cariFermo
cassa di risparmio di fermo s.p.a.

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

2013 ANNUAL REPORT

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BOARD OF DIRECTORS
Meeting of 27 March 2014

Directors' report

Dear shareholders,

During 2013, the composition of the bank's board of directors changed significantly. The current board fully agrees with and has adopted the strategic objectives assigned by its shareholders. Therefore, its change reflects the intention to renew and follow on with the bank's mission as well as to continue to manage the bank prudently and wisely enabling it to maintain and develop its central role in Italy.

Households and businesses have faced another rather difficult year in both Italy and abroad, characterised by great instability and economic and financial hardships. The Italian banks were under great pressure to perform and the preliminary 2013 results show very low profits due to the extremely large impairment losses recognised, the negative effect of which was only partly offset by gains on the securities portfolios.

A few salient figures best represent this situation: GDP contracted in 2013 alone by another 0.8%, after losing 2.4% in 2012, industrial production and gross capital expenditure dropped 3% while employment numbers fell by over 293 thousand with the unemployment rate rising to 12.7%.

Notwithstanding this situation, Carifermo's performance and results can be said to be satisfactory for many aspects.

Firstly, the bank made a profit of more than €8.1 million which allows the board of directors to propose the shareholders approve distribution of a dividend, after making large provisions, while complying with Banca d'Italia's rigid guidelines. The key statement of financial position figures show the bank's growth and its increasingly strong foothold in the market. This implies greater customer loyalty, as can be seen by the very positive direct funding figures.

The lending business' contraction, down by 3.5% on a year-on-year basis, is mainly due to the scarce demand for credit rather than the lack of supply. The steady worsening in debtor quality is worrying as net impaired loans have grown by 20.4% on a year-on-year basis.

The profit for the year was heavily affected by two contrasting captions that most represent 2013: income from securities, including revaluation of the Banca d'Italia shares, of €11.9 million and the net impairment losses on loans and receivables of €10.9 million.

The importance of these two captions is clearly a result of the specific economic and financial characteristics of the last year. The positive income from securities benefited from the market's growing confidence in Italian state bonds while the large net impairment losses reflect the worsening in loan quality due to the ongoing economic crisis. It is hoped that the expected improvement in the general market conditions in 2014 will mitigate the impact of loan deterioration on the bank's results, starting from the current year.

Carifermo's results also include the adverse effects of the rise in 2013 taxes imposed on banks as well as the measures to assist banks in difficulties issued by the Fondo Interbancario di Tutela dei Depositi (Interbank Deposit Protection Fund).

At 31 December 2013, equity had grown by €2.5 million on the previous year end to €161.3 million, thus confirming the bank's very satisfactory equity reserves.

As part of the 2013-2015 business plan, the bank commenced a number of projects to develop the total income generated by the distribution network, to reduce costs, to focus on its core business, to rationalise credit management activities and strengthen its equity base.

As explained in the sections on internal controls, risk management and compliance, the bank has taken steps to ensure that its growth takes place in full compliance with its policies and in a transparent manner.

With respect to its activities undertaken to assist local businesses, Carifermo organised a seminar on the payment system regulations and migration from Italian to European platforms. This seminar also involved the ABI (Italian Bankers' Association) and the Fermo Chamber of Commerce and was attended by participants who are very interested in the new system. It undoubtedly contributed to increasing the local businesses' awareness of these issues which are of great importance to them.

The bank's end objective is to exploit all those factors and conditions necessary to comply with its mission, which includes maintaining the bank's independence. This is a very ambitious goal and also useful and essential for its local customers.

International situation

The global economy regained strength slowly throughout 2013, assisted by a speed up in growth of most of the advanced economies, especially the USA.

Following the Federal Open Market Committee's (FOMC) decision, communicated in December 2013 but awaited for months by markets, to steadily repurchase assets, the international financial markets gained confidence and this is expected to support the global economy.

The most recent economic surveys indicate that the economic conditions are satisfactory, including in the fourth quarter of 2013, and on the upturn.

The economic cycle forecasts for the global economy also continue to foresee gradual recovery. The component of the international PMI index related to new orders grew again in December. At the same time, other indicators show signs of improvement in the growth outlook for most of the OECD countries and a hesitant return of the major emerging countries, such as China, Russia and India.

International trade continued to be brisk at the start of the fourth quarter of 2013, showing greater stabilisation after the long period of little growth.

Inflation pressure at a global level is modest. General consumer inflation in the OECD member countries increased slightly on a year-on-year basis, rising to 1.5% in November due to the gradual phase out of the drop in energy prices.

Containment of international inflation was assisted by the relative stability of commodity prices. Oil prices started to decrease from the start of December to USD107/bbl on 8 January 2014, a 3% reduction on 2013.

Non-energy commodity prices were substantially stable on average at year end, except for a drop in cereal prices and a rise in metal prices. At the start of January, the combined non-energy price index had lost roughly 7% on the previous year.

UNITED STATES

The US GDP increased by 3.2% on a year-on-year basis, added to the 1.5% growth of 2012.

This trend was made possible by the upturn in private consumption expenditure and private sector capital expenditure. These two components and the large positive contribution of investments in supplies (1.7%) were the main factors driving growth in the third quarter.

Public expenditure also increased slightly, led by the rise in local spending.

Net exports made a marginally positive contribution, due to the more accentuated slowdown in imports compared to exports.

Annual inflation as per the consumer price index had increased by 0.3% in December to 1.5% compared to 2.1% for 2012, due to the considerable drop in the prices of energy goods, foodstuffs and healthcare services. In short, the large underutilisation of production capacity and the weak remuneration trends indicate that inflation will probably remain at contained levels, thus laying the basis for tapering, i.e., the steady cutback of stimuli to the economy announced by the Federal Reserve by reducing the monthly pattern of purchases of assets from USD75 billion per month to USD65 billion per month, starting from February 2014.

The expansionary phase of the labour market slowed down towards the end of the year, partly due to the adverse weather conditions. Overall, however, the labour market indicators show that the unemployment rates continue to gradually decrease.

CHINA

The Chinese market kept on growing at an exceptional rate of 7.7% on a year-on-year basis, despite some signs of weaknesses when the effects of the modest stimulus package implemented during the summer passed.

The slowdown in economic growth in the fourth quarter is confirmed by weakened industrial production and capital expenditure and this situation is likely to continue into 2014. The PMI indexes for the manufacturing and non-manufacturing sector decreased in January, although they continued to be above 50.

Monetary and credit trends also slowed down in December, reflecting the Chinese central bank's intention to gradually decrease the economy's financial leverage, even though they continued to grow at a faster rate than GDP in nominal terms.

The year-on-year consumer inflation rate decreased to 2.5% in December, due to the smaller contribution of foodstuff prices, while the inflation rate, obtained by excluding the foodstuffs and energy component, was stable at 1.8%. The production prices index continued to be negative.

As part of its policy to contain interest rate volatility in the money market, the Chinese central bank temporarily increased banks' access to standing facilities during periods of excess demand for liquidity. This held back the rise in interbank rates and, together with the rate on excess reserves, which is the minimum limit, should establish a corridor for money market rates.

JAPAN

The positive trend of confidence indicators pushed growth in the fourth quarter of 2013 in Japan.

Alongside the greater confidence of small, medium and large companies confirmed by the Japanese central bank, the PMI index for the manufacturing sector improved from 55.2 in December to 56.6 in January.

Industrial production grew by 1.9% in the fourth quarter compared to the previous quarter.

Year-on-year consumer inflation continued to rise, reaching 1.6% in December 2013. The rate, calculated net of foodstuffs, beverages and energy, was similar and increased from 0.6 in November to 0.7% in December.

The Japanese central bank's monetary policy continued to be very expansionary throughout 2013, thus complying with the government's requests.

UK

The UK economy grew strongly in the last two quarters of 2013. Real GDP increased by 0.7% in the last quarter of the year compared to the previous three months, mainly boosted by the services sector.

The employment market continued to improve: full time employment in the private sector grew considerably in the last few months of the year. Unemployment decreased by 0.3% to 7.1% in the three months to November 2013 and thus continued its path towards the government target of 7%.

Year-on-year consumer inflation decreased slightly in December, down by 0.1% to 2% compared to November, mainly as a result of the slowdown in services and foodstuff price trends.

In its meeting of 9 January 2014, the Bank of England maintained the official rate at 0.5% and its securities acquisition programme of GBP375 billion.

EUROZONE

Quarterly GDP figures were quite positive overall for the Eurozone.

Inflation was at the lowest levels of the last four years. In November, the ECB's governing council cut the rate on main refinancing operations to 0.25% and firmly reiterated in January that it plans to maintain official rates at levels equal to or below current rates for a long time.

GDP growth was supported by the rise in consumption (+0.1%), stockpiling and the increase in gross capital expenditure (+0.5%).

The Euro exchange rate with the main foreign currencies continued to be high and this had a significant effect on the economy. The brisk performance of imports (+1.2%) was offset by a slowdown in exports (+0.3%).

With respect to the leading Eurozone economies, German GDP increased by 0.3%, assisted by investments in the construction sector; in France, GDP decreased by 0.1%, affected by the negative contribution of foreign demand and smaller investments; while, in Italy, GDP remained stable in the last quarter of the year, halting the uninterrupted recession of more than two years.

The industrial sector continued to be weak: production was basically at a standstill in Germany and France in the two-month period October and November while it developed by about 0.5% in Italy.

Inflation decreased to very low levels in autumn. It contracted again in December to 0.8% on a year-on-year basis. Both the more volatile components and basics (non-foodstuff and non-energy goods and services) contributed to the weak price trends: growth of the latter was the slowest ever (0.7%).

Pressure on costs continued to decrease. In November, production prices were down 1.2% on the same month of 2012, due to the contraction in intermediate and energy goods.

Given the prospected lengthy period of low inflation, weak economies and smaller lending to businesses, the ECB reduced the rate on the main refinancing operations by 0.25%. It maintained the Eurosystem overnight deposit rate at 0%.

Money market rates increased slightly, partly due to greater demand for liquidity by banks given the approach of the year end. In mid January, the Eonia and 3-month Euribor were 0.15% and 0.28%, respectively, compared to 0.08% and 0.22% at the end of September.

The EU member states most hard-hit by the sovereign debt crisis regained their footing in 2013. Ireland exited the financial bailout programme. The main international rating agencies upgraded the credit rating of the peripheral counties, including Greece and Cyprus. The very positive contraction in the spread of the German bund vis-à-vis the Italian and Spanish government bonds shows the steady improvement of the latter two countries' financing conditions.

ITALY

Thanks in part to the €1.6 billion mini budget of the Letta government, Italy's deficit remained at 3%, the same as in 2012, despite the fact that most macroeconomic indicators for 2013 showed a big minus sign.

According to ISTAT (the Italian consumer price index), the domestic GDP decreased by 1.9% on an annual basis, the primary surplus (the balance net of interest) decreased to 2.2% compared to 2.5% for 2012 and public debt jumped to a record 132.6% of GDP, partly due to the combined effect of the payment in 2013 of the public sector's outstanding payables and the assistance received from the European Stability Mechanism.

As a result of the downturn in 2013, GDP decreased slightly to below the 2000 level.

A breakdown of the components that contributed to the worsening of the domestic economy confirms the drastic fall in internal demand: value added of the production sectors decreased by 1.6%; resident households' spending dropped 2.6%, further to the -4% of 2012.

The decline in consumption is particularly visible for goods (4%), while spending for services decreased by 1.2%. ISTAT figures show that the biggest contractions were in healthcare (-5.7%), clothing and footwear (-5.2%). This downturn also extended to gross capital expenditure which decreased by 4.7%, following the -8% of 2012.

This had the inevitable, drastic repercussions on employment, which decreased by 1.9% with the largest reduction in the construction sector, the hardest hit by the crisis (-9%).

Notwithstanding the deterioration in the situation, the 2013 deficit was 3%, in line with the previous year, thus enabling Italy to exit the procedure for excessive deficits put in place by the EU in May 2012.

MARCHE REGION

The negative economic climate, in place since the summer and start of autumn 2011 and which persisted throughout 2012, continued to adversely affect the region in 2013. The further weakening in internal demand was countered by the better trend of foreign demand, which continued to provide a positive contribution.

Industrial production contracted, mainly in the household durable consumer goods sectors, such as household appliances and furniture. The footwear sector's performance remained stable, thanks to the satisfactory trend of exports outside the EU.

The crisis had a harder effect on the Marche region compared to the other regions of Italy and its exit from recession is expected to be slower.

The construction sector is undoubtedly the worst affected. Production and real estate deals decreased again in the first half of the year. Figures provided by Confindustria Marche show that total production dropped by 7.7% compared to the same period of 2012. This downturn is mostly related to the residential construction segment but the contraction in non-residential construction is also significant, highlighting companies' little propensity to invest.

The commercial sector is the most affected by the reduction in household spending and the difficult employment market conditions.

Average employment decreased in the first half of the year at a faster pace than in the other regions of Italy while the number of persons looking for a job increased by nearly one third. The rise in unemployed persons is mainly due to people who have been let go while jobs on offer were basically the same as in 2012.

The downturn in employment is mostly seen in full-time contracts (-4.4%), while part-time contracts increased (2.8%). Open-ended contracts and term contracts both decreased (-1.8% and 9.6%, respectively).

Local businesses continued to make great use of welfare support. Hours authorised by the government-sponsored lay-off scheme for the first nine months of 2013 increased by 29.8% on the same period of 2012. Resort to ordinary schemes almost doubled while utilisation of the extraordinary and special schemes grew by 10.6%.

Loans granted by banks and financial companies to local customers in 2013 continued to decrease at an annual rate of 4.6%. This reduction was larger for businesses (-5.6%) compared to households (-1.4%). Together with weak demand, especially for investments, there are still issues with lending, mainly due to the worsening in credit risk as a result of the persistence of the recession. The non-performing loan rate has continued to be above the national average since the crisis broke out in 2008 and peaked in June 2013, especially with respect to loans to construction companies. Overall, the non-performing loans to loans ratio is 13.4% although it is 18.1% for just businesses.

Retail bank funding to regional customers has continued to grow. At the end of the year, bank deposits had increased by 7.6% on an annual basis.

THE ITALIAN BANKING SYSTEM

2013 was another extremely tough year for banks due to the complicated conditions faced by many Italian production companies. This is worsened by problems of a more structural nature due to the high costs.

The drastic drop in profit margins over the last few years, and especially in 2013, have diminished resources while the continued high spread on existing rates on government bonds versus the Bund makes it expensive to obtain funds on the market, thus checking the banks' ability to sustain the economy at a competitive cost.

The tax system for banks erodes their profitability as well, making it hard to capitalise with serious repercussions on their ability to grant credit and the sensitive asset quality review process.

After the low reached in November, Italian bank loans to the private sector showed a more modest although quite visible reduction at the end of the year. Specifically, loans to non-financial companies contracted again on a monthly basis, partly due to securitisations, with a decrease of an annual 5.3%.

The reduction in short-term loans, which continues to be significant, was -7.7% on a year-on-year basis. At the same time, medium to long-term loans decreased on a monthly basis, presumably also due to the securitisations, and confirmed this trend on an annual basis at -4.7%, in line with the average from September to November.

In short, loans to non-financial companies in 2013 decreased by an annual 5.4%.

In line with the figures for the previous quarters, loans to family businesses continued to contract at a slower pace than loans to non-financial companies. The estimated annual decrease was 2.6% in December.

Loans to households confirmed a very limited reduction of an annual 1.2%.

The decrease in residential loans was stable at an annual 1.1% for the fourth consecutive month, while the drop in other loans levelled out, in line with that for loans to family businesses. Specifically, other loans contracted by 1.4% on a year-on-year basis. Consumer credit also saw a smaller slowdown of 1.9%.

Overall, loans to the private sector decreased by an annual 3.8%.

The trend of impaired loans, and non-performing loans in particular, is very worrying. At year end, the gross non-performing loans/loans ratio had increased to 8.1%. Just one year before, the ratio was 6.3% and, at the end of 2007, before the financial crisis exploded, it was 2.8%. In order to find a higher ratio, it is necessary to go back to May 1999 when it was 8.37% according to the ABI's analyses.

Overall, at year end, Italian banks' gross non-performing loans approximated €156 billion, €31 billion more than 31 December 2012 when the balance was nearly €125 billion. The realisable value of these non-performing loans is €80.3 billion, roughly €16 billion greater than 31 December 2012.

The total number of non-performing loans is 1,205 thousand, more than a million of which are for amounts of less than €125 thousand.

These figures fully illustrate the continuation of the crisis with the inevitable negative repercussions on lending to businesses.

Italian bank deposits slowed down and the year-on-year increase was 2.3%. The performance of current accounts was a decisive factor, held back at an annual 3% compared to the exceptional jump to +8.4% in November.

In more detail, the growth rate of non-financial companies' current accounts halved from 20% in November to 9.7% in December on a year-on-year basis, which is nonetheless satisfactory. Household current accounts also slowed down to 2.3% from 6.1% in November.

Bank bonds continued to perform very badly, down on both a monthly and annual basis. At year end, the year-on-year reduction was 9.8%, in line with the two previous years. Despite the Italian banks' recent return to the international wholesale bond market, bonds have been negatively affected by the replacement of those placed with retail customers with term deposits.

In addition, their performance needs to be considered in the light of the significant contraction in medium to long-term loans.

Given the slow-down in deposits and the continued contraction in bonds, at year end, total funding showed a modest reduction of an annual 1.8% after showing small growth in the two previous months. ABI forecasts for January 2014 confirm this downwards trend, estimated at an annual -1.9%.

At 31 December 2013, the annual decrease in debt securities held by banks on behalf of customers was slightly less than in previous months although it continued to be significant. Specifically, the contraction in this market in December stabilised at an annual -3.6%.

The drop in debt securities held on behalf of households was an annual 8.6%.

The actual figures published by Assogestioni confirmed the very positive trend of net funding.

Indeed, the managed savings segment performed well in 2013 with a positive balance of more than €62.5 billion, considering the increase of over €5.5 billion for the last quarter. This is the best result for the last 13 years and is thanks to net funding of +€46.6 billion from collective funds and +€16 billion from portfolio management.

The latter products include insurance products (+€11.2 billion) and pension funds (+€4.7 billion).

According to the group quarterly interim reports, the average profitability of the five top banking groups for the first nine months of the year continued to be very modest. The year-on-year return on capital and reserves was 1.8% compared to 2.3% in the same period of 2012.

Net interest income decreased by 13.6% compared to the first nine months of 2012 as did other revenue (-2.3%) while total income decreased by 8.4%. The 5.4% downturn in operating expenses lessened the impact of the reduction in revenue on operating profit, which decreased by 12.3%. Loan quality deterioration continues to affect banks' profitability: impairment losses on loans, up 7.3%, used just over two thirds of the operating profit.

The impaired loan coverage ratio was 41.1% compared to 39.6% in September 2012.

The financial position of the top five banks improved in the third quarter, mainly thanks to the reduction in risk-weighted assets. At the end of September, Tier 1 and the Total capital ratio were 12.3% and 15.3%, respectively.

2013 also saw introduction of the revaluation of the Italian central bank's shares with Legislative decree no. 133/2013, which was subsequently converted with Law no. 5 of 29 January 2014. This legislation, which was not easily applicable, required technical interpretations to identify the most standard and correct accounting treatment for the new shares to be recognised in financial statements.

The bank carefully analysed the issue and recognised the new shares in its AFS portfolio as well as the fair value gain of €2,167 thousand in its income statement, although it was not included in the calculation of dividends.

This accounting approach was approved by the "*pro veritate*" opinions expressed by ABI to its members.

The bank's operations

The bank's operations were heavily affected by the important legislative changes which required it to invest considerable resources in complying therewith, while dealing with the very difficult macroeconomic scenario and banking sector.

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 2013, the bank rolled out a new business plan, whose objectives include containing structural costs and strengthening its capitalisation through a number of projects, such as the outsourcing of operating processes and back office activities to the investee Caricse, which is part of the CSE group.

To this end, the bank is aware of the need to refine and improve its internal controls so as to be able to monitor its governance system, commercial practices and modus operanda in an increasingly careful manner in line with its operating decisions and supervisory authorities' guidelines.

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

Many procedures have been completed with respect to the bank's organisation including, specifically, the following projects to improve and align the technical and IT structures:

1. outsourcing to Caricese of the operating activities related to the "reports to judicial authorities" and "bank inspections", under the supervision of the general secretary office, and the "tax database", under the supervision of the organisation office. These projects were implemented as part of the business plan which views outsourcing as fundamental to its success;
2. activation of an agreement to promote and place the lease products of Alba Leasing;
3. activation of an agreement to promote Carifermo mortgage loans in Rome by Kiron, a credit agency of the Tecnocasa group;
4. activation of an agreement with Gestione Carte Conad to distribute the Conad card, a prepaid payment card;
5. review of the agreement with American Express for its credit cards;
6. activation of the commercial agreement to sell CF Assicurazioni insurance products, as well as new ARCA Vita and ARCA Assicurazioni products;
7. activation of the substitute statement challenging non-payment of non-transferable bank cheques drawn on bank branches in lieu of the report to be presented to public officers to protest a dishonoured cheque;
8. management of the "Benefondi" service for the Cartasì credit cards;
9. management of the annual renewal of the self-certification for subsidised basic accounts;
10. advertising campaign for the Carifermo H24 project;
11. introduction of new savings deposit products "Primo risparmio Carifermo" and "Future Junior" for children;
12. modifications following introduction of the new Europa series €5 banknote to the counting devices and ATMs as well as training of personnel and information to customers;
13. adoption of organisational measures to ensure payment card security, including by resort to the SIPAF - Sistema Informatizzato Prevenzione Amministrativa Frodi carte di

pagamento (computerised system to prevent payment card fraud) and Presidio Segnalazioni del Consorzio Bancomat (the debit card consortium alert system);

14. activation of the postal payment slips payment service via home banking;
15. extension of CERVED's "VIPO" real estate monitoring service to all databases;
16. activation of the temporary procedure for public sector credit certification as part of the procedures to introduce an on-line connection to the electronic CCP (credit certification platform);
17. introduction of a new "Carta Carifermo Pay Nazionale" debit card, authorised for use on just the Bancomat and Pagobancomat circuits;
18. decentralisation of the securities folder elimination function;
19. ongoing replacement of hard copy forms with electronic forms available for the branches;
20. development of services making bank services more available to persons with sight impairment.

During 2013, the opening hours of the San Benedetto del Tronto branch were changed to include Saturday openings in order to promote this branch's operations given the large number of tourists.

The bank carefully revised the organisational processes underlying financial instruments trading. Given the specific nature of the procedures available, bank personnel were given additional training to strengthen their knowledge of and best implement the requirements set out in the MiFID.

With respect to the SEPA Direct Debit - End Date project, the bank's internal departments worked well together to ensure the orderly roll out of the new requirements. The following activities took place:

a. amendments to the contracts regulating payment accounts;
b. information and assistance to customers;
c. assistance to businesses that have direct debit agreements;
d. set up of a help desk for customers;
e. agreement with the advanced form of the SEPA interbank agreement;
f. personnel training and organisation of a seminar with ABI and the Fermo chamber of commerce for local businesses;
g. modification of the on-line channel;
h. activation of the SDD (SEPA Direct Debit) service.

With respect to lending policies, the bank continued to monitor new risk, especially in this period of economic crisis with borrowers finding it increasingly difficult to repay loans. Despite this, its lending policy, which is used as a basis for deciding loan disbursements, continued to include assisting businesses and households as can be seen by the increase in total lending volumes, which is above the sector average.

The bank's projects included:

a. ABI's family plan for the suspension of loan repayments, extended to 31 March 2013;
b. the "New measures for credit for SMEs" agreement of 28 February 2012, extended to 30 June 2013 and then to 30 September 2013;
c. solidarity fund for first home loans (Law no. 244 of 24 December 2007), temporarily suspended following the amendments introduced by Law no. 92 of 28 June 2012 and reactivated on 27 April 2013;
d. the "2013 credit agreement" of 1 July 2013 (ABI) for SMEs, which replaces the "New measures for credit for SMEs" agreement of 28 February 2012.

The "banca h24" project's development stage, which commenced in 2012, continued in 2013. Its organisational innovation affected the following branches, with a high success factor and full achievement of the set objectives:

1. Civitanova Marche;
2. Ascoli Piceno.

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

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

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.

The introduction of a centralised treasury system for funds of local bodies, followed by those of schools, eliminated the contribution of funds deriving from this service. This made it necessary to renegotiate the previously-agreed service conditions in 2012.

Following this centralisation of funds of local bodies and schools with the state's provincial treasury, the bank began to implement the available technologies to improve the service and concurrently cut costs. Accordingly, it rolled out and fully activated the procedures for the IT mandate, drawn up for Chambers of Commerce, schools and public sector bodies.

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

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 geographical coverage of Italy did not change with respect to 2012.

At 31 December 2013, 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 31/12/2013
Marche	Fermo	28
Marche	Ascoli Piceno	11
Marche	Macerata	13
Marche	Ancona	2
Abruzzo	Teramo	2
Abruzzo	Pescara	1
Lazio	Rome	3

The property maintenance programme included ongoing work to maintain all the bank's properties, both owned and leased, in order to improve their working and comply with the laws about safety in the workplace.

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

Maintenance work included completion of the work on the building housing the Fermo headquarters in Viale Trento 182 and restructuring of the Civitanova and Ascoli Piceno branches, converted into "banca h24" branches, and the Monte San Pietrangeli branch.

The bank acquired a building in Piazza del Popolo, Fermo in 2013 to be used to house an ATM as well as another building in San Benedetto.

The bank's owned property used for operations has a surface of roughly 28,528 square metres while its leased property has a total surface of roughly 8,259 square metres.

The bank also owns properties which it leases for a total surface of 5,875 square metres.

At year end, the bank had a workforce of 400 employees, excluding the cleaning staff, as follows:

	2013	2012	2011
Managers:	2	2	2
Junior managers (3rd and 4th level):	42	43	40
Junior managers (1st and 2nd level):	60	62	62
3nd professional area:	291	286	292
2nd professional area:	5	10	7
Total	**400**	**403**	**403**
Cleaning staff	*1*	*1*	*1*

At year end, the above workforce included six employees with term contracts and 29 with part-time contracts.

In 2013, nine employees left the bank while another six people were hired.

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

Changes in the workforce					
	31/12/2013	**2013 departures**	**2013 entries**	**Changes in employment contracts**	**31/12/2012**
Managers	2	0	0	0	2
Junior managers (3rd and 4th level)	42	2	0	1	43
Junior managers (1st and 2nd level)	60	3	0	1	62
3rd professional area	291	4	6	3	286
2nd professional area	5	0	0	-5	10
Total	**400**	**9**	**6**	**0**	**403**

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

During the year, training courses included issues pertinent to the roll out 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 participate in courses without having to physically be present, to consult course materials and monitor scheduled training activities. The safety and prevention manager took part in the training courses about safety in the workplace.

Courses were held about anti-money laundering, not only to comply with legislative requirements but also because the bank believes that only through appropriate and in-depth training may the issue of money laundering be tackled.

During the year, the bank finalised negotiations with the trade unions about integration of the internal employment contract, including healthcare assistance issues.

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, which have focalised with the “banca h24” project, the number of transactions performed using channels other than the sales network has grown considerably, both as a percentage and amount.

Purchases and sales of securities made on-line by customers increased to 60.1% compared to 53.5% in 2012 and made up 47.2% of the total volumes traded.

Altogether, the internet banking service, which includes on-line trading, is well met by customers and 12,059 customers had activated the service at year end compared to 10,455 at the end of 2012 (+25.8%).

Alongside the internet banking service, designed for individuals, the bank successfully launched its corporate banking service with an increasing number of businesses using this option. At 31 December 2013, 4,840 businesses had registered with this service compared to 3,848 at the end of 2012.

A large number of different transactions previously performed at the bank’s premises are now carried out on-line. With respect to commercial bill collection presentation requests, 78.1% are performed on-line compared to the previous 74.7% involving collection order (RIBA), interbank direct relationship (RID) and payment against notice (MAV) requests.

The ATM service has 1,374 machines compared to 1,232 at the end of 2012 with transaction volumes up 13.5% on an annual basis.

Cash deposits made by customers to the next generation ATMs installed at the h24 branches grew steadily during the year to roughly €50 million. Cash withdrawals amounted to €87 million.

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.

Following issue of the new prudent regulatory measures by Banca d'Italia about internal controls, IT systems and business continuity, the bank set up two work groups to prepare the required self-assessments considering these new requirements.

In order to facilitate their work, both groups used a questionnaire prepared by PricewaterhouseCoopers Advisory, whose assistance was provided as part of the CSE consortium activities.

The board of directors was informed of the results of the self-assessments, the measures adopted and related suitable timeframe to ensure compliance with the new supervisory requirements in January 2014 as was Banca d'Italia.

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 important functions are carried out with on-site inspections and distance controls. They cover all the bank's operations, e.g., credit, finance, related services and those issues which are subject to specific regulations such as transparency, usury, anti-money laundering, investment services and others.

In addition to the reports generated automatically by the IT system, which provide daily information useful for control purposes, the Inspection Office and the Internal Audit Unit have

IT tools to prepare basic data. Their subsequent combination and application of predefined control parameters allows the faster identification of any irregularities or high risk situations.

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

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

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

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

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

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

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.

Interest rate risk

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

Credit risk

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

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

Single-name and geo-business segment concentration risk

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

Compliance Unit

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

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

IT risks and the personal data protection

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

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

Following enactment of Legislative decree no. 196/2003, the Privacy Code, which became effective on 1 January 2004, the bank drew up the data protection document as per point 19 of the Technical Regulations, Annex B to the aforesaid Legislative decree. This document is revised regularly.

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

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

The engagement for the IT audit, checks of the general controls and security of the CSE IT systems for 2013 was assigned to PricewaterhouseCoopers Advisory 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.

Privacy - Legislative decree no. 196/2003

Pursuant to the Data Protection Ombudsman's measure of 12 March 2011 "Measures for the circulation of information in banks and tracing of bank transactions", the bank has informed the relevant employees and implemented the related checks.

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

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

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

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

With respect to Law no. 262 of 28 December 2005 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 web site and downloaded.

Law no. 231/2001 - Companies' administrative liability

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

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

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

Specifically, during 2013, 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 3 August 2011;

b. circulation of the Italian Financial Intelligence Unit communications of 11 April 2013 (gaming and betting sector) and 2 December 2013 (improper use of trusts) of the Financial Security Committee;

c. review of the customer database coding processes;

d. introduction of limits to transactions using large banknotes (200 and 500 euro) to contain the risk, as per the Banca d'Italia measure of 3 April 2013;

e. implementation of the measures introduced by Legislative decree no. 169 of 19 September 2012 and regulated by Ministry for the Economy and Finance circular of 30 July 2013 related to the obligation to abstain, as per article 23 of Legislative decree no. 231/2007, when it is impossible to perform adequate checks;

f. implementation of the "Measure setting out instructions for the implementation of customer due diligences" of Banca d'Italia of 11 April 2013 about:

    1. risk profile management;
    2. checking the proxies of parties with reloadable prepaid cards, debit cards and credit cards;
    3. redefinition of the nuncius role.

Other laws and regulations:

1. Adjustment to reflect changes in tax regulations about stamp duty on current accounts and savings books and financial products and instruments (Law decree no. 201 of 6 December 2011 converted into Law no. 214 of 22 December 2011 and subsequent implementation circulars of the Italian Inland Revenue); adjustment to the new amounts of ordinary stamp duty introduced by Law no. 71 of 24 June 2013.

2. Adjustment to reflect changes in tax laws about the withholding tax to be applied to bank transfers received for costs incurred for building restructuring work and energy savings covered by article 16-bis of the Consolidated Income Tax Act, following the Inland Revenue's resolution no. 47/E of 5 July 2013 about taxpayers that join the facilitated tax regime for young entrepreneurs and employees on lay-off schemes.

3. Review of the "Related party transactions regulation" to comply with the prudential supervisory requirements and circulation of the related operating instructions as per article 53 of the Consolidated Banking Act.

4. Circulation of operating instructions about the obligations of bank key management personnel pursuant to article 136 of the Consolidated Banking Act.

5. Circulation of operating instructions about the database coding of groups in line with the regulation for the management of large exposures.

6. Alignment with the regulations about conflicts of interest for the placing of insurance policies by the bank (ISVAP measure no. 2946 of 6 December 2011);

7. Alignment with the tax regulations about the tax on financial transactions, the Tobin Tax (article 1.491-500 of Law no. 228 of 24 December 2012).

8. Alignment with the criteria for calculation of the annual percentage rate (APR) on the opening of credit on current accounts following enactment of EC directive 2011/90/EC and the Banca d'Italia measure of 28 March 2013 which updated the transparency regulations (see the measure of 29 July 2009).

THE BANK'S FINANCIAL POSITION

Lending

Breakdown of lending by product

	31/12/2013	30/06/2013	31/12/2012	Half year difference Amount	Half year difference %	Annual difference Amount	Annual difference %
Current accounts	190,453	197,433	195,287	-6,980	-3.5%	-4,834	-2.5%
Postal current accounts	33	97	13	-64	-66.0%	20	153.8%
Advances	168,547	169,712	195,001	-1,165	-0.7%	-26,454	-13.6%
Loans	565,845	568,168	569,988	-2,323	-0.4%	-4,143	-0.7%
Subsidies not settled through current accounts	57,500	56,987	64,986	513	0.9%	-7,486	-11.5%
Loans against pledges	266	413	66	-147	-35.6%	200	303.0%
Salary-backed loans	47	92	137	-45	-48.9%	-90	-65.7%
Non-performing loans	34,965	33,185	29,172	1,780	5.4%	5,793	19.9%
Portfolio risk	850	530	714	320	60.4%	136	19.0%
Treasury transactions	75	6,535	91	-6,460	-98.9%	-16	-17.6%
Total lending	**1,018,581**	**1,033,152**	**1,055,455**	**-14,571**	**-1.4%**	**-36,874**	**-3.5%**
- of which in Euros	1,017,703	1,031,923	1,052,945	-14,220	-1.4%	-35,242	-3.3%
- of which in foreign currency	878	1,229	2,510	-351	-28.6%	-1,632	-65.0%

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.

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

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

In addition, demand shrank rapidly even though the bank's lending resources continued to be large in 2013, thus making attainment of its objectives increasingly difficult.

The concurrent downturn in household consumption and business investments fed a vicious circle whereby the contraction in one contributed to the decrease of the other and vice versa.

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.

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

Overall, the lending business contracted to €1,0118,581 thousand, less than the sector average of -5.4%, down by 3.5% on 2012 on a consistent basis and net of impairment losses.

As shown in the above breakdown by product, the half year growth dropped in the first six months to decrease again in the second half of the year, leading to the above performance.

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

Loan concentration			
	2013	**2012**	**2011**
Top 10 customers	7.02%	7.17%	7.17%
Top 50 customers	17.75%	18.38%	18.58%
Top 100 customers	24.86%	25.26%	25.89%

An analysis of lending by product confirms the slowdown in growth of the longer-term products at €565,845 thousand compared to €569,988 thousand at the end of 2012, a decrease of €4,143 thousand or 0.7%, thus representing an about-turn in a very positive growth trend seen in previous years.

The non-performing/performing loans ratio continued to be modest in 2013 in line with previous years, with only a small increase. At year end, unpaid instalments equalled 2.16% of the outstanding liability at that date.

Renegotiated performing loans, as part of collective agreements, amounted to €13,346 thousand at year end, a reduction compared to the 31 December 2012 balance of €18,557 thousand.

Current account balances amounted to €190,453 thousand at year end, a slight decrease of 2.5% on an annual basis, reflecting weak demand, mostly from businesses, and the bank's willingness to continue to support the economy through lending.

Advances decreased significantly from €195,001 thousand at 31 December 2012 to €168,147 thousand (-13.6%), entirely due to the negative economic situation which penalises companies' turnover.

Statistics for bills presented for collection or under reserve show an annual increase of 1.9% (number of transactions) and a similar drop of 1.9% (amounts involved). These two opposing figures show how the bank continues to offer its services to companies that, however, see a reduction in their turnover.

Subsidies not settled through current accounts decreased to €57,500 thousand compared to €64,986 thousand at the end of 2012.

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

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

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

Credit quality showed the objectively difficult situation for the bank, shared by all Italian banks, as non-performing loans increased by 25%.

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

	31/12/2013				Hedged %		
	Gross amount	Collective impairment losses	Carrying amount	Carrying amount 31/12/2012	31/12/2013	30/06/2013	31/12/2012
A. Doubtful loans	**130,103**	**43,133**	**86,970**	**72,209**	**33.15%**		
A.1 Non-performing loans	68,846	33,881	34,965	29,175	49.21%	47.66%	47.53%
A.2 Substandard loans	57,388	8,979	48,409	36,100	15.65%	14.83%	14.01%
A.3 Past due/overdue loans	3,869	273	3,596	6,934	7.06%	6.14%	5.69%
B. Performing loans	942,761	11,150	931,611	971,110	1.18%	1.22%	1.22%
TOTAL	**1,072,864**	**54,283**	**1,018,581**	**1,043,319**	**5.06%**	**4.54%**	**4.12%**
Non-performing loans/performing loans					**3.43%**	**3.21%**	**2.80%**
Irregular loans/performing loans					**8.54%**	**7.41%**	**6.92%**

Past due positions decreased from €7,352 thousand at the end of 2012 to €3,869 thousand at year end, with impairment losses of €273 thousand. The coverage ratio went from 5.7% to the current 7.06%.

Substandard loans, including expected losses, came to €57,388 thousand compared to €41,982 thousand at 31 December 2012, which includes accumulated impairment and discounting losses of €8,979 thousand, covering 15.65% of the loans compared to 14.01% at the end of 2012.

Non-performing loans amounted to €68,846 thousand at 31 December 2013 compared to €55,608 thousand at the end of 2012, including estimated losses, while impairment losses came to €33,881 thousand. Net of these impairment losses, non-performing loans totalled €34,965 thousand compared to €29,175 thousand at 31 December 2012, an increase of 19.8%.

The ongoing drastic economic crisis has made it necessary to revise and calibrate traditional credit measurement and selection methods to reflect the changed situation. The generalised under-capitalisation of local companies makes it difficult to assess their credit standing which is partly overcome by analysing the stability of their revenue and trade receivables collections.

The ongoing economic crisis has highlighted a widespread lack of liquidity in addition to the existing problem of scarce internally-generated funds especially for the footwear sector, which is the main local business, accustomed to working on the basis of a strict production schedule which is often adversely affected by competition from “ready to wear” articles, triggered in part by exports which, on the one hand assists companies to maintain production in line with previous levels but has also affected their performances due to the high volatility of turnover.

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

An analysis of irregular loans shows that the percentage of new loans reclassified as non-performing increased significantly during the year.

New non-performing loans in 2013 amounted to €19,779 thousand, equal to 35.6% of the entire non-performing loan category at 31 December 2012, including €18,392 thousand of loans previously classified as substandard.

New non-performing loans in 2012 amounted to €17,339 thousand, showing the rapid decline in credit quality.

On the other hand, collections received during the year were consistently high (even if they did decrease), directly offsetting non-performing loans, and amounted to €4,771 thousand compared to €6,842 thousand in 2012.

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

Carrying amount	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
Non-performing loans	14,202	17,760	18,672	25,131	29,175	34,695
Substandard loans	26,800	30,638	39,351	34,514	36,100	48,409
Past due/overdue loans	1,783	4,512	3,118	2,522	6,934	3,596
Total	**42,785**	**52,910**	**61,141**	**62,167**	**72,209**	**86,700**
Gross amount	**31/12/2008**	**31/12/2009**	**31/12/2010**	**31/12/2011**	**31/12/2012**	**31/12/2013**
Non-performing loans	29,880	35,602	36,355	45,111	55,608	68,846
Substandard loans	30,290	35,023	43,126	38,150	41,982	57,388
Past due/overdue loans	2,013	4,688	3,269	2,636	7,352	3,869
Total	**62,183**	**75,313**	**82,750**	**85,897**	**104,942**	**130,103**
Total coverage ratio	31.20%	29.75%	26.11%	27.63%	31.19%	33.36%

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

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

The implicit risk on performing loans decreased from €995,382 thousand at 31 December 2012 to €942,761 thousand at year end, down 5.23%, in line with the assessments of the economic climate. It is determined by making a collective impairment, currently calculated to be €11,150 thousand compared to €12,136 thousand at 31 December 2012, equal to 1.18% of the performing loans, in line with the previous year-end percentage of 1.21%.

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 CPC tool, designed to provide an automatic analysis of credit by determining a point system for the different loan performances and a weighting system.

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

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

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

The bank also pays 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 methods are 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 execution of nine contracts worth €703 thousand in addition to eight contracts agreed with Alba Leasing for €767 thousand.

Credit cards: the bank's operations in this sector were satisfactory with 322 new cards being issued for a total 14,682 at year end. It also continued to issue Viacard and Telepass cards with 7,684 cards issued at year end, a modest increase compared to 50 at 31 December 2012.

Investments

The risk-free interest rate curves[1] were stable in 2013 with a slight upwards trend, mostly towards the end of the year. The spread between the 3-month Euribor and the 10-year swap rate increased steadily to 1.81%.

Despite the restrained upwards trend, rates continued to be very acceptable reflecting the ECB's moderately expansionary monetary policy.

The 3-month Euribor was roughly 0.27% at year end, fluctuating within a range of between 0.20% and 0.27%, while the EONIA rate, which is much more sensitive to the ECB's marginal lending facility, performed similarly and continued to fluctuate between 0.07% and 0.43% (in July 2013).

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

The Italian BTP treasury bonds-Bund spread dropped from 319 basis points at the start of the year to 218 basis points in December 2013 but continued to significantly impact interest rates on funding and lending as well as public debt servicing.

The bank's financial investments are wholly comprised of government bonds (more than 85%) and 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 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.

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 one year and 94 days and an average residual life of two years and 182 days at year end, a slight reduction on the previous year end.

The bank's involvement in ECB operations (LTRO[2]) led to the acquisition of short-term government bonds, not held for trading and thus classified as available-for-sale.

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

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

[1] Market rates less the issuer risk component.
[2] Acronym for "long term refinancing operations".

Breakdown of bonds in the HFT and AFS portfolios Nominal amounts				
			difference	
	31/12/2013	31/12/2012	amount	%
BOT ordinary Italian Treasury bonds and zero coupon bonds	52,251	57,853	-5,602	-9.68%
CCT Italian Treasury certificates	204,151	149,985	54,166	36.11%
BTP Italian Treasury bonds	203,135	177,475	25,660	14.46%
Bonds	64,567	90,342	-25,775	-28.53%
Shares	0	0	0	0.00%
Total	**524,104**	**475,655**	**48,449**	**10.19%**

Given the steady but slow recovery in the spread between Italian and German government bonds and the related drop in returns on government bonds, the bank's securities portfolio gradually regained value to reach €5,142 thousand for the trading portfolio and €619 thousand for the AFS securities portfolio at year end.

The AFS portfolio made an operating profit of €1,015 thousand, net of the revaluations of the Banca d'Italia shares.

The bank maintained its traditional position as a lender on the interbank market during 2013. Therefore, it did not make use of the refinancing operations proposed by ECB on the market.

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

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

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

The 2008 financial crisis, its effects and reclassification measures

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

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

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

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

At 31 December 2013, the fair value measurement of just the debt instruments reclassified to the AFS category, with a residual nominal amount of €63,860 thousand, gave rise to a gross reversal of impairment losses of €1,538 thousand which, net of the related deferred tax assets, increased equity.

All reclassified securities, including those that matured during the year, were redeemed at par. At year end, the reclassified securities had almost halved in value compared to their initial carrying amounts.

Equity investments

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

During the year, the bank derecognised the 130 Banca d'Italia shares recognised for €1,082 thousand in the 2012 financial statements. It recognised in their place the new shares issued by the Italian central bank after it amended its by-laws in the AFS portfolio. The related gain of €2,167 thousand was recognised in profit or loss.

The bank increased its investment in CSE by acquiring another 2% for €3,400 thousand, in line with the value of other negotiations of CSE shares. This made it necessary to revalue the previously held shares by €1,720 thousand which, net of the related deferred tax liabilities, was recognised in equity.

During the year, the bank also acquired a small stake in Caricese S.r.l. for €20 thousand.

As a result of the above transactions, the bank had equity investments of €10,937 thousand at year end compared to €3,610 thousand at 31 December 2012.

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:

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

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	
	31/12/2013	**30/06/2013**	**31/12/2012**	**Amount**	**%**	**Amount**	**%**
Savings deposits	119,731	122,600	127,071	- 2,869	-2.3%	- 7,340	-5.8%
Current accounts	810,654	778,388	754,460	32,266	4.1%	56,194	7.4%
Repos	8,608	20,290	12,641	- 11,682	-57.6%	- 4,033	-31.9%
Certificates of deposit	108,447	106,030	109,972	2,417	2.3%	- 1,525	-1.4%
Bonds	248,460	247,244	241,000	1,216	0.5%	7,460	3.1%
Total direct funding	**1,295,900**	**1,274,552**	**1,245,144**	**21,348**	**1.7%**	**50,756**	**4.1%**

Overall, direct funding amounted to €1,295,900 thousand, up 4.1% or €50,756 thousand on an annual basis compared to an increase of 7.1% in 2012. The increase was more visible in the second half of the year as shown in the above table.

There were numerous issues about fund management during 2013. Specifically, the modifications to the stamp duty on financial instruments, just one year after its introduction, led to a large increase in the applicable percentages in 2013 changing its original concept to seem to be an indirect stamp duty but is actually a surrogate capital tax.

Moreover, growing uncertainty about financial market trends and the worrisome events affecting most regional banks led to considerable perplexity amongst a large part of the customers, who adopted wait-and-see approaches, preferring short-term investments while deferring decisions about financial investments, despite the small return on the short-term interest rate curve as noted earlier.

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

Bonds issued by the bank performed differently to the sector with an annual 3.1% increase, mostly due to the bank's reputation and its intention to avoid mechanical adjustments of the return on its products to those of its competitors, confirming its traditional policy of promoting transparency and simplicity of the products offered.

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

Given the significant confusion reigning on the markets, the bank's bonds with the above characteristics, together with its solid reputation (including abroad), were positive factors for the placing of bond issues on the primary market where bonds as a whole amounted to €248,460 thousand.

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

Bonds accounted for roughly 19.2% of the entire direct funding at year end.

At 31 December 2012, the bank had 23 bond issues, described in the annexes to the financial statements. Seven issues matured during the year (€82,453 thousand) while the same number of new issues were placed with the financial characteristics established in the prospectus approved by Consob (€89,287 thousand).

The average duration of the issued bonds is one year and 218 days, while the average residual life is one year and 239 days.

Certificates of deposit amounted to €108,447 thousand at year end, substantially in line with the 31 December 2012 balance.

Savings books declined in popularity steadily during the year to €119,731 thousand, down 5.8%.

Repos amounted to €8,608 thousand compared to €12,641 thousand at 31 December 2012. This small amount is due to the bank's policy of controlling liquidity which means that settlement dates are concentrated on a quarterly basis.

Current accounts grew again, by €56,194 thousand (+7.4%) to €810,654 thousand, confirming their position as customers' preferred short-term funding product at 62.5% of the entire direct funding.

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

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

Indirect funding at year end may be analysed as follows:

	31/12/2013	30/06/2013	31/12/2012	Half year difference		Annual difference	
				Amount	%	Amount	%
Government bonds	340,082	339,129	343,936	953	0.28%	-3,854	-1.12%
Bonds	163,579	168,735	173,977	-5,156	-3.06%	-10,398	-5.98%
Shares	90,686	81,761	83,824	8,925	10.92%	6,862	8.19%
Funds and OEICs	180,991	172,783	175,284	8,208	4.75%	5,707	3.26%
Asset management	26,441	26,365	26,672	76	0.29%	-231	-0.87%
Total indirect funding	***801,779***	***788,773***	***803,693***	***13,006***	***1.65%***	***-1,914***	***-0.24%***
Insurance and pension products	176,921	168,501	158,400	8,420	5.00%	18,521	11.69%
Total	**978,700**	**957,274**	**962,093**	**21,426**	**2.19%**	**16,607**	**1.73%**

Indirect funding, consisting of administered and managed funds, maintained its ground at year end at €801,779 thousand compared to €803,693 thousand at 31 December 2012.

If the analysis is extended to include insurance and pension products, indirect funding shows an increase of €16,607 or 1.7% on 31 December 2012 to €978,700 thousand.

A breakdown of indirect funding, compared to that at 31 December 2012, shows customers' smaller interest in government bonds, which lost 1.1%, although the BTP bonds are preferred due to their better return compared to the BOT bonds which lost more than €23,368 thousand.

The corporate bond sector also contracted to €163,579 thousand compared to €174,283 thousand at 31 December 2012.

Share custody services increased to €90,686 thousand against €83,824 thousand at 31 December 2012, thus breaking the negative pattern of the last few years. This form of investment tends to be more volatile than bonds and follows changes in stock market indexes, which reached the highest point since the outbreak of the crisis after three consecutive years of growth.

With respect to fund management, mutual funds and OEICs improved slightly to €180,991 thousand (+3.7%) compared to €175,284 thousand at the end of 2012. The asset management business remained stable during the year to close at €26,441 thousand.

The year-end net funding balance confirms the unchanged position of this segment at year end with an increase of €290 thousand for funds while the asset management business lost €230 thousand.

At 31 December 2013, the percentage of managed funds compared to the entire indirect funding was 25.7% against 25.1% at the end of 2012.

The bank continued to offer Arca Vita insurance products during the year.

Finally, life policies and open pension fund products increased by 11.7% or €18,521 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.

	2013	2012	Difference	
			Amount	%
Net interest income	36,533	39,118	-2,585	-6.61%
Net operating income	73,772	81,603	-7,831	-9.60%
Operating costs	-49,038	-49,348	310	-0.63%
Operating profit	24,734	32,255	-7,521	-23.32%
Pre-tax profit from continuing operations	13,831	18,268	-4,437	-24.29%
Profit for the year	8,148	10,320	-2,172	-21.05%

The individual balances are shown below:

Net interest income

	2013	2012	Difference	
			Amount	%
Interest income:				
- Ordinary customers	41,674	43,983	-2,309	-5.25%
- Securities portfolio	11,652	12,557	-905	-7.21%
- Banks	90	148	-58	-39.19%
Interest expense:				
- Ordinary customers	-6,904	-6,551	-353	5.39%
- Bonds	-9,137	-9,664	527	-5.45%
- Banks	-842	-1,355	513	-37.86%
Net interest income	**36,533**	**39,118**	**-2,585**	**-6.61%**

Net interest income amounted to €36,533 thousand, down 6.6% or €2,585 thousand on the previous year.

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

Net interest income with respect to ordinary customers came to €25,633 thousand for the year, a decrease of 7.7% on 2012.

With respect to financial investments, net interest income decreased by 4% to €10,900 thousand compared to €11,345 thousand for 2012.

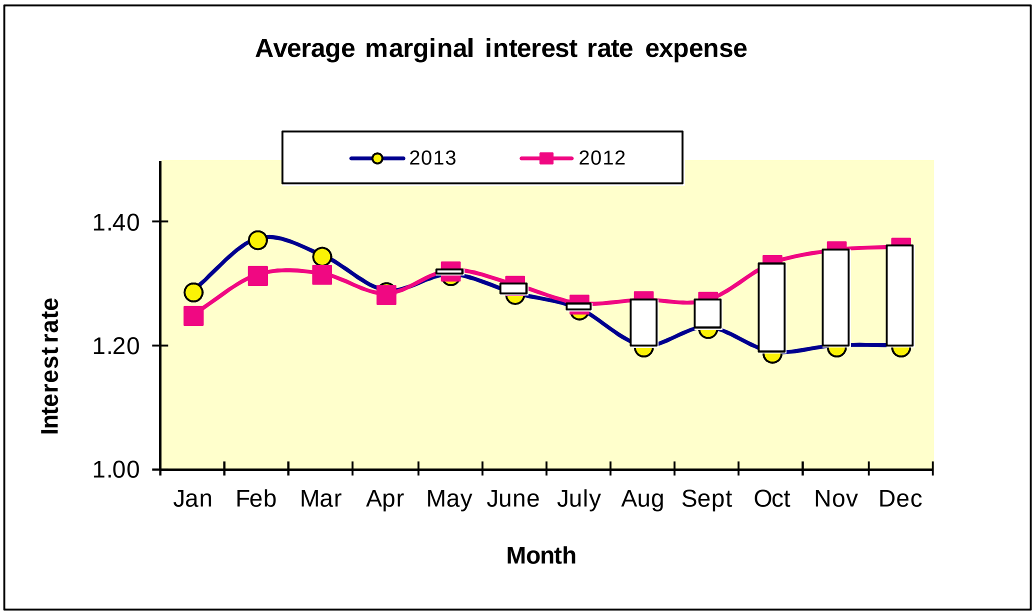
As a result of the continued low interest rates, especially as regards deposits, and the steady reduction between the spread on Italian government bonds and that on the German bund, the bank saw a decrease in accrued interest on bonds.

The return on Italian government bonds, which, although it decreased, is nonetheless higher than those of the other EU states, is perceived as a risk-free investment by the market and had a follow-on effect on interest rates paid and received to ordinary customers, where the greater stickiness of interest rates paid compared to those received is visible.

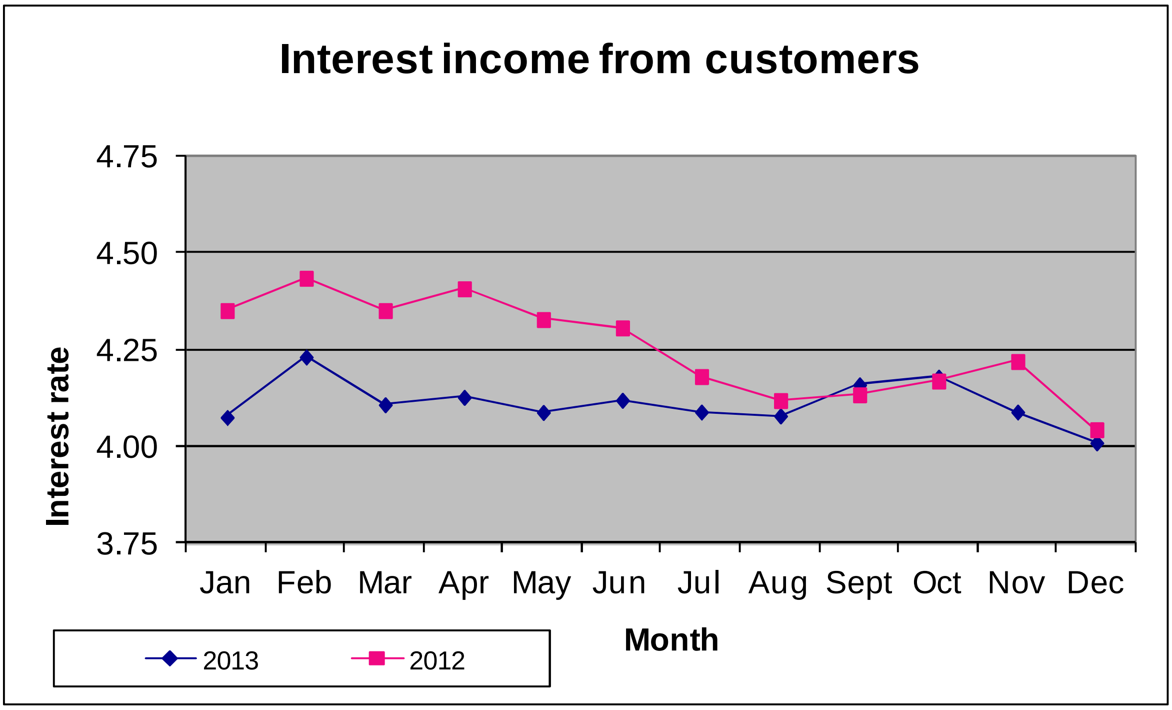
Specifically, the decrease in interest income from customers of €2,309 thousand was countered by a rise of €353 thousand in interest expense, offset in turn by the reduction in interest expense on bonds of €527 thousand.

The average annual rate paid on direct funding was 1.27% compared to the average 1.31% at the end of 2012, an average decrease of 4 bp, and the 2013 year-end rate was 1.20%.

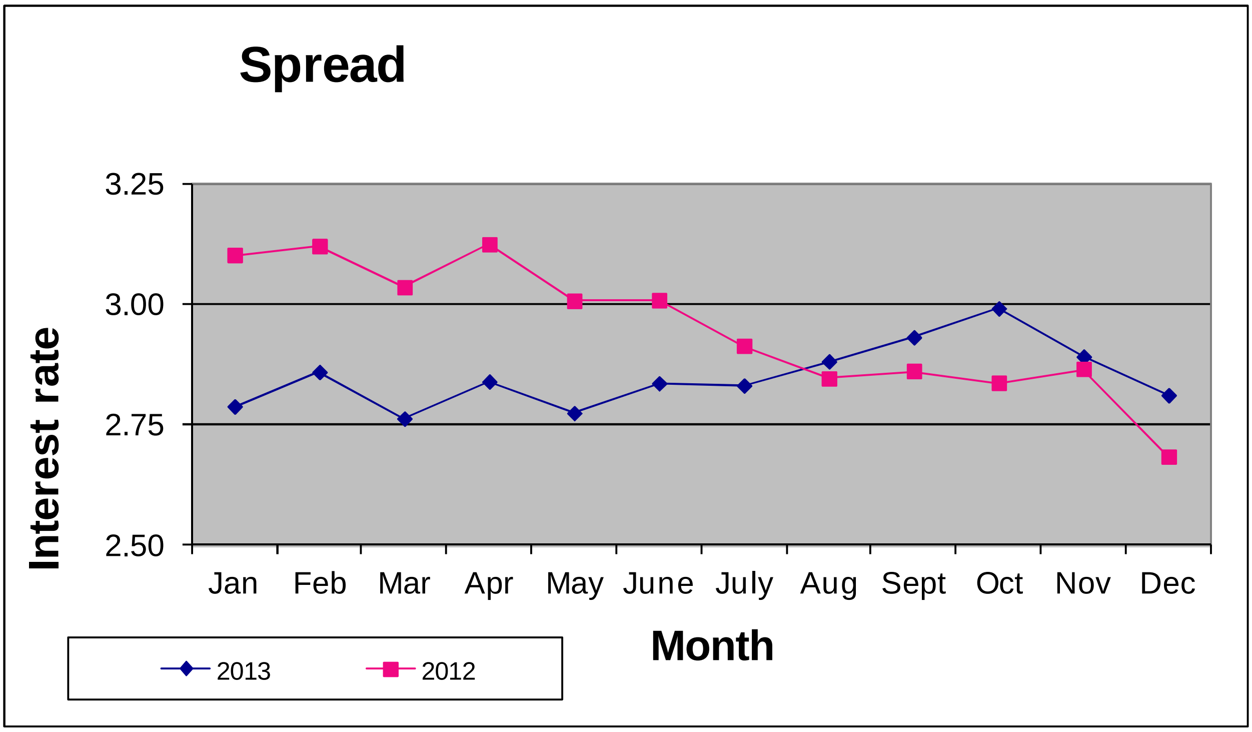
The following graph shows interest rate trends in 2013 and 2012:



Interest income from ordinary customers, shown in the following graph, went from an average 4.25% in 2012 to an average 4.11% at the end of 2013. The trend was 4.01% thus leading to an average decrease of 14 bp:



The 2013 spread on average rates applied to ordinary customers was generally below that of 2012 as shown in the following graph:



, going from an average 2.96% for 2012 to the current 2.85%.

NET OPERATING INCOME

	2013	2012	Difference	
			Amount	%
Net interest income	**36,533**	**39,118**	**-2,585**	**-6.61%**
Dividends	234	180	54	30.00%
Net fee and commission income	20,172	19,692	480	2.44%
Net trading income	11,790	17,677	-5,887	-33.30%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	0	0	0	0.00%
Other operating income	5,043	4,936	107	2.17%
Net operating income	**73,772**	**81,603**	**-7,831**	**-9.60%**

Net operating income decreased by €7,831 thousand to €73,772 thousand for 2013.

Dividends increased from €180 thousand in 2012 to €234 thousand for 2013.

Net fee and commission income increased on 2012, going from €19,692 thousand to the current €20,172 thousand, up €489 thousand or 2.4%.

The most significant contributor to this increase was the securities placement business which gained a very positive €327 thousand on an annual basis, going from €1,985 thousand to €2,312 thousand.

Income from the distribution of third party services also increased by €109 thousand.

Net trading income had a positive effect on net interest income at €11,790 thousand compared to €17,677 thousand for 2012, down by €5,887 thousand.

The caption was particularly affected by the fair value gains on financial assets held for trading €5,142 thousand as well as the recognition of the above-mentioned revaluation of the Banca d'Italia shares €2,167 thousand.

The financial assets that benefitted the most by reversals of impairment losses included the treasury certificates (CCT), the prices of which rose sharply after measures taken with respect to Italy's public debt.

Net trading income of €3,541 thousand was achieved thanks to intense, long-lasting trading activities.

OPERATING PROFIT

	2013	2012	Difference	
			Amount	%
Net operating income	**73,772**	**81,603**	**-7,831**	**-9.60%**
Personnel expense	-28,837	-29,098	261	0.90%
Administrative expenses	-18,793	-18,933	140	0.74%
Amortisation and depreciation	-1,408	-1,317	-91	-6.91%
Operating costs	**-49,038**	**-49,348**	**310**	**-0.63%**
Operating profit	**24,734**	**32,255**	**-7,521**	**-23.32%**

The operating profit for the year was €24,734 thousand compared to €32,255 thousand for 2012.

The caption includes a slight drop in both personnel expense (€261 thousand) and other administrative expenses (€140 thousand).

The reduction in the former is mostly due to the decrease in employee numbers from 404 to the current 388, considering part-time employees.

Other administrative expenses, also down on the previous year, came to €18,793 thousand. The most significant variations were seen in the following sub captions:

1. legal fees for credit recovery, up from €1,420 thousand to €1,608 thousand due mainly to the larger number of irregular loans;
2. legal and technical consultancy, up considerably from €730 thousand to €1,113 thousand in 2013. This was mostly due to the bank's resort to consultants to assist with the valuation of a bank asset held for sale, which led to a non-recurring expense of more than €300 thousand.
3. maintenance, repairs and conversions, down to €1,252 thousand from €2,661 thousand for 2012. This sub caption includes the costs of activating two banca h24 branches and is also positively affected by the non-reoccurrence of the maintenance carried out in 2012 on certain owned properties, the age of which made the work particularly difficult;
4. machine hire costs and data transmission lines, down from €1,306 thousand to €1,257 thousand;

Other administrative expenses also included the increase in stamp duty from €3,017 thousand to €3,529 thousand, due to the rise in this tax as mentioned earlier.

Depreciation and net impairment losses on property, equipment and investment property increased slightly to €1,360 thousand compared to €1,282 thousand for 2012 following the restructuring of some branches and the extraordinary maintenance of the heating/air-conditioning system at the head office in Viale Trento, Fermo.

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

Pre-tax profit from continuing operations

	2013	2012	Difference	
			Amount	%
Operating profit	**24,734**	**32,255**	**-7,521**	**-23.32%**
Net accruals to provisions for risks and charges	17	-1,546	1,563	101.10%
Net impairment losses on loans	-10,928	-12,455	1,527	12.26%
Net impairment losses on other assets	0	0	0	0.00%
Net gains on held-to-maturity and other investments	8	14	-6	-42.86%
Pre-tax profit from continuing operations	**13,831**	**18,268**	**-4,437**	**-24.29%**

The pre-tax profit from continuing operations amounted to €13,831 thousand compared to €18,268 thousand for 2012.

Net utilisations of provisions for risks and charges of €17 thousand reflect the bank's prudent evaluation of the higher risks of ongoing legal disputes and claw-back claims as well as operating risks and charges and potential risks on endorsement credits.

Specifically, settlement of a dispute with a group of employees, provided for in 2012, made it necessary to use provisions affecting the year-end balance.

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

Impairment losses on irregular loans were recognised considering the borrowers' objective repayment difficulties and the recovery value of the underlying guarantees. The bank estimated the possible recovery times of the loans, considering the frequent resort to term negotiations, and made 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 1.18% of the performing loans.

Overall, the bank had to counter the drop in credit quality by recognising larger impairment losses and losses on loans of €15,828 thousand, offset however by reversals of impairment losses of €4,900 thousand for a net balance of €10,928 thousand, a slight decrease compared to €12,455 thousand for 2012.

The cost of credit was 1.16% and shows 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:

	2013	2012	Difference	
			Amount	%
Pre-tax profit from continuing operations	**13,831**	**18,268**	**-4,437**	**-24.29%**
Income taxes	-5,683	-7,948	2,265	28.50%
Profit (loss) from discontinued operations	0	0	0	0.00%
Profit for the year	**8,148**	**10,320**	**-2,172**	**-21.05%**

As disclosed in section 18 of Part C of the notes, estimated direct IRES and IRAP taxes for the year came to €8,611 thousand compared to €12,766 thousand for 2012 due to the reduction in the IRES tax base by an estimated €19,032 thousand compared to €34,375 thousand for the previous year.

The IRES tax base, as determined above, includes €7,670 thousand subject to the surtax of 8.50% leading to an additional expense of €652 thousand in addition to the revaluation of the investment in Banca d'Italia, the tax base of €2,167 thousand of which is also subject to the substitute tax.

The bank also considered the modifications to the legislation about impairment losses on loans and receivables following introduction of the 2013 Stability Law when determining its IRES tax base.

The bank derecognised the effects of fiscally-driven entries by calculating deferred tax assets and liabilities. This gave rise to new deferred tax assets, net of those recognised in previous years, of €2,928 thousand, mainly arising on the impairment losses on loans exceeding the 0.3% ceiling established by article 106.3 of the Consolidated Income Tax Act.

Accordingly, the profit for the year amounted to €8,148 thousand.

Comprehensive income for 2013 is €10,186 thousand.

Positive contributors were the fair value gains on the AFS portfolio recognised net of the tax effect in a specific equity reserve (€1,676 thousand) and the actuarial gain on the supplementary pension fund and post-employment benefits which led to an increase in the related equity reserve of €361 thousand.

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 €10,264 thousand, including €4,006 thousand from operations. Specifically, the increase of €48,173 thousand in financial liabilities was offset by the increase of €38,206 thousand in financial assets held for trading.

The reduction in loans to customers contributed to generating cash flows of €24,967 thousand.

Investing activities used funds of €2,300 thousand, due to the purchase of property, equipment and investment property for €2,039 thousand compared to sales of just €9 thousand.

Financing activities used funds of €7,711 thousand to pay dividends to shareholders in 2013.

As a result, the net cash flows for the year were €252 thousand.

Indicators:

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

Financial statements indicators	2013	2012
Capitalisation ratios:		
Equity/total assets	9.06%	9.03%
Core tier 1 ratio	13.42%	13.44%
Total capital ratio	15.05%	14.74%
Non-current assets/equity	12.94%	12.88%
Net non-performing loans/equity	22.83%	19.65%
Own funds/third-party funds	11.82%	11.93%
Risk ratios:		
Net non-performing loans/loans	3.43%	2.76%
Collective impairment losses/performing loans	1.18%	1.22%
Allowance for impairment/total loans	5.06%	4.08%
Profitability ratios:		
Net interest income/total income	53.15%	51.02%
Income from financial transactions/total income	17.15%	23.06%
Gross operating profit/equity	16.15%	21.72%
Profit/equity	5.32%	6.95%
Profit/total assets	0.48%	0.63%
Tax ratio	41.09%	43.50%
Net other administrative expenses/total income	20.01%	18.26%
Personnel expense/total income	41.96%	37.95%
Administrative expenses/total income	61.96%	56.21%
Cost/income	64.01%	57.93%
Costs/gains on fair value measurement of securities	69.10%	68.72%
Administrative expenses/total assets	2.82%	2.92%
Productivity/distribution efficiency		
Loans and receivables with customers/employees	2,546	2,613
Due to customers/employees	3,240	3,082
Total income/average employees	177.139	189.77
Average employees/branches	6.467	6.733
Cost per employee	71.76	69.65
Loans and receivables with customers and due to customers/average employees	5,965	5,695
Loans and receivables with customers and due to customers/branches	38,575	38,343
Branch employees/employees	69.75%	69.31%

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

Specifically, all the indicators for the bank's capitalisation continued to be very positive in 2013 although the net non-performing loans/equity ratio increased by more than 3%.

The loan risk indicators show that, on the one hand, loan quality has worsened, with non-performing loans making up 3.43% of loans compared to 2.76% in 2012 while, on the other, the loan coverage ratio has increased from 4.08% to 50.6% for 2013.

The performing loans indicator continues to be high at 1.18%.

The bank's profitability profile is clearly conditioned by the fair value measurement of securities in 2012. That being said, ROE is 5.32% while ROA is 0.48%.

As a result, the cost/income ratio is 64.0%, but net of the unrealised fair value gains/losses on securities, it is 69.1%, substantially unchanged with respect to 68.7% in 2012, confirming the continued improvement in the bank's efficiency.

The efficiency indicator shows the overall stability of the indicators.

Objectives: have they been met?

The bank avails of two tools which operate independently but are both used to determine its objectives: the business plan and the annual budget.

The bank has made progress with the objectives included in the business plan, approved by the outgoing board of directors and subsequently adopted by the new directors, whose term of office ends on 31 December 2015, aimed at improving organisational and production efficiency. Such progress has included:

1. continuation of the Banca h24 project;
2. ramp up of activities for the multi-channel line;
3. document management project to computerise the exchange of documents with customers;
4. outsourcing of back office or low value added services.

With respect to the objectives for the bank's operations, profitability and controls, it should be noted that the general economic climate and forecasts made at the end of 2012 when the board of directors prepared the business plan and envisaged a slight improvement in the economy, especially in the developed countries after the devastating consequences of the 2008 banking crisis, were soon seen to be light years away from the actual situation in Italy which made it necessary to revise the plan and check its objectives.

Therefore, while the board of directors confirms the correctness of the plan's original aims in terms of the projects to be developed and the technical organisational objectives to be met, it has revised the plan with respect to its financial and economic objectives.

Despite all this:

lending, including the allowance for impairment, estimated to amount to €1,051,099 thousand at year end, actually came to €1,067,843 thousand, nearly in line with forecasts;

direct funding was estimated to amount to €1,308,141 thousand and actually came to €1,294,334; moreover, the insignificant difference of €13,307 thousand (-1%) was offset by the positive difference of €13,435 thousand in indirect funding.

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

	ANALYSIS OF PROFITABILITY		Difference compared to forecast
	2013 actual	**2013 plan**	
Net interest income	36,533	35,989	544
Total income	73,780	68,359	5,421
Administrative expenses	-18,793	-17,797	-996
Amortisation and depreciation	-1,408	-1,301	-107
Personnel expense	-28,837	-28,923	86
Operating profit	24,742	20,338	4,404
Net impairment losses	-10,911	-10,050	-861
Pre-tax profit from continuing operations	13,831	10,288	3,543
Income taxes	-5,683	-5,218	-465
Profit for the year	**8,148**	**5,070**	**3,078**
Regulatory capital	**154,591**	**151,114**	**3,477**

The table shows that the bank mostly met its objectives, excluding both the revaluation of the Bank d'Italia shares, which had an approximate €2 million effect on the profit for the year, and the very favourable securities trading income. Impairment losses were higher than expected.

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

That being said, forecast regulatory capital at 31 December 2013 was estimated at €151,114 thousand compared to the actual €154,591 thousand, with the difference mainly attributable to the revaluation of the AFS portfolio securities which included the revaluation of the CSE investment (€1,720 thousand).

The 2013 budget was prepared considering a worsening in the financial crisis affecting the debt of some of the peripheral Euro zone countries, including Italy.

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

Accordingly, the 2013 budget included downwards-revised growth estimates for lending (€1,123,398 thousand) and direct funding (€1,275,897 thousand).

Actual lending figures slightly underperformed the 2013 budget, down €55,555 thousand, while direct funding overperformed by €18,437 thousand.

The budget revised the business plan objectives in respect of the profit for the year and forecast a profit of €6,597 thousand. The following table shows the actual variation:

Comparison of income statement objectives

	Actual	Budget	Difference	
			amount	%
Net interest income	**36,533**	**39,233**	**-2,700**	**-6.88%**
Dividends	234	30	204	680.00%
Net fee and commission income	20,173	20,901	-728	-3.48%
Net trading income	11,789	2,141	9,648	450.66%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	0	0	0	0.00%
Total income	**68,729**	**62,305**	**6,424**	**10.31%**
Personnel expense	-28,837	-28,589	-248	0.87%
Administrative expenses	-13,750	-14,331	581	-4.05%
Amortisation and depreciation	-1,408	-1,461	53	-3.63%
Operating costs	**-43,995**	**-44,381**	**386**	**-0.87%**
Operating profit	**24,734**	**17,925**	**6,809**	**37.99%**
Net reversals of/accruals to provisions for risks and charges	17	-500	517	-103.40%
Net impairment losses on loans and receivables	-10,928	-4,534	-6,394	141.04%
Net impairment losses on other assets	0	0	0	0.00%
Net gains (losses) on held-to-maturity and other investments	8	0	8	0.00%
Pre-tax profit from continuing operations	**13,831**	**12,891**	**940**	**7.29%**
Income taxes	-5,683	-6,294	611	-9.71%
Profit (loss) from discontinued operations	0	0	0	0.00%
Profit for the year	**8,148**	**6,597**	**1,551**	**23.51%**

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

The directors note that they have assessed the bank's profitability and liquidity for a period of not less than 12 months from the reporting date based on the business plan, the 2013 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 prudent.

With respect to the bank's profitability, the board of directors believes that, despite this difficult economic period, the bank has appropriate profitability margins for the near and far future notwithstanding 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 not made a profit despite other unfavourable economic periods;
b. Its market share is very positive and its local ground roots have actually been strengthened by the unfavourable climate;
c. Its high capitalisation and prudent approach are a solid basis for dealing with any future risks;
d. Excluding the results of the fair value measurement of securities, the bank continues to improve its results as clearly demonstrated in this report.

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

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

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

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

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

In full compliance with these instructions, the bank has built up its risk monitoring activities in 2013 in line with its objective of maintaining high capitalisation levels and to continue on from previous years. Measurement of loans and receivables was heavily affected by the need to align controls to the sudden drop in credit quality caused by the ongoing economic crisis.

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

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

Based on the scenario envisaged during approval of the 2014 budget and considering the significant difficulties for the business sectors in which most of the bank's customers operate, it will conclude or continue certain macro organisational projects during 2014 such as:

- ✓ roll out of certain branches as "banca h24" and reorganisation of the real estate leases;
- ✓ further development of the IC (contractual processes) procedure and activation of links with the marketing procedure;
- ✓ activation of the SEPA - SDD procedure;
- ✓ commencement of the documentation management project.

The economic crisis that began at the end of 2008 and has evolved becoming more serious, will continue into 2014, although its consequences should be mitigated.

Uncertainty continues to persist which may affect financial market development. Specifically, the outcome of the Italian political elections in 2013 are not reassuring about the permanent and stable governability of the country.

Positive feedback from the economy relates to export levels. However, progress is uncertain due to both the geo-political difficulties with Eastern European, the very interesting end market for "made in Marche" products, and the Euro's very high exchange rate.

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

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

In purely operational terms, the bank intends to:

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

Based on the 2014 budget reviewed by the board of directors and communicated by the management accounts unit and the commercial unit to all the bank's offices, the bank foresees:

- ➢ a 2.8% increase in lending which is based on the possible recovery of the economy at the end of the year;
- ➢ a 2.7% upturn in direct funding, mainly thanks to the bank's competitive edge and market confidence in it and households' difficulties in accumulating new funds;
- ➢ a slight increase in net interest income (1.5%);
- ➢ an increase in fee and commission income; the bank believes that there is ample room for an increase in income from fund management, insurance and order collection services;
- ➢ smaller operating expenses, due to the scheduled and ongoing related measures;
- ➢ a smaller increase (compared to 2013) in irregular loans and the related risk as a direct outcome of the economic crisis referred to many times in this report.

As already noted in previous years, the result of securities trading is highly volatile and it is difficult to make reliable forecasts about profits. Therefore, projections are made using very prudent assumptions.

The bank will especially focus on improving the quality of its distribution channels and its on-line channel in particular. The "open bank" branches will contribute significantly to this objective thanks to their greater capacity for commercial development. Given the results achieved to date, the reorganisation will be continued in 2013, opening another three medium sized branches, involving about 15 employees.

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

PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

Dear shareholders,

As described, the profit for the year amounts to €8,148,066. Pursuant to the relevant laws and article 24 of the by-laws, we propose it be allocated as follows:

- 10% to the legal reserve	814,807
- 15% to the statutory reserve	1,222,210
- to the shareholders as a dividend of €4.00	3,039,000
- the remainder to the statutory reserve	3,072,049
Total profit for the year	**8.148.066**

Therefore, should you approve the financial statements and the related proposed allocation of the profit for the year as set out above, the bank's equity will amount to €158,247,248 as follows:

- Share capital	39,241,087
- Share premium	34,660,068
- Income-related reserves	67,230,504
- Valuation reserves	17,115,589
TOTAL	**158.247.248**

After the allocation set out above pursuant to article 25 of the by-laws, the legal reserve, which amounted to €15,910,690 at 31 December 2013, will amount to €16,725,497 and will thus exceed one fifth of the share capital as per article 2430 of the Italian Civil Code by €8,877,279.

Conclusions

We would like to warmly thank all our customers that have chosen Cassa di Risparmio di Fermo S.p.A. as their bank in a difficult year 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 ongoing valuable relationship with Intesa Sanpaolo contributes value to this.

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, and the Ascoli Piceno branch manager, Marcello Salice, for their availability as well as all the personnel at those branches for their assistance.

On behalf of the board of directors
The Chairman
(signed on the original)

Fermo, 27 March 2014

STATEMENT OF FINANCIAL POSITION: ASSETS

	Assets	31/12/2013	31/12/2012
10.	Cash and cash equivalents	14,353,280	14,100,988
20.	Financial assets held for trading	248,691,183	204,776,556
30.	Financial assets at fair value through profit or loss	-	-
40.	Available-for-sale financial assets	288,622,466	266,459,164
50.	Held-to-maturity investments	5,029,949	5,022,377
60.	Loans and receivables with banks	48,105,709	43,895,692
70.	Loans and receivables with customers	1,018,581,311	1,055,455,191
80.	Hedging derivatives	-	-
90.	Adjustments to generically hedged financial assets	-	-
100.	Equity investments	-	-
110.	Property, equipment and investment property	19,725,850	19,048,993
120.	Intangible assets	87,385	83,489
	including: - goodwill	-	-
130.	Tax assets	28,451,986	13,244,839
	a) current	*16,903,661*	*2,969,354*
	b) deferred	*11,548,325*	*10,275,485*
	b1) including as per Law no. 214/2011	*8,166,936*	*5,105,024*
140.	Non-current assets classified as held for sale and disposal groups	-	-
150.	Other assets	18,983,640	22,775,522
	Total assets	**1,690,632,759**	**1,644,862,811**

STATEMENT OF FINANCIAL POSITION: LIABILITIES

	Liabilities and equity	31/12/2013	31/12/2012
10.	Due to banks	150,007,308	151,023,198
20.	Due to customers	938,992,853	894,172,083
30.	Securities issued	356,907,526	350,971,516
40.	Financial liabilities held for trading	727,276	658,073
50.	Financial liabilities at fair value through profit or loss	-	-
60.	Hedging derivatives	-	-
70.	Adjustments to generically hedged financial liabilities (+/-)	-	-
80.	Tax liabilities	13,795,149	16,288,109
	a) current	*10,334,035*	*12,971,371*
	b) deferred	*3,461,114*	*3,316,738*
90.	Liabilities associated with discontinued operations	-	-
100.	Other liabilities	44,377,602	45,643,375
110.	Post-employment benefits	10,556,445	11,039,059
120.	Provisions for risks and charges:	13,982,353	16,255,633
	a) pension and similar obligations	*11,166,973*	*12,922,352*
	b) other provisions	*2,815,380*	*3,333,281*
130.	Valuation reserves	17,115,587	15,077,710
	including: relating to discontinued operations	-	-
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	62,121,438	59,512,638
165.	Interim dividend (-)	-	-
170.	Share premium	34,660,068	34,660,068
180.	Share capital	39,241,088	39,241,087
190.	Treasury shares (-)	-	-
200.	Profit for the year (+/-)	8,148,066	10,320,262
	Total liabilities and equity	**1,690,632,759**	**1,644,862,811**

INCOME STATEMENT

		2013	2012
10.	Interest and similar income	53,425,478	56,797,804
20.	Interest and similar expense	- 16,891,998	- 17,679,524
30.	**Net interest income**	**36,533,480**	**39,118,280**
40.	Fee and commission income	22,038,688	21,504,274
50.	Fee and commission expense	- 1,866,318	- 1,812,610
60.	**Net fee and commission income**	**20,172,370**	**19,691,664**
70.	Dividends and similar income	234,234	180,372
80.	Net trading income	8,710,653	17,185,231
90.	Net hedging income (expense)	-	-
100.	Gain (loss) from sales or repurchases of	3,078,981	491,464
	a) loans and receivables	-	-
	b) available-for-sale financial assets	3,182,236	650,373
	c) held-to-maturity investments	-	-
	d) financial liabilities	- 103,255	- 158,909
110.	Net gains (losses) on financial assets and liabilities at fair value through profit or loss	-	-
120.	**Total income**	**68,729,718**	**76,667,011**
130.	Net impairment losses on:	- 10,928,480	- 12,454,970
	a) loans and receivables	*- 10,928,480*	*- 12,454,970*
	b) available-for-sale financial assets	-	-
	c) held-to-maturity investments	-	-
	d) other financial transactions	-	-
140.	**Net financial income**	**57,801,238**	**64,212,041**
150.	Administrative expenses	- 47,630,646	- 48,031,160
	a) personnel expense	*- 28,837,200*	*- 29,098,087*
	b) other administrative expenses	*- 18,793,446*	*- 18,933,073*
160.	Net reversals of/accruals to provisions for risks and charges	17,250	- 1,546,309
170.	Depreciation and net imp. losses on property, equipment and investment property	- 1,361,951	- 1,282,302
180.	Amortisation and net imp. losses on intangible assets	- 45,806	- 34,966
190.	Other net operating income	5,043,276	4,936,284
200.	**Operating costs**	**- 43,977,877**	**- 45,958,453**
210.	Gains (losses) on equity investments	-	-
220.	Fair value gains (losses) on property, equipment, invest. property and int. assets	-	-
230.	Impairment losses on goodwill	-	-
240.	Net gains on sales of investments	7,616	13,835
250.	**Pre-tax profit from continuing operations**	**13,830,977**	**18,267,423**
260.	Income taxes	- 5,682,911	- 7,947,161
270.	**Post-tax profit from continuing operations**	**8,148,066**	**10,320,262**
280.	Post-tax profit (loss) from discontinued operations	-	-
290.	**Profit for the year**	**8,148,066**	**10,320,262**

STATEMENT OF COMPREHENSIVE INCOME

		2013	2012
10.	**Profit for the year**	**8,148,066**	**10,320,262**
	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	361,712	- 4,624,977
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	1,676,167	10,254,885
110.	Non-current assets held for sale	-	-
120.	Share of valuation reserves of equity-accounted investees	-	-
130.	**Other comprehensive income, net of tax**	**2,037,879**	**5,629,908**
140	**Comprehensive income for the year (10 + 130)**	**10,185,945**	**15,950,170**

STATEMENT OF CHANGES IN EQUITY FOR 2013

	Balance at 31/12/2012	Change to opening balances	Balance at 1/01/2013	Allocation of prior year profit		Changes in 2013									Equity at 31/12/2013
						Changes in reserves	Equity transactions							Comprehensive income for 2013	
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of treasury shares	Interim dividend	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:	**59,512,638**	**-**	**59,512,638**	**2,608,800**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62,121,438**
a) income-related	56,242,878	-	56,242,878	2,608,800	-	-	-	-	-	-	-	-	-	-	58,851,678
b) other	3,269,760	-	3,269,760	-	-	-	-	-	-	-	-	-	-	-	3,269,760
Valuation reserves	**15,077,710**	**-**	**15,077,710**	**-**	**-**	**2,037,879**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,115,589**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**10,320,262**	**-**	**10,320,262**	**- 2,608,800**	**- 7,711,462**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,148,066**	**8,148,066**
Equity	**158,811,765**	**-**	**158,811,765**	**-**	**- 7,711,462**	**2,037,879**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,148,066**	**161,286,248**

STATEMENT OF CHANGES IN EQUITY FOR 2012

	Balance at 31/12/2012	Change to opening balances	Balance at 1/01/2011	Allocation of prior year profit		Changes in 2012									Equity at 31/12/2012
						Changes in reserves	Equity transactions							Comprehensive income for 2012	
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of treasury shares	Interim dividend	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:	**59,378,892**	**-**	**59,378,892**	**133,746**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**59,512,638**
a) income-related	56,109,132	-	56,109,132	133,746	-	-	-	-	-	-	-	-	-	-	56,242,878
b) other	3,269,760	-	3,269,760	-	-	-	-	-	-	-	-	-	-	-	3,269,760
Valuation reserves	**9,447,802**	**-**	**9,447,802**	**-**	**-**	**5,629,908**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,077,710**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**133,746**	**-**	**133,746**	**- 133,746**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,320,262**	**10,320,262**
Equity	**142,861,595**	**-**	**142,861,595**	**-**	**-**	**5,629,908**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,320,262**	**158,811,765**

STATEMENT OF CASH FLOWS: indirect method

A. OPERATING ACTIVITIES	2013	2012
1. Operations	**4,006,355**	**22,468,217**
- profit for the year (+/-)	8,148,066	10,320,262
- losses on financial assets held for trading and financial assets/liabilities at fair value through profit or loss (-/+)	-7,220,686	-12,015,421
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses/reversals of impairment losses (+/-)	12,393,485	14,247,633
- net impairment losses/reversals of impairment losses on property, equipment and investment property and intangible assets (+/-)	1,546,659	1,410,987
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	-12,757,265	5,750,546
- unpaid taxes and duties (+)	6,160,789	7,947,160
- net impairment losses/reversals of impairment losses on disposal groups, net of the tax effect (+/-)	-	-
- other adjustments (+/-)	-4,264,693	-5,192,950
2. Cash flows used for financial assets	**-41,915,939**	**-157,285,307**
- financial assets held for trading	-38,206,852	-267,458
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	-12,973,876	-132,856,012
- loans and receivables with banks: on demand	-6,178,492	-3,629,372
- loans and receivables with banks: other	1,968,475	-12,774,875
- loans and receivables with customers	24,966,788	-10,444,430
- other assets	-11,491,982	2,686,840
3. Cash flows generated by financial liabilities	**48,173,934**	**139,740,547**
- due to banks: on demand	-590,014	-1,614,044
- due to banks: other	-425,876	41,383,359
- due to customers	44,820,770	39,198,036
- securities issued	6,224,255	44,444,543
- financial liabilities held for trading	-	-
- financial liabilities at fair value through profit or loss	-	-
- other liabilities	-1,855,201	16,328,653
Net cash flows generated by operating activities	**10,264,350**	**4,923,457**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**9,649**	**24,162**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of HTM investments	-	-
- sales of property, equipment and investment property	9,649	24,162
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**-2,310,245**	**-2,534,047**
- equity investments	-	-
- HTM investments	-	-
- property, equipment and investment property	-2,039,065	-2,158,651
- intangible assets	-271,180	-375,396
- business units	-	-
Net cash flows used in investing activities	**-2,300,596**	**-2,509,885**

C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/repurchase of equity instruments	-	-
- dividend and other distributions	- 7,711,462	-
Net cash flows used in financing activities	**- 7,711,462**	**-**
NET CASH FLOWS FOR THE YEAR	**252,292**	**2,413,572**

Key: (+) generated; (-) used

Reconciliation:

FINANCIAL STATEMENTS CAPTIONS	2013	2012
Opening cash and cash equivalents	14,100,988	11,687,416
Net cash flows for the year	252,292	2,413,572
Cash and cash equivalents: exchange rate effects	-	-
Closing cash and cash equivalents	14,353,280	14,100,988

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 2013 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission with EC regulation 1606 of 19 July 2002 and applied in Italy with article 1 of Legislative decree no. 38 of 28 February 2005. The instructions issued by Banca d'Italia in its circular no. 262 of 22 December 2005, the first update of 18 November 2009 and the second update of 21 January 2014 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 2013 and its results of operations and cash flows for the year then ended. They comprise a statement of financial position, 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 Banca d'Italia circular no. 262 of 22 December 2005, and subsequent amendments, are not sufficient to give a true and fair, material, reliable, comparable and understandable view of the bank's financial position, results of operations and cash flows, additional information is provided in the notes.

The general guidelines for presentation of the financial statements are:

- the assumption of going concern;
- the accruals basis of accounting: costs and revenue are recognised on an accruals basis;
- consistency of presentation: in order to ensure the comparability of data and information in the financial statements, they are presented and classified consistently over the years unless another presentation or classification would be more appropriate or amendments are made to the IFRS;
- in 2011, the IASB published IAS 19 (revised), introducing, inter alia, new accounting treatments for defined benefit plans, which include pension funds and the Italian post-employment benefits. The 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 Banca d'Italia circular no. 262 of 22 December 2005 and subsequent amendments;
- substance over form: the financial statements are presented in accordance with the principle of substance over form;
- comparative information: comparative information in respect of the previous year is disclosed for all amounts reported in the current year's financial statements.

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

Section 3 - Events after the reporting date

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

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" while those on equity instruments are reclassified from the valuation reserve to profit or loss when they are sold.

3 - HELD-TO-MATURITY INVESTMENTS

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

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

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

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

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

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

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

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

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

The impairment loss is recognised in profit or loss.

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

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

e) Recognition of costs and revenue
Interest is recognised in "Interest and similar income". Gains and losses on the asset's sale are recognised in "Gain (loss) 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, resale agreements are recognised as a payable for the amount received while repurchase agreements are recognised as a receivable for the amount paid.

b) Classification
Loans and receivables include non-derivative amounts with banks and customers, both disbursed directly and acquired from third parties, with fixed or determinable payments that are not listed on an active market and are not initially recognised as "Financial assets at fair value through profit or loss".

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

c) Measurement
After initial recognition, loans and receivables are measured at amortised cost, that is, their initial carrying amount minus/plus principal repayments, impairment losses/reversals of impairment losses and cumulative amortisation, using the effective interest method. The effective

interest rate is the date that exactly discounts estimated future payments over the expected life of the loan or receivable to the carrying amount at the time of initial recognition, including directly attributable transaction costs and amounts paid or received between the contracting parties.

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

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

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

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

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

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

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

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

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

d) Derecognition

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

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

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

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

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

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

5 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

6 - HEDGING
The bank has not 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.

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

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

Land and assets under construction are not depreciated.

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

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

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

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

e) Recognition of costs and revenue
Accumulated depreciation and any impairment losses on operating assets are recognised under "Depreciation and net impairment losses on property, equipment and investment property".

Impairment losses and reversals of impairment losses of investment property, determined considering its fair value, are recognised under “Fair value gains (losses) on property, equipment and investment property”.

9 - INTANGIBLE ASSETS

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

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

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

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

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

10 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The bank does not have non-current assets classified as held for sale.

11 - CURRENT AND DEFERRED TAXES

a) Classification
Current tax assets and liabilities consist of receivables for tax advances paid and income taxes on the tax base for the year, respectively.

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

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

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

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

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

Following enactment of Law no. 214/2011, governing the recognition of deferred tax assets, a round table was held during which Banca d’Italia, Consob and ISVAP discussed the issue in the light of the IFRS. On 15 May 2012, they published a document stating that, due to 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.

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

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

12 - PROVISIONS FOR RISKS AND CHARGES

a) Recognition and derecognition

b) Classification

c) Measurement

Pension and similar provisions

They include accruals for the supplementary pension plan which integrates the benefits provided 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 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.

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

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

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

17 - OTHER INFORMATION
17.1 - Post-employment benefits
a) Recognition
b) Classification
c) Measurement
d) Derecognition
Post-employment benefits are recognised at their actuarial value.

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

Accruals are recognised under "Personnel expense" and includes the Italian Civil Code revaluation and interest expense on the increase in present value due to the time value of money. The actuarial gains or losses are calculated in accordance with IAS 19 (revised by the IASB in

2011), which eliminated the possibility to apply the corridor approach and their full recognition in profit or loss and requires their recognition in other comprehensive income (equity).

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

17.2 - Treasury shares

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

17.3 - Dividends and revenue recognition

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

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

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

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

A3 – 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 31/12/2013	Fair value at 31/12/2013	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	62,158	62,158	1,464	852	1,464	852
				Total A	**1,464**	**852**	**1,464**	**852**

No financial assets were reclassified out of one portfolio and into another in 2013.

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 2013 gains. The “Other” column shows interest on bonds and trading profits (losses) on securities sold/redeemed during the year.

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.
  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:

	Equity	Investment %	Share of equity	10% decrease in equity	10% increase in equity	Carrying amount at 31/12/2013
S.W.I.F.T. - Brussels	252,362,000	0.0004%	927	834	1,020	2,529
CartaSi S.p.A.	463,806,012	0.1447%	670,973	603,875	738,070	266,220
SEDA S.p.A.	7,355,374	3.6664%	269,676	242,709	296,644	256,584
ConfidiCoop Marche	6,650,000	1.5000%	99,750	89,775	109,725	100,000
SIA spa (former Società Servizi Bancari S.p.A	183,941,000	0.0340%	62,538	56,284	68,791	161,770
Gruppo d'Azione Locale "Piceno" S.c.a.r.l.	34,290	3.8100%	1,306	1,176	1,437	2,066
Alipicene S.r.l.	49,033	2.5000%	1,226	1,103	1,348	2,582
Fermano Leader S.c.a.r.l.	41,585	1.5000%	624	561	686	3,000
CSE Cons.Servizi Bancari S.r.l.	153,373,768	4.0000%	6,134,951	5,521,456	6,748,446	6,800,000
CARICESE S.r.l.	3,299,903	0.5000%	16,500	14,850	18,149	20,000
TOTAL	**1,070,912,965**		**7,258,471**	**6,532,623**	**7,984,316**	**7,614,751**

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.

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 for the asset or liability, either directly or indirectly;
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

	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	247,375	1,316	-	203,559	1,217	-
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Availabl-for-sale financial assets	267,475	13,532	7,615	252,563	10,339	3,557
4. Hedging derivatives	-	-	-	-	-	-
5. Property, equipment and investment property	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**514,850**	**14,848**	**7,615**	**456,122**	**11,556**	**3,557**
1. Financial liabilities held for trading	-	727	-	-	658	-
2. Financial liabilities at fair valut through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**727**	**-**	**-**	**658**	**-**

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

Financial assets classified as trading in the L2 column of the A.4.5.1 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 Banca d'Italia, 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 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)

	FINANCIAL ASSETS					
	HFT	FVTPL	AFS	Hedging	Property, equipment and investment property	Intangible assets
1. Opening balance	-	-	3,557	-	-	-
2. Increases	-	-	5,140	-	-	-
2.1. Purchases	-	-	3,420	-	-	-
2.2. Gains recognised in:	-	-	1,720	-	-	-
2.2.1. profit or loss	-	-	-	-	-	-
- including gains on assets	-	-	-	-	-	-
2.2.2. equity			*1,720*	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
3. Decreases	-	-	1,082	-	-	-
3.1. Sales	-	-	1,082	-	-	-
3.2. Repayments	-	-	-	-	-	-
3.3. Losses recognised in:	-	-	-	-	-	-
3.3.1. profit or loss	-	-	-	-	-	-
- including losses on assets	-	-	-	-	-	-
3.3.2. equity			-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Closing balance	-	-	7,615	-	-	-

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

	31/12/2013				31/12/2012			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Held-to-maturity investments	5,030	4,821	-	-	5,022	4,350	-	-
2. Loans and receivables with banks	48,106	-	-	48,106	43,896	-	-	43,896
3. Loans and receivables with customers	1,018,581	-	-	1,050,017	1,055,455	-	-	1,095,611
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets classified as held for sale and disposal groups	-	-	-	-	-	-	-	-
TOTAL	**1,071,717**	**4,821**	**-**	**1,098,123**	**1,104,373**	**4,350**	**-**	**1,139,507**
1. Due to banks	150,007	-	-	150,007	151,023	-	-	151,023
2. Due to customers	938,993	-	-	938,993	894,172	-	-	894,172
3. Securities issued	356,908	-	-	360,182	350,972	-	-	350,972
4. LIabilities associated with discontinued operations	-	-	-	-	-	-	-	-
TOTAL	**1,445,908**	**-**	**-**	**1,449,182**	**1,396,167**	**-**	**-**	**1,396,167**

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

	31/12/2013	31/12/2012
a) Cash	14,353	14,101
b) Demand deposits with central banks	-	-
Total	**14,353**	**14,101**

Section 2 – Financial assets held for trading – Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Assets						
1. Debt instruments	247,375	584	-	203,559	547	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*247,375*	*584*	-	*203,559*	*547*	-
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**247,375**	**584**	**-**	**203,559**	**547**	**-**
B. Derivatives						
1. Financial derivatives:	-	731	-	-	671	-
1.1 Trading	-	*731*	-	-	*671*	-
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	**-**	**731**	**-**	**-**	**671**	**-**
Total	**247,375**	**1,315**	**-**	**203,559**	**1,218**	**-**

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 to which the bank provides treasury services.

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

	31/12/2013	31/12/2012
A. Assets		
1. Debt instruments	**247,959**	**204,106**
a) Government and central banks	247,375	198,068
b) Other government agencies	584	547
c) Banks	-	5,491
d) Other issuers	-	-
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	**247,959**	**204,106**
B. Derivatives		
a) Banks	527	414
- Fair value	*527*	*414*
-	-	-
b) Customers	204	257
- Fair value	*204*	*257*
-	-	-
Total B	**731**	**671**
Total	**248,690**	**204,777**

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

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

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

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

2.3 Financial assets held for trading: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**204,106**	**-**	**-**	**-**	**204,106**
B. Increases	**831,819**	**-**	**-**	**-**	**831,819**
B1. Purchases	822,829	-	-	-	**822,829**
B2. Fair value gains	5,143	-	-	-	**5,143**
B3. Other increases	3,847	-	-	-	**3,847**
C. Decreases	**787,965**	**-**	**-**	**-**	**787,965**
C1. Sales	786,697	-	-	-	**786,697**
C2. Repayments	1,175	-	-	-	**1,175**
C3. Fair value losses	80	-	-	-	**80**
C4. Transfers to other portfolios	-	-	-	-	
C5. Other decreases	13	-	-	-	**13**
D. Closing balance	**247,960**	**-**	**-**	**-**	**247,960**

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

Item B3 includes the trading income of €3,451 thousand and the difference at the reporting date between the accrued interest and interest at the start of the year. Item C5 comprises the trading expense.

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

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

	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments	267,403	10,282	-	252,510	10,339	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other instruments	*267,403*	*10,282*	-	*252,510*	*10,339*	-
2. Equity instruments	72	3,250	7,615	53	-	3,557
2.1 FVTPL	*72*	*3,250*	*7,615*	*53*	-	*3,557*
2.2 Cost	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
Total	**267,475**	**13,532**	**7,615**	**252,563**	**10,339**	**3,557**

AFS financial assets shown:

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

3. in the Level 3 column refer to equity instruments measured based on recent transactions. The investment in Intesa Sanpaolo (listed) is shown in column Level 1. A list of the bank's equity investments is given in the annexes.

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

	31/12/2013	31/12/2012
1. Debt instruments	**277,685**	**262,849**
a) Government and central banks	215,527	187,135
b) Other government agencies	-	-
c) Banks	60,159	73,745
d) Other issuers	1,999	1,969
2. Equity instruments	**10,937**	**3,610**
a) Banks	3,322	1,135
b) Other issuers:	7,615	2,475
- insurance companies	-	-
- financial companies	*366*	*366*
- non-financial companies	*7,249*	*2,109*
- other	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**288,622**	**266,459**

4.4 Available-for-sale financial assets: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**262,849**	**3,610**	**-**	**-**	**266,459**
B. Increases	**77,607**	**8,410**	**-**	**-**	**86,017**
B1. Purchases	69,777	6,670	-	-	**76,447**
B2. Fair value gains	2,910	-	-	-	**2,910**
B3. Reversals of impairment losses:	-	1,740	-	-	**1,740**
- recognised in profit or loss	-		-	-	**-**
- recognised in equity	-	*1,740*	-	-	**1,740**
B4. Transfers from other portfolios	-	-	-	-	**-**
B5. Other increases	4,920	-	-	-	**4,920**
C. Decreases	**62,771**	**1,083**	**-**	**-**	**63,854**
C1. Sales	41,750	1,083	-	-	**42,833**
C2. Repayments	15,223	-	-	-	**15,223**
C3. Fair value losses	2,291	-	-	-	**2,291**
C4. Impairment losses:	-	-	-	-	**-**
– recognised in profit or loss	-	-	-	-	**-**
– recognised in equity	-	-	-	-	**-**
C5. Transfers to other portfolios	-	-	-	-	**-**
C6. Other decreases	3,507	-	-	-	**3,507**
D. Closing balance	**277,685**	**10,937**	**-**	**-**	**288,622**

Senior bonds issued by Italian banks were redeemed at their natural maturity during the year for €15,223 thousand.

Sales of €41,750 thousand mainly relate to the sale of the Italian BTP bonds given the favourable market conditions in the first half of the year. The bank purchased BTP bonds for €70,000 thousand in 2013 (nominal amount).

Item “B5. Other increases” includes interest accrued on bonds of €3,377 thousand and trading income of €1,543 thousand.

Item “C6. Other decreases” includes opening accrued interest of €2,979 thousand and trading expense of €528 thousand.

The above table includes the fair value of the 130 shares of Banca d’Italia (€3,250 thousand).

Column 2 of item “B.1 Purchases” includes the fair value of the new shares issued by the Italian central bank (€3,250 thousand). Column 2 of item “C.1 Sales” includes the carrying amount of the old shares held by the bank which it sold (€1,083 thousand).

The bank maintained the classification of the new shares in the AFS portfolio, in line with its treatment of the old shares. Moreover, the bank recognised the Banca d’Italia shares, issued in connection with its by-laws reform effective from 31 December 2013, as financial instruments, which is different to its recognition of the shares before the reform.

The related gain of €2,167 thousand is recognised in caption 100/b of the income statement. The bank calculated substitute tax as per Law decree no. 133 of 30 November 2013 and subsequent amendments, which was recognised in caption 260 of the income statement (Income taxes).

This treatment of Banca d’Italia shares was agreed by the bank’s relevant bodies in compliance with the IFRS, Law decree no. 133/2013, the Italian Inland Revenue circular no. 4/E of 24 February 2014 and the Consob/Banca d’Italia joint communication of 11 March 2014.

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

5.1 Held-to-maturity investments: breakdown by product

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt instruments	5,030	4,821	-	-	5,022	4,350	-	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	*5,030*	*4,821*	-	-	*5,022*	*4,350*	-	-
2. Financing	-	-	-	-	-	-	-	-
Total	**5,030**	**4,821**	**-**	**-**	**5,022**	**4,350**	**-**	**-**

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

The difference between the carrying amount and fair value is €209 thousand.

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

	31/12/2013	31/12/2012
1. Debt instruments	**5,030**	**5,022**
a) Government and central banks	5,030	5,022
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	**5,030**	**5,022**
Total fair value	**4,821**	**4,350**

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

	Debt instruments	Financing	Total
A. Opening balance	**5,022**	**-**	**5,022**
B. Increases	**30**	**-**	**30**
B1. Purchases	-	-	**-**
B2. Reversals of impairment losses	-	-	**-**
B3. Transfers from other portfolios	-	-	**-**
B4. Other increases	30	-	**30**
C. Decreases	**22**	**-**	**22**
C1. Sales	-	-	-
C2. Repayments	-	-	-
C3. Impairment losses	-	-	-
C4. Transfers to other portfolios	-	-	-
C5. Other decreases	22	-	22
D. Closing balance	**5,030**	**-**	**5,030**

The changes refer to interest accrued on the investments.

Section 6 – Loans and receivables with banks – Caption 60

6.1 Loans and receivables with banks: breakdown by product

	31/12/2013				31/12/2012			
	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	**8,200**	**-**	**-**	**8,200**	**5,022**	**-**	**-**	**5,022**
1. Term deposits	-				-			
2. Mandatory reserve	8,200				5,022			
3. Reverse repurchase agreements	-				-			
4. Other	-				-			
B. Loans and receivables with banks	**39,906**	**-**	**-**	**39,906**	**38,874**	**-**	**-**	**38,874**
1. Financing	**39,906**	**-**	**-**	**39,906**	**38,874**	**-**	**-**	**38,874**
1.1. Current accounts and demand deposits	35,963				38,054			
1.2. Term deposits	3,943				820			
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)	**48,106**	**-**	**-**	**48,106**	**43,896**	**-**	**-**	**43,896**

Section 7 – Loans and receivables with customers – Caption 70

7.1 Loans and receivables with customers: breakdown by product

	31/12/2013						31/12/2012					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
Financing												
1. Current accounts	251,464	-	19,327				260,178	-	17,512			
2. Reverse repurchase agreements	-	-	-				-	-	-			
3. Loans	533,975	-	51,327				541,467	-	44,798			
4. Credit cards, personal loans and salary backed loans	21,401	-	3,266				26,216	-	2,756			
5. Finance leases	-	-	-				-	-	-			
6. Factoring	-	-	-				-	-	-			
7. Other	124,771	-	13,050				155,385	-	7,143			
Debt instruments												
8. Structured instruments	-	-	-				-	-	-			
9. Other instruments	-	-	-				-	-	-			
Total (carrying amount)	**931,611**	**-**	**86,970**	**-**	**-**	**1,050,017**	**983,246**	**-**	**72,209**	**-**	**-**	**1,095,611**

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 interbank rate + swap. The discount factor is calculated considering the curve values for the reporting period and used to determine fair value.

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

- import/export advances of €27,375 thousand;
- advances and bills under reserve and advances on invoices of €64,912 thousand;
- portfolio risks of €165 thousand;
- financing with or without repayment plans of €32,242 thousand;
- financing to treasury bodies of €77 thousand.

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

	31/12/2013			31/12/2012		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt instruments:	**-**	**-**	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other government agencies	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Financing to:	**931,612**	**-**	**86,970**	**983,246**	**-**	**72,209**
a) Governments	77	-	-	91	-	-
b) Other government agencies	2,810	-	-	2,913	-	-
c) Other:	928,725	-	86,970	980,242	-	72,209
- non-financial companies	*644,413*	-	*60,860*	*697,288*	-	*48,261*
- financial companies	*11,352*	-	*52*	*10,127*	-	*64*
- insurance companies	-	-	-	-	-	-
- other	*272,960*	-	*26,058*	*272,827*	-	*23,884*
Total	**931,612**	**-**	**86,970**	**983,246**	**-**	**72,209**

Item “2. Financing to: a) Governments” shows the loans granted by the bank to bodies that are required to have just one treasury provider (i.e., the bank).

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

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

	31/12/2013	31/12/2012
1 Owned	**19,726**	**19,049**
a) land	4,350	4,350
b) buildings	13,180	13,233
c) furniture	682	596
d) electronic systems	394	356
e) other	1,120	514
2 Under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**19,726**	**19,049**

11.5 Operating assets: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**4,350**	**33,653**	**5,335**	**5,539**	**5,470**	**54,347**
A.1 Total net impairment losses	-	20,420	4,739	5,183	4,956	35,298
A.2 Net opening balance	4,350	13,233	596	356	514	19,049
B. Increases:	**-**	**935**	**147**	**205**	**754**	**2,041**
B.1 Purchases	-	935	147	205	752	2,039
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	-	-	-	-	2	2
C. Decreases:	**-**	**988**	**61**	**167**	**148**	**1,364**
C.1 Sales	-	-	-	-	2	2
C.2 Depreciation	-	988	61	167	146	1,362
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	**4,350**	**13,180**	**682**	**394**	**1,120**	**19,726**
D.1 Total net impairment losses	-	21,408	4,800	5,350	5,102	36,660
D.2 Gross closing balance	4,350	34,588	5,482	5,744	6,222	56,386
E. Measurement at cost	**4,350**	**13,180**	**682**	**394**	**1,120**	**19,726**

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.

The bank purchased a building in San Benedetto del Tronto to be used as a h24 branch.

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

	31/12/2013		31/12/2012	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**-**		**-**
A.2 Other intangible assets	**87**	**-**	**83**	**-**
A.2.1 Assets measured at cost	87	-	83	-
a) Internally developed assets	-	-	-	-
b) Other	*87*	-	*83*	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally developed assets	-	-	-	-
b) Other	-	-	-	-
Total	**87**	**-**	**83**	**-**

12.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		finite life	indefinite life	finite life	indefinite life	
A. Opening balance	-	-	-	184	-	**184**
A.1 Total net impairment losses	-	-	-	101	-	101
A.2 Net opening balance	-	-	-	83	-	83
B. Increases	**-**	**-**	**-**	**50**	**-**	**50**
B.1 Purchases	-	-	-	50	-	50
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	**-**	**-**	**-**	**46**	**-**	**46**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	46	-	46
- Amortisation		-	-	*46*	-	*46*
- 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	**-**	**-**	**-**	**87**	**-**	**87**
D.1 Total net impairment losses	-	-	-	147	-	147
E. Gross closing balance	**-**	**-**	**-**	**234**	**-**	**234**
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

	31/12/2013
Personnel expense	1,115
Administrative expenses	774
Fair value gains on AFS financial assets	586
Impairment losses on loans	8,167
Actuarial losses on agents' termination benefits/post-employment benefits	906
Total	**11,548**

13.2 Deferred tax liabilities: breakdown

	31/12/2013
Fair value gains on bonds	2,565
Fair value gains on AFS financial assets	-
Deferred gains	671
FTA depreciation of land	225
Post-employment benefits	-
Actuarial gains on post-employment benefits	-
Total	**3,461**

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 authorised use of the “derivazione rafforzata” criterion rather than the “neutrality” criterion. This substantially decreased the differences between the carrying amounts and tax bases of assets and liabilities with the resulting decrease in the related deferred tax assets and liabilities. Law no. 214/2011 introduced the provision for the conversion of deferred tax assets recognised on loans and receivables and goodwill when they satisfy the probability test. Table 13.3.1 shows the deferred tax assets covered by the law if the bank has an accounting or tax loss.

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

	31/12/2013	31/12/2012
1. Opening balance	**7,128**	**3,607**
2. Increases	**3,808**	**3,799**
2.1 Deferred tax assets recognised in the year	3,808	3,799
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	*3,808*	*3,799*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**880**	**278**
3.1 Deferred tax assets derecognised in the year	880	278
a) reversals	*880*	*278*
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	**10,056**	**7,128**

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

	31/12/2013	31/12/2012
1. Opening balance	**5,105**	**-**
2. Increases	**3,389**	**5,105**
3. Decreases	**327**	**-**
3.1 Reversals	*327*	-
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	**8,167**	**5,105**

The above table shows the deferred tax assets related to impairment losses on loans convertible into tax assets should the bank record a loss for accounting or tax purposes as per Law no. 214/2011. These conditions did not materialise in 2013.

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

	31/12/2013	31/12/2012
1. Opening balance	**882**	**882**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**882**	**882**

13.5 Changes in deferred tax assets (recognised in equity)

	31/12/2013	31/12/2012
1. Opening balance	**3,147**	**3,892**
2. Increases	**40**	**2,024**
2.1 Deferred tax assets recognised in the year	40	2,024
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*40*	*2,024*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,695**	**2,769**
3.1 Deferred tax assets derecognised in the year	1,695	2,769
a) reversals	*1,695*	*2,769*
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	**1,492**	**3,147**

13.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2013	31/12/2012
1. Opening balance	**2,434**	**862**
2. Increases	**860**	**2,283**
2.1 Deferred tax liabilities recognised in the year	860	2,283
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*860*	*2,283*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**715**	**711**
3.1 Deferred tax liabilities derecognised in the year	715	711
a) reversals	*715*	*711*
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,579**	**2,434**

13.7 Other information

Caption 130 "Tax assets: a) current" of €16,904 thousand comprises:

- IRES payments on account of €11,081 thousand;
- IRAP payments on account of €3,940 thousand;
- substitute tax on account of €350 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 click day for the Marche region.

Section 15 – Other assets – Caption 150

15.1 Other assets: breakdown

	31/12/2013
a) receivables from tax authorities and other tax bodies	3,288
b) cheques drawn on other banks	422
c) cheques to be received from clearing house and drawn on customer accounts	-
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	10,713
i) leasehold improvements	386
l) accrued income	31
m) prepayments	834
n) other	3,307
Total	**18,984**

Specifically, in the above table:

- item h) includes transactions under settlement by the Istituto Centrale delle Banche Popolari Italiane and Banca d'Italia (€8,412 thousand) and items in transit to be debited to the end accounts (€2,301 thousand);
- point m) mostly consists of prepaid insurance premiums;
- point n) includes sundry amounts of €931 thousand and accrued commissions of €2,376 thousand.

LIABILITIES

Section 1 – Due to banks – Caption 10

1.1 Due to banks: breakdown by product

	31/12/2013	31/12/2012
1. Due to central banks	**150,000**	**150,000**
2. Due to banks	**7**	**1,023**
2.1 Current accounts and demand deposits	7	433
2.2 Term deposits	-	590
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	**150,007**	**151,023**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**150,007**	**151,024**
Total fair value	**150,007**	**151,024**

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

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

The ECB granted these amounts against eligible securities owned by the bank pledged as security and securities issued by it guaranteed by the Italian government (€70,000 thousand).

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

Section 2 – Due to customers – Caption 20

2.1 Due to customers: breakdown by product

	31/12/2013	31/12/2012
1. Current accounts and demand deposits	910,819	861,970
2. Term deposits	16,867	17,387
3. Financing	8,608	12,641
3.1 Repurchase agreements	*8,608*	*12,641*
3.2 Other	-	-
4. Commitments to repurchase own equity instruments	-	-
5. Other payables	2,698	2,174
Total	**938,992**	**894,172**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**938,993**	**894,172**
Total fair value	**938,993**	**894,172**

Section 3 – Securities issued – Caption 30

3.1 Securities issued: breakdown by product

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	248,460	-	-	250,361	241,000	-	-	245,281
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	*248,460*	-	-	*250,361*	*241,000*	-	-	*245,281*
2. other securities	108,447	-	-	109,821	109,971	-	-	111,854
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*108,447*	-	-	*109,821*	*109,971*	-	-	*111,854*
Total	**356,907**	**-**	**-**	**360,182**	**350,971**	**-**	**-**	**357,135**

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

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	31/12/2013					31/12/2012				
	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	30,657	-	727	-	-	34,674	-	658	-	-
1.1 Trading		-	727	-			-	658	-	
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		**-**	**727**	**-**			**-**	**658**	**-**	
Total (A + B)		**-**	**727**	**-**			**-**	**658**	**-**	

Key:

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

NA = Nominal or notional amount

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

Section 8 – Tax liabilities – Caption 80

8.1 Current tax liabilities

	31/12/2013
Current tax liabilities	**10,334**
IRES	5,886
IRAP	2,465
Stamp duty	478
Substitute tax @ 12.00%	260
Prior year tax receivables	1,245

Section 10 – Other liabilities – Caption 100

10.1 Other liabilities: breakdown

	31/12/2013
a) Tax liabilities	2,716
b) Social security liabilities	1,016
c) Amounts available to customers	639
d) Third party guarantee deposits	164
e) Suspense items	-
f) Other amounts due to employees	3,316
g) Items in transit	7,147
h) Accrued expenses	2,169
i) Deferred income	292
j) Portfolio adjustment differences	24,662
k) Other	2,257
Total	**44,378**

Item “a) Tax liabilities” includes tax withholdings to be paid, usually within 20 days of the interim reporting date of 30 June.

Item “k) Other” includes amounts due to suppliers (€790 thousand); sundry items (€991 thousand); and subsidies for loans to customers provided by public sector bodies (€476 thousand).

Section 11 – Post-employment benefits – Caption 110

11.1 Post-employment benefits: changes

	31/12/2013	31/12/2012
A. Opening balance	**11,039**	**8,617**
B. Increases	**241**	**3,281**
B.1 Accruals	241	562
B.2 Other increases	-	2,719
C. Decreases	**724**	**859**
C.1 Payments	451	198
C.2 Other decreases	273	661
D. Closing balance	**10,556**	**11,039**
Total	**10,556**	**11,039**

In 2012, the bank changed the method used to recognise actuarial gains and losses from the corridor approach to an approach entailing their immediate recognition in other comprehensive income. Therefore, the actuarial gains of €251 thousand determined by the actuary are recognised in item "C.2 Other decreases". Item B.1 shows the annual interest cost, as calculated by the actuary.

11.2 - Other information:

Breakdown of caption "B. Increases"

Interest cost	241
including: revaluations	197
Total	**241**

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

Decrease due to post-employment benefits reform Legislative decree no. 252/2005 / actuarial gain	251
Advances and payments for employee departures	451
Substitute tax on revaluation	22
Total	**724**

Actuarial valuation of post-employment benefits

Valore attuale benefici al 31/12/2012	11,039
Interest cost	241
Substitute tax	- 22
Service cost	-
Payments	- 451
Total	**10,807**
Present value of benefits at 31/12/2013	10,556
Cumulated actuarial gain	***251***

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 2012. 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 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 pension is decreased by 1% per year for people who retire before completing their period of service.

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 of 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 for pensionability, the bank also assumed that payments may be necessary for advances requested by employees or for their resignation or dismissal, even when the requirements for paying pension benefits are not met. As significant historical data about this trend does not exist, the bank referred to special departure rates adopted for actuarial valuations adapted for its employees.

At the reporting date, the bank had 401 employees, a decrease of three people on the previous year end.

Another element to be considered is the bank's post-employment obligation at the measurement date net of advances paid from time to time (€10,134 thousand).

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 for 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 corporate bonds at the reporting date instead of the yield curve for government bonds used in previous years for the financial assumptions. The bank recognised the actuarial loss of €251 thousand in other comprehensive income.

The following table shows the yield curve for AA Corporate Euro securities recognised at 31 December 2013 (source: Bloomberg):

YEAR	AA CORPORATE YIELD 30/06/2013	YEAR	AA CORPORATE YIELD 30/06/2013
1	0.4000%	16	3.1664%
2	0.6660%	17	3.1588%
3	0.9530%	18	3.1512%
4	1.2850%	19	3.1436%
5	1.5960%	20	3.1360%
6	1.8760%	21	3.1321%
7	2.1610%	22	3.1282%
8	2.4140%	23	3.1243%
9	2.6390%	24	3.1204%
10	2.6530%	25	3.1165%
11	2.7572%	26	3.1126%
12	2.8614%	27	3.1087%
13	2.9656%	28	3.1048%
14	3.0698%	29	3.1009%
15	3.1740%	30	3.0970%

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

	31/12/2013	31/12/2012
1. Internal pension funds	11,167	12,922
2. Other provisions for risks and charges	2,815	3,333
2.1 legal disputes	*1,889*	*2,956*
2.2 personnel expense	*-*	*-*
2.3 other	*926*	*377*
Total	**13,982**	**16,255**

12.2 Provisions for risks and charges: changes

	Pension funds	Other provisions	Total
A. Opening balance	**12,922**	**3,333**	**16,255**
B. Increases	**328**	**1,151**	**1,479**
B.1 Accruals	328	1,151	1,479
B.2 Discounting	-	-	-
B.3 Changes due to variations in discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**2,083**	**1,669**	**3,752**
C.1 Utilisations	855	1,669	2,524
C.2 Changes due to variations in discount rate	-	-	-
C.3 Other decreases	1,228	-	1,228
D. Closing balance	**11,167**	**2,815**	**13,982**

Utilisation of these provisions amounted to €1,168 thousand and referred to the settlement of legal disputes recognised in caption 160 of the income statement while €501 thousand decreased personnel expense following settlement of the dispute with former department heads by means of an out-of-court agreement.
Other provisions for risks and charges of €2,815 thousand, shown in table 12.1, may be analysed as follows by type of litigation:

- Civil litigation	1,416,447
- Claw-back claims	472,632
- Sureties	64,367
- Lump-sum endorsement credits	226,083
- Labour disputes	0
- Other charges	635,858
-**Total**	**2.815.387**

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: ten at the reporting date for which the bank has accrued €113 thousand;
2) generally modest amounts involved;
3) rulings at all levels in the bank's favour.

The accrual for claw-back claims refers to seven 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 for 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 actual liabilities presented in the 2013 financial statements and in table 12.2, the situation is as follows:

Type of risk	Contingent liability		Obligation	
	Petitum	*Accrual*	*Petitum*	*Accrual*
Legal disputes	1,510,849	0	3,503,896	1,416,447
Claw-back claims	0	0	1,405,966	472,632
Labour disputes	400,000	0	0	0
Other charges	0	0	638,318	635,858
Total	**1.910.849**	**0**	**5.548.180**	**2.524.937**

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) Cybercrime;

e) 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.

12.3 Defined benefit internal pension plans

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

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

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

At the reporting date, the fund had 134 beneficiaries, including those with zero annuities as shown in the following table:

Gender	Direct	Indirect or reversible	Total
Women	7	45	**52**
Men	81	1	**82**
Total	**88**	**46**	**134**

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 a hypothetical system considering:

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

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

An annual increase in prices of 2.00% over the long term was assumed for the economic parameters. The valuation 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	Year	2015-2016
Up to 3 times the minimum treatment	100%	100%
From 3 to 4 times the minimum treatment	95%	95%
From 4 to 5 times the minimum treatment	75%	75%
From 5 to 6 times the minimum treatment	50%	50%
More than 6 times the minimum treatment	40%	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 134 beneficiaries is in line with the amount recognised in the financial statements.

Technical accounts at 31/12/2013	
Modified present value - immediate charges	11,167
Modified present value - total charges	11,167
Mathematical provision at 31/12/2012	12,922
Equity at 31/12/2013	11,167
Mathematical provision	11,167
TECHNICAL SURPLUS	**-**
Calculation of actuarial gains/losses for IFRS purposes	
Mathematical provision at 31 December 2012	12,922
Interest cost	328
Service cost	0
Payments	-856
Actuarial gain (-) / loss (+) at 31/12/2013	**-1.227**

The bank has replaced the corridor approach with the immediate recognition of actuarial losses in equity (other comprehensive income). The interest cost recognised in profit or loss amounted to €328 thousand and the actuarial gain to €1,227 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 nominal amount of €51.65 for a total €39,241,087.50.

The bank's shareholders are:

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

The caption did not undergo any change during the year.

14.2 Share capital - number of shares: changes

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

14.4 Income-related reserves: other information

	LEGAL RESERVE	STATUTORY RESERVE	OTHER
OPENING BALANCE	**14,879**	**41,364**	**3,270**
INCREASES	**1,032**	**1,577**	**-**
Allocation of profits	1,032	1,577	-
DECREASES	**-**	**-**	**-**
Other changes (negative IFRS FTA reserve)	-	-	-
CLOSING BALANCE	**15,911**	**42,941**	**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.

The legal reserve exceeds one fifth of the bank's share capital by €8,062 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 IFRS FTA reserve of €2,860 thousand.

14.4.1 Equity: breakdown, availability and distributability of the different captions

	Amount	Possible use (1)	Available portion	Summary of use in the last 3 years (2)	
				To cover losses	For other purposes
Share capital	39,241,087.50				
Equity-related reserves:					
Contribution reserve	15,121,767.94	A,B,C	15,121,767.94		
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	15,910,689.72	B	8,062,472.22		
Statutory reserve	42,940,988.43	B	-		
IFRS FTA reserve	- 2,860,067.23		-		
Fair value reserve	4,383,850.21		-		
Actuarial reserve	- 2,390,030.87		-		
Retained earnings	-		-		
Total	**153,138,180.71**		**63,974,135.17**	**-**	**-**
Undistributable portion (4)			473,190.43		
Remaining distributable portion			63,500,944.74		

in Euros

Key:

A = share capital increase
B = to cover losses
C= dividend distribution

Note:

(1) = Except for additional constraints imposed by by-laws

(2) = Utilisations are shown from 2000 as comparative previous years' data are unavailable

(3) = Pursuant to article 2431 of the Italian Civil Code, the entire reserve can only be distributed when the legal reserve has reached the threshold set by article 2430 of the Italian Civil Code.

(4) = The portion that cannot be distributed due to: the translation reserve, the reserve for equity-accounted investees, the reserve for departures as per article 2413.4 of the Italian Civil Code and the part allocated to cover unamortised deferred costs as per article 2426.5 of the Italian Civil Code.

14.7 Valuation reserves: breakdown

	31/12/2013	31/12/2012
1. Available-for-sale financial assets	4,384	2,708
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	- 2,390	- 2,752
Total	**17,116**	**15,078**

OTHER DISCLOSURES

1. Guarantees and commitments

	31/12/2013	31712/2012
1) Financial guarantees issued	**2,459**	**2,765**
a) Banks	2,416	2,605
b) Customers	43	160
2) Commercial guarantees issued	**31,487**	**39,475**
a) Banks	-	-
b) Customers	31,487	39,475
3) Irrevocable commitments to disburse funds	**41,837**	**42,963**
a) Banks	9,596	2,986
i) certain use	*9,596*	*2,986*
ii) uncertain use	-	-
b) Customers	32,241	39,977
i) certain use	*39*	*362*
ii) uncertain use	*32,202*	*39,615*
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged as collateral for third party commitments	**-**	**-**
6) Other commitments	**-**	**-**
Total	**75,783**	**85,203**

2. Assets pledged as guarantee for liabilities and commitments

	31/12/2013	31/12/2012
1. Financial assets held for trading	43,388	56,079
2. Financial assets at fair value through profit or loss	-	-
3. Available-for-sale financial assets	89,370	108,878
4. Held-to-maturity investments	5,030	5,022
5. Loans and receivables with banks	-	-
6. Loans and receivables with customers	-	-
7. Property, equipment and investment property	-	-
TOTAL	**137,788**	**169,979**

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

- repos of €8,646 thousand with a nominal amount of €8,673 thousand;

- financing operations with the ECB of €150,000 thousand for a nominal amount of securities of €153,590 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	**2,176,663**
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	893,077
1. securities issued by the reporting entity	*238,519*
2. other securities	*654,558*
c) third party securities deposited with third parties	858,317
d) securities owned by the bank deposited with third parties	425,269
4. Other	**-**

7. Credit collection on behalf of third parties: adjustments

	31/12/2013	31/12/2012
a) "debit" adjustments	**287,233**	**318,457**
1) bank joint accounts	70,718	73,287
2) central portfolio	209,531	238,631
3) cash	824	855
4) other accounts	6,160	5,684
b) "credit" adjustments	**311,895**	**342,584**
1) bank joint accounts	75,376	74,939
2) transferors of bills and documents	235,567	267,645
3) other accounts	952	-
DIFFERENCE	**24,662**	**24,127**

The difference of €24,662 thousand is shown under caption 100 “Other liabilities” in the statement of financial position.

The adjustments made during the year were affected by the currency effect on the bills under reserve portfolio following enactment of the PSD regulation. The bank paid bills received from banks of €22,049 thousand on 31 December 2013 even though payment was postponed to 2 January 2014. Conversely, it received payment from the banks with a value date of 2 January 2014 and therefore these bills were recognised as illiquid at the reporting date.

PART C
Notes to the income statement

Section 1 – Interest – Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	2013	2012
1. Financial assets held for trading	4,182	-	-	4,182	6,409
2. Available-for-sale financial assets	7,398	-	-	7,398	6,051
3. Held-to-maturity investments	72	-	-	72	97
4. Loans and receivables with banks	-	90	-	90	152
5. Loans and receivables with customers	-	41,624	-	41,624	43,974
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	59	59	115
Total	**11,652**	**41,714**	**59**	**53,425**	**56,798**

Interest accrued during the year on impaired loans recognised at 31 December 2013 is as follows:

1. Doubtful debts of €3,314 thousand;
2. Past due/overdue loans by more than 99 days of €612 thousand.

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

	2013	2012
1.3.1 Interest income on foreign currency financial assets	88	167

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	2013	2012
1. Due to central banks	- 838	-	-	- 838	- 1,284
2. Due to banks	- 3	-	-	- 3	- 71
3. Due to customers	- 6,891	-	-	- 6,891	- 6,551
4. Securities issued	-	- 9,137	-	- 9,137	- 9,664
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	- 23	- 23	- 110
8. Hedging derivatives	-	-	-	-	-
Total	**- 7,732**	**- 9,137**	**- 23**	**- 16,892**	**- 17,680**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

	2013	2012
1.6.1 Interest expense on foreign currency liabilities	4	3

Section 2 – Fees and commissions – Captions 40 and 50

2.1 Fee and commission income: breakdown

	2013	2012
a) guarantees received	**418**	**404**
b) credit derivatives	**-**	**-**
c) management, brokerage and consultancy services:	**5,314**	**5,032**
1. trading in financial instruments	211	220
2. foreign currency transactions	99	111
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	172	179
5. depository services	-	-
6. securities placement	2,312	1,985
7. order collection and transmission	667	793
8. consultancy services	-	-
8.1. concerning investments	-	-
8.2. concerning financial structure	-	-
9. distribution of third party services	1,853	1,744
9.1 asset management	*369*	*347*
9.1.1. individual	*202*	*195*
9.1.2. collective	*167*	*152*
9.2. insurance products	*712*	*585*
9.3. other products	*772*	*812*
d) collection and payment services	**3,356**	**3,417**
e) servicing services for securitisations	**-**	**-**
f) services for factoring transactions	**-**	**-**
g) tax collection services	**-**	**-**
h) management of multilateral trading systems	**-**	**-**
i) keeping and management of current accounts	**10,331**	**10,276**
j) other services	**2,619**	**2,375**
Total	**22,038**	**21,504**

The balance shown as item “j” in the above table includes:[3]

Loan preliminary investigation fees	560
Financing fees	423
Bancomat (debit card) and home banking fees	681
Other commissions	955

[3] €’000

2.2 Fee and commission income: product and service distribution channels

	2013	2012
a) own branches:	**4,165**	**3,729**
1. asset management	-	-
2. securities placement	2,312	1,985
3. third party services and products	1,853	1,744
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

	2013	2012
a) guarantees received	**- 749**	**-**
b) credit derivatives	**-**	**-**
c) management and brokerage services:	**- 252**	**- 223**
1. trading in financial instruments	- 153	- 136
2. foreign currency transactions	-	-
3. asset management	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	- 99	- 87
5. placement of financial instruments	-	-
6. off-premises distribution of securities, products and services	-	-
d) collection and payment services	**- 817**	**- 875**
e) other services	**- 48**	**- 715**
Total	**- 1,866**	**- 1,813**

Item “a) Guarantees received” of €749 thousand includes commissions paid to the Ministry for the Economy and Finance for the government’s guarantee of financial liabilities issued by the bank pursuant to Law no. 214/2011.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

	2013		2012	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	234	-	180	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-		-	
Total	**234**	**-**	**180**	**-**

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	**5,142**	**3,541**	**80**	**13**	**8,590**
1.1 Debt instruments	5,142	3,541	80	13	8,590
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					**128**
4. Derivatives	**237**	**103**	**246**	**102**	**- 8**
4.1. Financial derivatives:	237	103	246	102	- 8
- On debt securities and interest rates	237	103	246	102	- 8
- On equity instruments and equity indexes	-	-	-	-	-
- On currencies and gold					-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**5,379**	**3,644**	**326**	**115**	**8,710**

Currency: Costs, Revenue and Inventories

EXPENSES AND LOSSES:			REVENUE AND PROFITS:		
	2013	2012		2013	2012
A) Opening balance in foreign currency	235	330	E) Revenue from currency sales	69,430	70,477
B) Cost of purchasing currency	69,548	70,315	F) Closing balance	431	235
D) Total costs	**69,783**	**70,645**	**H) Total revenue**	**69,861**	**70,712**

SUMMARY:		
	2013	2012
(+) Total revenue	***69,861***	***70,712***
(-) Total costs	***- 69,783***	***- 70,645***
(+) Currency fees	***52***	***51***
(-) IFRS adjustments	***- 2***	***10***
Unrealised exchange rate gains	***128***	***128***

The cost of purchasing 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

	2013			2012		
	Gain	Loss	Net gain (loss)	Gain	Loss	Net gain (loss)
Financial assets						
1. Loans and receivables with banks	-	-	-	-	-	-
2. Loans and receivables with customers	-	-	-	-	-	-
3. Available-for-sale financial assets	3,710	528	3,182	1,629	979	650
3.1 Debt instruments	*1,543*	*528*	1,015	*1,623*	*979*	644
3.2 Equity instruments	*2,167*	-	2,167	*6*	-	6
3.3 OEIC units	-	-	-	-	-	-
3.4. Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**3,710**	**528**	**3,182**	**1,629**	**979**	**650**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	12	115	- 103	4	163	- 159
Total liabilities	**12**	**115**	**- 103**	**4**	**163**	**- 159**

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)				2013	2012
	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	**-440**	**-15,383**	**-5**	**1,867**	**2,046**	**-**	**987**	**-10,928**	**-12,455**
Impaired loans purchased	-	-	-	-	-	-	-	-	-
- Financing	-	-		-	-			-	-
- Debt instruments	-	-		-	-			-	-
Other	-440	-15,383	-5	1,867	2,046	-	987	-10,928	-12,455
- Financing	*-440*	*-15,383*	*-5*	*1,867*	*2,046*	-	*987*	*-10,928*	*-12,455*
- Debt instruments	-	-	-	-	-	-	-	-	-
C. Total	**-440**	**-15,383**	**-5**	**1,867**	**2,046**	**-**	**987**	**-10,928**	**-12,455**

The "Reversals of impairment losses (2) Individual A" column includes €157 thousand of default interest collected on non-performing loans and the release of reversals of impairment losses on interest for discounting to profit or loss as follows:
on substandard/past due loans €218 thousand, of which €144 thousand has been collected;
on non-performing loans €1,492 thousand, of which €43 thousand has been collected.
The "Reversals of impairment losses (2) Individual B" column includes reversals due to collections of €707 thousand and reversals of fair value losses of €105 thousand for non-performing loans and reversals of fair value losses of €193 thousand and due to collections of €1,041 thousand on substandard/past due loans.

Section 9 – Administrative expenses – Caption 150

9.1 Personnel expense: breakdown

	2013	2012
1) Employees	**- 27,842**	**- 28,139**
a) wages and salaries	- 19,420	- 19,110
b) social security charges	- 5,133	- 5,098
c) post-employment benefits	- 1,038	- 1,046
d) pension costs	-	-
e) accrual for post-employment benefits	- 241	- 562
f) accrual for pension and similar provisions:	- 328	- 576
- defined contribution plans	*-*	*-*
- defined benefit plans	*- 328*	*- 576*
g) payments to external supplementary pension funds	- 761	- 739
- defined contribution plans	*- 761*	*- 739*
- defined benefit plans	*-*	*-*
h) costs of share-based payment plans	-	-
i) other employee benefits	- 921	- 1,008
2) Other personnel	**-**	**-**
3) Directors and statutory auditors	**- 995**	**- 959**
4) Retired personnel	**-**	**-**
5) Cost recoveries for personnel seconded to other companies	**-**	**-**
6) Cost reimbursements for personnel seconded to the bank	**-**	**-**
Total	**- 28,837**	**- 29,098**

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

9.2 Average number of employees per category

	31/12/2013	2013 average	31/12/2012
• Employees	**401**	**388**	**404**
a) managers	2	2	2
b) junior managers	102	104	105
- including: 3rd and 4th level	*42*	*43*	*43*
c) other employees (including cleaning staff)	297	283	297
- including: 3rd professional group	*291*	*274*	*286*
- including: 2nd professional group	*5*	*8*	*10*
- including: cleaning staff	*1*	*1*	*1*
• Other personnel	**13**	**13**	**13**

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

9.3 Defined benefit internal pension plans: costs and revenue

	2013	2012
Remuneration on supplementary pension fund - Interest Cost	328	576

9.4 Other employee benefits

	2013	2012
Other employee benefits	891	1,008

This caption mainly comprises training costs of €114 thousand, life, accident and health insurance policies of €235 thousand and lunch vouchers of €495 thousand.

9.5 Other administrative expenses: breakdown

		2013		2012
1 - credit collection legal fees	-	1,608	-	1,420
2 - sundry and technical legal consultancy	-	1,113	-	730
3 - maintenance, repairs, conversions	-	1,252	-	2,661
4 - lease of premises	-	1,207	-	1,204
5 - cleaning services	-	533	-	525
6 - rental of machinery and data transmission lines	-	1,257	-	1,306
7 - security and security transportation	-	582	-	555
8 - lighting and heating	-	682	-	740
9 - stationery and printed matter	-	151	-	132
10 - postal, telegraph, telex, telephone	-	470	-	586
11 - insurance	-	373	-	384
12 - advertising	-	536	-	516
13 - subscriptions and purchases of publications	-	101	-	103
14 - third party service costs	-	3,157	-	2,896
15 - transportation and relocation	-	221	-	190
16 - membership fees	-	190	-	177
17 - other	-	996	-	894
Subtotal of other administrative expenses	**-**	**14,429**	**-**	**15,019**
Indirect taxes and duties				
1 - stamp duty	-	3,496	-	3,017
2 - local property tax	-	352	-	346
3 - other	-	516	-	551
Total indirect taxes and duties	**-**	**4,364**	**-**	**3,914**
Total other administrative expenses	**-**	**18,793**	**-**	**18,933**

"Maintenance, repairs and conversions" relate to work performed to make the buildings usable. Therefore, they have been expensed even when the amounts involved were significant.

Total fees due to the independent auditors that perform the legally-required audit are as follows:

- legally-required audit of the annual financial statements €107,704;
- preparation of the financial statements in English €12,100;
- signing of the tax returns €4,888;
- due diligence €121,000;

Moreover, fees paid to KStudio Associato, a KPMG network company, for legal and tax consultancy services amounted to €19,845 thousand.
These fees include VAT.

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

10.1 Net accruals to provisions for risks and charges: breakdown

	2013
1- accrual for legal disputes	- 478
2- accrual for claw-back claims	- 124
3 - other	- 549
Total accruals	**- 1,151**
4 - Utilisation to settle legal disputes	1,168
Total utilisations	**1,168**
Net accruals	**17**

Utilisation of these provisions for €1,168 thousand referred to the settlement of legal disputes recognised in caption 160 of the income statement, net of accruals of €1,151 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				
A.1 Owned	- 1,360	-	-	- 1,360
- operating assets	*- 1,360*	-	-	*- 1,360*
- investment property	-	-	-	-
A.2 Acquired under finance lease	-	-	-	-
- operating assets	-	-	-	-
- investment property	-	-	-	-
Total	**- 1,360**	**-**	**-**	**- 1,360**

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	- 46	-	-	- 46
- Generated internally	-	-	-	-
- other	*- 46*	-	-	*- 46*
A.2 Acquired under finance lease	-	-	-	-
Total	**- 46**	**-**	**-**	**- 46**

Section 13 – Net other operating income – Caption 190

13.1 Other operating expense: breakdown

	2013
1 - Charitable donations	- 7
2 - Contributions to bodies and municipalities receiving treasury services	- 118
3 - Amortisation of leasehold improvements	- 139
4 - Losses for robbery	- 50
5 - Interbank Deposit Protection Fund (FITD) inspections	-
6 - Other	- 798
Total	**- 1,112**

The contributions in item 2 are based on the scores assigned to the participants in the tenders for the treasury services.
Item “6 - Other” includes prior year losses (€789 thousand) and discounted contributions (€9 thousand).
In turn, prior year losses comprise settlements for claw-back claims (€280 thousand); banking arbitration decisions about cybercrime (€70 thousand); settlements of legal disputes (€192 thousand); and labour dispute rulings (€160 thousand).

13.2 Other operating income: breakdown

	2013
1 - Recoveries of administrative expenses	5,480
2 - Security box fees	50
3 - Lease income	426
4 - Other income	199
Total other operating income	**6,155**
Net other operating income	**5,043**

Item "4 - Other income" includes:

- the contribution to the Banks and Insurance Companies' Fund (FBA) of €110 thousand;
- recovery of fines and fees on current accounts and deposits of €36 thousand;
- prior year income of €52 thousand.

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

17.1 Net gains on sales of investments: breakdown

	2013	2013
A. Property	**-**	**-**
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	**8**	**14**
- Gains on sales	10	25
- Losses on sales	- 2	- 11
Net gains on sales of investments	**8**	**14**

Section 18 – Income taxes – Caption 260

18.1 Income taxes: breakdown

	2013	2013
1. Current taxes (-)	- 8,611	- 12,766
2. Change in current taxes from previous years (+/-)	-	1,298
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 (+/-)	2,928	3,521
5. Change in deferred tax liabilities (+/-)	-	-
6. Tax expense for the year (-) (-1+/-2+3+/-4+/-5)	- 5,683	- 7,947

18.2 Reconciliation between the theoretical and effective tax expense

		Amount
Pre-tax profit for the year	13,831	
Effective IRES tax rate	27.50%	
Theoretical tax expense		3,804
Permanent and temporary differences for IRES purposes		*1,430*
a) dividends	223	
b) other	4,978	
IRES tax		**5,234**
Additional tax base for IRES purposes	7,670	
Additional IRES rate	8.50%	
Theoretical tax expense		**652**
Substitute tax @ 12%	2,167	
Substitute tax rate	12.00%	
Theoretical tax expense		**260**
Pre-tax profit for the year	13,831	
Effective IRAP tax rate	5.50%	
Theoretical tax expense		761
Permanent differences for IRAP purposes	-	*1,704*
a) non-deductible personnel expense	18,999	
b) net impairment losses on loans and receivables	8,361	
c) other	3,630	
IRAP tax		**2,465**
Income tax expense		**8,611**

Item “b) Other” includes net increases to the tax base. It comprises impairment losses on loans and receivables exceeding the deductible portion, equal to one fifth of the total losses and impairment losses for the year.

Section 21 – Earnings per share

21.1 Average number of ordinary shares with dilutive effect

	2013	2013
Weighted average number of shares	759,750	759,750
Profit attributable to the share categories (Euro)	3,039,000	7,711,462
Basic EPS (Euro)	4.00	10.18
Diluted EPS (Euro)	4.00	10.18

Pursuant to IAS 33.10/33:

a) basic EPS are calculated by dividing the profit for the year attributable to the holders of ordinary shares by the weighted average number of shares outstanding in the year;

b) diluted EPS are calculated by dividing the profit for the year by the average number of ordinary shares outstanding in the year, adjusted to reflect the diluting effects of options.

At the reporting date, the bank decided to distribute dividends of €4 to the holders of ordinary shares pursuant to Banca d'Italia's instructions about capitalisation.
Therefore and in accordance with article 25 of the by-laws, the profit for the year has been allocated as follows:

1. €814,807 to the ordinary reserve, as per article 25 of the by-laws;
2. €1,222,210 to the extraordinary reserve, as per article 25 of the by-laws;
3. €3,072,049 to the extraordinary reserve, as decided by the board of directors.

The numerator used to calculate the basic EPS is €3,039,000. With respect to the denominator, the weighted average number of the ordinary shares outstanding is unchanged at 759,750.

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

Therefore, the basic and diluted EPS are the same.

PART D

Segment reporting

BREAKDOWN OF COMPREHENSIVE INCOME

		Gross amount	Income tax	Net amount
10.	**Profit for the year**			**8,148**
	Items that will not be reclassified subsequently to profit or loss			
20.	Property, equipment and investment property	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	1,479	1,117	362
50.	Non-current assets held for sale	-	-	-
60.	SHare 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:	2,359	683	1,676
	a) fair value gains (losses)	3,828	1,168	
	b) reclassification to profit or loss	- 1,469	- 485	
	- impairment losses	-	-	
	- gains/losses on sales	- 1,469	- 485	
	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.	**Other comprehensive income**	**3,838**	**1,800**	2,038
140.	**Comprehensive income for the year (10 + 130)**			**10,186**

PART E
Risks and related hedging policies

SECTION 1 - CREDIT RISK

General information

Risk management (monitoring, management and measurement) is a fundamental creator of value for the bank and its stakeholders. Accordingly, the bank's control units (Inspection and Internal Audit, Risk Governance and Compliance and Risk Control) 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 independent 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 and proposing the suitable modifications;
- 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;
- regularly preparing reports on trends and risk appetites of the bank's customers;
- preparing the reports on large exposures which includes a list of monitored positions and data from the CPC tool and rating; checking that the regulatory limits are complied with and, if not, informing the relevant units so as to remedy the situation;
- checking compliance with the prudent regulatory limits as per Banca d'Italia 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 31/12/2013" document, posted in the financial reporting section of the bank's internet site www.carifermo.it.

Following the issue of the fifteenth update to circular no. 263/06 on the "Internal controls, IT system and business continuity" (2 July 2013) by Banca d'Italia, all banks are required to strengthen their ability to manage business risks starting from 1 July 2014. The main new requirements include the obligation to define a RAF (Risk Appetite Framework), i.e., the policies, processes and controls that allow a bank to set, formalise, communicate and monitor its risk objectives. The first, second and third level controls have been extended while the duties and responsibilities of the internal bodies as part of the internal controls have been increased. Specifically, the Risk Management Unit's "powers" have been reinforced; for example, in addition to assisting with definition of the RAF, the Unit shall provide opinions on the consistency of the more significant transactions with the RAF and regularly check that each loan position is monitored and classified correctly.
In order to comply with these new requirements, the bank undertook an analysis of its current status using the gap analysis methodology and subsequently planned the necessary actions.

The bank also commenced the procedures to comply with Basel III in 2013 after publication of EC regulation 575/2013 about the capital requirements for banks (Capital Requirements Regulation - CRR) and Directive 2013/36/EU (the Capital Requirements Directive, CRD), applicable from 1 January 2014, in the Official Journal of the European Union in June. Banca d'Italia issued circular no. 285 on 19 December 2013 to implement and facilitate application of the new EU regulations. The regulatory innovations of Basel III include more stringent rules for regulatory capital and introduce for the first time liquidity limits and financial leverage index measurement. The Risk Management Unit will monitor these new limits and requirements.

Bank employees attended special training courses held to circulate a risk culture, its monitoring and prevention, which are particularly important in times of economic difficulty.

Qualitative disclosure

1. General aspects

The bank's lending policies are aimed at obtaining a satisfactory risk/return ratio with the careful and efficient control over risks inherent in the banking sector. In line with its mission, the bank focuses on extending credit to households and SMEs, with products designed to help develop production activities. Its natural inclination towards promoting loans to small businesses is of great importance for its partnership with the underwriting syndicates. Although it privileges its local social and economic environment, the bank also builds up its customer portfolio in areas where it has a smaller base, partly to mitigate its risks.

The bank is careful when granting and monitoring credit that it does not build up risk concentrations in one sector or industry or, with respect to households, in certain age brackets.

It tends to privilege consumers intending mostly to buy residential property in the long-term segment.

The bank has a policy of ongoing improvement to safeguard both the debtors and their families as well as itself, covering product efficiency, insurance policies for pure risk with cover for death, invalidity and dismissals.

2. Credit risk management policies

2.1 Organisational aspects

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 “substandard”, encouraging the branches to have them return to a “performing” status and coordinating the related activities; monitors and checks “restructured” positions; prepares a quarterly report for senior management on the situation and changes in reported positions.
- **Risk Management:** assesses and develops credit risk measurement methodologies in line with best practices; carries out static and dynamic analyses of the loan portfolio’s risk profile and reports thereon every month to senior management and bank risk monitoring units.
- **Compliance office:** analyses credit lending procedures and processes and related contracts to check aspects subject to potential legal risk and non-compliance with current legislation.

2.2 Management, measuring and control systems

In order to identify any deterioration in customers’ credit standing in advance, the bank uses a tool to check its relationships with its ordinary customers together with the information available in the central risk database, which identifies irregularities with a potential negative impact on risk.

This tool (Credit Position Control - CPC) gives each borrower a score from between -100 (minimum risk) to +100 (maximum risk) and is used by the Risk Management Unit to monitor customers’ behaviour in order to assess repayment trends and identify any loan deterioration on a timely basis using specific diagnostic tools.

The unit prepares regular reports for senior management, the branches and relevant internal units.

Quarterly reports analysing the entire portfolio’s risk by business and geographical segment are prepared for senior management as well as assessing compliance with the main internal limits and large exposures.

The Risk Management Unit uses an internal rating system of the CSE SARa (automatic rating system) application to regularly estimate defaults over one year on the bank’s loan portfolio and these results are considered when determining the collective impairment losses on performing loans. The 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.

The Risk Management Unit also performs stress tests on credit and counterparty risk, including quantification of sensitivity to three risk factors:

1. counterparty credit worthiness
2. loan deterioration rate
3. appropriateness of use of the credit risk mitigation tools.

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 circular no. 263/06.

In accordance with the above supervisory regulations and with respect to exposures guaranteed by property, the bank has systems which monitor the property's value on a statistical basis and operating procedures to check its actual value. It has also introduced a rule for the valuation of buildings which sets out the general criteria for property valuations 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 "substandard" or "non-performing", if necessary. If this is the case, it provides the Legal Affairs and Litigation Office with all the information necessary to commence the procedures to recover the loan. The Risk Control Office manages the restructured loans as well and prepares a quarterly report for senior management on the status and developments of loans, especially substandard ones.

Classification of loans as substandard is proposed and decided by reference to the objective criteria defined by Banca d'Italia, including communication to the risk database and registration of injurious positions.

After identifying positions that meet the objective requirements for classification as substandard, the Risk Control Office manager recognises positions with credit facilities of not more than €50 thousand as substandard; 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 substandard 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 to provide 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 substandard;

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

• to propose the positions be reclassified as performing, when the original difficulties are overcome;

• to 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 substandard 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 substandard, overdue by more than 270 days and past due impaired loans. 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.

Quantitative disclosure

A. Credit quality

A.1 Impaired and performing loans: carrying amount, impairment losses, performance, business and geographical breakdown

A.1.1 Breakdown of loans by portfolio and credit quality (carrying amount)

	Non-performing loans	Substandard loans	Restructured loans	Past due loans impaired	Unimpaired past due loans	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	248,691	**248,691**
2. Available-for-sale financial assets	-	-	-	-	-	277,685	**277,685**
3. Held-to-maturity investments	-	-	-	-	-	5,030	**5,030**
4. Loans and receivables with banks	-	-	-	-	-	48,106	**48,106**
5. Loans and receivables with customers	34,965	48,409	-	3,596	118,891	812,720	**1,018,581**
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	**-**
7. Financial assets held for sale	-	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	-	-	-	**-**
Total at 31/12/2013	**34,965**	**48,409**	**-**	**3,596**	**118,891**	**1,392,232**	**1,598,093**
Total at 31/12/2012	**29,175**	**36,100**	**-**	**6,934**	**160,395**	**1,339,395**	**1,571,999**

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

	Impaired assets			Performing			Total (carrying amount)
	Gross amount	Individual impairment	Carrying amount	Gross amount	Collective impairment	Carrying amount	
1. Financial assets held for trading	-	-	-	248,691	-	248,691	248,691
2. Available-for-sale financial assets	-	-	-	277,685	-	277,685	277,685
3. Held-to-maturity investments	-	-	-	5,030	-	5,030	5,030
4. Loans and receivables with banks	-	-	-	48,106	-	48,106	48,106
5. Loans and receivables with customers	130,103	43,133	86,970	942,761	11,150	931,611	1,018,581
6. Financial assets at fair value through profit or loss	-	-	-	-	**-**	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total at 31/12/2013	**130,103**	**43,133**	**86,970**	**1,522,273**	**11,150**	**1,511,123**	**1,598,093**
Total at 31/12/2012	**104,942**	**32,733**	**72,209**	**1,511,926**	**12,136**	**1,499,790**	**1,571,999**

No impaired loans were partially derecognised in 2013.

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	248,691	-	248,691
2. Available-for-sale financial assets	277,685	-	277,685
3. Held-to-maturity investments	5,030	-	5,030
4. Loans and receivables with banks	48,106	-	48,106
5. Loans and receivables with customers	929,249	10,984	918,265
6. Negotiated loans to customers as part of collective agreements	13,512	166	13,346
7. Financial assets at fair value through profit or loss	-	-	-
8. Financial assets held for sale	-	-	-
9. Hedging derivatives	-	-	-
Total at 31/12/2013	**1,522,273**	**11,150**	**1,511,123**

The above table shows performing loans that have been renegotiated as part of the collective ABI-MEF agreements provided for by Banca d’Italia communication no. 0169844/11 of 24 February 2011. The amount for Carifermo S.p.A. is €13,512 thousand.

A.2.2.2 Breakdown of performing loans by portfolio and due date

	Negotiated loans to customers as part of collective agreements					Other loans				
	Not yet due	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	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
1. Financial assets held for trading	-	-	-	-	-	-	-	-	-	248,691
2. Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	277,685
3. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	5,030
4. Loans and receivables with banks	-	-	-	-	-	-	-	-	-	48,106
5. Loans and receivables with customers	-	-	-	-	-	117,213	318	118	16	800,601
6. Renegotiated loans to customers as part of collective agreements	5,622	7,298	373	53	-	-	-	-	-	-
7. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
8. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-
9. Hedging derivatives	-	-	-	-	-	-	-	-	-	-
Total at 31/12/2013	**5,622**	**7,298**	**373**	**53**	**-**	**117,213**	**318**	**118**	**16**	**1,380,113**

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

	Gross amount	Individual impairment	Collective impairment	Carrying amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	-	-		**-**
b) Substandard loans	-	-		**-**
c) Restructured loans	-	-		**-**
d) Past due loans	-	-		**-**
e) Other assets	108,265		-	**108,265**
Total A	**108,265**	**-**	**-**	**108,265**
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	-	-		**-**
b) Other	6,246		-	**6,246**
TOTAL B	**6,246**	**-**	**-**	**6,246**
Total A + B	**114,511**	**-**	**-**	**114,511**

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

	Gross amount	Individual impairment	Collective impairment	Carrying amount
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	**-**	**-**	**-**	**-**
	-	-	-	-
b) Other	***6,246***	**-**	**-**	**6,246**
b.1) Deposits for repos	3,263	-	-	***3,263***
b.2) Interbank Deposit Protection Fund (FITD)	2,416	-	-	***2,416***
b.3) Commitment with CC.OO to purchase securities issued by II.CC.	39	-	-	***39***
b.4) Interest rate derivatives	528	-	-	***528***
TOTAL B	**6,246**	**-**	**-**	**6,246**

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	Collective impairment	Carrying amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	68,846	33,881		34,965
b) Substandard loans	57,388	8,978		48,410
c) Restructured loans	-	-		-
d) Past due loans	3,869	273		3,596
f) Other assets	1,413,277		11,150	1,402,127
TOTAL A	**1,543,380**	**43,132**	**11,150**	**1,489,098**
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	1,666	-		1,666
b) Other	68,632		-	68,632
TOTAL B	**70,298**	**-**	**-**	**70,298**

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) Other" are broken down in the next table for their better presentation:

	Gross amount	Individual impairment	Collective impairment	Net amount
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	***1,666***	**-**	**-**	**1,666**
a.1) Commercial endorsement credits	1,666	-	-	***1,666***
b) Other	***68,632***	**-**	**-**	***68,632***
b.1) Financial endorsement credits	43	-	-	***43***
b.2) Commercial endorsement credits	29,821	-	-	***29,821***
b.3) Commitments of uncertain use	32,202	-	-	***32,202***
b.4) Financing for repos	-	-	-	***-***
b.5) Commitment with II.CC to purchase securities issued by CC.OO.	6,333	-	-	***6,333***
b.6) Interest rate derivatives	204	-	-	***204***
b.7) Risks associated with SFTs (repos)	29	-	-	***29***
TOTAL B	**70,298**	**-**	**-**	**70,298**

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

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Gross opening balance	**55,608**	**41,982**	**-**	**7,352**
- including: positions transferred but not derecognised	-	-	-	-
B. Increases	**19,779**	**56,076**	**-**	**28,831**
B.1 transfers from performing loans	-	43,302	-	28,289
B.2 transfers from other impaired loan categories	18,602	7,886	-	103
B.3 other increases	1,177	4,888	-	439
C. Decreases	**6,541**	**40,670**	**-**	**32,314**
C.1 transfers to performing loans	-	2,481	-	20,303
C.2 derecognitions	1,768	-	-	-
C.3 collections	4,771	19,685	-	3,813
C.4 losses on sales	-	-	-	-
C.4-bis losses on sales	-	-	-	-
C.5 transfers to other impaired loan categories	-	18,392	-	8,198
C.6 other decreases	2	112	-	-
D. Gross closing balance	**68,846**	**57,388**	**-**	**3,869**
- including: positions transferred but not derecognised	-	-	-	-

A.1.8 On-statement of financial position loans and receivables with customers: changes in impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Opening balance	**26,433**	**5,882**	**-**	**418**
- including: positions transferred but not derecognised	-	-	-	-
B. Increases	**11,035**	**5,823**	**-**	**263**
B.1. impairment losses	9,440	5,618	-	254
B.1-bis losses on sales	-	-	-	-
B.2 transfers from other impaired loan categories	1,489	205	-	9
B.3 other increases	106	-	-	-
C. Decreases	**3,587**	**2,726**	**-**	**408**
C.1. fair value gains	1,504	269	-	7
C.2. reversals of impairment losses due to collections	749	971	-	183
C.2-bis gains on sales	-	-	-	-
C.3 derecognitions	1,334	-	-	-
C.4 transfers to other impaired loan categories	-	1,486	-	218
C.5 other decreases	-	-	-	-
D. Closing balance	**33,881**	**8,979**	**-**	**273**
- including: positions transferred but not derecognised	-	-	-	-

A.2 Classification of exposures using external and internal ratings

A.2.1 Breakdown of credit exposure on and off-statement of financial position by external rating classes

Moody's provides the external ratings in accordance with the ECAI used to calculate the capital requirements for credit risk.

The exposure with externally-rated ordinary customers on and off-statement of financial position is negligible.

The exposure with institutional and banking counterparties has the rating shown in the next table:

	Internal rating class						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB	BB+/BB-	B+/B-	Less then B		
A. On-statement of financial position	**14**	**-**	**397.679**	**-**	**11.955**	**-**	**1.187.715**	**1.597.363**
B. Derivatives	**-**	**-**	**5**	**-**	**-**	**-**	**727**	**732**
B.1 Financial derivatives	-	-	5	-	-	-	727	732
B.2 Credit Derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**33.947**	**33.947**
D. Commitments to disburse funds	**-**	**-**	**4.226**	**-**	**-**	**-**	**37.612**	**41.838**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**29**	**29**
Total	**14**	**-**	**401.910**	**-**	**11.955**	**-**	**1.260.030**	**1.673.909**

A.2.2 Breakdown of credit exposure on and off-statement of financial position by internal rating classes

The bank has decided not to use internal rating systems.

A.3 Breakdown of guaranteed exposure by type of guarantee

A.3.2 Guaranteed loans and receivables with customers

	Net amount	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Endorsement credits				
							Other derivatives								
		Mortgaged property	Property under finance lease	Securities	Other collateral	CLN	Govern-ments and central banks	Other gov. agencies	Banks	Other	Governments and central banks	Other gov. agencies	Banks	Other	
1. Guaranteed loans:	**771,400**	**1,335,388**	**-**	**17,080**	**11,127**	**-**	**-**	**-**	**-**	**-**	**546**	**3,408**	**593**	**240,541**	**1,608,683**
1.1. Fully guaranteed	734,369	1,335,388	-	14,917	6,082	-	-	-	-	-	484	3,408	533	222,439	1,583,251
- including: impaired	*72,681*	*159,653*	-	*1,258*	*268*	-	-	-	-	-	*30*	*596*	*75*	*20,053*	*181,933*
1.2. Partly guaranteed	37,031	-	-	2,163	5,045	-	-	-	-	-	62	-	60	18,102	25,432
- including: impaired	*1,875*	-	-	*151*	*20*	-	-	-	-	-	-	-	-	*1,230*	*1,401*
2. Off-statement of financial position guaranteed loans:	**31,664**	**18,806**	**-**	**2,748**	**4,481**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,074**	**38,109**
2.1. Fully guaranteed	20,814	18,806	-	1,167	1,740	-	-	-	-	-	-	-	-	8,905	30,618
- including: impaired	*1,594*	-	-	-	*468*	-	-	-	-	-	-	-	-	*1,127*	1,595
2.2. Partly guaranteed	10,850	-	-	1,581	2,741	-	-	-	-	-	-	-	-	3,169	7,491
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 loans	-	-		-	-	
A.2 Substandard loans	-	-		-	-	
A.3 Restructured loans	-	-		-	-	
A.4 Past due loans	-	-		-	-	
A.5 Other	*468,010*		-	*3,394*		-
Total A	**468,010**	**-**	**-**	**3,394**	**-**	**-**
B. Off-statement of financial position						
B.1 Non-performing loans	-	-		-	-	
B.2 Substandard loans	-	-		-	-	
B.3 Other impaired assets	-	-		-	-	
B.4 Other	*6,333*		-	*19,066*		-
Total B	**6,333**	**-**	**-**	**19,066**	**-**	**-**
Total (A + B) at 31/12/21013	**474,343**	**-**	**-**	**22,460**	**-**	**-**
Total (A + B) at 31/12/21012	**393,303**	**-**	**-**	**31,579**	**-**	**-**

	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 loans	*14*	*16*		-	-	
A.2 Substandard loans	*33*	*4*		-	-	
A.3 Restructured loans	-	-		-	-	
A.4 Past due loans	*6*	*1*		-	-	
A.5 Other	*11,352*		*45*	-		-
Total A	**11,405**	**21**	**45**	**-**	**-**	**-**
B. Off-statement of financial position						
B.1 Non-performing loans	-	-		-	-	
B.2 Substandard loans	-	-		-	-	
B.3 Other impaired assets	-	-		-	-	
B.4 Other	*1,733*		-	-		-
Total B	**1,733**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/21013	**13,138**	**21**	**45**	**-**	**-**	**-**
Total (A + B) at 31/12/21012	**11,834**	**12**	**117**	**-**	**-**	**-**

	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 loans	*26,554*	*28,182*		*8,397*	*5,684*	
A.2 Substandard loans	*33,348*	*7,694*		*15,028*	*1,280*	
A.3 Restructured loans	-	-		-	-	
A.4 Past due loans	*958*	*106*		*2,633*	*167*	
A.5 Other	*646,412*		*9,863*	*272,960*		*1,243*
Total A	**707,272**	**35,982**	**9,863**	**299,018**	**7,131**	**1,243**
B. Off-statement of financial position						
B.1 Non-performing loans	-	-		-	-	
B.2 Substandard loans	*1,666*	-		-	-	
B.3 Other impaired assets	-	-		-	-	
B.4 Other	*34,592*		-	*6,879*		-
Total B	**36,258**	**-**	**-**	**6,879**	**-**	**-**
Total (A + B) at 31/12/21013	**743,530**	**35,982**	**9,863**	**305,897**	**7,131**	**1,243**
Total (A + B) at 31/12/21012	**789,972**	**26,749**	**8,329**	**304,115**	**5,972**	**3,691**

Item “A.5 Other” in the “Net amount” column for “Other government agencies” includes debt securities issued by bodies to which the bank provides treasury services (€584 thousand).

Table “B.2 Breakdown of loans to resident non-financial companies” has been eliminated by Banca d’Italia’s communication no. 4855 of 2 January 2009.

Moreover, the credit concentration risk is analysed in the directors’ report.

B.2 Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans	34,965	33,881	-	-	-	-	-	-	-	-
A.2 Substandard loans	48,409	8,978	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	3,596	273	-	-	-	-	-	-	-	-
A.5 Other	1,400,954	11,141	933	8	-	-	241	1	-	-
Total A	**1,487,924**	**54,273**	**933**	**8**	**-**	**-**	**241**	**1**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	1,666	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	68,603	-	-	-	-	-	-	-	-	-
Total B	**70,269**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/21013	**1,558,193**	**54,273**	**933**	**8**	**-**	**-**	**241**	**1**	**-**	**-**
Total (A + B) at 31/12/21012	**1,529,700**	**44,856**	**848**	**10**	**-**	**-**	**257**	**3**	**-**	**-**

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 loans	3,460	3,015	181	87	29,799	29,085	1,524	1,695
A.2 Substandard loans	188	12	43	6	46,760	8,577	1,418	384
A.3 Restructured loans	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	3,510	266	86	8
A.5 Other	18,834	275	5,371	84	1,325,495	10,277	51,254	505
Total A	**22,482**	**3,302**	**5,595**	**177**	**1,405,564**	**48,205**	**54,282**	**2,592**
B. Off-statement of financial position								
B.1 Non-performing loans	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	1,666	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other	14	-	475	-	66,481	-	1,633	-
Total B	**14**	**-**	**475**	**-**	**68,147**	**-**	**1,633**	**-**
Total (A + B) at 31/12/21013	**22,496**	**3,302**	**6,070**	**177**	**1,473,711**	**48,205**	**55,915**	**2,592**
Total (A + B) at 31/12/21012	**18,866**	**2,847**	**5,326**	**138**	**1,447,728**	**39,866**	**57,780**	**2,004**

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 loans	-	-	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-	-	-
A.5 Other	107,524	-	127	-	600	-	14	-	-	-
Total A	**107,524**	**-**	**127**	**-**	**600**	**-**	**14**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	6,246	-	-	-	-	-	-	-	-	-
Total B	**6,246**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/21013	**113,770**	**-**	**127**	**-**	**600**	**-**	**14**	**-**	**-**	**-**
Total (A + B) at 31/12/21012	**125,957**	**-**	**154**	**-**	**253**	**-**	**33**	**-**	**-**	**-**

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 Substandard loans	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-
A.5 Other	52,807	-	443	-	54,273	-	-	-
Total A	**52,807**	**-**	**443**	**-**	**54,273**	**-**	**-**	**-**
B. Off-statement of financial position								
B.1 Non-performing loans	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other	3,790	-	-	-	2,457	-	-	-
Total B	**3,790**	**-**	**-**	**-**	**2,457**	**-**	**-**	**-**
Total (A + B) at 31/12/21013	**56,597**	**-**	**443**	**-**	**56,730**	**-**	**-**	**-**
Total (A + B) at 31/12/21012	**62,557**	**-**	**5,000**	**-**	**58,400**	**-**	**-**	**-**

B.4 Large exposures (pursuant to supervisory regulations)

	31/12/2013	31/12/2012
a) Weighted amount	60,321	52,072
b) Carrying amount	579,084	523,878
c) Number	5	7

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 Banca d'Italia, the above table shows both the weighted value of the large exposures and their carrying amount. These positions have decreased from seven to five in 2013, 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 €52,072 thousand to €60,321 thousand at 31 December 2013, includes exposure to banks (€59,221 thousand) and to companies.

C. Securitisations and transfers of assets

C.1 Securitisations

Qualitative disclosure

The bank has not undertaken this type of transaction.

Quantitative disclosure

The bank has not undertaken this type of transaction.

C.2 Transfers of assets

C.2.1 Financial assets transferred and not derecognised

	Financial assets held for trading			Financial assets at fair value through profit or loss			Available-for-sale financial assets			Total	
	A	B	C	A	B	C	A	B	C	31/12/2013	31/12/2012
A. Assets	**8,646**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,646**	**12,710**
1. Debt instruments	8,646	-	-	-	-	-	-	-	-	8,646	12,710
2. Equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**							**-**	-
Total at 31/12/2013	**8,646**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,646**	
- including: impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total at 31/12/2012	**12,710**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**12,710**
- 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	31/12/2013	31/12/2012
A. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt instruments	-	-	-	-	-	-	-	-	-	-	-
2. Equity instruments										-	-
3. OEIC units										-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives										-	-
Total at 31/12/2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
- including: impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total at 31/12/2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
- 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)

C.2.2 Financial liabilities for financial assets transferred but not derecognised

	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables with banks	Loans and receivables with customers	Total
1. Due to customers	**8,608**	**-**	**-**	**-**	**-**	**-**	**8,608**
a) for fully recognised assets	8,608	-	-	-	-	-	8,608
b) for partly recognised assets	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) for fully recognised assets	-	-	-	-	-	-	-
b) for partly recognised assets	-	-	-	-	-	-	-
Total at 31/12/2013	**8,608**	**-**	**-**	**-**	**-**	**-**	**8,608**
Total at 31/12/2012	**12,641**	**-**	**-**	**-**	**-**	**-**	**12,641**

D. CREDIT RISK MEASUREMENT MODELS

SECTION 2 - MARKET RISK

2.1 Interest rate and price risks - supervisory trading book

Qualitative disclosure

A. General aspects

The securities portfolio was almost entirely comprised of securities issued by governments or banks at floating rates in 2013, like in 2012. Most of these were used in repurchase agreements with customers in order to minimise interest rate risks. The bank also pledged bank and government bonds from different portfolios as security with the ECB to obtain the required financing, pursuant to Banca d'Italia's instructions.

Other interest rate swaps include specular contracts for corporate customers, hedged specifically with institutional counterparties. As a result, derivatives do not entail the bank's taking on of risk.

In short, therefore, the bank's policy for trading on its own behalf consists of short-term repurchase transactions, monitoring the performance and risk profiles, in order to achieve returns on a portfolio mainly composed of floating rate securities.

As part of its ordinary trading activities, the bank undertook transactions directly for government bonds and bonds, mostly issued by banks. It also managed the organised trades system for its own bonds.

The bank solely traded in long-term interest rate derivatives using unlisted derivatives as interest rate options and swaps.

B. Management and measurement of interest rate and price risks

Internal control regulations 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.

Since 1 January 2013, the bank has measured VaR using the new Prometeia Ermas application model approved by the board of directors on 28 February 2013. The model's innovative features include calculation of the specific risk for bonds and shares using the new indexation curves and the change to how cash flows of indexed transactions are mapped. The model is able to estimate potential losses for all financial instruments due to generic risk (market, interest rate, currency) and specific risk (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). This new Ermas model also provides 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. Adoption of the new VaR model required the board of directors to revise the internal limits.

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

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**171,848**	**21,193**	**10,403**	**43,581**	**-**	**-**	**-**
1.1 Debt instruments	-	171,848	21,193	10,403	43,581	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*171,848*	*21,193*	*10,403*	*43,581*	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**7,204**	**1,404**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	7,204	1,404	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**17,235**	**5,195**	**2,220**	**413,474**	**847,187**	**319,032**	**-**
3.1 With underlying security	-	7,993	1,544	80	4,440	-	1,900	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*7,993*	*1,544*	*80*	*4,440*	-	*1,900*	-
+ long positions	-	*1,620*	*996*	-	*4,415*	-	*950*	-
+ short positions	-	*6,373*	*548*	*80*	*25*	-	*950*	-
3.2 Without underlying security	-	9,242	3,651	2,140	409,034	847,187	317,132	-
- Options	-	-	*8*	*702*	*408,640*	*846,999*	*317,106*	-
+ long positions	-	-	*4*	*351*	*204,305*	*423,503*	*158,565*	-
+ short positions	-	-	*4*	*351*	*204,335*	*423,496*	*158,541*	-
- Other derivatives	-	*9,242*	*3,643*	*1,438*	*394*	*188*	*26*	-
+ long positions	-	*4,813*	*1,815*	*723*	*197*	*94*	*13*	-
+ short positions	-	*4,429*	*1,828*	*715*	*197*	*94*	*13*	-

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.

Currency: US dollar (USD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**7,108**	**3,069**	**1,308**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	7,108	3,069	1,308	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*7,108*	*3,069*	*1,308*	-	-	-	-
+ long positions	-	*3,361*	*1,541*	*650*	-	-	-	-
+ short positions	-	*3,747*	*1,528*	*658*	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	1	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*1*	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	*1*	-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**1,707**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	1,707	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*1,707*	-	-	-	-	-	-
+ long positions	-	*854*	-	-	-	-	-	-
+ short positions	-	*853*	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**897**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	897	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*897*	-	-	-	-	-	-
+ long positions	-	*450*	-	-	-	-	-	-
+ short positions	-	*447*	-	-	-	-	-	-

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

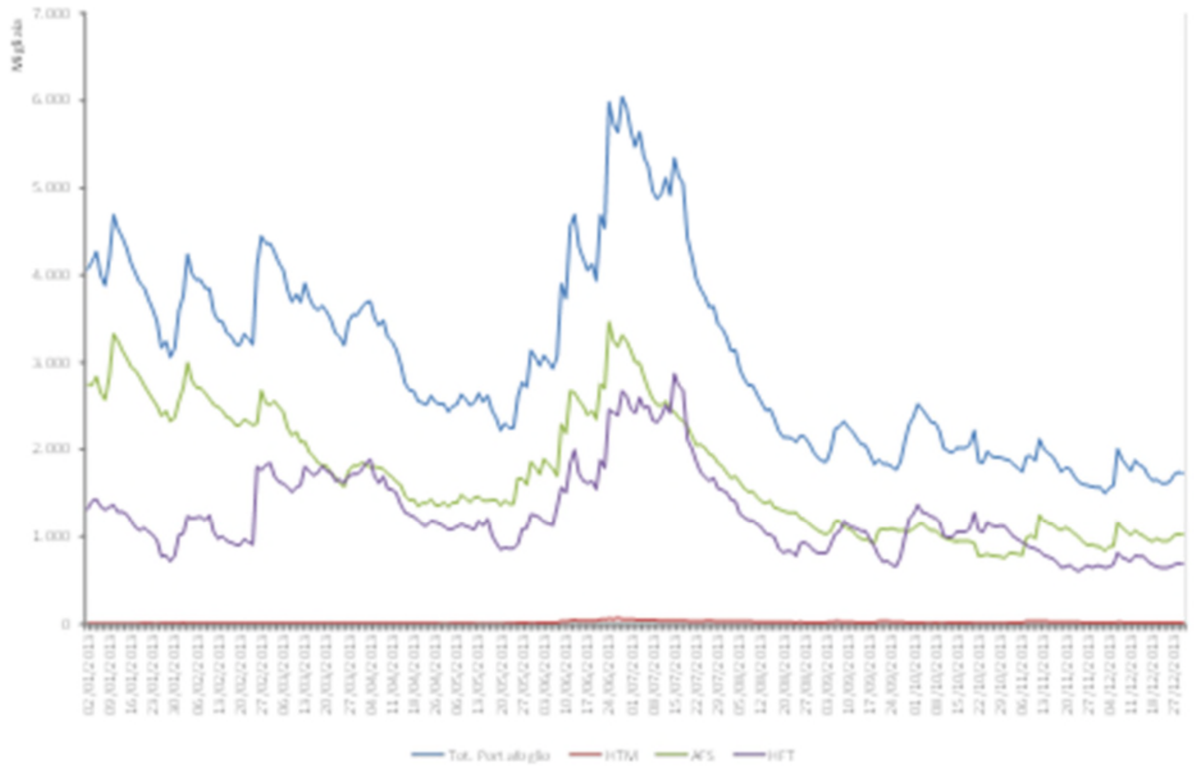
	Listed						Unlisted
	ITALY	USA	UK	Switzerland	Germany	Other	
A. Equity instruments	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
B. Unsettled transactions involving equity instruments	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
C. Other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

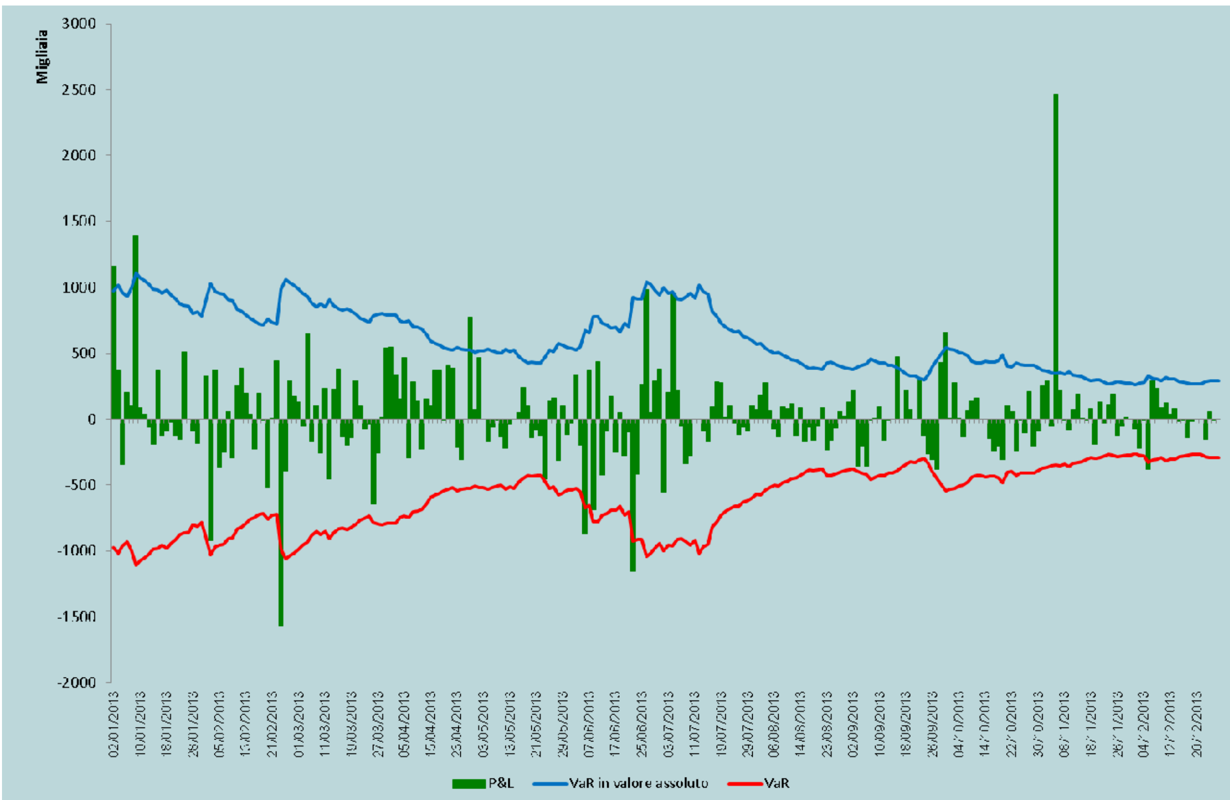
The following table shows the information provided by the VaR calculation model about the shares and bonds in the trading book.
The graphs show the 10-day VaR trend from 1 January to 31 December 2013 and the results of the backtesting of the 1-day portfolio VaR. Losses (P&L series in the graph) exceeded VaR on four days.

From 1 January 2013 to 31 December 2013	**VaR HFT (€)**
Minimum	2,869,312
Maximum	607,731
Average	1,258,423
Period end	689,157

10-day VaR, 99% confidence interval



Backtesting on 1-day VaR, 99% confidence interval



2.2 Interest rate and price risk - banking book

Qualitative disclosure

A. General aspects, management and measurement of interest rate and price risks

The banking book includes all financial assets and liabilities not included in the trading book.

The Risk Management Unit measures the banking book's interest rate risk using the ALMpro tool, applying the methodology required by the prudential supervisory instructions (section III, chapter 1 of annex C to Banca d'Italia circular no. 263/2006).

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 regulatory capital.

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 and the economic value of the bank's assets and liabilities 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 is negligible for the banking book.

B. Fair value hedges

The bank has not agreed fair value hedges.

C. Cash flow hedges

The bank has not agreed cash flow hedges.

D. Hedges of investments in foreign operations

No such transactions have taken place.

Quantitative disclosure

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**388,454**	**503,994**	**55,239**	**29,260**	**308,926**	**43,076**	**12,534**	**-**
1.1 Debt instruments	-	31,595	40,897	5,030	205,193	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*31,595*	*40,897*	*5,030*	*205,193*	-	-	-
1.2 Financing to banks	32,863	8,200	-	-	-	-	-	-
1.3 Financing to customers	**355,591**	**464,199**	**14,342**	**24,230**	**103,733**	**43,076**	**12,534**	**-**
- current account	*262,213*	*795*	-	*1,694*	*4,638*	*1,451*	-	-
- other financing	*93,378*	*463,404*	*14,342*	*22,536*	*99,095*	*41,625*	*12,534*	-
- with early repayment option	*18,565*	*425,845*	*10,584*	*18,140*	*82,420*	*34,095*	*12,534*	-
- other	*74,813*	*37,559*	*3,758*	*4,396*	*16,675*	*7,530*	-	-
2. Liabilities	**907,255**	**105,243**	**28,041**	**59,806**	**329,340**	**-**	**-**	**-**
2.1 Due to customers	905,899	9,273	7,599	-	-	-	-	-
- current account	*800,435*	-	-	-	-	-	-	-
- other payables	*105,464*	*9,273*	*7,599*	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*105,464*	*9,273*	*7,599*	-	-	-	-	-
2.2 Due to banks	7	-	-	-	150,000	-	-	-
- current account	*7*	-	-	-	-	-	-	-
- other payables	-	-	-	-	*150,000*	-	-	-
2.3 Debt instruments	1,349	95,970	20,442	59,806	179,340	-	-	-
- with early repayment option	-	*37,740*	*16,698*	*14,904*	*37,621*	-	-	-
- other	*1,349*	*58,230*	*3,744*	*44,902*	*141,719*	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**43,389**	**18,508**	**7,426**	**34,441**	**14,159**	**9,542**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	43,389	18,508	7,426	34,441	14,159	9,542	-
- Options	**-**	***43,389***	***18,508***	***7,426***	***34,441***	***14,159***	***9,542***	**-**
+ long positions	-	*2,665*	*3,651*	*7,319*	*33,268*	*10,591*	*6,238*	-
+ short positions	-	*40,724*	*14,857*	*107*	*1,173*	*3,568*	*3,304*	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	***50,866***	***13,213***	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	*18,664*	*13,213*	-	-	-	-	-	-
+ short positions	*32,202*	-	-	-	-	-	-	-

Currency: US dollar (USD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**1,088**	**3,663**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	698	3,263	-	-	-	-	-	-
1.3 Financing to customers	**390**	**400**	**-**	**-**	**-**	**-**	**-**	**-**
- current account	*1*	-	-	-	-	-	-	-
- other financing	*389*	*400*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*389*	*400*	-	-	-	-	-	-
2. Liabilities	**4,447**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	4,447	-	-	-	-	-	-	-
- current account	*4,353*	-	-	-	-	-	-	-
- other payables	*94*	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*94*	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	***6,526***	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	*3,263*	-	-	-	-	-	-
+ short positions	-	*3,263*	-	-	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**416**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	416	-	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	**473**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	473	-	-	-	-	-	-	-
- current account	*473*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**1,563**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	1,485	-	-	-	-	-	-	-
1.3 Financing to customers	**78**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current account	-	-	-	-	-	-	-	-
- other financing	*78*	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*78*	-	-	-	-	-	-	-
2. Liabilities	**1,570**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	1,570	-	-	-	-	-	-	-
- current account	*1,570*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**24**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	14	-	-	-	-	-	-	-
1.3 Financing to customers	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current account	-	-	-	-	-	-	-	-
- other financing	*10*	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*10*	-	-	-	-	-	-	-
2. Liabilities	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	18	-	-	-	-	-	-	-
- current account	*18*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**59**	**273**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	59	273	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	**323**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	323	-	-	-	-	-	-	-
- current account	*323*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**428**	**407**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	428	407	-	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities	**784**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	784	-	-	-	-	-	-	-
- current account	*784*	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

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

The impact on interest income of a 1% increase or decrease (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

31/12/2013	REPRICING DELTA MI SHOCK 1	REPRICING DELTA MI SHOCK 2
Assets	***10.731.889***	***-5.295.286***
Other assets	5.426	-2.409
Assets / Cash	130.515	-51.809
Loans and receivables with banks	415.948	-168.459
Loans and receivables with customers	7.728.678	-3.178.581
Equity investments	70.302	-27.907
Securities portfolio	2.381.021	-1.866.120
Off-statement of financial position	***-39***	***15***
Outrights	-39	15
Liabilities	***-10.806.917***	***4.322.054***
Securities issued	-1.278.252	530.392
Due to banks	-47.266	18.763
Due to customers	-9.481.399	3.772.898
Total	***-75.067***	***-973.218***

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

31/12/2013	*REPRICING DELTA MI SHOCK 1*	*REPRICING DELTA MI SHOCK 2*
Assets	**10.371.178**	**-5.212.120**
Other assets	5.426	-2.409
Assets/Cash	130.515	-51.809
Loans and receivables with banks	415.948	-168.459
Loans and receivables with customers	7.367.967	-3.095.415
Equity investments	70.302	-27.907
Securities portfolio	2.381.021	-1.866.120
Off-statement of financial position	**-39**	**15**
Outrights	-39	15
Liabilities	**-8.777.164**	**3.434.723**
Securities issued	-1.278.252	530.392
Due to banks	-47.266	18.763
Due to customers	-7.451.646	2.885.568
Total	**1.593.975**	**-1.777.382**

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

31/12/2013	*BETA REPRICING DELTA MI - SHOCK 1*	*BETA REPRICING DELTA MI - SHOCK 2*
Assets	**10.225.037**	**-5.150.691**
Other assets	5.426	-2.409
Assets/Cash	130.515	-51.809
Loans and receivables with banks	415.948	-168.459
Loans and receivables with customers	7.221.826	-3.033.987
Equity investments	70.302	-27.907
Securities portfolio	2.381.021	-1.866.120
Off-statement of financial position	**-39**	**15**
Outrights	-39	15
Liabilities	**-5.039.041**	**1.856.433**
Securities issued	-1.278.252	530.392
Due to banks	-47.266	18.763
Due to customers	-3.713.523	1.307.278
Total	**5.185.957**	**-3.294.243**

2.3 CURRENCY RISK

Qualitative disclosure

A. General aspects, management and measurement of currency risk

Currency risk is the risk that the bank may incur losses due to adverse changes in foreign exchange rates affecting its positions.

The bank's foreign currency activities solely comprise spot and repurchase agreements for customers, which are concurrently matched on the market by agreeing very short term, short/long positions that give rise to immaterial price risk.

Internal models to calculate the capital requirements for market risk are not used.

B. Currency hedges

The bank does not agree specific currency hedges.

Quantitative disclosure

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss francs	Other currencies
A. Financial assets	**4,751**	**416**	**24**	**331**	**1,563**	**835**
A.1 Debt instruments	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Financing to banks	3,961	416	14	331	1,485	835
A.4 Financing to customers	790	-	10	-	78	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**31**	**49**	**5**	**3**	**5**	**29**
C. Financial liabilities	**4,447**	**473**	**18**	**323**	**1,570**	**784**
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	4,447	473	18	323	1,570	784
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**11,486**	**-**	**1,707**	**-**	**1**	**897**
- Options	-	-	-	-	-	-
+ *long positions*	-	-	-	-	-	-
+ *short positions*	-	-	-	-	-	-
- Other derivatives	11,486	-	1,707	-	1	897
+ *long positions*	*5,553*	-	*854*	-	-	*450*
+ *short positions*	*5,933*	-	*853*	-	*1*	*447*
Total assets	**10,335**	**465**	**883**	**334**	**1,568**	**1,314**
Total liabilities	**10,380**	**473**	**871**	**323**	**1,571**	**1,231**
Difference (+/-)	**- 45**	**- 8**	**12**	**11**	**- 3**	**83**

2. Internal models and other methodologies for sensitivity analyses

The bank does not use internal models to measure currency risk or other methodologies for sensitivity analyses.

2.4 Derivatives

A. Financial derivatives

The banking book is not subject to price risk.

A.1 Supervisory trading book: notional amounts at the reporting date and average amounts

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	**49,422**	**-**	**62,875**	**-**
a) Options	48,554	-	59,052	-
b) IRS	868	-	3,823	-
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	**11,909**	**-**	**6,354**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	11,909	-	6,354	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**61,331**	**-**	**69,229**	**-**
Average amounts	**75,149**	**-**	**75,992**	**-**

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

	Positive fair value			
	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	**732**	**-**	**670**	**-**
a) Options	523	-	412	-
b) Interest rate swaps	40	-	171	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	169	-	87	-
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	**732**	**-**	**670**	**-**

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

	Negative fair value			
	Totale al 31/12/2013		Totale al 31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	**727**	**-**	**659**	**-**
a) Options	523	-	413	-
b) Interest rate swaps	40	-	162	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	164	-	84	-
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	**727**	**-**	**659**	**-**

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	**-**	**-**	**25,429**	**225**	**-**	**13,017**	**12,123**
- notional amount	-	-	24,621	220	-	12,799	11,780
- positive fair value	-	-	523	-	-	11	29
- negative fair value	-	-	40	5	-	206	312
- future exposure	-	-	245	-	-	1	2
2. Equity instruments and share indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**6,043**	**-**	**-**	**5,531**	**787**
- notional amount	-	-	5,821	-	-	5,326	762
- positive fair value	-	-	5	-	-	152	12
- negative fair value	-	-	159	-	-	-	5
- future exposure	-	-	58	-	-	53	8
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	**16,662**	**17,881**	**26,788**	**61,331**
A.1 Financial derivatives on debt instruments and interest rates	4,753	17,881	26,788	49,422
A.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	11,909	-	-	11,909
A.4 Financial derivatives on other assets	-	-	-	-
B. Banking book	**-**	**-**	**-**	**-**
A.1 Financial derivatives on debt instruments and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.4 Financial derivatives on other assets	-	-	-	-
Total at 31/12/2013	**16,662**	**17,881**	**26,788**	**61,331**
Total at 31/12/2012	**8,149**	**10,051**	**51,029**	**69,229**

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.

Risk monitoring requires the regular check that the limits set by internal regulations are complied with through a monthly assessment of the degree of structural liquidity and the ordinary customers' lending/liquidity ratio.

The Prometeia Ermas application and the matrix data feed the internal risk assessment model, which has differentiated weighing ratios depending on the type of asset, liability and commitment and classifies assets and liabilities considering their liquidability characteristics for each residual maturity category (maturity ladder). Any differences and certain synthetic indexes are used to assess the structural liquidity situation over the entire timeframe.

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).

The bank measured two new liquidity ratios (LCR - liquidity coverage ratio and NSFR - net stable funding ratio) introduced by Basel III using the Ermas application in the second quarter of 2013. These ratios were commented on in the related monthly reports.

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

At the reporting date, the structural liquidity analysis models show substantial financial balance:

in Euros

Time bracket	Asset/availability	Liability/ commitment	Difference	Total difference
Highly liquid assets	390,083,703			
On demand or revocation	5,683,777	163,003,848	232.763.632	232.763.632
Up to 1 month	89,679,166	38,950,726	50.728.440	283.492.072
From 1 to 3 months	60,743,273	88,826,396	-28.083.123	255.408.949
From 3 to 6 months	36,518,384	29,742,012	6.776.372	262.185.321
From 6 to 12 months	53,933,688	59,775,000	-5.841.312	256.344.009
From 1 to 2 years	75,557,328	197,191,500	-121.634.172	134.709.837
From 2 to 3 years	64,754,849	68,819,000	-4.064.151	130.645.686
From 3 to 4 years	54,792,824	66,748,000	-11.955.176	118.690.510
From 4 to 5 years	45,076,160	-	45.076.160	163.766.670
From 5 to 7 years	75,513,226	-	75.513.226	239.279.896
From 7 to 10 years	86,525,983	-	86.525.983	325.805.879
From 10 to 15 years	68,707,213	-	68.707.213	394.513.092
From 15 to 20 years	16,373,071	-	16.373.071	410.886.163
After 20 years	4,476,184	-	4.476.184	415.362.347
TOTAL	**1,128,418,829**	**713,056,482**	**415,362,347**	

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

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

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 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**382,294**	**7,510**	**5,036**	**21,196**	**47,320**	**57,320**	**82,478**	**748,936**	**269,373**	**8,200**
A.1 Government bonds	196	-	-	-	511	1,385	12,555	447,918	5,000	-
A.2 Other debt instruments	-	-	-	7,002	2,007	17,443	26	35,992	2,543	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	382,098	7,510	5,036	14,194	44,802	38,492	69,897	265,026	261,830	8,200
- Banks	*35,963*	*3,263*	-	*679*	-	-	-	-	-	*8,200*
- Customers	*346,135*	*4,247*	*5,036*	*13,515*	*44,802*	*38,492*	*69,897*	*265,026*	*261,830*	-
Liabilities	**915,000**	**9,067**	**3,481**	**9,855**	**89,719**	**29,831**	**59,227**	**326,992**	**-**	**-**
B.1 Deposits and current accounts	910,826	759	434	1,836	6,241	7,597	-	-	-	-
- Banks	*7*	-	-	-	-	-	-	-	-	-
- Customers	*910,819*	*759*	*434*	*1,836*	*6,241*	*7,597*	-	-	-	-
B.2 Debt instruments	1,476	8,308	3,047	7,567	76,726	20,830	59,227	176,992	-	-
B.3 Other liabilities	2,698	-	-	452	6,752	1,404	-	150,000	-	-
Off-statement of financial position transactions	**51,797**	**18,675**	**1,640**	**5,968**	**6,766**	**7,690**	**2,893**	**4,564**	**15,213**	**-**
C.1 Financial derivatives with exchange of principal	-	12,149	1,640	5,968	6,766	7,690	2,695	4,564	2,000	-
- Long positions	-	*3,699*	*820*	*2,984*	*3,383*	*4,070*	*1,308*	*4,539*	*1,000*	-
- Short positions	-	*8,450*	*820*	*2,984*	*3,383*	*3,620*	*1,387*	*25*	*1,000*	-
C.2 Financial derivatives without exchange of principal	**1,126**	-	-	-	-	-	-	-	-	-
- Long positions	*563*	-	-	-	-	-	-	-	-	-
- Short positions	*563*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**50,668**	**6,526**	**-**	**-**	**-**	**-**	**198**	**-**	**13,213**	**-**
- Long positions	*18,466*	*3,263*	-	-	-	-	*198*	-	*13,213*	-
- Short positions	*32,202*	*3,263*	-	-	-	-	-	-	-	-
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 €18,759 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:
2010: none.
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.

Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**379,193**	**3,989**	**4,963**	**20,458**	**46,822**	**57,320**	**82,478**	**748,936**	**269,373**	**8,200**
A.1 Government bonds	196	-	-	-	511	1,385	12,555	447,918	5,000	-
A.2 Other debt instruments	-	-	-	7,002	2,007	17,443	26	35,992	2,543	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	378,997	3,989	4,963	13,456	44,304	38,492	69,897	265,026	261,830	8,200
- Banks	*32,863*	-	-	-	-	-	-	-	-	*8,200*
- Customers	*346,134*	*3,989*	*4,963*	*13,456*	*44,304*	*38,492*	*69,897*	*265,026*	*261,830*	-
Liabilities	**907,387**	**9,067**	**3,481**	**9,855**	**89,719**	**29,831**	**59,227**	**326,992**	**-**	**-**
B.1 Deposits and current accounts	903,306	759	434	1,836	6,241	7,597	-	-	-	-
- Banks	*7*	-	-	-	-	-	-	-	-	-
- Customers	*903,299*	*759*	*434*	*1,836*	*6,241*	*7,597*	-	-	-	-
B.2 Debt instruments	1,476	8,308	3,047	7,567	76,726	20,830	59,227	176,992	-	-
B.3 Other liabilities	2,605	-	-	452	6,752	1,404	-	150,000	-	-
Off-statement of financial position transactions	**51,797**	**9,624**	**821**	**2,984**	**3,383**	**4,619**	**1,585**	**4,564**	**15,213**	**-**
C.1 Financial derivatives with exchange of principal	-	9,624	821	2,984	3,383	4,619	1,387	4,564	2,000	-
- Long positions	-	*2,482*	*441*	*1,532*	*1,767*	*2,528*	*658*	*4,539*	*1,000*	-
- Short positions	-	*7,142*	*380*	*1,452*	*1,616*	*2,091*	*729*	*25*	*1,000*	-
C.2 Financial derivatives without exchange of principal	**1,126**	-	-	-	-	-	-	-	-	-
- Long positions	*563*	-	-	-	-	-	-	-	-	-
- Short positions	*563*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**50,668**	**-**	**-**	**-**	**-**	**-**	**198**	**-**	**13,213**	**-**
- Long positions	*18,466*	-	-	-	-	-	*198*	-	*13,213*	-
- Short positions	*32,202*	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Currency: US dollar (USD)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**699**	**3,522**	**72**	**59**	**410**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	699	3,522	72	59	410	-	-	-	-	-
- Banks	*698*	*3,263*	-	-	-	-	-	-	-	-
- Customers	*1*	*259*	*72*	*59*	*410*	-	-	-	-	-
Liabilities	**4,447**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	4,353	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*4,353*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	94	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**8,154**	**640**	**1,459**	**3,383**	**3,069**	**1,308**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	1,628	640	1,459	3,383	3,069	1,308	-	-	-
- Long positions	-	*767*	*290*	*689*	*1,616*	*1,541*	*650*	-	-	-
- Short positions	-	*861*	*350*	*770*	*1,767*	*1,528*	*658*	-	-	-
C.2 Financial derivatives without exchange of principal	**-**	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**-**	**6,526**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Long positions	-	*3,263*	-	-	-	-	-	-	-	-
- Short positions	-	*3,263*	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Currency: Pound sterling (GBP)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**416**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	416	-	-	-	-	-	-	-	-	-
- Banks	*416*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Lliabilities	**473**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	473	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*473*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency: Swiss franc (CHF)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**1,485**	**-**	**-**	**-**	**78**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	1,485	-	-	-	78	-	-	-	-	-
- Banks	*1,485*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	*78*	-	-	-	-	-
Lliabilities	**1,570**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	1,570	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*1,570*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	1	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	*1*	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency: Japanese Yen (JPY)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**14**	**-**	**-**	**-**	**10**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	14	-	-	-	10	-	-	-	-	-
- Banks	*14*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	*10*	-	-	-	-	-
Liabilities	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	18	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*18*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**-**	**181**	**1,526**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	-	181	1,526	-	-	-	-	-	-
- Long positions	-	-	*90*	*764*	-	-	-	-	-	-
- Short positions	-	-	*91*	*762*	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency: Canadian dollar (CAD)

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**59**	**-**	**-**	**273**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	59	-	-	273	-	-	-	-	-	-
- Banks	*59*	-	-	*273*	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Liabilities	**323**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	323	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*323*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency: Other

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets	**428**	**-**	**-**	**407**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	428	-	-	407	-	-	-	-	-	-
- Banks	*428*	-	-	*407*	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Liabilities	**784**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	784	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*784*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**897**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	897	-	-	-	-	-	-	-	-
- Long positions	-	*450*	-	-	-	-	-	-	-	-
- Short positions	-	*447*	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. On-statement of financial position committed assets

	Committed		Uncommitted		Total at 31/12/2013	Total at 31/12/2012
	CA	FV	CA	FV		
1. Cash and cash equivalents	-		14,353		**14,353**	**14,101**
2. Debt instruments	137,788	137,579	392,887	392,887	**530,675**	**471,977**
3. Equity instruments	-	-	10,937	10,937	**10,937**	**3,610**
4. Financing	3		1,066,684		**1,066,687**	**1,099,351**
5. Other financial assets	-		731		**731**	**671**
6. Non-financial assets	-		67,249		**67,249**	**55,153**
Total at 31/12/2013	**137,791**	**137,579**	**1,552,841**	**403,824**	**1,690,632**	
Total at 31/12/2012	**169,983**	**169,307**	**1,474,880**	**305,608**		**1,644,863**

3. Off-statement of financial position committed assets

	Committed	Uncommitted	Total at 31/12/2013	Total at 31/12/2012
1. Financial assets	**70,000**	**18,858**	**88,858**	**89,129**
- Securities	70,000	18,858	88,858	89,129
- Other	-	-	-	-
2. Non-financial assets	**-**	**-**	**-**	**-**
Total at 31/12/2013	**70,000**	**18,858**	**88,858**	
Total at 31/12/2012	**70,000**	**19,129**		**89,129**

The bank pledged its assets, as described below table “2 Assets pledged as guarantee for liabilities and commitments” of the “Other information” section in Part B for the refinancing operations with the ECB, as well as bonds issued by it, guaranteed by the Italian government as described below the table “1.1 Due to banks: breakdown by product” of “Liabilities” in Part B.

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, due to both human/technological resources and external factors. In order to ensure efficient, effective and ongoing internal procedures, the relevant head office and branch offices are responsible for identifying, measuring and mitigating any operational risks. The bank has regulations in place for key operating procedures formalising the operating stages and activities and establishing the line controls.

With respect to the operational risk mitigation tools, the bank focused on the transfer of risk through the agreement of insurance policies, suitable for low frequency events with a high financial impact. These policies cover risks of losses from:

- fraud or misconduct;
- damage to third parties caused by errors made during banking operations;
- non-intentional violations of legal, regulatory and by-laws obligations by directors and specific employees;
- third-party fraud;
- damage to property and equipment as a result of natural or criminal events;
- accidents and slight or serious injuries to third parties inside the bank's premises.

Legal risks

Situations that 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 uses the organisational models of the ABI, approved by the Ministry for Justice, and has set up a supervisory body to ensure the working and compliance of the models.

The Compliance Unit is responsible for monitoring legal risks and the bank's compliance with external and internal rules and regulations. It also checks new products/services' compliance in order to identify any potential risks in advance and make the necessary amendments.

In 2013, in order to contain the risk of money laundering and terrorism financing, the Anti-money Laundering Unit stepped up its controls and continued to encourage compliance, including with the new regulations about communication and training projects, both for distribution network personnel and head office employees.

On 3 April 2013, Banca d'Italia published the "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. This measure fine-tuned the legal framework for the identification, obtaining information and assessment of customers and the traceability of transactions. In order to comply with this new regulation, the bank commenced a far reaching project during the year to refine its customer profiling and control tools as well as providing training to managers of the sales network and head office.

With respect to the correct management and keeping of the AML database, the bank ensures the network is constantly monitored and kept aware of the issue, assisted by other general management units.

The main legal disputes are described below.

Compound interest disputes

In line with the banking sector's general practice, the bank does not agree with the decision reiterated by the Supreme Court since 1999 which confirms the "negotiating" rather than the "regulatory" nature of the quarterly capitalisation clause for interest expense and, therefore, the illegality of its application to bank current accounts. The bank maintains its opinion in court as well.

The banks' position is supported by numerous merits rulings which emphasise different legal points, which are valid, and that may lead the Supreme Court to rethink its position in the future.

At present, the bank is obliged to make adequate provision for its ongoing disputes with customers about compound interest, based on the calculations made when the dispute arose.

Claw-back claims

The bank assesses individual requests for the return of amounts from the official receivers, estimating the inherent risks. It assesses the cost/benefits ratio only when it deems it more useful and proposes out-of-court settlements to the counterparties, which are often successful and avoids going to court.

Should a legal proceeding be commenced, the bank evaluates its possibility of losing, updates its risk estimates and defends itself suitably in court, also based on its understanding of the counterparty's insolvency. Once such legal proceedings commence, provision is made for the risks related to the amounts deemed re-obtainable based on internal assessments.

Disputes involving securities

Supported by a number of court rulings in its favour, the bank reviews each dispute and only makes adequate provision when it deems that it may effectively have to pay.

Moreover, the number of proceedings commenced against the bank for the acquisition of securities by customers (mostly Argentine and Parmalat bonds) is very modest compared to the number of transactions performed. The bank does not expect it to increase significantly.

Tax regulations

In 2013, the Italian Inland Revenue carried out an inspection of the bank with respect to the direct taxes IRES and IRAP 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

The Measure about the instructions for the prudential treatment of fair value reserves for EU government bonds held in the AFS financial assets portfolio for the calculation of regulatory capital was published on 18 May 2010.

This Measure allows the complete neutralisation of gains and losses recognised on securities issued by EU governments in these reserves using the so called “symmetrical” approach rather than the so called “asymmetrical” approach, where the net loss was entirely deducted from Tier 1 capital and the net gain was partly included in Tier 2 capital.

On 23 January 2014, the board of directors exercised the option envisaged by part 2, chapter 14, section II of Banca d’Italia circular no. 285 of 17 December 2013. 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 will affect the regulatory capital reports starting from 31 March 2014.

The bank did not avail of the option allowed by the Measure and has continued to apply the “asymmetrical” approach, as in the past.

The directors’ report discloses and comments on the main financial statements indicators which include, in particular, the capitalisation ratios, useful to analyse the bank’s equity on a qualitative basis.

B. Quantitative disclosure

B.1 Equity: breakdown

	31/12/2013	31/12/2012
1. Share capital	**39,241**	**39,241**
2. Share premium	**34,660**	**34,660**
3. Reserves	**62,122**	**59,513**
- income-related	55,992	53,383
a) legal	*15,911*	*14,879*
b) statutory	*42,941*	*41,364*
c) treasury shares	-	-
d) other	*- 2,860*	*- 2,860*
- other	6,130	6,130
3bis. Interim dividend	**-**	**-**
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves	**17,116**	**15,078**
- Available-for-sale financial assets	4,384	2,708
- 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	- 2,390	- 2,752
- Share of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	15,122	15,122
7. Profit for the year	**8,148**	**10,320**
Total	**161,287**	**158,812**

B.2 Fair value reserves: breakdown

	31/12/2013		31/12/2012	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	3,967	1,177	4,634	2,259
2. Equity instruments	1,611	17	364	32
3. OEIC units	-	-	-	-
4. Financing	-	-	-	-
Total	**5,578**	**1,194**	**4,998**	**2,291**

B.3 Fair value reserves: changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**2,375**	**332**	**-**	**-**
2. Increase	**1,400**	**1,261**	**-**	**-**
2.1 Fair value gains	1,400	1,261	-	-
2.2 Reclassification of fair value losses to profit or loss	-	-	-	-
- due to impairment	-	-	-	-
- on sale	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decrease	**984**	**-**	**-**	**-**
3.1 Fair value losses	-	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reclassification of fair value gains to profit or loss	984	-	-	-
3.4 Other decreases	-	-	-	-
4. Closing balance	**2,791**	**1,593**	**-**	**-**

Section 2 – Regulatory capital and ratios

2.1 Regulatory capital

A. Qualitative disclosure

Regulatory capital is calculated as the sum of the positive components based on their capital quality. They must be fully available so as to be included in the calculation of capital absorption.

Regulatory capital consists of Tier 1 capital and Tier 2 capital, net of certain deductions. Specifically:

1 Tier 1 capital

Tier 1 capital - this includes paid-in share capital, share premium and income-related reserves, net of intangible assets, negative fair value reserves for AFS securities and 50% of the investment in Banca d'Italia, at its carrying amount before the revaluation required by Law decree no. 133/2013 of the entire difference between the carrying amount of the new shares compared to that of the old shares of the Italian central bank held by the bank, pursuant to Law no. 5/2014 which converted Law decree no. 133/2013.

2 Tier 2 capital

Tier 2 capital - this includes the valuation reserves, net of 50% of the positive fair value reserves of AFS securities and 50% of the investment in Banca d'Italia, at its carrying amount before the revaluation required by Law decree no. 133/2013.

3 Tier 3 capital

Tier 31 capital - at the reporting date, there were no Tier 3 capital components.

Equity investments in insurance companies are deducted from Tier 1 and Tier 2 capital.

The bank monitors its regulatory capital regularly and risk weighted assets to determine the solvency ratio. This monitoring of actual and forecast developments in the bank's operations and the related impact on the indicators enables it to adopt measures deemed the most suitable from time to time to ensure its balanced growth in accordance with the prudent supervisory indicators.

B. Quantitative disclosure

	31/12/2013	31/12/2012
A. Tier 1 capital before application of prudential filters	**138,654**	**135,939**
B. Tier 1 prudential filters:	- 294	-
B1 - Positive IFRS prudential filters (+)	*1,873*	-
B2 - Negative IFRS prudential filters (-)	*2,167*	-
C. Tier 1 capital including application of prudential filters (A + B)	**138,360**	**135,939**
D. Elements to be deducted from Tier 1 capital	**541**	**541**
E. Total Tier 1 capital (C - D)	**137,819**	**135,398**
F. Tier 2 capital before application of prudential filters	**19,506**	**15,077**
G. Tier 2 prudential filters	- 2,192	- 1,354
G1 - Positive IFRS prudential filters (+)	-	-
G2 - Negative IFRS prudential filters (-)	*2,192*	*1,354*
H. Tier 2 capital including application of prudential filters (F + G)	**17,314**	**13,723**
I. Elements to be deducted from Tier 2 capital	**541**	**541**
L. Total Tier 2 capital (H - I)	**16,773**	**13,182**
M. Elements to be deducted from Tier 1 and Tier 2 capital	**-**	**-**
N. Regulatory capital (E + L - M)	**154,592**	**148,580**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N + O)	**154,592**	**148,580**

The “B2” negative filter was applied to fully neutralise the effects of applying the above-mentioned Law decree no. 122/2013.

2.2 Capital adequacy

A. Qualitative disclosure

At the reporting date, the bank's regulatory capital was €154.6 million. The capital ratio was 15.05%, well above the minimum mandatory ratio imposed by the supervisory regulations (8%).

The Tier 1/risk-weighted assets ratio (Tier 1 capital ratio) was 13.42% which, compared to the Total capital ratio, implies that the regulatory capital mostly consists of Tier 1 capital. Tier 1 capital comprises share capital and reserves of €137.8 million.

Tier 2 capital amounted to €16.8 million.

The regulatory capital requirements of €82.2 million refer to credit, operational and market risks. Credit operations account for the most capital with credit risk requirements of €71.5 million.

Risk-weighted assets amount to €1,027 million. There has been an increase in such assets for credit risk, while market risks remain very modest although they did increase.

B. Quantitative disclosure

	Unweighted amounts		Weighted amounts/requirements	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
A. EXPOSURES				
A.1 Credit and counterparty risk	**1,473,973**	**1,472,801**	**893,575**	**890,244**
1. Standardised method	1,473,973	1,472,801	893,575	890,244
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**71,486**	**71,220**
B.2 Market risk			**1,268**	**1,015**
1. Standard method			1,268	1,015
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			**9,416**	**8,384**
1. Basic method			9,416	8,384
2. Standardised method			-	-
3. Advanced method			-	-
B.4 Other prudential requirements			**-**	**-**
B.5 Other calculation elements			**-**	**-**
B.6 Total prudential requirements			**82,170**	**80,619**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**1,027,125**	**1,007,738**
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			**13.42%**	**13.44%**
C.3 Regulatory capital including Tier 3/risk-weighted assets (Total capital ratio)			**15.05%**	**14.74%**

PART H
Related party transactions

General information

The bank's board of directors has identified the entities that qualify as related parties pursuant to IAS 24.
They are:

1. Fondazione Cassa di Risparmio di Fermo, which holds 66.67% of the bank's ordinary shares and controls it;
2. Banca Intesa S.p.A., which holds 33.33% of the bank's ordinary shares and has significant influence thereover;
3. directors and managers, due to their strategic powers;
4. the statutory auditors, due to their control powers;
5. spouses and immediate descendents 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)

	31/12/2013
C. Managers	**592,656**
Short-term benefits	561,460
Current termination benefits	31,196
Total termination benefits	379,230
A. Directors	**755,805**
Fees	755,805
B. Statutory auditors	**107,620**
Fees	107,620

2. Related party transactions (€'000)

	Assets	Liabilities	Costs	Revenue	Guarantees received
A. Directors	1,113	5,329	105	139	1,557
B. Statutory auditors	-	156	1	3	73
C. Managers	23	66	1	4	93
D. Family members	75	3,062	19	57	180
E. Other related parties	12,863	11,572	345	377	25,874
Total	**14,074**	**20,185**	**471**	**580**	**27,777**

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

A.3 – 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 profit/loss".

PART B – NOTES TO THE STATEMENT OF FINANCIAL POSITION

Assets

SECTION 3 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – CAPTION 30

- 3.1 Financial assets at fair value through profit or loss: breakdown by product
- 3.2 Financial assets at fair value through profit or loss: breakdown by debtor/issuer
- 3.3 Financial assets at fair value through profit or loss: changes

SECTION 4 - AVAILABLE-FOR-SALE FINANCIAL ASSETS - CAPTION 40

- 4.3 Specifically hedged available-for-sale financial assets

SECTION 5 – HELD-TO-MATURITY INVESTMENTS – CAPTION 50

- 5.3 Held-to-maturity investments: specifically hedged assets

SECTION 6 – LOANS AND RECEIVABLES WITH BANKS – CAPTION 60

- 6.2 Specifically hedged loans and receivables with banks
- 6.3 Finance leases

SECTION 7 – LOANS AND RECEIVABLES WITH CUSTOMERS – CAPTION 70

- 7.3 Loans and receivables with customers: specifically hedged assets
- 7.4 Finance leases

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80

- 8.1 Hedging derivatives: breakdown by type and level
- 8.2 Hedging derivatives: breakdown by hedged item and type

SECTION 9 – ADJUSTMENTS TO GENERICALLY HEDGED FINANCIAL ASSETS – CAPTION 90

- 9.1 Adjustments to hedged assets: breakdown by hedged portfolio
- 9.2 Assets hedged generically against interest rate risk

SECTION 10 – EQUITY INVESTMENTS – CAPTION 100

- 10.1 Investments in subsidiaries and associates and interests in joint ventures
- 10.2 Investments in subsidiaries and associates and interests in joint ventures: accounting disclosures

- 10.3 Equity investments: changes
- 10.4 Commitments for investments in subsidiaries
- 10.5 Commitments for interests in jointly controlled entities
- 10.6 Commitments for investments in associates

SECTION 11 – PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY – CAPTION 110

- 11.2 Investment property: breakdown of assets measured at cost
- 11.3 Property and equipment: breakdown of revalued assets
- 11.4 Investment property: breakdown of assets at fair value
- 11.6 Investment property: changes
- 11.7 Commitments for acquisitions of property, equipment and investment property (IAS 16.74c)

SECTION 12 – INTANGIBLE ASSETS – CAPTION 120

- 12.3 - Other information

SECTION 14 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS AND ASSOCIATED LIABILITIES – CAPTION 140 OF ASSETS AND CAPTION 90 OF LIABILITIES

- 14.1 Non-current assets classified as held for sale and disposal groups: breakdown by type
- 14.2 Other information
- 14.3 Information about investments in associates not measured at equity

Liabilities

SECTION 1 – DUE TO BANKS – CAPTION 10

- 1.2 Caption 10 “Due to banks”: subordinated debt
- 1.3 Caption 10 “Due to banks”: structured debt
- 1.4 Due to banks: specifically hedged liabilities
- 1.5 Finance lease payables

SECTION 20 – DUE TO CUSTOMERS – CAPTION 20

- 2.2 Caption 20 “Due to customers”: subordinated debt
- 2.3 Caption 20 “Due to customers”: structured debt
- 2.4 Due to customers: specifically hedged liabilities
- 2.5 Finance lease payables

SECTION 3 – SECURITIES ISSUED – CAPTION 30

- 3.2 Caption 30 “Securities issued”: subordinated securities
- 3.3 Securities issued: specifically hedged securities

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

- 4.2 Caption 40 “Financial liabilities held for trading”: subordinated liabilities”
- 4.3 Caption 40 “Financial liabilities held for trading”: structured debt
- 4.4 On-statement of financial position financial liabilities held for trading (excluding “technical overdrafts”): changes

SECTION 5 – FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – CAPTION 50

- 5.1 Financial liabilities at fair value through profit or loss: breakdown by product;
- 5.2 Caption 50 “Financial liabilities at fair value through profit or loss”: subordinated liabilities

PART C – NOTES TO THE INCOME STATEMENT

- 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	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
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	780,953.80
Fermo Campoleggio Corso Marconi, 19	103,291.38	274,755.07	42,865.92	432,750.15	43,275.02	389,475.13	97,526.52
Fermo Campoleggio - extension Corso Marconi, 19	-	-	1,549.37	19,039.38	1,903.94	17,135.44	3,464.93
Carassai Piazza Leopardi 8/9	25,822.84	24,273.47	11,362.05	66,563.76	8,653.29	57,910.47	10,541.00
Cupramarittima Via E. Ruzzi, 9	-	211,230.87	47,514.03	436,910.79	-	436,910.79	105,789.78
Grottazzolina Via Verdi, 5	51,645.69	32,020.33	25,306.39	124,894.81	-	124,894.81	19,491.10
Montegranaro P.zza Mazzini	175,595.35	47,867.29	41,501.96	200,509.38	-	200,509.38	30,385.51
Monterubbiano Piazza Calzecchi Onesti, 9	46,481.12	63,007.74	18,592.45	131,741.32	13,174.13	118,567.19	26,309.34
Monte San Pietrangeli Via S. Antonio, 6	-	64,040.66	4,131.66	140,636.48	-	140,636.48	47,816.45
Montottone Piazza Leopardi, 8	37,184.90	29,954.50	14,977.25	85,204.37	10,224.52	74,979.85	13,771.09
Monturano Via Gramsci, 32/A	232,405.60	583,079.84	129,114.22	1,058,503.84	158,775.58	899,728.26	230,570.98
Petritoli Via Mannocchi Tornabuoni, 25	28,405.13	88,314.13	12,911.42	135,285.44	13,528.54	121,756.90	30,975.05
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	59,131.76
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	76,278.60
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	101,273.94
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	1,410,427.21
S.Elpidio a Mare Via Rome, 31	129,114.22	523,170.84	65,590.03	764,747.17	-	764,747.17	200,178.64
S.Elpidio a Mare 1981 extension Via Rome, 31	-	-	34,602.61	127,207.59	-	127,207.59	12,690.92
S.Elpidio a Mare 1983 extension Via Rome, 31	-	-	33,569.70	139,393.78	-	139,393.78	18,821.43
Fermo P.zza Mascagni, 4	154,937.07	211,747.33	66,106.48	455,484.95	-	455,484.95	101,458.01
Fermo - P.zza Mascagni 1984 extension	-	-	5,164.57	25,169.18	-	25,169.18	3,756.36
Fermo Via Ognissanti	-	11,878.51	4,648.11	29,035.21	3,484.22	25,550.99	4,944.78
Fermo Corso Cavour, 104	-	1,066,999.95	217,428.35	2,647,791.16	264,779.13	2,383,012.03	593,808.15
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	140,978.69
Fermo V.le Trento, 182	-	3,083,247.69	601,672.29	7,454,739.36	1,490,947.88	5,963,791.48	1,494,302.95
S.Benedetto del Tronto Via Liberazione, 190	-	820,650.01	211,230.87	2,356,260.19	164,938.21	2,191,321.98	523,348.36
Fermo c.da S. Martino, 30	-	204,000.48	21,174.73	424,648.94	127,394.68	297,254.26	80,121.71

PROPERTY	REVALUATION			GROSS AMOUNT	including value of land	including value of buildings	CARRYING AMOUNT BUILDINGS
	as per Law no. 72/83	as per Law no. 218/90	as per Law no. 413/91				
Civitanova Marche Via cairoli, 22	-	388,375.59	30,987.41	804,859.80	-	804,859.80	227,392.77
Porto S. Elpidio - Restructuring Piazza Giovanni XXIII, 14	232,405.60	108,455.95	-	419,019.11	-	419,019.11	339,569.52
Fermo Torre Matteucci	-	-	-	0.01	-	0.01	0.01
Fermo V.le Ciccolungo area	-	-	-	0.01	-	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	706,136.86
Montegranaro Via Gramsci	-	-	-	465,720.02	-	465,720.02	263,131.82
Recanati Santacroce 34/E	-	-	-	301,285.46	60,257.09	241,028.37	136,181.06
Rome Via Puglie 15/21	-	-	-	2,932,724.03	-	2,932,724.03	2,096,897.69
Colli del Tronto Via Matteotti, 2	-	-	-	342,295.20	-	342,295.20	246,528.79
Porto S. Elpidio - Restructuring Via S.Giovanni Bosco, 10	-	-	-	497,084.46	99,416.89	397,667.57	284,332.29
Fermo - Loc. Molini Girola	-	-	-	30,250.00	6,050.00	24,200.00	19,418.08
Falerone fraz. Piane - Restructuring Viale della Resistenza, 95	-	-	-	111,836.61	-	111,836.61	95,049.93
Montegiorgio - Loc. Piane Via A. Einstein, 8	-	-	-	869,227.16	116,000.00	753,227.16	729,801.80
Fermo Via G. da Palestrina 13/19	-	-	-	418,945.49	-	418,945.49	404,994.61
Fermo Piazza del Popolo, 38	-	-	-	16,400.00	-	16,400.00	16,170.40
San Benedetto del Tronto Via Francesco Fiscaletti	-	-	-	918,260.22	-	918,260.22	918,076.57
TOTAL	**2,642,193.48**	**13,105,963.54**	**2,385,699.81**	**38,938,239.10**	**4,350,317.94**	**34,587,921.16**	**13,179,731.39**

List of equity investments recognised in the AFS financial assets portfolio

OTHER INVESTMENTS	Carrying amount at 31.12.2012	Changes in 2013			Carrying amount at 31.12.2013	of which transfer revaluation	of which fair value
		(+) Purchases	(-) Sales	(+/-) Fair value			
SEDA -Soc. Elaborazione Dati S.p.A.	256,584.48	0.00	0.00	0.00	256,584.48	23,240.56	130,235.83
BANCA D'ITALIA (Old shares)	1,082,560.80	0.00	-1,082,560.80	0.00	0.00	1,082,493.66	0.00
BANCA D'ITALIA (New shares)	0.00	3,250,000.00	0.00	0.00	3,250,000.00	0.00	0.00
Centro Documentazione per le Imprese	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cartasì S.p.A.	266,219.94	0.00	0.00	0.00	266,219.94	0.00	232,283.31
Intesa Sanpaolo S.p.A.	52,676.02	0.00	0.00	19,675.93	72,351.95	0.00	-23,773.63
SIA S.p.A.	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.	2,065.84	0.00	0.00	0.00	2,065.84	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.	1,680,000.00	3,400,000.00	0.00	1,720,000.00	6,800,000.00	0.00	1,720,000.00
CARICESE	0.00	20,000.00	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
TOTAL AS PER ACCOUNTING RECORDS	**3,609,988.16**	**6,670,000.00**	**-1,082,560.80**	**1,739,675.93**	**10,937,103.29**	**1,105,734.22**	**2,198,449.05**

List of bonds issued at the reporting date

Bond issue ISIN number	Issue date	Maturity date	Amount €'000
ISIN "IT 0004584840"	17/03/2010	17/03/2014	8,953
ISIN "IT 0004648801"	18/10/2010	18/10/2014	5,131
ISIN "IT 0004673627"	03/01/2011	03/01/2014	13,356
ISIN "IT 0004674146"	03/01/2011	03/01/2016	10,000
ISIN "IT 0004687858"	08/02/2011	08/02/2016	9,948
ISIN "IT 0004701956"	18/03/2011	18/03/2014	10,500
ISIN "IT 0004701972"	18/03/2011	18/03/2016	18,500
ISIN "IT 0004727837"	06/06/2011	06/06/2014	5,577
ISIN "IT 0004727845"	06/06/2011	06/06/2015	6,201
ISIN "IT 0004761653"	30/09/2011	30/09/2014	8,098
ISIN "IT 0004792559"	06/02/2012	06/02/2014	20,000
ISIN "IT 0004802010"	01/03/2012	01/03/2014	15,000
ISIN "IT 0004811656"	20/04/2012	20/04/2015	70,000
ISIN "IT 0004827132"	03/07/2012	03/07/2014	27,590
ISIN "IT 0004852163"	08/10/2012	08/10/2014	4,099
ISIN "IT 0004852171"	08/10/2012	08/10/2015	11,406
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
Total			333,646

During 2013, bonds of €82,453 thousand matured while the bank placed new bonds of a nominal €89,287 thousand.

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

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 of Petritoli	Petritoli (FM)
Municipality of Ponzano di Fermo	Ponzano di Fermo (FM)
Municipality of Porto Sant'Elpidio	Porto Sant'Elpidio (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 n. 2 Faleriense	Porto Sant'Elpidio (FM)
Istituto Comprensivo Monte Urano	Monte Urano (FM)
Ente Regionale per l'Abitazione Pubblica	FERMO
Giardino D'Infanzia "Principe di Napoli"	Cupramarittima (AP)
Istituto Comprensivo "Da Vinci - Ungaretti"	FERMO
Istituto Comprensivo di Petritoli	Petritoli (FM)
Istituto Comprensivo di Bellante Stazione	Bellante (TE)
Istituto Tecnico Commerciale Geometri Turistico "Galilei - Carducci"	FERMO
Istituto Tecnico Industriale Statale "G. Montani"	FERMO
Liceo Ginnasio "Annibal Caro"	FERMO
Liceo Scientifico "Calzecchi Onesti"	FERMO
Mercato Ittico	Porto San Giorgio (FM)
Opera Pia "G. Didari"	Francavilla D'Ete (FM)
Opera Pia Ric. Montegranaro	Montegranaro (FM)
Opere Pie Riunite	Monte S. Pietrangeli (FM)
Ospizio Marino	FERMO
Pia Casa "F. Falconi"	Sant'Elpidio a Mare (FM)
Società Operaia di Mutuo Soccorso	FERMO

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Cassa di Risparmio di Fermo S.p.A.

1 We have audited the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2013, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 11 April 2013 for our opinion on the prior year financial statements, which included the corresponding figure presented for comparative purposes.

3 In our opinion, the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Cassa di Risparmio di Fermo S.p.A. as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 The directors of Cassa di Risparmio di Fermo S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of Cassa di Risparmio di Fermo S.p.A. as at and for the year ended 31 December 2013.

Ancona, 10 April 2014

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit