecast a profit of €7,236 thousand. The following table shows the actual variation:

Comparison of income statement objectives				
	Actual	Budget	Difference	
			Amount	%
Net interest income	39,118	38,874	244	0.63%
Dividends	180	35	145	414.29%
Net fee and commission income	19,691	20,680	-989	-4.78%
Net trading income (expense)	17,676	-2,655	20,331	-765.76%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	0	0	0	0.00%
Total income	**76,665**	**56,934**	**19,731**	**34.66%**
Personnel expense	-29,098	-27,692	-1,406	5.08%
Administrative expenses	-13,997	-12,222	-1,775	14.52%
Amortisation and depreciation	-1,317	-1,461	144	-9.86%
Operating costs	**-44,412**	**-41,375**	**-3,037**	**7.34%**
Operating profit	**32,253**	**15,559**	**16,694**	**107.29%**
Net accruals to provisions for risks and charges	-1,546	-500	-1,046	209.20%
Net impairment losses on loans	-12,455	-1,551	-10,904	703.09%
Net impairment losses on other assets	0	0	0	0.00%
Net gains on held-to-maturity and other investments	15	0	15	0.00%
Pre-tax profit from continuing operations	**18,267**	**13,508**	**4,759**	**35.23%**
Income taxes	-7,947	-6,272	-1,675	26.71%
Profit (loss) from discontinued operations	0	0	0	0.00%
Profit for the year	**10,320**	**7,236**	**3,084**	**42.61%**

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

The directors note that they have assessed the bank's profitability and liquidity for a period of not less than 12 months from the reporting date based on the business plan, the 2012 budget and all other available information.

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

1. revision of the internal procedures so as to take part in the ECB auctions;
2. ongoing alignment and monitoring of interbank credit facilities;
3. maintenance of a lending/funding ratio always below the 90% threshold identified by the board of directors as prudent.

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

It is sufficient to consider the following:

a. The bank has never made a loss despite other unfavourable economic periods;
b. Its market share is sufficient and its local ground roots have actually been strengthened by the unfavourable climate;
c. Its high capitalisation and prudent approach are a solid basis for dealing with any future risks;
d. Excluding the results of the fair value measurement of securities, the bank continues to improve its results as clearly demonstrated in this report.

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

Banca d'Italia document no. 0265719/13 of 15 March 2013

This communication focuses on the measurement of loans and receivables, remuneration and dividend policies.

It mainly deals with banks' capitalisation in light of their requirement for funds as a result of the current recession.

The central bank expects bank bodies to adopt strict and transparent criteria for the measurement of financial statements captions and to adopt dividend distribution policies that ensure adequate capitalisation.

In full compliance with these instructions, the bank has built up its risk monitoring activities in 2012 in line with its objective of maintaining high capitalisation levels. Measurement of loans and receivables was heavily affected by the need to align controls to the sudden drop in credit quality following the current economic crisis.

This proper policy, monitored continuously to focus on the bank's capitalisation, lead to the very acceptable total capital ratio and Tier 1 capital ratio.

The bank's remuneration policy hinges on maximum prudence, limiting the variable part indexed to financial statements data to just the mechanisms provided for by labour agreements.

Outlook

Based on the scenario proposed during approval of the 2012 budget and considering the significant changes in the business sectors most hard hit by the current difficult economic climate, the bank will conclude or continue certain macro organisational projects during 2013 such as:

- ✓ roll out of certain branches as "Open Banks" with the relevant technology;
- ✓ completion of the contractual procedure to allow rapid and automated access to and use of contractual documentation by the tellers;
- ✓ stepping up the property rationalisation programme.

The economic crisis that exploded towards the end of 2008 will continue into 2013, although a slight improvement should be seen at the end of the year.

Uncertainty continues to persist which may affect financial market development. Specifically, the outcome of the Italian political elections are not reassuring about the permanent and stable governability of the country.

This leads to large questions about the bank's future operations and results in terms of its net interest income, finances and the results of assessment of credit risk.

It is clear that, thanks to the bank's strong financial position and cash flows, it is in a less critical situation than other Italian banks. Indeed, it will continue to assist local businesses, as is part of its mission with increasing focus on acquiring more funding.

In purely operational terms, the bank intends to:

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

Based on the 2013 budget reviewed by the board of directors and communicated by the management accounts unit and the commercial unit to all the bank's offices, the bank foresees:

- a 2.3% increase in lending which is based on the possible recovery of the economy at the end of the year;
- a 2.6% upturn in direct funding, mainly thanks to the bank's competitive edge and market confidence in it and households' difficulties in accumulating new funds;
- stable net interest income;
- an increase in fee and commission income; the bank believes that there is ample room for an increase in income from fund management, insurance and order collection services;
- smaller operating expenses, due to the scheduled and ongoing related measures;
- a smaller increase (compared to 2012) in irregular loans and the related risk as a direct outcome of the economic crisis referred to many times in this report.

The bank will especially focus on improving the quality of its distribution channels and its on-line channel in particular. The "open bank" branches will contribute significantly to this objective thanks to their greater capacity for commercial development.

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

PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

Dear shareholders,

As described, the profit for the year amounts to €10,320,262. Pursuant to the relevant laws and article 24 of the by-laws, we propose it be allocated as follows:

- 10% to the legal reserve	1,032,026
- 15% to the statutory reserve	1,548,039
- to the shareholders as a dividend of € 10.15	7,711,462
- the remainder to the statutory reserve	28,735
Total profit for the year	**10,320,262**

Therefore, should you approve the financial statements and the related proposed allocation of the profit for the year as set out above, the bank's equity will amount to €151,100,303 as follows:

- ***Share capital***	39,241,087
- ***Share premium***	34,660,068
- ***Income-related reserves***	62,121,438
- ***Valuation reserves***	15,077,710
TOTAL	**151.100.303**

After the allocation set out above pursuant to article 24 of the by-laws, the legal reserve, which amounted to €14,878,664 at 31 December 2012, will amount to €15,910,690 and will thus exceed one fifth of the share capital as per article 2430 of the Italian Civil Code, equal to €7,848,218, by €8,062,472.

Conclusions

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

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

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

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

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

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

On behalf of the board of directors
The Chairman

(signed on the original)

Fermo, 25 March 2013

STATEMENT OF FINANCIAL POSITION: ASSETS

	Assets	31/12/2012	31/12/2011
10.	Cash and cash equivalents	14,100,988	11,687,416
20.	Financial assets held for trading	204,776,556	188,168,357
30.	Financial assets at fair value through profit or loss	-	-
40.	Available-for-sale financial assets	266,459,164	116,017,217
50.	Held-to-maturity investments	5,022,377	5,038,035
60.	Loans and receivables with banks	43,895,692	27,491,446
70.	Loans and receivables with customers	1,055,455,191	1,057,741,761
80.	Hedging derivatives	-	-
90.	Adjustments to generically hedged financial assets	-	-
100.	Equity investments	-	-
110.	Property, equipment and investment property	19,048,993	18,776,787
120.	Intangible assets	83,489	71,693
	including: - goodwill	-	-
130.	Tax assets	13,244,839	11,221,081
	a) current	*2,969,354*	*3,721,972*
	b) deferred	*10,275,485*	*7,499,109*
	b1) including as per Law no. 214/2011	*5,105,024*	-
140.	Non-current assets classified as held for sale and disposal groups	-	-
150.	Other assets	22,775,522	23,975,870
	Total assets	**1,644,862,811**	**1,460,189,663**

STATEMENT OF FINANCIAL POSITION: LIABILITIES

	Liabilities and equity	31/12/2012	31/12/2011
10.	Due to banks	151,023,198	111,253,881
20.	Due to customers	894,172,083	854,974,047
30.	Securities issued	350,971,516	305,544,995
40.	Financial liabilities held for trading	658,073	1,423,903
50.	Financial liabilities at fair value through profit or loss	-	-
60.	Hedging derivatives	-	-
70.	Adjustments to generically hedged financial liabilities (+/-)	-	-
80.	Tax liabilities	16,288,109	3,353,335
	a) current	*12,971,371*	*1,608,352*
	b) deferred	*3,316,738*	*1,744,983*
90.	Liabilities associated with discontinued operations	-	-
100.	Other liabilities	45,643,375	21,785,875
110.	Post-employment benefits	11,039,059	8,616,652
120.	Provisions for risks and charges:	16,255,633	10,375,380
	a) pension and similar obligations	*12,922,352*	*8,588,408*
	b) other provisions	*3,333,281*	*1,786,972*
130.	Valuation reserves	15,077,710	9,447,802
	including: relating to discontinued operations	-	-
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	59,512,638	59,378,892
170.	Share premium	34,660,068	34,660,068
180.	Share capital	39,241,087	39,241,087
190.	Treasury shares (-)	-	-
200.	Profit for the year (+/-)	10,320,262	133,746
	Total liabilities and equity	**1,644,862,811**	**1,460,189,663**

INCOME STATEMENT

		2012	2011
10.	Interest and similar income	56,797,804	49,457,038
20.	Interest and similar expense	- 17,679,524	- 12,825,750
30.	**Net interest income**	**39,118,280**	**36,631,288**
40.	Fee and commission income	21,504,274	20,407,787
50.	Fee and commission expense	- 1,812,610	- 1,074,535
60.	**Net fee and commission income**	**19,691,664**	**19,333,252**
70.	Dividends and similar income	180,372	195,211
80.	Net trading income (expense)	17,185,231	- 13,089,890
90.	Net hedging income (expense)	-	-
100.	Gain (loss) from sales or repurchases of:	491,464	- 152,203
	a) loans and receivables	-	-
	b) available-for-sale financial assets	650,373	- 92,449
	c) held-to-maturity investments	-	-
	d) financial liabilities	- 158,909	- 59,754
110.	Net losses on financial assets and liabilities at fair value through profit or loss	-	- 3,343
120.	**Total income**	**76,667,011**	**42,914,315**
130.	Net impairment losses on:	- 12,454,970	- 2,043,200
	a) loans and receivables	- *12,454,970*	- *2,043,200*
	b) available-for-sale financial assets	-	-
	c) held-to-maturity investments	-	-
	d) other financial transactions	-	-
140.	**Net financial income**	**64,212,041**	**40,871,115**
150.	Administrative expenses	- 48,031,160	- 43,657,801
	a) personnel expense	- *29,098,087*	- *27,493,889*
	b) other administrative expenses	- *18,933,073*	- *16,163,912*
160.	Net accruals to provisions for risks and charges	- 1,546,309	- 195,566
170.	Depreciation and net imp. losses on property, equipment and investment property	- 1,282,302	- 1,298,826
180.	Amortisation and net impairment losses on intangible assets	- 34,966	- 41,759
190.	Other net operating income	4,936,284	4,711,310
200.	**Operating costs**	**- 45,958,453**	**- 40,482,642**
210.	Gains (losses) on equity investments	-	-
220.	Fair value gains (losses) on property, equipment, invest. property and int. assets	-	-
230.	Impairment losses on goodwill	-	-
240.	Net gains on sales of investments	13,835	17,701
250.	**Pre-tax profit from continuing operations**	**18,267,423**	**406,174**
260.	Income taxes	- 7,947,161	- 272,428
270.	**Post-tax profit from continuing operations**	**10,320,262**	**133,746**
280.	Post-tax profit (loss) from discontinued operations	-	-
290.	**Profit for the year**	**10,320,262**	**133,746**

STATEMENT OF COMPREHENSIVE INCOME

		2012	2011
10.	**Profit for the year**	**10,320,262**	**133,746**
	Other comprehensive income, net of income taxes		
20.	Available-for-sale financial assets:	10,254,885	- 5,190,268
	a) debt instruments	*10,254,362*	*- 5,172,632*
	b) equity instruments	*523*	*- 17,636*
30.	Property, equipment and investment property	-	-
40.	Intangible assets	-	-
50.	Hedges of investments in foreign operations	-	-
60.	Cash flow hedges	-	-
70.	Exchange rate gains (losses)	-	-
80.	Non-current assets held for sale	-	-
90.	Actuarial gains (losses) on defined benefit plans	- ,624,977	1,873,234
100.	Portion of valuation reserve of equity-accounted investees	-	-
110.	**Total other comprehensive income (expense), net of income taxes**	**5,629,908**	**- 3,317,034**
120.	**Comprehensive income (expense) (10 + 110)**	**5,950,170**	**- 3,183,288**

STATEMENT OF CHANGES IN EQUITY FOR 2012

	Balance at 31/12/2011	Change to opening balances	Balance at 1/01/2012	Allocation of prior year profit		Changes in 2012								Equity at 31/12/2012
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Re-purchase of treasury shares	Extra-ordinary dividend distribut-ion	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for 2012	
Share capital:	39,241,087	-	39,241,087	-	-	-	-	-	-	-	-	-	-	39,241,087
a) ordinary shares	39,241,087	-	39,241,087	-	-	-	-	-	-	-	-	-	-	39,241,087
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	34,660,068	-	34,660,068	-	-	-	-	-	-	-	-	-	-	34,660,068
Reserves:	59,378,892	-	59,378,892	133,746	-	-	-	-	-	-	-	-	-	59,512,638
a) income-related	56,109,132	-	56,109,132	133,746	-	-	-	-	-	-	-	-	-	56,242,878
b) other	3,269,760	-	3,269,760	-	-	-	-	-	-	-	-	-	-	3,269,760
Valuation reserves:	9,447,802	-	9,447,802	-	-	5,629,908	-	-	-	-	-	-	-	15,077,710
a) fair value	-7,547,200	-	-7,547,200	-	-	10,254,885	-	-	-	-	-	-	-	2,707,685
b) hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) monetary revaluation reserves	15,121,768	-	15,121,768	-	-	-	-	-	-	-	-	-	-	15,121,768
d) other	1,873,234	-	1,873,234	-	-	-4,624,977	-	-	-	-	-	-	-	-2,751,743
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	133,746	-	133,746	-133,746	-	-	-	-	-	-	-	-	10,320,262	10,320,262

Equity	142,861,595	-	142,861,595	-	-	5,629,908	-	-	-	-	-	-	10,320,262	158,811,765

STATEMENT OF CHANGES IN EQUITY FOR 2011

	Balance at 31/12/2011	Change to opening balances	Balance at 1/01/2010	Allocation of prior year profit		Changes in 2010								Equity at 31/12/2011
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Re-purchase of treasury shares	Extra-ordinary dividend distribut-ion	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive expense for 2011	
Share capital:	39,241,087	-	39,241,087	-	-	-	-	-	-	-	-	-	-	39,241,087
a) ordinary shares	39,241,087	-	39,241,087	-	-	-	-	-	-	-	-	-	-	39,241,087
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	34,660,068	-	34,660,068	-	-	-	-	-	-	-	-	-	-	34,660,068
Reserves:	58,668,523	-	58,668,523	724,618	-	-14,249	-	-	-	-	-	-	-	59,378,892
a) income-related	55,384,514	-	55,384,514	724,618	-	-	-	-	-	-	-	-	-	56,109,132
b) other	3,284,009	-	3,284,009	-	-	-14,249	-	-	-	-	-	-	-	3,269,760
Valuation reserves:	12,764,836	-	12,764,836	-	-	-3,317,034	-	-	-	-	-	-	-	9,447,802
a) fair value	-2,356,932	-	-2,356,932	-	-	-5,190,268	-	-	-	-	-	-	-	-7,547,200
b) hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) monetary revaluation reserves	15,121,768	-	15,121,768	-	-	-	-	-	-	-	-	-	-	15,121,768
d) other	-	-	-	-	-	1,873,234	-	-	-	-	-	-	-	1,873,234
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	2,244,118	-	2,244,118	-724,618	-1,519,500	-	-	-	-	-	-	-	133,746	133,746
Equity	147,578,632	-	147,578,632	-	-1,519,500	-3,331,283	-	-	-	-	-	-	133,746	142,861,595

STATEMENT OF CASH FLOWS: indirect method

A. OPERATING ACTIVITIES	2012	2011
1. Operations	22,468,217	19,051,358
- profit for the year (+/-)	10,320,262	133,746
- gains/losses on financial assets held for trading and financial assets/liabilities at fair value through profit or loss (-/+)	-12,015,421	13,592,884
- gains/losses on hedging activities (-/+)	-	-
- net impairment losses/reversals of impairment losses (+/-)	14,247,633	2,704,769
- net impairment losses/reversals of impairment losses on property, equipment and investment property and intangible assets (+/-)	1,410,987	1,374,660
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	5,750,546	2,768,726
- unpaid taxes and duties (+)	7,947,160	272,427
- net impairment losses/reversals of impairment losses on disposal groups, net of the tax effect (+/-)	-	-
- other adjustments (+/-)	-5,192,950	-1,795,854
2. Cash flows used for financial assets	-157,285,307	-76,742,437
- financial assets held for trading	-267,458	5,139,436
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	-132,856,012	-5,331,714
- loans and receivables with banks: on sight	-3,629,372	8,283,890
- loans and receivables with banks: other	-12,774,875	-14,185,702
- loans and receivables with customers	-10,444,430	-70,971,180
- other assets	2,686,840	322,833
3. Cash flows generated by financial liabilities	139,740,547	59,691,715
- due to banks: on sight	-1,614,044	1,799,921
- due to banks: other	41,383,359	102,031,964
- due to customers	39,198,036	-50,328,123
- securities issued	44,444,543	33,517,198
- financial liabilities held for trading	-	-
- financial liabilities at fair value through profit or loss	-	-1,626,128
- other liabilities	16,328,653	-25,703,117
Net cash flows generated by operating activities	4,923,457	2,000,636
B. INVESTING ACTIVITIES		
1. Cash flows generated by	24,162	20,670
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of HTM investments	-	-
- sales of property, equipment and investment property	24,162	20,670
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	-2,534,047	-979,961
- equity investments	-	-
- HTM investments	-	-
- property, equipment and investment property	-2,158,651	-964,200
- intangible assets	-375,396	-15,761
- business units	-	-
Net cash flows used in investing activities	-2,509,885	-959,291

C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/repurchase of equity instruments	-	-
- dividend and other distributions	-	-1,519,500
Net cash flows used in investing activities	-	-1,519,500
NET CASH FLOWS FOR THE YEAR	2,413,572	-478,155

Key: (+) generated; (-) used

Reconciliation:

FINANCIAL STATEMENTS CAPTIONS	Amount	
	2012	2011
Opening cash and cash equivalents	11,687,416	12,165,571
Net cash flows for the year	2,413,572	-478,155
Cash and cash equivalents: exchange rate effects	-	-
Closing cash and cash equivalents	14,100,988	11,687,416

NOTES TO THE FINANCIAL STATEMENTS

PART A
Accounting policies

A.1 – GENERAL PART

Section 1 – Statement of compliance

The financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2012 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission with EC regulation 1606 of 19 July 2002 and applied in Italy with article 1 of Legislative decree no. 38 of 28 February 2005. The instructions issued by Banca d'Italia in its Circular no. 262 of 22 December 2005 and the first update of 18 November 2009 have also been considered.

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

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

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

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

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

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

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

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

Section 2 - Basis of presentation

The financial statements are clearly stated and give a true and fair view of the bank's financial position at 31 December 2012 and its results of operations and cash flows for the year then ended. They comprise a statement of financial position, an statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes.

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

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

The general guidelines for presentation of the financial statements are:

- the assumption of going concern;
- the accruals basis of accounting: costs and revenue are recognised on an accruals basis;
- consistency of presentation: in order to ensure the comparability of data and information in the financial statements, they are presented and classified consistently over the years unless another presentation or classification would be more appropriate or amendments are made to the IFRS;
- in 2011, the IASB published IAS 19 (revised), introducing, inter alia, new accounting treatments for defined benefit plans, which include pension funds and the Italian post-employment benefits. The most significant effects on the bank's financial statements are as follows:
  1. actuarial gains and losses:
     a. elimination of the corridor approach and full recognition in profit or loss;
     b. adoption of the model of immediate recognition in equity (i.e., other comprehensive income);
  2. the costs recognised in profit or loss are those relating to the actuarial capitalisation (i.e., interest cost);
  3. service costs, i.e., the increase in the present value of future benefits attributable to the service period is, in the bank's case, equal to zero, since pension funds do not include any current employees but only retired employees;
  4. the change in accounting policy has been applied with retroactive effect, leading to a restatement of the opening balance of the relevant captions. Therefore, the bank has recognised the 2011 actuarial gains on pension funds and has prepared the reconciliation schedule required by IAS 8;
- materiality and aggregation: each material class of similar items is presented separately in the statement of financial position and the income statement. Items of a dissimilar nature or function are presented separately unless they are immaterial;
- when an asset or liability item relates to more than one caption, disclosure is provided in the notes when this is necessary to understand the financial statements;
- offsetting: assets and liabilities, income and expenses are not offset, unless expressly required or permitted by a standard or an interpretation or the above-mentioned Banca d'Italia Circular no. 262 of 22 December 2005 and subsequent amendments;
- substance over form: the financial statements are presented in accordance with the principle of substance over form;
- comparative information: comparative information in respect of the previous year is disclosed for all amounts reported in the current year's financial statements.

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

Section 3 - Events after the reporting date

The repercussions of the financial crisis discussed in the directors' report continue to be felt in early 2013, as disclosed elsewhere in this report, and this may affect the performance of the bank's irregular loans. The bank's policy is to implement a more centralised control procedure and stricter risk position monitoring. It also makes suitable provision therefor.

The non-performing ratio of mortgage loans is in line with that of the last few months while the unsecured loans' ratio has worsened slightly.

An out-of-court agreement was reached in January 2013, settling the dispute with a group of former department heads, with an outlay for the bank of €501 thousand. The bank used the amount specifically accrued in the provisions for risks and charges at 31 December 2012.

There are no other significant events requiring mention in this section of the financial statements that affect the bank's current and future operations.

Section 4 - Other aspects

A.1.1 Reconciliation of liabilities at 31 December 2011 due to the application of IAS 19 (revised)

		Carrying amount at 31/12/2011	Adjustments	Adjusted carrying amounts 31/12/2011
10.	Due to banks	111,253,881		111,253,881
20.	Due to customers	854,974,047		854,974,047
30.	Securities issued	305,544,995		305,544,995
40.	Financial liabilities held for trading	1,423,903		1,423,903
50.	Financial liabilities at fair value through profit or loss	-		-
60.	Hedging derivatives	-		-
70.	Adjustments to generically hedged financial assets (+/-)	-		-
80.	Tax liabilities	2,642,798	710,537	3,353,335
	a) current	*1,608,352*		1,608,352
	b) deferred	*1,034,446*	*710,537*	1,744,983
90.	Liabilities associated with discontinued operations	-		-
100.	Other liabilities	21,785,875		21,785,875
110.	Post-employment benefits	10,101,013	- 1,484,361	8,616,652
120.	Provisions for risks and charges:	11,474,790	- 1,099,410	10,375,380
	a) pension and similar obligations	*9,687,818*	*- 1,099,410*	8,588,408
	b) other provisions	*1,786,972*		1,786,972
130.	Valuation reserves	7,574,568	1,873,234	9,447,802
	including: relating to discontinued operations	-		-
140.	Redeemable shares	-		-
150.	Equity instruments	-		-
160.	Reserves	59,378,892		59,378,892
170.	Share premium	34,660,068		34,660,068
180.	Share capital	39,241,087		39,241,087
190.	Treasury shares (-)	-		-
200.	Profit for the year (+/-)	133,746		133,746
Total liabilities and equity		1,460,189,663	-	1,460,189,663

A2 – ACCOUNTING POLICIES

1 - FINANCIAL ASSETS HELD FOR TRADING

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

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

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

The host contract is recognised using the relevant standard.

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

Hedging derivatives with positive fair values are included in this caption, including those embedded in financial instruments that meet the conditions for separation of the underlying derivatives.

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

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

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

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

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

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

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

2 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

a) Recognition
Available-for-sale (AFS) financial assets are initially recognised at the settlement date (debt and equity instruments) or at the disbursement date (loans and financing). They are

initially recognised at fair value, which usually equals cost, including any transaction costs or revenue.

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

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

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

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

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

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

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

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

AFS financial assets are tested for impairment whenever there are objective indications of an impairment loss due to a worsening in the issuer's solvency or the other indicators provided for in IAS 39. The impairment loss is determined:
- as the difference between carrying amount and fair value for equity instruments;
- as the difference between the carrying amount and the recoverable amount, i.e., the present value of estimated future cash flows, discounted using the effective interest method, for debt instruments.

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

When the reasons for impairment are eliminated, the reversal of the impairment loss is taken to:
- equity for equity instruments;
- profit or loss for debt instruments.

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

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

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

3 - HELD-TO-MATURITY INVESTMENTS

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

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

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

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

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

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

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

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

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

The impairment loss is recognised in profit or loss.

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

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

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

4- LOANS AND RECEIVABLES WITH CUSTOMERS AND BANKS

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

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

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

b) Classification
Loans and receivables include non-derivative amounts with banks and customers, both disbursed directly and acquired from third parties, with fixed or determinable payments that

are not listed on an active market and are not initially recognised as "Financial assets at fair value through profit or loss".

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

c) Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gains or losses on sales are shown under "Gain (loss) on sales or repurchases of loans and receivables".

5 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

8 - PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

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

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

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

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

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

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

Land and assets under construction are not depreciated.

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

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

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

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

e) Recognition of costs and revenue
Accumulated depreciation and any impairment losses on operating assets are recognised under "Depreciation and net impairment losses on property, equipment and investment property". Impairment losses and reversals of impairment losses of investment property, determined considering its fair value, are recognised under "Fair value gains (losses) on property, equipment and investment property".

9 - INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

Following enactment of Law no. 214/2011, governing the recognition of deferred tax assets, a round table was held during which Banca d'Italia, Consob and ISVAP discussed the issue in the light of the IFRS. On 15 May 2012, they published a document stating that, due to above-mentioned law, the probability test is automatically passed, as the recoverability of deferred tax assets is now certain in any circumstances. Accordingly, they are recognised in the financial statements.

Deferred tax liabilities are recognised since the amount of the available taxed reserves is such that it can reasonably be held that transactions which require their taxation will not take place.

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

c) Recognition of costs and revenue
Current and deferred taxes are recognised under "Income taxes".

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

12- PROVISIONS FOR RISKS AND CHARGES

a) Recognition and derecognition

b) Classification

c) Measurement

Pension and similar provisions

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

The fund, defined as a defined benefit fund, includes accruals to guarantee pensioners with the related vested rights a supplementary pension, determined on an objective and realistic forward-looking basis, equal to the "mathematical reserve" calculated by an external actuary. The fund is recognised in accordance with IAS 19 (revised in 2011), which has eliminated the possibility to apply the corridor approach and requires that any actuarial gains or losses be recognised immediately in equity (*other comprehensive income*).

Other provisions

Other provisions for risks and charges include provisions made when the following concurrent conditions are met:

a) the bank has a present legal or constructive obligation as a result of a past event;
b) it is probable that an outflow of resources will be necessary to settle the obligation;
c) the obligation can be determined reliably.

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

The types of events that could require provisions are:

a) ongoing legal disputes;
b) risks for ongoing claw-back claims;
c) certain or probable obligations arising from contractual commitments or an executive ruling which is not yet final.

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

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

13- LIABILITIES AND ISSUED SECURITIES

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

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

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

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

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

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

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

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

e) Recognition of costs and revenue
Interest is recognised under "Interest and similar expense". Gains and losses on the repurchase of the liabilities are shown under "Gain (loss) from sales or repurchases of financial liabilities".

14 - FINANCIAL LIABILITIES HELD FOR TRADING

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

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

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

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

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

d) Derecognition

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

e) Recognition of costs and revenue

Fair value gains and losses are recognised in "Net trading income (expense), except for those related to derivatives recognised at fair value through profit or loss, which are classified in "Net gains (losses) on financial assets and liabilities at fair value through profit or loss".

15 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Recognition

Debt instruments are initially recognised at their issue date. Financial liabilities at fair value through profit or loss are initially recognised at their fair value which is usually the consideration received, without considering directly related transaction costs or revenue, which are recognised in profit or loss.

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

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

b) Classification

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

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

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

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

c) Measurement

Financial liabilities are subsequently measured at fair value.

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

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

d) Derecognition

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

e) Recognition of costs and revenue

Fair value gains and losses are recognised in "Net trading income (expense)", except for those related to derivatives recognised at fair value through profit or loss, which are classified in "Net gains (losses) on financial assets and liabilities at fair value through profit or loss".

16 - FOREIGN CURRENCY TRANSACTIONS

a) Recognition and derecognition

Foreign currency transactions are initially recognised in Euros by applying the exchange rate prevailing at the transaction date.

b) Classification and measurement

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

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

c) Recognition of costs and revenue

Exchange rate differences arising from the settlement of monetary items or from the translation at exchange rates other than the initial translation rate or the prior closing rate are recognised in profit or loss in the period in which they arise.

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

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

17 - OTHER INFORMATION

17.1 - Post-employment benefits

a) Recognition

b) Classification

c) Measurement

d) Derecognition

Post-employment benefits are recognised at their actuarial value.

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

Accruals are recognised under “Personnel expense” and includes the Italian Civil Code revaluation and interest expense on the increase in present value due to the time value of money. The actuarial gains or losses are calculated in accordance with IAS 19 (revised by the IASB in 2011), which eliminated the possibility to apply the corridor approach and their full recognition in profit or loss and requires their recognition in other comprehensive income (equity).

e) Recognition of costs and revenue

Accruals for post-employment benefits are recognised in “Personnel expense” in the income statement. Actuarial gains and losses are recognised as other comprehensive income, in a specific equity reserve.

17.2 - Treasury shares

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

17.3 - Dividends and revenue recognition

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

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

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

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

A3 – FAIR VALUE

1 - FINANCIAL ASSETS HELD FOR TRADING

A.3.1 Portfolio transfers

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

Type of financial instrument	Original portfolio	Portfolio to which transfer is made	Reporting date carrying amount	Reporting date fair value	Income or expense if transfer had not taken place (pre-tax)		Income or expense for the year (pre-tax)	
					Fair value gains (losses)	Other	Fair value gains (losses)	Other
Debt	HFT	AFS	75,714	75,714	8,399	1,371	8,399	1,371
				Total A	8,399	1,371	8,399	1,371

No financial assets were reclassified out of one portfolio and into another in 2012.

The table shows the fair value of the securities held by the bank at the reporting date and reclassified from the HFT portfolio into the AFS portfolio in 2008, following the amendment to IAS 39 and IFRS 7, endorsed by the relevant authorities. The amounts shown in the “Fair value gains (losses) of the year (pre-tax)” column and recognised in equity reflect the gains recognised at 31 December 2012. The “Other” column shows interest on coupons and trading profits (losses) on securities sold/redeemed during the year.

A.3.2 Fair value hierarchy:

A.3.2.1 Accounting portfolios: breakdown by fair value level

Financial assets/liabilities at fair value through profit or loss	31/12/2012			31/12/2011		
	-	- 631 L1	- L2	-1,103 L3	- 1,809 L1	L2 2. Off-statement of financial position
guaranteed loans: - 1. Financial assets held for trading	40,267	23,538 -	203,559 Structured	3,178 1,127	- 5,034 186,190 -	- 1,979 - -
- - 2. Financial assets at fair value through profit or loss	-	- -	- - -	- - -	- - -	- - - 1.2 Other -
16,804 - 3. Available-for-sale financial assets	48,554	2.1. Fully guaranteed -	252,563 34,497	- 23,530 10,339	3,557 - - 102,561	7,295 9,891 3,559
4,799 - 4. Hedging derivatives	-	-	-	-	-	- 31/12/2012 31/12/2011 -
- a) Cash Total	-	16,738 14,101	46,341 11,687	Demand deposits with	central banks	Total - 3,558,957
- 14,101 1. Financial liabilities held for trading 18	1 11,687 -	-	658 -	- 1,424	- -	- -
2. Financial liabilities at fair value through profit or loss	-	-	- -	- 1,024	- -	- 5,770 - -
3. Hedging derivatives	-	- -	- 235	- -	- - -	- - - -
Total	-	658	-	-	1,424	-

Key:

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

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

Financial assets classified as AFS in the L1 column of the A.3.2.1 table refer to:

debt instruments traded on organised markets;

the bank's listed equity instruments,

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

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

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

	FINANCIAL ASSETS				
	HFT	FVTPL	AFS	Hedging	
1. Opening balance	-	-	3,559	-	
2. Increases	-	-	6	-	
2.1. Purchases	-	-	-	-	
2.2. Gains recognised in:	-	-	6	-	
2.2.1. profit or loss	-	-	*6*	-	
- including gains on sales	-	-	-	-	
2.2.2. Equity	-	-	-	-	
2.3. Transfers from other levels	-	-	-	-	
2.4. Other increases	-	-	Governments	and central	- - -
banks B4. Other increases 3. Decreases	Other government	agencies -	Banks - - -	Other 8	-
C. Decreases 3.1. Sales	1. Guaranteed loans:	–	813,183	1,466,988	8 -
- C1. Purchases3.2. Repayments	20,148 -	10,943 -	- -	- -	-
- C2.	- -	- -	- -	3,581 -	-
Repayments3.3. Losses recognised in: 43 C3. Fair value losses *3.3.1. profit or loss*	241,717 -	1,743,420 -	- 1.1.Fully guaranteed	780,479	- - -
1,466,968 C4. Other decreases	-	16,693 -	9,778 -	- -	-
- including losses on sales - D. Closing balance *3.3.2. Equity*	-	- -	- -	- -	-
3.4. Transfers to other levels	-	-	-	-	
3.5 Other decreases	-	-	-	-	
4. Closing balance	-	-	3,557	-	

The changes relate to:

1) the €6 thousand increase is due to the gain realised on the sale of the investment in SI.TE.BA S.p.A.;
2) the €8 thousand decrease is due to derecognition of the carrying amount of the investment in SI.TE.BA S.p.A. following its sale.

PART B
Notes to the statement of financial position

ASSETS

Section 1 – Cash and cash equivalents – Caption 10

1.1 Cash and cash equivalents: breakdown

Section 2 – Financial assets held for trading – Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2012			31/12/2011		
		36	Level 2	collateral	Level 1	Property Level 3
leases 1. Debt instruments		Other	547	Other derivatives	186,189 and central	-
	-	-	-	-	-	-
1.2 Other debt instruments	*203,559*	*547*	-	*186,189*	*559*	-
2. Equity instruments	-	-	-	1	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	203,559	547	-	186,190	559	-
B. Derivatives						
1. Financial derivatives:	-	671	-	-	1,420	-
1.1 trading	-	*671*	-	-	*1,420*	-
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	-	671	-	-	1,420	-
Total	203,559	1,218	-	186,190	1,979	-

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

	31/12/2012	31/12/2011
A. Assets		
1. Debt instruments	204,106	186,747
a) Government and central banks	198,068	175,474
b) Other government agencies	547	557
c) Banks	5,491	10,716
d) Other issuers	-	-
2. Equity instruments	-	1
a) Banks	-	-
b) Other issuers:	-	1
- insurance companies	-	-
- financial companies	-	*1*
- non-financial companies	-	-
- other	-	-
3. OEIC units	-	-
4. Financing	-	-
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total A	204,106	186,748
B. Derivatives		
a) Banks	414	1,217
- Fair value	*414*	*1,217*
-	-	-
b) Customers	257	203
- Fair value	*257*	*203*
-	-	-
Total B	671	1,420
Total	204,777	188,168

The derivatives set out in point B were agreed given customers' requirements to reduce their exposure to financial risks taken on when they take out loans or agree leases. The bank agrees three types of derivative with its customers:

- *Interest rate swaps*;
- *Interest rate caps*;
- *Interest rate collars.*

The bank has agreed a specular derivative with leading national banks to hedge each derivative agreed with its customers.

This leads to the overlapping of the fair value of derivative assets and liabilities.

2.3 Financial assets held for trading: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	186,747	1	-	-	186,748
B. Increases	563,123	1	-	-	563,124
B1. Purchases	545,790	1	-	-	545,791
B2. Fair value gains	12,044	-	-	-	12,044
B3. Other increases	5,289	-	-	-	5,289
C. Decreases	545,764	2	-	-	545,766
C1. Sales	537,287	1	-	-	537,288
C2. Redemptions	8,235	-	-	-	8,235
C3. Fair value losses	36	-	-	-	36
C4. Transfers to other portfolios	-	-	-	-	
C4. Other decreases	206	1	-	-	207
D. Closing balance	204,106	-	-	-	204,106

The bank's trading portfolio mainly consists of Italian government bonds.

Item B3 includes the trading profits while item C4 comprises the trading losses.

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

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

	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments	252,510	10,339	-	102,515	9,891	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*252,510*	*10,339*	-	*102,515*	*9,891*	-
2. Equity instruments	53	-	3,557	52	-	3,559
2.1 FVTPL	*53*	-	*3,557*	*52*	-	-
2.2 Cost	-	-	-	-	-	*3,559*
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
Total	252,563	10,339	3,557	102,567	9,891	3,559

AFS financial assets shown:

1. in the L1 column refer to:
   a. debt instruments traded on regulated active markets;
   b. listed equity instruments.
2. in the L2 column refer to debt instruments traded on inactive markets for which fair value was determined using internal valuation models based on market parameters;

3. in the L3 column refer to equity instruments measured based on recent transactions, if available, or at cost. Specifically, this column shows the bank's equity investments. Its investment in Intesa Sanpaolo is shown in column L1. A list of the bank's equity investments is given in the annexes.

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

	31/12/2012	31/12/2011
1. Debt instruments	262,849	112,406
a) Government and central banks	187,135	18,879
b) Other government agencies	-	-
c) Banks	73,745	91,687
d) Other issuers	1,969	1,840
2. Equity instruments	3,610	3,611
a) Banks	1,135	1,134
b) Other issuers:	2,475	2,477
- insurance companies	-	-
- financial companies	*366*	*366*
- non-financial companies	*2,109*	*2,111*
- other	-	-
3. OEIC units	-	-
4. Financing	-	-
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	266,459	116,017

4.4 Available-for-sale financial assets: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	112,406	3,611	-	-	116,017
B. Increases	208,494	7	-	-	208,501
B1. Purchases	189,353	-	-	-	189,353
B2. Fair value gains	15,305	1	-	-	15,306
B3. Reversals of impairment losses:	644	-	-	-	644
- recognised in profit or loss	*644*		-	-	644
- recognised in equity	-	-	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other increases	3,192	6	-	-	3,198
C. Decreases	58,051	8	-	-	58,059
C1. Sales	31,546	8	-	-	31,554
C2. Repayments	24,951	-	-	-	24,951
C3. Fair value losses	-	-	-	-	-
C4. Impairment losses:	-	-	-	-	-
– recognised in profit or loss	-	-	-	-	-
– recognised in equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other decreases	1,554	-	-	-	1,554
D. Closing balance	262,849	3,610	-	-	266,459

Senior bonds issued by Italian banks were redeemed at their natural maturity during the year for €24,951 thousand.

Sales of €31,546 thousand mainly relate to the sale of the Italian zero coupon treasury bonds (CTZ) 28/4/2013 given the favourable market conditions in the first half of the year. The bank purchased government bonds in 2012, as follows:

BTP (Italian treasury bonds) €171,185 thousand (nominal amount)

CCT (Italian treasury certificates) €10,000 thousand (nominal amount)

During the year, the bank sold bonds issued by Morgan Stanley and already reclassified from the HFT portfolio to the AFS portfolio in 2008 in line with the October 2008 amendments to IAS 39 and IFRS 7, given the favourable market conditions.

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

5.1 Held-to-maturity investments: breakdown by product

	31/12/2012				31/12/2011			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt instruments	5,022	4,350	-	-	5,038	3,738	-	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	*5,022*	*4,350*	-	-	*5,038*	*3,738*	-	-
2. Financing	-	-	-	-	-	-	-	-
Total	5,022	4,350	-	-	5,038	3,738	-	-

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

The difference between the carrying amount and fair value is €672 thousand.

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

	31/12/2012	31/12/2011
1. Debt instruments	5,022	5,038
a) Government and central banks	5,022	5,038
b) Other government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Financing	-	-
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	5,022	5,038
Total fair value	4,350	3,738

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

	Debt instruments	Financing	Total
A. Opening balance	5,038	-	5,038
B. Increases	22	-	22
B1. Purchases	-	-	-
B2. Reversals of impairment losses	-	-	-
B3. Transfers from other portfolios	-	-	-
B4. Other increases	22	-	22
C. Decreases	38	-	38
C1. Sales	-	-	-
C2. Repayments	-	-	-
C3. Impairment losses	-	-	-
C4. Transfers to other portfolios	-	-	-
C5. Other decreases	38	-	38
D. Closing balance	5,022	-	5,022

The changes refer to interest accrued on the investments.

Section 6 - Loans and receivables with banks - Caption 60

6.1 Loans and receivables with banks: breakdown by product

	31/12/2012	31/12/2011
A. Loans and receivables with central banks	5,022	14,393
1. Term deposits	-	-
2. Mandatory reserve	5,022	14,393
3. Reverse repurchase agreements	-	-
4. Other	-	-
B. Loans and receivables with banks	38,874	13,099
1. Current accounts and demand deposits	38,054	13,099
2. Term deposits	820	-
3. Other financing:	-	-
3.1 Reverse repurchase agreements	-	-
3.2 Finance leases	-	-
3.3 Other	-	-
4 Debt instruments	-	-
4.1 Structured instruments	-	-
4.2 Other debt instruments	-	-
Total (carrying amount)	43,896	
Total (fair value)	*43,896*	*27,492*

Section 7 - Loans and receivables with customers - Caption 70

7.1 Loans and receivables with customers: breakdown by product

	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Current accounts	260,178	-	17,512	263,702	-	15,800
2 Reverse repurchase agreements	-	-	-	-	-	-
3. Loans	541,467	-	44,798	543,005	-	37,965
4. Credit cards, personal loans and salary backed loans	26,216	-	2,756	28,492	-	2,120
5. Finance leases	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-
7. Other	155,385	-	7,143	160,374	-	6,283
8. Debt instruments	-	-	-	-	-	-
8.1 Structured instruments	-	-	-	-	-	-
8.2 Other instruments	-	-	-	-	-	-
Total (carrying amount)	983,246	-	72,209	995,573	-	62,168
Total (fair value)	1,017,779	-	77,832	1,024,376	-	65,504

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

Item 7 of table 7.1 includes the following (€’000):

- import/export advances of €31,981 thousand;
- advances and bills under reserve and advances on invoices of €86,170 thousand;
- portfolio risks of €652 thousand;
- financing with repayment plans of €36,581 thousand.

7.2 Loans and receivables with customers: breakdown by debtor/issuer

	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt instruments	-	-	-	-	-	-
a) Governments	-	-	-	-	-	-
b) Other government agencies	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Financing to:	983,246	-	72,209	995,573	-	62,168
a) Governments	91	-	-	3,605	-	-
b) Other government agencies	2,913	-	-	3,340	-	-
c) Other:	980,242	-	72,209	988,628	-	62,168
- non-financial companies	*697,288*	-	*48,261*	*678,211*	-	*43,323*
- financial companies	*10,127*	-	*64*	*9,068*	-	*49*
- insurance companies	-	-	-	-	-	-
- other	*272,827*	-	*23,884*	*301,349*	-	*18,796*
Total	983,246	-	72,209	995,573	-	62,168

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

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

	31/12/2012	31/12/2011
A. Operating assets		
1.1 owned	19,049	18,777
a) land	4,350	4,234
b) buildings	13,233	13,614
c) furniture	596	323
d) electronic systems	356	265
e) other	514	341
1.2 under finance lease	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total A	19,049	18,777
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 under finance lease	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A + B)	19,049	18,777

11.3 Operating assets: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	4,234	33,074	5,012	5,301	5,171	52,792
A.1 Total net impairment losses	-	19,460	4,688	5,037	4,830	34,015
A.2 Net opening balance	4,234	13,614	324	264	341	18,777
B. Increases:	116	1,172	323	239	308	2,158
B.1 Purchases	116	1,172	323	239	308	2,158
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases:	-	1,553	51	147	135	1,886
C.1 Sales	-	-	-	1	9	10
C.2 Depreciation	-	960	51	146	126	1,283
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	593	-	-	-	593
D. Net closing balance	4,350	13,233	596	356	514	19,049
D.1 Total net impairment losses	-	20,420	4,739	5,183	4,956	35,298
D.2 Gross closing balance	4,350	33,653	5,335	5,539	5,470	54,347
E. Measurement at cost	4,350	13,233	596	356	514	19,049

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

Property and equipment are held for operating purposes.

