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2015 ANNUAL REPORT

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BOARD OF DIRECTORS
Meeting of 29 March 2016

Directors' report

Dear shareholders,

At the end of 2015, I cannot but refer back to the comments made in previous reports on the serious recession in which the Italian and local economies found themselves, made even more critical by its extraordinary duration. We placed our hopes in the ECB's economic stimulus measures for the international economy where the signs of a reversal were clearly visible, especially in the more developed countries.

However, at present, we can only affirm that signs of a clear turnaround have yet to appear.

The visible, strong expansion seen in 2014 began to lose ground at the start of 2015 although recovery has continued, albeit at a slower pace, mainly in the advanced economies.

Growth has tapered off sharply in China, like in other emerging countries. The consequent weakening in international demand for raw materials has kept the prices of oil and other energy sources at historically low levels.

The Eurozone has continued its modest improvement, while inflation has been unable to return to the levels hoped for by the ECB and has steadily fallen short of both the target and expectations.

The ECB's monetary policies are stimulating the local economy and it has not waived from its objectives, adopting all the tools and measures available. After utilising the negative rate approach, following on the heels of the Federal Reserve and the Japanese Central Bank, the ECB rolled out a huge public and private sector purchase programme at the start of the year to encourage continued extraordinarily low interest rates.

The recessionary phase of the last few years finally lost its grip on Italy to be replaced by cautious, uncertain growth, blocked at +0.8% pa. While this is not in line with the government's forecasts, this rate is substantially in line with that of the other Eurozone member states.

However, even this modest improvement in Italy lost its pace towards the end of the year.

A geographical breakdown of consumption in Italy shows the wide gap between North and South. Real GDP has shrunk 12.7% between 2007 and 2014 in southern Italy, considerably worse than the reduction seen in central and northern Italy of 7.9%. In order to have a significant and stable improvement in the economy and consumption, this should take part in the majority of the country's business sectors, household consumption in both the north and south and in company investments. This is not currently the case with recovery still only true of certain geographical areas and specific business sectors.

The Marche region itself, a model of healthy and original economic development for decades, has seen its native economy collapse in the traditionally strong Fabriano area and the radical contraction of the footwear industry, penalised in turn by the drop in exports to Russia.

The modest increase in the employment rate has continued after the reforms with a move towards more long-term contracts.

In November 2015, the Italian government and Bank of Italy bailed out four banks in extraordinary administration, three of which work in central Italy. It had been necessary to fully impair their shares and subordinated bonds to cover their losses. The "State aid rule"[1], enacted in August 2013, which provided for the possible bail-in solely for subordinated bonds and capital, was applied. As is common knowledge, the bail-in mechanism has been extended to senior bonds and deposits of more than €100 thousand since 1 January 2016.

The four banks' recapitalisation also involved the National Resolution Fund, fed by ordinary and extraordinary contributions from Italian banks that cannot but penalise their results in 2015.

At the end of the year, bank loans were affected by the economic stagnation. Business loans were down 0.7% while loans to households increased 0.8%, with mortgage loans on the rise net of subrogations and restructurings. Overall, the year-on-year variation in loans to the private sector was another reduction of 0.3% at year end.

Bank deposits, net of bond issues, dropped 13% on a year-on-year basis to show an increase of 4%. As a result, direct funding contracted by an annual 0.5%.

[1] Regulation covering state aid within the EU

Moreover, the average interest rate on loans to businesses and households (3.25%) decreased more than the reduction in the cost of funding, narrowing the gap between interest income and expense to 2.17%, leading to another reduction in net interest income.

The Italian banking system, where risk assumption is tied to boosting the economy, has been very badly hit by this long economic crisis. At year end, total non-performing exposures (NPE) had reached €201 billion, equal to more than 10.5% of total loans.

Our bank has always favoured a traditional style of business, where risk appetite is tied directly to supporting the development of the local economy. This approach involves direct and immediate access to households' financial wealth and maintenance of liquidity and capitalisation sufficient to allow the bank to absorb and overcome any market tensions affecting both the financial markets and credit quality at different times smoothly.

This particular characteristic is the reason for the bank's less volatile results, as can be seen by its consistent own funds.

Conscious of the continued troubling economic scenario, the bank maintained its solid defences against credit risk, easily seen from a glance at its financial figures.

Much of its energy has been devoted to the economic situation but it also achieved important milestones with its technical and organisational development during the year.

Firstly, Bank of Italy completed its inspection started at the end of 2014 in February 2015 confirming the bank's full current and future ability to take on the changed and difficult market situations. Thanks to the recommendations received and the Italian central bank's findings, the bank drew up its 2016-2018 business plan, which the board of directors reviewed in January 2016 and which sets out its strategies and operating policies for the next three years.

In January 2015, with the hiring of seven new employees, who were given over four months of training, the bank completed its commitments set out in its redundancy agreement of August 2014, which provided for a large reduction in personnel expense as seen in the 2015 income statement.

As per the business plan, the bank ramped up its partnership with Caricese S.r.l., a subsidiary of C.S.E., specialised in processing bills, cheques and other documents and banking back office activities.

The lending business was obviously affected by the negative economic climate. The considerable contraction in companies' turnover and investments was not offset by the slow rise in applications for loans from households. Despite the lack of demand, the bank continued to assist its local business customers. At year end, net loans and receivables at €945.6 million decreased by 2.2% on 31 December 2014.

Impaired loans and receivables grew rapidly to a carrying amount of €113.6 million (+20.9%).

Investments were assisted by the more relaxed performance of the reference markets with generalised higher volumes, partly achieved through trading activities, which boosted total income.

Direct funding took off to reach €1,411.2 million (+9.2%), thanks in part to the bank's reputation with its customers.

Indirect funding also passed new goals amounting to €1,063.7 million (+5.8% on 31 December 2014), with a 17.2% increase in assets under management.

With respect to interest rates, the financial markets continued to show little vivacity and very negative short-term rates.

This obviously affected net interest income, which decreased by 9.8% on the previous year and was also adversely impacted by repayment of the LTRO in March 2015.

The bank's involvement in the plan to bail out the four banks in difficulties led to a total outlay of €1.4 million (ordinary and extraordinary contributions), increased by the €0.3 million ex ante contribution to the Italian Interbank Deposit Protection Fund for a total expense of €1.7 million, not recognised in the 2014 financial statements.

On the other hand, the income statement includes the gains of €0.8 million on the sale of an equity investment, plus a non-recurring dividend of €1 million as resolved by the shareholders of CSE arising from the extraordinary distribution of reserves.

Despite the continued considerable difficulties encountered by major Italian and international banks in 2015, the bank managed to make a profit of more than €7 million for the year.

After examining the international and domestic situation in more detail, we will analyse the financial statements captions and their trends later in this report.

International situation

UNITED STATES

The US economy's growth slowed down in the last quarter of the year, although the underlying macroeconomic situation remained solid. After the positive upturn in real GDP in the third quarter at an annualised 2.0%, the economy showed signs of deceleration in the last three months of 2015, although the growth forecasts had been revised upwards to 1% from the initial estimates of 0.7%.

Retail trade and purchases of vehicles decelerated with indicators suggesting that the traditional industrial sectors are weak. In addition, adverse external factors continue to affect exports, such as the modest international growth and the dollar's appreciation.

Despite this, the labour market's ongoing strong improvement would seem to indicate that the economy has maintained its underlying strength and that the weak internal demand should be temporary.

The number of jobs in the non-agricultural sector showed a sharp increase in December and the unemployment rate was 5.0%.

Overall, inflation continued to be low. The year-on-year rate measured considering the CPI was up 0.5% in November from 0.2% in October due to the smaller negative contribution of the energy prices. If food and energy products are excluded, inflation rose slightly to 2.0%, driven by the upturn in service prices.

However, the future is still uncertain. US growth has decreased from 2% for the third quarter of 2015 and 3.9% for the second quarter. In addition, the downturn in company profits has been confirmed for the last three consecutive quarters with a drop of nearly 4% in the period from October to December.

All financial markets have been characterised by volatility: the S&P index recorded 23 business days with fluctuations of more than 1%, nearly double a year ago, and risk aversion has led to failed corporate bond issues, multiplying the default of junk bonds.

Therefore, GDP figures cannot be seen as wholly positive, especially given the international economic and political uncertainties, the lack of agreement among the central banks, the unresolvable disputes about the outlook for currencies, China's abrupt slide and the warnings issued by the IMF on the dangers of a global expansion derailment.

The US economy benefitted from greater business confidence in the last quarter of the year. Companies had accumulated stocks worth USD81.7 billion compared to the originally envisaged USD68.6 billion. Conversely, consumption increased by 2%, less than the 2.2% achieved in the past, which was insufficient to drive the US economy's expansion.

CHINA AND EMERGING ECONOMIES

The volatile financial markets generated additional uncertainties about the economic outlook, although macroeconomic data consistently showed a gradual slowdown in business.

Given the awaited lifting of the six-month ban to sell shares imposed on large shareholders, the Chinese stock market dropped sharply towards the end of the year and this trend continued into the first few weeks of January.

Despite this, the macroeconomic figures were better than expected. The country recorded growth of 1.6% in the last quarter of the year compared to the previous three months. Real GDP increased by 6.9% on a year-on-year basis, which was nearly in line with the government's objective albeit the lowest rate of the last 25 years. Short-term indicators are in line with the economy's gradual slowdown in a scenario characterised by greater growth in services and consumption compared to the little improvement in industrial output.

All the emerging countries show the same weak growth. While, on the one hand, the economies were stronger in those countries that import raw materials (such as India, Turkey and non-Eurozone CEE countries), on the other hand, the exporter countries did not perform well.

Specifically, the most recent short-term indicators suggest that the economic slowdown in Brazil will worsen with the country entering recession in 2016.

The Russian economy showed cautious signs of improvement in the third quarter of the year, but given its heavy dependence on oil, its short-term prospects will probably be affected by another drop in crude oil prices.

JAPAN

Despite the growth of the "emerging" countries seen in the last ten years, Japan continues to be the third world power after the US and China in terms of GDP.

Notwithstanding the country's stagnant economy since the 1990's, the international crisis and the deep moral and material damage caused by the earthquake and tsunami of 2011, the Japanese economic system is still one of the strongest and most developed in the world.

The Japanese GDP grew 1% in the third quarter of the year compared to the same period of 2014 and by 0.3% on the previous quarter. An analysis of the main GDP components, the upturn in exports (+2.7%) and the still modest rise in private consumption (+0.3%) and that of the public sector (+0.3%) shows that companies increased their investments in the year (0.6%).

Investments in production, one of the key factors that ensure medium to long-term domestic growth, continue to be affected by the economic slowdown of China and some of Japan's major Asian partners. In fact, since August, supplies to China and other Asian countries have steadily decreased, impacting the business confidence index, while exports to the US and the EU have increased constantly.

In addition, domestic demand's lethargic performance (it contributes 60% to the country's GDP) had quite limited effects on the development of production.

GDP's contraction in autumn led the government to defer introduction of the second rise in consumption rates from 8% to 10% to 2017 in order not to irreversibly damage the measures undertaken to revive the economy. This had originally been planned for October 2015 but risks worsening the already critical situation of Japan's public debt which reached a record 245% of GDP at the end of 2014 according to the IMF's most recent data.

In this respect, Standard & Poor's downgraded Japan's sovereign credit rating from AA- to A+.

Given the weak macroeconomic situation, scepticism has increased about the government's five-year plan, whose objective is to achieve a primary surplus by 2020, which assumes that nominal GDP will grow by an annual 3%, equal to roughly 2% in real terms.

UK

GDP continued to grow at a modest pace in the UK.

It jumped 0.4% on a quarterly basis in the third quarter of the year, which was lower than forecast.

Economic growth is driven by the large upturn in household consumption, in turn, boosted by a rise in real disposable income partly due to the low energy prices.

While slower than in previous quarters, investments are still positive in the third quarter of 2015 while net exports negatively contributed to growth.

The short-term indicators, especially data about industrial production, show that GDP should continue to improve at a stable rate in the last three months of the year.

The unemployment rate has improved, down to 5.1% for the three months ended in November.

On the other hand, companies' profits contracted to 2% compared to 3.0% in the third quarter.

In December, year-on-year inflation was 0.2%, near zero, reflecting the modest prices of energy and food, while net of these components, it rose to 1.4%.

EUROZONE

Although still fragile, the Eurozone's economy showed encouraging signs of recovery with its GDP up 1.5% in 2015, at unchanged prices, mainly driven by private consumption.

Fourth quarter GDP only grew 1.1% on an annualised quarterly basis, a slight slowdown compared to the previous quarter's development of 1.2%. Both Germany and France recorded 1.1% and 1% growth in their GDP, respectively, on an annualised quarterly basis in the last three months of the year.

Industrial output decreased by 1% in December, down on the November figure of -0.5%.

New manufacturing orders in November grew 3.2% and by 2.1% in Germany (+0.8% and -1.6%, respectively, in the previous month).

Inflation continued at very modest levels. Consumer prices increased by 0.2% in December, a slight increase on November (+0.1%; -0.2% on November of 2014).

At year end, retail sales had increased by 1.6% on an annual basis and 0.3% on short-term basis. They grew 1.4% and 2.3% in Germany and France, respectively.

Export growth remained modest. Based on monthly data for October and November, they started to pick up towards the end of the year, exceeding the average third quarter figure by 0.4% in these two months. Exports were driven by the stronger, expanding advanced economies where orders have picked up outside the Eurozone, while some emerging countries made another negative contribution.

In addition, the Euro's depreciation in the first half of the year boosted exports efficiently.

The business confidence index in December was -2% while it was a minus 2.1% in Germany and a discouraging -4.3% in France.

The consumer confidence index was -5.7% in both the Eurozone and Germany while it was -14.7% in France.

The Eurozone's unemployment rate was 10.4% in December.

Inflation remained at very low levels and well short of the ECB's objectives. In December 2015, consumer prices had increased by 0.2%, a slight rise on the previous month but down 0.2% on December of the previous year. Core inflation, i.e., less the more volatile energy and food components, was 0.8% in December, in line with the previous month.

During the year, the ECB adopted the following measures to stimulate the economy:

a. on 22 JANUARY 2015, it launched its Quantitative Easing (QE) programme, an 18-month €60 billion a month asset purchase programme started in March;
b. on 31 DECEMBER 2015, it rolled out the second QE programme: deposit rates decreased by 0.3%, the bond purchase programme was extended until March 2017 and regional and local government bonds were also included.

ITALY

Recovery in Italy has been gradual. Like in the other Eurozone countries, the export drive has tapered off after boosting the economy over the last four years, losing impetus due to the drop in demand from non-European countries. Internal demand is slowly replacing exports, especially consumption and a return to restocking. The positive cyclical trend in the manufacturing sector has been accompanied by signs of an upturn in the services sector and, after a long recession, stabilisation of the construction industry. However, the outlook for investments is still uncertain.

The Italian economy has exited three years of deep recession (2012-2014) and its GDP grew 0.8% in 2015. This growth was triggered by domestic demand, up 0.5% while net exports were a negative 0.3% and GDP remained below the 2000 levels. The final figures for the year communicated by ISTAT (the Italian national institute for statistics) were in line with the government's forecasts. However, the economy slowed down in the last quarter of the year to record growth of 0.1% on the previous quarter and 1% on the fourth quarter of 2014.

ISTAT's quarterly figures show the economy's steady weakening, even though the overall positive figures are favourably affected by the three extra business days in 2015.

Its public finance estimates are still provisional but show a slightly improved debt/GDP ratio of 132.6%, a deficit/GDP ratio of 2.6%, down €5.5 billion on 2014 and a small reduction in the primary surplus.

The tax burden decreased by 0.3% to 43.3% in 2015 with increasing current revenues up 0.8% thanks to the higher VAT inflows, which more than offset the smaller inflows of other indirect taxes, IRPEF, IRES and the substitute taxes.

Total outflows also decreased, by 0.1% to 50.4% of GDP, while the stabilised interest rates led to another reduction of 8% in interest expense after the 4.2% decrease seen in 2014. Overall, debt servicing decreased from €76.4 billion in 2011 to €68.4 million in 2015. The large increase in other capital outlays (+17.7%) is mostly due to the higher contributions to investments and the return of back payments for pensions from 2012.

During the year, the private sector recorded differing performances. ISTAT data showed a meagre increase of 0.2% in production, eroded somewhat by the trend of energy product prices. Net of these products, GDP would have increased by 1.8%.

On the other hand, new orders took off on the internal market. Average orders for industry grew by 5.2%, the best performance since 2010. These results were driven mainly by internal demand, which rose steadily throughout the year.

Household consumption continued to grow during the year, giving significant impetus to the rise in GDP. The most recent indicators about household confidence and disposable income are in line with another jump in consumption in the last quarter of 2015. Disposable income in the first few months of the year, valued in real terms, increased by 0.9% compared to the same period of 2014, benefitting from the upturn in employment.

After the rather modest improvement seen in 2014, when employment figures increased by 0.4%, employment grew at a slightly faster pace in 2015. It increased by 0.5% on a year-on-year basis, for another 109 thousand new jobs, while unemployment dropped sharply by 8.1%, equal to 254 thousand more people looking for work. The number of inactive people also decreased slightly (-0.1% or 15 thousand people).

This growth mainly affected young people and especially the services segment. New employment contracts were more often open-ended, partly due to the social security contribution benefits granted to companies until the end of the year.

However, inflation fell well short of the ECB's 2% objective. In December 2015, the national consumer price index, including tobacco products, showed no change on the previous month and a 0.1% increase on December 2014, the same as in November, thus confirming the initial forecasts.

On average, in 2015, inflation slowed down for the third consecutive year to +0.1% compared to +0.2% in the previous year. Core inflation, excluding food and energy products, remained at +0.7%.

MARCHE REGION

The region's manufacturing industry increased its output compared to the previous year.

According to the quarterly survey carried out by Confindustria Marche (the regional branch of the General Conferation of Italian Industry), industrial production in the last quarter of the year increased by 1.4% compared to the corresponding period of 2014. Growth in the fashion sector was weak while the other sectors showed more vivacity.

This fourth quarter figure ends a year in which production has shown gradual recovery, after the uncertainty of the first few months of the year, although this recovery cannot be said to be rapid. While international demand played a significant part, the regional economy was driven by internal demand, which increased steadily over the year. The positive signs shown by the production sectors (mainly SMEs) that work mainly on the domestic market confirm this trend.

Commercial activities increased in the last quarter of the year: sales grew 1.7% in real terms compared to the corresponding three months of 2014, with positive growth in Italy and weak development abroad.

Domestic sales increased by 2.8% on the fourth quarter of 2014.

Foreign sales grew more slowly by 0.6% compared to the last three months of 2014.

The better production and commercial levels were accompanied by quite modest price increases: 0.5% in Italy and 1.1% abroad.

Employment figures decreased sharply by 1.1% in the last quarter of the year.

The government-sponsored lay-off scheme hours decreased in the same three months from 16.8 million in 2014 to 8.2 million (-51.3%). An analysis of the figures by business segment shows a 47% reduction in the total number of authorised hours for industry, 84.4% for the construction sector, 50.3% for artisans and 43.9% for the commercial sector.

The footwear sector ended the year quite positively, with production and commercial activities both up on the previous year.

Production increased by 0.8% in the last quarter of the year compared to the same period of 2014, in line with the trend seen at national level.

Total sales rose by 3.9% compared to the last three months of 2014, with a positive trend of +4.2% on the domestic market and a negative trend of -1.3% abroad.

Sales prices grew by 0.9% in Italy and by 1.9% for foreign sales.

Employment increased by 0.8% in the last three months of the year with less resort to the government-sponsored lay-off scheme (-34.3%): authorised hours for the quarter were about 428 thousand compared to 651 thousand for the same period of 2014.

According to information collected from operators, including after large trade fairs, commercial activities should pick up again both in Italy and abroad over the next few months.

Credit granted by banks to businesses and households showed an about-turn in the negative trend of the last few years with new disbursements up 0.7%. However, this better performance is still held back by weak demand, in turn, affected by concerns about the economy's future prospects.

Total funding to businesses amounts to €42,881 million, down 0.5% on an annual basis while loans to consumer households increased by 1.7%.

The ratio of new non-performing loans to total loans continues to be high compared to the rest of the country, although it decreased for the first time in the second quarter of the year after rising significantly in previous years.

An analysis of credit quality shows clear issues: impaired loans total €12,534 million, up 5% on 2014 and equal to 29.2% of total loans. The non-performing loan to total loans ratio in the Marche Region is 19.2% compared to 16.5% for 2014 while the total figure for central Italy is 9.3% and 10.8% of the entire country. Therefore, the ratio has increased in 2015 alone by more than 3% compared to 2014. Non-performing loans given to businesses are equal to 26.6% of total loans in the region.

At year end, deposits amounted to €34,305 million, up 2.3% on 2014. Bank bonds dropped sharply by 21.6% to €6,237 million.

THE ITALIAN BANKING SYSTEM

2015 was another quite difficult year for the Italian banks, due to the adverse conditions facing most of the national production system. In addition to these economic issues, Italy has more structural problems related to the capitalisations essential to allow the banks to provide credit to companies.

The dramatic drop in profit margins over the last few years has reduced the available resources while the worsening credit quality of banks strongly undermines their future ability to adequately support the economy, especially if the hoped-for production relaunch takes place.

On 22 November 2015, the government and Bank of Italy applied the new regulations approved by the Italian parliament to implement the European Bank Recovery and Resolution Directive (BRRD), bailing out Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara and Cassa di Risparmio di Chieti.

Calculation of the losses and, hence, the cost of resolving the situation, was performed in line with the European regulations. The very prudent measurement of non-performing exposures complied with the BRRD's provisions to equal an approximate average theoretical value of the NPEs should they be sold immediately on the market.

The measures led to the cancellation of the share capital and subordinated bonds issued by the four banks. Most of the burden was shouldered by the healthy banks through the newly set up National Resolution Fund, which they are required to contribute to in order to cover the losses and recapitalise the four banks so they can operate.

While, on the one hand, this intervention meant that the holders of ordinary bonds and unsecured deposits did not incur losses, it heavily affected the books of the healthy banks in 2015 and, moreover, the absence of NPE for the recapitalised banks has given them a competitive advantage which may seriously affect the banking sector's balance.

Bank loans showed overall an annual improvement at the end of the year with total loans to Italian residents amounting to €1,830.2 billion, up 0.1% on an annual basis.

Loans to households and non-financial companies came to €1,420.5 billion, up 0.5% on the previous year, which is the best result since 2012.

At year end, loans to non-financial companies decreased by 0.7%. According to ABI (the Italian Bankers' Association) data of a representative survey of banks[2], new loans to businesses increased by roughly 11.6% in 2015 compared to the previous year.

On the other hand, total loans to households increased by 0.8% in 2015. New loans disbursed to purchase buildings grew by an annual 97.1% compared to 2014. This percentage includes subrogations, which accounted for roughly 31.6% of total new loans.

Lending continues to be affected by investment and economic trends. The number of insolvency proceedings commenced in 2015 was 96 thousand, 5.6% less than in 2014. After eight years of continued growth, insolvencies finally inverted the trend in 2015 although they continue to be exceptionally high. Cerved data show that 14.7 thousand businesses became insolvent, 6-.3% less than in 2014 but almost double the 7.5 thousand insolvencies of 2008, when the effects of the crisis had not yet fully hit the Italian economy.

This trend impacted NPEs which, net of impairment losses, amounted to approximately €89 billion at year end, up 5.33% on the previous year end.

The ratio of net non-performing loans to total loans was 4.9% in December compared to 4.6% in December 2014.

Bank deposits grew by 4% year-on-year.

Once again, this growth is due to the performance of current accounts which is very volatile with respect to the non-financial companies, going from +17% in October compared to October 2014, to 2.4% in November and ending the year at +12.2%.

Conversely, variations in household current accounts were less accentuated with strong growth throughout the year of 7.7% at 31 December and of 8.5% as an annual average.

Term deposits performed quite well and the annual decrease was 11.9% in December. There was also a strong year-on-year reduction in bonds' performance, down 13.0%.

The administered funds sector saw the continued sharp reduction in debt instruments held by

[2] The sample covers roughly 80% of loans

households and businesses, mainly due to the transition towards managed funds. The reduction in securities held in custody for consumer households was 16.3% compared to December 2014.

The Italian managed funds market saw a new record with funds up €141.7 billion on the start of the year.

Net funding for the year in open-ended funds grew by €94.7 billion, more than double the rise in mandates (+€46.2 billion), mostly obtained for the management of insurance products (€19.4 billion) and retail AUM (+€10.6 billion).

Overall, assets managed by the open-ended mutual fund sector totalled €850.2 billion at year end, up €166.9 billion on 31 December 2014 (+15.9%).

The bank's operations

During the year, the bank focused on its intention to continue and promote certain fundamental strategies.

Firstly, it implemented Bank of Italy's recommendations made after its general inspection completed in February. Specifically, it strengthened its organisational controls to improve credit risk management and more efficiently implement AML regulations, given the very negative economic climate as described earlier.

As explained in more detail later in this report, the bank also complied with the extensive legislative innovations which entailed a costly internal compliance exercise.

Finally, it completed certain important projects designed to implement organisational processes and constantly achieve greater efficiency by cutting operating costs while improving service levels.

The new credit risk controls led to an increase in those procedures to monitor and recover credit as well as deploying greater prudence in approving new loan applications.

The changes to the legislative framework often created significant interpretative issues, which increased the difficulties in correctly applying them to the bank's operations on a timely basis.

The related difficulty in managing the bank has required a very specific organisational structure, production processes and policies which comply with the relevant legislation, customers' interests and the business plan.

During 2015 and in line with its business plan, the bank met its obligations taken on with the trade unions after the personnel redundancy agreement and hired seven young people with an open-ended contract.

The activities completed during the year were based on the business plan guidelines and also reflected the ongoing legislative changes. In addition, the drivers of the bank's commercial development were its key reference point to maintain its local base, implemented through:

1) the strong traditional branch network;
2) the new h24 branches, strengthening the multi-channel objectives;
3) Promotion of alternative channels by continuously introducing the reference products such as corporate banking and home banking.

Specifically, the bank engaged in:

1. **Organisational change designed to improve its performance:**
    a. Introduction of the new interbank level security requirements for bankers' drafts and cheques (matrix data, micro perforations, etc.) and preparation of new forms for customers.
    b. Alignment of the processes for FATCA compliance, with the self-certification of legal persons.
    c. Activation of the Fast.invoice service for e-billing by customers, using ICBPI's technological platform.
    d. Definition of the process to manage transactions with election agents.
    e. Review of the hard copy filing system for bank counter documents.
    f. Adoption of a new IT procedure to manage certificates of deposit.
    g. Improvement of the CartaSì credit card placement process via bank branches through integration into the product sale process.
    h. Activation of the "Security Cash" service.
    i. Activation of the "payment service transfer tied to the payment account" as per article 2 of Law decree no. 3 of 24 January 2015.

2. **Multi-channel promotion activities:**
    a. Introduction of urgent transfers via the internet banking platform;
    b. Activation of the new "Carifermo Pay Internazionale e-commerce" debit card, authorised to make purchases on the internet.

3. **Organisational projects to support lending policies:**
    a. Changes to proxies related to the classification of impaired loans and receivables.

b. Adoption of new instruments provided by Cerved-Experian to facilitate the loan application due diligences: Experian-Experian Information System (ECIS), Quick Report Plus (QRP) and Cerved Score Group (CGS) for the first acceptance rating.
c. Extension until 31 March 2015 of the “2013 credit agreement” of 1 July 2013 (ABI – company representative associations) for SMEs, due to expire on 31 December 2014.
d. Inclusion in the 2015 credit agreement signed by ABI and the other company representative associations for SMEs.
e. Inclusion in the ABI - Consumer Associations agreement to suspend credit to householders.
f. Compliance with the new regulations for loans and receivables classification: adoption of a new “Credit classification and measurement policy” and alignment of procedures to manage forborne exposures.

4. **Commercial policies:**
   a. Agreement with CF Life to sell and distribute life insurance policies.
   b. Placement agreement with Fraer Leasing.
   c. Review of agreements with credit guarantee consortia (Pierucci, Commerfici).
   d. Addition to the agreement with credit guarantee consortia (Pierucci, Confidi Macerata, Fidimpresa Marche) to acquire guarantees counter guaranteed by the Guarantee Fund for Small and Medium Enterprises, set up by Law no. 662/96.
   e. Renewal of the agreement with the Cooperative Artigiana di Garanzia G.Kuferle and Consorzio fidi del fermano credit guarantee consortia to include the acquisition of guarantees counter guaranteed by the Guarantee Fund for Small and Medium Enterprises.
   f. Guarantees counter guaranteed by the Guarantee Fund for Small and Medium Enterprises.
   g. New agreement with the Società Regionale di Garanzia Marche (SRGM) Società Cooperativa per Azioni credit guarantee consortium, which includes the acquisition of guarantees counter guaranteed by the Guarantee Fund for Small and Medium Enterprises.

5. **Activities useful and/or necessary to comply with the anti-money laundering law**
   a. Introduction of new database controls over the transaction executer and the account holder.
   b. Review of the credit concession authorisation process and the “forcing” of transactions in excess of credit facilities for customers who have allegedly carried out suspicious transactions.
   c. Review of the procedures performed as part of customer due diligences and risk profile management; introduction of the aid form.

Following the numerous disclosure projects implemented in recent years about various issues, the bank held a very successful conference on the complicated voluntary disclosure regulation for customers that may potentially be interested and accountants.

It continued to develop its banca h24 project, rolled out a few years ago. The organisational innovation involved the prestigious Porto Sant’Elpidio branch, which was renovated and successfully met all its assigned targets.

The extension of the new organisational model was accompanied by intense design and organisational efforts involving both the bank’s head offices and branch personnel in intensive training courses. All the employees demonstrated their great ability to adapt and become familiar with their new roles.

The preparation of the above branches led to an increase in investments and maintenance costs, as can clearly be seen from the income statement, countered by the reduction in personnel at the branches involved in the project and in the same branches’ administrative expenses, partly due to the significant transition to new technologies designed to reduce operating costs.

Given the results, the reorganisation will be continued in 2016 with the activation of another two medium/large sized branches in line with its 2016-2018 business plan.

The bank’s treasury and cash service provided to local bodies continued to be very intense and profitable. During the year, it strengthened its traditional role in this segment by obtaining the contract to provide the Pedaso municipality its services.

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

Accordingly, it rolled out and fully activated the procedures for the IT mandate, drawn up for Chambers of Commerce, schools and public sector bodies as well as other customised activities involving highly qualified local technological companies.

It started the tests to activate the IT mandate with three municipal authorities in December.

At year end, the bank managed 23 treasury services and 20 cash services, including for six schools and the Fermo Chamber of Commerce.

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

Organisation and workforce

The bank's sales network did not undergo change during the year.

At 31 December 2015, the bank's 60 branches were located in seven provinces and three regions as shown in the following table:

REGION	PROVINCE	No. of branches at 31/12/2015
Marche	Fermo	28
Marche	Ascoli Piceno	11
Marche	Macerata	13
Marche	Ancona	2
Abruzzo	Teramo	2
Abruzzo	Pescara	1
Lazio	Rome	3

In addition to that described about the renovation of the Porto Sant'Elpidio branch, the property maintenance programme included work to maintain all the bank's properties, both owned and leased, in order to improve their working and comply promptly with the laws about safety in the workplace.

The bank focused on crime prevention measures, also through resort to cutting edge technological solutions to ensure the highest available security standards for its employees and customers.

Some of the most notable maintenance work included completion of the work on the Casette d'Ete branch in order to lease part of the property.

During the year, the bank agreed a lease for a building in Cupra Marittima to house an ATM, which has been very well met by its residents since its set up.

The bank's owned property used for operations has a surface of roughly 26,078 square metres while its leased property has a total surface of roughly 6,744 square metres.

The bank also owns properties which it leases for a total surface of 5,769 square metres.

At year end, the bank had a total workforce of 381 employees, excluding the cleaner, compared to 378 at the end of 2014 as follows:

	31/12/2015	31/12/2014	31/12/2013
Managers:	2	2	2
Junior managers (3rd and 4th level):	42	42	42
Junior managers (1st and 2nd level):	58	56	60
3nd professional area:	276	275	291
2nd professional area:	3	3	4
Total	**381**	**378**	**400**
Cleaning staff	*1*	1	1

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

In 2015, six employees left the bank while nine people were hired, including two as a result of the conversion of their term contracts into open-ended contracts.

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

Changes in the workforce					
	31/12/2015	**2015 departures**	**2015 entries**	**Changes in employment contracts**	**31/12/2014**
Managers	2	0	0	0	2
Junior managers (3rd and 4th level)	42	0	0	0	42
Junior managers (1st and 2nd level)	58	0	0	2	56
3rd professional area	276	6	9	-2	275
2nd professional area	3	0	0	0	3
Total	**381**	**6**	**9**	**0**	**378**

At year end, the bank had 25 employees with part-time contracts, equal to 6.5% of the total workforce.

Thanks to the containment and streamlining of operating processes associated with the increasingly focused development of IT technologies and the adoption of more efficient organisational models, the bank continued its exemplary distribution of human resources with 69.5% at the branches and the other 30.5% at head office.

This distribution, 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, also ensured through training, is a key HR target as the bank is convinced of the central role played by its employees.

Training activities involved nearly 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, especially those of a financial nature, and with a special focus on risk management.

During the year, training courses also included issues pertinent to the ongoing development of the “banca h24” technology.

The bank also has an e-learning platform for on-line courses, used mainly for insurance sector training, which allows employees to consult course materials and monitor scheduled training activities without having to be physically present.

For some time now, its organisational policies have focused on developing the multi-channel tool as the way to reorganise work at the branches in a labour-saving manner.

As a result of these policies, the number of transactions performed using channels other than the sales network has continued to grow, both as a percentage and amount.

Purchases and sales of securities made on-line by customers increased to 67.5% from 67% for 2014, despite customers’ preference for managed savings products.

The internet banking service, which includes on-line trading, is well met by customers and 17,440 customers had activated the service at year end compared to 14,504 at the end of 2014 (+19.5%).

Alongside the internet banking service, designed for individuals, the bank successfully launched its corporate banking service for businesses using this option. At 31 December 2015, 5,077 businesses had registered with this service compared to 5,046 at the end of 2014.

With respect to commercial bill collection presentation requests, 86.7% are performed on-line compared to the previous 82.2% involving collection order (RIBA), Sepa direct debit (SDD) and payment against notice (MAV) requests.

The ATM service has 1,570 machines compared to 1,434 at the end of 2014 with transaction volumes up 9.5% on an annual basis.

Cash deposits made by customers to the next generation ATMs installed at the h24 branches grew steadily during the year. They may be summarised as follows:

2015 ATM DEPOSITS				
	No. of transactions		**Amount (€’000)**	
	2015	**2014**	**2015**	**2014**
Cash	45,104	32,456	88,591	58,936
Cheques	27,359	21,598	33,828	28,575

Deposits increased by 39.9% to €122.5 million compared to €87.5 million in 2014.

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.

Pursuant to the prudential supervisory requirements about internal controls, IT systems and business continuity, the bank completed the required self-assessments about its situation considering these new requirements and involving the board of directors.

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 controls' 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 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 and the Internal Audit Unit have 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 to comply with the bank's loans classification and measurement policy 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 Risk Management, Compliance and ALM units.

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 ERMAS application. The board of directors' model is based on the cumulative imbalance between assets and liabilities split by maturity. The bank also regularly monitors the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

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 own funds. The ERMAS application, provided by the IT outsourcer thanks to the partnership with Prometeia, is again used together with the A2 disclosure base of the accounts matrix.

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.

The credit risk analysis is also based on a counterparty internal rating system. 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 and using system analyses.

The Risk Management Unit regularly checks the expected losses on the bank's loans portfolio using the S.A.Ra. application's internal rating system. The loans are grouped by category in terms of their credit risk. Estimated loss rates are applied on a statistical basis and expressed as the probability of default (PD) of the counterparty and the loss rate in terms of loss given default (LGD). The expected loss for these loans is the amount of the loan multiplied by the PD and the LGD.

Loss rates are considered in the calculation of the lump sum impairment of performing loans and, under the new policy, used to measure non-performing loans of less than €50 thousand.

The S.A.Ra. procedure is not used for risk weighing supervisory purposes.

Single-name and geo-business segment concentration risk

The bank's exposure to business and geographical concentration risk is assessed every three months using Bank of Italy'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.

As provided for by the fifteenth update of Bank of Italy's Circular no. 263/06, this Unit manages the risk of non-compliance using a risk-based approach, considering all the pertinent legislation.

Accordingly, it has direct and indirect responsibilities. Specifically, the Unit is directly responsible for management of the risk of non-compliance with the more significant rules related to the "core" scope, such as the performance of banking activities and financial intermediation, management of conflicts of interest, transparency versus customers and, in general, consumer protection laws.

As far as the non-core scope activities are concerned, the Unit's functions are scaled and specialised controls defined for each compliance area.

IT risks

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.

The bank has drawn up a specific IT security policy given the fundamental importance of this issue.

The bank's primary objective is the secure processing of personal information and, therefore, the document has been prepared to ensure the correct performance of the internal information system, its correct working and resistance to hacking for the 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 special portal and an intranet for internal e-mail management.

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 Bank of Italy'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.

The plan's objective is to analyse the effects of events that could threaten the continuity of internal operating processes and to design the related preventive and remedial measures as well as any related actions to be taken to restore business operations as quickly as possible.

The bank's business continuity plan is consistent with the business continuity and disaster recovery plans adopted by its IT outsourcer, CSE, which are also regularly updated and checked.

IT Audit

The engagement for the IT audit, checks of the general controls and security of the CSE IT systems for 2015 was assigned to Deloitte S.p.A. by the bank members of the consortium. The consultants also carried 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. The audit engagement includes the FOI outsourced to Caricese.

Privacy - Legislative decree no. 196/2003

Pursuant to the Italian Data Protection Authority's measure of 12 March 2011 "Measures for the circulation of information in banks and tracing of bank transactions", the bank has correctly implemented the related trade union agreement and provided the representatives with the relevant information. Moreover, it has adopted a suitable tracking log management system and introduced the necessary organisational procedures.

ISVAP Circular no. 551/d of 1 March 2005 - Instructions about the transparency of life insurance 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 and the bank's proper application, on 27 December 2013, Consob approved the bank's prospectus for the issue of bonds as part of the Issuance Programme approved by the board of directors on 22 October 2013 with its measure no. 10103671.

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 website 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.

In 2014, the bank assigned the duties of the supervisory body to the board of statutory auditors which may resort to the Internal Control Unit managers for specific functions.

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

Specifically, during 2015, the following measures were taken to align the bank's procedures and processes with the anti-money laundering legislation, including:

a. optimisation of the operating processes used to communicate suspect transactions in line with the anti-money laundering policy adopted by the bank on 24 June 2014 and introduction of new additional daily and/or weekly controls, carried out by the Anti-money Laundering Unit;
b. new internal regulations about customer due diligences, focused on managing recycling risk profiles (periodic checks), ongoing checks of the business relationship and enhanced due diligences and implementation of the specific form as the new tool to formalise the enhanced due diligence process;
c. escalation of the decision-making powers about lending, with introduction of the powers for high money laundering risk customers;
d. the bank issued operating instructions for the "engagement rules" of customers that intend to avail of the legal benefits of the voluntary disclosure programme.

Other laws and regulations:

e. Voluntary Disclosure (Law no. 186/2014): definition of the customer management process;
f. Alignment of internal processes with the Measure of 14 February 2012 "Instructions about authenticity and fitness checking of Euro banknotes and their recycling";

g. Compliance with the "Decree for transparency in government bond placement transactions" of the Ministry of Economy and Finance of 15 January 2015 on the fees and commissions to be applied to customers;

h. Compliance with IVASS (the Italian Insurance Supervisory Authority) regulation no. 8 of 3 March 2015 amending regulation no. 5 of 16 October 2006 about pre-contractual information for insurance product placements;

i. Compliance with the Italian Data Protection Authority's measure about "Simplified arrangements to provide information and obtain consent regarding cookies" of 8 May 2014;

j. Compliance with the fifteenth update to Circular no. 263 of 27 December 2006 "New requirements for the prudential supervision of banks" of 2 July 2013: adoption of the IT security policy, introduction of the ICT unit, approval of the IT risk analysis method;

k. Compliance with Bank of Italy's measure of 15 July 2015 "Transparency of banking and financial transactions and services";

l. Compliance with the EU BRRD and especially the bail-in tool: information on risks in information sheets on direct funding instruments and, also to comply with Consob communication no. 90430 of 24 November 2015, information on the risks related to the purchase and/or ownership of bank bonds (attached to the year-end communications and subsequently when bank bonds are purchased and or placed);

m. Compliance with article 52-bis of the Consolidated Banking Act which requires companies to introduce a whistleblowing system; approval of the whistleblowing policy, identification of the relevant manager, adoption of a specific application software to manage communications;

n. Compliance with the seventh update of Circular no. 272 of 20 January 2015 about the definitions of non-performance exposures and forbearance introduced by the implementing technical standards (ITS) defined by the EBA. These new definitions have required a number of adjustments to internal processes and regulations as well as the board of directors' approval of the new "Credit measurement and classification policy" in November 2015.

THE BANK'S FINANCIAL POSITION
Lending

Breakdown of lending by product							
				Half year difference		Annual difference	
	31/12/2015	31/06/2015	31/12/2014	Amount	%	Amount	%
Current accounts	155,160	171,756	179,950	-16,596	-9.7%	-24,790	-13.8%
Postal current accounts	312	175	25	137	78.3%	287	1148.0%
Advances	142,755	142,610	152,436	145	0.1%	-9,681	-6.4%
Loans	543,969	532,545	546,416	11,424	2.1%	-2,447	-0.4%
Subsidies not settled through current accounts	48,171	41,230	49,019	6,941	16.8%	-848	-1.7%
Loans against pledges	66	113	71	-47	-41.6%	-5	-7.0%
Salary-backed loans	4	8	14	-4	-50.0%	-10	-71.4%
Non-performing loans	54,842	51,167	38,223	3,675	7.2%	16,619	43.5%
Portfolio risk	258	191	265	67	35.1%	-7	-2.6%
Treasury transactions	0	817	0	-817	-100.0%	0	0.0%
Total lending	**945,537**	**940,612**	**966,419**	**4,925**	**0.5%**	**-20,882**	**-2.2%**
- of which in Euros	945,370	940,184	965,083	5,186	0.6%	-19,713	-2.0%
- of which in foreign currency	167	327	1,336	-160	-48.9%	-1,169	-87.5%

Table 1

This business segment's performance cannot be analysed without considering the rather serious and worrying economic situation, as described briefly in the introduction to this report.

A quick look at the figures in Table 1 shows the decrease in loans as well as the strong surge in non-performing loans, confirming the drop in credit quality lamented by the Italian banks.

This reduction in lending has its roots in two factors: the contraction in demand and the rise in riskiness that led the bank to adopt a more prudent lending policy. These factors were not at all eased by the aggressive contraction in interest rates.

While a drop in credit demand may lead to a downturn in profitability in the medium term, the deterioration of credit quality is more worrying as its effects are seen in the short term. The economic crisis has accelerated the emergence of the issue of the chronic under-capitalisation of companies, traditionally over-indebted to banks leaving them without those resources that would have allowed them to better face the crisis.

The bank assessed its problematic loans very prudently in line with the policy revised in 2015. An important factor guaranteeing the quality of the bank's loans portfolio is its controls over performing loans which it stepped up to deal with the greater latent risk.

This approach confirms the bank's vocation as a reference point for the local households and businesses for which it took all steps possible to ensure that they did not have to do without credit assistance in this extraordinarily difficult period, compatibly with their individual credit worthiness.

This approach is at the heart of the bank's modus operandi, the thin line between its mission as the key reference bank in its area and the need to manage its operations in a healthy and prudent manner.

As can be seen in the notes to the financial statements and indirectly in the breakdown of lending by product, where loans make up more than 50% of total lending, guarantee levels remained at the usual suitable levels, especially given the current economic climate.

The lending business showed the slowdown in the downwards trend on an annual basis from 5.7% in 2014 to 2.2% in 2015 for a total lending volume of €45,537 compared to €966,419 on a consistent basis and net of impairment losses, affected by the general economic performance.

Loan concentration, assessed by borrower, shows its ability to reduce credit risk by levering on the splitting of loans, carrying on the trend seen in previous years, as shown in the following table:

	2015	2014	2013	2012	2011
Top 10 customers	6.84%	7.04%	7.02%	7.17%	7.17%
Top 50 customers	18.14%	18.33%	17.75%	18.38%	18.58%
Top 100 customers	25.70%	25.82%	24.86%	25.26%	25.89%

Table 2

An analysis of lending by product confirms the slowdown in the slide of the longer-term products at €543,969 thousand compared to €546,416 thousand at the end of 2014, a decrease of €2,447 thousand or 0.4%.

This contraction mainly took place in the first half of the year while loans grew 2.2% in the second six months of 2015.

The default rate for loans continued to be modest in 2015 and even smaller than in previous years.

Renegotiated performing loans, as part of collective agreements, amounted to €2,017 thousand at year end compared to the 31 December 2014 balance of €5,610 thousand.

Current account balances amounted to €155,160 thousand at year end, a decrease of 13.8% on an annual basis, reflecting weak demand, mostly from businesses.

Advances decreased significantly from €152,436 thousand at 31 December 2014 to €142,755 thousand (-6.4%), again entirely due to the negative economic situation which penalises companies' turnover. In addition, the Italian banks are promoting particularly aggressive policies for this lending product with offers based more on achieving volumes than a profit, which approach the bank deems short-sighted.

Statistics for bills presented for collection or under reserve show an annual decrease of 1% (number of transactions) but an increase of 2.5% in terms of the amounts involved.

Subsidies not settled through current accounts decreased slightly to €48,171 thousand compared to €49,019 thousand at the end of 2014.

The bank did not use derivatives to hedge interest rate risks on fixed rate loans during the year, also because of perceived stability of the very low rates over time and the related small probability of their large, immediate rise.

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, which is steadily worsening.

Doubtful loans, net of impairment losses, which include non-performing, unlikely to pay and past due loans, increased by 20.9% to €113,695 thousand over 31 December 2014, equal to 12% of total loans compared to 9.7% at 31 December 2014.

Gross past due exposures decreased from €3,438 thousand at the end of 2014 to €2,073 thousand at year end, with impairment losses of €177 thousand, covering 8.5% of the loans.

Unlikely to pay exposures, including estimated losses, came to €68,470 thousand compared to €66,981 thousand at 31 December 2014. The related impairment losses amounted to €11,512 thousand, equal to 16.8% of the loans compared to 21.4% at the end of 2014.

Non-performing exposures amounted to €111,913 thousand at 31 December 2015 compared to €82,920 thousand at the end of 2014, including estimated losses, while impairment losses came to €57,071 thousand. Net of these impairment losses, non-performing loans totalled €54,842 thousand compared to €38,224 thousand at 31 December 2014, an increase of 43.5%.

An analysis of irregular loans shows that the percentage of new exposures reclassified as non-performing increased during the year and amounted to €35,032 thousand, equal to 31.3% of the entire non-performing category at the end of 2015, including €27,344 thousand of loans previously classified as unlikely to pay.

On the other hand, collections received during the year were stable at €4,358 thousand compared to €4,197 thousand at 31 December 2014, directly offsetting non-performing loans.

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

LOANS AND RECEIVABLES WITH CUSTOMERS - DOUBTFUL EXPOSURES						
		31/12/2015	31/12/2014	Difference amount	Difference %
IMPAIRED EXPOSURES	Gross amount	182,455	153,339	29,116	18.99%
	Impairment losses	68,760	59,332	9,428	15.89%
	Carrying amount	**113,695**	**94,007**	**19,688**	**20.94%**
coverage rate		37.69%	38.69%		
Non-performing	Gross amount	111,912	82,920	28,992	34.96%
	Impairment losses	57,071	44,696	12,375	27.69%
	Carrying amount	**54,841**	**38,224**	**16,617**	**43.47%**
coverage rate		51.00%	53.90%		
Unlikely to pay	Gross amount	68,470	66,981	1,489	2.22%
	Impairment losses	11,512	14,327	-2,815	-19.65%
	Carrying amount	**56,958**	**52,654**	**4,304**	**8.17%**
coverage rate		16.81%	21.39%		
Past due	Gross amount	2,073	3,438	-1,365	-39.70%
	Impairment losses	177	309	-132	-42.72%
	Carrying amount	**1,896**	**3,129**	**-1,233**	**-39.41%**
coverage rate		8.54%	8.99%		

Table 3

Collective impairment losses on performing loans were made using credit deterioration statistics of previous years and the credit deterioration rates published by Bank of Italy and communicated to the banks via the public database, integrated 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 duration of each type of loan.

In line with previous years, a prudent floor of 0.3% was then applied to the above percentages.

The implicit risk on performing loans is determined in line with assessments about the deterioration of loans set out above and making a collective impairment, currently calculated to be €10,275 thousand up on the balance of €9,980 thousand at 31 December 2014, despite the large reduction in performing loans. As a result, the coverage rate of these loans is 1.22% compared to 1.13% at the end of the previous year, 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.

In addition, the bank used a loan monitoring procedure during the year for the prompt identification of any deterioration in customer positions.

As part of the internal control project, the bank has developed and rolled out a more evolved system to assign ordinary customers (households, artisans, 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 considerably.

The following activities were carried out:

Leasing: 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 agreement of two contracts worth €124 thousand in addition to 18 contracts agreed with Alba Leasing for €1,528 thousand plus five contracts with Fraer Leasing for another €318 thousand.

Credit cards: the bank was again very active in this sector with a total 16,013 credit cards issued at year end (+784). It reviewed its issue of Viacard and Telepass cards, including in organisational terms, with 8,948 cards issued at year end, an increase of 557 cards over 31 December 2014.

Investments

Interest rates dropped quite sharply in 2014 and the related curves were extremely low at the start of 2015. Moreover, they showed less movement in 2015 compared to previous years.

The 3-month Euribor was -0.125% at year end, fluctuating within a range of between 0.07% 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 -0.03% and -0.20%.

During the year, the spread between the 10-year IRS and the 3-month Euribor rates progressively gained about 40 bp, up to 1.144%, reflecting the drop into negative values of the 3-month interbank rates.

The Italian BTP treasury bonds-Bund spread continued the trend seen since the start of the year hovering around 100 bp to then plummet mid-year when the Greek crisis exploded.

The bank's financial investments are nearly entirely comprised of government bonds with the remainder consisting of senior bonds issued by major Italian 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 always remained within the limits set by the board of directors.

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 securities portfolio is classified depending on whether the securities are held for trading (HFT) or are available-for-sale (AFS). Specifically, securities that are held for trading contribute to the net trading income (expense) while available-for-sale securities contribute to net interest income (expense).

The bank's decisions about its investments and how to allocate its resources consider the different purposes of its two main portfolios with the result that they have an average duration of two years and 326 days and an average residual life of five years and 37 days at year end, both showing an increase on the previous year end.

The LTROs undertaken by the bank in 2012 expired in March 2015. Following repayment of the financing, the bank renegotiated the related part of the bonds held in portfolio.

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 non-current securities 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	
	31/12/2015	31/12/2014	amount	%
BOT Italian treasury bills and zero coupon bonds	7,400	18,074	-10,674	-59.06%
CCT Italian treasury certificates	203,317	267,615	-64,298	-24.03%
BTP Italian treasury bonds	409,404	298,945	110,459	36.95%
Bonds	12,033	38,541	-26,508	-68.78%
Shares	0	0	0	0.00%
Total	**632,154**	**623,175**	**8,979**	**1.44%**

Table 4

Given the above-mentioned market trend, the bank's securities portfolio steadily recouped value compared to the carrying amounts at 31 December 2014 and amounted to €1,926 thousand for the trading portfolio, while due to sales of securities during the year, the gross unrealised gain recognised in equity on the AFS securities decreased by €3,196 thousand.

Changes in the AFS portfolio led to an operating profit of €7,890 thousand.

The bank maintained its traditional position as a lender on the interbank market during 2015.

It obtained additional liquidity from the ECB as part of the TLTROs for a total €60 million.

Its Euro treasury activities had two objectives:

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

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.

Following CSE's extraordinary distribution of reserves, the bank impaired its investment from €6,116 thousand at 31 December 2014 to €5,156 thousand. It recognised the loss of €960 thousand by decreasing the equity reserve already set up at the end of 2014.

In 2014, the bank signed a joint venture agreement pursuant to article 2549 of the Italian Civil Code for its involvement in production of a film, contributing €1,800 thousand. It recognised its investment in the AFS portfolio. The related test of the investment led it to recognise an impairment loss of €633 thousand in the 2015 financial statements. It also recognised the "cinema tax credit" of €720 thousand under assets, prudently providing for the entire amount in the tax provision while awaiting receipt of the necessary authorisation from the tax authorities.

The bank fully impaired its investment in SEDA S.p.A. (€256 thousand) after the investee requested application of the deed of arrangement with reserve procedure.

During the year, it sold its investment in CartaSi recording a gain of €833 thousand.

As a result of the above transactions, the bank had equity investments of €9,777 thousand at year end compared to €12,076 thousand at 31 December 2014.

The annexes to the financial statements show a list of the bank's equity investments at year end, all classified in the AFS portfolio as they do not meet the requirements for inclusion in caption 100 - Equity investments under Assets.

Funding

For years, the bank's funding policy has been based on the efficiency of its projection of financial strength rather than on offering other than market rates which would contribute negatively to its results.

Customers clearly appreciated the bank's solid position and its reputable products in this period characterised by the four banks' financial difficulties (three of which are in central Italy) and this clearly gives it a strong competitive advantage.

The bank's funding policy aimed at maintaining its position without having to compete at unfavourable conditions. Direct funding grew steadily throughout the year even though interest rates were progressively adjusted to the downward trend imposed by the ECB and the market, not always clearly understood by customers.

There were other issues affecting funding during the year. Specifically, this business segment was impacted by the heavy tax burden with both the taxation of financial income, penalised compared to government bonds and the stamp duty on security deposits.

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	
	31/12/2015	30/06/2015	31/12/2014	Amount	%	Amount	%
Savings deposits	125,116	117,690	114,803	7,426	6.3%	10,313	9.0%
Current accounts	997,409	895,850	853,696	101,559	11.3%	143,713	16.8%
Repos	694	125	1,375	569	455.2%	(681)	-49.5%
Certificates of deposit	74,548	74,644	89,690	(96)	-0.1%	(15,142)	-16.9%
Bonds	213,414	226,228	233,248	(12,814)	-5.7%	(19,834)	-8.5%
Total direct funding	**1,411,181**	**1,314,537**	**1,292,812**	**96,644**	**7.4%**	**118,369**	**9.2%**

Table 5

Overall, direct funding amounted to €1,411,181 thousand, a large increase on an annual basis of €118,369 thousand or +9.2%.

Funding from consumer households grew by 1.9% while that from companies rose 31.3%.

Euro and foreign currency current account overdrafts runs increased by €143,713 thousand (+16.8%) to €997,409 thousand, equal to 70% of the bank's 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.

Assisted by the favourable market climate, even the obsolete savings deposits gained ground, amounting to €125,116 thousand.

The bank did not deem that the conditions for new bond issues existed in 2015 due to the adverse tax measures and especially given the market interest rates. Therefore, its senior bonds decreased by 8.5% on 2014 to €213,414 thousand. Certificates of deposit also decreased by 16.9% to €74,548 thousand.

Bonds accounted for roughly 15% of the entire direct funding at year end.

At 31 December 2015, the bank had 17 bond issues outstanding, described in the annexes to the financial statements. Two issues matured during the year (€17,607 thousand).

Repos amounted to €694 thousand compared to €1,375 thousand at 31 December 2014. This small amount is partly due to the bank's policy of controlling liquidity which means that settlement dates are concentrated on a quarterly basis.

Indirect funding at year end may be analysed as follows:

	31/12/2915	30/06/2015	31/12/2014	Half year difference		Annual difference	
				Amount	%	Amount	%
Government bonds	251,723	269,329	314,078	-17,606	-6.54%	-62,355	-19.85%
Bonds	112,930	113,836	115,809	-906	-0.80%	-2,879	-2.49%
Shares	89,655	89,866	86,511	-211	-0.23%	3,144	3.63%
Total administered funds	**454,308**	**473,031**	**516,398**	**-18,723**	**-3.96%**	**-62,090**	**-12.02%**
Funds and OEIC units	245,899	242,065	205,901	3,834	1.58%	39,998	19.43%
Asset management	26,107	26,386	26,672	-279	-1.06%	-565	-2.12%
Total managed funds	***272,006***	***268,451***	***232,573***	***3,555***	***1.32%***	***39,433***	***16.96%***
Total indirect funding	***726,314***	***741,482***	***748,971***	***-15,168***	***-2.05%***	***-22,657***	***-3.03%***
Insurance and pension products	336,799	293,202	255,766	43,597	14.87%	81,033	31.68%
Total	**1,063,113**	**1,034,684**	**1,004,737**	**28,429**	**2.67%**	**58,376**	**5.81%**

Table 6

Indirect funding, consisting of administered and managed funds, decreased at year end to €726,314 thousand compared to €748,971 thousand at 31 December 2014.

If the analysis is extended to include insurance and pension products, indirect funding shows an increase of €58,376 or 5.8% on 31 December 2014 to €1,063,113 thousand.

A breakdown of indirect funding, compared to that at 31 December 2014, shows customers' smaller interest in administered funds, which lost 12%, while managed funds, mutual funds and OEIC units saw a modest increase to €272,006 thousand compared to €232,573 thousand at 31 December 2014 (+17%).

The asset management business recorded a year-end balance of €26,107 thousand, substantially in line with the opening amount.

Net funding from mutual funds and OEIC units confirmed the trend seen for these products with a year-end balance of €36,836 thousand. Conversely, net funding from the asset management business was a negative €1,035 thousand.

The bank continued to offer insurance products during the year.

Finally, life policies and open pension fund products increased by 31.7% or €81,033 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.

	2015	2014	Difference	
			amount	%
Net interest income	32,807	36,346	-3,539	-9.74%
Net operating income	73,504	73,483	21	0.03%
Operating costs	-49,653	-49,549	-104	0.21%
Operating profit	23,851	23,934	-83	-0.35%
Pre-tax profit from continuing operations	11,723	8,049	3,674	45.65%
Profit for the year	7,060	4,084	2,976	72.87%

Table 7

The individual balances are shown below:

Net interest income

	2015	2014	Difference	
			amount	%
Interest income:	***44,017***	***49,994***	***-5,977***	***-11.96%***
- Ordinary customers	35,186	39,902	-4,716	-11.82%
- Securities portfolio	8,819	10,041	-1,222	-12.17%
- Banks	12	51	-39	-76.47%
Interest expense:	***-11,210***	***-13,648***	***2,438***	***-17.86%***
- Ordinary customers	-5,035	-5,872	837	-14.25%
- Bonds	-6,038	-7,504	1,466	-19.54%
- Banks	-137	-272	135	-49.63%
Net interest income	**32,807**	**36,346**	**-3,539**	**-9.74%**

Table 8

Net interest income amounted to €32,807 thousand, a substantial drop on the previous year.

The effect of the contraction in lending on interest income was partly offset by the bank's measure to ensure the correct balance between remuneration and risk. This contributed to the final outcome of the repayment of the LTROs agreed in 2012, the interest on which was well below the interest earned by the bank by using the financing.

As a result of the continued low interest rates, especially as regards deposits, and the steady narrowing of the spread between Italian government bonds and the German bund, the bank saw a decrease in accrued interest on bonds.

Despite its considerable decrease, the return on Italian government bonds is nonetheless higher than those of the other EU states and had a follow-on effect on interest rates paid and received with ordinary customers, where the greater stickiness of interest rates paid compared to those received is visible.

The average annual rate paid on direct funding was 0.83% compared to the average 1.02% for 2014, an average drop of 19 bp, and the 2015 year-end rate was 0.72%.

Interest income from ordinary customers went from an average 4.08% in 2014 to an average rate of 3.89% in 2015 equal to an average annual reduction of 19 bp. The rate was 3.67%.

The total spread on average interest rates with ordinary customers was on average below that of the previous year as shown in the following graph, ending the year down 4 bp:

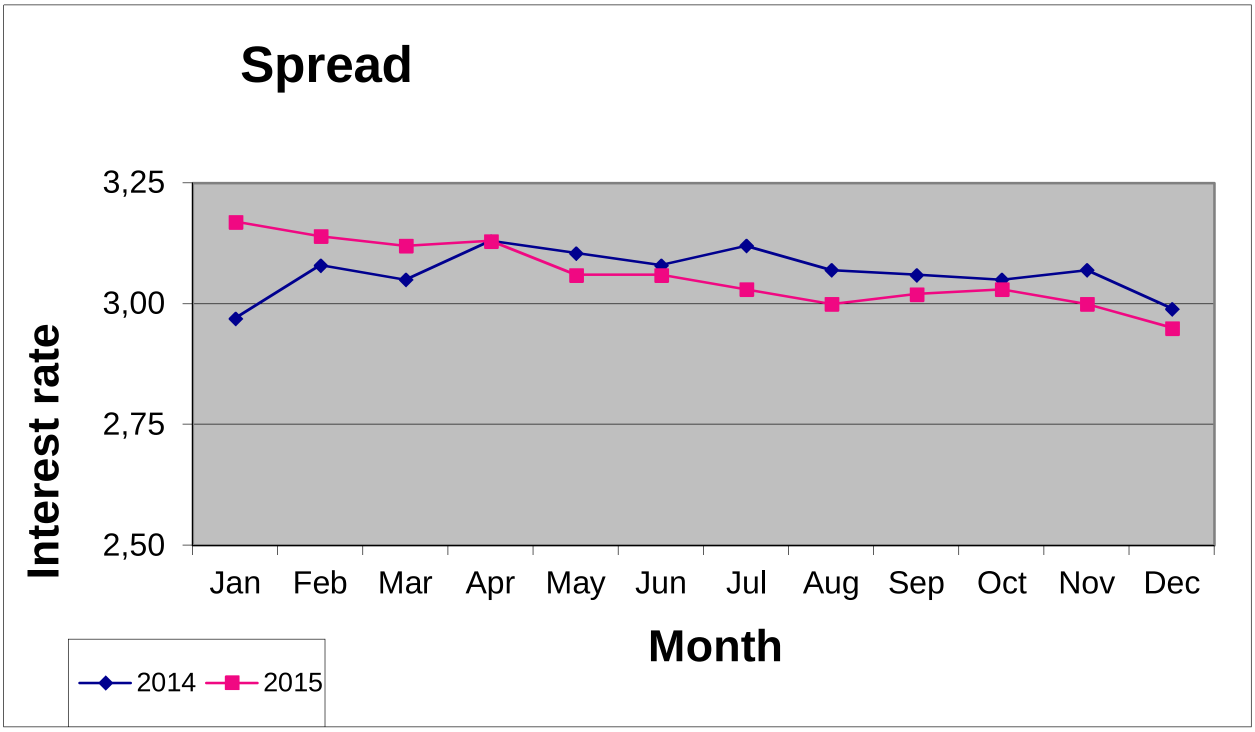


Table 9

NET OPERATING INCOME

	2015	2014	Difference	
			amount	%
Net interest income	**32,807**	**36,346**	**-3,539**	**-9.74%**
Dividends	1,632	1,588	44	2.77%
Net fee and commission income	20,783	20,182	601	2.98%
Net trading income	12,715	9,877	2,838	28.73%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	0	0	0	0.00%
Other operating income	5,567	5,490	77	1.40%
Net operating income	**73,504**	**73,483**	**21**	**0.03%**

Table 10

Net operating income amounted to €73,504 thousand, basically unchanged from 2014.

Dividends collected continued to be high going from €1,588 thousand for 2014 to €1,632 thousand, principally due to the subsidiary CSE's extraordinary distribution of reserves (the bank's share was €1,000 thousand).

Net fee and commission income increased to €20,783 thousand, positively affected by the waiver of the Italian government's guarantee on bonds collateralised for the LTROs agreed in 2014.

As part of this caption, securities placement commissions increased by €358 thousand from €1,917 thousand for 2014 to €2,375 thousand while fee and commission income earned on the distribution of third party products went from €2,140 thousand to €2,781 thousand (+€641 thousand).

Net trading income had a positive effect on net interest income at €12,715 thousand compared to €9,876 thousand for 2014, showing an increase of €2,838 thousand.

This caption was also affected by the net fair value gains of €2,324 thousand on financial assets held for trading.

OPERATING PROFIT

	2015	2014	Difference	
			amount	%
Net operating income	**73,504**	**73,483**	**21**	**0.03%**
Personnel expense	-27,769	-29,284	1,515	5.17%
Administrative expenses	-20,220	-18,676	-1,544	-8.27%
Amortisation and depreciation	-1,664	-1,589	-75	-4.72%
Operating costs	**-49,653**	**-49,549**	**-104**	**0.21%**
Operating profit	**23,851**	**23,934**	**-83**	**-0.35%**

Table 11

The operating profit for the year was €23,851 thousand compared to €23,934 thousand for 2014.

The caption includes a large reduction in personnel expense (€1,515 thousand) while administrative expenses increased considerably (€1,544 thousand).

The variation in personnel expense is mainly due to the effects of the redundancy agreement of August 2014 which led to a sharp decrease in personnel numbers.

The €1,544 thousand increase in administrative expenses is due to recognition of the ordinary and extraordinary contributions to the National Resolution Fund as well as the ex-ante contribution of €1,697 thousand to the Interbank Deposit Protection Fund.

Net of these contributions, administrative expenses would have decreased by €153 thousand. The most significant variations relate to the following cost sub captions:

Increase:

1. legal and technical consultancy, from €802 thousand to €961 thousand;
2. third party services, from €3,273 thousand to €3,546 thousand;

Decrease:

1. credit collection legal fees, from €1,602 thousand to €1,393 thousand;
2. office leases, from €1,168 thousand to €1,042 thousand;
3. lighting and heating, from €640 thousand to €589 thousand;
4. advertising and promotion costs, from €440 thousand to €480 thousand.

Pre-tax profit from continuing operations

	2015	2014	Difference	
			amount	%
Operating profit	**23,851**	**23,934**	**-83**	**-0.35%**
Net accruals to provisions for risks and charges	-298	-58	-240	-413.79%
Net impairment losses on loans	-11,080	-15,930	4,850	30.45%
Net impairment losses on other assets	-760	-2	-758	0.00%
Net gains on held-to-maturity and other investments	10	105	-95	-90.48%
Pre-tax profit from continuing operations	**11,723**	**8,049**	**3,674**	**45.65%**

Table 12

The pre-tax profit from continuing operations amounted to €11,723 thousand compared to €8,049 thousand for 2014.

Net accruals to provisions for risks and charges of €298 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.

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 applying the related policy's rules, 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 discounts.

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 performing loans.

Overall, the bank had to counter the drop in credit quality by recognising individual impairment losses and losses on loans of €18,251 thousand, offset however by reversals of impairment losses of €7,171 thousand for a net balance of €11,080 thousand, a decrease compared to €15,930 thousand for 2014.

The cost of credit was 1.17% and shows the difficult market situation as well as the bank's attention to safeguarding against credit risk, which has increased considerably due to the ongoing far-reaching economic crisis

PROFIT FOR THE YEAR:

	2015	2014	Difference	
			amount	%
Pre-tax profit from continuing operations	**11,723**	**8,049**	**3,674**	**45.65%**
Income taxes	-4,663	-3,965	-698	-17.60%
Profit (loss) from discontinued operations	0	0	0	0.00%
Profit for the year	**7,060**	**4,084**	**2,976**	**72.87%**

Table 13

Estimated direct IRES and IRAP taxes for the year came to €4,663 thousand compared to €3,965 thousand for 2014 due to the increase in the estimated IRES tax base of €14,040 thousand.

The bank considered the modifications to legislation about impairment losses on loans and receivables pursuant to Law no. 147/2013 when calculating the IRES tax base. This law significantly changed the deductibility of these impairment losses for banks and other financial institutions.

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 €883 thousand, mainly arising on the impairment losses on loans exceeding the 25% ceiling established by article 106.3 of the Consolidated Income Tax Act and article 16 of Law decree no. 83/2015.

Accordingly, the profit for the year amounted to €7,059 thousand.

Comprehensive income for 2015 is €5,324 thousand.

Positive contributors were the actuarial gains of €1,345 thousand on post-employment benefits and the supplementary pension fund.

The €3,080 thousand reduction in the fair value reserve, net of the related taxes, mainly caused by sales made during the year, had a negative impact on comprehensive income.

Cash flows

The statement of cash flows has been prepared using the indirect method as allowed by IAS 7. Cash flows generated and used during the year are split between operating, investing and financing activities.

Operating activities generated cash flows of €4,306 thousand, including €19,402 thousand from operations while financial assets and liabilities generated €22,768 thousand.

Investing activities used funds of €896 thousand, mostly due to the purchase of property, equipment and investment property for €531 thousand.

Financing activities used funds of €3,039 thousand to pay dividends to shareholders in 2015 using the profit for 2014.

As a result, the net cash flows for the year were €371 thousand.

Indicators

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

Financial statements indicators	2015	2014
Capitalisation ratios:		
Equity/total assets	9.31%	9.42%
CET 1 capital ratio	16.06%	16.49%
Tier 1 capital ratio	16.06%	16.49%
Total capital ratio	16.06%	16.54%
Non-current assets/equity	11.30%	11.57%
Net non-performing loans/equity	34.22%	23.16%
Own funds/third-party funds	11.36%	12.77%
Risk ratios:		
Net non-performing loans/loans	5.80%	3.96%
Collective impairment losses/performing loans	1.22%	1.13%
Allowance for impairment/total loans	7.71%	6.69%
New non-performing loans ratio	3.59%	2.26%
Profitability ratios:		
Net interest income/total income	48.29%	53.46%
Income from financial transactions/total income	18.72%	14.53%
Cost of credit	1.03%	1.65%
Gross operating profit/equity	14.43%	14.50%
Profit/equity	4.40%	2.47%
Profit/total assets	0.41%	0.23%
Tax ratio	39.78%	49.25%
Net other administrative expenses/total income	22.62%	19.39%
Personnel expense/total income	40.87%	43.07%
Administrative expenses/total income	63.50%	62.46%
Cost/income	65.95%	64.80%
Costs/gains on fair value measurement of securities	67.87%	66.93%
Administrative expenses/total assets	2.79%	2.74%
Productivity - Distribution efficiency		
Loans and receivables with customers/employees	2,482	2,557
Due to customers/employees	3,704	3,420
Total income/average employees	179.017	174.789
Average employees/branches	6.325	6.483
Cost per employee	70.51	72.70
Loans and receivables with customers and due to customers/average employees	6,210	5,808
Loans and receivables with customers and due to customers/branches	39,279	37,654
Branch employees/employees	67.19%	70.37%

Table 14

Indicators reflecting the bank's core business are summarised in the above table, split into four macro areas.

The indicators for the bank's capitalisation continued to be very high. The net non-performing loans/equity ratio increased again to 34.2%.

The loan risk indicators show that, on the one hand, loan quality has worsened, with non-performing loans making up 5.8% of loans while, on the other, the loan coverage ratio has increased from 6.7% to 7.7% for 2015.

The performing loans indicator continues to be very positive at 1.22%.

The new non-performing loans indicator is 3.6% for 2015.

The cost/income ratio is 65.95% and is affected by the ordinary and extraordinary contributions to the National Resolution Fund and the Interbank Deposit Protection Fund. Net of the unrealised fair value gains/losses on securities, it is 67.9%, substantially in line with the 69.1% for 2014, showing the effects of the continued measures for efficiency implemented by the bank.

That being said, ROE increased to 4.4% while ROA went from 0.2% to 0.4%.

The efficiency indicator shows the overall stability of all the indicators.

Objectives: have they been met?

The bank avails of two tools which operate independently but are both used to determine its objectives: the three-year business plan and the annual budget, which has a more commercial nature.

The objectives included in the business plan, revised and updated by the board of directors in September 2013 and which covers the period ended 31 December 2015, include improving organisational and production efficiency. Such progress has included:

1. continuation of the Banca h24 project;
2. promotion of the multi-channel offer;
3. monitoring and checking of operating costs;
4. document management project to computerise the exchange of documents with customers;
5. outsourcing of back office or low value added services.

The board of directors monitored attainment of the qualitative and quantitative objectives on an ongoing basis through discussions and resolutions.

The quantitative objectives for 2015 were based on forecasts made at the end of 2014 by very reputable research institutes, which indicated a reversal in the economic crisis in 2015 together with an increase in lending and a reduction in impairment losses on loans in a scenario characterised by very low interest rates.

Lending, including the allowance for impairment, estimated to amount to €1,070,640 thousand at year end, actually came to €1,024,572 thousand, €46,068 thousand or 4.3% below forecasts.

Direct funding was estimated to amount to €1,311,671 thousand compared to the actual €1,411,181 thousand: a difference of €99,510 thousand or 7.5%.

Indirect funding including pension funds and insurance policies, was estimated to amount to €1,052,420 thousand compared to the actual €1,063,678 thousand.

Profitability ratios:
The 2013-2015 business plan provided for fairly stable profitability and a profit of about €7 million for each year covered by the plan. The steady profit was related to the steady improvement in the economy which would have led to a significant increase in the bank's core business and especially its lending operations while impairment losses would have decreased considerably.

The next table presents variations in net profitability over the three years:

	2013	2014	2015	Accumulated profit
Actual profit	8,148	4,083	7,059	**19,290**
Forecast profit	6,568	8,049	7,008	**21,625**

The actual results show that the objective was more or less achieved. The shortfall in accumulated profitability is due to the extraordinary contributions required to save the bad banks.

Obviously, the bank could not foresee these contributions when it prepared the business plan.

A look at the table shows the very negative performance of credit losses, in line with the trend of non-performing exposures which was much worse than expected but more than offset by the excellent results the bank achieved in managing its corporate finances.

The following table shows the bank's actual results and confirms that it mostly met its capital growth objectives:

	ANALYSIS OF PROFITABILITY		Difference compared to forecast
	2015 actual	2015 plan	
Net interest income	32,806	37,373	-4,567
Total income	67,937	64,398	3,539
Net administrative expenses	-14,643	-17,708	3,065
Amortisation and depreciation	-1,664	-1,365	-299
Personnel expenses	-27,769	-26,901	-868
Operating profit	23,861	18,424	5,437
Net impairment losses	-12,138	-7,965	-4,173
Pre-tax profit from continuing operations	11,723	10,459	1,264
Income taxes	-4,663	-3,452	-1,211
Profit for the year	**7,060**	**7,007**	**53**
Own funds	**157,948**	**158,701**	**-753**

Table 15

The table shows that the bank mostly met its objectives although the various profit margins were different.

The larger differences are due to:

1. net interest income of €4,567 thousand below the plan target, due to the different performance of the interest rate curves and the unexpected trends of loans and receivables
2. total income, up €3,539 thousand due to the excellent results achieved in the securities trading segment;
3. net administrative expenses, down €3,065 thousand due to the personnel redundancy programme and the better-than-expected results achieved upon completion of the efficiency project;
4. impairment losses on loans and receivables, up €4,173 thousand due to the worsening in credit quality.

Any deviation from the plan forecasts with respect to the bank's assets and liabilities not caused by the external variables is worthy of attention and requires correction to the bank's policies, including as a result of the related effects on its risk appetite. The bank's equity was in line with the forecasts throughout the year.

A comparison of the business plan financial statements indicators compared to the actual indicators for 2015 is as follows:

	Indicators	
	2015 actual	**2015 plan**
Gross non-performing loans/loans	10.98%	5.90%
Net interest income/total income	48.29%	58.03%
Gross operating profit/regulatory capital	7.42%	6.27%
ROE	4.47%	4.20%
Personnel expenses/total income	40.87%	41.77%
Operating costs/total income	21.55%	29.62%
Cost/income	65.95%	71.39%
Lending/funding	72.30%	86.39%
Bonds/loans	38.30%	64.28%
Loans/lending	53.86%	51.18%
Managed savings/indirect funding	25.20%	24.69%
Total capital ratio	**16.06%**	**14.07%**

Table 16

Bank of Italy/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 2016 budget and all other available information.

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

1. ongoing alignment and monitoring of interbank credit facilities;
2. maintenance of a lending/funding ratio always below the 90% threshold identified by the board of directors as prudential.

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 increasing 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. it has a large market share 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. The 2016-2018 business plan includes a wide-ranging programme of actions designed to improve the bank's efficiency by extending its synergies with the IT outsourcer CSE and with the minority shareholder Intesa Sanpaolo.

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

Bank of Italy 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 2015 in line with its objective of maintaining high capitalisation levels and to continue its actions taken in previous years. 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 policy, monitored continuously to focus on the bank's capitalisation and to comply with the new regulations about the calculation of own funds, as set out in Regulation (EU) no. 575/2013 (the CCR), Directive no. 2013/36/EU and Bank of Italy Circular no. 285/2013, led to the very acceptable Own Funds and Tier 1 ratios achieved.

The bank's remuneration policy for its key management personnel hinges on maximum prudence, limiting the variable part indexed to financial statements data to just the mechanisms provided for by labour agreements while another part, agreed annually by the board of directors, is based on quantitative/qualitative assessments of the work performed by the management team.

Outlook

Although signs of a possible albeit slow recovery of the economy have been seen, a modest reversal in the current trend is expected to take place in the near future.

The continuation of the difficulties being encountered by many companies, which risk closure, and the size of the accumulated impairment losses suggest that credit quality will continue to suffer leading to the inevitable consequences on the banking sector's profitability.

The effects of the Italian government's guarantee on securitisation of bank non-performing loans (GACS) mechanism are currently being evaluated and may assist a reduction in the NPEs. However, the additional cost of this measure is still unknown.

The bail-in legislation will become applicable in 2016 and this will obviously affect the banks' operations and their relationships with customers. The bail-out of the four bad banks, referred to herein, has shown that Cassa di Risparmio di Fermo S.p.A. is advantaged by its solid reputation built up by it which it well deserves, despite the onerous contributions it has been required to make to the National Resolution Fund.

Based on the budget figures for 2016, net interest income may decrease again.

The bank will continue to closely monitor its credit risk. The cost of credit is expected to improve somewhat, decreasing to around 0.8%, although it will remain high.

Once again, the cash flows generated by the bank's operations will be a key factor although, like always, they will be affected by the market's performance which, as is well-known, is sensitive to many factors that are often unpredictable. However, the reduction in sovereign debt and the ECB's public sector purchase programme will again be positive.

Thanks to the structural modifications and, especially, the contained personnel expense, operating costs are expected to be stable.

Conclusions

To wind up this report, I would like to firstly thank all our customers that have chosen Cassa di Risparmio di Fermo S.p.A. as their bank in a difficult year and are confident that the bank has been able to repay such choice with its top quality services.

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 specialist support provided on an ongoing basis by the shareholder Intesa Sanpaolo to our staff improving their approach and professional standing contributes great added value.

We are deeply appreciative of the managing director's expert assistance provided to the board of directors and for his ability to guide the bank in this period characterised by significant legislative discontinuities and a difficult economic situation.

We would also like to particularly thank all the bank's employees, the deputy general manager, Marino Silvi, and the central manager, Marchetto Morrone Mozzi. We are confident that the bank will be able to fully achieve its objectives thanks to the long-standing contribution of its employees.

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, Gabriele Magrini Alunno, for his 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, 29 March 2016

STATEMENT OF FINANCIAL POSITION: ASSETS

	Assets	31/12/2015	31/12/2014
10.	Cash and cash equivalents	15,782,571	15,412,031
20.	Financial assets held for trading	377,129,775	297,032,049
30.	Financial assets at fair value through profit or loss	-	-
40.	Available-for-sale financial assets	279,583,818	355,226,926
50.	Held-to-maturity investments	5,011,143	5,015,042
60.	Loans and receivables with banks	29,027,573	46,591,650
70.	Loans and receivables with customers	945,537,217	966,418,753
80.	Hedging derivatives	-	-
90.	Adjustments to generically hedged financial assets (+/-)	-	-
100.	Equity investments	-	-
110.	Property, equipment and investment property	17,938,650	18,950,411
120.	Intangible assets	168,205	144,405
	including: - goodwill	-	-
130.	Tax assets	25,275,978	25,382,419
	a) current	*10,445,406*	*10,832,365*
	b) deferred	*14,830,572*	*14,550,054*
	including as per Law no. 214/2011	*11,829,993*	*10,895,054*
140.	Non-current assets classified as held for sale and disposal groups	-	-
150.	Other assets	25,335,100	22,482,747
	Total assets	**1,720,790,030**	**1,752,656,433**

STATEMENT OF FINANCIAL POSITION: LIABILITIES

	Liabilities and equity	31/12/2015	31/12/2014
10.	Due to banks	70,661,608	210,197,274
20.	Due to customers	1,123,219,838	969,873,432
30.	Securities issued	287,961,523	322,938,542
40.	Financial liabilities held for trading	213,464	480,539
50.	Financial liabilities at fair value through profit or loss	-	-
60.	Hedging derivatives	-	-
70.	Adjustments to generically hedged financial liabilities (+/-)	-	-
80.	Tax liabilities	10,556,034	13,611,968
	a) current	*6,787,850*	*8,341,051*
	b) deferred	*3,768,184*	*5,270,917*
90.	Liabilities associated with disposal groups	-	-
100.	Other liabilities	38,338,317	45,270,391
110.	Post-employment benefits	9,383,597	10,384,845
120.	Provisions for risks and charges:	13,119,281	14,848,017
	a) pension and similar obligations	*10,194,676*	*11,974,871*
	b) other provisions	*2,924,605*	*2,873,146*
130.	Valuation reserves	18,100,293	19,835,770
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	68,275,499	67,230,504
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 (+/-)	7,059,421	4,083,996
	Total liabilities and equity	**1,720,790,030**	**1,752,656,433**

INCOME STATEMENT

		2015	2014
10.	Interest and similar income	44,004,482	49,976,705
20.	Interest and similar expense	- 11,197,873	- 13,631,064
30.	**Net interest income**	**32,806,609**	**36,345,641**
40.	Fee and commission income	21,944,134	21,632,087
50.	Fee and commission expense	- 1,161,351	- 1,450,381
60.	**Net fee and commission income**	**20,782,783**	**20,181,706**
70.	Dividends and similar income	1,631,582	1,588,111
80.	Net trading income	4,884,707	5,273,721
90.	Net hedging income (expense)	-	-
100.	Gain (loss) from sales or repurchases of:	7,831,312	4,603,721
	a) loans and receivables	-	-
	b) available-for-sale financial assets	7,890,284	4,644,633
	c) held-to-maturity investments	-	-
	d) financial liabilities	- 58,972	- 40,912
110.	Net gains (losses) on financial assets and liabilities at fair value through profit or loss	-	-
120.	**Total income**	**67,936,993**	**67,992,900**
130.	Net impairment losses on:	- 11,839,956	- 16,321,334
	a) loans and receivables	- *11,080,007*	- *15,930,306*
	b) available-for-sale financial assets	- *759,949*	- *2,066*
	c) held-to-maturity investments	-	-
	d) other financial transactions	-	- *388,962*
140.	**Net financial income**	**56,097,037**	**51,671,566**
150.	Administrative expenses	- 47,988,783	- 47,959,991
	a) personnel expense	- *27,769,130*	- *29,283,726*
	b) other administrative expenses	- *20,219,653*	- *18,676,265*
160.	Net accruals to provisions for risks and charges	- 298,212	- 57,766
170.	Depreciation and net impairment losses on property, equipment and investment property	- 1,572,435	- 1,510,088
180.	Amortisation and net impairment losses on intangible assets	- 91,818	- 79,351
190.	Other operating income	5,567,207	5,878,606
200.	**Operating costs**	**- 44,384,041**	**- 43,728,590**
210.	Gains (losses) on equity investments	-	-
220.	Fair value gains (losses) on property, equipment and invest. property and int. assets	-	-
230.	Impairment losses on goodwill	-	-
240.	Net gains on sales of investments	9,854	105,207
250.	**Pre-tax profit from continuing operations**	**11,722,850**	**8,048,183**
260.	Income taxes	- 4,663,429	- 3,964,188
270.	**Post-tax profit from continuing operations**	**7,059,421**	**4,083,995**
280.	Post-tax profit (loss) from discontinued operations	-	-
290.	**Profit for the year**	**7,059,421**	**4,083,995**

STATEMENT OF COMPREHENSIVE INCOME

		2015	2014
10.	**Profit for the year**	**7,059,421**	**4,083,995**
	Items, net of tax, that will not be reclassified subsequently to profit or loss		
20.	Property, equipment and investment property	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	1,345,233	- 1,569,685
50.	Non-current assets held for sale	-	-
60.	Share of valuation reserves of equity-accounted investees	-	-
	Items, net of tax, that will be reclassified subsequently to profit or loss		
70.	Hedges of investments in foreign operations	-	-
80.	Exchange rate gains (losses)	-	-
90.	Cash flow hedges	-	-
100.	Available-for-sale financial assets	- 3,080,712	4,289,868
110.	Non-current assets held for sale	-	-
120.	Share of valuation reserves of equity-accounted investees	-	-
130.	**Total other comprehensive income (expense), net of tax**	**- 1,735,479**	**2,720,183**
140	**Comprehensive income (captions 10 + 130)**	**5,323,942**	**6,804,178**

STATEMENT OF CHANGES IN EQUITY FOR 2015

	Balance at 31/12/2014	Change to opening balances	Balance at 1/01/2015	Allocation of prior year profit		Changes in 2015								Equity at 31/12/2015
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for 2015	
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:	**67,230,504**	**-**	**67,230,504**	**1,044,995**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**68,275,499**
a) income-related	63,960,744	-	63,960,744	1,044,995	-	-	-	-	-	-	-	-	-	65,005,739
b) other	3,269,760	-	3,269,760	-	-	-	-	-	-	-	-	-	-	3,269,760
Valuation reserves	**19,835,772**	**-**	**19,835,772**	**-**	**-**	**- 1,735,479**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,100,293**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**4,083,995**	**-**	**4,083,995**	**- 1,044,995**	**- 3,039,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,059,421**	**7,059,421**
Equity	**165,051,426**	**-**	**165,051,426**	**-**	**- 3,039,000**	**- 1,735,479**	**-**	**-**	**-**	**-**	**-**	**-**	**7,059,421**	**167,336,368**

STATEMENT OF CHANGES IN EQUITY FOR 2014

	Balance at 31/12/2013	Change to opening balances	Balance at 1/01/2014	Allocation of prior year profit		Changes in 2014								Equity at 31 December 2014
						Changes in reserves	Equity transactions						Comprehensive income for 2014	
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options		
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:	**62,121,438**	**-**	**62,121,438**	**5,109,066**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**67,230,504**
a) income-related	58,851,678	-	58,851,678	5,109,066	-	-	-	-	-	-	-	-	-	63,960,744
b) other	3,269,760	-	3,269,760	-	-	-	-	-	-	-	-	-	-	3,269,760
Valuation reserves	**17,115,589**	**-**	**17,115,589**	**-**	**-**	**2,720,183**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,835,772**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**8,148,066**	**-**	**8,148,066**	**- 5,109,066**	**- 3,039,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,083,995**	**4,083,995**
Equity	**161,286,248**	**-**	**161,286,248**	**-**	**- 3,039,000**	**2,720,183**	**-**	**-**	**-**	**-**	**-**	**-**	**4,083,995**	**165,051,426**

STATEMENT OF CASH FLOWS: indirect method

A. OPERATING ACTIVITIES	2015	2014
1. Operations	**19,402,074**	**26,623,462**
- profit for the year (+/-)	7,059,421	4,083,995
- losses on financial assets held for trading and financial assets/liabilities at fair value through profit or loss (-/+)	- 1,926,434	- 2,168,586
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses/reversals of impairment losses (+/-)	12,336,968	18,683,918
- net impairment losses/reversals of impairment losses on property, equipment and investment property and intangible assets (+/-)	1,898,411	1,834,213
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	4,038,865	4,676,235
- unpaid taxes and duties (+)	4,663,429	3,964,188
- net impairment losses/reversals of impairment losses on disposal groups, net of the tax effect (+/-)	-	-
- other adjustments (+/-)	- 8,668,586	- 4,450,501
2. Cash flows used for financial assets	**22,768,242**	**- 65,758,045**
- financial assets held for trading	- 76,855,221	- 43,982,858
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	78,070,854	- 55,216,120
- loans and receivables with banks: on demand	6,804,915	- 5,085,231
- loans and receivables with banks: other	10,756,539	6,596,967
- loans and receivables with customers	6,423,444	34,967,858
- other assets	- 2,432,289	- 3,038,661
3. Cash flows generated by/used for financial liabilities	**- 37,864,613**	**44,524,272**
- due to banks: on demand	10,464,333	-
- due to banks: other	- 150,000,000	60,189,966
- due to customers	153,346,407	30,960,519
- securities issued	- 34,777,493	- 33,433,416
- financial liabilities held for trading	- 267,075	- 246,736
- financial liabilities at fair value through profit or loss	-	-
- other liabilities	- 16,630,785	- 12,946,061
Net cash flows generated by operating activities	**4,305,703**	**5,389,689**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**25,190**	**308,224**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of HTM investments	-	-
- sales of property, equipment and investment property	25,190	308,224
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**- 921,353**	**- 1,600,162**
- equity investments	-	-
- HtM investments	-	-
- property, equipment and investment property	- 571,576	- 939,442
- intangible assets	- 349,777	- 660,720
- business units	-	-
Net cash flows used in investing activities	**- 896,163**	**- 1,291,938**

C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividend and other distributions	- 3,039,000	- 3,039,000
Net cash flows used in financing activities	**- 3,039,000**	**- 3,039,000**
NET CASH FLOWS FOR THE YEAR	**370,540**	**1,058,751**

Key: (+) generated; (-) used

Reconciliation:

FINANCIAL STATEMENTS CAPTIONS	2015	2014
Opening cash and cash equivalents	15,412,031	14,353,280
Total net cash cash flows for the year	370,540	1,058,751
Cash and cash equivalents: exchange rate effects	-	-
Closing cash and cash equivalents	15,782,571	15,412,031

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 2015 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 Bank of Italy in its Circular no. 262 of 22 December 2005 and subsequent updates 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 2015 and its results of operations and cash flows for the year then ended. They comprise a statement of financial position, an income statement, a 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 Bank of Italy 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 bank applied the revised standard starting from 2012. 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;
- 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 Bank of Italy 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

There are no significant events requiring mention in this section of the financial statements.

Section 4 - Other aspects

None.

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".

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) on the sale or repurchase 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, spot resale and forward repurchase agreements are recognised as a liability for the spot amount received while spot repurchase and forward resale agreements are recognised as an asset for the spot 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.

The bank has aligned its classification and measurement criteria with the EBA's new definitions of performing, non-performing and forbearance .

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, unlikely to pay loans and loans past due by more than 90 days. They are tested for impairment individually, using different methods depending on the amount: loans classified as non-performing up to €50 thousand are measured statistically using the loss percentages calculated from year to year using the S.A.Ra internal rating method (see section 4.3.3.1 Credit policy). 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 recovery time is reasonably estimated considering general or specific factors. General factors include the estimated recovery 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 debt rescheduling plans. The bank monitors the difference between the originally planned recovery time and the effective cash flows to best estimate the expected recovery times.

Loans for which objective indicators of impairment are not identified, i.e., the performing loans , are tested for impairment collectively. They are grouped into categories of exposures with similar credit risk characteristics and the loss rate estimated on a statistical basis and expressed as the counterparty's probability of default (PD) and the loss given default (LGD) rate are applied. The expected loss (EL) is the loan amount multiplied by PD and LGD or, if higher, by a floor of 0.30%.

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 undertaken hedging transactions.

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.

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". Fair value gains and losses on investment property 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.

d) 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 Bank of Italy, Consob and ISVAP discussed the issue in the light of the IFRS. On 15 May 2012, they published a document stating that, due to the 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.

e) 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 plan, which technically is 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. It is recognised in accordance with IAS 19 (revised in 2011), with respect to elimination of the possibility to apply the corridor approach and the subsequent immediate recognition of any actuarial gains or losses 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 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 significant inconsistencies that would otherwise arise in presenting financial instruments or between financial and non-financial liabilities; 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.

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.

e) 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 reporting 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 – TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.1 Reclassified financial assets: carrying amount, fair value and effect on comprehensive income

Type of financial instrument	Original portfolio	Portfolio to which transfer is made	Carrying amount at 31/12/2015	Fair value at 31/12/2015	Income or expense if transfer had not taken place (pre-tax)		Income or expense for the year (pre-tax)	
					Fair value gains	Other	Fair value gains	Other
Debt	HFT	AFS	1,576	1,576	309	103	309	103
				Total A	**309**	**103**	**309**	**103**

No financial assets were reclassified out of one portfolio and into another in 2015.

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 bodies. Due to the reclassification of securities from the HFT portfolio into the AFS portfolio, the bank continued to recognise the assets in question at fair value through a special equity reserve (OCI) rather than through profit or loss. The amounts shown in the "Income or expense for the year (pre-tax) - Fair value gains" column and recognised in equity reflect the 2015 gains. The "Other" column shows interest and trading income (expense) on the floating rate Unicredit 18/02/2015 securities redeemed for a nominal amount of €8,860 thousand and the sale of Unicredit and Intesa Sanpaolo securities for a nominal amount of €27,000 thousand due to the favourable market conditions.

Measurement of the fair value of just the debt instruments reclassified into the AFS portfolio, which had a residual nominal amount of €2,000 thousand compared to €37,860 thousand at 31 December 2014, decreased the fair value loss on these bonds from €694 thousand for the previous year to €384 thousand and, hence, recognition of a gross fair value gain of €309 thousand. Net of the related deferred tax assets, this fair value gain has been recognised in other comprehensive income (€128 thousand) and in profit or loss (€182 thousand which is the portion attributable to the securities sold).

All securities reclassified, including those that matured during the year, were redeemed at par.

A4 – FAIR VALUE

Qualitative disclosure

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the principal market at the measurement date.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be require to be paid.

The fair value of financial instruments quoted on active markets is calculated using the official prices of the principal market. A financial instrument is considered to be quoted on an active market if the quoted prices are promptly and regularly available in a price list, from an operator, broker, etc. and these prices represent effective market transactions that take place regularly in normal conditions.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used like level 2 and level 3

If an active market that can give the price of a financial instrument does not exist, the bank determines fair value using the following methods:

- ***Market approach***: the bank uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities.
- ***Discounted cash flow***: the bank estimates future cash flows expected or generated by the financial instrument which it discounts using risk free rates to which it adds the credit spread requested by the market for instruments with similar risk profiles.
  Fair value equals the sum of the discounted cash flows.
  The credit spread for performing loans with customers is calculated considering expected losses.
  The fair value of impaired loans is their carrying amount.
- ***Similar transactions***: the fair value of equity instruments for which market prices or market prices for identical or similar assets is based on recent transactions or the unrestricted trade of the same instrument are not available.
  If there are no recent transactions by third parties, the bank uses the transaction performed to acquire the financial instrument to calculate its fair value.

Financial products are classified as level 2 when fair value is determined by using observable inputs on an active market. They are classified as level 3 when market sources do not provide a market price and the bank applies valuation techniques used on the market and applied to its assets.
Financial instruments not measured at fair value, including loans and receivables with customers and banks and amounts due to customers and banks are not classified by fair value, which is only calculated to comply with the disclosure requirements of IFRS 13 and does not affect the financial statements or profit or loss. As these instruments are not traded, determination of their fair value is based on internal parameters not directly observable on the market as defined by IFRS 13.
The fair value of debt instruments issued by the bank and recognised at amortised cost is determined using the effective interest method.

A.4.2 Valuation processes and sensitivity

The bank has measured investments in unlisted entities, classified in the AFS portfolio and for which observable prices in an active market do not exist, as level 3-fair value. As mentioned earlier, the carrying amount was determined using the prices of the most recent transactions performed. The bank performed a sensitivity analysis for these assets, assuming a variation of -10%/+10% in equity. The following table shows the possible variations:

Investee	Equity	Investment %	Share of equity	10% decrease in equity	10% increase in equity	Carrying amount at 31/12/2015
S.W.I.F.T. - Brussels	325,662,000	0.0004%	1,197	1,077	1,316	2,529
ConfidiCoop Marche	10,863,000	1.5000%	162,945	146,651	179,240	100,000
SIA S.p.A. (former Società Servizi Bancari S.p.A.)	175,891,481	0.0340%	59,801	53,821	65,781	161,770
Alipicene S.r.l.	49,033	2.5000%	1,226	1,103	1,348	2,582
Fermano Leader S.c.a.r.l.	42,377	1.5000%	636	572	699	3,000
CSE Cons.Servizi Bancari S.r.l.	120,867,776	4.0000%	4,834,711	4,351,240	5,318,182	5,156,000
CARICESE S.r.l.	7,122,137	0.5000%	35,611	32,050	39,172	20,000
TOTAL	**640,497,804**		**5,096,127**	**4,586,514**	**5,605,738**	**5,445,881**

The above table shows that the fair value of the equity investments listed above (shown in the financial statements) is consistent with the inputs used for the sensitivity analysis.
The table does not show the bank's investment of €956 thousand in the joint venture with IDF S.r.l. for the production of the film "Ma tu di che segno 6" (What sign are you), regulated by the contract drawn up under article 2549 of the Italian Civil Code.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy depending on the observability of the valuation technique inputs adopted. There are three levels:

1. Level 1: the fair value of instruments classified in this level is based on quoted prices in active markets;
2. Level 2: the fair value of instruments classified in this level is based on valuation models that use inputs that are observable on inactive/active markets for the asset or liability;
3. Level 3: the fair value of instruments classified in this level is based on valuation models used on the market and applicable to the bank's assets.

A.4.4 Other disclosures

The bank has not undertaken transactions that would require disclosure as per paragraphs 51, 93.i and 96 of IFRS 13.

Quantitative disclosure

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

	31/12/2015			31/12/2015		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	376,313	817	-	295,936	1,096	-
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Available-for-sale financial assets	269,932	3,250	6,402	343,248	3,250	8,729
4. Hedging derivatives	-	-	-	-	-	-
5. Property, equipment and investment property	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**646,245**	**4,067**	**6,402**	**639,184**	**4,346**	**8,729**
1. Financial liabilities held for trading	-	213	-	-	481	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**213**	**-**	**-**	**481**	**-**

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

Financial assets classified as trading in the L2 column of the A.4.2.1 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.4.5.1 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.4.5.1 table refer to debt securities traded on inactive markets and measured using the criteria set out in Part A, section 2 of these notes and the investment in Bank of Italy, for which fair value can objectively be determined.

Financial assets classified as AFS in table A.4.5.1 of the L3 column refer to unlisted equity investments and investments in companies limited by quotas (S.r.l.) 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.4.5.2 Changes in assets measured at fair value on a recurring basis (level 3)

	HFT	Financial assets at fair value through profit or loss	AFS	Hedging	Property, equipment and investment property	Intangible assets
1. Opening balance	-	-	8,729	-	-	-
2. Increases	-	-	-	-	-	-
2.1. Purchases	-	-	-	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-
2.2.1. Profit or loss	-	-	-	-	-	-
- including gains on sales	-	-	-	-	-	-
2.2.2. Equity			-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
3. Decreases	-	-	2,327	-	-	-
3.1. Sales	-	-	267	-	-	-
3.2. Repayments	-	-	210	-	-	-
3.3. Losses recognised in:	-	-	1,850	-	-	-
3.3.1. Profit or loss	-	-	*890*	-	-	-
- including losses on sales	-	-	*890*	-	-	-
3.3.2. Equity			*960*	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Closing balance	-	-	6,402	-	-	-

Item “3.1 Sales” shows the carrying amount of the investment in CartaSi S.p.A. sold on 30 December 2015.

Item “3.2 Repayments” shows the amount of €210 thousand repaid to the joint venture set up to produce a film, “Ma tu di che segno 6?”, directed by Italian Dream Factory S.r.l..

Item “3.3.1 Profit or loss” shows the impairment loss on the investment in Se.Da S.p.A. (€256 thousand) and the interest in the joint venture Italian Dream Factory S.r.l. (€634 thousand) for a total of €890 thousand.

Item “3.3.2 Equity” shows the impairment loss on the investment in CSE following its extraordinary dividend distribution (€960 thousand).

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

	31/12/2015				31/12/2015			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Held-to-maturity investments	5,011	5,037	-	-	5,015	4,976	-	-
2. Loans and receivables with banks	29,028	-	-	29,028	46,592	-	-	46,592
3. Loans and receivables with customers	945,537	-	-	1,020,845	966,419	-	-	1,078,542
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets classified as held for sale and disposal groups	-	-	-	-	-	-	-	-
TOTAL	**979,576**	**5,037**	**-**	**1,049,873**	**1,018,026**	**4,976**	**-**	**1,125,134**
1. Due to banks	70,662	-	-	70,662	210,197	-	-	210,197
2. Due to customers	1,123,220	-	-	1,123,220	969,873	-	-	969,873
3. Securities issued	287,962	-	-	290,195	322,939	-	-	326,642
4. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
TOTAL	**1,481,844**	**-**	**-**	**1,484,077**	**1,503,009**	**-**	**-**	**1,506,712**

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

	31/12/2015	31/12/2015
a) Cash	15,783	15,412
b) Demand deposits with central banks	-	-
Total	**15,783**	**15,412**

Section 2 – Financial assets held for trading – Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2015			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Assets						
1. Debt instruments	376,313	606	-	295,936	614	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*376,313*	*606*	-	*295,936*	*614*	-
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**376,313**	**606**	**-**	**295,936**	**614**	**-**
B. Derivatives						
1. Financial derivatives:	-	211	-	-	482	-
1.1 trading	-	*211*	-	-	*482*	-
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	**-**	**211**	**-**	**-**	**482**	**-**
Total (A + B)	**376,313**	**817**	**-**	**295,936**	**1,096**	**-**

The amount shown in the "Level 2" column for item "1.2 Other debt instruments" relates to the securities subscribed by the bank and issued by public sector bodies.

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

	31/12/2015	31/12/2015
A. ASSETS		
1. Debt instruments	**376,919**	**296,550**
a) Government and central banks	366,809	295,936
b) Other government agencies	606	614
c) Banks	-	-
d) Other issuers	9,504	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. OEIC units	-	-
4. Financing	**-**	**-**
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total A	**376,919**	**296,550**
B. DERIVATIVES		
a) Banks	178	435
b) Customers	32	47
Total B	**210**	**482**
Total (A + B)	**377,129**	**297,032**

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 and the sterilisation of the related market risks.

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

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

	31/12/2015			31/12/2015		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt instruments	269,806	-	-	343,150	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*269,806*	-	-	*343,150*	-	-
2. Equity instruments	125	3,250	6,402	98	3,250	8,729
2.1 FVTPL	*125*	*3,250*	*6,402*	*98*	*3,250*	*8,729*
2.2 Cost	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
Total	**269,931**	**3,250**	**6,402**	**343,248**	**3,250**	**8,729**

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 Level 2 column refer to the Bank of Italy shares (€3,250 thousand);
3. in the Level 3 column refer to equity instruments measured based on recent transactions or at cost if recent transactions do not exist. The investment in Intesa Sanpaolo (listed) is shown in the L1 column. A list of the bank's equity investments is given in the annexes, where the carrying amount of the investment in Bank of Italy is based on its objectively calculated fair value.

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

	31/12/2015	31/12/2015
1. Debt instruments	**269,806**	**343,150**
a) Government and central banks	268,230	306,151
b) Other government agencies	-	-
c) Banks	1,576	36,999
d) Other issuers	-	-
2. Equity instruments	**9,777**	**12,076**
a) Banks	3,375	3,348
b) Other issuers:	6,402	8,728
- insurance companies	-	-
- financial companies	*100*	*366*
- non-financial companies	*6,302*	*8,362*
- other	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**279,583**	**355,226**

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

5.1 Held-to-maturity investments: breakdown by product

	31/12/2015				31/12/2015			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt instruments	5,011	5,037	-	-	5,015	4,976	-	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	*5,011*	*5,037*	-	-	*5,015*	*4,976*	-	-
2. Financing	-	-	-	-	-	-	-	-
Total	**5,011**	**5,037**	**-**	**-**	**5,015**	**4,976**	**-**	**-**

This caption comprises floating rate Italian government bonds, maturing in 2019, indexed to the 10-year swap rate and acquired to be held until their maturity.

The difference between the carrying amount and fair value is €26 thousand, equal to the smaller value of the bonds compared to their market prices .

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

	31/12/2015	31/12/2015
1. Debt instruments	**5,011**	**5,015**
a) Government and central banks	5,011	5,015
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	**5,011**	**5,015**
Total fair value	**5,037**	**4,976**

Section 6 – Loans and receivables with banks – Caption 60

6.1 Loans and receivables with banks: breakdown by product

	31/12/2015				31/12/2015			
	CA	FV Level 1	FV Level 2	FV Level 3	CA	FV Level 1	FV Level 2	FV Level 3
A. Loans and receivables with central banks	**5,285**	**-**	**-**	**5,285**	**7,286**	**-**	**-**	**7,286**
1. Term deposits	-				-			
2. Minimum reserve	5,285				7,286			
3. Reverse repurchase agreements	-				-			
4. Other	-				-			
B. Loans and receivables with banks	**23,743**	**-**	**-**	**23,743**	**39,306**	**-**	**-**	**39,306**
1. Financing	**23,743**	**-**	**-**	**23,743**	**39,306**	**-**	**-**	**39,306**
1.1 Current accounts and demand deposits	20,424				37,230			
1.2 Term deposits	3,319				2,076			
1.3 Other financing:	-	-	-	-	-	-	-	-
- Reverse repurchase agreements	-				-			
- Finance leases	-				-			
- Other	-				-			
2. Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured instruments	-				-			
2.2 Other debt instruments	-				-			
Total (carrying amount)	**29,028**	**-**	**-**	**29,028**	**46,592**	**-**	**-**	**46,592**

Section 7 – Loans and receivables with customers – Caption 70

7.1 Loans and receivables with customers: breakdown by product

	31/12/2015						31/12/2015					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Unimpaired	Impaired		L1	L2	L3	Unimpaired	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
Financing	**831,842**	**-**	**113,695**				**872,411**	**-**	**94,008**			
1. Current accounts	197,632	-	29,842				226,040	-	24,187			
2. Reverse repurchase agreements	-	-	-				-	-	-			
3. Loans	508,570	-	67,062				512,500	-	54,395			
4. Credit cards, personal loans and salary-backed loans	17,035	-	2,585				18,218	-	2,918			
5. Finance leases	-	-	-				-	-	-			
6. Factoring	-	-	-				-	-	-			
7. Other	108,605	-	14,206				115,653	-	12,508			
Debt instruments	**-**	**-**	**-**				**-**	**-**	**-**			
8. Structured instruments	-	-	-				-	-	-			
9. Other debt instruments	-	-	-				-	-	-			
Total	**831,842**	**-**	**113,695**	**-**	**-**	**1,020,845**	**872,411**	**-**	**94,008**	**-**	**-**	**1,078,542**

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.

The risk-free interest rate curve, fed daily by the Reuters provider, is the short-term interbank rate + medium to long-term swap rate. At the reporting date, the curve was as follows:

Currency	Date	Months	Years	ZC interest rate	Currency	Date	Months	Years	ZC interest rate
Euro	31/12/2015	1	0.083	- 0.2050	Euro	31/12/2015	63	5.250	0.3704
Euro	31/12/2015	2	0.167	- 0.1650	Euro	31/12/2015	66	5.500	0.4074
Euro	31/12/2015	3	0.250	- 0.1310	Euro	31/12/2015	69	5.750	0.4443
Euro	31/12/2015	6	0.500	- 0.0400	Euro	31/12/2015	72	6.000	0.4813
Euro	31/12/2015	9	0.750	- 0.0463	Euro	31/12/2015	75	6.250	0.5179
Euro	31/12/2015	12	1.000	- 0.0560	Euro	31/12/2015	78	6.500	0.5544
Euro	31/12/2015	15	1.250	- 0.0553	Euro	31/12/2015	81	6.750	0.5910
Euro	31/12/2015	18	1.500	- 0.0521	Euro	31/12/2015	84	7.000	0.6276
Euro	31/12/2015	21	1.750	- 0.0436	Euro	31/12/2015	87	7.250	0.6627
Euro	31/12/2015	24	2.000	- 0.0350	Euro	31/12/2015	90	7.500	0.6979
Euro	31/12/2015	27	2.250	- 0.0110	Euro	31/12/2015	93	7.750	0.7330
Euro	31/12/2015	30	2.500	0.0131	Euro	31/12/2015	96	8.000	0.7682
Euro	31/12/2015	33	2.750	0.0376	Euro	31/12/2015	102	8.500	0.8353
Euro	31/12/2015	36	3.000	0.0626	Euro	31/12/2015	108	9.000	0.9025
Euro	31/12/2015	39	3.250	0.0935	Euro	31/12/2015	114	9.500	0.9629
Euro	31/12/2015	42	3.500	0.1254	Euro	31/12/2015	120	10.000	1.0233
Euro	31/12/2015	45	3.750	0.1589	Euro	31/12/2015	144	12.000	1.2234
Euro	31/12/2015	48	4.000	0.1905	Euro	31/12/2015	180	15.000	1.4511
Euro	31/12/2015	51	4.250	0.2263	Euro	31/12/2015	240	20.000	1.6340
Euro	31/12/2015	54	4.500	0.2620	Euro	31/12/2015	300	25.000	1.6656
Euro	31/12/2015	57	4.750	0.2977	Euro	31/12/2015	360	30.000	1.6610
Euro	31/12/2015	60	5.000	0.3335					

A spread is applied to each transaction, depending on their risk profile.

The discount factor is calculated to determine fair value using the above rates and the transaction period.

Item “7. Other” of table 7.1 includes the following (€’000):

- import/export advances of €20,491 thousand;
- advances on bills under reserve and invoices of €62,612 thousand;
- portfolio risks of €258 thousand;
- subsidies with or without repayment plans of €30,460 thousand.

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

	31/12/2015			31/12/2014		
	Unimpaired	Impaired		Unimpaired	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:	**831,841**	**-**	**113,696**	**872,411**	**-**	**94,008**
a) Governments	-	-	-	-	-	-
b) Other government agencies	2,078	-	-	2,358	-	-
c) Other:	829,763	-	113,696	870,053	-	94,008
- non-financial companies	*552,529*	-	*81,932*	*587,285*	-	*68,283*
- financial companies	*11,101*	-	*102*	*10,149*	-	*94*
- insurance companies	-	-	-	-	-	-
- other	*266,133*	-	*31,662*	*272,619*	-	*25,631*
Total	**831,841**	**-**	**113,696**	**872,411**	**-**	**94,008**

Item "2. Financing to: b) Other government agencies" shows the loans granted by the bank to bodies to which it provides treasury services.

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

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

	31/12/2015	31/12/2014
1 Owned	**17,939**	**18,950**
a) land	4,223	4,223
b) buildings	11,451	12,420
c) furniture	775	759
d) electronic systems	594	542
e) other	896	1,006
2 Under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**17,939**	**18,950**

11.5 Operating assets: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**4,223**	**34,597**	**5,639**	**6,084**	**6,355**	**56,898**
A.1 Total net impairment losses	-	22,177	4,880	5,542	5,349	37,948
A.2 Net opening balance	4,223	12,420	759	542	1,006	18,950
B. Increases:	**-**	**-**	**114**	**307**	**155**	**576**
B.1 Purchases	-	-	114	307	150	571
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	-	-	-	-	5	5
C. Decreases:	**-**	**969**	**98**	**255**	**265**	**1,587**
C.1 Sales	-	-	-	-	15	15
C.2 Depreciation	-	969	98	255	250	1,572
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	-	-	-	-	-	-
D. Net closing balance	**4,223**	**11,451**	**775**	**594**	**896**	**17,939**
D.1 Total net impairment losses	-	23,146	4,978	5,797	5,599	39,520
D.2 Gross closing balance	**4,223**	**34,597**	**5,753**	**6,391**	**6,495**	**57,459**
E. Measurement at cost	**4,223**	**11,451**	**775**	**594**	**896**	**17,939**

The decreases in item “C2 Depreciation” of table 11.5 reflect the assets’ real wear and tear, in line 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.

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

	31/12/2015		31/12/2014	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**-**		**-**
A.2 Other intangible assets	**168**	**-**	**144**	**-**
A.2.1 Assets measured at cost	168	-	144	-
a) Internally developed assets	-	-	-	-
b) other	*168*	-	*144*	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally developed assets	-	-	-	-
b) other	-	-	-	-
Total	**168**	**-**	**144**	**-**

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. Gross opening balance	**-**	**-**	**-**	**370**	**-**	**370**
A.1 Total net impairment losses	-	-	-	226	-	226
A.2 Net opening balance	-	-	-	144	-	144
B. Increases	**-**	**-**	**-**	**116**	**-**	**116**
B.1 Purchases	-	-	-	116	-	116
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	**-**	**-**	**-**	**92**	**-**	**92**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	92	-	92
- Amortisation		-	-	*92*	-	*92*
- Impairment losses	-	-	-	-	-	-
+ equity		-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.4 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	**-**	**-**	**-**	**168**	**-**	**168**
D.1 Total net impairment losses	-	-	-	318	-	318
E. Gross closing balance	**-**	**-**	**-**	**486**	**-**	**486**
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

	31/12/2015
Personnel expense	1,078
Administrative expenses	804
Fair value gains on AFS financial assets	127
Impairment losses on loans	11,830
Actuarial losses on agents' termination benefits/post-employment benefits	992
Total	**14,831**

13.2 Deferred tax liabilities: breakdown

	31/12/2015
Fair value gains on bonds	-
Fair value gains on AFS financial assets	2,861
Deferred gains	-
FTA depreciation of land	672
Post-employment benefits	235
Actuarial gains on post-employment benefits	-
Total	**3,768**

Deferred tax assets and liabilities were affected by changes in the fair value reserve. Moreover, the tax legislative changes applicable to entities that apply the IFRS imposed 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 the 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.

Based on its business plan forecasts, the bank expects to earn profits sufficient to realise the recognised deferred tax assets in future years.

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

	2015	2014
1. Opening balance	**12,820**	**10,056**
2. Increases	**1,336**	**4,698**
2.1 Deferred tax assets recognised in the year	1,336	4,698
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	*1,336*	*4,698*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**443**	**1,934**
3.1 Deferred tax assets derecognised in the year	443	1,934
a) reversals	*443*	*1,934*
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	**13,713**	**12,820**

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

	2015	2014
1. Opening balance	**10,895**	**8,167**
2. Increases	**935**	**4,255**
3. Decreases	**-**	**1,527**
3.1 Reversals	-	*1,527*
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	**11,830**	**10,895**

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 2015.

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

	2015	**2014**
1. Opening balance	**882**	**882**
2. Increases	**10**	**-**
2.1 Deferred tax liabilities recognised in the year	10	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*10*	-
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	**892**	**882**

13.5 Changes in deferred tax assets (recognised in equity)

	2015	2014
1. Opening balance	**1,730**	**1,492**
2. Increases	**-**	**595**
2.1 Deferred tax assets recognised in the year	-	595
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	*595*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**612**	**357**
3.1 Deferred tax assets derecognised in the year	612	357
a) reversals	*612*	*357*
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	**1,118**	**1,730**

13.6 Changes in deferred tax liabilities (recognised in equity)

	2015	2014
1. Opening balance	**4,388**	**2,579**
2. Increases	**1,249**	**2,892**
2.1 Deferred tax liabilities recognised in the year	1,249	2,892
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*1,249*	*2,892*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2,762**	**1,083**
3.1 Deferred tax liabilities derecognised in the year	2,762	1,083
a) reversals	*2,762*	*1,083*
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,875**	**4,388**

13.7 - Other information

Caption 130 “Tax assets: a) current” of €10,445 thousand comprises:

- IRES payments on account of €4,622 thousand;
- IRAP payments on account of €2,141 thousand;
- substitute tax on account of €1,329 thousand on the capital gain;
- 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 application send date for the Marche region;
- cinema tax credit of €720 thousand;
- tax credit of €101 thousand for offsetting on withholdings on current accounts, savings deposits and certificates of deposit.

Section 15 – Other assets – Caption 150

15.1 Other assets: breakdown

	31/12/2015
a) receivables from tax authorities and other tax bodies	4,077
b) cheques drawn on other banks	143
c) cheques to be received from clearing house and drawn on customer accounts	5,442
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	10,858
i) leasehold improvements	475
l) accrued income	216
m) prepayments	802
n) other	3,319
Total	**25,335**

Specifically, in the above table:

- item h) includes transactions under settlement by the Istituto Centrale delle Banche Popolari Italiane and Bank of Italy (€8,823 thousand) and items in transit to be debited to the end accounts (€2,035 thousand);
- point m) mostly consists of prepaid insurance premiums;
- point n) includes sundry amounts of €181 thousand and accrued commissions of €3,138 thousand.

LIABILITIES

Section 1 – Due to banks – Caption 10

1.1 Due to banks: breakdown by product

	31/12/2015	31/12/2014
1. Due to central banks	**60,000**	**210,000**
2. Due to banks	**10,661**	**197**
2.1. Current accounts and demand deposits	10,585	-
2.2. Term deposits	76	197
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	**70,661**	**210,197**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**70,662**	**210,197**
Total fair value	**70,662**	**210,197**

The €60,000 thousand balance in item 1 of the above table represents the four-year TLTRO, bearing interest at 0.15% launched by the ECB to tie the financing given to the banks to their loans to households and businesses. It includes the financing set out in the following table:

Drawdown date	Expiry date	Amount
24/09/2014	26/09/2018	€60,000 thousand
Total		**€60,000 thousand**

These pledged securities are shown in Part B "Notes to the statement of financial position" and "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

	31/12/2015	31/12/2014
1. Current accounts and demand deposits	1,107,876	951,650
2. Term deposits	13,102	15,240
3. Financing	694	1,375
3.1 Repurchase agreements	*694*	*1,375*
3.2 Other	-	-
4. Commitments to repurchase own equity instruments	-	-
5. Other payables	1,548	1,608
Total	**1,123,220**	**969,873**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**1,123,220**	**969,873**
Total fair value	**1,123,220**	**969,873**

Section 3 – Securities issued – Caption 30

3.1 Securities issued: breakdown by product

	31/12/2015				31/12/2014			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	213,414	-	-	215,249	233,248	-	-	236,059
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	*213,414*	-	-	*215,249*	*233,248*	-	-	*236,059*
2. other securities	74,548	-	-	74,946	89,691	-	-	90,583
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*74,548*	-	-	*74,946*	*89,691*	-	-	*90,583*
Total	**287,962**	**-**	**-**	**290,195**	**322,939**	**-**	**-**	**326,642**

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

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	31/12/2015					31/12/2014				
	NA	FV			FV*	NA	FV			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
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	23,294	-	213	-	-	25,158	-	481	-	-
1.1 Trading		-	*213*	-			-	*481*	-	
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		**-**	**213**	**-**			**-**	**481**	**-**	
Total (A + B)		**-**	**213**	**-**			**-**	**481**	**-**	

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 (liabilities) or notional (derivatives) amount

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

Section 8 – Tax liabilities – Caption 80

8.1 Current tax liabilities

	31/12/2015
Current tax liabilities	**6,788**
IRES	4,581
IRAP	965
Stamp duty	-
Substitute tax @ 12.00%	-
Prior year tax receivables	1,242

Section 10 – Other liabilities – Caption 100

10.1 Other liabilities: breakdown

	31/12/2015
a) Tax liabilities	3,959
b) Social security liabilities	14
c) Amounts available to customers	1,213
d) Third party guarantee deposits	215
d) Suspense items	-
f) Other amounts due to employees	3,200
h) Items in transit	6,767
h) Accrued expenses	131
i) Deferred income	260
j) Portfolio adjustment differences	21,331
k) Other	1,248
Total	**38,338**

Item “a) Tax liabilities” includes tax withholdings to be paid, usually within 16 days of the reporting date of 31 December.

Item “k) Other” includes: amounts due to suppliers (€615 thousand); sundry items (€262 thousand); and subsidies for loans to customers provided by public sector bodies (€371 thousand).

Section 11 – Post-employment benefits – Caption 110

11.1 Post-employment benefits: changes

	2015	2014
A. Opening balance	**10,385**	**10,556**
B. Increases	**96**	**1,093**
B.1 Accruals	96	253
B.2 Other increases	-	840
C. Decreases	**1,097**	**1,264**
C.1 Payments	365	1,248
C.2 Other decreases	732	16
D. Closing balance	**9,384**	**10,385**
Total	**9,384**	**10,385**

Item "C.2 Other decreases" includes the actuarial gain of €710 thousand while item B.1 shows the interest cost for the year as calculated by the actuary.

11.2 Other information:

Breakdown of caption "B. Increases"

Interest cost		96
including: revaluations	*96*	
Actuarial loss		-
Total		**96**

Breakdown of caption "C. Decreases"

Decrease due to post-employment benefits reform as per Legislative decree no. 252/2005/actuarial gain	-	710
Advances and payments for employee departures	-	365
Substitute tax on revaluation	-	23
Total	**-**	**1,098**

Actuarial valuation of post-employment benefits

Present value of benefits at 31 December 2014		10,385
Interest cost		96
Substitute tax	-	23
Service cost		-
Payments	-	365
Total		**10,093**
Present value of benefits at 31 Decemer 2015		9,383
Accumulated actuarial loss		***710***

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 2013. 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.

Measurement was based on an actuarial simulation developing the obligations vested at the measurement date and the additional obligations for continuation of the employment relationship in the form of future accruals.

Adoption of a criterion that allows a prudent valuation of the obligations consistently with the legislative measures that govern Italian post-employment benefits and, more generally, developments in the employment relationships is essential, considering:

- the legal criteria for calculation and revaluation of the accrual for post-employment benefits;

- the remaining service of each employee;
- utilisation of post-employment benefits, other than for “institutional” purposes, especially as regards advances and transfers to pension funds as per Legislative decree no. 252/2005 and subsequent amendments and integrations.

With respect to the second point, there is a difference between termination of the employment relationship due to the employee’s retirement and termination for other reasons (resignations, death, full disability).

Following enactment of Law no. 214/2011, regulations governing pensionability provide for the steady replacement of pensions paid for years of service (occupational pension) to old-age pensions. In 2012, the regulation about pensionability due to the employee having reached the contributions limit (tied to a quota system up until 31 December 2011) became obsolete. It was replaced by another regime for “early” pensions that can be obtained after 41 years and one month service for women and 42 years and 1 month for men. This regime includes a penalisation factor as the amount of the pension is decreased by 1% for each year of early retirement compared to the old-age pension requirements.

The following table shows the eligibility requirements for old-age pensions from 1 January 2015:

YEAR	Years of service WOMEN	Years of service MEN
2016	65 years and 3 months	66 years and 3 months
2017	65 years and 3 months	66 years and 3 months
2018	66 years and 3 months	66 years and 3 months
2019	66 years and 3 months	66 years and 3 months
2020	66 years and 3 months	66 years and 3 months
2021	67 years	67 years

With respect to calculation of the years of service rendered at the measurement date, given the lack of accurate information about the date of first inclusion in the compulsory general insurance, the bank has assumed that its employees have prior years of service based on when they entered the labour market as follows:

Qualification age of first job

Managers 25

Junior managers ¾ 25

Junior managers ½ 23

White collars 21

Subaltern employees 20

In addition to the assumed termination of employment relationships due to employees’ retirement, the bank also assumed that payments may be necessary for advances requested by employees or for their resignation or dismissal, therefore, when the requirements for retirement are not met. As significant historical data about this trend do not exist, the bank referred to special departure rates adopted for actuarial valuations adapted for its employees.

At the reporting date, the bank had 382 employees, an increase of three people on the previous year end.

Another element to be considered is the bank’s post-employment benefit obligation which amounted to €8,762 thousand at the measurement date net of advances paid from time to time.

The following information is useful for a complete view of the qualitative and quantitative data representing the bank’s obligation. The calculations performed to determine them were based on the individual positions and changes over time.

The actuarial valuations 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 likely assumptions considering:

a) demographic parameters;

b) economic parameters;

c) financial parameters.

The *demographic parameters* are fundamental for actuarial valuations. They are normally grouped in tables based on general samples from the various institutions (e.g., Istat, Inail, etc.).

The bank considered different assumptions of reducing the workforce:

- *probability of death*. The RG 48 chart prepared by the General Accounting Office was used;
- *probability of disability*. The chart prepared by INPS for commercial sector employees was used (INPS - projections up to 2010));

The *economic parameters* include assumptions about the amounts involved.

The bank assumed a long-term annual price/inflation growth rate of 2.00%. This is relevant because it provides a reference figure for the financial rate of return and can be used to calculate the revaluation of accruals for post-employment benefits.

The legal revaluation of post-employment benefits is based on a mechanism whereby the annual revaluation rate is equal to 75% of the prices growth rate increased by 1.5%.

Given the assumed inflation rate, this revaluation system gives an annual revaluation rate of 3.00% (75% x 2.00% + 1.50%).

With respect to the salary factor, given the characteristics of the workforce which, as mentioned, is covered by the system whereby new post-employment benefits are not retained by the bank, the assumption of average salary increases is not important.

The *financial parameter*, which is more significant, is the rate used to discount cash outflows and, hence, the average present value of the bank's obligations. Use of this rate is essential as the model estimates cash flows over several years after that in which the valuation is made.

Discounting is used to determine the present value of the future commitments at the valuation date.

With respect to the rate identified, the standard (see IAS 19.78) provides a general indication that it "*shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations*".

Therefore, reference was made to the yield curve for *AA Euro corporate bonds* at the reporting date. The bank recognised the actuarial gain of €710 thousand in other comprehensive income.

The following table shows the yield curve for AA Corporate Euro securities recognised at 31 December 2015 (source: Bloomberg):

YEAR	AA EU CORPORATE YIELD 31/12/2015	YEAR	AA EU CORPORATE YIELD 12/2015
1	0.033%	16	2.222%
2	0.132%	17	2.270%
3	0.290%	18	2.318%
4	0.495%	19	2.366%
5	0.711%	20	2.414%
6	0.919%	21	2.423%
7	1.130%	22	2.431%

8	1.317%	23	2.440%
9	1.503%	24	2.449%
10	1.674%	25	2.458%
11	1.774%	26	2.466%
12	1.874%	27	2.475%
13	1.974%	28	2.484%
14	2.074%	29	2.492%
15	2.174%	30	2.501%

Adoption of these yields allows the bank to use discounting by matching the dates of when the cash outflows will take place to the discount factors to be applied thereto.

Section 12 – Provisions for risks and charges – Caption 120

12.1 Provisions for risks and charges: breakdown

	31/12/2015	31/12/2014
1. Internal pension funds	10,195	11,975
2. Other provisions for risks and charges	2,924	2,873
2.1 legal disputes	*2,530*	*2,386*
2.2 personnel expense	-	-
2.3 other	*394*	*487*
Total	**13,119**	**14,848**

12.2 Provisions for risks and charges: changes

	Pension funds	Other provisions	Total
A. Opening balance	**11,975**	**2,873**	**14,848**
B. Increases	**167**	**1,303**	**1,470**
B.1 Accruals	167	1,303	1,470
B.2 Discounting	-	-	-
B.3 Changes due to variations in discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**1,947**	**1,252**	**3,199**
C.1 Utilisations	789	1,252	2,041
C.2 Changes due to variations in discount rate	-	-	-
C.3 Other decreases	1,158	-	1,158
D. Closing balance	**10,195**	**2,924**	**13,119**

Utilisations of these provisions related to €247 thousand as a reduction in personnel expense after a dispute was settled, €912 thousand reclassified to caption 160 of the income statement following the settlement of legal disputes and €93 thousand for enforcement of endorsement credits.
Other provisions for risks and charges of €2,924 thousand, shown in table 12.1, may be analysed as follows by type of litigation:

- Civil litigation	2,530,216
- Claw-back claims	100,000
- Sureties	64,625
- Lump-sum endorsement credits	128,684
- Labour disputes	0
- Other charges	101,000
- **Total**	**2.924.525**

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: seven at the reporting date for which the bank has accrued €179 thousand;
2) generally modest amounts involved;
3) rulings at all levels in the bank's favour.

The accrual for claw-back claims refers to one customers under bankruptcy proceedings for which the court ruling had not been handed down at the reporting date.
The bank is unaware of other liabilities at the reporting date that could give rise to costs other than those provided for above.

The bank has considered the typical risks of the banking sector and a prudent interpretation of the reference regulations when measuring and determining the various provisions.

It regularly reviews contingent liabilities for which specific provisions have not been made and which are treated like the recognised liabilities. These relate to obligations that are possible only or present obligations about which:

a. it is not certain whether an outflow of resources will be necessary;
b. the amount cannot be determined.

Conversely, the case in point a. is more frequent and the probability that an outflow of resources will be necessary depends on events that suggest that the probability of a negative outcome is very unlikely or impossible.

Specifically, it includes legal disputes existing at the reporting date, for which a negative outcome is improbable based on:

(i) the legal advisors' opinion;
(ii) rulings in the bank's favour by earlier court hearings.

Based on the probability of contingent or constructive liabilities presented in the 2015 financial statements and in table 12.2, the situation is as follows (in Euros):

Type of risk	Contingent liability		Obligation	
	Petitum	*Accrual*	*Petitum*	*Accrual*
Legal disputes	55,374,139	0	6,952,222	2,530,296
Claw-back claims	0	0	143,546	100,000
Labour disputes	1,899,288	0	0	0
Other charges	0	0	101,000	101,000
Total	**57,273,427**	**0**	**7,196,768**	**2,731,296**

Contingent liabilities for legal disputes refer to the following categories:

a) repudiation of false drawers' signatures on credit instruments;
b) trading of bonds;
c) compound interest;
d) other requests for damage compensation.

Contingent liabilities for labour disputes refer to the following categories:

a) claims by individual employees previously rejected by the first level court;
b) legal action for mobbing following a disciplinary measure;
c) legal action for damages following settlement for dismissal.

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. 449/1997) 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 128 beneficiaries, including those with zero annuities as shown in the following table:

Gender	Direct	Indirect or reversible	Total
Women	7	44	**51**
Men	76	1	**77**
Total	**83**	**45**	**128**

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 State General Accounting Office was used for the demographic parameters while the estimates usually used for INPS simulations was used for the family beneficiaries.

An annual increase in prices of 2.00% over the long term was assumed for the economic parameters. It also considered the effects of article 1.483 of Law no. 147 of 27 December 2013 which established the reduced use of the general rules about pension equalisation which differs by amount bracket in the three-year period 2014-2016.

Under the new law, the average equalisation rate calculated in line with the general rule is recognised using the following percentages:

BRACKET	2016
Up to 3 times the minimum treatment	100%
From 3 to 4 times the minimum treatment	95%
From 4 to 5 times the minimum treatment	75%
From 5 to 6 times the minimum treatment	50%
More than 6 times the minimum treatment	45%

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 table on AA corporate bonds yield curves is included in the note to post-employment benefits.

Adoption of these yields allows the bank to use discounting by matching the dates of when the cash outflows will take place to the discount factors to be applied thereto pursuant to the IFRS.

The average present value appraised by the relevant expert of the cost of integrating and substituting the pension plan for the 128 beneficiaries is in line with the amount recognised in the financial statements.

Technical accounts at 31/12/2015	
Average present value - immediate charges	10,195
Average present value - total charges	10,195
Mathematical provision at 31/12/2014	11,975
Equity at 31/12/2015	10,195
Mathematical provision	10,195
TECHNICAL SURPLUS	**-**
Calculation of actuarial gains/losses for IFRS purposes	
Mathematical provision at 31 December 2014	11,975
Interest cost	154
Service cost	0
Payments	-789
Actuarial gain (-) / loss (+) at 31/12/2015	**-1.146**

The bank has replaced the corridor approach with the immediate recognition of actuarial losses in other comprehensive income. The interest cost recognised in profit or loss amounted to €154 thousand and the actuarial gain to €1,146 thousand, recognised in other comprehensive income.

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

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

	Amount
Share capital	39,241
Total	**39,241**

The fully subscribed and paid-in share capital consists of 759,750 shares with a unit 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	**16,726**	**47,235**	**3,270**
INCREASES	**408**	**637**	**-**
Allocation of profits	408	637	-
DECREASES	**-**	**-**	**-**
Other changes (negative FTA reserve)	-	-	-
CLOSING BALANCE	**17,134**	**47,872**	**3,270**

The legal reserve was increased by the allocation of 10% of the profit for the year as provided for by article 25 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.

It exceeds one fifth of the bank's share capital by €9,286 thousand.

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 IFRS FTA.

The other reserves comprise:

- the contribution reserve of €6,130 thousand as per Law no. 218/90, net of the valuation reserve of €2,860 thousand that arose during FTA of the IFRS.

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		
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	17,133,896.72	B	9,285,679.22		
Statutory reserve	47,871,842.43	B	-		
FTA reserve	- 2,860,067.03		-		
Fair value reserve	5,593,007.01		-		
Actuarial reserve	- 2,614,482.30		-		
Retained earnings	-		-		
Total	**160,276,947.28**		**65,197,342.17**	**-**	**-**
Undistributable portion (4)			475,056.22		
Remaining distributable portion			64,722,285.95		

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

14.4.2 Proposed allocation of the profit for the year

Proposed allocation of profit			
PROFIT FOR THE YEAR			**7,059,421.00**
Reserves as per article 6 of Legislative decree no. 38/2005:			
fair value gains recognised in profit or loss			
(to be recognised in the relevant reserve)			-
other			-
Unavailable profits			-
DISTRIBUTABLE PROFIT FOR THE YEAR			**7,059,421.00**
10% to the legal reserve			**705,942.00**
15% to the extraordinary reserve			**1,058,913.00**
- **Shareholder remuneration:** dividend per share	**4.00**		
- Shares held by Banca Intesa S.p.A.	*253,250.00*	*1,013,000.00*	
- Shares held by Fondazione Cassa di Risparmio di Fermo	*506,500.00*	*2,026,000.00*	
Dividends to be distributed to shareholders			**3,039,000.00**
Remainder to the statutory reserve			**2,255,566.00**
Summary of dividend distribution			
To the legal reserve		705,942.00	
To the extraordinary reserve		3,314,479.00	
Total increase in equity			**4,020,421.00**
Available portion to be distributed as dividends			**3,039,000.00**
TOTAL DISTRIBUTABLE PROFIT			**7,059,421.00**

The profit for the year to be allocated amounts to €7,059,421.

Pursuant to the relevant laws and article 25 of the by-laws, we propose it be allocated as follows:

- to the shareholders as a unit dividend of €4;
- 10% to the legal reserve, i.e., €705,942;
- €3,314,479 to the extraordinary reserve.

After the allocation set out above pursuant to article 25 of the by-laws, the legal reserve, which amounted to €17,133,897 at 31 December 2015, will amount to €17,839,839 exceeding one fifth of the share capital as per article 2430 of the Italian Civil Code by €9,991,621.

14.7 Valuation reserves: breakdown

	31/12/2015	31/12/2015
1. Available-for-sale financial assets	5,593	8,674
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. Net actuarial losses on defined benefit plans	- 2,615	- 3,960
Total	**18,100**	**19,836**

OTHER DISCLOSURES

1. Guarantees and commitments

	31/12/2015	31/12/2014
1) Financial guarantees issued	**2,460**	**2,480**
a) Banks	2,437	2,437
b) Customers	23	43
2) Commercial guarantees issued	**21,182**	**21,612**
a) Banks	-	-
b) Customers	21,182	21,612
3) Irrevocable commitments to disburse funds	**49,226**	**28,086**
a) Banks	9,897	150
i) certain use	*9,897*	*150*
ii) uncertain use	-	-
b) Customers	39,329	27,936
i) certain use	*515*	*156*
ii) uncertain use	*38,814*	*27,780*
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged as collateral for third party commitments	**-**	**-**
6) Other commitments	**-**	**-**
Total	**72,868**	**52,178**

2. Assets pledged as guarantee for liabilities and commitments

	31/12/2015	31/12/2015
1. Financial assets held for trading	11,009	56,694
2. Financial assets at fair value through profit or loss	-	-
3. Available-for-sale financial assets	67,356	192,864
4. Held-to-maturity investments	5,011	5,015
5. Loans and receivables with banks	-	-
6. Loans and customers with customers	-	-
7. Property, equipment and investment property	-	-
TOTAL	**83,376**	**254,573**

Table 2 shows the securities pledged as guarantee for the bank’s liabilities:

- repos of €692 thousand;

- financing operations with the ECB of €60,000 thousand for a nominal amount of securities of €80,000 thousand.

The table also includes guarantee deposits paid for “treasury” services with a nominal amount of €50 thousand.

4. Management and trading on behalf of third parties

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	**1,329,774**
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	749,711
1. securities issued by the reporting entity	*202,636*
2. other securities	*547,075*
c) third party securities deposited with third parties	*715,102*
d) securities owned by the bank deposited with third parties	580,063
4. Other	**-**

9. Credit collection on behalf of third parties: adjustments

	31/12/2015	31/12/2014
a) "debit" adjustments	**292,744**	**273,980**
1) bank joint accounts	70,889	64,031
2) central portfolio	220,004	208,107
3) cash	626	599
4) other accounts	1,225	1,243
b) "credit" adjustments	**314,075**	**295,228**
1) bank joint accounts	70,621	69,466
2) transferors of bills and documents	243,196	225,500
3) other accounts	258	262
DIFFERENCE	**21,331**	**21,248**

The difference of €21,331 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 bills were paid on 31 December 2015 but they were settled on 4 January 2016. Therefore, the amount was 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	2015	2014
1. Financial assets held for trading	2,903	-	-	2,903	3,214
2. Available-for-sale financial assets	5,876	-	-	5,876	6,754
3. Held-to-maturity investments	40	-	-	40	73
4. Loans and receivables with banks	-	31	-	31	58
5. Loans and receivables with customers	-	35,147	-	35,147	39,862
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives			-	-	-
8. Other assets			8	8	15
Total	**8,819**	**35,178**	**8**	**44,005**	**49,976**

Interest accrued during the year on impaired loans recognised at 31 December 2015 is as follows:
1. Unlikely to pay exposures of €3,375 thousand;
2. Other impaired past due exposures of €138 thousand.

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

	2015	2014
1.3.1 Interest income on foreign currency financial assets	34	50

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	2015	2014
1. Due to central banks	- 133		-	- 133	- 269
2. Due to banks	- 4		-	- 4	- 3
3. Due to customers	- 5,023		-	- 5,023	- 5,854
4. Securities issued		- 6,038	-	- 6,038	- 7,505
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions			-	-	-
8. Hedging derivatives			-	-	-
Total	**- 5,160**	**- 6,038**	**-**	**- 11,198**	**- 13,631**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

	2015	2014
1.6.1 Interest expense on foreign currency liabilities	- 6	- 14

Section 2 – Fees and commissions – Captions 40 and 50

2.1 Fee and commission income: breakdown

	2015	2014
a) guarantees received	**287**	**371**
b) credit derivatives	**-**	**-**
c) management, brokerage and consultancy services:	**6,197**	**5,262**
1. trading in financial instruments	190	228
2. foreign currency transactions	112	104
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	128	148
5. depository services	-	-
6. securities placement	2,375	1,917
7. order collection and transmission	611	725
8. consultancy services	-	-
8.1. concerning investments	-	-
8.2. concerning financial structure	-	-
9. distribution of third party services	2,781	2,140
9.1 asset management	*416*	*370*
9.1.1. individual	*219*	*188*
9.1.2. collective	*197*	*182*
9.2. insurance products	*1,352*	*949*
9.3. other products	*1,013*	*821*
d) collection and payment services	**2,940**	**3,180**
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	**9,728**	**10,109**
j) other services	**2,792**	**2,710**
Total	**21,944**	**21,632**

The balance shown as letter "j" in the above table includes:[3]

Loan preliminary investigation fees	601
Financing fees	702
Bancomat (debit card) and home banking fees	522
Other commissions	967

[3] €'000

2.2 Fee and commission income: product and service distribution channels

	2015	2014
a) own branches:	**5,156**	**4,057**
1. asset management	-	-
2. securities placement	2,375	1,917
3. third party services and products	2,781	2,140
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

	2015	2014
a) guarantees received	**-**	**- 334**
b) credit derivatives	**-**	**-**
c) management and brokerage services:	**- 242**	**- 222**
1. trading in financial instruments	- 165	- 154
2. foreign currency transactions	-	-
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	- 77	- 68
5. placement of financial instruments	-	-
6. off-premises distribution of securities, products and services	-	-
d) collection and payment services	**- 837**	**- 815**
e) other services	**- 82**	**- 79**
Total	**- 1,161**	**- 1,450**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

	2015		2014	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	1,632	-	1,588	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-		-	
Total	**1,632**	**-**	**1,588**	**-**

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	**2,324**	**4,295**	**400**	**1,506**	**4,713**
1.1 Debt instruments	2,324	4,295	400	1,506	4,713
1.2 Equity instruments	-	-	-	-	-
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					**170**
4. Derivatives	**53**	**-**	**51**	**-**	**2**
4.1. Financial derivatives:	53	-	51	-	2
- On debt securities and interest rates	53	-	51	-	2
- On equity instruments and equity indexes	-	-	-	-	-
- On currencies and gold					-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**2,377**	**4,295**	**451**	**1,506**	**4,885**

Currency: Costs, Revenue and Inventories

EXPENSES AND LOSSES:			INCOME AND PROFITS:		
	2015	2014		2015	2014
A) Opening balance in foreign currency	124	431	E) Revenue from currency sales	73,717	72,757
B) Cost of purchasing currency	73,630	72,333	F) Closing balance	154	124
D) Total costs	**73,754**	**72,764**	**H) Total revenue**	**73,871**	**72,881**

SUMMARY:		
	2015	2014
(+) Total revenue	***73,871***	***72,881***
(-) Total costs	***- 73,754***	***- 72,764***
(+) Currency fees	***56***	***61***
(-) IFRS adjustments	***- 3***	***- 18***
Unrealised exchange rate gains	***170***	***160***

The purchase costs and income from sales relate to foreign currency dealt in by the bank during the year, except for participating currencies and Euro captions.

Section 6 – Gain (loss) from sales/repurchases – Caption 100

6.1 Gain (loss) from sales or repurchases: breakdown

	2015			2014		
	Gain	Loss	Net loss	Gain	Loss	Net loss
Financial assets						
1. Loans and receivables with banks	-	-	-	-	-	-
2. Loans and receivables with customers	-	-	-	-	-	-
3. Available-for-sale financial assets	8,313	422	7,891	4,741	96	4,645
3.1 Debt instruments	*7,479*	*422*	7,057	*4,741*	*96*	4,645
3.2 Equity instruments	*834*	-	834	-	-	-
3.3 OEIC units	-	-	-	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**8,313**	**422**	**7,891**	**4,741**	**96**	**4,645**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	1	60	- 59	2	43	- 41
Total liabilities	**1**	**60**	**- 59**	**2**	**43**	**- 41**

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)				2015	2014
	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	**- 363**	**- 17,546**	**- 342**	**2,833**	**4,337**	**-**	**1**	**- 11,080**	**- 15,930**
Impaired loans purchased	-	-	-	-	-	-	-	-	-
- *Financing*	-	-		-	-			-	-
- *Debt instruments*	-	-		-	-			-	-
Other	- 363	- 17,546	- 342	2,833	4,337	-	1	- 11,080	- 15,930
- *Financing*	*- 363*	*- 17,546*	*- 342*	*2,833*	*4,337*	-	*1*	*- 11,080*	*- 15,930*
- *Debt instruments*	-	-	-	-	-	-	-	-	-
C. Total	**- 363**	**- 17,546**	**- 342**	**2,833**	**4,337**	**-**	**1**	**- 11,080**	**- 15,930**

The "Reversals of impairment losses (2) Individual A" column includes default interest of €303 thousand collected on non-performing loans and reversals of impairment losses on discounted interest as follows:

- on unlikely to pay/past due loans €1,204 thousand, of which €1,020 thousand has been collected;
- on non-performing loans €1,325 thousand, of which €508 thousand has been collected.

The "Reversals of impairment losses (2) Individual B" column includes reversals on non-performing loans of €602 thousand and unrealised reversals of €2,369 thousand, and unrealised reversals and realised reversals of €1,016 thousand and €349 thousand on unlikely to pay/past due loans, respectively.

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses (1)		Reversals of impairment losses (2)		2015	2014
	Individual		Individual			
	Derecognition	Other	A	B	(3) = (1)-(2)	(3) = (1)-(2)
A. Debt instruments	-	-	-	-	-	-
B. Equity instruments	-	- 760			- 760	- 2
C. OEIC units	-	-		-	-	-
D. Financing to banks	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total	**-**	**- 760**	**-**	**-**	**- 760**	**- 2**

The "Impairment losses (1) - Individual - Other" column for item B. Equity instruments includes:
- the impairment losses of €256 thousand on the investment in SEDA S.p.A., which filed an application for admission to the deed of arrangement with reserve procedure on 4 December 2015;

- the impairment losses of €634 thousand on the investment in Italian Dream Factory S.r.l. due to recognition of the cinema tax credit.

8.4 Net impairment losses on other financial transactions: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)				2015	2014
	Individual		Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Guarantees given	-	-	-	-	-	-	-	-	- 389
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 9 – Administrative expenses – Caption 150

9.1 Personnel expense: breakdown

	2015	2014
1) Employees	**- 26,759**	**- 28,280**
a) wages and salaries	- 18,733	- 19,836
b) social security charges	- 4,999	- 5,081
c) post-employment benefits	-	- 1,017
d) pension costs	-	-
e) accrual for post-employment benefits	- 1,137	- 252
f) accrual for pension and similar provisions:	- 155	- 313
- defined contribution plans	-	-
- defined benefit plans	*- 155*	*- 313*
g) payments to external supplementary pension funds	- 745	- 736
- defined contribution plans	*- 745*	*- 736*
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	- 990	- 1,045
2) Other personnel	**-**	**-**
3) Directors and statutory auditors	**- 1,010**	**- 1,004**
4) Retired personnel	**-**	**-**
5) Cost recoveries for personnel seconded to other companies	**-**	**-**
6) Cost reimbursements for personnel seconded to the bank	**-**	**-**
Total	**- 27,769**	**- 29,284**

Item 3 of the table includes the statutory auditors' fees and the directors' insurance premiums.

9.2 Average number of employees per category

	31/12/2015	2015 average	31/12/2014
• Employees	**382**	**368**	**379**
a) managers	2	2	2
b) junior managers	100	99	98
- including: 3rd and 4th level	*42*	*42*	*42*
c) other employees (including cleaning staff)	280	267	279
- including: 3rd professional group	*276*	*263*	*275*
- including: 2nd professional group	*3*	*3*	*3*
- including: cleaning staff	*1*	*1*	*1*
• Other personnel	**13**	**13**	**13**

The average was determined considering the part-time personnel for 50%.

9.3 Internal defined benefit pension plans: costs and revenue

	2015	2014
Remuneration on supplementary pension fund - Interest cost	154	313

9.4 Other employee benefits

	2015	2014
Other employee benefits	- 990	- 1,045

This caption mainly comprises training costs of €70 thousand, life, accident and health insurance policies of €367 thousand and lunch vouchers of €473 thousand.

9.5 Other administrative expenses: breakdown

	2015	2014
1 - credit collection legal fees	- 1,393	- 1,602
2 - sundry and technical legal consultancy	- 961	- 802
3 - maintenance, repairs, conversions	- 1,060	- 1,056
4 - lease of premises	- 1,042	- 1,168
5 - cleaning services	- 534	- 545
6 - rental of machinery and data transmission lines	- 1,251	- 1,279
7 - security and security transportation	- 498	- 532
8 - lighting and heating	- 589	- 640
9 - stationery and printed matter	- 216	- 183
10 - postal, telegraph, telex, telephone	- 308	- 359
11 - insurance	- 392	- 384
12 - advertising	- 440	- 633
13 - subscriptions and purchases of publications	- 108	- 85
14 - third party service costs	- 3,546	- 3,273
15 - transportation and relocation	- 273	- 224
16 - membership fees	- 270	- 226
17 - contributions to the National Resolution Fund and the Interbank Deposit Protection Fund	- 1,697	-
18 - other	- 998	- 971
Subtotal of other administrative expenses	**- 15,576**	**- 13,962**
Indirect taxes and duties		
1 - stamp duty	- 3,695	- 3,847
2 - local property tax	- 360	- 358
3 - other	- 588	- 509
Total indirect taxes and duties	**- 4,643**	**- 4,714**
Total other administrative expenses	**- 20,219**	**- 18,676**

“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.

Item 17 - Contributions to the National Resolution Fund and the Interbank Deposit Protection Fund include the ordinary and extraordinary contributions of €1,417 thousand to the former fund and the ex ante contributions of €280 thousand to the Interbank Deposit Protection Fund.

As shown in the table at the end of this section, the fees due to KPMG S.p.A. for its services are as follows:

- legally-required audit of the annual financial statements € 133,669;
- preparation of the financial statements in English € 12,200;
- signing of the tax returns € 5,187;
- other tax attestations € 4,026;
- Attestation of compliance for the TLTRO € 25,620;
- Other assistance with the

"Asset Quality Review (AQR)" € 48,800.

In addition, fees for services paid to other entities of the KPMG network are shown below:
- €33,306 thousand to Studio Associato for legal and tax assistance and €13,322 thousand for assistance with contract issues.

These fees include VAT and reimbursement of out-of-pocket expenses.

	Service provider	Fees
Legally-required audit	KPMG S.p.A.	145,869
Attestation services	KPMG S.p.A.	25,620
Other services	KPMG S.p.A.	58,013
Other services	Studio Associato	46,628
TOTAL		**276,130**

Section 10 – Net accruals to provisions for risks and charges – Caption 160

10.1 Net accruals to provisions for risks and charges: breakdown

	2015
1 - accrual for legal disputes	- 1,303
2 - accrual for claw-back claims	-
3 - other	-
Total accruals	**- 1,303**
4 - Utilisation to settle legal disputes	1,005
Total utilisations	**1,005**
Net accruals	**- 298**

Utilisation of these provisions for €1,005 thousand referred to the settlement of legal disputes recognised in caption 160 of the income statement, net of accruals of €1,303 thousand.

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	- 1,572	-	-	- 1,572
- operating assets	*- 1,572*	-	-	*- 1,572*
- investment property	-	-	-	-
A.2 Acquired under finance lease	-	-	-	-
- operating assets	-	-	-	-
- investment property	-	-	-	-
Total	**- 1,572**	**-**	**-**	**- 1,572**

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	- 92	-	-	- 92
- *Generated internally*	-	-	-	-
- *Other*	- *92*	-	-	- *92*
A.2 Acquired under finance lease	-	-	-	-
Total	**- 92**	**-**	**-**	**- 92**

Section 13 – Net other operating income – Caption 190

13.1 Other operating expense: breakdown

	2015
1 - Charitable donations	- 22
2 - Contributions to bodies and municipalities receiving treasury services	- 21
3 - Amortisation of leasehold improvements	- 234
4 - Losses for robbery	- 41
5 - Other	- 943
Total	**- 1,261**

The contributions in item 2 are based on the scores assigned to the participants in the tenders for the treasury services.
Item “5 - Other” includes prior year losses (€936 thousand) and discounted contributions (€7 thousand).
Prior year losses comprise settlements of disputes about above legal interest rates (€825 thousand) and civil disputes for sales of Parmalat and Lehman Brothers financial products (€37 thousand). The bank used the provision for risks and charges affecting caption 160 of the income statement to cover these amounts.

13.2 Other operating income: breakdown

	2015
1 - Recoveries of administrative expenses	5,189
2 - Security box fees	56
3 - Lease income	350
4 - Other income	1,233
Total other operating income	**6,828**
Total	**5,567**

Item "4 - Other income" includes:

- the contribution to the Banks and Insurance Companies' Fund (FBA) of €180 thousand;
- recovery of fines and fees on current accounts and deposits of €36 thousand;
- prior year income of €109 thousand;
- the cinema tax credit of €720 thousand.

Section 17 – Net gains on sales of investments – Caption 240

17.1 Net gains on sales of investments: breakdown

	2015	2014
A. Property	**-**	**98**
- Gains on sales	-	300
- Losses on sales	-	- 202
B. Other assets	**10**	**7**
- Gains on sales	25	8
- Losses on sales	- 15	- 1
Net gains on sales of investments	**10**	**105**

Section 18 – Income taxes – Caption 260

18.1 Income taxes: breakdown

	2015	2014
1. Current taxes (-)	- 5,546	- 6,728
2. Change in current taxes from previous years (+/-)	-	-
3. Decrease in current taxes for the year (+)	-	-
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 (+/-)	883	2,764
5. Change in deferred tax liabilities (+/-)	-	-
6. Tax expense for the year (-)(-1+/-2+3+/-4+/-5)	**- 4,663**	**- 3,964**

18.2 Reconciliation between the theoretical and effective tax expense

		Amount
Pre-tax profit for the year	7,059	
Effective IRES tax rate	27.50%	
Theoretical tax expense		1,941
Permanent and temporary differences for IRES purposes		*1,920*
a) dividends	- 1,410	
b) other	8,391	
IRES tax		**3,861**
Additional tax base for IRES purposes	-	
Additional IRES rate	0.00%	
Theoretical tax expense		**-**
Pre-tax profit for the year	7,059	
Effective IRAP tax rate	5.49%	
Theoretical tax expense		387
Permanent differences for IRAP purposes	**-**	*578*
a) non-deductible personnel expense	-	
b) impairment losses/reversals of impairment losses on loans and receivables	2,770	
c) other	7,756	
IRAP tax		**965**
Income tax expense		**4,826**
Prudent accrual for the cinema tax credit		720
Total current taxes		**5,546**

Item "b) other" includes net increases to the tax base. It includes impairment losses on loans and receivables exceeding the deductible portion.
Current income taxes include the prudent accrual of €720 thousand for the cinema tax credit, not yet approved by the tax authorities.

Section 21 – Earnings per share

21.1 Average number of ordinary shares with dilutive effect

	2015	2014
Weighted average number of shares	759,750	759,750
Profit attributable to the share categories (Euro)	5,294,566	3,062,996
Basic EPS (Euro)	6.97	4.03
Diluted EPS (Euro)	6.97	4.03

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 proposed that the shareholders approve the distribution of dividends of €4.00 per share to the holders of ordinary shares.
Therefore and in accordance with article 25 of the by-laws, the profit for the year has been allocated as follows:

1. €705,942 to the ordinary reserve, as per article 25 of the by-laws;
2. €1,058,913 to the extraordinary reserve, as per article 25 of the by-laws;
3. €2,255,566 to the extraordinary reserve, as decided by the board of directors.

The numerator used to calculate the basic EPS is €5,295 thousand. With respect to the denominator, the weighted average number of the ordinary shares outstanding is unchanged at 759,750.

The bank has not repurchased own shares. It has not issued nor does it have shares with dilutive effects.

Therefore, the basic and diluted EPS are the same.

PART D

Comprehensive income

BREAKDOWN OF COMPREHENSIVE INCOME

		Gross amount	Income tax	Net amount
10.	**Profit for the year**			7,059
	Items that will not be reclassified subsequently to profit or loss			
20.	Property, equipment and investment property	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	1,855	-510	1,345
50.	Non-current assets held for sale	-	-	-
60.	Portion of valuation reserves of equity-accounted investees	-	-	-
	Items that will be reclassified subsequently to profit or loss			
70.	Hedges of investments in foreign operations	-	-	-
	a) fair value gains (losses)	-	-	
	b) reclassification to profit or loss	-	-	
	c) other changes	-	-	
80.	Exchange rate gains (losses):	-	-	-
	a) fair value gains (losses)	-	-	
	b) reclassification to profit or loss	-	-	
	c) other changes	-	-	
90.	Cash flow hedges:	-	-	-
	a) fair value gains (losses)	-	-	
	b) reclassification to profit or loss	-	-	
	c) other changes	-	-	
100.	Available-for-sale financial assets:	-4,492	1,412	-3,080
	a) fair value gains (losses)	1,504	-567	
	b) reclassification to profit or loss	-5,996	1,979	
	- impairment losses	-130	43	
	- gains/losses on sales	-5,866	1,936	
	c) other changes	-	-	
110.	Non-current assets held for sale:	-	-	-
	a) fair value gains (losses)	-	-	
	b) reclassification to profit or loss	-	-	
	c) other changes	-	-	
120.	Share 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	-	-	
130.	**Total other comprehensive expense**	**-2,637**	**902**	-1,735
140.	**Comprehensive income (captions 10 + 130)**			5,324

PART E
Risks and related hedging policies

Introduction

Risk management (monitoring, management and measurement) is a fundamental creator of value for the bank and its stakeholders. Accordingly, the bank's control units (the Inspection and Internal Audit Office, the Risk Governance Office and the Compliance and AML Unit) are given complete independence and operating powers to ensure the correct and full presentation of risks to the board of directors, the board of statutory auditors, the shareholders and all those who have direct and indirect interests in the bank's equity.
In compliance with the principle of proportionality, risks are managed using methods and processes appropriate for the bank's operations.

The Risk Management Unit of the Risk Governance Office is in charge of monitoring and managing risks. Specifically, it has the following duties:

- proposing methods, tools and procedures to identify, measure, monitor and manage the most important types of risks to management;
- measuring and assessing the bank's exposure to large risks and reporting thereon;
- checking that bank's risk profiles are in line with the strategies decided by the board of directors;
- regularly reviewing the models and methods used, reporting any weaknesses;
- checking compliance with operating limits defined by both external and internal regulations, proposing adjustments if necessary to the latter;
- working with the IT outsourcer and teams that work on risk management projects;
- monitoring the production and filing of methodological documentation about risk management and control;
- processing analyses and assessments required by the ICAAP (internal capital adequacy assessment process);
- preparing the data necessary for part E of the notes to the financial statements together with other units;
- checking the quality of the performing loans portfolio and the classification and measurement of performing and non-performing loans in the financial statements ;
- regularly preparing reports on trends and risk appetites of the bank's customers;
- preparing the reports on large exposures and, in the case of irregularities, informing the relevant units so as to remedy the situation;
- checking compliance with the prudent regulatory limits as per Bank of Italy Circular no. 263/06, section V, chapter 5 - Annex A (Related party transactions) every quarter.

Once a year, the Risk Management Unit prepares a report for the market when the annual report is published, which includes the "... information about capital adequacy, exposure to risks and the general characteristics of the systems in place to identify, measure and manage such risks" in the "Pillar 3, Market disclosures, situation at 31/12/2015" document, posted in the financial reporting section of the bank's internet site www.carifermo.it.

Following the issue of the measures on the "Internal controls, IT system and business continuity" by Bank of Italy (integrated by Circular no. 285/13 of 21 July 2015, all banks were required to strengthen their ability to manage business risks. Accordingly, the board of directors defined the bank's risk appetite framework (RAF), identifying the risk objectives, the internal controls, specifying the roles and responsibilities of the internal bodies and units and preparing the related internal regulation and the criteria to identify the more significant transactions to be approved in advance by the Risk Management Unit.
The new internal controls strengthen the role of the control units and, especially, that of the Risk Management Unit which is actively involved in monitoring credit exposure, especially impaired exposures.

The seventh update of Circular no. 272 of 20 January 2015 introduced the new classification of loans and receivables, based on the definitions of non-performing exposures and forbearance introduced by the implementing technical standards (ITS) defined by the EBA. These new definitions have required a number of adjustments to internal processes and regulations, including the board of directors' approval of the new "Credit measurement and classification policy" in November 2015, which manages the processes to classify and measure loans and receivables introducing the new concepts of performing, non-performing, forbearance, financial difficulties and the default detection parameters.

The bank and its bodies encourage the circulation and development of a cross-the-board risk culture and employee training about the issue. Accordingly, the bank provided the internal bodies with information about new legislation that affects its operations, showing the bank's compliance and any necessary actions.

SECTION 1 - CREDIT RISK

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 SMEs is facilitated by its partnership with the underwriting syndicates, especially with those supervised by Bank of Italy. 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.

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

Credit risk is the most significant risk for the bank and is the risk of losses due to the non-payment or partial payment of principal, interest or other amounts by the debtor (ordinary and institutional customers). Credit risk includes counterparty risk, i.e., the risk that the counterparty to a transaction involving certain financial instruments defaults before the transaction is settled.

The structure which decides and organises the granting of credit has different operating powers, depending on whether it is located 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 potential 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, checks compliance with their powers and monitors 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 "unlikely to pay", encouraging the branches to have them return to a "performing" status and coordinating the related activities; monitors and checks "restructured" positions and positions subject to forbearance measures classified as unlikely to pay and impaired past due; prepares a quarterly report for senior management on the situation and changes in reported positions.
- **Risk Management Unit:** 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 or quarter to senior management and bank risk monitoring units; analyses trends in the exposures and regularly checks that they are classified and provided for correctly.

- **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 and to analyse trends, the bank focuses on checking its relationships with its customers, including by using the information available in the credit information centre, which identifies irregularities with a potential negative impact on risk.

It uses a specific early warning procedure, the Credit Position Control (CPC), which gives each borrower a score for their credit riskiness. The CPC is used to monitor customers' behaviour in order to assess repayment trends and identify any loan deterioration on a timely basis using specific diagnostic tools.

The Risk Management Unit prepares regular reports for management, the branches and relevant internal units. Quarterly reports analysing the entire portfolio's risk and additional in-depth analyses by business and geographical segment are prepared for the board of directors. This report assesses compliance with the main internal limits, monitors the capital absorption of risks assumed and analyses large exposures.

The Risk Management Unit regularly checks the expected losses on the bank's loans portfolio using the S.A.Ra. application's internal rating system. The loans are grouped by category in terms of their credit risk. Estimated loss rates are applied on a statistical basis and expressed as the probability of default (PD) of the counterparty and the loss rate in terms of loss given default (LGD). The expected loss for these loans is the amount of the loan multiplied by the PD and the LGD.

Loss rates are considered in the calculation of the lump sum impairment of performing loans and, under the new policy, used to measure non-performing loans of less than €50 thousand.

The S.A.Ra. rating system, used solely for management monitoring purposes, divides customers into three main segments (Corporate, SME retail and Retail) and classifies counterparties using a scale of 10 classes, consisting of nine for performing counterparties (AAA, AA, A, BBB, BB, B CCC, CC and C) and one for defaulting counterparties (D). The system has two different methods to measure probability of default (PD), one for businesses and one for individuals.

Following the resolution of 24 November 2015, the S.A.Ra. internal rating system has been included in the loan disbursement process, amending the related "delegated powers". Specifically, when positions are rated as CCC or below, the loan approval powers are automatically transferred to general management and are exercised by no lower than the head of the Loans Office.

The Risk Management Unit checks compliance with the limits and ceilings introduced by the Credit Policy for credit quality, counterparty concentration and concentration by product every quarter.

The Risk Management Unit also performs stress tests on the capital requirement for credit and counterparty risk, including quantification, in terms of additional capital, of sensitivity to three risk factors:

1. counterparty credit worthiness

2. loan deterioration rate

3. appropriateness of use of the credit risk mitigation tools.

The stress test results are included in the quarterly reports.

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* obtains 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 concentration level of these guarantees is acceptable given the concentration level of the bank's loan portfolio (modest).

The credit risk mitigation factors are assessed using a hierarchical classification system for the credit types, based on the intrinsic loss given default (LGD), and the guarantees, based on their potential risk mitigation potential. Each risk category is given a weighing factor which estimates the total risk level when applied to the counterparty's overall credit.

With respect to financial collateral acceptable as CRM, the bank meets the requirements of supervisory regulations.

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 "unlikely to pay" 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 impaired past due loans as well and prepares a quarterly report for senior management on the status and developments of loans, especially substandard ones.

Classification of loans as unlikely to pay is proposed and decided by reference to the objective criteria, set out in the *Credit measurement and classification policy* and defined by Bank of Italy, including communication to the risk database and registration of injurious positions.

After identifying positions that meet the objective requirements for classification as unlikely to pay, the Risk Control Office manager recognises positions with credit facilities of not more than €50 thousand as unlikely to pay; the amount is increased to €100 thousand for mortgage loans. The manager obtains senior management's approval for positions with higher credit facilities.

Responsibility for monitoring the unlikely to pay positions remains with the branch, assisted by the Risk Control Office. The branch manager regularly updates the latter Office about any developments and the outcome of the related actions taken.

The Risk Control office manager requests the relevant branch officer for a periodic report on the position and examines the customer's financial statements and/or assets and income, to assess and decide whether to:

• maintain the position as unlikely to pay;

• ask the branch to propose to head office that the credit facilities be withdrawn and the customer declared to be defaulting;

• propose the positions be reclassified as performing, when the original difficulties are overcome and, in the case of forborne performing positions, if the probation period has been successfully passed;

• classify the position as non-performing or to propose the position be classified as non-performing if it exceeds the amount of their proxies.

The Risk Control Office prepares a monthly report for senior management on all unlikely to pay and impaired past due positions with a breakdown of new entries and positions reclassified as performing as well as trends therein.

With respect to the requirements for preparation of annual and interim half year reports, the Risk Control Office checks all positions classified as unlikely to pay and impaired past due. Based on a review of the customers' financial position and their guarantees, the Office calculates the percentages to be used to determine the impairment losses and the recoverable amount for loans of more than €50 thousand.

Quantitative disclosure

A. Credit quality

A.1 Impaired and unimpaired 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	Unlikely to pay	Impaired past due	Unimpaired past due	Unimpaired assets	Total
1. Available-for-sale financial assets	-	-	-	-	269,806	**269,806**
2. Held-to-maturity investments	-	-	-	-	5,011	**5,011**
3. Loans and receivables with banks	-	-	-	-	29,028	**29,028**
4. Loans and receivables with customers	54,841	56,958	1,896	81,252	750,590	**945,537**
5. Financial assets at fair value through profit or loss	-	-	-	-	-	**-**
6. Financial assets held for sale	-	-	-	-	-	**-**
Total at 31/12/2015	**54,841**	**56,958**	**1,896**	**81,252**	**1,054,435**	**1,249,382**
Total at 31/12/2014	**38,225**	**52,654**	**3,130**	**111,714**	**1,155,453**	**1,361,176**

A.1.2 Breakdown of loans by portfolio and credit quality (gross amount and carrying amount)

	Impaired assets			Unimpaired assets			Total (carrying amount)
	Gross amount	Individual impairment	Carrying amount	Gross amount	Collective impairment	Carrying amount	
1. Available-for-sale financial assets	-	-	-	269,806	-	269,806	269,806
2. Held-to-maturity investments	-	-	-	5,011	-	5,011	5,011
3. Loans and receivables with banks	-	-	-	29,028	-	29,028	29,028
4. Loans and receivables with customers	182,455	68,760	113,695	842,117	10,275	831,842	945,537
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-
Total at 31/12/2015	**182,455**	**68,760**	**113,695**	**1,145,962**	**10,275**	**1,135,687**	**1,249,382**
Total at 31/12/2014	**153,339**	**59,331**	**94,008**	**1,277,148**	**9,980**	**1,267,168**	**1,361,176**

No impaired loans were partially derecognised in 2015.

At the reporting date, there were 35 positions under deed of arrangement for €11,944 thousand, including five with applications filed in 2015 for €5,316 thousand, one of which had been classified as unlikely to pay (€178 thousand).

Three positions of €89 thousand reclassified as non-performing in 2015 from the unlikely to pay category are no longer under deed of arrangement.

In addition, 12 positions already under deed of arrangement and classified as non-performing in previous years filed for winding up during the year.

The unlikely to pay exposures at the reporting date include:

- two positions classified in 2015 that have applied for deed for arrangement while continuing to operate (€4,602 thousand);

- one position under deed of arrangement, currently in the cure period (€1,297 thousand);
- five positions under deed of arrangement with reserve (€127 thousand).

	Assets with poor credit quality		Other assets
	Accumulated losses	Carrying amount	Carrying amount
1. Financial assets held for trading	-	-	377,130
2. Hedging derivatives	-	-	-
Total at 31/12/2015	**-**	**-**	**377,130**
Total at 31/12/2014	**-**	**-**	**-**

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	269,806	-	269,806
2. Held-to-maturity investments	5,011	-	5,011
3. Loans and receivables with banks	29,028	-	29,028
4. Loans and receivables with customers	840,100	10,262	829,838
4.bis Negotiated loans to customers as part of collective agreements	2,017	13	2,004
5. Financial assets at fair value through profit or loss	-	-	-
6. Financial assets held for sale	-	-	-
Total at 31/12/2015	**1,145,962**	**10,275**	**1,135,687**

The above table shows performing loans that have been renegotiated as part of the collective ABI-MEF agreements provided for by Bank of Italy communication no. 0169844/11 of 24 February 2011. The amount for Carifermo S.p.A. is €2,017 thousand.

A.1.2.2 Breakdown of unimpaired loans by portfolio and due date

	Renegotiated loans to customers as part of collective agreements					Other loans				
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year	Not yet due	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year	Not yet due
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	269,806
2. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	5,011
3. Loans and receivables with banks	-	-	-	-	-	-	-	-	-	29,028
4. Loans and receivables with customers	-	-	-	-	-	70,815	6,078	3,276	502	749,167
4.bis Negotiated loans to customers as part of collective agreements	561	179	-	-	1,264	-	-	-	-	-
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-
Total at 31/12/2015	**561**	**179**	**-**	**-**	**1,264**	**70,815**	**6,078**	**3,276**	**502**	**1,053,012**

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" or "Up to 3 months" categories.

A.1.3 Loans and receivables with banks on and off-statement of financial position: gross amounts and carrying amounts

+B2:J18J2B2:J17BB2:J21	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year				
A. ON STATEMENT OF FINANCIAL POSITION								
a) Non-performing loans	-	-	-	-	-	-		**-**
- including: forborne exposures	-	-	-	-	-	-		**-**
b) Unlikely to pay	-	-	-	-	-	-		**-**
- including: forborne exposures	-	-	-	-	-	-		**-**
c) Impaired past due	-	-	-	-	-	-		**-**
- including: forborne exposures	-	-	-	-	-	-		**-**
d) Unimpaired past due	-	-	-	-	-	-		**-**
- including: forborne exposures	-	-	-	-	-	-		**-**
e) Other unimpaired exposures	-	-	-	-	30,604	-		**30,604**
- including: forborne exposures	-	-	-	-	-		-	**-**
Total A	**-**	**-**	**-**	**-**	**30,604**	**-**	**-**	**30,604**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	-	-	-	-		-		**-**
b) Unimpaired					5,623		-	**5,623**
TOTAL B	**-**	**-**	**-**	**-**	**5,623**	**-**	**-**	**5,623**
TOTAL A + B	**-**	**-**	**-**	**-**	**36,227**	**-**	**-**	**36,227**

The amount shown in item "B. OFF-STATEMENT OF FINANCIAL POSITION - b) Unimpaired" is broken down in the next table for its better presentation:

Breakdown of off-statement of financial position loans and receivables with banks

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year				
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	**-**	**-**	**-**	**-**		**-**		**-**
	-	-	-	-		-		**-**
b) Non impaired					***5,623***		**-**	**5,623**
b.1) Deposits for repos					2,756		-	***2,756***
b.2) Interbank Deposit Protection Fund (FITD)					2,437		-	***2,437***
b.3) Commitment with CC.OO to issue securities issued by II.CC.					252		-	***252***
b.4) Interest rate derivatives					90		-	***90***
b.5) Currency forwards					88		-	***88***
TOTAL B	**-**	**-**	**-**	**-**	**5,623**	**-**	**-**	**5,623**

A.1.4 On-statement of financial position loans and receivables with banks: gross impaired positions

The bank does not have any impaired loans and receivables with banks.

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 (see point A.1.4.).

A.1.6 Loans and receivables with customers on and off-statement of financial position: gross amounts and carrying amounts

	Gross amount					Individual impairment losses	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year				
A. ON STATEMENT OF FINANCIAL POSITION								
a) Non-performing loans	-	-	-	111,912	-	57,071		**54,841**
- including: forborne exposures	-	-	-	*11,657*	-	*7,306*		***4,351***
b) Unlikely to pay	30,271	6,035	14,459	17,705	-	11,512		**56,958**
- including: forborne exposures	*9,385*	*596*	*1,984*	*6,805*	-	*3,640*		***15,130***
c) Impaired past due	228	680	1,008	157	-	177		**1,896**
- including: forborne exposures	-	-	-	-	-	-		**-**
d) Unpaired past due	-	-	-	-	82,858		1,606	**81,252**
- including: forborne exposures	-	-	-	-	*2,988*		*60*	***2,928***
e) Other unimpaired exposures	-	-	-	-	1,409,420		8,669	**1,400,751**
- including: forborne exposures	-	-	-	-	*8,200*		*108*	***8,092***
TOTAL A	**30,499**	**6,715**	**15,467**	**129,774**	**1,492,278**	**68,760**	**10,275**	**1,595,698**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	769	-	-	-		-		**769**
b) Unimpaired					66,687		-	**66,687**
TOTAL B	**769**	**-**	**-**	**-**	**66,687**	**-**	**-**	**67,456**
TOTAL A + B	**31,268**	**6,715**	**15,467**	**129,774**	**1,558,965**	**68,760**	**10,275**	**1,663,154**

Item "b) Unlikely to pay - including: forborne exposures" comprises 42 exposures of €8,910 thousand that do not have past due amounts in the "up to 3 months" bracket during the cure period.

Loans and receivables with 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.

The amounts shown in item "B. OFF-STATEMENT OF FINANCIAL POSITION - a) Impaired" and "b) Unimpaired" are broken down in the next table for their better presentation:

Breakdown of off-statement of financial position loans and receivables with customers

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year				
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	***688***	***-***	***-***	***81***		***-***		**769**
a.1) Commercial endorsement credits	688	-	-	81		-		***769***
b) Unimpaired					***66,687***		***-***	***66,687***
b.1) Financial endorsement credits					20		-	***20***
b.2) Commercial endorsement credits					20,451		-	***20,451***
b.3) Commitments of uncertain use					38,779		-	***38,779***
b.4) Financing for repos					263		-	***263***
b.5) Commitment with II.CC to purchase securities issued by CC.OO.					7,141		-	***7,141***
b.6) Interest rate derivatives and forwards					27		-	***27***
b.7) Currency forwards					6		-	***6***
b.8) Risks associated with SFTs (repos)					-		-	**-**
TOTAL B	**688**	**-**	**-**	**81**	**66,687**	**-**	**-**	**67,456**

A.1.7 On-statement of financial position loans and receivables with customers: gross impaired positions

	Non-performing	Unlikely to pay	Impaired past due
A. Gross opening balance	**82,920**	**66,981**	**3,438**
- including: positions transferred but not derecognised	-	-	-
B. Increases	**35,032**	**49,261**	**2,997**
B.1 transfers from performing loans	6,322	37,283	1,899
B.2 transfers from other impaired loan categories	27,344	2,011	91
B.3 other increases	1,366	9,967	1,007
C. Decreases	**6,040**	**47,772**	**4,362**
C.1 transfers to performing loans	-	4,664	593
C.2 derecognitions	1,682	14	-
C.3 collections	4,358	15,885	1,532
C.4 losses on sales	-	-	-
C.5-bis losses on sales	-	-	-
C.6 transfers to other impaired loan categories	-	27,209	2,237
C.7 other decreases	-	-	-
D. Gross closing balance	**111,912**	**68,470**	**2,073**
- 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	Unlikely to pay	Impaired past due
A. Opening balance	**44,696**	**14,327**	**308**
- including: positions transferred but not derecognised	-	-	-
B. Increases	**18,458**	**7,445**	**173**
B.1. impairment losses	10,551	7,285	154
B.2 losses on sales	-	-	-
B.3 transfers from other impaired loan categories	7,802	160	19
B.4 other increases	105	-	-
C. Decreases	**6,083**	**10,260**	**304**
C.1. fair value gains	3,187	1,828	79
C.2. reversals of impairment losses due to collections	1,110	615	47
C.3 gains on sales	-	-	-
C.4 derecognitions	1,786	14	-
C.5 transfers to other impaired loan categories	-	7,803	178
C.6 other decreases	-	-	-
D. Closing balance	**57,071**	**11,512**	**177**
- 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 modest.

The exposure with institutional and banking counterparties has the rating 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	**-**	**5,296**	**243,927**	**-**	**-**	**-**	**1,377,078**	**1,626,301**
B. Derivatives	**-**	**178**	**-**	**-**	**-**	**-**	**32**	**210**
B.1 Financial derivatives	-	178	-	-	-	-	32	210
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**23,642**	**23,642**
D. Commitments to disburse funds	**-**	**2,756**	**-**	**-**	**-**	**-**	**46,470**	**49,226**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**8,230**	**243,927**	**-**	**-**	**-**	**1,447,222**	**1,699,379**

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 to calculate its capital adequacy.

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				
							Other derivatives								
		Mortgaged property	Property under finance lease	Securities	Other collateral	CLN	Government and central banks	Other government agencies	Banks	Other	Government and central banks	Other government agencies	Banks	Other	
1. Guaranteed loans:	**765,917**	**514,411**	**-**	**15,174**	**11,662**	**-**	**-**	**-**	**-**	**-**	**-**	**2,822**	**1,205**	**209,437**	**754,711**
1.1.Fully guaranteed	736,868	514,221	-	12,921	9,101	-	-	-	-	-	-	2,822	1,094	196,589	736,748
- including: impaired	*100,210*	*78,615*	-	*217*	*3,929*	-	-	-	-	-	-	*531*	*93*	*16,825*	*100,210*
1.2. Partly guaranteed	29,049	190	-	2,253	2,561	-	-	-	-	-	-	-	111	12,848	17,963
- including: impaired	*2,757*	-	-	*62*	*93*	-	-	-	-	-	-	-	-	*2,113*	*2,268*
2. Off-statement of financial position guaranteed loans:	**21,613**	**7,293**	**-**	**1,355**	**1,224**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,720**	**19,592**
2.1. Fully guaranteed	18,625	7,263	-	690	982	-	-	-	-	-	-	-	-	9,670	18,605
- including: impaired	*713*	*35*	-	*58*	*107*	-	-	-	-	-	-	-	-	*514*	*714*
2.2. Partly guaranteed	2,988	30	-	665	242	-	-	-	-	-	-	-	-	50	987
- including: impaired	*20*	-	-	*1*	-	-	-	-	-	-	-	-	-	-	*1*

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)

	Governments			Other government agencies		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position						
A.1 Non-performing	-	-		-	-	
- including: forborne exposures	-	-		-	-	
A.2 Unlikely to pay	-	-		-	-	
- including: forborne exposures	-	-		-	-	
A.3 Impaired past due	-	-		-	-	
- including: forborne exposures	-	-		-	-	
A.4 Unimpaired exposures	640,050		-	2,684		-
- including: forborne exposures	-		-	-		-
Total A	**640,050**	**-**	**-**	**2,684**	**-**	**-**
B. Off-statement of financial position						
B.1 Non-performing	-	-		-	-	
B.2 Unlikely to pay	-	-		-	-	
B.3 Other impaired assets	-	-		-	-	
B.4 Unimpaired exposures	7,141		-	29,115		-
Total B	**7,141**	**-**	**-**	**29,115**	**-**	**-**
Total (A + B) at 31/12/2015	**647,191**	**-**	**-**	**31,799**	**-**	**-**
Total (A + B) at 31/12/2014	**607,252**	**-**	**-**	**21,779**	**-**	**-**

	Financial companies			Insurance companies		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position						
A.1 Non-performing	23	54		-	-	
- including: forborne exposures	*6*	*6*		-	-	
A.2 Inadempienze probabili	79	18		-	-	
- including: forborne exposures	-	-		-	-	
A.3 Past due loans impaired	-	-		-	-	
- including: forborne exposures	-	-		-	-	
A.4 Unimpaired exposures	20,606		38	-		-
- including: forborne exposures	-		-	-		-
Total A	**20,708**	**72**	**38**	**-**	**-**	**-**
B. Off-statement of financial position						
B.1 Non-performing loans	-	-		-	-	
B.2 Unlikely to pay	609	-		-	-	
B.3 Other impaired assets	-	-		-	-	
B.4 Unimpaired exposures	3,794		-	-		-
Total B	**4,403**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/2015	**25,111**	**72**	**38**	**-**	**-**	**-**
Total (A + B) at 31/12/2014	**11,990**	**30**	**35**	**-**	**-**	**-**

	Non-financial companies			Other		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position						
A.1 Non-performing	42,108	47,213		12,711	9,803	
- including: forborne exposures	*3,704*	*6,997*		*641*	*302*	
A.2 Unlikely to pay	39,197	9,805		17,683	1,689	
- including: forborne exposures	*12,332*	*3,346*		*2,797*	*295*	
A.3 Impaired past due	627	62		1,268	115	
- including: forborne exposures	-	-		-	-	
A.4 Unimpaired exposures	552,529		8,928	266,133		1,310
- including: forborne exposures	*4,358*		*123*	*6,663*		*45*
Total A	**634,461**	**57,080**	**8,928**	**297,795**	**11,607**	**1,310**
B. Off-statement of financial position						
B.1 Non-performing	81	-		-	-	
B.2 Unlikely to pay	73	-		7	-	
B.3 Other impaired assets	-	-		-	-	
B.4 Unimpaired exposures	22,629		-	4,008		-
Total B	**22,783**	**-**	**-**	**4,015**	**-**	**-**
Total (A + B) al 31/12/2015	**657,244**	**57,080**	**8,928**	**301,810**	**11,607**	**1,310**
Total (A + B) al 31/12/2014	**679,492**	**50,247**	**8,612**	**304,319**	**9,054**	**1,333**

Item A.1 “Non-performing - including: forborne exposures” includes 307 exposures, comprising both those with debt rescheduling agreements and those under deed of arrangement.

Item A.2 “Unlikely to pay - including: forborne exposures” includes 215 exposures subject to forbearance measures.

Item A.4 “Unimpaired exposures - including: forborne exposures” comprises 79 exposures to which concessions have been made.

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	54,842	57,071	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	56,958	11,512	-	-	-	-	-	-	-	-
A.3 Impaired past due	1,675	163	-	-	-	-	221	14	-	-
A.4 Unimpaired exposures	1,480,855	10,272	958	3	189	1	-	-	-	-
Total A	**1,594,330**	**79,018**	**958**	**3**	**189**	**1**	**221**	**14**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing	81	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	688	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	66,687	-	-	-	-	-	-	-	-	-
Total B	**67,456**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/2015	**1,661,786**	**79,018**	**958**	**3**	**189**	**1**	**221**	**14**	**-**	**-**
Total (A + B) at 31/12/2014	**1,623,746**	**69,308**	**865**	**3**	**-**	**-**	**221**	**1**	**-**	**-**

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 financial position								
A.1 Non-performing	2,212	4,274	182	194	51,073	49,987	1,375	2,615
A.2 Unlikely to pay	11	3	-	-	54,603	11,271	2,344	239
A.3 Impaired past due	-	-	1	-	1,472	143	202	19
A.4 Unimpaired exposures	16,912	240	2,151	26	1,413,915	9,458	47,877	548
Total A	**19,135**	**4,517**	**2,334**	**220**	**1,521,063**	**70,859**	**51,798**	**3,421**
B. Off-statement of financial position								
B.1 Non-performing loans	-	-	-	-	81	-	-	-
B.2 Unlikely to pay	-	-	-	-	688	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	1,921	-	498	-	63,488	-	779	-
Total B	**1,921**	**-**	**498**	**-**	**64,257**	**-**	**779**	**-**
Total (A + B) at 31/12/2015	**21,056**	**4,517**	**2,832**	**220**	**1,585,320**	**70,859**	**52,577**	**3,421**
Total (A + B) at 31/12/2014	**17,221**	**4,477**	**7,535**	**270**	**1,544,574**	**61,414**	**54,414**	**3,146**

B.3 Breakdown of loans and receivables with banks 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	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due	-	-	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	30,157	-	195	-	178	-	73	-	-	-
Total A	**30,157**	**-**	**195**	**-**	**178**	**-**	**73**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	5,623	-	-	-	-	-	-	-	-	-
Total B	**5,623**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/2015	**35,780**	**-**	**195**	**-**	**178**	**-**	**73**	**-**	**-**	**-**
Total (A + B) at 31/12/2014	**85,805**	**-**	**104**	**-**	**530**	**-**	**29**	**-**	**-**	**-**

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 financial position								
A.1 Non-performing loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past due	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	4,844	-	453	-	24,861	-	-	-
Total A	**4,844**	**-**	**453**	**-**	**24,861**	**-**	**-**	**-**
B. Off-statement of financial position								
B.1 Non-performing loans	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	2,934	-	-	-	2,689	-	-	-
Total B	**2,934**	**-**	**-**	**-**	**2,689**	**-**	**-**	**-**
Total (A + B) at 31/12/2015	**7,778**	**-**	**453**	**-**	**27,550**	**-**	**-**	**-**
Total (A + B) at 31/12/2014	**53,038**	**-**	**5,380**	**-**	**27,387**	**-**	**-**	**-**

B.4 Large exposures

	31/12/2015	31/12/2014
a) Carrying amount	710,499	708,291
b) Weighted amount	5,629	64,232
c) Number	4	5

As provided for by the sixth update of 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 Bank of Italy, the above table shows both the weighted value of the large exposures and their carrying amount. The number of positions has decreased from five to four, 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, up from €64,232 thousand to €5,629 thousand at 31 December 2015, includes exposure to government agencies (€4,526 thousand) and to companies.

E. Transfers

A. FINANCIAL ASSETS TRANSFERRED AND NOT DERECOGNISED

Qualitative disclosure

The amounts shown in this section refer to repurchase agreements with customers.

Quantitative disclosure

E.1 Financial assets transferred and not derecognised: carrying amount and entire amount

	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	31/12/2015	31/12/2014
A. Assets	**692**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**692**	**1,378**
1. Debt instruments	692	-	-	-	-	-	-	-	-	692	1,378
2. Equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**							**-**	-
Total at 31/12/2015	**692**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**692**	
- including: impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total at 31/12/2014	**1,378**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**1,378**
- including: 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	31/12/2015	31/12/2014
A. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt instruments	-	-	-	-	-	-	-	-	-	-	-
2. Equity instruments										-	-
3. OEIC units										-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives										-	-
Total at 31/12/2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
- including: impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total at 31/12/2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
- including: 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)

E.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	**694**	**-**	**-**	**-**	**-**	**-**	**694**
a) for fully recognised assets	694	-	-	-	-	-	694
b) for partly recognised assets	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) for fully recognised assets	-	-	-	-	-	-	-
b) for partly recognised assets	-	-	-	-	-	-	-
Total at 31/12/2015	**694**	**-**	**-**	**-**	**-**	**-**	**694**
Total at 31/12/2014	**1,375**	**-**	**-**	**-**	**-**	**-**	**1,375**

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 2015, like in 2014, also 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 Bank of Italy instructions about open market operations.

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.

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

The bank applies the standardised method as per Regulation (EU) no. 575/2013 and the related supervisory regulations to calculate its prudential capital requirements. It has specific market risk control procedures in place as well as ensuring and checking compliance with the prudential rules.

Specifically, internal control regulations established that the banking book's exposure to risk is checked by the Risk Management Unit using the VaR method.

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 bank measures VaR using the Prometeia Ermas application model, which estimates the potential losses due to generic risk (market, interest rate and currency) and specific risk (the risk of losses due to an unfavourable change in the price of a traded financial instrument due to factors related to the issuer's situation). Ermas also performs a sensitivity analysis for each security in the bank's portfolio measuring variations in value of financial instruments (present value) caused by a variation in the interest rate curve, assuming a parallel change in the curve of 1 bp.

The calculation of the VaR of the banking book includes financial instruments, comprising shares, bonds and OEIC 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. The backtesting procedure of the VaR DEaR (one-day) is performed daily 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

	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	**-**	**23,761**	**142,191**	**7,404**	**112,837**	**59,595**	**30,640**	**-**
1.1 Debt instruments	-	23,761	142,191	7,404	112,837	59,595	30,640	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*23,761*	*142,191*	*7,404*	*112,837*	*59,595*	*30,640*	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**694**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	694	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**13,222**	**10,685**	**7,829**	**95,244**	**290,855**	**142,189**	**-**
3.1 With underlying security	-	7,653	7,281	-	370	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*7,653*	*7,281*	-	*370*	-	-	-
+ long positions	-	*260*	*7,141*	-	*251*	-	-	-
+ short positions	-	*7,393*	*140*	-	*119*	-	-	-
3.2 Without underlying security	-	5,569	3,404	7,829	94,874	290,855	142,189	-
- Options	-	-	*806*	*6,897*	*94,636*	*290,795*	*142,189*	-
+ long positions	-	-	*402*	*3,436*	*47,302*	*145,409*	*71,112*	-
+ short positions	-	-	*404*	*3,461*	*47,334*	*145,386*	*71,077*	-
- Other derivatives	-	*5,569*	*2,598*	*932*	*238*	*60*	-	-
+ long positions	-	*2,808*	*1,313*	*466*	*119*	*30*	-	-
+ short positions	-	*2,761*	*1,285*	*466*	*119*	*30*	-	-

The amounts shown in item 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.

2. Supervisory trading book: breakdown of exposure in equity instruments and share indexes by main stock exchange

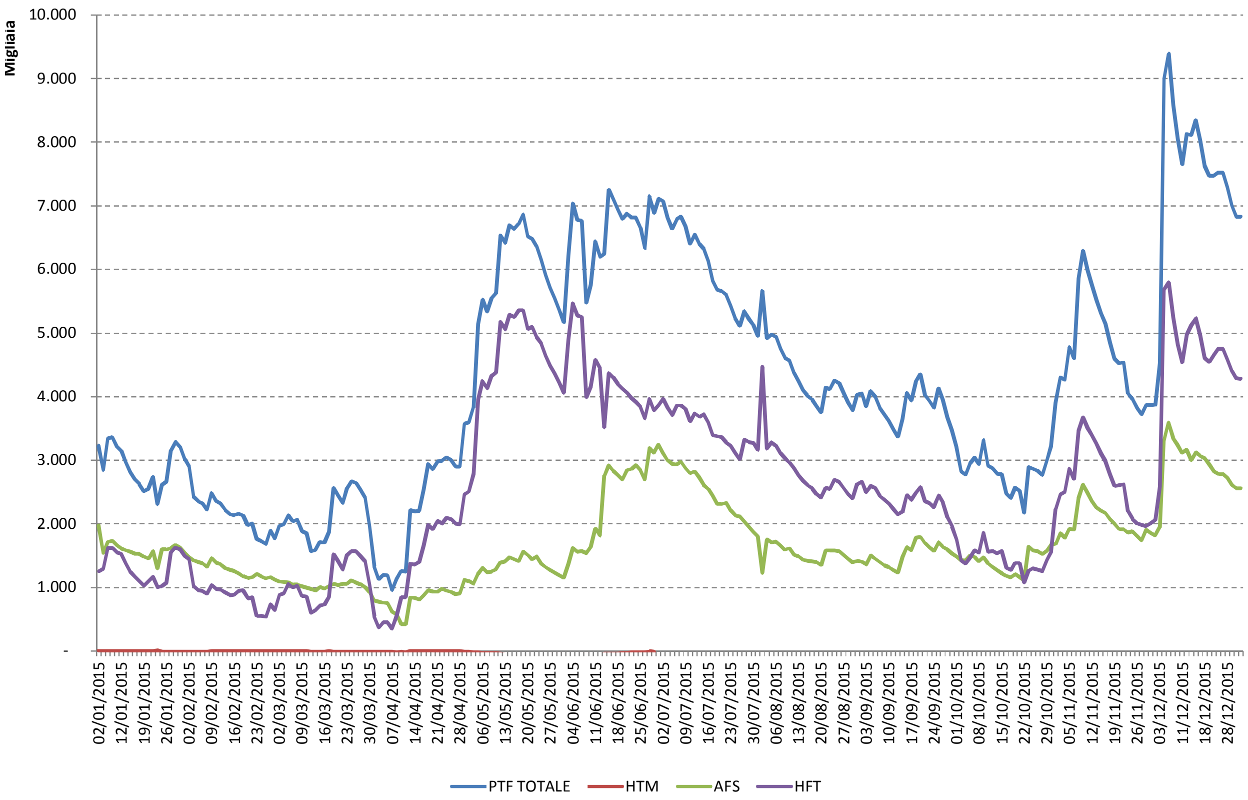
	Listed						Unlisted
	ITALY	USA	UK	Switzerland	Germany	Other	
A. Equity instruments	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
B. Unsettled transactions involving equity instruments	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
C. Other derivatives on equity instruments	-	-	-	-	-	-	-
- 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

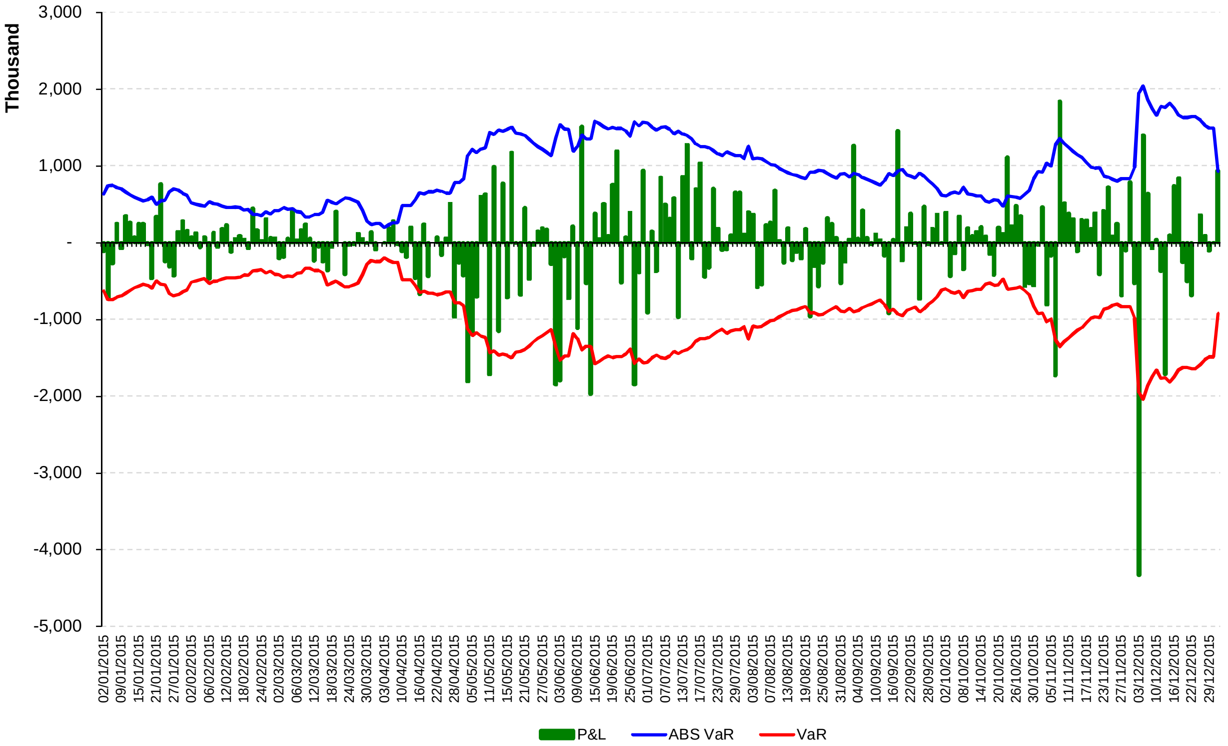
The following table shows the information provided by the VaR calculation model about the shares and bonds in the trading book.
The graphs show the 10-day VaR trend from 1 January to 31 December 2015 and the results of the backtesting of the 1-day portfolio VaR.

VaR (HFT)	From 1 January 2015 to 31 December 2015 - in Euro
Minimum	351,180
Maximum	5,797,901
Average	2,585,110
Period end	4,825,108

10-day VaR, 99% confidence interval



Backtesting on 1-day VaR, 99% confidence interval



The backtesting is used to check how accurately the VaR model reflects real changes in value of the securities portfolio being analysed. It compares the results (profits or losses) for a certain period directly observed by the bank with the VaR results. The backtesting shows how often losses incurred are greater than those estimated using the VaR model. Actual losses should be higher than the VaR with a frequency in line with that defined by the 99% confidence level, i.e., 1%.

The table above presents 1-day VaR and the related profits or losses for the entire securities portfolio.

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 every three months using the A2 matrix data, applying the methodology required by the prudential supervisory instructions (Bank of Italy Circular no. 285/2013) for internal monitoring purposes using the Ermas application.

The model breaks down 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 bank's own funds.

For management and monitoring purposes only, the bank's interest rate risk is subjected to additional monthly analyses to assess the impact of changes in interest rates on profit (repricing gap) and the economic value of the bank's assets and liabilities (duration gap) using the Ermas application. The analyses include on-demand items and assessing the stickiness effect (i.e., how long it takes to adapt to changes in interest rates) and the beta effect (how changes in market rates are absorbed by rates applied to on-demand products).

In order to ensure the proper monitoring of the banking book's interest rate risk, it is measured every month while monthly and quarterly reports are prepared for the managing director and the board of directors, respectively.

Price risk, i.e., the risk that the book's value decreases due to changes in demand and offer on the reference market, 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

	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	**303,278**	**468,159**	**70,465**	**67,132**	**177,510**	**140,462**	**17,779**	**-**
1.1 Debt instruments	-	10,503	52,839	35,732	81,838	93,906	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*10,503*	*52,839*	*35,732*	*81,838*	*93,906*	-	-
1.2 Financing to banks	19,312	5,285	-	-	-	-	-	-
1.3 Financing to customers	**283,966**	**452,371**	**17,626**	**31,400**	**95,672**	**46,556**	**17,779**	**-**
- current account	*214,868*	*891*	*270*	*2,395*	*5,248*	*3,801*	-	-
- other financing	*69,098*	*451,480*	*17,356*	*29,005*	*90,424*	*42,755*	*17,779*	-
- with early repayment option	*14,532*	*407,320*	*13,303*	*18,199*	*70,881*	*32,822*	*17,779*	-
- other	*54,566*	*44,160*	*4,053*	*10,806*	*19,543*	*9,933*	-	-
2. Liabilities	**1,116,660**	**72,009**	**19,351**	**54,149**	**214,361**	**-**	**-**	**-**
2.1 Due to customers	1,104,878	6,766	6,340	-	-	-	-	-
- current account	*991,322*	-	-	-	-	-	-	-
- other liabilities	*113,556*	*6,766*	*6,340*	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*113,556*	*6,766*	*6,340*	-	-	-	-	-
2.2 Due to banks	10,585	-	-	-	60,000	-	-	-
- current account	*10,585*	-	-	-	-	-	-	-
- other payables	-	-	-	-	*60,000*	-	-	-
2.3 Debt instruments	1,197	65,243	13,011	54,149	154,361	-	-	-
- with early repayment option	-	*12,820*	*12,999*	*24,720*	*22,714*	-	-	-
- other	*1,197*	*52,423*	*12*	*29,429*	*131,647*	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**44,169**	**15,769**	**6,397**	**37,630**	**11,375**	**4,806**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	44,169	15,769	6,397	37,630	11,375	4,806	-
- Options	**-**	***44,169***	***15,769***	***6,397***	***37,630***	***11,375***	***4,806***	**-**
+ long positions	-	*2,322*	*2,775*	*6,332*	*36,415*	*8,839*	*3,391*	-
+ short positions	-	*41,847*	*12,994*	*65*	*1,215*	*2,536*	*1,415*	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	***8***	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	*4*	-	-	-	-	-	-
+ short positions	-	*4*	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analyses

The impact on interest income of a 1% increase or decrease (thus including the trading portfolio) in interest rates is calculated using the Ermas software for management purposes, assuming that the maturity dates do not change for a year.
Two models are used: the contractual model, which does not include the modelling of on-demand items, and the behavioural model, which includes the modelling of the on-demand items and valuation of the stickiness effect (i.e., how long it takes to adapt to changes in interest rates) and the beta effect (how changes in market rates are absorbed by rates applied to on demand products).

Analysis of net interest income delta - Shock +100bp, -100bp
Contractual model (without modelling on-demand items)
in Euros

31/12/2015	REPRICING DELTA MI SHOCK +100bp	REPRICING DELTA MI SHOCK -100bp
Assets	***9,883,870***	***-9,422,691***
Other assets	3,124	-3,124
Assets / Cash	140,478	-140,478
Loans and receivables with banks	292,137	-292,155
Loans and receivables with customers	7,803,288	-7,746,117
Equity investments	100,376	-100,376
Securities portfolio	1,544,469	-1,140,442
Liabilities	***-12,349,173***	***12,351,664***
Securities issued	-911,012	913,149
Due to banks	-110,019	110,020
Due to customers	-11,328,142	11,328,496
Total	***-2,465,303***	***2,928,973***

Analysis of net interest income delta - Shock +100bp, -100bp
Behavioural model – stickiness effect
in Euros

31/12/2015	*REPRICING DELTA MI SHOCK 1*	*REPRICING DELTA MI SHOCK 2*
Assets	**9,588,129**	**-9,146,909**
Other assets	3,124	-3,124
Assets/Cash	140,478	-140,478
Loans and receivables with banks	292,137	-292,155
Loans and receivables with customers	7,507,547	-7,470,335
Equity investments	100,376	-100,376
Securities portfolio	1,544,469	-1,140,442
Off-statement of financial position	**0**	**0**
Outrights	0	0
Liabilities	**-9,139,608**	**1,646,494**
Securities issued	-911,012	913,149
Due to banks	-110,019	110,020
Due to customers	-8,118,576	623,326
Total	**448,522**	**-7,500,415**

Analysis of net interest income delta - Shock +100bp, -100bp
Behavioural model - stickiness and beta effects
In Euros

31/12/2015	*BETA REPRICING DELTA MI SHOCK 1*	*BETA REPRICING DELTA MI SHOCK 2*
Assets	**9,464,828**	**-9,022,472**
Other assets	3,124	-3,124
Assets/Cash	140,478	-140,478
Loans and receivables with banks	292,137	-292,155
Loans and receivables with customers	7,384,245	-7,345,898
Equity investments	100,376	-100,376
Securities portfolio	1,544,469	-1,140,442
Off-statement of financial position	**0**	**0**
Outrights	0	0
Liabilities	**-4,770,526**	**1,624,506**
Securities issued	-911,012	913,149
Due to banks	-110,019	110,020
Due to customers	-3,749,494	601,338
Total	**4,694,302**	**-7,397,966**

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.

The bank mainly operates in the US dollar.

The relevant operating office that carries out first level controls monitors the currency positions regularly. The Risk Management Unit performs checks of the internal limits once a month.

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

	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A.1 Financial assets	**3,605**	**103**	**73**	**147**	**196**	**474**
A.1 Debt instruments	-	-	-	-	-	-
A. Equity instruments	-	-	-	-	-	-
A.3 Financing to banks	3,438	103	73	147	196	474
A.4 Financing to customers	167	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**65**	**61**	**6**	**7**	**7**	**24**
C. Financial liabilities	**3,648**	**161**	**76**	**149**	**201**	**383**
C.1 Due to banks	-	-	76	-	-	-
C.2 Due to customers	3,648	161	-	149	201	383
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**8,539**	**4**	**2**	**-**	**176**	**-**
- Options	-	-	-	-	-	-
+ *long positions*	-	-	-	-	-	-
+ *short positions*	-	-	-	-	-	-
- Other derivatives	8,539	4	2	-	176	-
+ *long positions*	*4,231*	-	-	-	*92*	-
+ *short positions*	*4,308*	*4*	*2*	-	*84*	-
Total assets	**7,901**	**164**	**79**	**154**	**295**	**498**
Total liabilities	**7,956**	**165**	**78**	**149**	**285**	**383**
Difference (+/-)	**- 55**	**- 1**	**1**	**5**	**10**	**115**

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

	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	**38,107**	**-**	**43,559**	**-**
a) Options	37,769	-	42,952	-
b) IRS	338	-	607	-
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	**8,467**	**-**	**7,085**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	8,467	-	7,085	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**46,574**	**-**	**50,644**	**-**

A.3 Financial derivatives: gross positive fair value - breakdown by product

	Positive fair value			
	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	**211**	**-**	**483**	**-**
a) Options	90	-	128	-
b) Interest rate swaps	27	-	37	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	94	-	318	-
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	**211**	**-**	**483**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by product

	Negative fair value			
	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	**214**	**-**	**481**	**-**
a) Options	93	-	127	-
b) Interest rate swaps	27	-	37	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	94	-	317	-
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	**214**	**-**	**481**	**-**

A.5 OTC financial derivatives - supervisory trading book: notional amounts, gross positive and negative fair value by counterparty - contracts not included in netting agreements

	Government and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1. Debt instruments and interest rates	**-**	**-**	**19,165**	**204**	**-**	**9,085**	**10,062**
- notional amount	-	-	18,878	203	-	9,052	9,975
- positive fair value	-	-	90	-	-	-	27
- negative fair value	-	-	27	1	-	33	59
- future exposure	-	-	170	-	-	-	1
2. Equity instruments and share indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**4,368**	**-**	**-**	**4,110**	**264**
- notional amount	-	-	4,231	-	-	3,976	260
- positive fair value	-	-	89	-	-	6	-
- negative fair value	-	-	6	-	-	88	1
- future exposure	-	-	42	-	-	40	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	**12,422**	**16,998**	**17,155**	**46,575**
A.1 Financial derivatives on debt instruments and interest rates	3,955	16,998	17,155	38,108
A.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
A.3 Financial derivatives on currencies and gold	8,467	-	-	8,467
A.4 Financial derivatives on other assets	-	-	-	-
B. Banking book	**-**	**-**	**-**	**-**
B.1 Financial derivatives on debt instruments and interest rates	-	-	-	-
B.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other assets	-	-	-	-
Total at 31/12/2015	**12,422**	**16,998**	**17,155**	**46,575**
Total at 31/12/2014	**12,402**	**16,271**	**21,972**	**50,645**

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

Liquidity risk is the risk that the bank is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to free its assets (market liquidity risk), thus jeopardising daily operations or its financial position.

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 "Liquidity risk governance and management policy", approved by the board of directors in 2011, formalises this policy and sets out the emergency plan for any liquidity crises.

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.

Regular risk monitoring requires the monthly check that the limits set by regulations and in the RAF by the board of directors are complied with in respect of short-term and structural liquidity and the ordinary customers' lending/liquidity ratio.

The Ermas application and the matrix data feed the internal risk assessment model, which has differentiated weighing ratios depending on the type of asset and liability and classifies them considering their residual maturity (maturity ladder) as per the relevant regulations. Any differences and certain synthetic indexes are used to assess the structural liquidity situation over the entire timeframe.

Once a month, the bank checks the regulatory operating liquidity ratio (LCR - liquidity coverage ratio), which measures its ability to cover its forecast net cash outflows over 30 days, and the structural liquidity ratio (stable funding ratio), which estimates the degree of coverage of medium-term funding through stable forms of funding.

Both ratios were always stable and higher than the regulatory and internal limits, set by the RAF, in 2015. The highly liquid assets, which are the numerator in the LCR, mainly consist of uncommitted government bonds plus other liquidity items and the bank's exposure to the central bank which can be monetised in stress conditions.

The Risk Management Unit also performs monthly stress tests and the results are used to define ex ante 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.

The bank uses a judgement-based approach to estimate cash flows, based on subjective forecasts based on past experience and the guidance received from the supervisory authorities. Identification of appropriate risk factors is essential for the suitability of the stress tests. Given the bank's operations and related vulnerabilities, the main risk factors relate to:

- the bank's capacity to fund itself on interbank and retail markets;
- requests for liquidity to cover on demand liabilities;
- the use of credit facilities granted and usability of those received;
- losses due to non-repayment of large positions;
- the degree of liquidability of the bank's assets.

Based on these factors, the Risk Management Unit uses stress tests that include increases in the haircuts of highly liquid assets and cash outflows of the maturity ladder based on scenarios that it intends to analyse (increase in withdrawals by customers, greater use of current account credit facilities).

Given the bank’s operations and related vulnerabilities, the main risk factors relate to its capacity to fund itself on the interbank and retail markets, to cover on demand liabilities, the use of credit facilities granted and the usability of those received, losses due to non-repayment of large positions and the degree of liquidability of its assets.

Quantitative disclosure

The following table shows the data of the structural liquidity analysis model which show substantial financial balance at the reporting date:

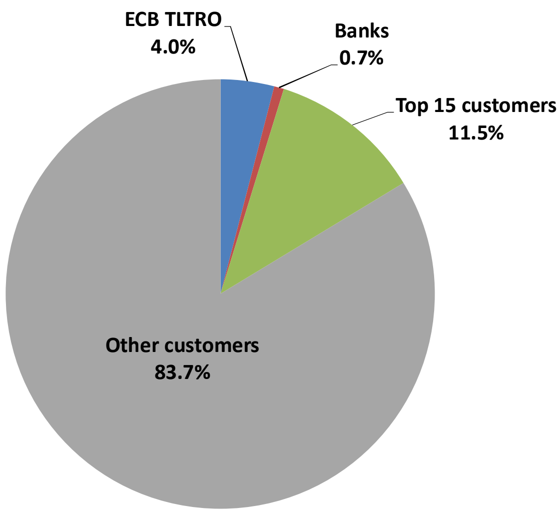
€'000

Time bracket	Asset/ availability	Liability/ commitment	Difference	Total difference	Balancing ratio
Highly liquid assets	567,602	-	-	-	-
On demand or revocation	2,808	186,809	383.601	383.601	3.05
Up to 1 month	72,780	29,964	42.816	426.417	2.97
From 1 to 3 months	53,635	48,504	5.131	431.548	2.63
From 3 to 6 months	33,419	19,276	14.143	445.691	2.57
From 6 to 12 months	44,482	53,801	-9.319	436.372	2.29
From 1 to 2 years	75,860	109,326	-33.466	402.906	1.90
From 2 to 3 years	65,049	102,915	-37.866	365.040	1.66
From 3 to 4 years	54,719	-	54.719	419.759	1.76
From 4 to 5 years	45,653	-	45.653	465.412	1.85
From 5 to 7 years	72,679	-	72.679	538.091	1.98
From 7 to 10 years	82,092	-	82.092	620.183	2.13
From 10 to 15 years	61,242	-	61.242	681.425	2.24
From 15 to 20 years	15,042	-	15.042	696.467	2.26
After 20 years	3,674	-	3.674	700.141	2.27
TOTAL	**1,250,736**	**550,595**	**700,141**		

Activities on the interbank deposit market are undertaken to invest surplus liquidity in short-term products so as to ensure fast liquidability.

At the reporting date, the top 15 customers (excluding banks) accounted for roughly 11.5% of the direct funding.

Breakdown of direct funding at 31/12/2015



1. Breakdown of financial assets and liabilities by residual contractual maturity

The following breakdown of foreign currency financial assets and liabilities shows the overall balance of deposits/financing and spot/forward exchange rate items.

Therefore, currency risks are immaterial thanks to the bank's careful management of foreign currency.

Currency: all currencies

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 2 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**297,439**	**5,166**	**7,089**	**24,210**	**54,291**	**51,745**	**131,453**	**533,547**	**535,860**	**5,285**
A.1 Government bonds	43	-	-	-	11,024	13,361	64,769	266,142	277,604	-
A.2 Other debt instruments	-	-	-	-	41	83	100	134	11,865	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	297,396	5,166	7,089	24,210	43,226	38,301	66,584	267,271	246,391	5,285
- Banks	*20,424*	*3,215*	-	*104*	-	-	-	-	-	*5,285*
- Customers	*276,972*	*1,951*	*7,089*	*24,106*	*43,226*	*38,301*	*66,584*	*267,271*	*246,391*	-
2. Liabilities	**1,121,156**	**10,307**	**2,725**	**11,212**	**50,627**	**19,796**	**55,425**	**212,370**	**-**	**-**
B.1 Deposits and current accounts	1,118,313	314	214	1,477	4,847	6,339	135	-	-	-
- Banks	*10,585*	-	-	*76*	-	-	-	-	-	-
- Customers	*1,107,728*	*314*	*214*	*1,401*	*4,847*	*6,339*	*135*	-	-	-
B.2 Debt instruments	1,295	9,993	2,511	9,735	45,086	13,457	55,290	152,370	-	-
B.3 Other liabilities	1,548	-	-	-	694	-	-	60,000	-	-
Off-statement of financial position transactions	**238**	**15,265**	**1,350**	**918**	**6,598**	**12,456**	**1,824**	**363**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	9,229	1,350	918	6,598	12,456	1,824	363	-	-
- long positions	-	*1,048*	*675*	*459*	*3,299*	*9,728*	*912*	*246*	-	-
- short positions	-	*8,181*	*675*	*459*	*3,299*	*2,728*	*912*	*117*	-	-
C.2 Financial derivatives without exchange of principal	**235**	-	-	-	-	-	-	-	-	-
- long positions	*116*	-	-	-	-	-	-	-	-	-
- short positions	*119*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**-**	**6,036**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	*3,018*	-	-	-	-	-	-	-	-
- short positions	-	*3,018*	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	3	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of principal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of principal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

At the reporting date, the bank had received guarantees of €11,389 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:
2011: 1 position for a total of €25 thousand;
2012: 5 positions for a total of €61 thousand;
2013: 7 positions for a total of €542 thousand;
2014: 15 positions for a total of €399 thousand;
2015: 4 positions for a total of €431 thousand.

Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 2 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**296,327**	**1,951**	**7,089**	**24,103**	**54,190**	**51,679**	**131,453**	**533,547**	**535,860**	**5,285**
A.1 Government bonds	43	-	-	-	11,024	13,361	64,769	266,142	277,604	-
A.2 Other debt instruments	-	-	-	-	41	83	100	134	11,865	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	296,284	1,951	7,089	24,103	43,125	38,235	66,584	267,271	246,391	5,285
- Banks	*19,312*	-	-	-	-	-	-	-	-	*5,285*
- Customers	*276,972*	*1,951*	*7,089*	*24,103*	*43,125*	*38,235*	*66,584*	*267,271*	*246,391*	-
Liabilities	**1,116,613**	**10,307**	**2,725**	**11,136**	**50,627**	**19,796**	**55,425**	**212,370**	**-**	**-**
B.1 Deposits and current accounts	1,113,773	314	214	1,401	4,847	6,339	135	-	-	-
- Banks	*10,585*	-	-	-	-	-	-	-	-	-
- Customers	*1,103,188*	*314*	*214*	*1,401*	*4,847*	*6,339*	*135*	-	-	-
B.2 Debt instruments	1,295	9,993	2,511	9,735	45,086	13,457	55,290	152,370	-	-
B.3 Other liabilities	1,545	-	-	-	694	-	-	60,000	-	-
Off-statement of financial position transactions	**238**	**8,449**	**675**	**458**	**3,298**	**9,868**	**912**	**363**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	8,441	675	458	3,298	9,868	912	363	-	-
- long positions	-	*680*	*354*	*229*	*1,630*	*8,448*	*456*	*246*	-	-
- short positions	-	*7,761*	*321*	*229*	*1,668*	*1,420*	*456*	*117*	-	-
C.2 Financial derivatives without exchange of principal	**235**	-	-	-	-	-	-	-	-	-
- long positions	*116*	-	-	-	-	-	-	-	-	-
- short positions	*119*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**-**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	*4*	-	-	-	-	-	-	-	-
- short positions	-	*4*	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	3	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of principal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of principal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

SECTION 4 - OPERATIONAL RISKS

Qualitative disclosure

A. General aspects, management and measurement of operational risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors. This risk includes losses caused by fraud, human error, business discontinuity, system breakdowns, contractual defaults and natural disasters. It also comprises legal risk but not strategic or reputational risk.

In line with the proportionality principle, the bank uses the basic method (basic indicator approach of 15% of the average total income for the last three years) to measure its capital requirements to cover operational risk.

The Risk Management Unit was defined in the "Operational risk mitigation policy" approved by the board of directors on 24 June 2014. Specifically:

- the board of directors defines the guidelines to control and mitigate operational risk, regularly checking that they are correctly implemented and reflect the bank's operations as well as the transparent and appropriate allocation of duties and responsibilities;
- the managing director defines the operating rules and practices, activities, procedures and most appropriate units to manage the operational risk mitigation process assisted by the competent units and in line with the policies set by the board of directors; they also check their suitability over time in terms of the adequacy and functionality and ensures steps are taken to eliminate any weaknesses or dysfunctions;
- as a control body, the board of statutory auditors monitors the adequacy of the risk management and control system and internal controls;
- the Risk Management Unit designs and updates the methods to measure risks and assists the Organisation Office to assign the first and second level controls when new products, processes or activities are introduced, amendments are made to legislation and regulations, changes take place in the market conditions or other external factors;
- the Internal Audit Unit carries out regular audits of the operational risk management system; it works with the Risk Management Unit to develop, implement and maintain the operational risk management system; it liaises promptly with the board of directors on its findings when they identify effective weaknesses in the controls adopted to mitigate operational risks that would expose the bank to the risk of large losses.

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 lead to legal risks principally 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, investment services and tax regulations.

With respect to Legislative decree no. 231/01, the bank implemented the organisational model proposed by the ABI, approved by the Ministry for Justice, and set up a supervisory body to ensure the working and compliance of the models. Since March 2014, the board of statutory auditors has carried out the supervisory body's duties, with the assistance of the pro tempore heads of the bank's control units (Internal Audit, Risk Management, Compliance and AML).

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.

The "Compliance Unit's Regulation" covers the risk of non-compliance and its management as well as the methods adopted by the Unit to carry out its duties. Pursuant to Bank of Italy Circular no. 285/13, the regulation defines the scope of the Unit's duties and specific controls, as well as a special function to perform the compliance tests.

During the year, in order to contain the risk of money laundering and financing of terrorism, the Anti-money Laundering Unit stepped up its controls and continued to encourage a culture of compliance, both internally and externally.

On 24 June 2014, the board of directors approved an amendment to the "Policy to combat money laundering and the financing of terrorism of Cassa di Risparmio di Fermo S.p.A.", designed to comply with Bank of Italy's "Measure setting out instructions for the implementation of customer due diligences pursuant to article 7.2 of Legislative decree no. 231 of 21 November 2007" applicable from 1 January 2014.

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 avoid 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.

Tax regulations

In 2012, the Italian Inland Revenue carried out an inspection of the bank with respect to the IRES and IRAP direct taxes as well as the main indirect taxes paid by the bank in 2009. The extremely comforting results confirmed that the bank's procedures were correctly used thus ensuring compliance with the sector regulations.

PART F
Equity

Section 1 - Equity

A. Qualitative disclosure

Regulation (EU) no. 575/2013 (CRR) and Directive no. 2013/36/EU (CRD IV) of 26 June 2013 covering banks and investment companies became effective on 1 January 2014. They transposed the supervisory standards for banks defined by the Basel Committee in the European Union.

On 19 December 2013, Bank of Italy published Circular no. 285 "Prudential reporting instructions for banks", setting out guidance on how to implement CRD IV. The central bank subsequently issued Circular no. 286 "Instructions for preparing prudential reports for banks and investment companies", which regulates the prudent supervisory reports prepared on a separate and consolidated basis.

Equity management covers all the policies and decisions necessary to ensure that the bank's own funds are adequate to cover its assets and risks. The bank has to comply with capital adequacy requirements established by the above regulations.

Checks of compliance with the minimum prudential requirements are ongoing and consider possible changes in risks and the Risk Appetite Framework (RAF).

Moreover and in accordance with the ECB's recommendation of 28 January 2015, compliance with the minimum requirements is also ensured by observance of a pay out policy tied to attainment of the above-mentioned minimum capital requirements.

On 23 January 2014, the board of directors exercised the option envisaged by part 2, chapter 14, section II of the aforesaid Circular no. 285. This measure provides for the exclusion of unrealised profits or losses on positions with governments classified in the AFS portfolio from calculation of CET 1 (common equity tier 1) until IFRS 9 is adopted by the EU countries. This new standard includes new classification criteria for assets and liabilities, especially assets recognised as available for sale. Exercise of the option affected the regulatory capital reports starting from 31 March 2014.

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.

Since 1 January 2014, the Italian banks are required to have a minimum CET 1 ratio of 4.5%, a TIER 1 ratio of 5.5% (6% from 2015) and a Total Capital Ratio of 8%. These minimum requirements have been supplemented by the following CET 1 buffers: Capital Conservation buffer of 2.5% from 1 January 2014 and, from 2016, Countercyclical buffer in periods of high credit growth and Systematic buffer for major international or local banks. Non-compliance with the sum of these buffers (Combined Requirement) leads to limits on distributions and the requirement to introduce a capital conservation plan.

B. Quantitative disclosure

B.1 Equity: breakdown

	31/12/2015	31/12/2014
1. Share capital	**39,241**	**39,241**
2. Share premium	**34,660**	**34,660**
3. Reserves	**68,276**	**67,230**
- income-related	62,146	61,100
a) legal	*17,134*	*16,725*
b) statutory	*47,872*	*47,235*
c) treasury shares	*-*	*-*
d) other	*- 2,860*	*- 2,860*
- other	6,130	6,130
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves	**18,101**	**19,836**
- Available-for-sale financial assets	5,593	8,674
- 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	-	-
- Net actuarial losses on defined benefit pension plans	- 2,614	- 3,960
- Share of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	15,122	15,122
Profit for the year	**7,059**	**4,084**
Total	**167,337**	**165,051**

Item “3. Reserves - d) Other” includes the IFRS FTA reserve of €2,860 thousand.

B.2 Fair value reserves: breakdown

	31/12/2015		31/12/2014	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	5,673	258	8,022	465
2. Equity instruments	177	-	1,117	-
3. OEIC units	-	-	-	-
4. Financing	-	-	-	-
Total	**5,850**	**258**	**9,139**	**465**

B.3 Fair value reserves: changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**7,557**	**1,117**	**-**	**-**
2. Increases	**6,469**	**391**	**-**	**-**
2.1 Fair value gains	3,890	27	-	-
2.2 Reclassification of fair value losses to profit or loss	181	-	-	-
- due to impairment	-	-	-	-
- on sale	181	-	-	-
2.3 Other increases	2,398	364	-	-
3. Decreases	**8,611**	**1,330**	**-**	**-**
3.1 Fair value losses	1,453	960	-	-
3.2 impairment losses	-	-	-	-
3.3 Reclassification of fair value gains to profit or loss	5,814	363	-	-
3.4 Other decreases	1,344	7	-	-
4. Closing balance	**5,415**	**178**	**-**	**-**

B.4 Actuarial reserves: changes

	Fip (pension fund)	Post-employment benefits
1. Opening balance	**- 2,638**	**- 1,322**
2. Increases	**831**	**515**
2.1 Actuarial gains	1,146	710
2.2 Deferred tax assets	- 315	- 195
3. Decreases	**-**	**-**
3.1 Actuarial losses	-	-
3.2 Deferred tax liabilities	-	-
4. Total (negative reserve)	**- 1,807**	**- 807**

Section 2 – Own funds and ratios

2.1 Own funds

Qualitative disclosure

The reforms of the Basel Committee agreements (Basel 3), aimed at strengthening banks' ability to absorb shocks caused by financial and economic tensions, became part of the EU legislation on 1 January 2014.

The Committee maintained the three-pillar approach at the base of the previous capital agreement (Basel 2), which it integrated and strengthened to improve the amount and quality of intermediaries' capital. It also introduced countercyclical supervisory tools and rules about liquidity risk management and financial leverage containment.

The above EU laws were integrated by the instructions issued by Bank of Italy in Circular no. 285 of 17 December 2013, which grouped the prudential supervisory regulations applicable to banks and Italian banking groups.

These regulations provided for a transitional period, generally until 2017, when only a percentage of some elements that will be included or deducted in full in Common Equity after the transitional period affect the Tier 1 capital. The remaining percentage compared to that applied is usually added to/deducted from the ATI and Tier 2 capital or included in the calculation of risk-weighted assets. At 31 December 2015, the capital ratios included the adjustments required for the transitional period in 2015.

1. Common Equity Tier 1 – CET 1

A. Common Equity Tier 1 – CET 1

This caption includes:

- fully paid-up instruments (share capital) €39,241 thousand;
- share premium €34,660 thousand;
- income-related reserves €65,004 thousand;
- reserves that are taxed upon distribution as per Law no. 218/90 €6,129 thousand;
- IFRS FTA reserve -€2,860 thousand;
- reserve for building revaluations as per Law no. 218/90 €15,122 thousand;
- the profit for the year of €7,059 thousand included in own funds as per article 26.2 of the CRR, net of dividends of €3,029 thousand;
- actuarial reserve under revised IAS 19 €2,614 thousand;
- fair value reserve of €5,593 thousand;

D. Elements to be deducted from CET 1

This caption includes:

- intangible assets €168 thousand;
- 60% of the unrealised losses on bank bonds classified in the AFS portfolio of €231 thousand.

E. Transitional regime - Impact on CET 1 (+/-)

This caption includes the following transitional adjustments:

- exclusion of unrealised gains/losses on AFS securities of -€8,467 thousand;

- positive filter on actuarial reserves (IAS 19) of €1,498 thousand.

2. Additional Tier 1 – AT 1

This capital cannot be calculated due to the lack of elements.

3. Tier 2 – T2

O. Transitional regime - Impact on T2 (+/-)

This caption includes:

- the national filter introduced by Bank of Italy Circular no. 285 of 60% of 50% of the unrealised gains on AFS securities of €73 thousand.

Quantitative disclosure

	31/12/2015	31/12/2014
A. Common Equity Tier 1 (CET1) before application of prudential filters	**165,159**	**160,139**
including CET 1 instruments covered by the transitional measures	-	-
B. CET1 prudential filters (+/-)	**-**	**-**
C. CET1 including the elements to be deducted and the effects of the transitional regime (A +/- B)	**165,159**	**160,139**
D. Elements to be deducted from CET1	**- 399**	**- 516**
E. Transitional regime - Impact on CET1 (+/-)	**- 6,885**	**- 6,894**
F. Total Common Equity Tier 1 (CET1) (C– D +/-E)	**157,875**	**152,729**
G. Additional Tier 1 (AT1) including the elements to be deducted and the effects of the transitional regime	**231**	**372**
including AT1 instruments covered by the transitional measures	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime - Impacts on AT1 (+/-)	**- 231**	**- 372**
L. Total Additional Tier 1 (AT1) (G - H +/-I)	**-**	**-**
M. Tier 2 (T2) including the elements to be deducted and the effects of the transitional regime	**-**	**-**
including T2 instruments covered by the transitional measures	-	-
N. Elements to be deducted from T2	**-**	**-**
O. Transitional regime - Impact on T2 (+/-)	**73**	**447**
P. Total Tier 2 (T2) (M - N +/- O)	**73**	**447**
Q. Total own funds (F + L + P)	**157,948**	**153,176**

The quantitative impact of application of the option envisaged by part 2, chapter 14, section II of Bank of Italy Circular no. 285/2013, which provides for the exclusion of unrealised gains or losses on positions with governments classified in the AFS portfolio from calculation of CET 1, is equal to the reserve of €8,467 thousand.

2.2 Capital adequacy

Qualitative disclosure

As shown in the table on the bank's risk-weighted assets and capital ratios, it had a CET 1 Capital Ratio of 16.06%, a Tier 1 Capital Ratio of 16.06% and a Total Capital Ratio of 16.06% at 31 December 2015, well above the minimum mandatory requirements of CRR/CRD IV and Bank of Italy's instructions in its Circular no. 285/2013.

The regulatory capital requirements of €78.6 million refer to credit, operational and market risk. Credit operations account for the most capital with credit risk requirements of €59.1 million.

Risk-weighted assets amount to €983 million. There has been an increase in such assets for market risk, while credit risks decreased.

Quantitative disclosure

	Unweighted amounts		Weighted amounts/requirements	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
A. EXPOSURES				
A.1 Credit and counterparty risk	**1,369,851**	**1,476,905**	**739,298**	**772,349**
1. Standardised method	1,369,851	1,476,905	739,298	772,349
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**59,144**	**61,788**
B.2 Credit risk			**24**	**40**
B.3 Regulation risk			**-**	**-**
B.4 Market risk			**9,205**	**1,583**
1. Standard method			9,205	1,583
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**10,282**	**10,669**
1. Basic method			10,282	10,669
2. Standardised method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**78,655**	**74,080**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**983,188**	**926,000**
C.2 CET 1 capital /risk-weighted assets (CET1 capital ratio)			**16.06%**	**16.49%**
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			**16.06%**	**16.49%**
C.3 Total own funds/risk-weighted assets (Total capital ratio)			**16.06%**	**16.54%**

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 Sanpaolo 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)

	31/12/2015
C. Managers	**598,197**
Short-term benefits	567,446
Current termination benefits	30,751
Total termination benefits	439,553
A. Directors	**725,797**
Fees	725,797
B. Statutory auditors	**128,237**
Fees	128,237

2. Related party transactions (€'000)

	Assets	Liabilities	Costs	Revenue	Guarantees received
A. Directors	957	2,567	47	65	1,404
B. Statutory auditors	-	132	1	1	43
C. Managers	159	48	3	6	237
D. Family members	90	881	19	21	196
E. Other related parties	5,235	13,718	204	70	11,280
Total	**6,441**	**17,346**	**274**	**163**	**13,160**

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 bonds issued at the reporting date;

e) – treasury and cash services.

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

A3 - TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer

A.3.3 Transfer of HFT financial assets

A.3.4 Effective interest rate and expected future cash flows from reclassified assets

A.4 - FAIR VALUE DISCLOSURE

- *A.4.5.3 Changes in liabilities measured at fair value on a recurring basis (level 3)*

A.5 INFORMATION ON “DAY ONE PROFI/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

- 5.2 Caption 50 “Financial liabilities at fair value through profit or loss”: subordinated liabilities
- 5.3 Financial liabilities at fair value through profit or loss: changes

SECTION 6 - HEDGING DERIVATIVES - CAPTION 60

- 6.1 Hedging derivatives: type of contract and underlying asset
- 6.2 Hedging derivatives: breakdown by hedged item and type

SECTION 7 - ADJUSTMENTS TO GENERICALLY HEDGED FINANCIAL LIABILITIES - CAPTION 70

- 7.1 Adjustment to hedged liabilities
- 7.2 Liabilities hedged generically against interest rate risk: breakdown

SECTION 9 - LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS - CAPTION 90

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES - CAPTION 120

- 12.4 Provisions for risks and charges - other provisions

SECTION 13 - REDEEMABLE SHARES - CAPTION 140

- 13.1 Redeemable shares: breakdown

SECTION 14 - EQUITY - CAPTIONS 130, 150, 160, 170, 180, 190 AND 200

- 14.3 - information
- 14.5 Equity instruments: breakdown and changes;
- 14.6 - Other information;

OTHER DISCLOSURES

- 3. Operating leases:
- 5. Offset financial assets or assets subject to master netting agreements or similar agreements
- 6. Offset financial liabilities or liabilities subject to master netting agreements or similar agreements

PART C - NOTES TO THE INCOME STATEMENT

SECTION 1 - INTEREST - CAPTIONS 10 AND 20

- 1.2 Interest and similar income: differences on hedging transactions
- *1.3.2 Interest income on finance leases*
- 1.5 Interest and similar expense: differences on hedging transactions
- 1.6.2 Interest expense on finance lease liabilities

SECTION 5 - NET HEDGING INCOME (EXPENSE) - CAPTION 90

- 5.1 Net hedging income (expense): breakdown

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

SECTION 8 - NET IMPAIRMENT LOSSES/REVERSALS OF IMPAIRMENT LOSSES - CAPTION 130

- 8.3 Net impairment losses on held-to-maturity investments: breakdown

SECTION 14 - GAINS (LOSSES) ON EQUITY INVESTMENTS - CAPTION 210

- 14.1 Gains (losses) on equity investments: breakdown

- C.2.3 Transfers with associated liabilities having recourse on the transferred assets: fair value

- B. Financial assets transferred and fully derecognised with recognition of continuing involvement

D. Disclosure on unconsolidated structured entities (other than securitisation SPVs)

QUALITATIVE DISCLOSURE

QUANTITATIVE DISCLOSURE

E. Transfers

C.3 TRANSFERS WITH ASSOCIATED LIABILITIES HAVING RECOURSE ON THE TRANSFERRED ASSETS: FAIR VALUE

B. Financial assets transferred and fully derecognised with recognition of continuing involvement

QUALITATIVE DISCLOSURE

QUANTITATIVE DISCLOSURE

C.4 COVERED BOND TRANSACTIONS

D. Credit risk measurement models

SECTION 2 - MARKET RISK

2.1 INTEREST RATE AND PRICE RISK - SUPERVISORY TRADING BOOK

- 2. Supervisory trading book: breakdown of exposure in equity instruments and share indexes by main stock exchange
- 3. Supervisory trading book: internal models and other methodologies used to analyse sensitivity

2.2 INTEREST RATE AND PRICE RISK – BANKING BOOK

- 2. Banking book: internal models and other methodologies for sensitivity analyses

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	as per Law no. 218/90	as per Law no. 413/91	GROSS AMOUNT	including value of land	including value of buildings	CARRYING AMOUNT BUILDINGS
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	609,609.21
Fermo Campoleggio Corso Marconi, 19	103,291.38	274,755.07	42,865.92	432,750.15	43,275.02	389,475.13	80,040.45
Fermo Campoleggio - extension Corso Marconi, 19	-	-	1,549.37	19,039.38	1,903.94	17,135.44	2,436.81
Carassai Piazza Leopardi 8/9	25,822.84	24,273.47	11,362.05	66,563.76	8,653.29	57,910.47	8,680.82
Cupramarittima Via E. Ruzzi, 9	-	211,230.87	47,514.03	436,910.79	-	436,910.79	79,575.12
Grottazzolina Via Verdi, 5	51,645.69	32,020.33	25,306.39	124,894.81	-	124,894.81	16,051.50
Montegranaro P.zza Mazzini	175,595.35	47,867.29	41,501.96	200,509.38	-	200,509.38	25,023.35
Monterubbiano Piazza Calzecchi Onesti, 9	46,481.12	63,007.74	18,592.45	131,741.32	13,174.13	118,567.19	20,563.22
Monte San Pietrangeli Via S. Antonio, 6	-	64,040.66	4,131.66	140,636.48	-	140,636.48	39,378.27
Montottone Piazza Leopardi, 8	37,184.90	29,954.50	14,977.25	85,204.37	10,224.52	74,979.85	11,071.14
Monturano Via Gramsci, 32/A	232,405.60	583,079.84	129,114.22	1,058,503.84	158,775.58	899,728.26	176,587.28
Petritoli Via Mannocchi Tornabuoni, 25	28,405.13	88,314.13	12,911.42	135,285.44	13,528.54	121,756.90	25,508.87
Falerone fraz. Piane di Falerone Viale of Resistenza, 95	51,645.69	205,549.85	26,339.30	301,981.85	75,495.47	226,486.38	48,696.76
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	62,817.66
Porto S. Elpidio - Restructuring Via Marina, 1	180,759.91	167,848.49	81,600.19	499,256.17	70,224.58	429,031.59	86,686.52
Porto S. Giorgio - head office Via Annibal Caro, 11	-	2,471,246.26	73,853.34	5,703,013.66	1,140,602.74	4,562,410.92	1,136,682.55
S.Elpidio a Mare Via Rome, 31	129,114.22	523,170.84	65,590.03	764,747.17	-	764,747.17	164,852.98
S.Elpidio a Mare 1981 extension Via Rome, 31	-	-	34,602.61	127,207.59	-	127,207.59	9,688.71
S.Elpidio a Mare 1983 extension Via Rome, 31	-	-	33,569.70	139,393.78	-	139,393.78	10,457.81
Fermo P.zza Mascagni, 4	154,937.07	211,747.33	66,106.48	455,484.95	-	455,484.95	77,799.13
Fermo - P.zza Mascagni 1984 extension	-	-	5,164.57	25,169.18	-	25,169.18	2,246.20
Fermo Via Ognissanti	-	11,878.51	4,648.11	29,035.21	3,484.22	25,550.99	4,072.18
Fermo Corso Cavour, 104	-	1,066,999.95	217,428.35	2,647,791.16	264,779.13	2,383,012.03	450,827.41
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	102,303.95
Fermo V.le Trento, 182	-	3,083,247.69	601,672.29	7,454,739.36	1,490,947.88	5,963,791.48	1,136,475.47
S.Benedetto del Tronto Via Liberazione, 190	-	820,650.01	211,230.87	2,356,260.19	164,938.21	2,191,321.98	391,869.04

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 value of land	including value of buildings	CARRYING AMOUNT BUILDINGS
Civitanova Marche Via Cairoli, 22	-	388,375.59	30,987.41	804,859.80	-	804,859.80	179,101.19
Porto S. Elpidio - Restructuring Piazza Giovanni XXIII, 14	232,405.60	108,455.95	-	419,019.11	-	419,019.11	314,428.38
Fermo V.le Ciccolungo area	-	-	-	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	591,628.16
Montegranaro Via Gramsci	-	-	-	465,720.02	-	465,720.02	235,188.62
Recanati Santacroce 34/E	-	-	-	301,285.46	60,257.09	241,028.37	121,719.36
Rome Via Puglie 15/21	-	-	-	2,932,724.03	-	2,932,724.03	1,920,934.25
Colli del Tronto Via Matteotti, 2	-	-	-	342,295.20	-	342,295.20	225,991.07
Porto S. Elpidio - Restructuring Via S. Giovanni Bosco, 10	-	-	-	497,084.46	99,416.89	397,667.57	260,472.23
Fermo - Loc. Molini Girola	-	-	-	30,250.00	6,050.00	24,200.00	17,966.08
Falerone fraz. Piane - Restructuring Viale of Resistenza, 95	-	-	-	111,836.61	-	111,836.61	88,339.73
Montegiorgio - Loc. Piane Via A. Einstein, 8	-	-	-	869,227.16	116,000.00	753,227.16	684,608.18
Fermo Via G. da Palestrina 13/19	-	-	-	418,945.49	-	418,945.49	379,857.89
Fermo Piazza del Popolo, 38	-	-	-	16,400.00	-	16,400.00	15,186.40
San Benedetto del Tronto Via Francesco Fiscaletti	-	-	-	918,260.22	-	918,260.22	862,980.95
Recanati Via Villa Musone snc	-	-	-	306,356.00	-	306,356.00	295,541.63
TOTAL	**2,642,193.48**	**12,901,963.06**	**2,364,525.08**	**38,819,946.15**	**4,222,923.26**	**34,597,022.89**	**11,450,878.65**

List of equity investments recognised in the available-for-sale financial assets portfolio

OTHER INVESTMENTS	Carrying amount 31/12/2014	Changes in 2014			Carrying amount 31/12/2015	of which for revaluation or transfer	of which measurement
		(+) Purchases	(-) Sales	(+/-) measurement			
SEDA -Soc. Elaborazione Dati S.p.A.	256,584.48	0.00	0.00	-256,584.48	0.00	23,240.56	-126,348.65
BANCA D'ITALIA	3,250,000.00	0.00	0.00	0.00	3,250,000.00	0.00	0.00
Cartasì SpA	266,219.94	0.00	-266,219.94	0.00	0.00	0.00	232,283.31
Intesa Sanpaolo S.p.A.	98,238.56	0.00	0.00	26,849.86	125,088.42	0.00	28,962.84
SIA SpA	161,770.00	0.00	0.00	0.00	161,770.00	0.00	139,703.54
Gruppo d'Azione Locale "Piceno" s.c.a.r.l.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Alipicene S.r.l.	2,582.00	0.00	0.00	0.00	2,582.00	0.00	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.	6,116,000.00	0.00	0.00	-960,000.00	5,156,000.00	0.00	76,000.00
CARICESE	20,000.00	0.00	0.00	0.00	20,000.00	0.00	0.00
CONFIDICOOP MARCHE	100,000.00	0.00	0.00	0.00	100,000.00	0.00	0.00
Italian Dream Factory S.r.l.	1,800,000.00	0.00	-210,000.00	-633,600.05	956,399.95	0.00	-633,600.05
TOTAL AS PER ACCOUNTING RECORDS	**12,076,924.06**	**0.00**	**-476,219.94**	**-1,823,334.67**	**9,777,369.45**	**23,240.56**	**-282,999.01**

List of bonds issued at the reporting date

Bond issue ISIN number	Issue date	Maturity date	Amount € '000
ISIN "IT 0004674146"	03/01/2011	03/01/2016	10,000
ISIN "IT 0004687858"	08/02/2011	08/02/2016	9,948
ISIN "IT 0004701972"	18/03/2011	18/03/2016	18,500
ISIN "IT 0004886005"	21/01/2013	21/01/2016	6,258
ISIN "IT 0004885999"	21/01/2013	21/01/2017	30,000
ISIN "IT 0004918279"	06/05/2013	06/05/2017	11,687
ISIN "IT 0004923980"	05/06/2013	05/06/2017	13,104
ISIN "IT 0004955461"	02/09/2013	02/03/2016	13,078
ISIN "IT 0004961196"	30/09/2013	30/09/2016	3,203
ISIN "IT 0004961238"	30/09/2013	30/09/2017	11,957
ISIN "IT 0004985948"	03/01/2014	03/01/2017	9,406
ISIN "IT 0004991029"	06/02/2014	06/02/2017	2,421
ISIN "IT 0004991037"	06/02/2014	06/02/2018	15,000
ISIN "IT 0004998883"	03/03/2014	03/03/2017	3,497
ISIN "IT 0004998891"	03/03/2014	03/03/2018	25,312
ISIN "IT 0005028656"	03/07/2014	03/07/2016	26,859
ISIN "IT 0005055014"	03/09/2014	03/09/2017	9,375
Total			**219,605**

During 2015, bond issues of €17,607 thousand matured while no new issues were made.

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 and cash services

Treasury services	
Body	**Municipality**
Municipality of Carassai	Carassai (AP)
Municipality of Fermo	FERMO
Municipality of Grottazzolina	Grottazzolina (FM)
Municipality of Lapedona	Lapedona (FM)
Municipality of M. Vidon Combatte	Monte Vidon Combatte (FM)
Municipality of M.S. Pietrangeli	Monte S. Pietrangeli (FM)
Municipality of Monsampietro Morico	Monsampietro Morico (FM)
Municipality of Monte Giberto	Monte Giberto (FM)
Municipality of Montefiore dell'Aso	Montefiore dell'Aso (AP)
Municipality of Monteleone	Monteleone di Fermo (FM)
Municipality of Monterubbiano	Monterubbiano (FM)
Municipality of Montottone	Montottone (FM)
Municipality of Moresco	Moresco (FM)
Municipality di Pedaso	Pedaso (FM)
Municipality of Petritoli	Petritoli (FM)
Municipality of Ponzano di Fermo	Ponzano di Fermo (FM)
Municipality of Porto San Giorgio	Porto San Giorgio (FM)
Municipality of Rapagnano	Rapagnano (FM)
Municipality of Ripe San Ginesio	Ripe San Ginesio (MC)
Municipality of Sant'Elpidio a Mare	Sant'Elpidio a Mare (FM)
Municipality of Servigliano	Servigliano (FM)
Municipality of Torre San Patrizio	Torre S. Patrizio (FM)
Province of 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 "Rodari - Marconi"	Porto Sant'Elpidio (FM)
Istituto Comprensivo Monte Urano	Monte Urano (FM)
Ente Regionale per l'Abitazione Pubblica	FERMO
Istituto Comprensivo "Da Vinci - Ungaretti"	FERMO
Istituto Comprensivo di Bellante Stazione	Bellante (TE)
Istituto Tecnico Industriale Statale "G. Montani"	FERMO
Liceo Ginnasio "Annibal Caro"	FERMO
Mercato Ittico	Porto San Giorgio (FM)
Fondazione "G. Didari"	Francavilla D'Ete (FM)
Fondazione Ric. Montegranaro	Montegranaro (FM)
Fondazione Opere Pie Riunite	Monte S. Pietrangeli (FM)
Ospizio Marino	FERMO
Pia Casa "F. Falconi"	Sant'Elpidio a Mare (FM)
Ordine Dottori Commercialisti ed Esperti Contabili	FERMO