During the year, the bank purchased two buildings for operating use: the first in Piane di Montegiorgio to which a “banca aperta H24” branch was transferred and the second in Fermo to be used as an archive.

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

Section 12 - Intangible assets - Caption 120

12.1 Intangible assets: breakdown by asset

	31/12/2012		31/12/2011	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	83	-	72	-
A.2.1 Assets measured at cost:	83	-	72	-
a) Internally developed assets	-	-	-	-
b) Other	*83*	-	*72*	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally developed assets	-	-	-	-
b) Other	-	-	-	-
Total	83	-	72	-

12.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		finite life	indefinite life	finite life	indefinite life	
A. Opening balance	-	-	-	137	-	137
A.1 Total net impairment losses	-	-	-	66	-	66
A.2 Net opening balance	-	-	-	71	-	71
B. Increases	-	-	-	47	-	47
B.1 Purchases	-	-	-	47	-	47
B.2 Increase in internally generated assets	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	-	-	-	35	-	35
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	35	-	35
- Amortisation	-	-	-	*35*	-	*35*
- Impairment losses	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
C.4 Transfers to disposal groups	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	-	-	-	83	-	83
D.1 Total net impairment losses	-	-	-	101	-	101
E. Gross closing balance	-	-	-	184	-	184
F. Measurement at cost	-	-	-	-	-	-

Intangible assets include program packages amortised over five years unless their user licence provides otherwise.

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

13.1 Deferred tax assets: breakdown

	31/12/2012
Personnel expense	1,106
Administrative expenses	917
Fair value gains on AFS financial assets	1,124
Impairment losses on loans	5,105
Act. losses on agents' term. benefits/post-employ. benefits	2,024
Total	10,276

13.2 Deferred tax liabilities: breakdown

	31/12/2012
Fair value gains on bonds	-
Fair value gains on AFS financial assets	2,420
Deferred gains	-
FTA depreciation of land	672
Post-employment benefits	225
Actuarial gains on post-employment benefits	-
Total	3,317

Deferred tax assets and liabilities were affected by changes in the fair value reserve. Specifically, the gains recognised at the reporting date led to an increase in deferred tax liabilities. Moreover, the tax legislative changes applicable to entities that apply the IFRS authorised use of the "derivazione rafforzata" criterion rather than the "neutrality" criterion. This substantially decreased the differences between the carrying amounts and tax bases of assets and liabilities with the resulting decrease in the related deferred tax assets and liabilities. Law no. 214/2011 introduced the provision for the conversion of deferred tax assets recognised on loans and receivables and goodwill when they satisfy the probability test. Table 13.3.1 shows the deferred tax assets covered by the law if the bank has an accounting or tax loss.

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

	31/12/2012	31/12/2011
1. Opening balance	3,607	3,783
2. Increases	3,799	178
2.1 Deferred tax assets recognised in the year	3,799	178
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	*3,799*	*178*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	278	354
3.1 Deferred tax assets derecognised in the year	278	354
a) reversals	*278*	*354*
b) impairment due to non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax assets, including as per Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	7,128	3,607

13.3.1 Change in deferred tax assets as per Law no. 214/2011 (recognised in profit or loss)

	31/12/2012	31/12/2011
1. Opening balance	-	-
2. Increases	5,105	-
3. Decreases	-	-
3.1 Reversals	-	-
3.2 Conversions into tax assets	-	-
a) arising on the loss for the year	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	5,105	-

The above table shows the deferred tax assets related to impairment losses on loans convertible into tax assets should the bank record a loss for accounting or tax purposes as per Law no. 214/2011. These conditions did not materialise in 2012.

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

	31/12/2012	31/12/2011
1. Opening balance	882	882
2. Increases	-	-
2.1 Deferred tax liabilities recognised in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	-
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	882	882

13.5 Changes in deferred tax assets (recognised in equity)

	31/12/2012	31/12/2011
1. Opening balance	3,892	1,339
2. Increases	2,024	2,575
2.1 Deferred tax assets recognised in the year	2,024	2,546
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*2,024*	*2,546*
2.2 New taxes or increases in tax rates	-	29
2.3 Other increases	-	-
3. Decreases	2,769	22
3.1 Deferred tax assets derecognised in the year	2,769	22
a) reversals	*2,769*	*22*
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	3,147	3,892

13.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2012	31/12/2011
1. Opening balance	3,892	1,339
2. Increases	2,024	2,575
2.1 Deferred tax assets recognised in the year	2,024	2,546
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*2,024*	*2,546*
2.2 New taxes or increases in tax rates	-	29
2.3 Other increases	-	-
3. Decreases	2,769	22
3.1 Deferred tax assets derecognised in the year	2,769	22
a) reversals	*2,769*	*22*
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	3,147	3,892

13.7 - Other information

Caption 130 “Tax assets: a) current” of €2,969 thousand comprises:

- IRES payments on account of €116 thousand;
- IRAP payments on account of €1,321 thousand;
- IRES claimed for reimbursement of € 1,532 thousand as follows: €234 thousand for the claim presented on 20 November 2009 as per Law decree no. 185/2008 and €1,298 thousand for the IRES tax asset arising on the deductibility of IRAP from personnel expense as per Law decree no. 201/2011; the related claim was presented on 18 January 2013 - the click day for the Marche region.

Section 15 - Other assets - Caption 150

15.1 Other assets: breakdown

	31/12/2012
a) receivables from tax authorities and other tax bodies	5,998
b) cheques drawn on other banks	458
c) cheques to be received from clearing house and drawn on customer accounts	6,077
d) suspense items	-
e) revenue stamps and other stamps	3
f) gold, silver and other precious metals	-
g) shortfalls, embezzlement, theft and other prior year items	-
h) items in transit	4,727
i) leasehold improvements	303
l) accrued income	37
m) prepayments	805
n) other	4,368
Total	22,776

Specifically, in the above table:

- item m) mostly consists of prepaid insurance premiums;
- item n) includes sundry amounts of €1,103 thousand and accrued commissions of €3,209 thousand.

LIABILITIES

Section 1 - Due to banks - Caption 10

1.1 Due to banks: breakdown by product

	31/12/2012	31/12/2011
1. Due to central banks	150,000	105,000
2. Due to banks	1,023	6,254
2.1. Current accounts and demand deposits	433	4,050
2.2. Term deposits	590	2,204
2.3 Financing	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Commitments to repurchase own equity instruments	-	-
2.5 Other payables	-	-
Total	151,023	111,254
Fair value	151,024	111,254

The €150,000 thousand balance in item 1 of the above table represents the ECB financing pursuant to the rules about refinancing the Euro system guaranteed by financial assets. It includes the financing set out in the following table:

Drawdown date	Expiry date	Amount
01/03/2012	26/02/2015	€120,000 thousand
22/12/2011	29/01/2015	€30,000 thousand
Total		**€150,000 thousand**

The ECB granted these amounts against eligible securities owned by the bank pledged as security.

These securities are shown in Part B Notes to the statement of financial position, Other information in table 2 Assets pledged as guarantee for liabilities and commitments.

Section 2 - Due to customers - Caption 20

2.1 Due to customers: breakdown by product

	31/12/2012	31/12/2011
1. Current accounts and demand deposits	861,970	822,530
2. Term deposits	17,387	18,679
3. Financing	12,641	12,197
3.1 Repurchase agreements	*12,641*	*12,197*
Other	-	-
4 Commitments to repurchase own equity instruments	-	-
5 Other payables	2,174	1,568
Total	894,172	854,974
Fair value	894,172	854,974

Section 3 - Securities issued - Caption 30

3.1 Securities issued: breakdown by product

	31/12/2012				31/12/2011			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	241,000	-	-	245,281	247,015	-	-	250,654
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	*241,000*	-	-	*245,281*	*247,015*	-	-	*250,654*
2. other securities	109,971	-	-	111,854	58,530	-	-	58,998
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*109,971*	-	-	*111,854*	*58,530*	-	-	*58,998*
Total	350,971	-	-	357,135	305,545	-	-	309,652

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

Section 4 - Financial liabilities held for trading - Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	31/12/2012					31/12/2011				
	NA	FV			FV*	NA	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Financial liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt instruments	-	-		-	-	-	-		-	-
3.1. bonds	-	-		-	-	-	-		-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other	-	-	-	-	-	-	-	-	-	-
3.2. Other securities	-	-		-	-	-	-		-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-
Total A	-	-		-	-	-	-		-	-
B. Derivatives										
1. Financial derivatives	34,674	-	658	-	-	43,288	-	1,424	-	1,424
1.1 Trading	*34,674*	-	*658*	-	-	*43,288*	-	*1,424*	-	*1,424*
1.2 Associated with fair value option	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-	-	-	-	-
2.2 Associated with fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
Total B	34,674	-	658	-	-	43,288	-	1,424	-	1,424
Total (A + B)	34,674	-	658	-	-	43,288	-	1,424	-	1,424

Key:

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

NA = nominal or notional amount

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

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

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

	31/12/2012					31/12/2011				
	NA	FV			FV*	NA	FV			FV*
				- L2				4 L1		- L3
- 1. Due to banks									-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-		-		-		-		-	
2.2 Other		-		-		-				-
3. Debt instruments	-	-	-	-	-	-	-	-	-	-
3.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2 Other	-	-	-	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-	-	-	-

Key:

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

NA = nominal or notional amount

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

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

	Due to banks	Due to customers	Securities issued	Total
A. Opening balance	-	-	-	-
B. Increase	-	-	-	-
B1. Issues	-	-	-	-
B2. Sales	-	-	-	-
B3. Fair value gains	-	-	-	-
B4. Other increases	-	-	-	-
C. Decreases	-	-	-	-
C1. Purchases	-	-	-	-
C2. Repayments	-	-	-	-
C3. Fair value losses	-	-	-	-
C4. Other decreases	-	-	-	-
D. Closing balance	-	-	-	-

Section 8 - Tax liabilities - Caption 80

8.1 Current tax liabilities

	31/12/2012
Current tax liabilities	12,971
IRES	9,453
IRAP	3,313
Stamp duty	156
Prior year tax receivables	49

Section 10 - Other liabilities - Caption 100

10.1 Other liabilities: breakdown

	31/12/2012
Tax liabilities	2,073
Social security liabilities	982
Amounts available to customers	1,183
Third party guarantee deposits	161
Suspense items	-
Other amounts due to employees	3,246
Items in transit	10,140
Accrued expenses	1,350
Deferred income	319
Portfolio adjustment differences	24,126
Other	2,063
Total	45,643

"Other" includes amounts due to suppliers (€1,049 thousand) and other sundry items (€317 thousand).

Section 11 – Post-employment benefits – Caption 110

11.1 Post-employment benefits: changes

	31/12/2012	31/12/2011
A. Opening balance	8,617	10,946
B. Increases	3,281	434
B.1 Accruals	562	434
B.2 Other increases	2,719	-
C. Decreases	859	2,763
C.1 Payments	198	592
C.2 Other decreases	661	2,171
D. Closing balance	11,039	8,617
Total	11,039	8,617

In 2012, the bank changed the method used to recognise actuarial gains and losses from the corridor approach to an approach entailing their immediate recognition in other comprehensive income. Therefore, the actuarial losses of €2,719 thousand determined by the actuary are recognised in item B.2 Other increases. Item B.1 shows the annual interest cost, as calculated by the actuary. The bank applied this change in accounting policy retrospectively to 2011 for comparative purposes. Accordingly, it recognised the actuarial gain of €1,484 thousand as a reduction of the allowance due to elimination of the corridor approach in item C2 Other decreases.

11.2 - Other information:

Breakdown of caption "B. Increases"

Interest cost	562
including: revaluations	350
Total	562

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

Decrease due to post-employment benefits reform Legislative decree no. 252/2005	-
Advances and payments for employee departures	820
Substitute tax on revaluation	39
Total	859

Actuarial valuation of post-employment benefits

Present value of benefits at 31/12/2011	8,617
Interest cost	562
Service cost	-
Payments	- 859
Total	8,320
Present value of benefits at 31/12/2012	11,039
Cumulated actuarial losses	*2,719*

Since 1 January 2007, post-employment benefits are transferred to either the INPS treasury fund or a supplementary pension fund. Therefore, the actuarial calculation considers the accrued benefits, i.e., the total liability for each employee. The calculation is based on demographic and economic assumptions already used in 2011. The bank eliminated the corridor approach in 2012 and recognised the actuarial loss immediately in equity, thus adopting one of the effects of the revised IAS 19 (2011) early.

Reference was made to the yield on AA corporate bonds at the reporting date instead of the yield on government bonds used in previous years for the financial assumptions. The bank recognised the actuarial loss of €2,719 thousand in other comprehensive income.

Section 12 - Provisions for risks and charges - Caption 120

12.1 Provisions for risks and charges: breakdown

	31/12/2012	31/12/2011
1. Internal pension funds	12,922	8,588
2. Other provisions for risks and charges	3,333	1,787
2.1 legal disputes	*2,956*	*1,621*
2.2 personnel expense	*-*	*-*
2.3 other	*377*	*166*
Total	16,255	10,375

12.2 Provisions for risks and charges: changes

	Pension funds	Other provisions	Total
A. Opening balance	8,588	1,787	10,375
B. Increases	5,216	1,664	6,880
B.1 Accruals	576	1,664	2,240
B.2 Discounting	-	-	-
B.3 Changes due to variations in discount rate	-	-	-
B.4 Other increases	4,640	-	4,640
C. Decreases	882	118	1,000
C.1 Utilisations	882	118	1,000
C.2 Changes due to variations in discount rate	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance	12,922	3,333	16,255

Utilisation of these provisions amounted to €118 thousand and referred to the settlement of legal disputes recognised in caption 160 of the income statement.
Other provisions for risks and charges of €3,333 thousand, shown in table 12.1, may be analysed as follows by type of litigation:

- Civil litigation	1,444,024
- Claw-back claims	682,626
- Sureties	64,149
- Lump-sum endorsement credits	93,763
- Labour disputes	829,192
- Other charges	219,528
-**Total**	**3,333,282**

As can be seen, the larger accruals are made for civil litigation, mostly related to third party claims about the charging of compound interest or interest exceeding the legal rate.
Risks for ongoing proceedings about securities trading are modest, also given the:

1) limited number of legal actions: nine at the reporting date for which the bank has accrued €29 thousand;
2) generally modest amounts involved;
3) rulings at all levels in the bank's favour.
The accrual for claw-back claims refers to 10 customers under bankruptcy proceedings for which the court ruling had not been handed down at the reporting date.
The balance of €829,192 thousand for labour disputes mainly relates to a dispute with former department heads settled in January with an out-of-court agreement. The total outlay was €501 thousand.
The bank is unaware of other liabilities at the reporting date that could give rise to costs other than those provided for above.

With respect to contingent liabilities, that are not provided for specifically, they mostly relate to litigation for which the outlay cannot be determined, should the relevant rulings not be in the bank's favour, or it is not likely that any outlay will be necessary. They principally refer to proceedings which the bank has already won at previous court hearings.

The bank reviews these liabilities (both recognised and potential) every six months so as to update its assessments.

12.3 Defined benefit internal pension plans

The bank's pension fund ("*Fondo d'integrazione delle pensioni dell'assicurazione obbligatorio per l'invalidità, la vecchiaia ed i superstiti gestita dall'INPS per il Personale - ruolo credito - della Cassa di Risparmio di Fermo*"), included in the special section III as number 9107 of the Pension funds register held by COVIP (the Italian pension regulator) and recognised in caption 120-a on the liabilities side of the statement of financial position, is regulated by the Agreement of 4 December 1990, Legislative decree no. 124/93, the new legislative framework as defined by Law no. 335 of 8 August 1995 and the measure attached to the 1998 Finance Act (Law no. 449/12) as well as the agreement of 18 October 2000 for the fund's transformation by setting up a defined contribution part from 1 January 2001.

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

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

At the reporting date, the fund had 138 beneficiaries, including those with zero annuities as shown in the following table:

Gender	Direct	Indirect or reversible	Total
Women	4	48	52
Men	73	13	86
Total	77	61	138

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

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

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

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

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

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

Therefore, reference was made to the yield curve for AA corporate bonds at the reporting date instead of the yield curve for government bonds, without prejudice to the other technical assumptions.

The following table compares the interest rates of the different calculation assumptions:

	AA CORPORATE RATES 31/12/2012	BTP RATES 31/12/2012		AA CORPORATE RATES 31/12/2012	BTP RATES 31/12/2012
1	0.2910%	1.1964%	16	2.8512%	4.7484%
2	0.5300%	1.9524%	17	2.8444%	4.8351%
3	0.7610%	2.3870%	18	2.8376%	4.9218%
4	0.9930%	2.7435%	19	2.8308%	5.0085%
5	1.3000%	3.2919%	20	2.8240%	5.0952%
6	1.5840%	3.5124%	21	2.8207%	5.0725%
7	1.8730%	3.7658%	22	2.8174%	5.0498%
8	2.1710%	3.9385%	23	2.8141%	5.0271%
9	2.3930%	4.2001%	24	2.8108%	5.0044%
10	2.3490%	4.4894%	25	2.8075%	4.9817%
11	2.4508%	4.5239%	26	2.8042%	4.9964%
12	2.5526%	4.5583%	27	2.8009%	5.0111%
13	2.6544%	4.5928%	28	2.7976%	5.0259%
14	2.7562%	4.6272%	29	2.7943%	5.0406%
15	2.8580%	4.6617%	30	2.7910%	5.0553%

The average current value appraised by the relevant expert of the cost of integrating and substituting the pension plan for the 138 beneficiaries is in line with the amount recognised in the financial statements.

Technical accounts at 31/12/2012	
Modified present value - immediate charges	12,922
Modified present value - total charges	12,922
Mathematical reserve at 31/12/2011	8,588

Equity at 31/12/2012	12,922
Mathematical reserve	12,922
TECHNICAL SURPLUS	**-**
Calculation of actuarial gains/losses for IFRS purposes	
Mathematical reserve at 31 December 2011	8,588
Interest cost	575
Service cost	0
Payments	-882
Actuarial gain (-) / loss (+) at 31/12/2012	**4,640**

The bank has replaced the corridor approach with the immediate recognition of actuarial losses in equity (other comprehensive income). The interest cost recognised in profit or loss amounted to €576 thousand and the actuarial loss to €4,640 thousand, recognised in other comprehensive income. The bank applied the change in accounting treatment retrospectively to 2011. Accordingly, the opening balance of pension funds was adjusted by the cumulated actuarial gain of €1,099 thousand.

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

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

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

The bank's shareholders are:

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

The caption did not undergo any change during the year.

14.2 Share capital - number of shares: changes

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

14.4 Income-related reserves: other information

	LEGAL RESERVE	STATUTORY RESERVE	OTHER
OPENING BALANCE	14,865	41,244	3,270
INCREASES	14	120	
Allocation of profits	14	120	-
DECREASES	-	-	-
Other changes (negative FTA reserve)	-	-	-
CLOSING BALANCE	14,879	41,364	3,270

The legal reserve was increased by the allocation of 10% of the profit for the year as provided for by article 24 of the by-laws, even though the reserve's balance now equals one fifth of the bank's share capital as required by article 2430 of the Italian Civil Code.

The statutory reserve includes:

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

The other reserves comprise:

- the contribution reserve as per Law no. 218/90, net of the valuation reserve recognised during FTA of €2,860 thousand.

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

	Amount	Possible use (1)	Available portion	Summary of use in the last 3 years (2)	
				To cover losses	For other purposes
Share capital	39,241,087.50				
Equity-related reserves:					
Contribution reserve	15,121,767.94	A,B,C	15,121,767.94		- 213,816.73
Revaluation reserve	6,129,826.94	A,B,C	6,129,826.94		
Share premium reserve (3)	34,660,068.07	A,B,C	34,660,068.07		
Income-related reserves:					
Legal reserve	14,878,663.72	B	7,030,446.22		
Statutory reserve	41,364,214.43	B	-		
FTA reserve	- 2,860,067.23		-		
Fair value reserve	2,707,684.62		-		213,816.73
Actuarial reserve	- 2,751,743.00		-		
Retained earnings	-		-		
Total	148,491,502.99		62,942,109.17	-	-
Undistributable portion (4)			303,229.66		
Remaining distributable portion			62,638,879.51		

in Euros

Key:

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

Note:

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

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

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

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

14.7 Valuation reserves: breakdown

	31/12/2012	31/12/2011
1. Available-for-sale financial assets	2,708	- 7,547
2. Property, equipment and investment property	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange rate gains (losses)	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation laws	15,122	15,122
9. Actuarial gains (losses) on defined benefit plans	- 2,752	1,873
Total	15,078	9,448

OTHER DISCLOSURES

1. Guarantees and commitments

	31/12/2012	31/12/2011
1) Financial guarantees issued	2,765	2,713
a) Banks	2,605	2,518
b) Customers	160	195
2) Commercial guarantees issued	39,475	35,533
a) Banks	-	-
b) Customers	39,475	35,533
3) Irrevocable commitments to disburse funds	42,963	44,213
a) Banks	2,986	5,652
i) certain use	*2,986*	*5,652*
ii) uncertain use	-	-
b) Customers	39,977	38,561
i) certain use	*362*	*483*
ii) uncertain use	*39,615*	*38,078*
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as collateral for third party commitments	-	-
6) Other commitments	-	-
Total	85,203	82,459

2. Assets pledged as guarantee for liabilities and commitments

	31/12/2012	31/12/2011
1. Financial assets held for trading	56,079	64,661
2. Financial assets at fair value through profit or loss	-	-
3. Available-for-sale financial assets	108,878	59,944
4. Held-to-maturity investments	5,022	5,038
5. Loans and receivables with banks	-	-
6. Loans and receivables with customers	-	-
7. Property, equipment and investment property	-	-
TOTAL	169,979	129,643

Table 2 shows the securities pledged as guarantee for the bank's liabilities:

- repos of €12,710 thousand with a nominal amount of €12,989 thousand;

- financing transactions with the ECB of €150,000 thousand, plus accrued interest of €1,493 thousand, for a nominal amount of securities of €153,590 thousand.

4. Management and trading on behalf of third parties

1,165 1. Execution of customer orders	
a) Purchases	-
1. settled	-
2. unsettled	-
b) Sales	-
1. settled	-
2. unsettled	-
2. Asset management	-
a) individual	-
b) collective	-
3. Securities custody and administration	2,137,510
a) third party securities held as part of depository bank services (excluding asset management)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) third party securities on deposit (excluding asset management): other	917,478
1. securities issued by the reporting entity	*231,175*
2. other securities	*686,303*
c) third party securities deposited with third parties	882,790
d) securities owned by the bank deposited with third parties	337,242
4. Other	-

5. Credit collection on behalf of third parties: adjustments

	31/12/2012	31/12/2011
a) "debit" adjustments	318,457	351,537
1) bank joint accounts	73,287	79,902
2) central portfolio	238,631	263,102
3) cash	855	866
4) other accounts	5,684	7,667
b) "credit" adjustments	342,584	354,375
1) bank joint accounts	74,939	80,796
2) transferors of bills and documents	267,645	273,579
3) other accounts	-	-
DIFFERENCE	24,127	2,838

The difference of €24,127 thousand is shown under caption 100 "Other liabilities" in the statement of financial position.

The adjustments made during the year were affected by the currency effect on the bills under reserve portfolio following enactment of the PSD regulation. The bank paid bills received from banks of €23,162 thousand on 31 December 2012 even though payment was postponed to 2 January 2013. Conversely, it received payment from the banks with a value date of 2 January 2013 and therefore these bills were recognised as illiquid at the reporting date.

PART C
Notes to the income statement

Section 1 – Interest – Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	2012	2011
1. Financial assets held for trading	6,409	-	-	6,409	4,650
2. Available-for-sale financial assets	6,051	-	-	6,051	2,313
3. Held-to-maturity investments	97	-	-	97	97
4. Loans and receivables with banks	-	152	-	152	444
5. Loans and receivables with customers	-	43,974	-	43,974	41,781
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	115	115	171
Total	12,557	44,126	115	56,798	49,456

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

	2012	2011
1.3.1 Interest income on foreign currency financial assets	167	56

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	2012	2011
1. Due to central banks	1,284	-	-	1,284	114
2. Due to banks	71	-	-	71	121
3. Due to customers	6,551	-	-	6,551	5,705
4. Securities issued	-	9,664	-	9,664	6,737
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	110	110	149
8. Hedging derivatives	-	-	-	-	-
Total	7,906	9,664	110	17,680	12,712

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

	2012	2011
1.6.1 Interest expense on foreign currency liabilities	3	6

Section 2 – Fees and commissions - Captions 40 and 50

2.1 Fee and commission income: breakdown

	31/12/2012	31/12/2011
a) guarantees received	404	369
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	5,032	4,581
1. trading in financial instruments	220	243
2. foreign currency transactions	111	135
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	179	194
5. depository services	-	-
6. securities placement	1,985	1,524
7. order collection and transmission	793	769
8. consultancy services	-	-
8.1. concerning investments	-	-
8.2. concerning financial structure	-	-
9. distribution of third party services	1,744	1,716
9.1 asset management	*347*	*388*
9.1.1. individual	*195*	*252*
9.1.2. collective	*152*	*136*
9.2. insurance products	*585*	*517*
9.3. other products	*812*	*811*
d) collection and payment services	3,417	3,212
e) servicing services for securitisations	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) keeping and management of current accounts	10,276	10,025
j) other services	2,375	2,221
Total	21,504	20,408

The balance shown as letter "j" in the above table includes:[11]

Loan preliminary investigation fees	469
Financing fees	549
Bancomat (debit card) and home banking fees	567
Other commissions	790

2.2 Fee and commission income: product and service distribution channels

[11] €'000

	2012	2011
a) own branches:	3,729	3,240
1. asset management	-	-
2. securities placement	1,985	1,524
3. third party services and products	1,744	1,716
b) off-premises distribution:	-	-
1. asset management	-	-
2. securities placement	-	-
3. third party services and products	-	-
c) other distribution channels:	-	-
1. asset management	-	-
2. securities placement	-	-
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

	2012	2011
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	- 223	- 212
1. trading in financial instruments	- 136	- 128
2. foreign currency transactions	-	-
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	- 87	- 84
5. placement of financial instruments	-	-
6. off-premises distribution of securities, products and services	-	-
d) collection and payment services	- 875	- 831
e) other services	- 715	- 32
Total	- 1,813	- 1,075

Item “e) Other services” includes commissions of €680 thousand paid to the Ministry for the Economy and Finance for the government’s guarantee of financial liabilities issued by the bank pursuant to Law no. 214/2011.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

	2012		2011	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	180	-	195	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-		-	
Total	180	-	195	-

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

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income [(A+B) + (C+D)]
1. Financial assets held for trading	12,044	5,241	36	207	17,042
1.1 Debt instruments	12,044	5,241	36	206	17,043
1.2 Equity instruments	-	-	-	1	- 1
1.3 OEIC units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt instruments	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate gains					128
4. Derivatives	372	26	365	18	15
4.1. Financial derivatives:	372	26	365	18	15
- On debt securities and interest rates	372	26	365	18	15
- On equity instruments and equity indexes	-	-	-	-	-
- On currencies and gold					-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	12,416	5,267	401	225	17,185

Currency: Costs, Revenue and Inventories

EXPENSES AND LOSSES:			REVENUE AND PROFITS:		
	2012	2011		2012	2011
A) Opening balance in foreign currency	330	166	E) Revenue from currency sales	70,477	69,765
B) Cost of purchasing currency	70,315	69,835	F) Closing balance	235	330
D) Total costs	**70,645**	**70,001**	**H) Total revenue**	**70,712**	**70,095**

SUMMARY:		
	2012	2011
(+) Total revenue	***70,712***	***70,095***
(-) Total costs	***- 70,645***	***- 70,001***
(+) Currency fees	***51***	***55***
(-) IFRS adjustments	***10***	***- 17***
Unrealised exchange rate gains	***128***	***132***

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

6.1 Gain (loss) from sales or repurchases: breakdown

	Total at 31/12/2012			Total at 31/12/2011		
	Gain	Loss	Net gain (loss)	Gain	Loss	Net gain (loss)
Financial assets						
1. Loans and receivables with banks	-	-	-	-	-	-
2. Loans and receivables with customers	-	-	-	-	-	-
3. Available-for-sale financial assets	1,629	979	650	61	153	- 92
3.1 Debt instruments	*1,623*	*979*	644	*61*	*75*	- 14
3.2 Equity instruments	*6*	-	6	-	*78*	- 78
3.3 OEIC units	-	-	-	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	1,629	979	650	61	153	- 92
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	4	163	- 159	26	86	- 60
Total liabilities	4	163	- 159	26	86	- 60

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

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

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

Section 8 - Net impairment losses - Caption 130

8.1 Net impairment losses on loans and receivables: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)				2012	2011
	Individual		Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Loans and receivables with banks	-	-	-	-	-	-	-	-	-
- Financing	-	-	-	-	-	-	-	-	-
- Debt instruments	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	- 509	- 14,106	- 2,311	2,293	2,176	-	2	- 12,455	- 2,043
Impaired loans purchased	-	-	-	-	-	-	-	-	-
- Financing	-	-		-	-			-	-
- Debt instruments	-	-		-	-			-	-
Other	- 509	- 14,106	- 2,311	2,293	2,176	-	2	- 12,455	- 2,043
- Financing	*- 509*	*- 14,106*	*- 2,311*	*2,293*	*2,176*	-	*2*	*- 12,455*	*- 2,043*
- Debt instruments	-	-	-	-	-	-	-	-	-
C. Total	- 509	- 14,106	- 2,311	2,293	2,176	-	2	- 12,455	- 2,043

The "Reversals of impairment losses (2) Individual" column includes €289 thousand of default interest collected on non-performing loans and the release of reversals of impairment losses on interest for discounting to profit or loss as follows:

on substandard/past due loans €344 thousand, of which €147 thousand has been collected;
on non-performing loans €1,660 thousand, of which €63 thousand has been collected.
The "Reversals of impairment losses (2) Individual B" column includes reversals due to collections of non-performing loans of €197 thousand and reversals of fair value losses of €178 thousand and reversals due to collections of €1,023 thousand on substandard/past due loans.

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses (1)		Rev. of impair. losses (2)		2012	2011
	Individual		Individual			
	Derecognition	Other	A	B	(3) = (1)-(2)	(3) = (1)-(2)
A. Debt instruments	-	-	-	-	-	-
B. Equity instruments	-	-	-	-	-	-
C. OEIC units	-	-	-	-	-	-
D. Financing to banks	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total	-	-	-	-	-	-

Section 9 - Administrative expenses - Caption 150

9.1 Personnel expense: breakdown

	2012	2011
1) Employees	- 28,139	- 26,520
a) wages and salaries	- 19,110	- 18,197
b) social security charges	- 5,098	- 4,985
c) post-employment benefits	- 1,046	- 1,198
d) pension costs	-	-
e) accrual for post-employment benefits	- 562	- 434
f) accrual for pension and similar provisions:	- 576	- 66
- defined contribution plans	*-*	*-*
- defined benefit plans	*- 576*	*- 66*
g) payments to external supplementary pension funds	- 739	- 698
- defined contribution plans	*- 739*	*- 698*
- defined benefit plans	*-*	*-*
h) costs of share-based payment plans	-	-
i) other employee benefits	- 1,008	- 942
2) Other personnel	-	-
3) Directors and statutory auditors	- 959	- 973
4) Retired personnel	-	-
5) Cost recoveries for personnel seconded to other companies	-	-
6) Cost reimbursements for personnel seconded to the bank	-	-
Total	- 29,098	- 27,493

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

9.2 Average number of employees per category

	31/12/2012	2012 average	31/12/2011
• Employees	404	404	404
a) managers	2	2	2
b) junior managers	105	104	102
- including: 3rd and 4th level	*43*	*42*	*40*
c) other employees (including cleaning staff)	297	299	300
- including: 3rd professional group	*286*	*289*	*292*
- including: 2nd professional group	*10*	*9*	*7*
- including: cleaning staff	*1*	*1*	*1*
• Other personnel	13	13	13

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

9.3 Defined benefit internal pension funds: total costs

	2012	2011
Defined benefit internal pension plan for retired employees	576	66

9.4 Other employee benefits

	2012	2011
Other employee benefits	1,008	942

This caption mainly comprises training costs of €196 thousand, life, accident and health insurance policies of €238 thousand and lunch vouchers of €498 thousand.

9.5 Other administrative expenses: breakdown

	2012	2011
1 - credit collection legal fees	- 1,420	- 1,305
2 - sundry and technical legal consultancy	- 730	- 762
3 - maintenance, repairs, conversions	- 2,661	- 744
4 - lease of premises	- 1,204	- 1,137
5 - cleaning services	- 525	- 507
6 - rental of machinery and data transmission lines	- 1,306	- 1,264
7 - security and security transportation	- 555	- 551
8 - lighting and heating	- 740	- 642
9 - stationery and printed matter	- 132	- 140
10 - postal, telegraph, telex, telephone	- 586	- 602
11 - insurance	- 384	- 396
12 - advertising	- 516	- 480
13 - subscriptions and purchases of publications	- 103	- 97
14 - third party service costs	- 2,896	- 2,940
15 - transportation and relocation	- 190	- 170
16 - membership fees	- 177	- 177
17 - other	- 894	- 804
Subtotal of other administrative expenses	- 15,019	- 12,718
Indirect taxes and duties		
1 - stamp duty	- 3,017	- 2,742
2 - local property tax	- 346	- 146
3 - other	- 551	- 557
Total indirect taxes and duties	- 3,914	- 3,445
Total other administrative expenses	- 18,933	- 16,163

“Maintenance, repair and conversions” relate to work performed to make the buildings usable. Therefore, they have been expensed even when the amounts involved were significant.

Specifically, €1,054 thousand relates to the restructuring of a residential building, mainly to fix the roof.

Total fees due to the independent auditors that perform the legally-required audit are as follows:

- legally-required audit of the annual financial statements €78,544;
- audit of the interim financial report at 30 June €26,133;
- preparation of the financial statements in English €12,100;
- signing of the tax returns €4,817;
- moreover, fees paid to KStudio Associato, a KPMG network company, for legal and tax consultancy services amounted to €9,928 thousand

These fees include VAT.

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

10.1 Net accruals to provisions for risks and charges: breakdown

	2012
1- accrual for legal disputes	1,304
2- accrual for claw-back claims	161
3 - other	199
Total accruals	1,664
4 - Utilisation to settle legal disputes	118
Total utilisations	118
Total net accruals	1,546

Utilisation of these provisions for €118 thousand referred to the settlement of legal disputes recognised in caption 160 of the income statement.

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

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

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b – c)
A. Property, equipment and investment property				
A.1 Owned	- 1,282	-	-	- 1,282
- operating assets	*- 1,282*	-	-	*- 1,282*
- investment property	-	-	-	-
A.2 Acquired under finance lease	-	-	-	-
- operating assets	-	-	-	-
- investment property	-	-	-	-
Total	- 1,282	-	-	- 1,282

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

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

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b – c)
A. Intangible assets				
A.1 Owned	- 35	-	-	- 35
- Generated internally	-	-	-	-
- Other	*- 35*	-	-	*- 35*
A.2 Acquired under finance lease	-	-	-	-
Total	- 35	-	-	- 35

Section 13 - Net other operating income - Caption 190

13.1 Other operating expense: breakdown

	2012
1 - Charitable donations	- 7
2 - Contributions to bodies and municipalities receiving treasury services	- 142
3 - Amortisation of leasehold improvements	- 94
4 - Losses for robbery	- 30
5 - Other	- 470
Total	- 743

Item “5 - Other” includes prior year losses (€346 thousand) and losses on services insured with the Interbank Deposit Protection Fund (FITD) (€114 thousand).

13.2 Other operating income: breakdown

	2012
1 - Recoveries of administrative expenses	4,945
2 - Security box fees	47
3 - Lease income	431
4 - Other income	257
Total other operating income	5,680
Total	4,937

Section 17 - Net gains on sales of investments - Caption 240

17.1 Net gains on sales of investments: breakdown

	2012	2011
A. Property	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	14	18
- Gains on sales	25	21
- Losses on sales	- 11	- 3
Net gains on sales of investments	14	18

Section 18 - Income taxes - Caption 260

18.1 Income taxes: breakdown

	2012	2011
1. Current taxes (-)	- 12,766	- 1,397
2. Change in current taxes from previous years (+/-)	1,298	-
3. Decrease in current taxes for the year (+)	-	1,300
3 bis. Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	3,521	- 175
5. Change in deferred tax liabilities (+/-)	-	-
6. Tax expense for the year (-)(-1+/-2+3+/-4+/-5)	- 7,947	- 272

Item 2 shows the IRES tax asset arising on the deductibility of IRAP from personnel expense as allowed by Law no. 201/2011.

18.2 Reconciliation between the theoretical and effective tax expense

		Amount
Pre-tax profit for the year	18,267	
Effective IRES tax rate	27.50%	
Theoretical tax expense		5,023
Permanent and temporary differences for IRES purposes		*4,430*
a) dividends	171	
b) other	15,937	
IRES tax		9,453
Pre-tax profit for the year	18,267	
Effective IRAP tax rate	5.4875%	
Theoretical tax expense		1,002
Permanent differences for IRAP purposes	-	*2,311*
a) non-deductible personnel expense	19,988	
b) impairment losses/reversals of impairment losses on loans and receivables	12,455	
c) other	9,663	
IRAP tax		3,313
Income tax expense		12,766

Item “b - Other” includes impairment losses of €11,037 thousand on loans and receivables exceeding 0.30% of the carrying amount of loans and receivables and deductible as eighteenths.

Section 21 – Earnings per share

21.1 Average number of ordinary shares with dilutive effect

	2012	2011
Weighted average number of shares	759,750	759,750
Profit attributable to the share categories (Euro)	7,711,462	0
Basic EPS (Euro)	10.18	0
Diluted EPS (Euro)	10.18	0

Pursuant to IAS 33.10/33:

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

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

At the reporting date, the bank decided to distribute dividends of €10.15 to the holders of ordinary shares pursuant to Banca d'Italia's instructions about capitalisation.
Therefore and in accordance with article 25 of the by-laws, the profit for the year has been allocated as follows:

1. €1,032,026 to the ordinary reserve, as per article 25 of the by-laws;
2. €1,548,039 to the extraordinary reserve, as per article 25 of the by-laws;
3. €28,734 to the extraordinary reserve, as decided by the board of directors.

The numerator used to calculate the basic EPS is €7,711,462. With respect to the denominator, the weighted average number of the ordinary shares outstanding is unchanged at 759,750.

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

Therefore, the basic and diluted EPS are the same.

PART D
Segment reporting

BREAKDOWN OF COMPREHENSIVE INCOME

		Gross amount	Income tax	Net amount
10.	Profit for the year			10,320
	Other comprehensive expense			
20.	Available-for-sale financial assets:	15,306	5,051	10,255
	a) fair value gains	15,306	5,051	10,255
	b) reclassification to profit or loss	-	-	-
	- impairment losses	-	-	-
	- gains/losses on sales	-	-	-
	c) other changes	-	-	
30.	Property, equipment and investment property	-	-	
40.	Intangible assets	-	-	
50.	Hedges of investments in foreign operations	-	-	-
	a) fair value losses	-	-	
	b) reclassification to profit or loss	-	-	
	c) other changes	-	-	
60.	Cash flow hedges:	-	-	-
	a) fair value gains (losses)	-	-	
	b) reclassification to profit or loss	-	-	
	c) other changes	-	-	
70.	Exchange rate gains (losses):	-	-	-
	a) fair value gains (losses)	-	-	
	b) reclassification to profit or loss	-	-	
	c) other changes	-	-	
80.	Non-current assets held for sale:	-	-	-
	a) fair value gains (losses)	-	-	
	b) reclassification to profit or loss	-	-	
	c) other changes	-	-	
90.	Actuarial losses on defined benefit plans	- 7,359	- 2,734	- 4,625
100.	Portion of valuation reserves of equity-accounted investees:	-	-	-
	a) fair value gains (losses)	-	-	
	b) reclassification to profit or loss	-	-	-
	- impairment losses	-	-	
	- gains/losses on sales	-	-	
	c) other changes	-	-	
110.	Total other comprehensive income	7,947	2,317	5,630
120.	Comprehensive income (10 + 110)			15,950

PART E
Risks and related hedging policies

SECTION 1 - CREDIT RISK

General information

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

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

As provided for by Chapter IV of Banca d'Italia Circular no. 263/06 "Market disclosures" (Pillar III), the bank publishes "... information about its capital adequacy, exposure to risks and the general characteristics of the systems in place to identify, measure and manage risks" in its "Pillar 3, Market disclosures, situation at 31/12/2012" document together with its annual report each year on its website "www.carifermo.it" in the financial reporting section.

Qualitative disclosure

1. General aspects

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

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

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

The bank has a policy of ongoing improvement to safeguard both the debtors and their families as well as itself, covering product efficiency, insurance policies for pure risk with cover for death, invalidity and dismissals.

2. Credit risk management policies

2.1 Organisational aspects

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

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

- **Loans office:** assists the branches with the preliminary investigations stage, assesses credit facility applications approved by the relevant branch bodies, checking compliance with their powers, checks existing credit facilities and that the branches renew them.
- **Risk control office**: regularly monitors business risk irregularities using data provided by special computerised procedures and the Inspection and Internal Audit Unit; proposes classification of positions in temporary difficulties as "doubtful", encouraging the branches to have them return to a "performing" status and coordinating the related activities; monitors and checks "restructured" positions; prepares a quarterly report for senior management on the situation and changes in reported positions.
- **Risk Management:** assesses and develops credit risk measurement methodologies in line with best practices; carries out static and dynamic analyses of the loan portfolio's risk profile and reports thereon every month to senior management and bank risk monitoring units.
- **Compliance office:** analyses credit lending procedures and processes and related contracts to check aspects subject to potential legal risk and non-compliance with current legislation.

2.2 Management, measuring and control systems

In order to identify any deterioration in customers' credit standing in advance, the bank uses a tool to check its relationships with its ordinary customers together with the information available in the risk database, which identifies irregularities with a potential negative impact on risk. This tool (Credit Position Control - CPC) gives each borrower a score from between -100 (minimum risk) to +100 (maximum risk) and is used by the Risk Management Unit to monitor customers' behaviour to assess repayment trends and identify any loan deterioration on a timely basis using specific diagnostic tools.

The unit prepares regular reports for senior management, the branches and relevant internal units.

Quarterly reports analysing the entire portfolio's risk by business and geographical segment are prepared for senior management.

The Risk Management Unit uses a model to estimate expected defaults over one year on performing loans and its results are considered when determining the collective impairment losses on performing loans. The model determines the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD) considering external information (loan deterioration rates from Banca d'Italia's database) and internal estimates (recovery rates of non-performing loans).

The bank has a rating system (SARa - automatic rating system) for management purposes only, which complies with Basel II requirements. It is used to determine the counterparty rating and the PD in one year based on performance trends, analyses of counterparties' financial statements and other qualitative information, collected in questionnaires from the branches.

The Risk Management Unit designs and performs stress tests on credit and counterparty risk, including quantification of sensitivity to three risk factors:

1. counterparty credit worthiness
2. loan deterioration rate
3. appropriateness of use of the credit risk mitigation tools.

2.3 Credit risk mitigation techniques

The bank uses credit risk mitigation techniques and tools, the classification and utilisation of which are set out in the "Credit risk mitigation policies" document approved by the board of directors on 20 May 2008 and revised subsequently. The document requires that:

- The bank obtain qualifiable and acceptable guarantees, such as CRM tools, for its credit exposure on a preferential basis, without waiving those without these requirements as additional protection of credit.
- “Collateral or personal guarantees, regardless of their acceptability as CRM tools, are considered to be ancillary compared to the credit transaction and cannot replace or make less effective the assessment of the debtor’s repayment ability or be included in the assessment of the counterparty’s credit standing or the riskiness of the transaction".

Highly mitigating factors are collateral, consisting of pledges of highly liquid financial assets and mortgages on residential property. Other mitigating guarantees are mortgages on non-residential property, personal guarantees depending on the guarantor’s standing and pledges of financial assets other than government bonds.

The credit risk mitigation factors are assessed using a hierarchical classification system for the credit types, based on the intrinsic LGD, and the guarantees, based on their potential risk mitigation potential. Each risk category is given a weighing factor which estimates the overall risk level when applied to the counterparty's overall credit.

With respect to financial collateral acceptable as CRM, the bank meets the requirements of Circular no. 263/06.

In accordance with the above supervisory regulations and with respect to exposures guaranteed by property, the bank has systems which monitor the property’s value on a statistical basis and operating procedures to check its actual value. It has also introduced a rule for the assessment of buildings which sets out the general criteria for property evaluations by experts.

The bank uses standard contracts for guarantees. If they are inadequate, the relevant offices prepare ad hoc contracts which are checked by the Compliance Office and, if necessary, external experts.

The bank did not have credit derivatives at the reporting date.

2.4 Impaired financial assets

The Risk Control Office and Legal Affairs Office manage non-performing loans.

Based on the information obtained from internal reports on loan performance and irregularities (monitoring of trends, identification of unpaid instalments and suspect cheques, items to be fixed, past due and/or overdue loans, reports from branches, inspection reports, etc.) and external sources (central risk database, CAI, external provider reports on injurious positions, etc.), the Risk Control Office assesses whether to adopt measures to contain risk and proposes classification of loans in temporary/financial difficulties as "doubtful" or "non-performing", if necessary. If this is the case, it provides the Legal Affairs and Litigation Office with all the information necessary to commence the procedures to recover the loan. The Risk Control Office manages the restructured loans as well and prepares a quarterly report for senior management on the status and developments of loans, especially doubtful ones.

Quantitative disclosure

A. Credit quality

A.1 Impaired and performing loans: carrying amount, impairment losses, performance, business and geographical breakdown

A.1.1 Breakdown of loans by portfolio and credit quality (carrying amount)

	Non-performing loans	Substandard loans	Restructured loans	Past due loans	Other assets	Total
1. Financial assets held for trading	-	-	-	-	204,777	204,777
2. Available-for-sale financial assets	-	-	-	-	262,849	262,849
3. Held-to-maturity investments	-	-	-	-	5,022	5,022
4. Loans and receivables with banks	-	-	-	-	43,896	43,896
5. Loans and receivables with customers	29,175	36,100	-	6,934	983,246	1,055,455
6. Fin. assets at fair value through profit or loss	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total at 31/12/2012	29,175	36,100	-	6,934	1,499,790	1,571,999
Total at 31/12/2011	25,131	34,514	-	2,523	1,328,676	1,390,844

A.1.2 Breakdown of loans by portfolio and credit quality (gross amount and carrying amount)

	Impaired assets			Performing			Total (carrying amount)
	Gross amount	Individual impairment	Carrying amount	Gross amount	Collective impairment	Carrying amount	
1. Financial assets held for trading	-	-	-	204,777	-	204,777	204,777
2. Available-for-sale financial assets	-	-	-	262,849	-	262,849	262,849
3. Held-to-maturity investments	-	-	-	5,022	-	5,022	5,022
4. Loans and receivables with banks	-	-	-	43,896	-	43,896	43,896
5. Loans and receivables with customers	104,942	32,733	72,209	995,382	12,136	983,246	1,055,455
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total at 31/12/2012	104,942	32,733	72,209	1,511,926	12,136	1,499,790	1,571,999
Total at 31/12/2011	85,897	23,729	62,168	1,338,507	9,831	1,328,676	1,390,844

A.1.2.1 Breakdown of performing loans by portfolio (gross amount and carrying amount)

	Gross amount	Collective impairment	Carrying amount
1. Financial assets held for trading	-	-	-
2. Available-for-sale financial assets	262,849	-	262,849
3. Held-to-maturity investments	5,022	-	5,022
4. Loans and receivables with banks	43,896	-	43,896
5. Loans and receivables with customers	976,641	11,952	964,689
6. Renegotiated loans to customers as part of collective agreements	18,741	184	18,557
7. Fin. assets at fair value through profit or loss	-	-	-
8. Financial assets held for sale	-	-	-
9. Hedging derivatives	-	-	-
Total at 31/12/2012	1,307,149	12,136	1,295,013

The above table shows performing loans that have been renegotiated as part of the collective ABI-MEF agreements provided for by Banca d'Italia communication no. 0169844/11 of 24 February 2011. The gross amount of €18,741 thousand relates to the loans renegotiated pursuant to Law decree no. 185/2008.

A.2.2.2 Breakdown of performing loans by portfolio and due date

	Renegotiated loans to customers as part of collective agreements					Other loans				
	Not yet due	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Not yet due	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years
1. Financial assets held for trading	-	-	-	-	-	-	-	-	-	204,777
2. Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	262,849
3. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	5,022
4. Loans and receivables with banks	-	-	-	-	-	-	-	-	-	43,896
5. Loans and receivables with customers	-	-	-	-	-	147,177	3,222	152	1	814,137
6. Renegotiated loans to customers as part of collective agreements	16,595	1,962	-	-	-	-	-	-	-	-
7. Fin. assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
8. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-
9. Hedging derivatives	-	-	-	-	-	-	-	-	-	-
Total at 31/12/2012	16,595	1,962	-	-	-	147,177	3,222	152	1	1,330,681

The table shows that outstanding receivables related to loans renegotiated as part of the collective ABI-MEF agreements are mostly included in the "Not yet due" category.

A.1.3 Loans and receivables with banks on and off-statement of financial position: gross amounts and carrying amounts

	Gross amount	Individual impairment	Collective impairment	Net amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	-	-	-	-
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past due loans	-	-	-	-
f) Other assets	123,132	-	-	123,132
TOTAL A	123,132	-	-	123,132
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	-	-	-	-
b) Other	3,265	-	-	3,265
TOTAL B	3,265	-	-	3,265
TOTAL A + B	126,397	-	-	126,397

The amount shown in item B relates to the guarantee given to FITD (€2,606 thousand) and the fair value of derivatives (€658 thousand).

A.1.4 On-statement of financial position loans and receivables with banks: gross impaired positions

The bank has not undertaken this type of transaction.

A.1.5 On-statement of financial position loans and receivables with banks: changes in impaired positions

The bank has not undertaken this type of transaction.

A.1.6 Loans and receivables with customers on and off-statement of financial position: gross amounts and carrying amounts

	Gross amount	Individual impairment	Collective impairment	Net amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	55,608	26,433	-	29,175
b) Substandard loans	41,982	5,882	-	36,100
c) Restructured loans	-	-	-	-
d) Past due loans	7,352	418	-	6,934
f) Other assets	1,388,123	-	12,136	1,375,987
TOTAL A	1,493,065	32,733	12,136	1,448,196
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	1,224	-	-	1,224
b) Other	81,385	-	-	81,385
TOTAL B	82,609	-	-	82,609

Loans to customers include the balances of captions 20 and 40 (financial assets held for trading and available-for-sale) and 70 (loans and receivables with customers) less loans and receivables with banks consisting of securities included in table A.1.3.
Item "b) Other" of the off-statement of financial position positions includes commercial guarantees given to customers (€39,475 thousand) and irrevocable commitments to disburse funds (€39,977 thousand).

A.1.7 On-statement of financial position loans and receivables with customers: gross impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Gross opening balance	45,111	38,150	-	2,636
- including: positions transferred but not derecognised	-	-	-	-
B. Increases	17,339	51,275	-	39,226
B.1 transfers from performing loans	38	38,555	-	38,087
B.2 transfers from other impaired loan categories	16,139	6,338	-	185
B.3 other increases	1,162	6,382	-	954
C. Decreases	6,842	47,443	-	34,510
C.1 transfers to performing loans	-	9,375	-	20,852
C.2 derecognitions	1,604	-	-	-
C.3 collections	5,238	24,731	-	3,914
C.4 losses on sales	-	-	-	-
C.5 transfers to other impaired loan categories	-	12,909	-	9,356
C.6 other decreases	-	428	-	388
D. Gross closing balance	55,608	41,982	-	7,352
- including: positions transferred but not derecognised	-	-	-	-

A.1.8 On-statement of financial position loans and receivables with customers: changes in impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Opening balance	19,979	3,635	-	114
- including: positions transferred but not derecognised	-	-	-	-
B. Increases	10,192	4,986	-	414
B.1. impairment losses	8,778	4,920	-	407
B.1 bis losses on sales	-	-	-	-
B.2 transfers from other impaired loan categories	1,231	66	-	7
B.3 other increases	183	-	-	-
C. Decreases	3,738	2,739	-	110
C.1. fair value gains	1,793	375	-	-
C.2. reversals of impairment losses due to collections	841	1,135	-	35
C.2 bis gains on sales	-	-	-	-
C.3. derecognitions	1,104	-	-	-
C.4. transfers to other impaired loan categories	-	1,229	-	75
C.5 other decreases	-	-	-	-
D. Closing balance	26,433	5,882	-	418
- including: positions transferred but not derecognised	-	-	-	-

A.2 Classification of exposures using external and internal ratings

A.2.1 Breakdown of credit exposure on and off-statement of financial position by external rating classes

Moody's provides the external ratings in accordance with the ECAI used to calculate the capital requirements for credit risk.

The exposure with externally-rated ordinary customers on and off-statement of financial position is negligible.

The exposure with institutional and banking counterparties has the ratings shown in the next table:

	External rating class						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB	BB+/BB-	B+/B-	Below B		
A. On-statement of financial position loans and receivables	1,417	1,285	446,753	8,775	-	-	1,113,099	1,571,329
B. Derivatives	-	-	13	-	-	-	658	671
B.1 Financial derivatives	-	-	13	-	-	-	658	671
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	42,240	42,240
D. Commitments to disburse funds	-	-	-	-	-	-	42,963	42,963
E. Other	-	-	-	-	-	-	-	-
Total	1,417	1,285	446,766	8,775	-	-	1,198,960	1,657,203

A.2.2 Breakdown of credit exposure on and off-statement of financial position by internal rating classes

The bank has decided not to use internal rating systems.

A.3 Breakdown of guaranteed exposure by type of guarantee

A.3.2 Guaranteed loans and receivables with customers

	Net amount	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Endorsement credits				
							Altri derivati								
		Property	Property under finance lease	Securities	Other collateral	CLN	Govern-ments and central banks	Other gov. agencies	Banks	Other	Ogern-ments and central banks	Other gov. agencies	Banks	Other	
1. Guaranteed loans:	813,183	1,466,988	-	20,148	10,943	-	-	-	-	-	-	3,581	43	241,717	1,743,420
1.1. Fully guaranteed	780,479	1,466,968	-	16,693	9,778	-	-	-	-	-	-	2,949	43	222,931	1,719,362
- including: impaired	*60,361*	*130,873*	-	*1,463*	*152*	-	-	-	-	-	-	-	*43*	*13,819*	*146,350*
1.2. Partly guaranteed	32,704	20	-	3,455	1,165	-	-	-	-	-	-	632	-	18,786	24,058
- including: impaired	*2,063*	-	-	*70*	*4*	-	-	-	-	-	-	*632*	-	*1,103*	*1,809*
2. Off-statement of financial position guaranteed loans:	40,267	23,538	-	3,178	5,034	-	-	-	-	-	-	-	-	16,804	48,554
2.1. Fully guaranteed	34,497	23,538	-	1,295	4,799	-	-	-	-	-	-	-	-	16,738	46,370
- including: impaired	*1,023*	*935*	-	*18*	*1*	-	-	-	-	-	-	-	-	*70*	1,024
2.2. Partly guaranteed	5,770	-	-	1,883	235	-	-	-	-	-	-	-	-	66	2,184
- including: impaired	*18*	-	-	-	-	-	-	-	-	-	-	-	-	*18*	36

B. Breakdown and concentration of credit exposure

B.1 Breakdown of loans and receivables with customers on and off-statement of financial position by business segment (carrying amount)

	Financial companies			Insurance companies		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of fin. position						
A.1 Non-performing loans	*3*	*3*	-	-	-	-
A.2 Substandard loans	*60*	*9*	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-
A.5 Other	*10,127*		*117*	-		-
Total A	10,190	12	117	-	-	-
B. Off-statement of fin. position						
B.1 Non-performing loans	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	*1,644*		-	-		-
Total B	1,644	-	-	-	-	-
Total (A + B) at 31/12/2012	11,834	12	117	-	-	-
Total (A + B) at 31/12/2011	10,482	64	-	-	-	-

	Non-financial companies			Other		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of fin. position						
A.1 Non-performing loans	*22,053*	*21,548*	-	*7,118*	*4,882*	-
A.2 Substandard loans	*23,721*	*5,022*	-	*12,319*	*851*	-
A.3 Restructured loans	-	-	-	-	-	-
A.4 Past due loans	*2,486*	*179*	-	*4,447*	*239*	-
A.5 Other	*699,257*		*8,329*	*272,827*		*3,691*
Total A	747,517	26,749	8,329	296,711	5,972	3,691
B. Off-statement of fin. position						
B.1 Non-performing loans	-	-	-	-	-	-
B.2 Substandard loans	*1,223*	-	-	-	-	-
B.3 Other impaired assets	-	-	-	*1*	-	-
B.4 Other	*41,232*		-	*7,403*		-
Total B	42,455	-	-	7,404	-	-
Total (A + B) at 31/12/2012	789,972	26,749	8,329	304,115	5,972	3,691
Total (A + B) at 31/12/2011	773,538	15,186	5,881	324,368	8,479	3,950

Table "B.2 Breakdown of loans to resident non-financial companies" has been eliminated by Banca d'Italia’s communication no. 4855 of 2 January 2009.

Moreover, the credit concentration risk is analysed in the directors' report.

B.2 Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans	29,175	26,433	-	-	-	-	-	-	-	-
A.2 Substandard loans	36,100	5,882	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	6,934	418	-	-	-	-	-	-	-	-
A.5 Other	1,374,882	12,123	848	10	-	-	257	3	-	-
Total A	1,447,091	44,856	848	10	-	-	257	3	-	-
B. Off-statement of financial position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	1,223	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	1	-	-	-	-	-	-	-	-	-
B.4 Other	81,385	-	-	-	-	-	-	-	-	-
Total B	82,609	-	-	-	-	-	-	-	-	-
Total (A + B) at 31/12/2012	1,529,700	44,856	848	10	-	-	257	3	-	-
Total (A + B) at 31/12/2011	1,333,677	33,559	135	2	-	-	-	-	238	-

B.2.1 Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	North-west ITALY		North-east ITALY		Central ITALY		South ITALY and islands	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of fin. position								
A.1 Non-performing loans	3,725	2,672	174	94	24,773	22,740	502	926
A.2 Substandard loans	17	2	11	2	33,280	5,438	2,793	439
A.3 Restructured loans	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	6,685	408	249	11
A.5 Other	15,120	173	4,666	42	1,303,422	11,280	51,675	628
Total A	18,862	2,847	4,851	138	1,368,160	39,866	55,219	2,004
B. Off-statement of fin. position								
B.1 Non-performing loans	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	223	-	1,000	-
B.3 Other impaired assets	-	-	-	-	1	-	-	-
B.4 Other	4	-	475	-	79,344	-	1,561	-
Total B	4	-	475	-	79,568	-	2,561	-
Total (A + B) at 31/12/2012	18,866	2,847	5,326	138	1,447,728	39,866	57,780	2,004
Total (A + B) at 31/12/2011	15,515	1,698	2,038	78	1,247,990	30,139	68,170	1,644

B.3 Breakdown of loans and receivables with banks on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUR. COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of fin. position										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-	-	-
A.5 Other	122,692	-	154	-	253	-	33	-	-	-
Total A	122,692	-	154	-	253	-	33	-	-	-
B. Off-statement of fin. position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	3,265	-	-	-	-	-	-	-	-	-
Total B	3,265	-	-	-	-	-	-	-	-	-
Total (A + B) at 31/12/2012	125,957	-	154	-	253	-	33	-	-	-
Total (A + B) at 31/12/2011	132,202	-	91	-	1,257	-	80	-	-	-

B.3.1 Breakdown of loans and receivables with banks on and off-statement of financial position by geographical segment (carrying amount)

	North-west ITALY		North-east ITALY		Central ITALY		South ITALY and islands	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of fin. position								
A.1 Non-performing loans	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-
A.5 Other	62,144	-	5,000	-	55,548	-	-	-
Total A	62,144	-	5,000	-	55,548	-	-	-
B. Off-statement of fin. position								
B.1 Non-performing loans	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other	413	-	-	-	2,852	-	-	-
Total B	413	-	-	-	2,852	-	-	-
Total (A + B) at 31/12/2012	62,557	-	5,000	-	58,400	-	-	-
Total (A + B) at 31/12/2011	60,781	-	13,468	-	57,953	-	-	-

B.4 Large exposures (pursuant to supervisory regulations)

	31/12/2012	31/12/2011
a) Weighted amount	52,072	58,395
b) Nominal amount	523,878	337,259
c) Number	7	8

As provided for by the sixth update of the Circular no. 263 of the "New prudential reporting instructions for banks" of 27 December 2010, which revised the prudential regulations for risk concentration, and with reference to communication no. 0206253/11 of 7 March 2011 issued by Banca d'Italia, the above table shows both the weighted amount of the large exposures and their carrying amount. These positions have decreased from eight to seven in 2012, even though the nominal amount has increased due to greater purchases of government bonds; in fact, one of the counterparties is the Italian government.
The weighted amount, down from €58,395 thousand to €52,072 thousand at 31 December 2012 includes exposure to banks (€21,716 thousand) and to companies.

C. Securitisations and transfers of assets

C.1 Securitisations

Qualitative disclosure

The bank has not undertaken this type of transaction.

Quantitative disclosure

The bank has not undertaken this type of transaction.

C.2 Transfers of assets

C.2.1 Financial assets transferred and not derecognised

	Financial assets held for trading			Financial assets at fair value through profit or loss			Available-for-sale financial assets			Total	
	A	B	C	A	B	C	A	B	C	31/12/2012	31/12/2011
A. Assets	12,710	-	-	-	-	-	-	-	-	12,710	12,184
1. Debt instruments	12,710	-	-	-	-	-	-	-	-	12,710	12,184
2. Equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-							-	-
Total at 31/12/2012	12,710	-	-	-	-	-	-	-	-	12,710	
- *incl: impaired*	-	-	-	-	-	-	-	-	-	-	
Total at 31/12/2011	12,184	-	-	-	-	-	-	-	-		12,184
- *incl: impaired*	-	-	-	-	-	-	-	-	-		-

	Held-to-maturity investments			Loans and receivables with banks			Loans and receivables with customers			Total	
	A	B	C	A	B	C	A	B	C	31/12/2012	31/12/2011
A. Assets	-	-	-	-	-	-	-	-	-	-	-
1. Debt instruments	-	-	-	-	-	-	-	-	-	-	-
2. Equity instruments										-	-
3. OEIC units										-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives										-	-
Total at 31/12/2012	-	-	-	-	-	-	-	-	-	-	
- *incl: impaired*	-	-	-	-	-	-	-	-	-	-	
Total at 31/12/2011	-	-	-	-	-	-	-	-	-		-
- *incl: impaired*	-	-	-	-	-	-	-	-	-		-

KEY:

A = transferred financial assets recognised in full (carrying amount)
B = transferred financial assets recognised in part (carrying amount)
C = transferred financial assets recognised in part (entire amount)

C.2.2 Financial liabilities for financial assets transferred but not derecognised

	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables with banks	Loans and receivables with customers	Total
1. Due to customers	12,641	-	-	-	-	-	12,641
a) for fully recognised assets	12,641	-	-	-	-	-	12,641
b) for partly recognised assets	-	-	-	-	-	-	-
2. Due to banks	-	-	-	-	-	-	-
a) for fully recognised assets	-	-	-	-	-	-	-
b) for partly recognised assets	-	-	-	-	-	-	-
Total at 31/12/2012	12,641	-	-	-	-	-	12,641
Total at 31/12/2011	12,197	-	-	-	-	-	12,197

D. CREDIT RISK MEASUREMENT MODELS

SECTION 2 - MARKET RISK

2.1 Interest rate and price risks - supervisory trading book

Qualitative disclosure

A. General aspects

The securities portfolio was almost entirely comprised of securities issued by governments or banks at floating rates in 2012, like in 2011. Many of these were used in repurchase agreements with customers in order to minimise interest rate risks. The bank also pledged bank and government bonds from different portfolios as security with the ECB to obtain the required financing, pursuant to the Banca d'Italia instructions.

Other interest rate swaps include specular contracts for corporate customers, hedged specifically with institutional counterparties. As a result, derivatives do not entail the bank's taking on of risk.

In short, therefore, the bank's policy for trading on its own behalf consists of short-term repurchase transactions, monitoring the performance and risk profiles, in order to achieve returns on a portfolio mainly composed of floating rate securities.

As part of its ordinary trading activities, the bank undertook transactions directly for government bonds and bonds, mostly issued by banks. It also managed the organised trades system for its own bonds.

The bank solely traded in long-term interest rate derivatives using unlisted derivatives as interest rate options and swaps.

B. Management and measurement of interest rate and price risks

Internal control regulations establish that the trading book's exposure to risk is checked by the Risk Management Unit using the VaR method and the ALMPro/Ermas application. The VaR measurement is based on a variance-covariance type parametric model with a confidence interval of 99% and a time frame of 10 days. It has a reliability factor of 99% and measures the maximum loss that the book could incur in the ten days after the analysis date.

The calculation of the VaR of the banking book includes financial instruments, comprising shares, bonds and OICR units in Euros and foreign currencies of the HFT*, AFS* and HTM portfolios, excluding foreign currency swaps and futures and derivatives.

The objective is to constantly check the acceptability of the total risk and maintain its level within the internal regulations' limits by estimating the VaR component (VaRC) of each HFT, AFS and HTM portfolio.

In order to avoid taking on excessive risk and to ensure compliance with the established limits, the VaR monitoring is performed daily and the Risk Management Unit prepares a monthly summary of the daily results for the board of directors. At present, the VaR model is solely used for management and internal control purposes. In March 2010, a periodic backtesting procedure of the VaR DEaR (one-day) was introduced to check the calculation model's reliability.

With respect to price risk, the bank's operations in price risk sensitive financial instruments (equity instruments, OEIC units, derivatives on OEIC units, equity instruments, share indexes, precious metals, commodities and other assets) is minimal and has a completely negligible risk level.

Quantitative disclosure

1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-statement of financial position financial assets and liabilities and derivatives

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	131,053	22,173	893	45,840	2,928	-	-
1.1 Debt instruments	-	131,053	22,173	893	45,840	2,928	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*131,053*	*22,173*	*893*	*45,840*	*2,928*	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	10,205	2,436	-	-	-	-	-
2.1 Repurchase agreements	-	10,205	2,436	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	12,170	7,491	2,577	227,783	886,910	421,899	-
3.1 With underlying security	-	4,251	3,945	-	245	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*4,251*	*3,945*	-	*245*	-	-	-
+ long positions	-	*1,019*	*2,998*	-	*205*	-	-	-
+ short positions	-	*3,232*	*947*	-	*40*	-	-	-
3.2 Without underlying security	-	7,919	3,546	2,577	227,538	886,910	421,899	-
- Options	-	*2*	*536*	*2,235*	*224,816*	*886,574*	*421,861*	-
+ long positions	-	*1*	*269*	*1,117*	*112,412*	*443,270*	*210,944*	-
+ short positions	-	*1*	*267*	*1,118*	*112,404*	*443,304*	*210,917*	-
- Other derivatives	-	*7,917*	*3,010*	*342*	*2,722*	*336*	*38*	-
+ long positions	-	*4,009*	*1,531*	*169*	*1,371*	*168*	*19*	-
+ short positions	-	*3,908*	*1,479*	*173*	*1,351*	*168*	*19*	-

The amounts shown in point 3.2 "Financial derivatives without underlying security - Options" of the above table include data about the remaining term of the cap options, calculated as a series of forward rate agreement options equal in number to the options for which the bank receives (pays) the fixed rate and pays (receives) the fair value of the indexed reference rate. These options are implicitly included in the loans granted to customers and are tied to the variability of interest rates.

Currency: US dollar (USD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,077	2,093	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	4,077	2,093	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*4,077*	*2,093*	-	-	-	-	-
+ long positions	-	*1,985*	*1,020*	-	-	-	-	-
+ short positions	-	*2,092*	*1,073*	-	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	7	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	7	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	7	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	7	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	542	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	542	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*542*	-	-	-	-	-	-
+ long positions	-	*271*	-	-	-	-	-	-
+ short positions	-	*271*	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Supervisory trading book: breakdown of exposure in equity instruments and share indexes by main stock exchange

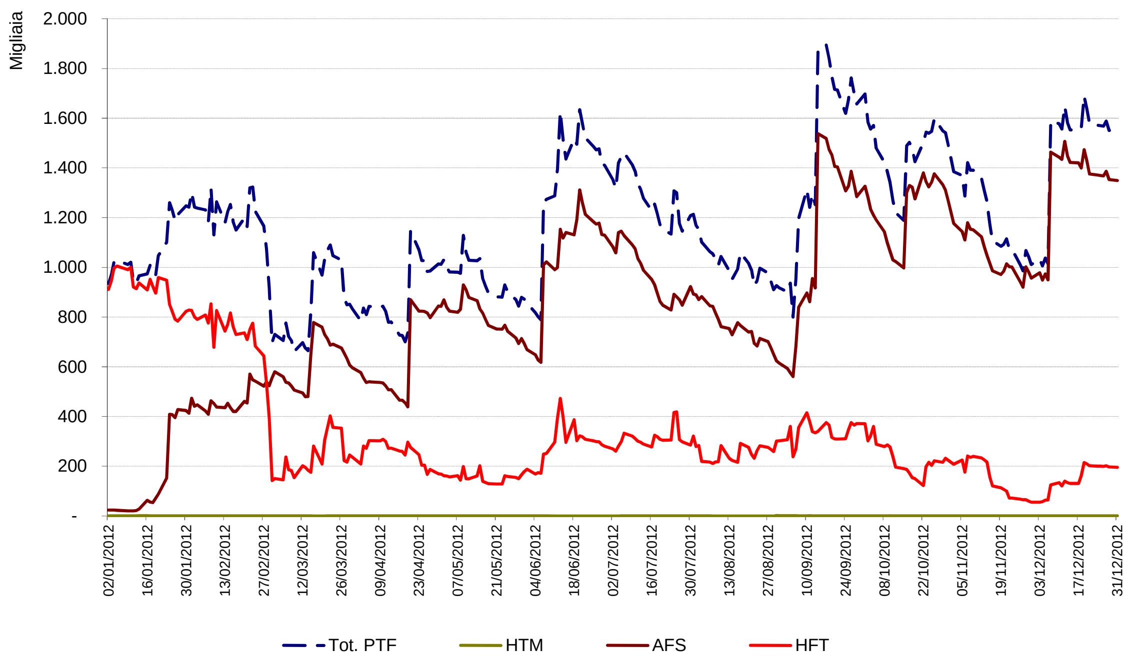
	Listed						Unlisted
	ITALY	USA	UK	Switzerland	Germany	Other	
A. Equity instruments	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
B. Unsettled transactions involving equity instruments	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
C. Other derivatives on equity instr.	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
D. Derivative on share indexes	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-

3. Supervisory trading book: internal models and other methodologies used to analyse sensitivity

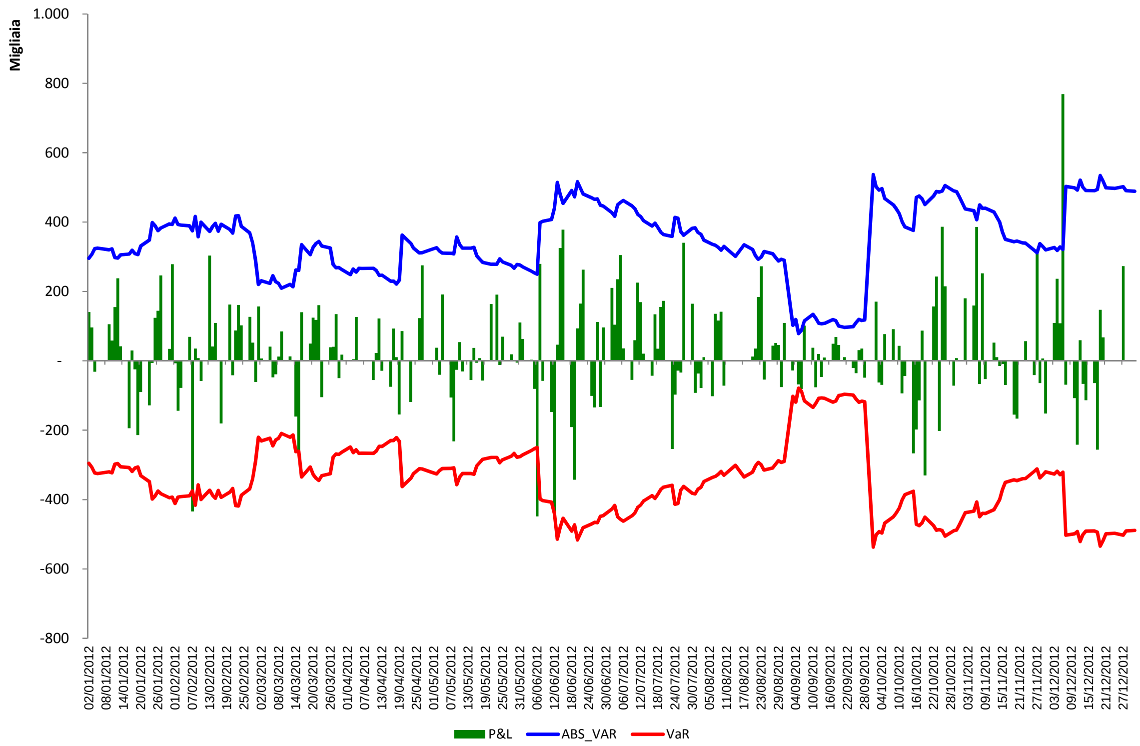
The following table shows the information provided by the VaR calculation model about the shares and bonds in the trading book while the graph shows the 10-day VaR trend from 1 January to 31 December 2012.

From 1 January 2012 to 31 December 2012	VaR HFT (in Euros)
Minimum	54,895
Maximum	1,004,951
Average	331,650
Period end	195,611

10-day VaR, 99% confidence interval



Backtesting on 1-day VaR, 99% confidence interval



2.2 Interest rate and price risk - banking book

Qualitative disclosure

A. General aspects, management and measurement of interest rate and price risks

The banking book includes all financial assets and liabilities not included in the trading book.

The Risk Management Unit measures the banking book's interest rate risk using the ALMpro tool, applying the methodology required by the prudential supervisory instructions (annex C to Banca d'Italia Circular no. 263/2006, chapter III, section 1).

The model provides for a breakdown of the assets and liabilities by maturity or interest rate review date and considers annual changes in daily interest rates recorded over an observation period of six years to determine internal capital in ordinary conditions, considering 1% (downward) and 99% (upward) trend.

In stress conditions, the model assumes a 200 bp change in the interest rates and quantifies the change in the total economic value of the instruments included in the banking book, on which the supervisory test is performed compared to the regulatory capital.

In order to ensure the proper monitoring of the banking book's interest rate risk, it is measured every month and monthly reports are prepared for the managing director and the board of directors.

For management purposes, the banking book's interest rate risk is analysed for sensitivity using the ALMPro tool, simulating the change in the interest income should interest rates increase or decrease by 100 bp.

Price risk is negligible for the banking book.

B. Fair value hedges

The bank has not agreed fair value hedges.

C. Cash flow hedges

The bank has not agreed cash flow hedges.

D. Hedges of investments in foreign operations

No such transactions have taken place.

Quantitative disclosure

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	441,534	494,808	63,461	28,196	256,037	58,811	19,441	-
1.1 Debt instruments	-	45,832	39,880	5,022	151,107	20,821	5,210	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*45,832*	*39,880*	*5,022*	*151,107*	*20,821*	*5,210*	-
1.2 Financing to banks	36,448	5,022	-	-	-	-	-	-
1.3 Financing to customers	405,086	443,954	23,581	23,174	104,930	37,990	14,231	-
- current account	*269,502*	*679*	*343*	*1,505*	*4,778*	*883*	-	-
- other financing	*135,584*	*443,275*	*23,238*	*21,669*	*100,152*	*37,107*	*14,231*	-
- with early repayment option	*44,552*	*402,719*	*11,371*	*17,961*	*83,125*	*35,241*	*14,231*	-
- other	*91,032*	*40,556*	*11,867*	*3,708*	*17,027*	*1,866*	-	-
2. Liabilities	861,358	88,177	50,395	57,180	321,523	-	-	-
2.1 Due to customers	859,835	8,952	8,441	-	-	-	-	-
- current account	*747,984*	-	-	-	-	-	-	-
- other payables	*111,851*	*8,952*	*8,441*	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*111,851*	*8,952*	*8,441*	-	-	-	-	-
2.2 Due to banks	433	-	-	-	150,000	-	-	-
- current account	*433*	-	-	-	-	-	-	-
- other payables	-	-	-	-	*150,000*	-	-	-
2.3 Debt instruments	1,090	79,225	41,954	57,180	171,523	-	-	-
- with early repayment option	-	*5*	*201*	*13,358*	*29,881*	-	-	-
- other	*1,090*	*79,220*	*41,753*	*43,822*	*141,642*	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	68,339	35,300	10,709	65,686	20,387	12,198	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	68,339	35,300	10,709	65,686	20,387	12,198	-
- Options	-	*68,339*	*35,300*	*10,709*	*65,686*	*20,387*	*12,198*	-
+ long positions	-	*3,149*	*4,461*	*10,604*	*64,047*	*16,246*	*7,803*	-
+ short positions	-	*65,190*	*30,839*	*105*	*1,639*	*4,141*	*4,395*	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-stat. of fin. pos. transactions	*67,452*	*11,538*	-	-	-	-	*293*	-
+ long positions	*27,837*	*11,512*	-	-	-	-	*292*	-
+ short positions	*39,615*	*26*	-	-	-	-	*1*	-

Currency: US dollar (USD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	1,728	575	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	263	-	-	-	-	-	-	-
1.3 Financing to customers	1,465	575	-	-	-	-	-	-
- current account	*1*	-	-	-	-	-	-	-
- other financing	*1,464*	*575*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*1,464*	*575*	-	-	-	-	-	-
2. Liabilities	1,866	379	-	-	-	-	-	-
2.1 Due to customers	1,866	-	-	-	-	-	-	-
- current account	*1,865*	-	-	-	-	-	-	-
- other payables	*1*	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*1*	-	-	-	-	-	-	-
2.2 Due to banks	-	379	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	*379*	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-stat. of fin. pos. transactions	-	*180*	-	-	-	-	-	-
+ long positions	-	*90*	-	-	-	-	-	-
+ short positions	-	*90*	-	-	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	121	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	121	-	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	60	123	-	-	-	-	-	-
2.1 Due to customers	60	-	-	-	-	-	-	-
- current account	*60*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	123	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	*123*	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-stat. of fin. pos. transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	1,010	124	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	705	-	-	-	-	-	-	-
1.3 Financing to customers	305	124	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	*305*	*124*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*305*	*124*	-	-	-	-	-	-
2. Liabilities	1,162	-	-	-	-	-	-	-
2.1 Due to customers	1,162	-	-	-	-	-	-	-
- current account	*1,162*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-stat. of fin. pos. transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	61	12	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	33	-	-	-	-	-	-	-
1.3 Financing to customers	28	12	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	*28*	*12*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*28*	*12*	-	-	-	-	-	-
2. Liabilities	-	88	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	88	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	*88*	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-stat. of fin. pos. transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	25	343	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	25	343	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	364	-	-	-	-	-	-	-
2.1 Due to customers	364	-	-	-	-	-	-	-
- current account	*364*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-stat. of fin. pos. transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	459	477	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	459	477	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	851	-	-	-	-	-	-	-
2.1 Due to customers	851	-	-	-	-	-	-	-
- current account	*851*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-stat. of fin. pos. transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analyses

The impact on interest income of a 1% increase or decrease in interest rates is calculated using the ALMPro tool for management purposes only, assuming that the maturity dates do not change for a year.

Impact on margin

Gapping period 12 months
Cut-off date: 31/12/2012
Amount in Euros

FORECAST NET INTEREST INCOME	35,069,646

Model	Shock: +1%				Shock: -1%			
	On-stat. of f. pos.		Off-stat. of f.pos.	Total	On-stat. of f pos.		Off-stat. of f.pos.	Total
	On sight	Maturity			On sight	Maturity		
a - Incremental gap	-5,262,911	5,166,351	-468.8	-97,028	1,232,047	-4,982,232	347	-3,749,838
(% of forecast net interest income)	-15.0%	14.7%	0.0%	-0.3%	3.5%	-14.2%	0.0%	-10.7%
b - Incremental beta gap	-850,336	5,166,351	-468.8	4,315,547	-982,908	-4,982,232	347	-5,964,793
(% of forecast net interest income)	-2.4%	14.7%	0.0%	12.3%	-2.8%	-14.2%	0.0%	-17.0%
c - Shifted beta gap	-309,279	5,166,351	-468.8	4,856,603	-1,034,782	-4,982,232	347	-6,016,667
(% of forecast net interest income)	-0.9%	14.7%	0.0%	13.8%	-3.0%	-14.2%	0.0%	-17.2%
Beta effect (b-a)	4,412,575			4,412,575	-2,214,955			-2,214,955
Sticky effect (c-b)	541,056			541,056	-51,874			-51,874

The **- a -** model is based on the assumption of a perfect match between the bank rates and market rates. The **- b -** model considers various gaps between the bank rates and market rates, while the **- c -** model includes the sticky factor of on-demand items.

2.3 Currency risk

Qualitative disclosure

A. General aspects, management and measurement of currency risk

Currency risk is the risk that the bank may incur losses due to adverse changes in foreign exchange rates affecting its positions.

The bank's foreign currency activities solely comprise spot and repurchase agreements for customers, which are concurrently matched on the market by agreeing very short term short/long positions that give rise to immaterial price risk.

Internal models to calculate the capital requirements for market risk are not used.

B. Currency hedges

The bank does not agree specific currency hedges.

Quantitative disclosure

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	2,302	121	74	367	1,135	936
A.1 Debt instruments	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Financing to banks	263	121	33	367	705	936
A.4 Financing to customers	2,039	-	41	-	430	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	71	55	-	7	24	8
C. Financial liabilities	2,245	183	88	364	1,162	851
C.1 Due to banks	379	123	88	-	-	-
C.2 Due to customers	1,866	60	-	364	1,162	851
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	6,170	7	542	-	-	-
- Options	-	-	-	-	-	-
+ *long positions*	-	-	-	-	-	-
+ *short positions*	-	-	-	-	-	-
- Other derivatives	6,170	7	542	-	-	-
+ *long positions*	*3,005*	-	*271*	-	-	-
+ *short positions*	*3,165*	*7*	*271*	-	-	-
Total assets	5,378	176	345	374	1,159	944
Total liabilities	5,410	190	359	364	1,162	851
Difference (+/-)	- 32	- 14	- 14	10	- 3	93

Given this risk's immateriality, the bank does not currently assess the effect of changes in exchange rates on total income, the profit or loss for the year and equity, nor does it perform scenario analyses.

2. Internal models and other methodologies for sensitivity analyses

The bank does not use internal models to measure currency risk or other methodologies for sensitivity analyses.

2.4 Derivatives

A. Financial derivatives

The banking book is not subject to price risk.

A.1 Supervisory trading book: notional amounts at the reporting date and average amounts

	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	62,875	-	69,549	-
a) Options	59,052	-	64,980	-
b) IRS	3,823	-	4,569	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indexes	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	6,354	-	16,539	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	6,354	-	16,539	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	69,229	-	86,088	-
Average amounts	75,992	-	85,427	-

A.3 Financial derivatives: gross fair value gains - breakdown by product

	Positive fair value			
	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	670	-	1,420	-
a) Options	412	-	714	-
b) Interest rate swaps	171	-	174	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	87	-	532	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
Total	670	-	1,420	-

A.4 Financial derivatives: gross fair value losses - breakdown by product

	Negative fair value			
	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	659	-	1,425	-
a) Options	413	-	718	-
b) Interest rate swaps	162	-	170	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	84	-	537	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
Total	659	-	1,425	-

A.5 OTC financial derivatives - supervisory trading book: notional amounts, gross positive and negative fair value by counterparty - contracts not included in netting agreements

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1. Debt instruments and interest rates	-	-	32,290	233	-	17,847	14,079
- notional amount	-	-	31,312	229	-	17,556	13,778
- positive fair value	-	-	402	-	-	124	57
- negative fair value	-	-	172	4	-	158	241
- future exposure	-	-	404	-	-	9	3
2. Equity instruments and share indexes	-	-	-	-	-	-	-
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	-	-	3,239	-	-	3,087	263
- notional amount	-	-	3,124	-	-	2,975	255
- positive fair value	-	-	12	-	-	71	5
- negative fair value	-	-	72	-	-	11	-
- future exposure	-	-	31	-	-	30	3
4. Other assets	-	-	-	-	-	-	-
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	From 1 to 5 years	After 5 years	Total
A. Supervisory trading book	8,149	10,051	51,029	69,229
A.1 Fin. derivatives on debt instruments and interest rates	1,795	10,051	51,029	62,875
A.2 Fin. derivatives on equity instruments and share indexes	-	-	-	-
A.3 Financial derivatives on currencies and gold	6,354	-	-	6,354
A.4 Financial derivatives on other assets	-	-	-	-
B. Banking book	-	-	-	-
B.1 Fin. derivatives on debt instruments and interest rates	-	-	-	-
B.2 Fin. derivatives on equity instruments and share indexes	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other assets	-	-	-	-
31/12/2012	8,149	10,051	51,029	69,229
31/12/2011	18,017	11,937	56,134	86,088

B. Credit derivatives

The bank has not agreed credit derivatives.

SECTION 3 - LIQUIDITY RISK

Qualitative disclosure

A. General aspects, management and measurement of liquidity risk

The bank's liquidity risk management strategy is based on ensuring a steady flow of liquidity, as required by the supervisory regulations, and its healthy and prudent management policies.

The Finance Unit Head is in charge of managing liquidity, including by investing any surplus on the interbank deposit market. The Risk Management Unit regularly monitors the liquidity conditions and reports to the general manager.

In 2011, the board of directors approved the "Liquidity risk governance and management policy", which also includes an emergency plan for any liquidity crises.

The degree of structural liquidity and the ordinary customers' lending/funding ratio is checked every three months along with compliance with the specific limits set by internal regulations.

The bank has used Prometeia's ALMPro/Ermas application for liquidity risk, which partly updates the assessment model, since 31 December 2008. This model is based on differentiated weighing ratios depending on the type of asset, liability and commitment and classifies assets and liabilities considering their liquidability characteristics for each residual maturity category. Any differences and certain synthetic indexes are used to assess the structural liquidity situation over the entire time frame. The Risk Management Unit monitors liquidity risk more frequently, or as required, and sends its reports to management.

The bank performs stress tests regularly and the results are used to define a priori limits and ex-post assessments of their adequacy, to plan and undertake transactions to remedy any differences and to define and periodically overview the liquidity risk mitigation systems. Given the bank's operations and related vulnerabilities, the main risk factors relate to its capacity to fund itself on interbank and retail markets, to cover on sight liabilities, the use of credit facilities granted and usability of those received, losses due to non-repayment of large positions and the degree of liquidability of its assets.

During 2012, the bank commenced preliminary analyses to introduce new liquidity indicators as required by Basel III. This procedure will be completed in 2013.

Quantitative disclosure

At the reporting date, the structural liquidity analysis models show substantial financial balance:

in Euros

Time bracket	Asset/ availability	Liability/ commitment	Difference	Total difference
Highly liquid assets	300,349,048			
At sight or revocation	9,749,170	156,218,543	153,879,675	153,879,675
Up to 1 month	93,407,087	58,176,316	35,230,771	189,110,446
From 1 to 3 months	67,917,364	23,945,633	43,971,731	233,082,177
From 3 to 6 months	41,143,582	47,716,215	-6,572,633	226,509,544
From 6 to 12 months	44,742,595	57,624,500	-12,881,905	213,627,639
From 1 to 2 years	86,645,284	143,787,500	-57,142,216	156,485,423
From 2 to 3 years	65,376,057	171,706,500	-106,330,443	50,154,980
From 3 to 4 years	55,029,739	38,498,000	16,531,739	66,686,719
From 4 to 5 years	45,748,495	377,000	45,371,495	112,058,214
From 5 to 7 years	73,756,872	-	73,756,872	185,815,086
From 7 to 10 years	86,942,853	-	86,942,853	272,757,939
From 10 to 15 years	77,265,524	-	77,265,524	350,023,463
From 15 to 20 years	17,073,883	-	17,073,883	367,097,346
After 20 years	5,412,088	-	5,412,088	372,509,434
TOTAL	**1,070,559,641**	**698,050,207**	**372,509,434**	

Activities on the interbank deposit market are undertaken to invest surplus liquidity in short-term products so as to ensure fast liquidability.

1. Breakdown of financial assets and liabilities by residual contractual maturity - Currency: Euro

Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	404,399	6,075	7,634	12,806	75,051	49,817	67,591	678,952	297,770	5,022
A.1 Government bonds	312	-	-	-	12,954	1,776	3,222	341,460	33,000	-
A.2 Other debt instruments	-	-	3,001	2	12,760	442	5,033	61,990	2,570	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	404,087	6,075	4,633	12,804	49,337	47,599	59,336	275,502	262,200	5,022
- Banks	*36,448*	-	-	-	-	-	-	-	-	*5,022*
- Customers	*367,639*	*6,075*	*4,633*	*12,804*	*49,337*	*47,599*	*59,336*	*275,502*	*262,200*	-
On-statement of fin. position liabilities	861,438	2,433	3,695	42,652	32,887	48,910	57,102	339,653	-	-
B.1 Deposits and current accounts	858,101	435	479	1,732	6,303	8,438	1	-	-	-
- Banks	*433*	-	-	-	-	-	-	-	-	-
- Customers	*857,668*	*435*	*479*	*1,732*	*6,303*	*8,438*	*1*	-	-	-
B.2 Debt instruments	1,164	1,998	2,922	39,395	18,199	38,036	57,101	189,653	-	-
B.3 Other liabilities	2,173	-	294	1,525	8,385	2,436	-	150,000	-	-
Off-stat. of fin. position transactions	67,464	4,797	1,217	1,770	1,115	2,103	-	320	10,865	2,000
C.1 Fin. derivatives with exchange of principal	-	4,745	1,217	1,770	1,115	2,103	-	260	-	-
- Long positions	-	*1,285*	*605*	*899*	*570*	*1,083*	-	*220*	-	-
- Short positions	-	*3,460*	*612*	*871*	*545*	*1,020*	-	*40*	-	-
C.2 Fin. derivatives without exch. of principal	1,158	-	-	-	-	-	-	-	-	-
- Long positions	*583*	-	-	-	-	-	-	-	-	-
- Short positions	*575*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	66,306	52	-	-	-	-	-	60	10,865	2,000
- Long positions	*27,691*	*26*	-	-	-	-	-	*60*	*10,864*	*1,000*
- Short positions	*38,615*	*26*	-	-	-	-	-	-	*1*	*1,000*
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Fin. derivatives with exch. of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

At the reporting date, the bank had received guarantees of €23,218 thousand which are not shown in the above table as there is no evidence to reasonably suggest that they will be enforced or when they will be used. Guarantees enforced in the last four years are as follows:
2007: 3 positions for a total of €46 thousand;
2008: 3 positions for a total of €231 thousand;
2009: none;
2010: none;
2011: 1 position for a total of €25 thousand;
2012: 5 positions for a total of €61 thousand.

Currency: US dollar (USD)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	525	27	149	296	1,018	326	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	525	27	149	296	1,018	326	-	-	-	-
- Banks	*263*	-	-	-	-	-	-	-	-	-
- Customers	*262*	*27*	*149*	*296*	*1,018*	*326*	-	-	-	-
On-statement of financial position liabilities	1,866	-	-	379	-	-	-	-	-	-
B.1 Deposits and current accounts	1,865	-	-	379	-	-	-	-	-	-
- Banks	-	-	-	*379*	-	-	-	-	-	-
- Customers	*1,865*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1	-	-	-	-	-	-	-	-	-
Off-stat. of financial position transactions	-	697	675	1,770	1,115	2,093	-	-	-	-
C.1 Fi. derivatives with exchange of principal	-	517	675	1,770	1,115	2,093	-	-	-	-
- Long positions	-	*228*	*341*	*871*	*545*	*1,020*	-	-	-	-
- Short positions	-	*289*	*334*	*899*	*570*	*1,073*	-	-	-	-
C.2 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	180	-	-	-	-	-	-	-	-
- Long positions	-	*90*	-	-	-	-	-	-	-	-
- Short positions	-	*90*	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	121	-	-	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	121	-	-	-	-	-	-	-	-	-
- Banks	*121*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-statement of financial position liabilities	60	-	123	-	-	-	-	-	-	-
B.1 Deposits and current accounts	60	-	123	-	-	-	-	-	-	-
- Banks	-	-	*123*	-	-	-	-	-	-	-
- Customers	*60*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-stat. of financial position transactions	-	7	-	-	-	-	-	-	-	-
C.1 Fin. derivatives with exchange of principal	-	7	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	7	-	-	-	-	-	-	-	-
C.2 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	799	126	39	178	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	799	126	39	178	-	-	-	-	-	-
- Banks	*705*	-	-	-	-	-	-	-	-	-
- Customers	*94*	*126*	*39*	*178*	-	-	-	-	-	-
On-statement of financial position liabilities	1,162	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	1,162	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*1,162*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-sta. of financial position transactions	-	-	-	-	-	-	-	-	-	-
C.1 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Fin. derivatives without exc. of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	33	5	7	-	29	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	33	5	7	-	29	-	-	-	-	-
- Banks	*33*	-	-	-	-	-	-	-	-	-
- Customers	-	*5*	*7*	-	*29*	-	-	-	-	-
On-statement of financial position liabilities	-	-	-	88	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	88	-	-	-	-	-	-
- Banks	-	-	-	*88*	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-stat. of financial position transactions	-	-	542	-	-	-	-	-	-	-
C.1 Fin. derivatives with exchange of principal	-	-	542	-	-	-	-	-	-	-
- Long positions	-	-	*271*	-	-	-	-	-	-	-
- Short positions	-	-	*271*	-	-	-	-	-	-	-
C.2 Fin. derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	25	-	343	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	25	-	343	-	-	-	-	-	-	-
- Banks	*25*	-	*343*	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-statement of financial position liabilities	364	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	364	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*364*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-stat. of financial position transactions	-	-	-	-	-	-	-	-	-	-
C.1 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: other

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
On-statement of financial position assets	459	-	476	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	459	-	476	-	-	-	-	-	-	-
- Banks	*459*	-	*476*	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-statement of financial position liabilities	851	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	851	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*851*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-stat. of financial position transactions	-	-	-	-	-	-	-	-	-	-
C.1 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Fin. derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Fin. derivatives without exch. of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

SECTION 4 - OPERATIONAL RISKS

Qualitative disclosure

A. General aspects, management and measurement of operational risk

As per the regulatory definition (Banca d'Italia Circular no. 263/06), operational risk is the risk of losses arising from errors or shortfalls in internal procedures, due to both human/technological resources and external factors.

In order to ensure efficient, effective and ongoing internal procedures, general management and its subordinates, as the organisational units, are responsible for identifying, measuring and mitigating any operational risks. The bank has regulations in place for key operating procedures formalising the operating stages and activities and establishing the line controls.

With respect to the operational risk mitigation tools, the bank focused on the transfer of risk through the agreement of insurance policies, suitable for low frequency events with a high financial impact. These policies cover risks of losses from:

- fraud or misconduct;
- damage to third parties caused by errors made during banking operations;
- non-intentional violations of legal, regulatory and by-laws obligations by directors and specific employees;
- third-party fraud;
- damage to property and equipment as a result of natural or criminal events;
- accidents and slight or serious injuries to third parties inside the bank's premises.

Legal risks

Situations that led to legal risks mainly relate to operations covered by the main special regulations such as, specifically, entities' administrative liability (Legislative decree no. 231/2001), occupational safety (Legislative decree no. 81/2008), building site regulations (Legislative decree no. 494/96), privacy (Legislative decree no. 196/2003), banking transparency, usury, anti-money laundering and investment services.

With respect to Legislative decree no. 231/01, the bank uses the organisational models of the ABI, approved by the Ministry for Justice, and has set up a supervisory body to ensure the working and compliance with the models.

The Compliance Unit is responsible for monitoring legal risks and the bank's compliance with external and internal rules and regulations. It also checks new products/services' compliance in order to identify any potential risks in advance and make the necessary amendments.

Following the release of Banca d'Italia's Measure of 10 March 2011 about "Instructions for the prevention of the use of brokers and other parties that carry out financial activities aimed at money recycling and terrorist financing through organisation, procedures and internal controls, pursuant to article 7.2 of Legislative decree no. 231 of 21 November 2007", the board of directors approved a resolution on 3 August 2011, which:

1. formalised the bank's policy about money laundering, which:
    - set out the strategies and risk management policies and the risk based approach suitable for the size and type of risks encountered by the bank;

- allocated duties and responsibilities with a clear segregation of duties between operating and control functions;
- defined the adequacy, completeness and timeliness criteria of the information flows to the internal bodies;
- established an organised and coordinated internal control structure, which can manage money laundering risks;
- set the standards and dates for preparing reports on their activities by the officer in charge of anti-money laundering issues;

2. set up an Anti-money Laundering Unit;
3. appointed a manager to head the Anti-money Laundering Unit (Anti-money Laundering Manager).

The Anti-money Laundering Unit is part of the Risk Governance Unit for the monitoring and management of risks, including those of non-compliance. It independently assembled records of activities exposed to risks of money laundering as part of its objective to cooperate with the Organisation Office, the Inspection Office and the Internal Audit Unit, with which it has a services agreement for on-site checks. Thanks to the synergies among the various internal units and offices involved in crime prevention, the bank is becoming immune to this risk.

As a result of this coordinated indirect and multi-functional process, covering the various aspects of the bank's activities subject to the subject risk, the bank was able to develop the synergies and, thus, improve its immunisation level.

During 2012, the Unit encouraged a compliance culture, including in respect of Legislative decree no. 231/2007, providing information and training by its staff or external professionals to both distribution network and headquarters staff.

The internal controls cover the entire internal organisation and are fully consistent with the operating procedures. In methodological terms, controls are performed both on a remote basis, as these are fast and comprehensive, and on-site to psychologically deter and/or repress criminal behaviour.

The main new organisational projects carried out during the year were the checking of the customer database, using more inflexible control instruments, and the communication of suspect transactions. Thanks to the in-depth centralised monitoring of customers by the Anti-money Laundering Unit, not only are suspect transactions communicated but the Unit also studies any irregularities arising from specific charts and/or indicators: customers, products, services or geographical segment. These in-depth checks are usually performed considering the legal entities, for which it is difficult to identify effective owners, as they are hidden by non-transparent corporate structures. Additional checks are performed on an extraordinary basis in the case of significant irregular conduct by customers identified using the Gianos 3D procedure and by monitoring and checking conduct by specific area and/or sector and/or counterparty.

With respect to the correct management and keeping of the centralised computer database, the Unit ensures the network is constantly monitored and kept aware of the issue, assisted by other general management units.

The main legal disputes are described below.

Compound interest disputes

In line with the banking sector’s general practice, the bank does not agree with the decision reiterated by the Supreme Court since 1999 which confirms the "negotiating" rather than the "regulatory" nature of the quarterly capitalisation clause for interest expense and, therefore, the illegality of its application to bank current accounts. The bank maintains its opinion in court as well.

The banks' position is supported by numerous merits rulings which emphasise different legal points, which are valid, and that may lead the Supreme Court to rethink its position in the future.

At present, the bank is obliged to make adequate provision for its ongoing disputes with customers about compound interest, based on the calculations made when the dispute arose.

Claw-back claims

The bank assesses individual requests for the return of amounts from the official receivers, estimating the inherent risks. It assesses the cost/benefits ratio only when it deems it more useful and proposes out-of-court settlements to the counterparties, which are often successful and avoids going to court.

Should a legal proceeding be commenced, the bank evaluates its possibility of losing, updates its risk estimates and defends itself suitably in court, also based on its understanding of the counterparty's insolvency. Once such legal proceedings commence, provision is made for the risks related to the amounts deemed re-obtainable based on internal assessments.

Disputes involving securities

Supported by a number of court rulings in its favour, the bank reviews each dispute and only makes adequate provision when it deems that it may effectively have to pay.

Moreover, the number of proceedings commenced against the bank for the acquisition of securities by customers (mostly Argentine and Parmalat bonds) is very modest compared to the number of transactions performed. The bank does not expect it to increase significantly.

PART F
Equity

Section 1 - Equity

A. Qualitative disclosure

The Measure about the instructions for the prudential treatment of fair value reserves for EU government bonds held in the AFS financial assets portfolio for the calculation of regulatory capital was published on 18 May 2010.

This Measure allows the complete neutralisation of gains and losses recognised on securities issued by EU governments in these reserves using the so called “symmetrical” approach rather than the so called “asymmetrical” approach, where the net loss was entirely deducted from Tier 1 capital and the net gain was partly included in Tier 2 capital.

The bank did not avail of the option allowed by the Measure and has continued to apply the “asymmetrical” approach, as in the past.

The directors’ report discloses and comments on the main financial statements indicators which include, in particular, the capitalisation ratios, useful to analyse the bank’s equity on a qualitative basis.

B. Quantitative disclosure

B.1 Equity: breakdown

	31/12/2012	31/12/2011
1. Share capital	39,241	39,241
2. Share premium	34,660	34,660
3. Reserves	59,513	59,379
- income-related	53,383	53,249
a) legal	*14,879*	*14,865*
b) statutory	*41,364*	*41,244*
c) treasury shares	-	-
d) other	*-2,860*	*-2,860*
- other	6,130	6,130
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	15,078	9,448
- Available-for-sale financial assets	2,708	-7,547
- Property, equipment and investment property	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Exchange rate gains (losses)	-	-
- Non-current assets held for sale	-	-
- Actuarial gains (losses) on defined benefit pension plans	-2,752	1,873
- Portion of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	15,122	15,122
7. Profit for the year	10,320	134
Total	158,812	142,862

B.2 Fair value reserves: breakdown

	31/12/2012		31/12/2011	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	4,634	2,259	-	7,879
2. Equity instruments	364	32	375	44
3. OEIC units	-	-	-	-
4. Financing	-	-	-	-
Total	4,998	2,291	375	7,923

B.3 Fair value reserves: changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	- 7,880	332	-	-
2. Increase	15,305	1	-	-
2.1 Fair value gains	14,326	1	-	-
2.2 Reclassification of fair value losses to profit or loss	979	-	-	-
- due to impairment	-	-	-	-
- on sale	979	-	-	-
2.3 Other increases	-	-	-	-
3. Decrease	5,050	-	-	-
3.1 Fair value losses	-	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reclassification of fair value gains to profit or loss	-	-	-	-
3.4 Other decreases	5,050	-	-	-
4. Closing balance	2,375	333	-	-

Section 2 – Regulatory capital and ratios

2.1 Regulatory capital

A. Qualitative disclosure

Regulatory capital is calculated as the sum of the positive components based on their capital quality. They must be fully available so as to be included in the calculation of capital absorption.

Regulatory capital consists of Tier 1 capital and Tier 2 capital, net of certain deductions. Specifically:

1 Tier 1 capital

Tier 1 capital - this includes paid-in share capital, share premium and income-related reserves, net of intangible assets, negative reserves for AFS securities and 50% of the bank's equity investments.

2 Tier 2 capital

Tier 2 capital - this includes the valuation reserves, net of 50% of the positive reserves of AFS securities and 50% of the bank's equity investments.

3 Tier 3 capital

Tier 3 capital - at the reporting date, there were no Tier 3 capital components.

Equity investments in insurance companies are deducted from Tier 1 and Tier 2 capital.

The bank monitors its regulatory capital regularly and risk weighted assets to determine the solvency ratio. This monitoring of actual and forecast developments in the bank's operations and the related impact on the indicators enables it to adopt measures deemed the most suitable from time to time to ensure its balanced growth in accordance with the prudent supervisory indicators.

B. Quantitative disclosure

	31/12/2012	31/12/2011
A. Tier 1 capital before application of prudential filters	135,939	133,342
B. Tier 1 prudential filters:	-	- 7,879
B1 - Positive IFRS prudential filters (+)	-	-
B2 - Negative IFRS prudential filters (-)	-	*7,879*
C. Tier 1 capital including application of prudential filters (A + B)	135,939	125,463
D. Elements to be deducted from Tier 1 capital	541	541
E. Total Tier 1 capital (C - D)	135,398	124,922
F. Tier 2 capital before application of prudential filters	15,077	15,454
G. Tier 2 prudential filters	- 1,354	- 166
G1 - Positive IFRS prudential filters (+)	-	-
G2 - Negative IFRS prudential filters (-)	*1,354*	*166*
H. Tier 2 capital including application of prudential filters (F + G)	13,723	15,288
I. Elements to be deducted from Tier 2 capital	541	541
L. Total Tier 2 capital (H - I)	13,182	14,747
M. Elements to be deducted from Tier 1 and Tier 2 capital	-	-
N. Regulatory capital (E + L - M)	148,580	139,669
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N + O)	148,580	139,669

2.2 Capital adequacy

A. Qualitative disclosure

At the reporting date, the bank's regulatory capital was €148.6 million. The capital ratio was 14.74%, well above the minimum mandatory ratio imposed by the supervisory regulations (8%).

The Tier 1/risk-weighted assets ratio (Tier 1 capital ratio) was 13.44% which, compared to the Total capital ratio, implies that the regulatory capital mostly consists of Tier 1 capital. Tier 1 capital comprises share capital and reserves of €135.4 million.

Tier 2 capital amounted to €15.0 million.

The regulatory capital requirements of €80.6 million refer to credit, operational and market risk. Credit operations account for the most capital with credit risk requirements of €71.2 million.

Risk-weighted assets amount to €1,007.7 million and there has been an increase in such assets for operational risk.

B. Quantitative disclosure

	Unweighted amounts		Weighted amounts/requirements	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
A. EXPOSURES				
A.1 Credit and counterparty risk	1,472,801	1,307,527	890,244	908,523
1. Standardised method	1,472,801	1,307,527	890,244	908,523
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			71,220	72,682
B.2 Market risk			1,015	1,042
1. Standard method			1,015	1,042
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			8,384	7,807
1. Basic method			8,384	7,807
2. Standardised method			-	-
3. Advanced method			-	-
B.4 Other prudential requirements			-	-
B.5 Other calculation elements			-	-
B.6 Total prudential requirements			80,619	81,531
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,007,738	1,019,138
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			13.44%	12.26%
C.3 Regulatory capital including Tier 3/risk-weighted assets (Total capital ratio)			14.74%	13.70%

PART H
Related party transactions

General information

The bank's board of directors has identified the entities that qualify as related parties pursuant to IAS 24.
They are:

1. Fondazione Cassa di Risparmio di Fermo, which holds 66.67% of the bank's ordinary shares and controls it;
2. Banca Intesa S.p.A., which holds 33.33% of the bank's ordinary shares and has significant influence thereover;
3. directors and managers, due to their strategic powers;
4. the statutory auditors, due to their control powers;
5. spouses and immediate descendants of the parties listed in points 3 and 4;
6. subsidiaries of or companies over which the parties listed in points 3, 4 and 5 have significant influence.

The key managers' remuneration is given with separate mention of the directors' and statutory auditors' fees compared to the remuneration of directors which receive (as provided for by IAS 24.16) short-term benefits, which include direct and indirect costs, and termination benefits. All other forms of remuneration covered by the standard are excluded. Specifically, managers do not have incentive plans tied to profits, further to that provided for in the second level national labour contracts, or pension plans other than those existing for employees. There are no stock option plans.

Transactions undertaken by the bank with its related parties (as defined above) comply with the ruling legislation, are fair and take place at market prices.

The bank has not performed atypical or unusual transactions with related parties during the year, i.e., transactions that do not form part of its normal operations or that would have a significant impact on its financial position, results of operations and cash flows.

1. Key managers' remuneration (in Euros)

	31/12/2012
C. Managers	575,023
Short-term benefits	541,935
Current termination benefits	33,088
Total termination benefits	348,342
A. Directors	733,072
Fees	733,072
B. Statutory auditors	109,278
Fees	109,278

2. Related party transactions (€'000)

	Assets	Liabilities	Costs	Revenue	Guarantees received
A. Directors	168	5,602	96	66	804
B. Statutory auditors	3	88	2	4	70
C. Managers	31	27	2	2	101
D. Family members	128	3,091	17	40	215
E. Other related parties	7,746	10,172	333	291	25,994
Total	8,076	18,980	450	403	27,184

Annexes to the financial statements

The annexes include:

a) – a list of the sections and financial statements captions that have not been presented

b) – a list of property

c) – a list of equity investments recognised in the AFS financial assets portfolio

d) – a list of bond issues existing at the reporting date;

e) – treasury and cash services provided.

Sections and tables not presented

This list shows the tables in the notes that have not been presented due to the lack of amounts/operating information:

PART A – FAIR VALUE

A.3.1 Portfolio transfers

- *A.3.1.2 Reclassified financial assets: effects on comprehensive income before transfer*
- *A.3.1.3 Transfer of HFT financial assets*
- *A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets*

A.3.2 Fair value hierarchy

- *A.3.2.3 Changes in financial liabilities at level 3-fair value*

A.3.3 Information on “day one profit/loss”

PART B – NOTES TO THE STATEMENT OF FINANCIAL POSITION

Assets

SECTION 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 30

- 3.1 Financial assets at fair value through profit or loss: breakdown by product
- 3.2 Financial assets at fair value through profit or loss: breakdown by debtor/issuer
- 3.3 Financial assets at fair value through profit or loss: changes

SECTION 4 - AVAILABLE-FOR-SALE FINANCIAL ASSETS - CAPTION 40

- 4.3 Specifically hedged available-for-sale financial assets

SECTION 5 - HELD-TO-MATURITY INVESTMENTS - CAPTION 50

- 5.3 Held-to-maturity investments: specifically hedged assets

SECTION 6 - LOANS AND RECEIVABLES WITH BANKS - CAPTION 60

- 6.2 Specifically hedged loans and receivables with banks
- 6.3 Finance leases

SECTION 7 - LOANS AND RECEIVABLES WITH CUSTOMERS - CAPTION 70

- 7.3 Loans and receivables with customers: specifically hedged assets
- 7.4 Finance leases

SECTION 8 - HEDGING DERIVATIVES - CAPTION 80

- 8.1 Hedging derivatives: breakdown by type and level
- 8.2 Hedging derivatives: breakdown by hedged item and type

SECTION 9 - ADJUSTMENTS TO GENERICALLY HEDGED FINANCIAL ASSETS - CAPTION 90

- 9.1 Adjustments to hedged assets: breakdown by hedged portfolio
- 9.2 Assets hedged generically against interest rate risk

SECTION 10 - EQUITY INVESTMENTS - CAPTION 100

- 10.1 Investments in subsidiaries and associates and interests in joint ventures

- 10.2 Investments in subsidiaries and associates and interests in joint ventures: accounting disclosures
- 10.3 Equity investments: changes
- 10.4 Commitments for investments in subsidiaries
- 10.5 Commitments for interests in jointly controlled entities
- 10.6 Commitments for investments in associates

SECTION 11 - PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY - CAPTION 110

- 11.2 Property, equipment and investment property: breakdown of assets at fair value or revalued
- 11.4 Investment property: changes
- 11.5 Commitments for acquisitions of property, equipment and investment property (IAS 16.c)

SECTION 13 - TAX ASSETS AND LIABILITIES - CAPTION 130 OF ASSETS AND CAPTION 80 OF LIABILITIES

- 13.7 - Other information

SECTION 14 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS AND ASSOCIATED LIABILITIES - CAPTION 140 OF ASSETS AND CAPTION 90 OF LIABILITIES

- 14.1 Non-current assets classified as held for sale and disposal groups: breakdown by type
- 14.2 - Other information
- 14.3 Information about investments in associates not measured at equity

Liabilities

SECTION 1 - DUE TO BANKS - CAPTION 10

- 1.2 Caption 10 “Due to banks”: subordinated debt
- 1.3 Caption 10 “Due to banks”: structured debt
- 1.4 Due to banks: specifically hedged liabilities
- 1.5 Finance lease payables

SECTION 20 - DUE TO CUSTOMERS - CAPTION 20

- 2.2 Caption 20 “Due to customers”: subordinated debt
- 2.3 Caption 20 “Due to customers”: structured debt
- 2.4 Due to customers: specifically hedged liabilities
- 2.5 Finance lease payables

SECTION 3 - SECURITIES ISSUED - CAPTION 30

- 3.2 Caption 30 “Securities issued”: subordinated securities
- 3.3 Securities issued: specifically hedged securities

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - CAPTION 40

- 4.2 Caption 40 “Financial liabilities held for trading”: subordinated liabilities”
- 4.3 Caption 40 “Financial liabilities held for trading”: structured debt
- 4.4 On-statement of financial position financial liabilities held for trading (excluding “technical overdrafts”): changes

SECTION 5 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 50

SECTION 19 - POST-TAX PROFIT (LOSS) FROM DISCONTINUED OPERATIONS - CAPTION 280

- 19.1 Post-tax profit (loss) from discontinued operations: breakdown
- 19.2 Income taxes on discontinued operations

SECTION 20 - OTHER INFORMATION

SECTION 21 - EARNINGS PER SHARE

- 21.2 - Other information

PART E - RISKS AND RELATED HEDGING POLICIES

SECTION 1 - CREDIT RISK

A. Credit quality

A.1 IMPAIRMED AND PERFORMING LOANS: CARRYING AMOUNT, IMPAIRMENT LOSSES, PERFORMANCE, BUSINESS AND GEOGRAPHICAL DISTRIBUTION

- A.1.4 On-statement financial position amounts due from banks: impaired positions and gross country risk
- A.1.5 On-statement of financial position amounts due to banks: changes in impaired positions

A.2 CLASSIFICATION OF EXPOSURES USING EXTERNAL AND INTERNAL RATINGS

- A.2.2 Breakdown of credit exposure on and off-statement of financial position by internal rating classes

A.3 Breakdown of guaranteed exposure by type of guarantee

- A.3.1 Guaranteed loans and receivables with banks

C. Securitisations and transfers of assets

C.1 SECURITISATIONS

C.3 COVERED BOND TRANSACTIONS

D. Credit risk measurement models

SECTION 2 - MARKET RISK

2.2 Interest rate and price risk - banking book

- B. Fair value hedges
- C. Cash flow hedge;
- D. Hedges of investments in foreign operations

2.3 CURRENCY RISK

- 2. Internal models and other methodologies for sensitivity analyses

2.4 DERIVATIVES

- A. Financial derivatives
- *A.2 Banking book: reporting date notional amounts and average amounts*
- *A.6 OTC financial derivatives - supervisory trading book: notional amounts, gross fair value gains and losses by counterparty - contracts included in netting agreements*
- *A.7 OTC financial derivatives - banking book: notional amounts, gross fair value gains and losses by counterparty - contracts not included in netting agreements*

- *A.8 OTC financial derivatives - banking book: notional amounts, gross fair value gains and losses by counterparty - contracts included in netting agreements*
- *A.10 OTC financial derivatives: counterparty/financial risk - Internal models*
- B. Credit derivatives;
- C. Financial and credit derivatives

PART G - BUSINESS COMBINATIONS

Section 1 - Transactions carried out during the year

Section 2 - Transactions carried out after the reporting date

Section 3 - Retrospective adjustments

PART I - SHARE-BASED PAYMENTS

A. Qualitative disclosure

B. Quantitative disclosure

PART L – SEGMENT REPORTING

Property

PROPERTY	REVALUATION as per Law no. 72/83	REVALUATION as per Law no. 218/90	REVALUATION as per Law no. 413/91	GROSS AMOUNT	including land	including buildings	CARRYING AMOUNT
Fermo Via Don E. Ricci,1	1,011,739.07	2,017,280.65	401,803.47	3,498,627.99	349,862.81	3,148,765.18	875,416.75
Fermo Campoleggio Corso Marconi, 19	103,291.38	274,755.07	42,865.92	432,750.15	43,275.02	389,475.13	31,991.70
Fermo Campoleggio - extension Corso Marconi, 19	-	-	1,549.37	19,039.38	1,903.94	17,135.44	3,978.99
Carassai Piazza Leopardi 8/9	25,822.84	24,273.47	11,362.05	66,563.76	8,653.29	57,910.47	13,956.67
Cupramarittima Via E. Ruzzi, 9	-	211,230.87	47,514.03	436,910.79	-	436,910.79	132,004.44
Grottazzolina Via Verdi, 5	51,645.69	32,020.33	25,306.39	124,894.81	-	124,894.81	24,629.06
Montegranaro P.zza Mazzini	175,595.35	47,867.29	41,501.96	200,509.38	-	200,509.38	41,658.78
Monterubbiano Piazza Calzecchi Onesti, 9	46,481.12	63,007.74	18,592.45	131,741.32	13,174.13	118,567.19	33,423.38
Monte San Pietrangeli Via S. Antonio, 6	-	64,040.66	4,131.66	140,636.48	-	140,636.48	56,254.63
Montottone Piazza Leopardi, 8	37,184.90	29,954.50	14,977.25	85,204.37	10,224.52	74,979.85	18,269.89
Monturano Via Gramsci, 32/A	232,405.60	583,079.84	129,114.22	1,058,503.84	158,775.58	899,728.26	284,554.68
Petritoli Via Mannocchi Tornabuoni, 25	28,405.13	88,314.13	12,911.42	135,285.44	13,528.54	121,756.90	36,441.23
Falerone fraz. Piane di Falerone Viale della Resistenza, 95	51,645.69	205,549.85	26,339.30	301,981.85	75,495.47	226,486.38	70,546.33
Porto S. Elpidio Via S.Giovanni Bosco, 10	180,759.91	203,484.02	76,952.08	487,019.99	97,404.00	389,615.99	99,422.32
Porto S. Elpidio - Faleriense Via Marina, 1	180,759.91	167,848.49	81,600.19	499,256.17	70,224.58	429,031.59	126,732.66
Porto S. Giorgio - sede Via Annibal Caro, 11	-	2,471,246.26	73,853.34	5,703,013.66	1,140,602.74	4,562,410.92	1,684,171.87
S.Elpidio a Mare Via Roma, 31	129,114.22	523,170.84	65,590.03	764,747.17	-	764,747.17	244,086.54
S.Elpidio a Mare extension 1981 Via Roma, 31	-	-	34,602.61	127,207.59	-	127,207.59	20,323.38
S.Elpidio a Mare extension 1983 Via Roma, 31	-	-	33,569.70	139,393.78	-	139,393.78	27,185.05
Fermo P.zza Mascagni, 4	154,937.07	211,747.33	66,106.48	455,484.95	-	455,484.95	128,787.09
Fermo - P.zza Mascagni extension 1984	-	-	5,164.57	25,169.18	-	25,169.18	5,266.52
Fermo Via Ognissanti	-	11,878.51	4,648.11	29,035.21	3,484.22	25,550.99	3,026.88
Fermo Corso Cavour, 104	-	1,066,999.95	217,428.35	2,647,791.16	264,779.13	2,383,012.03	382,391.16
S.Elpidio a mare - Casette d'Ete C. Garibaldi, 3	-	203,484.02	83,149.56	678,504.31	33,925.22	644,579.09	179,653.43

Fermo V.le Trento, 182	-	3,083,247.69	601,672.29	7,454,739.36	1,490,947.88	5,963,791.48	1,852,130.43
S.Benedetto del Tronto Via Liberazione, 190	-	820,650.01	211,230.87	2,356,260.19	164,938.21	2,191,321.98	654,827.68
Fermo c.da S. Martino, 30	-	204,000.48	21,174.73	424,648.94	127,394.68	297,254.26	41,687.45

PROPERTY	REVALUATION			GROSS AMOUNT	including land	including buildings	CARRYING AMOUNT
	as per Law no. 72/83	as per Law no. 218/90	as per Law no. 413/91				
Civitanova Marche Via cairoli, 22	-	388,375.59	30,987.41	804,859.80	-	804,859.80	275,684.35
Porto S. Elpidio - Faleriense Piazza Giovanni XXIII, 14	232,405.60	108,455.95	-	419,019.11	-	419,019.11	364,710.66
Fermo Torre Matteucci	-	-	-	0.01	-	0.01	-
Fermo area di V.le Ciccolungo	-	-	-	0.01	-	0.01	-
Grottazzolina Via Fonterotta	-	-	-	476,932.12	-	476,932.12	476,932.12
Pescara Piazza Duca d'Aosta, 30	-	-	-	1,908,478.18	-	1,908,478.18	820,645.56
Montegranaro Via Gramsci	-	-	-	465,720.02	-	465,720.02	291,075.02
Recanati Santacroce 34/E	-	-	-	301,285.46	60,257.09	241,028.37	150,642.76
Roma Via Puglie 15/21	-	-	-	2,932,724.03	-	2,932,724.03	2,272,861.13
Colli del Tronto Via Matteotti, 2	-	-	-	342,295.20	-	342,295.20	267,066.51
Porto S. Elpidio - restructuring Via S.Giovanni Bosco, 10	-	-	-	497,084.46	99,416.89	397,667.57	308,192.35
Fermo - Loc. Molini Girola	-	-	-	30,250.00	6,050.00	24,200.00	20,870.08
Falerone fraz. Piane - restructuring Viale della Resistenza, 95	-	-	-	111,836.61	-	111,836.61	101,760.13
Montegiorgio - Loc. Piane Via A. Einstein, 8	-	-	-	869,227.16	116,000.00	753,227.16	752,398.61
Fermo - Via G. da Palestrina 13/19	-	-	-	418,945.49	-	418,945.49	417,562.97
TOTAL	**2,642,193.48**	**13,105,963.54**	**2,385,699.81**	**38,003,578.88**	**4,350,317.94**	**33,653,260.94**	**13,593,221.24**

List of equity investments recognised in the available-for-sale financial assets portfolio

OTHER INVESTMENTS	2011 carrying amount	Changes in 2012			2012 carrying amount	of which for revaluation or transfer	of which fair value
		(+) Purchases	(-) Sales	(+/-) Fair value			
SEDA -Soc. Elaborazione Dati S.p.A.	256,584.48	0.00	0.00	0.00	256,584.48	23,240.56	130,235.83
SE.BA. - Servizi Bancari S.p.A.	0.00	0.00	0.00	0.00	0.00	0	0.00
BANCA D'ITALIA	1,082,560.80	0.00	0.00	0.00	1,082,560.80	1,082,493.66	0.00
Centro Documentazione per le Imprese	0.00	0.00	0.00	0.00	0.00	0	0.00
Cartasì S.p.A.	266,219.94	0.00	0.00	0.00	266,219.94	0	232,283.31
Intesa Sanpaolo S.p.A.	51,954.60	0.00	0.00	721.42	52,676.02	0	-43,449.56
SIA S.p.A.	161,770.00	0.00	0.00	0.00	161,770.00	0	139,703.54
SI.TE.BA. S.p.A.	2,073.07	0.00	-2,073.07	0.00	0.00	0	0.00
Gruppo d'Azione Locale "Piceno" s.c.a.r.l.	2,065.84	0.00	0.00	0.00	2,065.84	0	0.00
Alipicene S.p.A.	2,582.00	0.00	0.00	0.00	2,582.00	0	0.00
S.W.I.F.T. - Brussels	2,529.08	0.00	0.00	0.00	2,529.08	0.00	0.00
Fermano Leader s.c.a.r.l	3,000.00	0.00	0.00	0.00	3,000.00	0.00	0.00
CSE Consorzio Servizi Bancari S.r.l.	1,680,000.00	0.00	0.00	0.00	1,680,000.00	0.00	0.00
CONFIDICOOP MARCHE	100,000.00	0.00	0.00	0.00	100,000.00	0.00	0.00
TOTAL AS PER ACCOUNTING RECORDS	**3,611,339.81**	**0.00**	**-2,073.07**	**721.42**	**3,609,988.16**	**1,105,734.22**	**458,773.12**

List of bond issues existing at the reporting date

Bond issue ISIN number	Issue date	Maturity date	Amount €'000
ISIN "IT 0004448327"	19/01/2009	19/01/2013	18,691
ISIN "IT 0004452717"	04/02/2009	19/01/2013	16,083
ISIN "IT 0004488539"	06/05/2009	06/05/2013	8,594
ISIN "IT 0004495625"	05/06/2009	05/06/2013	4,405
ISIN "IT 0004506116"	06/07/2009	05/06/2013	7,260
ISIN "IT 0004520828"	01/09/2009	01/09/2013	9,663
ISIN "IT 0004584840"	17/03/2010	17/03/2014	8,953
ISIN "IT 0004648801"	18/10/2010	18/10/2014	5,131
ISIN "IT 0004673627"	03/01/2011	03/01/2014	13,356
ISIN "IT 0004674146"	03/01/2011	03/01/2016	10,000
ISIN "IT 0004687858"	08/02/2011	08/02/2016	9,948
ISIN "IT 0004701956"	18/03/2011	18/03/2014	10,500
ISIN "IT 0004701972"	18/03/2011	18/03/2016	18,500
ISIN "IT 0004727837"	06/06/2011	06/06/2014	5,577
ISIN "IT 0004727845"	06/06/2011	06/06/2015	6,201
ISIN "IT 0004761653"	30/09/2011	30/09/2014	8,098
ISIN "IT 0004761711"	30/09/2011	30/09/2013	17,757
ISIN "IT 0004792559"	06/02/2012	06/02/2014	20,000
ISIN "IT 0004802010"	01/03/2012	01/03/2014	15,000
ISIN "IT 0004811656"	20/04/2012	20/04/2015	70,000
ISIN "IT 0004827132"	03/07/2012	03/07/2014	27,590
ISIN "IT 0004852163"	08/10/2012	08/10/2014	4,099
ISIN "IT 0004852171"	08/10/2012	08/10/2015	11,406
Total			326,812

During 2012, bonds of €76,460 thousand matured while the bank placed new bonds of a nominal €148,095 thousand, including the bonds of €70 million fully repurchased and covered by the government guarantee pursuant to article 8 of Law decree no. 201 of 6 December 2011, provided to guarantee the ECB refinancing operations.

The bank has not issued bonus shares, bonds convertible into shares, subordinated bonds or securities or similar instruments.

Furthermore, the bank has not issued own bank drafts as it has entered into specific agreements for the issue of third party bank drafts.

Treasury and cash services provided

Treasury services	
Body	**Municipality**
Carassai	Carassai (AP)
Fermo	FERMO
Grottazzolina	Grottazzolina (FM)
Lapedona	Lapedona (FM)
M. Vidon Combatte	Monte Vidon Combatte (FM)
M.S. Pietrangeli	Monte S. Pietrangeli (FM)
Monsampietro Morico	Monsampietro Morico (FM)
Monte Giberto	Monte Giberto (FM)
Montefiore dell'Aso	Montefiore dell'Aso (AP)
Monteleone	Monteleone di Fermo (FM)
Monterubbiano	Monterubbiano (FM)
Montottone	Montottone (FM)
Moresco	Moresco (FM)
Petritoli	Petritoli (FM)
Ponzano di Fermo	Ponzano di Fermo (FM)
Porto Sant'Elpidio	Porto Sant'Elpidio (FM)
Rapagnano	Rapagnano (FM)
Ripe San Ginesio	Ripe San Ginesio (MC)
Sant'Elpidio a Mare	Sant'Elpidio a Mare (FM)
Servigliano	Servigliano (FM)
Torre San Patrizio	Torre S. Patrizio (FM)
Fermo	FERMO

Cash services	
Body	**Municipality**
Camera di Commercio I.A.A. di FERMO	FERMO
Casa Riposo Sassatelli	FERMO
Camera di Commercio I.A.A. - AZ. FERMO PROMUOVE	FERMO
Cons.Intercom.Servizio Samaltimento Rifiuti Solidi Urbani T.S. Patrizio	Torre San Patrizio (FM)
Comunità di Capodarco	FERMO
Conservatorio Musicale "G.B. Pergolesi"	FERMO
Croce Rossa Italiana	FERMO
Istituto Comprensivo Statale n. 2 Faleriense	Porto Sant'Elpidio (FM)
Istituto Comprensivo Monte Urano	Monte Urano (FM)
Ente Regionale per l'Abitazione Pubblica	FERMO
Giardino D'Infanzia "Principe di Napoli"	Cupramarittima (AP)
Istituto Comprensivo "Da Vinci - Ungaretti"	FERMO
Istituto Comprensivo di Petritoli	Petritoli (FM)
Istituto Comprensivo di Bellante Stazione	Bellante (TE)
Istituto Tecnico Commerciale Geometri Turistico "Galilei - Carducci"	FERMO
Istituto Tecnico Industriale Statale "G. Montani"	FERMO
Liceo Ginnasio "Annibal Caro"	FERMO
Liceo Scientifico "Calzecchi Onesti"	FERMO
Mercato Ittico	Porto San Giorgio (FM)
Opera Pia "G. Didari"	Francavilla D'Ete (FM)
Opera Pia Ric. Montegranaro	Montegranaro (FM)
Opere Pie Riunite	Monte S. Pietrangeli (FM)
Ospizio Marino	FERMO
Pia Casa "F. Falconi"	Sant'Elpidio a Mare (FM)
Società Operaia di Mutuo Soccorso	FERMO

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Cassa di Risparmio di Fermo S.p.A.

1 We have audited the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2012, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the company's directors restated some of the corresponding figures included in the prior year financial statements. We audited such financial statements and issued our report thereon on 11 April 2012. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the financial statements at 31 December 2012.

3 In our opinion, the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Cassa di Risparmio di Fermo S.p.A. as at 31 December 2012, the results of its operations and its cash flows for the year then ended.

KPMG

4 The directors of Cassa di Risparmio di Fermo S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2012.

Ancona, 11 April 2013

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit