Financial Statements 2013

130th fiscal year

Financial Statements as at 31 December 2012
Approved by the Ordinary Shareholders' Meeting
held 10 May 2014

BANCA
DI CREDITO COOPERATIVO
DI CAMBIANO

dal 1884

130 anni

The oldest cooperative credit bank operating in Italy
www.bancacambiano.it

BANCA DI CREDITO COOPERATIVO DI CAMBIANO (CASTELFIORENTINO – FLORENCE) SOCIETÀ COOPERATIVA PER AZIONI

Registered Office and General Administration: 50051 Castelfiorentino (Florence) – Piazza Giovanni XXIII, 6
ITALIAN BANKING ASSOCIATION Bank Code 08425.1 - Tel. 05716891 - Fax 0571689251

Registered with the Company Register of Florence at n. 00657440483
Fiscal code and VAT n. 00657440483
Administrative Economic Index n. (R.E.A.) 196037
Registered with the Register of Banks maintained by the Bank of Italy at n. 3556
Registered with the Register of Traditional Cooperatives ("*a mutualità prevalente*") at n. A161000

Bank adhering to the Guarantee Fund for Depositors of Cooperative Credit, to the National Guarantee Fund, the Finance Banking Conciliation and Finance Banking Arbitration Services

Regulatory Capital as at 31 December 2013: euro 256.862.048

Territorial network: 32 branches distributed throughout the provinces of Florence, Pisa and Siena

The Explanatory Notes and the other annexes to the Financial Statements, which have already been filed at the Bank's registered office pursuant to Article 2429(3) of the Italian Civil Code, together with this Report on Operations, are available upon request and can be consulted on the Bank's website.

Index

Administrative, control and general management bodies

Board of Directors

Chairman	*Paolo Regini*
Vice Chairman	*Enzo Anselmi*
Director	*Mauro Bagni*
Director	*Enzo Bini*
Director	*Mario Gozzi*
Director	*Renzo Maltinti*
Director	*Paolo Profeti*

Board of Statutory Auditors

Chairman	*Stefano Sanna*
Acting auditor	*Edoardo Catelani*
Acting auditor	*Rita Ripamonti*
Alternate auditor	*Elena Gori*
Alternate auditor	*Angela Orlandi*

Board of Internal Arbitrators

Chairman	*Luciano Giomi*
Acting member	*Fausto Falorni*
Acting member	*Giuliano Lastraioli*
Alternate member	*Paolo Papini*
Alternate member	*Lisa Vasconi*

General Managers

Managing Director	*Francesco Bosio*
Deputy Managing Director	*Giuliano Simoncini*

Independent Auditor

Baker Tilly Revisa S.p.A.

Notice of the Shareholders' Meeting

(Official Gazette of the Republic of Italy – Second Section - n. 43 issued 10 April 2014)

BANCA DI CREDITO COOPERATIVO DI CAMBIANO
Società cooperativa per azioni (Castelfiorentino - Firenze)
Registered with the Register of mutual aid cooperatives at n. A161000
Registered Office in Castelfiorentino (FI) piazza Giovanni XXIII n. 6
Company Register of Florence at n. 00657440483
Fiscal Code and VAT n: 00657440483

Notice of ordinary Shareholders' Meeting

The shareholders are hereby given notice of an Ordinary Shareholders' Meeting to be held at first calling on 30 April 2014 at 1:00 pm at the corporate offices and, if necessary, at second calling on 10 May 2014 at 4:00 pm at the Auditorium of the State Institute for Higher Education «F. Enriques» located in Castelfiorentino, via Duca d'Aosta n. 65, to discuss and vote on the following

Agenda:

1) Presentation of the fiscal year Financial Statements as at 31 December 2013; Directors' Report on Operations; Report of the Board of Statutory Auditors and the Report of the Independent Auditor; Proposal for the distribution of fiscal year profits; Related and consequent resolutions;
2) Determination of the share premium to be paid by new shareholders in accordance with Article 21 of the Company By-laws;
3) Information on remuneration policies in accordance with Article 29(2), of the Company By-laws;
4) Determination of the maximum credit to be granted to the same borrower;
5) Confirmation of appointment for auditing of the Financial Statements for the period 2011/2019, following the sale of a branch of the company Bompani Audit S.r.l., to Baker Tilly Revisa S.p.A.

In accordance with Article 24 of the Company By-laws, shareholders are entitled to participate in and vote at the Shareholders' Meeting if they have been recorded in the shareholders' register for at least ninety days.

Castelfiorentino, 28 March 2014

Signed: The Board of Directors
The Chairman
Paolo Regini

Schedules to the financial statements

Assets

	Asset line items	2013	2012
10	Cash and cash balances	9,450,411	8,456,788
20	Financial assets held for trading	85,609,551	10,579,829
30	Financial assets measured at fair value	-	-
40	Financial assets available for sale	771,023,086	615,332,474
50	Financial assets held through maturity	-	-
60	Receivables from banks	115,385,506	76,235,123
70	Receivables from customers	1,866,327,600	1,907,765,547
80	Hedges	5,568,652	8,974,290
90	Adjustment of value of generic hedges for financial assets (+/-)	-	-
100	Equity investments	15,698,652	14,765,217
110	Property, plant and equipment	58,538,677	56,780,589
120	Intangible assets	176,910	248,637
	of which:		
	- goodwill	-	-
130	Tax receivables	24,257,712	16,696,789
	a) current	*12,430,345*	*8,104,260*
	b) pre-paid	*11,827,367*	*8,592,529*
	Noncurrent assets and groups of assets in the course of divestment	*10,872,006*	*5,365,677*
140	Other assets	-	-
150	Tax receivables	29,804,035	29,507,554
	Total assets	**2,981,840,792**	**2,745,342,837**

Liabilities

	Liability line items and Shareholders' Equity	2013	2012
10	Payables to banks	348,622,231	429,630,119
20	Payables to customers	1,496,449,885	1,099,791,265
30	Outstanding securities	782,026,824	891,684,141
40	Financial liabilities from trading	-	539
50	Financial liabilities measured at fair value	-	-
60	Hedges	102,381	85,086
70	Adjustment of value of generic hedges for financial liabilities (+/-)	-	-
80	Tax liabilities	15,364,734	11,385,903
	a) current	*10,737,511*	*6,234,422*
	b) deferred	*4,627,223*	*5,151,481*
90	Liabilities associated with assets in the course of divestment	-	-
100	Other liabilities	73,735,415	54,943,795
110	Employee severance pay	3,314,633	3,605,977
120	Risk and expense funds	1,253,508	1,414,203
	a) pensions and similar commitments	-	-
	b) other funds	*1,253,508*	*1,414,203*
130	Valuation reserves	17,445,305	14,057,677
140	Redeemable shares	-	-
150	Equity instruments	-	-
160	Reserves	235,505,611	230,417,363
170	Premiums on issue of new shares	250,562	243,734
180	Share capital	2,969,703	2,883,035
190	Treasury shares (-)	-	-
200	Fiscal year profit (loss) (+/-)	4,800,000	5,200,000
	Total Liabilities and Shareholders' Equity	**2,981,840,792**	**2,745,342,837**

Income statement

	Income statement	2013	2012
10	Earned interest and similar income	85,627,185	85,315,019
20	Interest payable and similar expenses	(47,450,634)	(46,273,754)
30	**Interest income**	**38,176,551**	**39,041,264**
40	Commission income	20,848,009	19,185,716
50	Commission expenses	(1,684,310)	(1,626,562)
60	**Net commissions**	**19,163,699**	**17,559,154**
70	Dividends and similar income	152,043	37,297
80	Net trading result	1,107,327	1,122,787
90	Net hedging result	26,200	(41,796)
100	Gains (losses) from the disposal or repurchase of:	12,365,690	5,496,779
	a) receivables	*-*	*257,741*
	b) financial assets available for sale	*12,464,748*	*4,200,588*
	c) financial assets held through maturity	*-*	*-*
	d) financial liabilities	*(99,058)*	*1,038,450*
110	Net income of financial assets and liabilities measured at fair value	-	-
120	**Operating income**	**70,991,510**	**63,215,485**
130	Net adjustments/write-backs of value due to impairment of:	(22,010,248)	(15,038,025)
	a) receivables	*(22,010,248)*	*(15,038,025)*
	b) financial assets available for sale	*-*	*-*
	c) financial assets held through maturity	*-*	*-*
	d) other financial operations	*-*	*-*
140	**Net income from financial assets**	**48,981,262**	**48,177,460**
150	Administrative costs:	(41,277,722)	(38,632,060)
	a) personnel costs;	*(20,621,873)*	*(19,906,385)*
	b) other administrative costs	*(20,655,849)*	*(18,725,675)*
160	Net allocations to risk and expense funds	(196,422)	-
170	Net adjustments/write-backs of value to property, plant and equipment	(2,457,214)	(2,459,926)
180	Net adjustments/write-backs of value to intangible assets	(71,728)	(64,347)
190	Other operating costs/income	2,810,644	2,155,947
200	**Operating costs**	**41,192,440**	**39,000,386**
210	Profit (loss) from equity investments	534,215	353,330
220	Net result of the fair value measurement of property, plant and equipment and intangible assets	-	-
230	Adjustments to value of goodwill	-	-
240	Gains (losses) from the disposal of investments	(266)	2,060
250	**Gains (losses) from current operations before tax**	**8,322,769**	**9,532,464**
260	Fiscal year income taxes on current operations	(3,522,769)	(4,332,464)
270	**Profit (loss) from current operations after tax**	**4,800,000**	**5,200,000**
280	Gains (losses) from groups of assets in the course of divestment after tax	-	-
290	**Fiscal year profit (loss)**	**4,800,000**	**5,200,000**

Schedule of overall profitability

	Line items	2013	2012
10	**Fiscal year profit (loss)**	**4,800,000**	**5,200,000**
	Other income components net of tax without reversal to income statement		
20	Property, plant and equipment	-	-
30	Intangible assets	-	-
40	Defined benefit assets	211,744	-
50	Noncurrent assets in course of divestment	-	-
60	Share of valuation reserves of equity investments measured on basis of shareholders' equity	-	-
	Total other income components net of tax without reversal to income statement		
70	Hedging foreign investments	-	-
80	Exchange rate differences	-	-
90	Hedging cash flows	-	-
100	Financial assets available for sale	3,504,088	28,621,678
110	Noncurrent assets in course of divestment	-	-
120	Share of valuation reserves of equity investments measured on basis of shareholders' equity	438,112	17,648
130	**Total other income components net of tax**	**4,153,944**	**28,639,326**
140	**Overall profitability (Line item 10 + 130)**	**8,953,944**	**33,839,326**

Conformity is the jailor of freedom and the enemy of growth
J.F.KENNEDY

Report on management

Dear Shareholders,

our Bank was founded on the 20th of April one hundred and thirty years ago, in the municipal school of Cambiano, to contrast growing usury, to favor social integration and economic growth, to give renewed strength and faith to weaker social categories and to engender hope, generating strength for the future. The difficulties we have been facing for many years as a result of the heavy crisis that has enveloped our Country, seem to mirror those that were the backdrop to the years during which our Bank, then called the *Cassa Depositi e Prestiti di Cambiano*, was incorporated. Since then, the values that were at the base of the courageous choice to give life to the Bank have remained unvaried. Times have changed, generations have followed one another, but the soul of Cambiano has remained coherent. Everyone in the Bank carries out his or her activity in a transparent manner, oriented towards interpersonal relations, offering modern products and services with accessible conditions and always giving priority to establishing relations based on mutual trust, which are nowadays, unfortunately, increasingly rare and therefore of enormous value.

In the difficult overall situation that characterizes this period, many sources now point feeble signs of a possible economic recovery, or at least of an interruption in the heavy recession of recent years. Albeit with all the reserves that economic forecasts, whomsoever may elaborate them, have shown in terms of reliability, it is an historical fact that negative cycles are always followed by positive ones, although one cannot but note that similar situations in the past were not further polluted by the abuse of financial aspects that, unfortunately, have determined to no small degree the present situation.

.It will take time, great effort and courage, on behalf of one and all, to kick off an upward trend and begin to return to production levels as they were prior to the crisis and, most of all, to increase occupation, principally for youths,

During 2013, the effects of the crisis were also more evident in the financial statements of banking institutions, both larger banks, despite the veritable magic performed in the financial statements, and smaller, more transparent institutions. Spanning from the global financial crisis, to the sovereign debt crisis and ending up in the “real” economy that will have to foot the bill for everyone, the effects of the crisis on the financial statements of banking institutions have become manifest, with the explosion of impaired receivables.

The economic scenario appears extremely fragile. A shift towards solid and well-balanced economic growth, capable of creating stable occupational conditions and increasing labor productivity, requires taking real and decisive measures in the face of many issues that lie outside the scope of production structures and that are the competence of politics and require serious planning. The trends that we are currently seeing reflect the mediocre growth of that which economists call total factor productivity, which depends principally on human capital and on business’ capacity for innovation and organization, as well as on the institutional context. In our Country, these elements, which are crucial to development, present known deficiencies that remain unsolved. It should by now be evident to all, including to our leaders, who perhaps have a somewhat ephemeral grasp on realty, that the era of the guiding star ended some time ago, that the problems we are facing today cannot be solved by laws and regulations and that it would have been better had we been able to avoid them altogether.

A peculiar aspect of Italian, and not only Italian, economics and social politics regards relations with Europe. The European project has not yet engendered the unity for which it was intended; the Euro and the economic and financial axe are the only tangible aspects of Community action. Many federal governments, including ours, are by now showing scarce interest in the European project. As a result, European political authority is struggling to succeed in its intent, which is rendered even more difficult by the enormous expansion of the technical and geographical range of competence. As often happens, and as has also been demonstrated by our own experience, areas that are left untended by politics are often occupied by other forces; thus bureaucrats are left free to dominate European Union events without being neither elected nor nominated to do so, and with no accountability for their actions. The gap between European Community structures and the citizens has progressively widened and Europe is increasingly far away. Instead of solving the problems that afflict us daily, European bureaucrats are suffocating us, and the desire to return to the past is widespread. After all, the loss of sovereignty on the part of indebted countries, such as ours, is aggravated by the fact that we are at the mercy of financial markets, which additionally favor Germany and European bureaucracy, to date the only active elements of the European Community.

This is not the Europe that the founding fathers dreamt of, nor is it the one that we desire; however, it behooves us to keep moving onwards, blocking the bureaucracy that bypasses parliaments, and placing political integration at the center of our objectives, because the benefits will far and away surpass the disadvantages. The growth, peace and wellbeing of the last sixty years may well not have existed without Europe. That which is taking place today along eastern European boundaries should force us to keep in mind what we have, what we have built, what we have deserved and what we may well lose if we are not all of us committed to recovery.

1. Summary of results

As regards our Bank, the first element worthy of note is the increase in direct funding, +14.41%, equal to an absolute value of 278 million, which is an expression of the image and degree of reliability that we have on the market. Filtering the funding of components other than ordinary customers, but relating to specific counterparts as specified below with reference to lending, the 2013 increase is approximately 9.15%, with a growth of 176 million Euro in absolute terms.

The datum relative to lending, corrected of volumes relating to subjects (specifically Deposits and Loan Fund, Clearing House and the special purpose vehicle for the securitization transaction) not classifiable with the traditional segment of banking operations, but nonetheless shown in the financial statements in the aforementioned aggregate in compliance with regulatory provisions, compared to the same datum in the previous fiscal year registers an increase of 2.79% in 2013, equal to an absolute value of over 50 million Euro. This confirms our commitment in favor of families and companies located in the territory that we serve, albeit within an overall decrease in investments on the part of the remaining banking system.

Corporate profitability, due to the positive trend registered by operating income, the effective measures adopted to control costs and the results of the financial brokerage activities, was in line with forecasts and with objectives, as well as consistent with our aim of carrying out significant and very prudential value corrections, in view of the credit risk. The increase of the degree of coverage of bad debts, in view of the collateral and of direct knowledge of the single positions, allows us to express a reasonable assessment as to the full congruity of coverage, with respect to the quality of the service provided and, even more so, with respect to comparisons with average system data. We continued with our chosen application of a policy on rates and conditions coherent with the extended mutuality we have always enacted.

The illustration of the data in the table refers to the results shown in the financial statements (therefore, not adjusted by components other than ordinary customers).

SUMMARY OF RESULTS				
(in thousands of euro)	2013	2012	Absolute Var.	% Var.
Capital data				
Receivables from customers	1,866,328	1,907,766	-41,438	-2.17%
Receivables from banks	115,386	76,235	39,150	51.35%
Financial assets	856,633	625,912	230,720	36.86%
Equity investments	15,699	14,765	933	6.32%
Total assets	2,981,841	2,745,343	236,498	8.61%
Direct deposits from customers	2,278,477	1,991,475	287,001	14.41%
Indirect funding from customers	153,860	145,589	8,271	5.68%
Shareholders' equity (excluding fiscal year profits)	256,171	247,602	8,569	3.46%
Economic data				
Interest income	38,177	39,041	-865	-2.21%
Operating income	70,992	63,215	7,776	12.30%
Net income from financial assets	48,981	48,177	804	1.67%
Result of operating management	8,323	9,532	-1,210	-12.69%
Net value adjustments for impairment of loans	22,010	15,038	6,972	46.36%
Fiscal year profit	4,800	5,200	-400	-7.69%
Other information				
Number of branches	31	31	-	-

2. Local economic situation

Over the last months, the international economic situation has been marked on a worldwide level by a first, favorable evaluation. The year 2014 may indeed register the first growth data, nevertheless taking into account that global economy trends vary continuously, determining scenarios that are decidedly not univocal, nor do they allow for medium to long-term forecasts.

PIL E COMMERCIO MONDIALE				
Variazioni % medie annue		Previsioni		
	2012	2013	2014	2015
Stati Uniti	2.8	1.9	2.4	2.8
Giappone	1.4	1.5	1.2	1.1
Regno Unito	0.3	1.8	2.3	2.2
Area euro	-0.6	-0.4	1.3	1.8
Germania	0.9	0.5	2.4	2.8
Francia	0.0	0.2	0.8	1.2
Italia	-2.4	-1.8	0.5	1.2
Spagna	-1.6	-1.2	0.8	1.4
Paesi industrializzati	1.0	0.9	1.8	2.1
Economie emergenti	4.8	4.7	3.9	4.5
Econ emerg asiatiche	6.0	5.9	5.2	5.5
Pil mondiale	**3.1**	**3.0**	**2.9**	**3.4**
Commercio mondiale	**2.7**	**2.9**	**5.1**	**6.0**

The main features of the scenario are summarized here following. The second half of 2013 and the beginning of 2014 were a period of worldwide economic growth. Economic recovery is gaining strength, although, as already mentioned, the signals of recovery are not homogenous across the various areas. Recovery entails starting a stage of normalization of USA monetary policy and, consequently, the expected gradual withdrawal from global markets of the abundant liquidity injected during the last years.

One of the first consequences of the change in Federal policy could be the outflow of capital from many emerging countries, thereby weakening the respective currencies. To contain the wave of depreciation, various countries are adopting restrictive monetary policies. The domestic demand of these countries, and the respective imports, will therefore tend to slow down over the next months, affecting worldwide markets. The variation in the currency scenario also impacts international inflation. Part of the disinflation that we are currently witnessing derives from the fact that the price of international manufactured goods expressed in dollars and in euro is falling, following the growing strength of these currencies with respect to the currencies of emerging countries. The downward pressure on inflation in many advanced economies could prelude to a not brief low inflation stage. However, behind the low international inflation of recent months are some favorable elements in terms of market offer. Indeed, listings of raw materials have stabilized. The expansion in the production of gas and oil in the United States, which tends to brake listings for crude oil, has played an important role.

Overall, the dynamics of worldwide commerce continue to remain sluggish. The slowdown of inflation accompanies growing domestic demands in advanced economies, compensating the downward trend in emerging countries. This factor, based on what happened in times of normal and therefore more foreseeable markets, along with the effects of exchange variations on market quota trends, should trigger a phase of containment of the commercial balances of advanced economies in favor of emerging ones, although for some time the exchanges trend may compensate this tendency.

The United States, despite some uncertainty of the present indicators in recent months associated mostly to climate factors, may be in a condition to register a year of growth with the improvement of the labor market.

The repatriation of capital from emerging countries is, paradoxically, favoring European countries, supporting the action undertaken by the European Central Bank. The spreads of peripheral countries are quickly decreasing, thus creating more relaxed financial conditions in euro zone countries. Reinforcement of the euro exchange rate and the difficulties of emerging economies will limit exports outside the euro area, but domestic demands should gradually become stronger.

The situation in China remains delicate. The economy has suffered a drop in competitiveness due to the depreciation of important economies in the area, such as India and Japan. Furthermore, the marked signs of a worsening of bank asset conditions have opened the doors to the risk that the economy may slow down even more than expected.

Emerging countries face the problem of avoiding that the large scale depreciation of exchange rates may trigger spiraling inflation. The possibility of restrictive monetary policies, which may render the difficult cyclical passage underway even more complex, is manifest.

I principali dati macroeconomici

	Pil (var. % annue)			Produzione industriale (var. % annue)		
	2011	2012	2013	2011	2012	2013
Usa	1,8	2,8	1,9	3,4	3,6	2,6
Giappone	-0,4	1,4	1,6	-2,6	0,2	-0,6
Area Euro	1,6	-0,6	-0,4	3,5	-2,5	-0,7
- Italia	0,4	-2,4	-1,9	1,2	-6,4	-3,0
- Germania	3,4	0,9	0,5	7,4	-0,5	0,0
- Francia	2,0	0,0	0,3	2,3	-2,5	-0,4
- Spagna	0,1	-1,6	-1,2	-1,5	-6,6	-1,7
	Inflazione (CPI) * (var. % annue)			**Tasso di disoccupazione** (val. %)		
	2011	2012	2013	2011	2012	2013
Usa	3,1	2,1	1,5	8,9	8,1	7,4
Giappone	-0,5	-0,5	0,1	4,6	4,4	4,0
Area Euro	2,7	2,5	1,3	10,2	11,4	12,1
- Italia	2,9	3,3	1,3	8,4	10,7	12,2
- Germania	2,5	2,1	1,6	6,0	5,5	5,3
- Francia	2,3	2,2	1,0	9,6	10,2	10,8
- Spagna	3,1	2,4	1,5	21,7	25,0	26,4

* Per i paesi dell'Area Euro si è preso in considerazione l'indice armonizzato dei prezzi al consumo

Fonte: Elaborazione Ufficio Analisi Economiche ABI su dati Thomson Datastream

Italy is a country that has historically based its competitive capacity on the depreciation of the Lira and on an extreme flexibility sometimes bordering on improvisation. The majority of businesses that make up national production have not felt the need to concentrate on size, on planned organizational interventions, or on increasing production. However, for some time now the conventional keys to competitiveness in the Italian economy have no longer been accessible. The cost of labor in our Country is wholly unacceptable, except for niche productions, due to the entry on the global market of India, China eastern European countries and other newly developed countries. The leverage of depreciation of the Lira no longer exists. Nor are there, at a European Community level, mechanisms to balance the financial advantages of strong Countries against weaker ones, which should instead be at the basis of a true European Union, based on principles of cohesion and joint collaboration. As a consequence, Italy must either learn to equip itself with competitive processes, from political processes to production processes, or it will find itself outside the market. Competition takes place in terms of organization, innovation, increased productivity, efficiency and quality. There is no other way out, nor will it be possible to continue postponing unpopular choices, leaving them for future leaders and generations.

Only a solid and long-lasting recovery of economic growth in Italy can constitute the prerequisite for the progressive re-absorption of unemployment and offer concrete occupational prospects to the younger generations, which are those most struck by the crisis.

Growth will also help to strengthen the sustainability of public finances and the financial stability of banks and businesses.

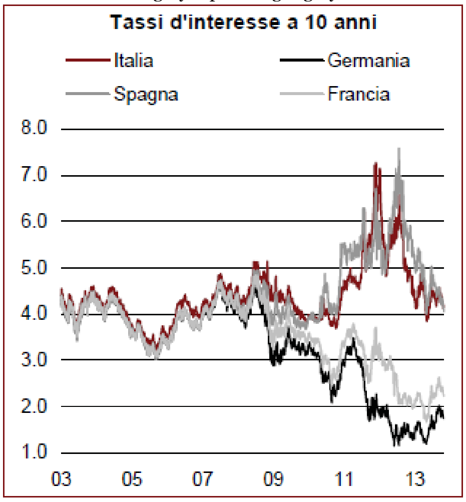
Intervening on public administrations is crucial, increasing the efficiency and effectiveness of operations and transforming them from subjects that constitute an obstacle to economic activity to promoters of development and innovation. Contributions by the schooling and university systems, which must go back to representing real education and selection, will be fundamental for the creation of those skills required for a new social and economic dimension.

The prolonged and heavy crisis that our economy has undergone, and is still experiencing, has generated a substantial amount of bad debts for banks, thus compromising profitability, hindering the release of new loans and creating an image of assets that is particularly negative if compared on an international level, also due to the different methods of determination of bad aggregates that penalize the Italian system vis-à-vis Community banking scenarios. While on the one hand, the accumulation of non-performing credits certainly also depends on an inexact assessment of the credit merit on the parts of banks, on the other hand the extraordinary deterioration of the overall economic scenario registered in recent years is preponderant. This issue could perhaps be better dealt with by searching for political solutions that affect the entire system, rather than intervening on single cases, one by one. Also, the credit risk is further burdened by the inefficiency of the judicial system which, in addition to the usual lacunas in credit recovery procedures, now also presents an explosion of company crisis settlement procedures that instead of being used, as was intended, as a lever to help downsize and preserve business, are often abused of, so much so as to often appear to refer to regulations more pertinent to other fields of law. All of which, additionally, in a judicial context that is over-protective of counterparties vis-à-vis banking institutions and tends to inappropriately attribute accountability to professional figures in the management of business crises.

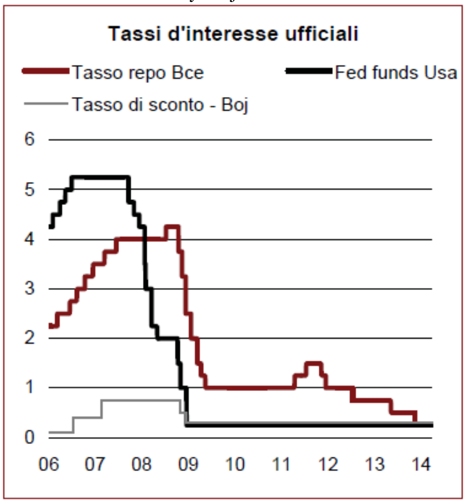
The decisive point for Italian public finances, in addition to the reduction of taxable bases caused by the recession, is constituted by interest rate trends. In the face of our elevated public debt, variations in interests rates paid by the State directly reflect on expenditure and therefore directly impact public deficit figures. A more relaxed financial situation would reduce the burden that weighs on the national budget and could favor investments for economic recovery and therefore improve public accounts.

Internal interest rate trends reflect not only the evolution of German yields, but also the spread that influences our country risk. At the moment, interest rates on Italian public debt are dropping down to almost pre-crisis levels. There is still considerable uncertainty on the horizon, which may make it necessary for the European Central Bank to keep interest rates low for years ahead, although this would be at the expense of slow growth, and not free of the risk of deflation for peripheral countries.

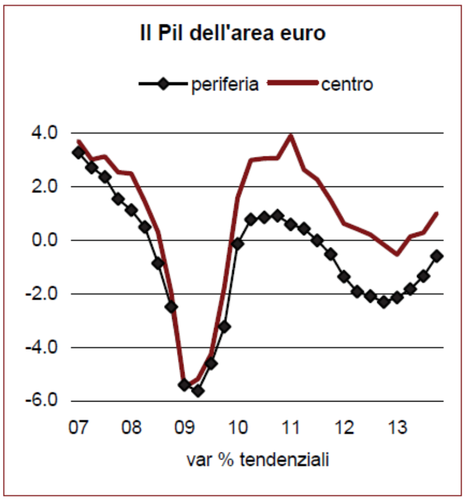
Interest Rates at 10 Years
Red: Italy Black: Germany
Dark grey: Spain Light grey: France



Official Interest Rates
Red: ECB repo rate Black: US federal funds
Grey: Boj-Discount rate

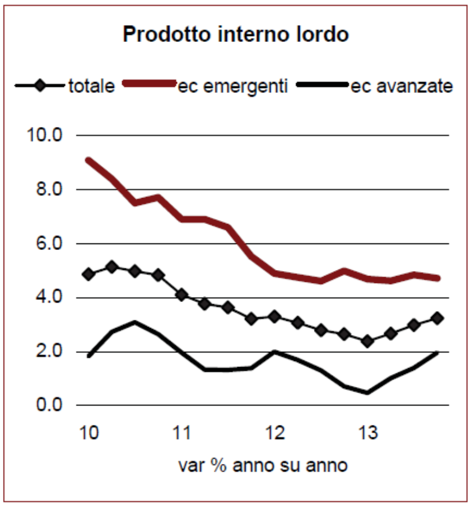


Euro area GDP
Black: periphery Red: center



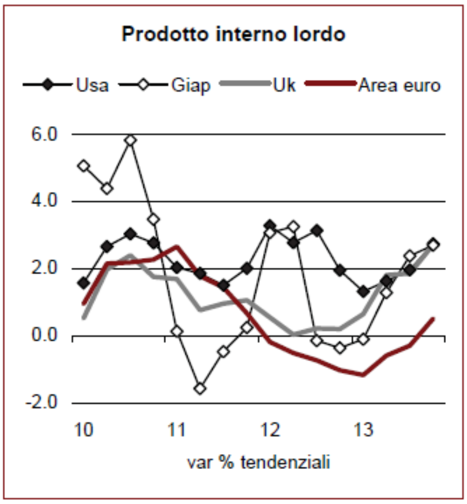
% var trends

Gross Domestic Product
Black/diamond: total Red: emerging ec Black: advanced ec

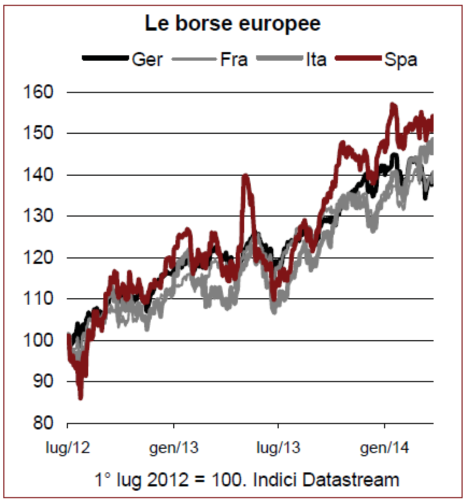


% var year by year

Gross Domestic Product



European Stock Exchanges



Taking a look at the spread trend, a parameter that is now taken as the official measure of country risk, an improvement from the summer of 2012 appears evident, that is, since the European Central Bank strengthened policies in support of countries in the periphery of the European Union. Naturally, the decisive role played by the ECB does not undermine the importance of austerity policies, which were a necessary condition for change in European monetary policies.

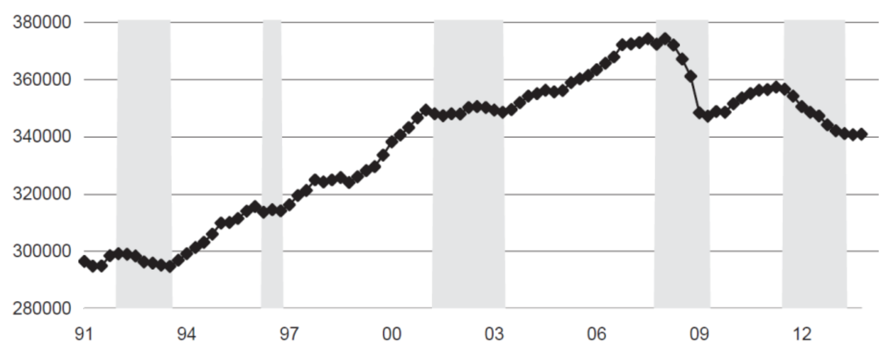
Over the last months, attention has been drawn to the spread trend between Italian and Spanish rates. This positioning indicator relative to the two economies reflects divergent market opinions regarding the degree of risk of the two countries in question, and therefore to a certain extent permits evaluating the degree to which our risk level reflects the overall situation, the evolution of the international crisis and European policies, as opposed to domestic factors.

The evolution of events shows that in order to obtain a result from austerity policies, it is not sufficient to increase fiscal tightening and reiterate the objective of the fiscal compact, which has now been inserted in our constitutional charter, perhaps forgetting that in moments of crisis the responsibility of a Government should not be so much balancing the accounts as implementing intelligent cost plans to re-launch the economy. It is not sufficient, because this would require earnest and competent politicians, capable of avoiding that the State end up at the mercy of financial markets. The domestic political situation should find a focused equilibrium from which to begin building credibility vis-à-vis commitments and plans, bringing to bear the lesser interest burden and, most of all, taking advantage of the sacrifices made by that austerity bourn by the people, thereby not wasting the significance of the widespread impoverishment of the population that all of this has entailed. A further reduction of the spread will naturally lead to minor interest rate costs, equivalent to several millions; certainly a breath of fresh air in a difficult situation such as the present, but our lifeline cannot continue to be only the reduction of the spread.

Recovery as outlined by qualitative indicators, such as industrial confidence, is as yet not reflected at a quantitative level in terms of economic activity trends. Indeed, although in the last few months businesses have launched signals pointing to a slow move towards the gradual end of the critical recessive stage, significant recovery of production levels is still far off on the horizon, and even more so is domestic demand.

Based on national accounts, the GDP trend for the second semester of 2013 was flat, with a slight oscillation during the third quarter and an equally marginal recovery in the fourth. Compared to the other phases of recovery of the Italian economy, ignoring the vast difference between the current situation and those of reference, the outlined tendency does not appear to be significant, particularly if one takes into account the degree to which GDP has shrunk in recent years.

Italian Gross National Product



mln of Euro, the shaded areas indicate the periods

Industrial production has also shown signs of recovery at a very modest rate, substantially stabilizing production levels for over a year, which is not to be underestimated in the current recessive situation.

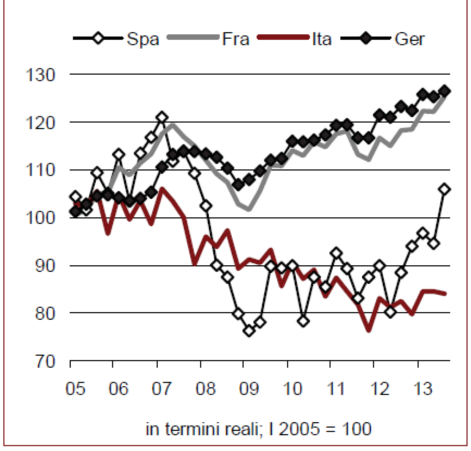
The general picture described with the above overview, starting from the global situation and then centering on our Country, beginning with public finance and subsequently focusing on the economic situation, is also confirmed if one looks at the specifics of consumption data. Consumer confidence is increasing, although the signs of an overall growth in demands currently refer predominantly to foreign orders. At this time, the improvement in qualitative indicators does not correspond to an improvement in quantitative variables. Industrial production of consumer goods has only recently begun to show signs of a slight inversion.

Nevertheless, in the second semester of last year, data regarding market conditions showed that the drop in household demand has slowed down. Variations are still slightly on the negative side, but expenses for services at constant prices has already turned around; similarly, expenditure for consumer durables has also shown the first modest signs of an upward swing. Certainly, we cannot as yet speak of a true recovery, but the change of regime leads us to believe that it is nonetheless underway. The differences between industrial confidence and actual market trends may depend of various elements. First of all, for some businesses, growth in demand may reflect a more dynamic evolution of foreign demand as compared to an as yet feeble consumer trend. Hence, the current picture is still full of contrasts, and the evidence currently at our disposal does not permit an univocal interpretation. In any event, it is plausible that current data may indicate that the low point has passed, and may point to a bland recovery over the next few months. In any event, the forecasted recovery will be burdened by the delayed reactions of the labor market vis-à-vis the crisis and consumer expectations. This latter variable will also reflect the messages sent by politicians to families, who have been depressed by years of income drops and by the uncertain future outlook. Recuperating consumer confidence will be a decisive step.

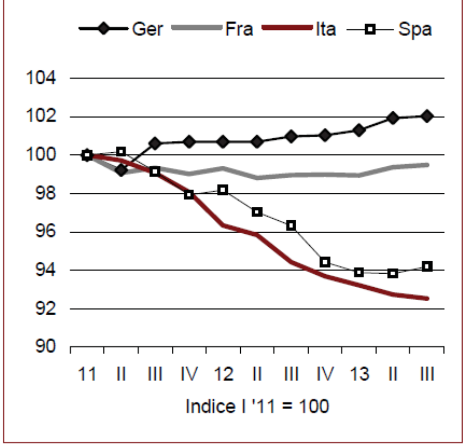
Overall, in real terms household effective buying income has suffered a significant drop, equal to 12% between 2007 and 2013. The drop in consumption, albeit exceptional being almost 8% in the same period, was nevertheless lower than the income drop, in that families reduced their saving rate to better support lifestyle expenditures. This type of behavior characterizes the families in the various income classes differently. Indeed, high income households are characterized by a greater saving rate, and therefore by greater savings reduction margins in the event of income drops. Households with lower incomes obviously have lower saving rates, therefore spending a larger portion of their respective incomes, and also have a more limited access to credit. Hence, the consumption trends for these households tend to follow effective buying income trends more closely. The drop in saving rates registered over recent years is the key to interpreting a decisive factor that has certainly tended to limit the drop in domestic demand levels. In perspective, what could well happen, affecting propensity to consume, is that consumers may use the first income increases deriving from the reversion of the economic cycle to re-build household savings. This phenomenon could initially weaken the recovery, due to persisting slow household consumption rates. In this sense, it is helpful to note how already in 2013, families reacted to the first weak signs of a possible stabilization of the economic situation, by increasing saving propensity.

As regards the saving rate, it may prove useful to underline two aspects. The first regards outlook. At similar household income conditions, spending decisions may be altered by uncertainty regarding individual future prospects. Recent signals pointing to positive prospects regarding the evolution of the economic situation could therefore modify spending decisions, if families perceive that the most acute stage of the crisis is over. From this point of view, it is important that economic policy announcements aim at creating optimistic consumer expectations, overcoming the emergency-like climate that has characterized all measures taken in recent years. A positive effect could derive from the favorable trends shown by financial markets over the last months: improved market quotations and reduced spread values may have created positive effects that go well beyond the effects directly associated to household financial assets.

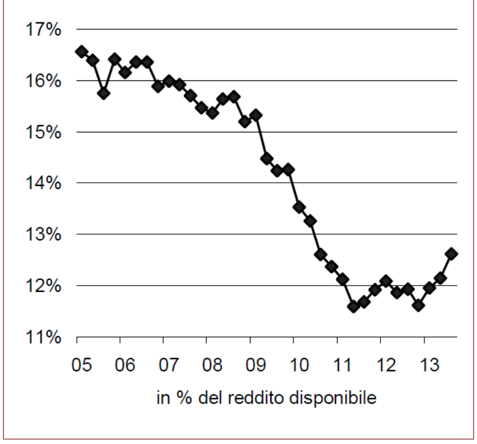
The second aspect regards the effects on perceived wealth. Falling real estate prices and the loss of value of financial activities have downsized the wealth of Italian families over recent years. The gap between financial wealth trends in Spain and Italy as compared to Germany and France in the last years has been significant. In Italy, the confirmation of the market recovery could therefore induce a more marked propensity to consume as compared to the tendency to maximize savings. The most recent data nevertheless testify to an increase in household bank deposits and shows not a widespread greater savings capacity, but rather a growing tendency to make cautious financial choices marked by a preference for liquid savings, given the persistent uncertainty of market conditions and difficulties in access to credit.



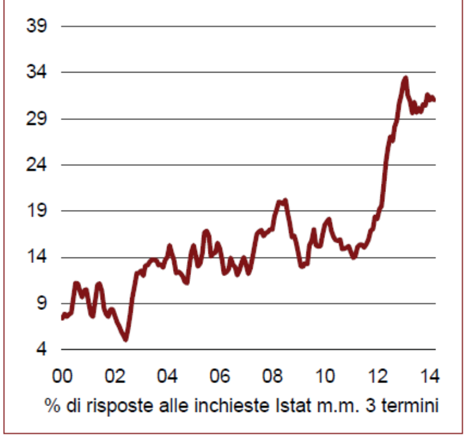
Net household financial wealth



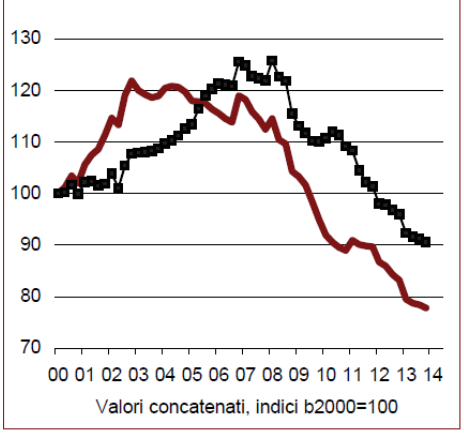
Household consumptions



Household saving rates in Italy

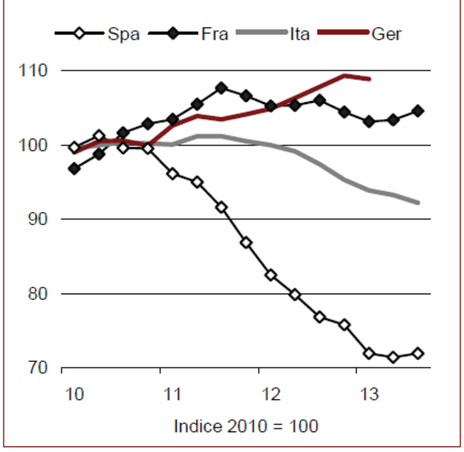


Households incurring debts or spending savings



Construction investments

Black: residential Red: other



Housing prices

With reference to **financial markets**, Italian yield curves reflect a partial reduction of perceived risk associated with domestic public securities during the second semester of the year.

During the first six months, the positive effects resulting from the lenient monetary policy and the substantial amounts of liquid assets put into circulation by the ECB were almost fully offset by the uncertainty of the domestic political and economic situation. Subsequently, the improved overall confidence on financial markets – with a consequent rise in interest towards higher yields offered by the government bonds of peripheral countries – and the expectation of a possible, albeit slight, recovery of economic conditions in Italy during 2014 have permitted an overall reduction of the curve with respect to the comparison periods.

During 2013, the overall trends of **stock markets** was particularly favorable, even if with varying intensities, in all principle advanced economies, benefitting of improved growth prospects in the euro area and the return of non-resident investors. The positive trend increased during the second semester, side by side with the continued recovery of the United States economy, the reduced stress on interest rates after the first announcement of the tapering activities and the disappearance of fears triggered by the Cypress bank crisis and the political instability of some European countries (Greece, Portugal, but also Italy). The announcement in mid-December of the actual start-up of tapering activities was followed by new, overall increases. The most striking results were noted on Japan listings – also as a result of the aforementioned quantitative and qualitative monetary adjustments underway – and United States listings, which reached almost historic highs.

The MSCI index, a synthesis of emerging markets, also recovered during the second semester, although it was not able to compensate the drop registered during the first half of the year, which primarily struck those countries with the most significant fiscal and commercial imbalances. During the first weeks of the new year, stock markets were affected by new uncertainties associated to the tapering activities adopted by the Federal Reserve, the reduction in Chinese market growth and renewed fear regarding the fragility of the recovery underway in the United States. Japan indexes were particularly affected by these phenomena, registering drops in excess of 10%.

Markets managed by the Italian Stock Exchange – which registered modest variations during the first semester, also related to the initial uncertainty regarding the post-election political situation – subsequently showed a fully positive trend that permitted closing the year with a gain of approximately 17%, benefitting of the relative domestic stability reached after the creation of the new Government and of the marked recovery of listings in the banking sector.

In conclusion, to briefly comment the **economy of our area of competence**, trends in our field of operation are similarly characterized by areas of light and shadow. If on the one hand there are areas were industrial activities are declining rapidly, others are more positive thanks to entrepreneurial know-how that has been capable of seizing the favorable effects of foreign demand, and still others thanks to the introduction of innovations in products and processes. A significant example in this sense is the leather processing compartment in Scandicci that has been able to sustain occupation and attract investments from other areas in Italy and abroad, implementing all the positive aspects inherent to district economies that have been proven a winning approach.

The year confirmed itself a difficult year for the handcrafted manufacturing sector in the Empoli-Valdelsa district, with reductions in the volume of turnover and orders, mediocre economic and financial variables, a drop in investments and an unfavorable overall evolution of the occupational scenario. Forecasts for 2014 point to a more favorable trend with respect to the recent past. Foreign demand has represented, and will continue to represent, the key to overcoming the crisis and affirming the area's productive vocation for exports. Companies working exclusively for the domestic market have registered less positive trends, due to the fall in domestic demand.

Within this context, public decision makers have been faced with the problem of sustaining and channeling the surviving entrepreneurial efforts. Adequate financial resources and appropriate economic policies are required. The only road to be travelled is the road of "development", putting a brake on all policies aimed solely at financial stability. Certainly, this latter choice is not the best "recipe" to improve the future of the majority of the industrial districts of Tuscany and of Italy.

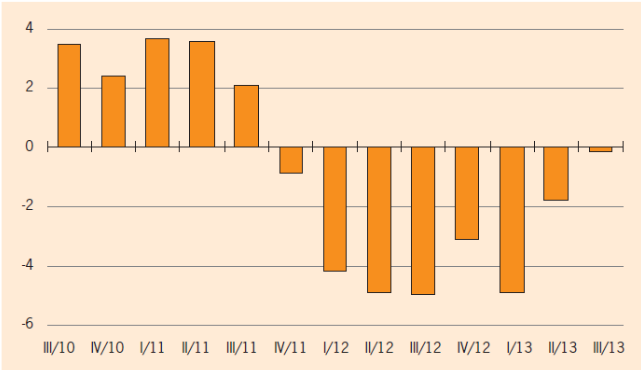
District production lines showed a glimpse of an improvement in business already at the end of 2013, with good signs of a continued positive trends for 2014. Despite the fact that this is not sufficient to ensure rapid recovery of the positions lost over the last year, data nevertheless confirm the existence of a "district effect", by virtue of which these areas have, in the past, shown the capacity to anticipate the phases of recovery with respect to the rest of the production panorama. Starting from performance on foreign markets, which continues to be the real pillar on which large part of our district manufacturing industry rests, and, by extension, large part of Italian manufacturing sector.

The key to this success may be found in the model of formal and informal business networks – in some cases lead by pivot companies with a strong and recognizable brand - organized in such a way as to allow taking charge of high international market sectors, thinking in terms of implementing production lines, fully controlling distribution, and improving sales and production efficiency.

The projection onto international markets of district production processes composed of small and medium-sized businesses – including handcraft manufacturing businesses – is the result of the profound awareness of the strength that derives from being vehicles for the immense of value of "Made in Italy" products. Ours is a "production culture" based on quality, geniality and tradition that is the envy of all and that no one can imitate, because it has its deep roots within the territory and local “know-how”, which are exalted, rather than destroyed, by globalization. Thus, the undying creative force of the district production model shines through: the capacity to adapt to changing external conditions, which has always been a distinctive characteristic of these production systems. Even in the face of the extreme difficulty of these last years, the role of the local territory as the stage for interfacing, considered a *sine qua non* condition by the majority of businesses, has remained unaltered; certainly subject to adjustments, but the necessary starting point for economic recovery, network building and the implementation of new industrial policies.

Industrial production in Tuscany
% Variation with respect to the corresponding quarter in the previous year
Source: Unioncamere Toscana – Confindustria Toscana

Si arresta finalmente la caduta della produzione manifatturiera (-0,1%), anche se il risultato del trimestre è condizionato favorevolmente dagli andamenti particolarmente positivi realizzati da tre grandi unità produttive della lavorazione dei metalli e della farmaceutica -dovuti in parte a fenomeni transitori- al netto dei quali si registrerebbe una contrazione del -1,3%.



LA PRODUZIONE INDUSTRIALE IN TOSCANA
Variazioni % su trimestre corrispondente anno precedente

Fonte: Unioncamere Toscana-Confindustria Toscana

Industrial Production by Sector
% Variation with respect to the corresponding quarter in the previous year
Source: Unioncamere Toscana – Confindustria Toscana

Si amplia il novero dei settori in territorio positivo: oltre alla chimica-farmaceutica, in crescita già da alcuni trimestri, registrano incrementi produttivi metalli e meccanica e sono stazionari i prodotti non metalliferi. Contengono le perdite alimentari, sistema moda e elettronica, mentre sono in grave crisi i comparti del legno e dei mezzi di trasporto.

Settori di attività	III/2012	IV/2012	I/2013	II/2013	III/2013
Alimentari, bevande e tabacco	-3,1	-0,8	-3,2	-2,0	-0,8
Tessile e abbigliamento	-10,5	-4,1	-9,1	0,1	-2,1
Cuoio, pelli e calzature	-4,2	-0,6	-3,7	-3,6	-1,4
Legno e mobilio	-7,3	-6,6	-9,3	-7,0	-5,6
Prodotti in metallo	-7,3	-8,4	-7,4	-3,1	3,0
Industria meccanica	-4,5	-2,5	-4,4	-4,6	2,7
Elettronica e mezzi di trasporto	-4,8	-11,4	-7,3	-0,2	-5,9
Prodotti non metalliferi	-10,0	-1,6	-6,9	-2,2	0,0
Chimica, farmaceutica, gomma e plastica	2,9	9,5	2,6	1,4	7,0
Manifatturiere varie	1,2	-0,6	0,3	0,4	1,5
TOSCANA	-5,0	-3,1	-4,9	-1,8	-0,1

LA PRODUZIONE INDUSTRIALE PER SETTORE DI ATTIVITÀ
Variazioni % su trimestre corrispondente anno precedente

Fonte: Unioncamere Toscana-Confindustria Toscana

Building industry
% Variation with respect to the corresponding quarter in the previous year
Source: Unioncamere Toscana – Confindustria Toscana

LA CONGIUNTURA DELL'EDILIZIA
Variazioni % su trimestre corrispondente anno precedente

Fonte: Ministero dello sviluppo economico, Infocamere, Banca d'Italia

	III/12	IV/12	I/13	II/13	III/13
Produzione di cemento	-23,7	-49,8	-36,3	-15,0	-10,4
Imprese registrate	-1,4	-2,0	-2,8	-2,9	-2,8
Erogazione fin.ti oltre il b/t per invest. in abitazioni	35,1	-24,5	-22,4	-8,2	-56,2
Erogazione fin.ti oltre il b/t per invest. in fabbric. non residenziali	-53,6	-18,0	-29,7	-5,0	39,6
Erogazione fin.ti per acquisto di abitazioni delle famiglie	-48,7	-41,0	-19,6	-17,8	0,1
Erogazione fin.ti per acquisto di altri immobili	-23,7	-12,6	-42,5	-31,8	-54,6

L'andamento della produzione di cemento conferma il rallentamento della flessione produttiva rilevato dagli indicatori delle Casse Edili. Più controverso il quadro delineato dai dati Banca d'Italia, con mutui per abitazioni e investimenti in altri fabbricati in crescita e investimenti in abitazioni e finanziamenti per acquisto di altri immmobili in picchiata.

As regards our local and surrounding territory, manufacturing production and turnover in the Florence area register improvements (+0.5% and +1%), thanks to the positive trends of specific sectors for larger businesses. Foreign demand is strong (export +8.6%, foreign orders +3.4%), while the domestic market, still facing difficulties, registers negative total order values (-2%) and further drops for retail sales (-4.2%). Business dynamics are steady (+0.4%). In the province of Pisa, although manufacturing production continues to drop (-2.6%), the downward trend does hint at slowing down. The metal-working and leather sectors are solid (+18% and + 2.2% respectively), but the electronics-vehicles (-10.1%) and wood-furnishings (-11.3%) sectors are still experiencing difficulties. Turnover (+0.8%) and foreign orders (+1%) are on the rise. Thanks to the leather sector, exports leap upwards (+6.5%), while retail sales (-4.9%) are in line with the Regional average. Finally, the Siena area is still experiencing strong difficulties in the manufacturing sector, which suffers the largest losses of the entire Region: -3.8% production and -7.1% turnover. The drop in overall orders is heavy (-3.7%), without the thrust of foreign orders (-0.7%). No positive signs are incoming from the domestic market, with retail sales at minus 4.7%. Only export improves in the provincial territory (+7.1%), driven by the pharmaceutical industry. The number of businesses also falls (-0.2%).

3. Criteria followed in corporate management – Information pursuant to Articles 2528 and 2545 of the Italian Civil Code

The bond between the bank and the territory it serves is at the origins of our commitment to promoting projects in support of culture, art, history, traditions, youth sports, schools, services for the elderly, healthcare, volunteer associations in general and safeguarding the natural riches of the surrounding environment.

In compliance with Article 2528(5) of the Italian Civil Code, please note that in admitting new shareholders care was taken that they be fully aware of the mutual aid banking nature of the institution to which they belong, of its unique character and of the social function at which it aims. Utmost care was taken to establish meaningful and involved relationships with shareholders, and to ensure that the "open door" principle create enrichment for the entire group, with all members fully engaged in the true spirit of cooperative effort.

During the course of the year 2013 there were 113 new Shareholders, resulting in a total of 3,139 Shareholders and 2,969,703 Euro of share capital at the end of the fiscal year in review.

The following table indicates the Supervisory regulatory limits applied to activities of cooperative credit banks and a comparison of the data regarding the Bank's activity.

ACTIVITIES WITH SHAREHOLDERS AND ACTIVITIES OUTSIDE ITS TERRITORIAL AREA				
	Regulatory limit	2013	2012	2011
% activities with Shareholders and/or having a weighted risk of zero	> 50.00%	**52.905%**	50.244%	53.842%
% activities outside territorial area	< 5.00%	**3.711%**	3.374%	2.518%

4. The management trend and dynamics of the principal aggregates

Direct deposits, indirect funding, overall deposits

In 2013, the dynamics of funding and deposits were extremely positive. Shareholders and Customers confirmed their solid confidence in the Bank and direct deposits, shown in the financial statements at line items 20 "Payable to customers" and 30 "Outstanding securities", reached 2,278 million, as compared to 1,991 million in the previous fiscal year, registering a 14.14% increase. As mentioned, net of components not deriving from traditional customers composed of families and businesses, growth weighs in at 176 million euro, with a 9.15% increase, confirming a substantially positive result.

Indirect funding from customers amounted to 154 million at market values, +5.68%, benefitting again in 2013 from the transfer of securities from new customers coming from other intermediaries.

Overall deposits from customers at the end of 2013 amounted to 2,432 million, with a 13.82% increase.

The breakdown of the Bank's detailed data is set forth below.

DIRECT DEPOSITS FROM CUSTOMERS	***2013***	***2012***	***Absolute variation***	***% Variation***
Bank accounts and unrestricted deposits	*1,137,344,967*	*952,692,142*	*184,652,825*	*19.38%*
Restricted deposits	*177,345,202*	*77,376,072*	*99,969,130*	*129.20%*
Repurchase agreements	*163,492,653*	*56,889,891*	*106,602,762*	*187.38%*
Other deposits	*18,267,064*	*12,833,161*	*5,433,903*	*42.34%*
Bonds	*766,340,694*	*853,597,675*	*-87,256,981*	*-10.22%*
Certificates of deposit	*15,686,130*	*38,086,466*	*-22,400,336*	*-58.81%*
Total direct deposits	***2,278,476,709***	***1,991,475,406***	***287,001,303***	***14.41%***

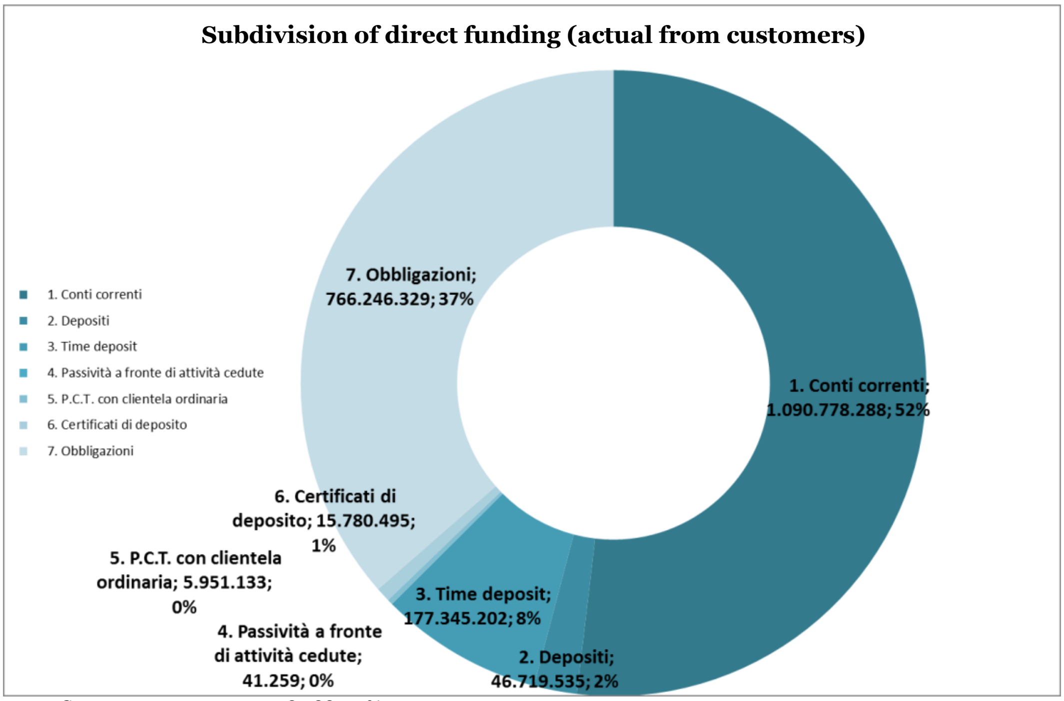
INDIRECT FUNDING	***2013***	***2012***	***Absolute variation***	***% Variation***
Administered assets	*152,898,227*	*144,586,147*	*8,312,080*	*5,75%*

Managed assets	961,660	1,002,735	-41,075	-4,10%
Total indirect funding	**153.859.887**	**145.588.882**	**8.271.005**	**5,68%**

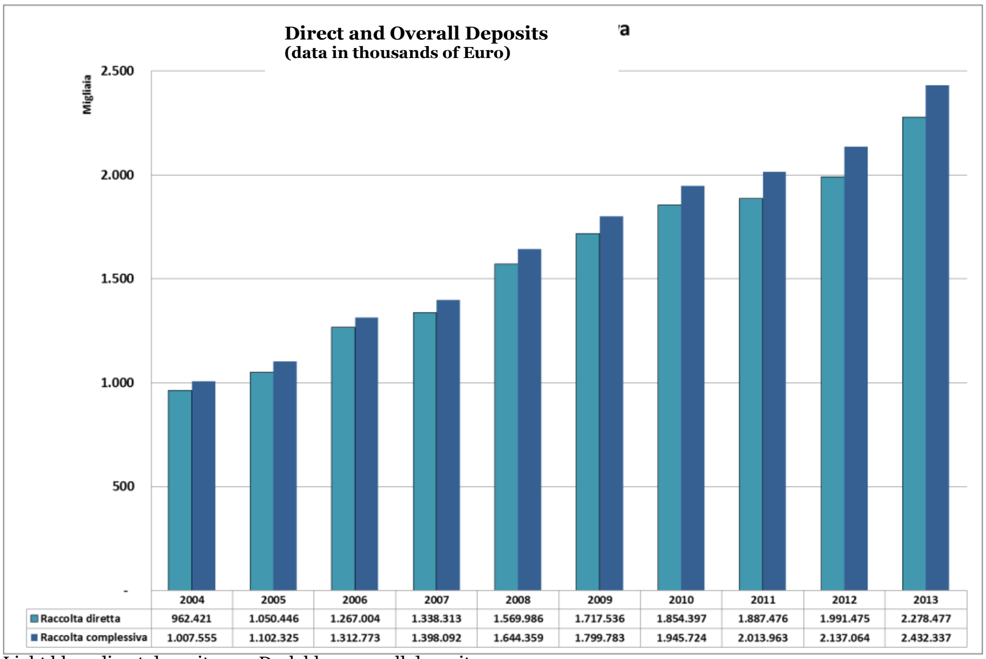
TOTAL OVERALL FUNDING	2013	2012	Absolute variation	% Variation
Total direct funding	2,278,476,709	1,991,475,406	287,001,303	14.41%
Total indirect funding	153,859,887	145,588,882	8,271,005	5.68%
Total overall funding	**2,432,336,596**	**2,137,064,288**	**295,272,308**	**13.82%**

For a clearer representation of the overall value of deposits and funding, also including items from the Deposits and Loans Fund and from the Clearinghouse and Guaranty Fund, the line items are detailed in the table below, highlighting deposits from ordinary customers (total lending).

Type of transactions/values	2013	2012	Absolute variations	% Variations
1. Bank accounts	1,090,778,288	911,286,454	179,491,834	19.70%
2. Deposits	46,719,535	41,621,667	5,097,868	12.25%
3. Time deposits	177,345,202	77,376,072	99,969,130	129.20%
4. Liabilities from transferred assets	41,259	258,987	-217,728	-84.07%
5. Repurchasing with ordinary customers	5,951,133	4,374,833	1,576,300	36.03%
6. Deposit certificates	15,780,495	38,254,732	-22,474,236	-58.75%
7. Debt Securities	766,246,329	853,429,410	-87,183,081	-10.22%
Total lending	**2,102,862,241**	**1,926,602,154**	**176,260,086**	**9.15%**
8. Repo with Clearinghouse and Guaranty Fund.	157,541,520	52,515,058	105,026,462	199.99%
9. Funding from Deposit and Loans Fund.	18,072,948	12,358,194	5,714,754	46.24%
Total other lending	**175,614,468**	**64,873,252**	**110,741,217**	**170.70%**
Total (balance sheet value)	**2,278,476,709**	**1,991,475,406**	**287,001,303**	**14.41%**



1. Current accounts: 1,090,778,288; 52%
2. Deposits: 46,719,535; 2%
3. Time deposits: 177,345,202; 8%
4. Liabilities against sold assets: 41,256; 0%
5. Repo agreements with ordinary customers: 5,951,133; 0%
6. Certificates of deposit: 15,780,495; 1%
7. Notes: 766,246,329: 37%

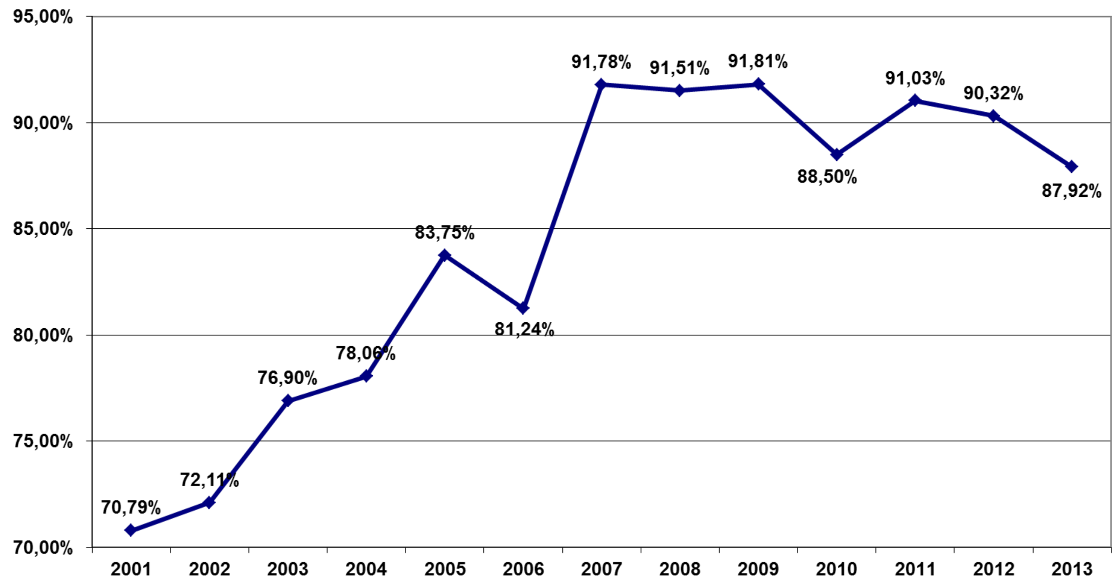


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Raccolta diretta	962.421	1.050.446	1.267.004	1.338.313	1.569.986	1.717.536	1.854.397	1.887.476	1.991.475	2.278.477
Raccolta complessiva	1.007.555	1.102.325	1.312.773	1.398.092	1.644.359	1.799.783	1.945.724	2.013.963	2.137.064	2.432.337

Light blue: direct deposits   Dark blue: overall deposits

The liquidity level was confirmed to be fully sufficient. The increase in deposits and funding in 2013, combined with appropriate economic lending policies, allowed the bank to maintain a lending/deposits ratio, with reference to data not including the institutional components already mentioned, of 87.92%, in line with that of previous years, also considering the significant share of financial assets held in the portfolio that can quickly be liquidated.

Ratio of lending / deposits



Lending to customers

During the course of 2013, the unfavorable economic context was reflected both in a decrease of the demand for credit by companies and households as well as limitations with respect to the offer, due to the deterioration of the quality of credit.

At a system level, the dynamics of bank loans to customers (the private sector and public administrations, net of repurchase agreements with central counterparties) amounted to 1,853 billion Euro at the end of 2013, registering an annual variation of -3.9%. The annual variation of loans to Italian residents in the private sector was also slightly negative, -4.2% at the end of 2013, down from -1.9% at the end of 2012.

Household loans and loans to non-finance companies amounted to approximately 1.416 billion Euro at the end of 2013, with an annual variation of -4%, -2.5% at end of 2012; -2.3% on average in the Euro zone

Liquidity limitations were mediated by the abundant refinancing transactions implemented by the ECB; nevertheless, in a situation of scarce demand and elevated risks, this did not always translate into greater availability of financing for the economy.

For a system such as ours, focused on commercial banks and on territorial proximity, the traditional role of intermediation of household savings by selecting worthy credit takers remains fundamental.

The recession accentuated the weaknesses inherent to an economic model dominated by small, poorly capitalized businesses dependent on bank loans. In a generally uncertain situation in terms of economic prospects and of tense credit offer policies, strengthening public guaranty systems was seen as the priority. By mediating limitations on capital and uncertainties in risk assessments, public guarantees may, in effect, play a decisive role during this stage. In a system of credit guarantees, Credit Guaranty Consortiums cover a unique role. Formally private intermediaries, over time they have gradually become more like “channellers” of public funds, prevalently in an accessory position with respect to public guaranty systems. This evolution is also the fruit of law policy decisions that have placed this category of intermediaries in a unique position, set apart from that of other intermediaries that operate according to purely market-dictated guidelines.

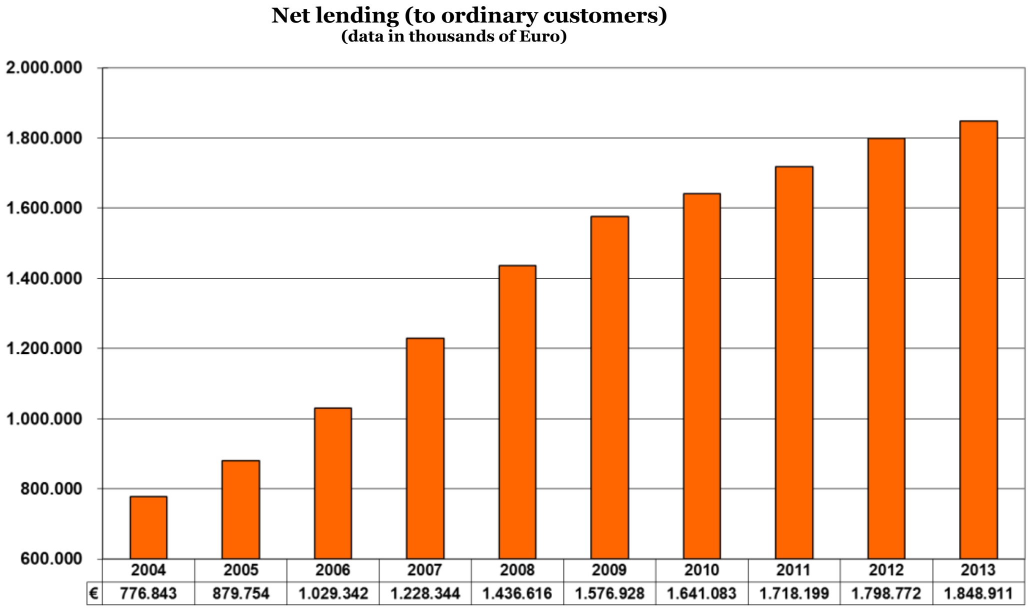
In a particularly negative economic situation, during 2013 the bank again continued to support shareholders and customers, especially small businesses and families, our chosen categories of reference. Despite the peak of the negative economic cycle, during the course of the year, loans to customers remained steady, against a significant overall drop of activities within the banking system.

Receivables, represented in the balance sheet at line item 70, amounted to 1,866 billion Euro, dropping by 2.17%. However, if this datum, both for 2013 and for 2012, is filtered of the component represented by the Deposit and Loans Fund, the Clearinghouse and Guaranty Fund and the special purpose vehicle for the securitization transaction, counterparties that cannot be considered businesses and households, the item registers an increase in lending for 2013 as well. The amount of 1,848,911,029 Euro represents the actual volume of loans to the manufacturing sector, private entities and families, and registers an increase of 50,227,075 Euro, equal to 2.79% as compared to the same line item in the previous fiscal year. Considering only medium term products, the amount of new loans to families and businesses amounted to 92.3 million Euro.

ECONOMIC LENDING	***2013***	***2012***	***Absolute variations***	***% Variations***
Bank accounts	*471,078,540*	*467,781,628*	*3,296,913*	*0.70%*
Mortgage loans	*1,147,178,628*	*1,095,695,319*	*51,483,309*	*4.70%*
Credit cards, personal loans and salary guaranteed financing	*20,393,066*	*20,622,645*	*-229,579*	*-1.11%*
Other operations	*227,677,366*	*323,665,955*	*-95,988,589*	*-29.66%*
Total economic lending	***1,866,327,600***	***1,907,765,547***	***-41,437,947***	***-2.17%***

For a clearer comparison of the variations between fiscal year 2012 and 2013, the data are summarized in the following table:

Type of transactions/values	**2013**	**2012**	**Absolute variations**	**% Variations**
1. Bank accounts	*525,511,468*	*534,280,136*	*-8,768,668*	*-1.64%*
2. Mortgage loans and financing	*1,028,926,539*	*983,235,980*	*45,690,559*	*4.65%*
3. Portfolio	*2,239,053*	*2,985,983*	*-746,930*	*-25.01%*
4. Securitized mortgage loans	*494,348*	*712,610*	*-218,262*	*-30.63%*
5. Self-securitized mortgage loans	*168,994,061*	*188,715,114*	*-19,721,053*	*-10.45%*
6. Other financing	*54,394,107*	*40,970,317*	*13,423,790*	*32.76%*
7. Gross non-performing loans	*133,405,053*	*96,671,842*	*36,733,211*	*38.00%*
8. Write-down non-performing loans	*-41,500,786*	*-25,808,779*	*-15,692,007*	*60.80%*
9. Overall write-downs	*-23,552,815*	*-23,079,250*	*-473,565*	*2.05%*
Total net effective economic lending	***1,848,911,029***	***1,798,683,954***	***50,227,075***	***2.79%***
10. Receivables from Pontormo RMBS vehicle	*12,960,213*	*17,982,224*	*-5,022,011*	*-27.93%*
11. Receivables from PP/TT	*59,960*	*69,839*	*-9,879*	*-14.14%*
12. Receivables from Clearinghouse and Guaranty Fund.	*4,360,729*	*462,152*	*3,898,577*	*843.57%*
13. Receivables from Deposits and Loans Fund.	*35,668*	*90,567,378*	*-90,531,709*	*-99.96%*
Total other net economic lending	***17,416,571***	***109,081,593***	***-91,665,022***	***-84.03%***
Total (balance sheet value)	***1,866,327,600***	***1,907,765,547***	***-41,437,947***	***-2.17%***



Data regarding lending classification by sector of economic activity (gross par amount) are shown in the table below.

Economic sector (ATECO code)	Amount *(gross par)*	% share on lending
A agriculture, forestry and fishing	**47,073,261**	**2.38%**
B mining and quarrying products	**8,307,722**	**0.42%**
C manufacturing products	**256,063,986**	**12.96%**
10 food industry	32,689,575	1.65%
11 beverages industry	1,788,882	0.09%
12 tobacco industry	68,459	0.00%
13 textile industry	9,745,403	0.49%
14 wearing apparel including leather and fur	16,716,611	0.85%
15 leather and related items	46,795,179	2.37%
16 wood, and wood and cork products (excluding furniture); articles made of straw and plaiting materials	11,834,086	0.60%
17 paper and paper products	19,745,581	1.00%
18 printing and re production of recorded media	4,047,324	0.20%
19 coke and refined petroleum products	34,322	0.00%
20 chemical products	9,805,045	0.50%
21 basic pharmaceutical products and pharmaceutical preparations	153,985	0.01%
22 rubber and plastic products	14,589,298	0.74%
23 other non-metallic products	11,324,060	0.57%
24 metal products	3,911,884	0.20%
25 metal products (excluding machinery and equipment)	28,478,254	1.44%
26 computer, electronic and optical products; electro-medical and measuring equipment, watches and clocks	1,436,176	0.07%
27 electrical equipment and non-electric domestic appliances	6,486,565	0.33%
28 machinery and equipment n.e.c.	16,330,432	0.83%
29 motor vehicles, trailers, semi-trailers	914,491	0.05%
30 other transport vehicles	503,643	0.03%
31 furniture	9,004,418	0.46%
32 other manufacturing industry products	6,222,231	0.32%
33 repair, maintenance and installation of machinery and equipment	3,438,081	0.17%
D electricity, gas, steam and air-conditioning supply	**7,096,892**	**0.36%**
E water supply, sewage systems, waste management and remediation products	**24,423,195**	**1.24%**
F building industry	**160,637,777**	**8.13%**
41 construction	124,132,406	6.28%
42 civil engineering	3,265,645	0.17%
43 specialized construction work	33,239,726	1.68%
G wholesale and retail sales, vehicle and motorcycle repairs	**200,232,735**	**10.14%**
45 wholesale and retail sales and motor vehicle and motorcycle repairs	27,240,898	1.38%

Economic sector (ATECO code)	Amount *(gross par)*	% share on lending
46 wholesale sales (excluding motor vehicles and motorcycles)	111,096,491	5.62%
47 retail sales (excluding motor vehicles and motorcycles)	61,895,346	3.13%
H transport and storage	**14,881,740**	**0.75%**
I accommodation and restaurant services	**64,547,513**	**3.27%**
J information and communication services	**8,071,177**	**0.41%**
K financial and insurance activities	**2,947,114**	**0.15%**
L real estate activities	**199,359,348**	**10.09%**
M professional, scientific and technical activities	**20,797,203**	**1.05%**
69 legal and accounting services	1,483,233	0.08%
70 company management services and management consulting services	11,103,718	0.56%
71 architect and engineering offices, testing and technical analyses	3,003,702	0.15%
72 scientific research and development	37,744	0.00%
73 advertising and market research	1,168,024	0.06%
74 other professional, scientific and technical activities	3,837,985	0.19%
75 veterinary services	162,796	0.01%
N rental services, travel agencies, business support services	**20,123,881**	**1.02%**
O public administration and defense; obligatory social insurance	**0**	**0.00%**
P schooling	**1,825,185**	**0.09%**
Q healthcare and social services	**3,571,582**	**0.18%**
R arts, sports, entertainment and recreation	**8,725,814**	**0.44%**
S other services	**12,300,438**	**0.62%**
T family and household activities such as employers of domestic help; production of undiversified goods and services for personal use on behalf of families and households	**0**	**0.00%**
U organizations and organisms outside the territory	**0**	**0.00%**
TOTAL COMOANY and HOUSEHOLD PRODUCERS	**1,060,986,562**	**53.71%**
Public administrations	3,690,641	0,19%
Financial companies	47,184,782	2,39%
Banking system (sub-group245) and Bank of Italy (sub-group 300)	112,471,540	5,69%
Consumer households (sub-group 600)	712,193,373	36,06%
Non-profit organizations, rest of the world and unclassifiable groups	38,740,511	1,96%
Total	**1,975,267,408**	**100,00%**

At an overall level, as at December 2013, the domestic banking system registered total gross impaired receivable for an amount equivalent to 155.90 billion Euro, approximately 31 billion Euro more than the end of 2012, with an almost 25% increase. The impaired receivables / total lending ratio is therefore placed at 8.1% with respect to 6.3% at the end of 2012 and 2.8% of end of 2007, prior to the beginning of the crisis. This datum reaches 14% for small economic operators with respect to 11.8% at December 2012; the same datum for businesses is placed at 13.3%, against 9.7% last year and 6.5% is the 2013 datum for consumer households, compared to 5.6% in December 2012.

With respect to our bank, net impaired receivables, consisting of impaired receivables, watchlist accounts, restructured and overdue/overdrawn accounts rose to 252.80 million Euro, 21.90 million more than 2012, an increase of 9.47%.

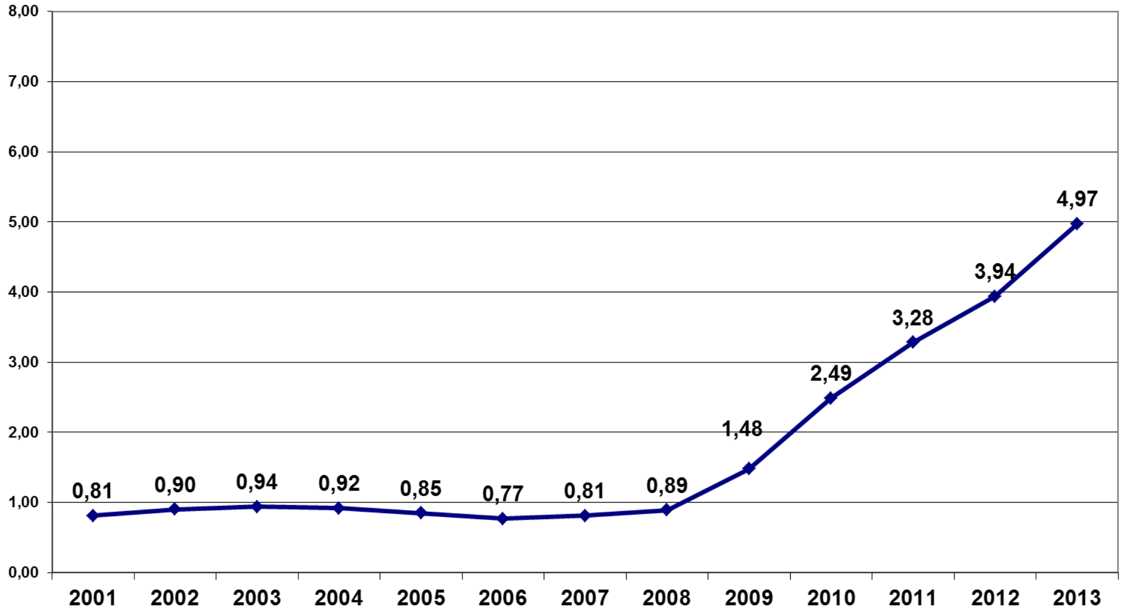
The line item "net impaired receivables" represents 13.54% of "receivables from customers". The specific table summarizes "impaired" receivables, according to the classification of Bank of Italy. Impaired receivables, net of write-downs, amount to 91.9 million, an increase of 21.0 million with respect to 2012, equivalent to 29.69%. The item "net impaired receivables" represents 4.92% of "receivables from customers" (3.71% at December 2012), in line with the system's percent value. The value adjustments made during the fiscal year to receivables from customers amount to 21.5 million Euro, with respect to 15 million in 2012. Since the beginning of the crisis, in 2008, total value adjustments made up to the end of 2013 amount to 67 million Euro.

The table below shows the breakdown of the level of hedging on receivables:

DESCRIPTION	*Gross Amount*	*Amount of write-downs*	*Net amount*	*Level of hedging*
Receivables from customers - In bonis	*1,616,176,247*	*2,614,305*	*1,613,561,942*	*0.16%*
Receivables from customers - Impaired – Impaired receivables	*133,405,053*	*41,500,786*	*91,904,267*	*31.11%*
Receivables from customers - Impaired – Watchlist	*114,773,064*	*16,220,249*	*98,552,815*	*14.13%*
Receivables from customers - Impaired – Restructured	*19,444,758*	*2,005,839*	*17,438,919*	*10.32%*
Receivables from customers - Impaired – Overdue/overdrawn	*47,582,078*	*2,712,421*	*44,869,657*	*5.70%*
TOTAL	***1,931,381,201***	***65,053,601***	***1,866,327,600***	***3.37%***

The overall hedging of the Bank's "impaired" receivables amounted to 19.81%. The quota of "impaired" loans secured by collateral is greater than 80%. Controlled assets are confirmed as being sufficient, with continuously updated evaluations, for the secured accounts and also confirm the adequacy of hedging against write-downs, for suitable mitigation of the relative risks.

Net impaired receivables / lending ratio



INDEXES OF CREDIT QUALITY	*2013*	*2012*	*2011*	*2010*
% of net receivables				
% net non performing loans on total net receivables	*4.97*	*3.94*	*3.28*	*2.49*
% net watchlist and restructured receivables on total net receivables	*6.27*	*6.32*	*6.57*	*7.71*
% overdue/overdrawn accounts on total net receivables	*2.43*	*2.58*	*0.96*	*0.90*
% total net impaired receivables on total net receivables	*13.67*	*12.84*	*10.81*	*10.93*
% on gross receivables				
% gross non performing loans on total gross receivables	*6.97*	*5.23*	*4.52*	*3.68*
% gross watchlist and restructured receivables on total gross receivables	*7.01*	*7.04*	*7.01*	*7.88*
% overdue/overdrawn accounts on total gross receivables	*2.49*	*2.65*	*0.98*	*0.92*
% total gross impaired receivables on total gross receivables	*16.47*	*14.92*	*12.51*	*12.48*
% of hedges				
Non performing	*31.11*	*26.70*	*29.01*	*33.46*
Watchlist, restructured and overdue/overdrawn accounts	*11.52*	*10.63*	*7.88*	*3.91*
Total impaired receivables	*19.81*	*16.26*	*15.52*	*12.62*
receivables in bonis	*0.16*	*0.26*	*0.25*	*0.19*

Note: The basis for calculation of receivables from customers is the "effective" amount: for example, for 2013 the amount is equal to 1,848,911,029 Euro.

The slowdown of demand for loans depends on various factors, but is principally due to the deceleration of the production cycle and therefore of the drop in investments. More than an improbable overall recovery of the production sector, we may expect, and should favor, the expansion of innovative sectors, in order to drive growth in manufacturing and occupation, elements that are also essential to the credit demand from companies. The challenge is to be able to make a qualitative leap in terms of products and processes to favor the expansion of businesses, rendering them more inter-connected, technologically advanced and international, so they may act as incubators for one of the most significant human skills: innovation. Strengthening business capital and establishing appropriate credit policies may facilitate greater innovation efforts.

By gearing overall capital, even through personal resources, entrepreneurs may directly demonstrate faith in the prospects of their businesses, thus helping to find additional resources from intermediaries and investors. A greater diversification of financing sources would allow companies to reduce dependence on bank loans, improving their capacity to resist shocks and simultaneously contributing to the development of the capital market. In order to do so, it is important to amplify and diversify sources of financing to companies, knowledgeable of the fact that the transition towards a less "bank-centered" financial system is a long-term objective requiring changes in mentality and operating criteria that are far from banal. So-called "minibonds" are among the most significant measures for this purpose. Our bank is present in this sector, to favor an appropriate penetration among suitable companies. For this purpose, during 2013 our Bank also purchased minor interest in a Florentine company active in the high-range financial services and management consulting sector as well as in the innovative minibond sector.

In addition to the economic crisis that has reduced credit demand, in terms of offer, banks, and not only Italian ones, have been lead to implement increasingly stringent operating criteria to maintain provisional capital and liquidity levels that are much tighter than in the past. Pressure to quickly adjust to the levels provided for by the Basel 3 regime has sharpened these effects, particularly among major banks that presented technical frameworks characterized by imbalances deriving from prior management policies.

The crisis cannot be considered ended as yet, but trends seem to be improving as compared to the past, although critical issues must still be faced, first among these the possible start of a deflationary process, to be prevented using all means possible on behalf of the ECB. The recovery of the production system will favor the credit demand. It will be necessary to meet the demand, learning from past excesses to avoid repeating the same mistakes. Synergies will have to be created between the traditional role played by banks, which will continue to be irreplaceable, and the role made possible by the development of financing channels alternative to banking credit. A new dimension in the interest of companies, or even of the same banks, a new prospect that could become a reality, provided that all the market players and institutions are fully committed.

Securities and treasury account activity

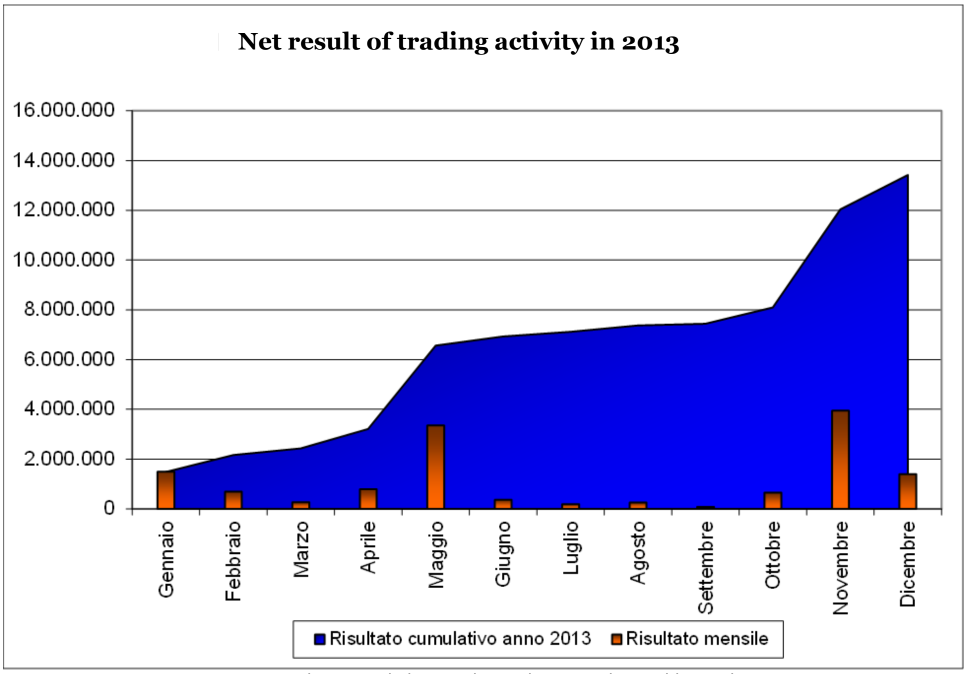
In 2013 the interbank market of deposits confirmed modest operating volumes and a gradual reduction of excess liquidity, due to reimbursements ordered by banks relative to Long Term Refinancing Operations implemented in the past by the ECB. The sensitivity of intermediaries to counterparty risk remained high, orienting operations prevalently towards transactions with short maturities: daily as regards the e-MID market; weekly on the New MIC collateralized market, on which exchanges are guaranteed. Deposits with the ECB have practically zero rates.

The Bank's liquidity level is monitored daily and has remained constantly optimal. The *stock* of high-level financial activities that may be allocated with the ECB has always been consistent, further monitoring additional liquidity margins. At year's end our Bank had two outstanding LTRO loan operations with the European Central Bank, for a total of 310 million Euro, with a three-year duration, maturity respectively in January and February 2015 and the possibility of early repayment. Financial assets held in the portfolio amounted overall to 856.6 million Euro, of which 85.6 million allocated to the HFT securities sector and 771.0 million in the AFS sector. The tables that follow show the division by type with respect to the previous reporting year and the percentage breakdown at the end of the fiscal year in review.

Type	2013	2012	Variation Amount	% Variation
Italian government securities	761,401,667	552,875,530	208,526,137	37.72%
Banks	80,952,583	61,639,695	19,312,888	31.33%
Other issuers	14,278,387	11,397,078	2,881,308	25.28%
Total	**856,632,637**	**625,912,303**	**230,720,334**	**36.86%**

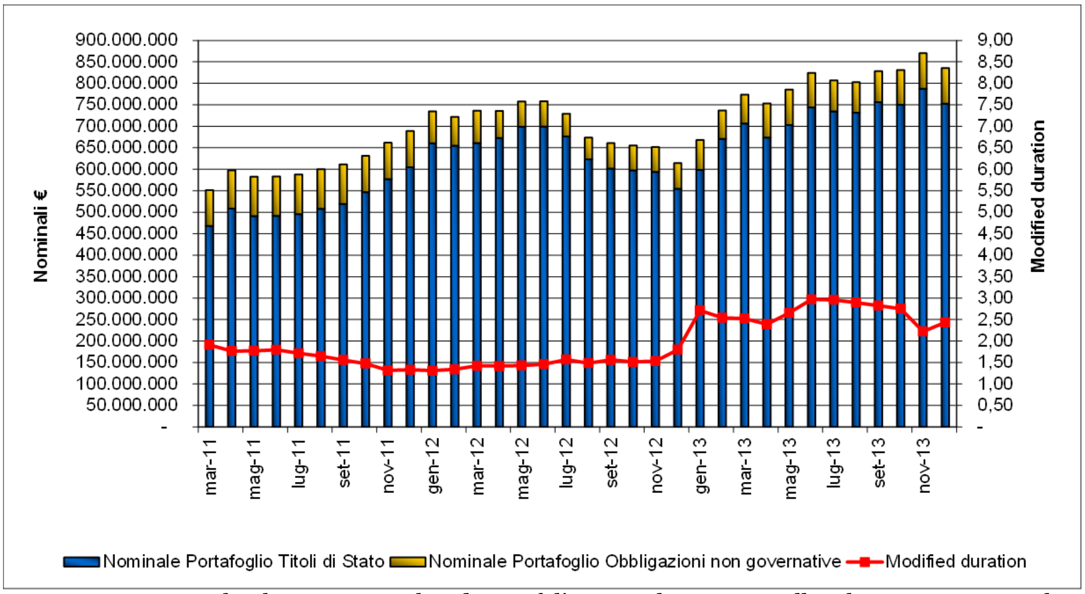
Issuer	31/12/2013	% breakdown
Italian government securities	761,401,667	88.88%
Banks	80,952,583	9.45%
Other issuers	14,278,387	1.67%
Total	**856,632,637**	**100.00%**

This sector was managed with the usual aversion to risk and has yielded positive results, in line with the market. The net result of trading activity (HFT) amounted to 1,107,327, Euro with respect to 1,122,787 Euro in the prior fiscal year. Profits from the sale or repurchase of financial assets available for sale (AFS) amounted to 12,464,748, with respect to 4,200,588 in the prior fiscal year. The yield of the securities portfolio amounted to 2.499%, a reduction of 0.765% with respect to 3.214% in 2012. Earned interest dropped from 21,355,024 Euro in 2012 to 19,546,680 Euro in 2013, with a reduction in the period of 1,808,344 Euro, equivalent to an 8.47% decrease.



Blue: cumulative yearly result   Red: monthly result

Historical Par and Modified Duration Trend



Blue bar: Treasury bonds portfolio par value   Yellow bar: non-treasury bonds portfolio par value

The foreign sector also provided a positive contribution to corporate operations under many aspects. Relations with companies and services provided in the international payments and loans sector increased considerably. Improved operating qualifications in the sector, both in terms of technologies and in terms of greater professional skills of designated operators, allowed us to establish business relations with companies with an elevated standing and more complex operations. The structure of the foreign service sector in our Bank, which is the fruit of investments spread over time in terms of human resources and technologies, now gives us the opportunity to position ourselves as a quality intermediary, recognized as such by sector operators. The table below illustrates the volume of growth in this sector.

	YEAR 2013		YEAR 2012		Variation	
TYPE OF TRANSACTION	N.	Amount	N.	Amount	N.	Amount
L/C IMPORT	89	9,692,044	96	5,776,961	-7.29%	67.77%
GUARANTY	131	6,387,838	77	5,474,173	70.13%	16.69%

	YEAR 2013		YEAR 2012		Variation	
TYPE OF TRANSACTION	N.	Amount	N.	Amount	N.	Amount
DOCUMENTED IMPORT	221	8,604,453	157	5,858,205	40.76%	46.88%
FINIMPORT	1,360	60,200,355	848	38,166,798	60.38%	57.73%
BANK TRANSFER OUT	14,959	212,397,376	12,681	182,486,452	17.96%	16.39%
L/C EXPORT	157	7,419,902	82	3,469,185	91.46%	113.88%
DOCUMENTED EXPORT	1,394	10,993,006	748	8,526,402	86.36%	28.93%
FINEXPORT	2.105	74.370.986	1.581	50.039.921	33.14%	48.62%
BANK TRANSFERS IN	21.895	358.356.660	26.329	361.863.614	-16.84%	-0.97%
CASH LETTER	2.881	10.518.751	2.668	10.375.832	7.98%	1.38%
SVD LOANS	260	77.223.618	220	88.093.488	18.18%	-12.34%
FWD PURCHASES	161	35.825.172	132	29.009.202	21.97%	23.50%
FWD SALES	24	4.047.313	11	325.860	118.18%	1.142,04%

Equity investments

Equity investments held by the Bank refer exclusively to companies of the Cabel Group.

The Cabel Network provides financial services and products, allowing member banks and customers to increase production potential. This network confirms its production policy of creating products and services based on criteria of maximum efficiency, also ensuring the application of prices that significantly lower that market listings for similar services.

As at 31 December 2013, the value of equity investments amounted to 15,698,652 Euro, a growth of 933,435 Euro. For details, please consult the Explanatory Notes.

Regulatory capital

The crisis has affected the quality of credit and penalized profitability at a global banking system level, is at the origin of the strictest measures introduced by the Supervisory Authority, albeit aware that credit institutions, subjected to stress on regulatory capital and liquidity level parameters, could not but reduce the credit offer, resulting in further negative effects on the overall economic cycle. All of this was accompanied by the fact that as of 1 January 2014, the new regulatory guidelines constituted by Regulation 575/2013/UE (CRR) and by Directive 2013/UE (CRD IV) that, among other things, introduced the recommendations contained in the new international regulatory scheme for reinforcement of banks and banking systems defined by the Basel Committee for bank supervision in December 2010 (so-called “Basel 3”) in the European Union regulations.

The legislative texts referred to are completed by:

- the relative technical and application provisions (“Regulatory Technical Standard” - RTS and "Implementing Technical Standard” - ITS) defined by the EBA (“European Banking Authority”) and in the process of being implemented by the European Union;
- the relative supervisory and reporting provisions issued by Bank of Italy with memorandum n. 285/2013 (“Supervisory Provisions for Banks” which, with particular reference to the implementation provision of the CRR, specifies the decisions competence of the Supervisory Authority regarding the transitional regime for the application of the provisions on the matter of own funds.”) and with memorandum n. 286/2013 (“Instructions for filling out prudential reports for banks and real estate intermediation companies”);
- the relative Puma2 technical documentation drawn up by the Interbanking Group for the application of the above-mentioned Bank of Italy reporting provisions.

With reference to own funds, the new regulations tend to increase both the quality of the items making up regulatory capital and the minimum level of regulatory capital within the scope of an overall framework that better implements regulations inherent to capital aggregates.

Within the broader scope of reviewing the prudential framework and, within that context, of the new definition of Own Fund, the CRR introduces and extremely significant change with respect to financial statement classification strategies for financial instruments. Indeed, the provisions prohibit the application of values (so-called prudential filters) that aim to eliminate, either totally or partially, unrealized profits or losses on assets or liabilities valued at fair value in the balance sheet. Therefore, as regards activities classified at line item 40 – Financial activities available for sale (*Available for sale* – AFS) in the financial statements, the CRR requires that the corresponding prudential filters (symmetric or asymmetric, depending on the case) be eliminated.

Also taking into consideration the radical review process of the current principles of reference regarding the matter of financial instruments (IAS 39), the possibility of neutralizing the impact of fair value variations of financial instruments classified in AFS on Own Funds is provided for, providing that said instruments represent exposures towards central Administrations of the European Union and the same treatment is applicable prior to 1 January 2014.

The aforementioned exception is at the discretion of Supervisory Authorities and may be applied up to adoption on the part of the Committee of a regulatory framework that uniforms IFRS 9, the international financial reporting standards that will replace IAS 39. Among the many significant rules for implementation, the memorandum provides for continued application of the prudential filter on unrealized profits and losses relative to exposure towards central Administrations of the European Union classified in the AFS portfolio.

While waiting for the adoption of the principle in question and for the consequent review of the classification of financial instruments, our Bank, taking advantage of the faculty introduced in the CRR and accepted by Bank of Italy, has deliberated to continue to neutralize (contiguous with past deliberations on this matter) capital gain-loss registered starting 1 January 2010.

The Bank carefully monitors the dynamics of the valuation differentials for the notes in question, also in view of the expected abrogation of prudential filters subsequent to the implementation of the new IFRS 9.

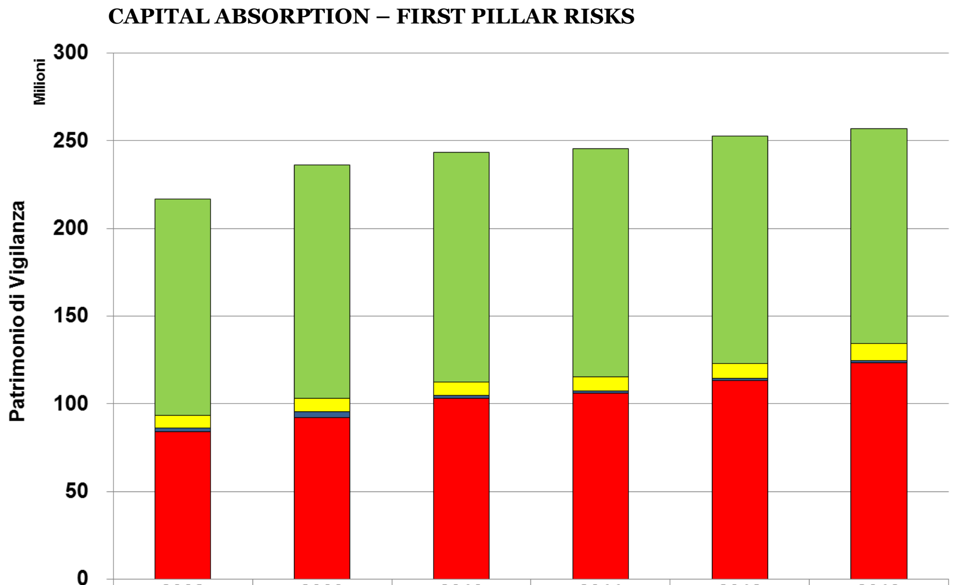
Our Bank has always dutifully dedicated attention and commitment to capital adequacy, in order to adapt to development and growth of operations – aimed at sustaining the economies we serve – with a capital sufficient to ensure a harmonic and balanced growth, on solid bases. Shareholders' equity is indeed on the one hand fuel for development, and on the other protection against risks.

With the approval of the financial statements in review and the allocation of net profit as proposed, the overall value of financial capital will amount to 260,150,788 Euro, an increase of 3.27% with respect to 2012. Capital relevant for Supervisory purposes will be equal to 256,862,048 Euro, as compared to 252,593,622 Euro of the previous reporting period, an increase of 1.69%.

The trend of the most important capitalization indicators over the past few years is summarized in the table below.

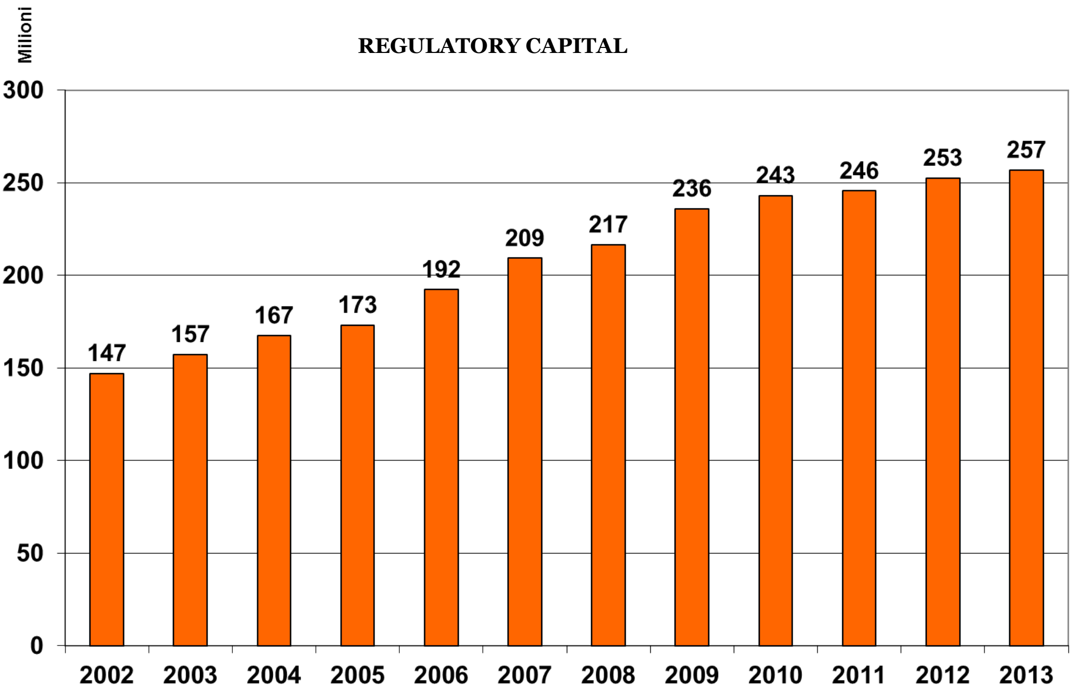
	2013	2012	2011	2010	2009
Shareholders' equity / direct deposits from customers	***12.41%***	*13.12%*	*11.65%*	*12.82%*	*13.84%*
Shareholders' equity / receivables from customers	***14.11%***	*14.05%*	*12.79%*	*14.49%*	*15.08%*
Shareholders' equity / total assets	***8.75%***	*9.21%*	*8.56%*	*10.07%*	*10.21%*
Impaired receivables / regulatory capital	***98.41%***	*91.41%*	*75.61%*	*74.90%*	*58.83%*
Total capital ratio Regulatory capital / risk weighted assets (solvency ratio)	***15.32%***	*16.42%*	*17.03%*	*17.29%*	*17.97%*
Tier one capital ratio	***14.28%***	*15.32%*	*15.86%*	*16.03%*	*16.67%*

Risk weighted assets, equivalent to 1,677,142,400 Euro, result in a ratio to regulatory capital (Total capital ratio) of 15.32%, a slight drop with respect to the previous reporting period, in consideration of the increased lending risk, but which remains nonetheless ample enough with respect to the risks taken and greater than the system average and the category of cooperative banks. The Bank's data is confirmed as being fully compliant in order to sustain broad growth possibilities and its ability to absorb risks. Similarly, the closer ratio between base capital and risk weighted assets, called the Tier 1 capital ratio, reached the level of 14.28%, confirming that it is at an excellent level.



	2008	2009	2010	2011	2012	2013
Eccedenza patrimoniale	123.157.586	133.069.659	130.621.328	130.188.869	129.526.629	122.690.656
Rischi Operativi	7.169.934	7.524.001	7.678.161	7.964.750	8.735.725	9.603.775
Rischi di Mercato	2.057.468	3.230.792	1.910.982	1.184.744	1.098.783	1.050.336
Rischio di Credito	84.171.327	92.172.617	102.902.488	106.230.675	113.232.485	123.517.281

Green: Excess capital Yellow: Operating risks Blue: Market risks Red: Credit risks



Greater and more detailed information is provided in Part B, section 14 of liabilities and Part F of the Explanatory Notes, such as quantitative information regarding the Bank's capital and prudential requirements. Reference is made to those sections for greater analysis of the different components of capital.

Income trend – Summary of results

Last year's report on operations stated that the economic picture did not seem to anticipate an improvement; on the contrary, fears that the recession would last seemed quite founded. The forecasts proved to be true and the economic situation continues to be substantially negative, although there were feeble signs of revival towards the end of the year that seem to point to the start of a recovery phase, which will nonetheless be slow.

In the meantime, the process of deterioration of credit quality has continued. In the overall negative trend, the note coming from monetary and financial markets that were able to benefit, among other things, from the decisions of the ECB regarding tax rates lowered to historical minimum levels, was appreciably positive. Bank operations could not but be affected by the difficult general situation and, as in past years, the income statement was heavily burdened by credit adjustments that were necessary to ensure maximum prudence.

Profit for the 2013 period, despite the heavy write-downs in the credit portfolio, which rose to 22 million from the 15 million of the previous reporting period, and the traditional policy of mutuality-oriented rates and conditions, amounts to 4,800,000 Euro, with respect to 5.2 million Euro in the previous reporting year. The dynamics of the main variables in the income statements manifests the results of operational policy that obtained a 2.21% reduction in interest income, with respect to the previous reporting period. Operating income increased by 12.30% as compared to 2012, with a rise in net fees of 9.14%. Net results of financial management register a 1.67% increase with respect to the previous reporting period, net of the considerable credit value adjustments. Profit on continuing operations before tax decreased by 12.69% with respect to the previous reporting period. Operating expenses, which are a sum of personnel expenses, other administrative expenses and net value adjustments on tangible and intangible fixed assets, amount to 41.1 million Euro, registering an increase of 5.62% with respect to the previous reporting period.

The balance of the profit and loss account, of 4.8 million Euro as shown, confirms the excellent company profitability despite management decisions aimed at facing potential negative impacts due to the current increased risk intensity.

The principal indicators of the Bank's technical situation are set forth below (the indicators were calculated using "actual" data, net of institutionals, lending and economic deposits).

FINANCIAL STATEMENT INDEXES	2013	2012	% Variation
STRUCTURAL INDEXES			
Lending (actual) / Total assets	62.01%	65.52%	- 3.51%
Lending (actual) / Direct deposits (actual)	87.92%	93.36%	- 5.44%
Traded volumes (actual) (Direct deposits + loans to customers + capital)	4,212,744,451	3,978,087,917	+ 5.90%
Percent of personnel employed in the branches	71.48%	73.59%	- 2.11
PROFITABILITY INDEXES			
Interest income / Total assets	1.28%	1.42%	- 0.14
Operating income / Total assets	2.38%	2.30%	+ 0.08
Interest income / Operating income	53.78%	61.76%	- 7.98
Net profit / Shareholders' equity (ROE)	2.01%	2.22%	- 0.21
Net profit / Total assets	0.16%	0.19%	- 0.03
Operating income / Traded volumes	1.69%	1.59%	+ 0.10
Adjustments to value of receivables / Operating income	31.00%	23.79%	+ 7.22
PRODUCTIVITY INDEXES			
Traded volumes (actual) by employee	14,833,607	14,007,352	+ 5.90
Lending (actual) by employee	6,510,250	6,333,394	+ 2.79
Direct (actual) deposits by employee	7,404,445	6,783,810	+ 9.15
Operating income by employee	249,970	222,590	+ 12.30
EFFICIENCY INDEXES			
Administrative costs / Total assets	1.38%	1.41%	- 0.02
Administrative costs / Operating income	58.14%	61.11%	- 2.97
Operating costs / Operating income *(cost income)*	58.02%	61.69%	- 3.67
Cost income without trading result (ratio between the line items of the Income Statement: 200 and 120-80-90-100)	71.65%	68.86%	+ 2.79
Administrative costs / Traded volumes	0.98%	0.97%	+ 0.01
Personnel costs / Average number of employees	72.612	71.864	+ 1.04
ASSET QUALITY INDEXES			
Net bad debts / net lending (actual)	13.67%	12.84%	+ 0.83
Net non performing loans / net lending (actual)	4.97%	3.94%	+ 1.03
Cost of credit (value adjustments / receivables)	1.18%	0.79%	+ 0.39
CAPITAL RATIOS			
Core Tier 1	14.28%	15.32%	-1.04
Total Capital Ratio	15.32%	16.42%	-1.10

Interest income

Interest income for the 2013 reporting year is influenced by the increase in deposits more than lending, and by the reduction in the economic scissor between deposits and lending with customers. The yield on Italian government bonds contributed significantly to maintaining the interest income, allowing for price-control on the lower yield on economic lending, in line with the cooperative nature of the bank for widespread mutuality, and at the same time generating resources destined allocated to greater provisions for credit risks. Operations management generated interest income amounting to 38.2 million Euro. Going into the detail of the components of the result, earned interest, equivalent to 85.6 million Euro, registered an increase of 0.37%, while interest expenses, which amounted to 47.5 million Euro, increased with respect to the previous fiscal year by 2.54%.

Operating income

Again in 2013 operating income registered a good level, also sustained by the increase of net commissions and the positive result of transactions involving financial instruments, which determined a positive net result both for the transaction portfolio and for the AFS portfolio. The line item related to dividends is negligible. Operating income amounted to 70,991,509 Euro, an increase of 12.30% with respect to 2012.

The ratio between interest income and operating income is 53.78%, slightly lower than the 61.76% registered for fiscal year 2012.

Net income from financial management

The net result of financial management, equal to 48,981,261 Euro, increased by 1.67%, even after net adjustments and value write-backs on receivables amounting to 22,010,248 Euro, equivalent +46.36% with respect to the same cost registered in 2012.

The increase in credit value adjustments, as already mentioned, derives from the significant further aggravation of the economic situation and from the consequent increase of non-performing loans, as well as from the adoption of greater prudence criteria in the evaluation of the salvageability of problem loans. The ratio of net adjustments on net loans to customers (total line item 130 letter a) to loans to customers, also defined "cost of credit", amounts to 1.18%, as compared to 0.79% in the previous reporting year.

Specifically, it is noted that "net adjustments / write-backs of value for impaired receivables" include both adjustments to value required due to the impairment of the receivables portfolio in the amount of 30,949,839 Euro, of which 8,948,709 Euro as the component referring to the effects of discounting future cash flows, as well as write-backs of value referring to the recovery of assets during the year amounting to 8,939,591 Euro, of which 8,306,287 Euro as the component referring to discounted values. Reference is made to table 8.1, Part C, of the Explanatory Notes for the details of such aggregate.

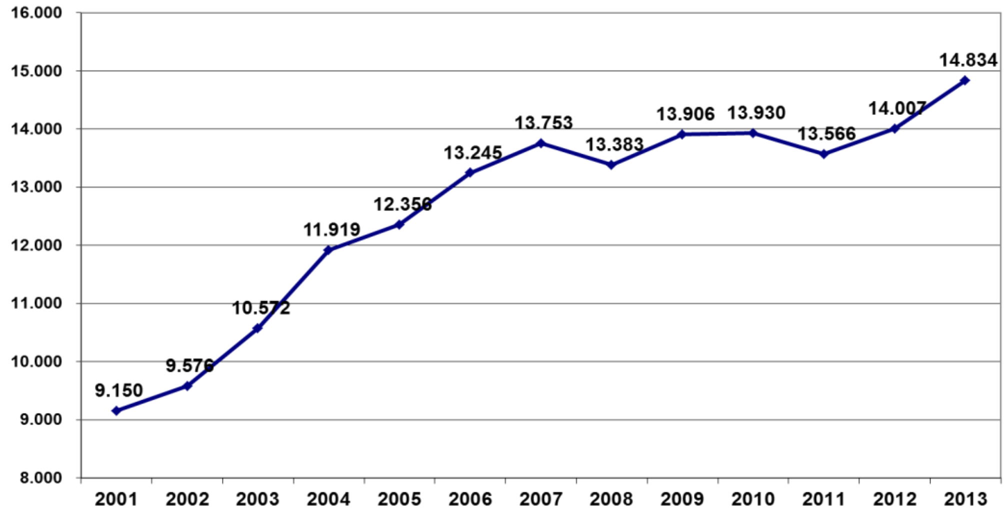
Operating costs and profit from current operations

Operating costs, net of other management costs and expenses, amounted to 41,192,440 Euro, an increase of 5.62% with respect to fiscal year 2012 which remains, however, less than the growth level of corporate activity. Within the aggregate, the variations amounted to 3.59% for personnel costs and 10.31% for other administrative costs. Even the ratio between operating costs and operating income was favorably modified, decreasing from 61.69% in 2012 to 58.02% in 2013. The trend of the ratio confirms that there is a high level of efficiency in relation to the average system data.

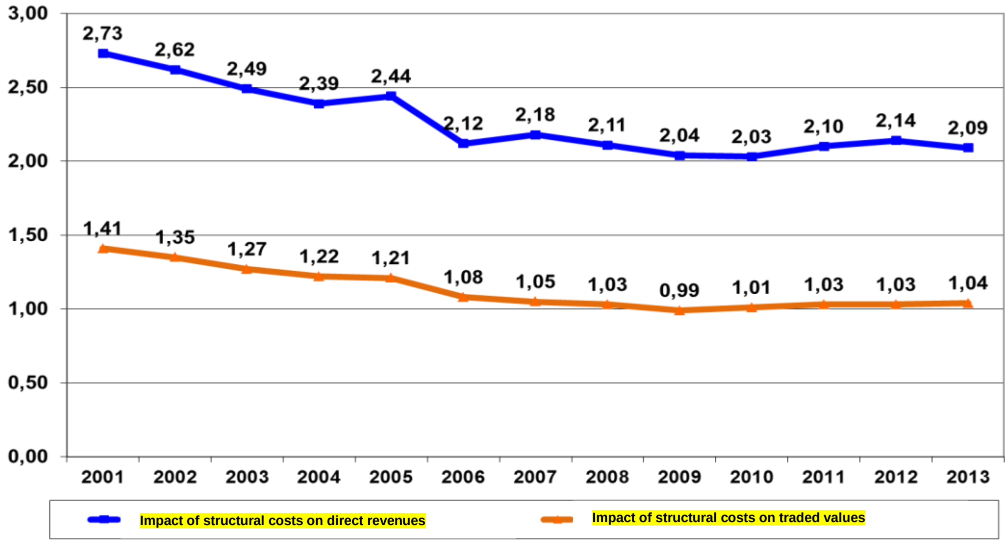
During the 2013 fiscal year, a cost in the amount of 358,291 Euro was sustained, with a direct allocation to the line item "other management costs", relative to mandatory contributions due to compulsory adhesion to the guarantee fund for depositors of cooperative credit, in order to aid other cooperative credit banks undergoing economic difficulties. The overall cost incurred by the Bank over the past three year period for this type of intervention amounts to 1,166,080 Euro. As regards the objections filed by the Bank relative to the guarantee fund, which was also subject matter of intervention on the part of the Antitrust Authority (AGCM) in support of many of the issues presented, the matter was settled also with the favorable intervention on behalf of Bank of Italy. The issue has been settled and, in accordance with the fund, we have agreed to the inclusion in the Board of Directors of the fund itself of a member representing cooperative credit banks that do not adhere to federal structures. The matter is thus to be considered closed in a mutually satisfactory manner.

Productivity indexes per person employed (the number of employees having remained essentially unvaried) further grew in consideration of increased corporate productivity and of ongoing interventions in favor of increased efficiency carried out on the corporate structure, thus reaching the highest national levels for retail-type banks.

Traded value by employee (in thousands of Euro)



Impact of structural costs



Net profit

The algebraic sum of positive and negative income components registers a pre-tax result from current operations amounting to 8,322,769 Euro, a 12.69% decrease with respect to the data from the prior fiscal year.

Profit for the reporting period, net of income tax, amounts to 4,800,000 Euro, compared to 5,200,000 Euro in the previous reporting period, a 7.69% decrease.

5. The Bank's services, initiatives and structure

Human resources

Human resource management plays an important role in the efficiency of the Bank's activities. Continuous training aimed at developing professional and management skills and enhancing the professional level of employees, leveraging accountability, commitment and integrity, are indeed essential factors to ensure the Bank's current and future success. At the end of the fiscal year there were 284 employees on staff, of whom 9 temporary, a number that is unvaried with respect to the previous reporting period.

During 2013, in addition to regular technical courses, mandatory specialized courses, and training regarding issues such as safety, money laundering, privacy, MIFID (the Markets in Financial Instruments Directive), insurance brokerage and provisions regarding the transparency of banking services, training also focused on issues regarding commercial and relational aspects of the

Bank's activity. Specific courses were held in the bank branches on occasion of the activation of graphometric signature points.

Overall, 15,298 hours of training were provided, equivalent to over 2 thousand days/man, with the participation of almost all employees.

Territorial network

Albeit fully aware of the necessary evolution of bank product distribution channels, branch offices spread throughout the territory we serve will remain an essential part of our way of "being a bank". For a real "territorial bank", such as ours, direct contact with our customers is, and will continue to be, the foundation on which to build a trust-based relationship. This characteristic will become an even more winning feature, to the extent that other banking intermediaries continue to move en masse towards alternative, more impersonal banking methods, pursuing processes of imitation often dictated by contingent economic motivations induced by overlapping structures resulting from the innumerable mergers and acquisitions of past years. In this sense, our vision is also supported by the positive feedback from our contacts with customer categories to probe how customer-to-bank interaction is conceived and perceived. The approach we have adopted over the years, aimed at creating "light" structures coordinated by "heavier" structures capable of supporting and improving the operations of even the smallest elements, has proven a topical approach and has by now become a tried-and-tested model. Nevertheless, many things are destined to change and not giving such aspects due consideration, or remaining passively tied to the existing model, would be a grave error. We will continue, and even increase, the process of transforming traditional tellers to more evolved forms of managing relations with customers, of increasing labor mobility and of reviewing operating procedures that will gradually move from a model of high frequency of use and low variance of operations, towards a model that is more oriented towards low frequency of use and high variance of operations. Success drivers in these processes will be a high degree of technological support, markedly aiming at multi-channel operations and, most of all, the capacity to support change, in all its forms, through the creation of new professional skills and the reconversion of existing skills. These will be the bases on which to found our capacity to face change.

Constantly evolving technology will certainly be a decisive factor in terms of maintaining and developing competitive approaches in new market sectors. Nonetheless, a consideration made by Albert Einstein is worthy of being kept in mind: "Computers are incredibly fast, accurate and stupid. Human beings are incredibly slow, inaccurate, and brilliant. Together they are powerful beyond imagination". The winning combination must not be lost sight of, even more so if the trend is to give machines the dominant role.

At year's end, the network consisted of 31 branches. At the beginning of 2014, the new branch in San Miniato Basso, the thirty-second branch, opened up to business and during the second half of the year a new branch will also open in Florence, on Viale Gramsci, thus totaling 33 branches across the territory. The new branch will represent the connecting point for all the branches in the Florence area, in addition to representing a prestigious branch located in the Region's capital city, reflecting the heritage of our Bank.

Organizational aspects

Banking activity is increasingly burdened by operational difficulties that are the result of the increased risks that such activities entail. These difficulties may be summarized in three large groups: complexity, risks and quality. Complexity, due to the vast amount of laws to be complied with and implemented at an operational level; risks, due to the increasingly critical nature of reference frameworks; quality, due to the complexity of the banking system, that does not allow for approximation of any kind, be it organizational or strategic.

The period in review was characterized by the promulgation of numerous provisions by Legislative and Regulatory Authorities, aimed particularly at facing various emergencies as they arose. As regards the cost of money, the ECB ordered the reduction of the official bank rate, first in May, reducing it from 0.75% to 0.50%, and then on 7 November last, cutting it to 0.25%, due both to the disappearance of fears associated to inflation and to facilitate access to credit on behalf of businesses, thus re-launching the economy. For its own part, the Ministry of Finance deliberated a cut in the legal rate of interest from 1% annual (ex 2.5%), starting 1 January 2014.

On 21 June, the Italian Government issued Law Decree n. 69, the so-called "Action Decree" *[lit: Decreto del Fare],* converted into Law n. 98/2013, setting forth a large number of measures which, consistently with the responsibilities assumed at a European level, aim to reduce the cost of bureaucracy and promote recovery in key economic sectors.

Law n. 99 issued on 9 August 2013, amending Law Decree n. 76 of 28 June 2013, deals with labor issues, particularly youth employment, and also contains measures to promote investments and ensure the respect of European obligations aimed at facing the economic crisis. As regards taxation, among other measures, the law postponed to 1 October 2013 the VAT increase, currently at 22%.

Law Decree n. 102 of 31 August 2013, amended and converted into law n. 124 of 28 October 2013, promulgates urgent measures regarding IMU (Italian primary residence tax), real estate taxation and housing laws.

Law Decree n. 133 of 30 November 2013 «Urgent measures regarding IMU, the sale of public real estate and Bank of Italy» increased the 2014 income tax advance payment due and imposed a 2013 IRES surcharge of 8.50% tax for Banks. Furthermore, the Law Decree authorized the revaluation of the Bank of Italy's capital, which was still at 300 million Lire (156,000 Euro), set by the 1936 Banking Law. Specifically, the Law Decree raised the Bank's capital to 7.5 billion Euro by converting statutory reserves. The operation was not immune to criticism, due to the considerable and unmotivated "gift" given to banks holding shares in the capital, which were able to register considerable capital gains on age-old investments that had no social rights or prerogatives of any kind, to avoid the often-threatened conflict between controllers and the controlled. Shares which, in the end, represent only the recognition of a banking status attributed to the shareholders based on the classification contained in the 1936 Banking Law. At the time, Rural and Artisan Banks, today's Cooperative Credit Banks, were excluded from share capital, and since then the situation has not changed. Today, everybody, save for those of us excluded, smiles at the chorus of laments rising from the world of the banking "chosen", including the Italian Bankers' Association (ABI), regarding the tax levied on the aforementioned capital gains. A correct political choice should have ensured greater advantages for public accounts from the manna that rained on part of the banking system.

At year's end, on 27 December, Law n. 147, the so-called "Stability Law" introduced wide-ranging measures aimed at reducing the tax burden for the next three year period and providing support for the potential growth that is just beginning to show its first, feeble signs of recovery. The various measures included: bonuses for energy performance requalification and renovations extended to 2016 with gradually decreasing rates; the new sole municipal housing tax (IUC); increased IRPEF (income tax) deductions for direct employees. Finally, the Law includes an increase in the incentive for businesses to favor capitalization and, as regards banks, changes to the deductibility of losses and credit write-downs.

In terms of work organization and procedures, the following main interventions were carried out during the reporting period in review:

- Graphometric and electronic signature, to permit the creation of digital documents at origin (so-called dematerialization at origin). The graphometric signature project, which began in 2012, was fully implemented and all branches rendered operative for teller-based transactions with almost 100% adhesion on behalf of customers. Furthermore, in the first months of 2014 the customer consultancy service completed the contract subscription program. Thus, we can proudly claim to being the first Bank in Italy to have all branches equipped with graphometric signature devices both at the tellers and in customer consultancy offices for the undersigning of contracts, with all the related advantages in terms of savings and, more importantly, of operational efficiency. In this aspect, the quality of services provided by Cabel proved decisive.

- SEPA End Date – In accordance with the provisions of EU Regulation n. 260/2012 and the Bank of Italy provision that contains instructions for the implementation thereof, starting 1 February 2014, domestic bank transfer and direct debit schemes were replaced by European-wide common payment schemes – respectively SCT and SDD – a building block towards the realization of the Single Euro Payments Area - SEPA. In order to minimize the possible risk of payment interruption for consumers and businesses, on 9 January last the European Commission published a proposal to amend Regulation (EU) 260/2012, providing for the introduction of a six-month transition period, approved by the ECB, during which banks and other payment service providers may continue to process non-compliant payments through their legacy domestic payment schemes. European Parliament and Council approved the amendment proposal, respectively on 4 and 18 February 2014. The amendment did not vary the term for migration to SEPA, still set at 1 February 2014, but rather provided for a "grace period" aimed at better managing exceptions or emergencies. Compliance with the general requirements imposed by the aforementioned Regulation has had significant impacts on the treatment/processing of transactions, on the relative infrastructures and on the tools employed to impart the order and for reporting made available to customers through various channels. Thanks to the services provided by Cabel Group, our Bank was able to guarantee full and complete compliance with SEPA. Within this scope, the Bank has identified the interventions required on an organizational and procedural level to define the consequent changes to be made to pertinent implementation regulations and provisions, and the implementation of associated supervisory and monitoring functions.

- EMIR Regulations – On 16 August 2012 Regulation (EU) n. 648/2012 regarding OTC derivatives, central counterparties (CCPs) and trade repositories (TRs), (hereinafter referred to as EMIR) entered into force. EMIR is pursuant to the communications implemented by the European Commission and obligations undertaken by the G20 leaders in 2009 and 2010, with reference to the adoption of measures aimed at increasing transparency and regulatory vigilance, mitigating counterparty risk and operating risks, and increasing the stability of the OTC derivatives market. Specifically, EMIR introduces the obligation, for financial and non-financial counterparties, to use "central counterparties" (so-called CCPs) to compensate OTC derivatives, to adopt measures to mitigate credit risk for bilaterally cleared OTC derivatives, to report to Trade Repositories all information regarding OTC contracts and changes to or termination of said contracts. The technical regulatory standards and implementation standards issued by the competent European Supervisory Authorities, for the purpose of applying the obligations entailed by the regulation, with the exception of obligations regarding compensation through CCPs, entered into force during 2013. Our Bank, in so far as a financial counterparty subject to EMIR obligations, implemented all procedural and organizational measures for reporting to Trade Repositories and application of risk mitigation requirements as provided for by the regulation in question.

Regulatory Framework

The regulatory frame work is subject to various changes pursuant to both the issue of the various regulatory provisions at a European and domestic level, with all respective regulatory implementation requirements in terms of providing banking services, and the correlated jurisprudential guidelines. In short, we are witnessing a veritable "regulatory inundation". This scenario requires great effort in terms of both interpretation and implementation and directly impacts both bank profitability trends and/or costs for customers. Where the costs are certain, the presumed positive effects are often destined to remain purely theoretical.

The uncertainty of the legislative and jurisprudential framework represents a risks that has a negative impact on loan product offers, especially on long-term products, also on the part of banks. This is particularly the case as regards anti-usury and compound interest laws. Laws that are clear, simple, common, stable and not subject to sometimes vague interpretations should be the basis for serious, reciprocally satisfactory economic relations. The currently reigning juridical incivility brakes development and results in unproductive costs that need to be sustained in order to comply with often illogical regulations against a backdrop of claims filed with the various and growing designated agencies, often moved only by dilatory, if not threatening, intentions towards banks, counting on bizarre rulings, such as have often witnessed issued.

Information on transactions with related parties

Information regarding transactions with related parties, as defined by IAS 24, is reported in "Part H – Transactions with related parties" of the Explanatory Notes, to which these financial statements refer.

Pursuant to prudential discipline on the matter of risks and conflict of interest with respect to related parties, no large transactions were carried out with related parties as per the regulations of reference and criteria adopted within the scope of implemented policies, with respect to which the Committee of Independent Directors and/or the Board of Statutory Auditors has issued a negative judgment or found cause to comment.

Measures regarding Privacy

We can confirm that the "Security Policy Document" provided for by article 34(1), letter g) of Legislative Decree n. 196 of 30 June 2003 (Italian Personal Data Protection Code) has been periodically updated. The document in question describes the measures adopted to guarantee the safety of personal data processed.

Information on environmental issues

Particular attention has been dedicated to environmental issues. All work involving real property was carried out in compliance with outstanding laws and concrete autonomous initiatives were taken, such as searching for energy-saving solutions for air conditioning systems. Significant interventions were also carried out within the scope of the graphometric signature program to reduce the use of paper for teller transactions.

6. The Internal Controls System and risk management

The internal controls system

An efficient control system is essential to the pursuit of corporate objectives. Corporate governance regulations and internal organizational layouts must ensure the conditions for sound, prudent and efficient company management. Company risks are controlled within a precise organizational model that integrates control methods and functions on different levels, which all converge on common objectives, to ensure the efficacy of operating processes, safeguard the integrity of corporate assets, protect against losses, guarantee the reliability and completeness of information and verify the correct performance of activities in compliance with internal and external regulations.

Within this frame work, effective interrelations between corporate functions are particularly important, in order to ensure an all-encompassing view of the risk and a dynamic process to adapt control methods to changes in the internal and external context.

Clear and exhaustive identification of the risks to which the bank is potentially exposed is a *sine qua non* condition in order to ensure that said risks are taken on consciously and managed efficaciously by means of appropriate instruments and risk mitigation and transfer techniques.

Consistently with its business and operational model, the Bank is exposed to various types of risks that are principally inherent to typical financial and credit trading operations, prevalently credit risk and certain types of operational risk intrinsic to banking activities. To illustrate the organizational set-up and operational procedures adopted to control the various risk areas and the methods used for risk measurement and prevention, please consult the qualitative and quantitative information notes found in part E of the Explanatory Notes - information on risks and the relative hedging policies.

The Bank has also implemented a risk management and control system within which the control and production functions are separated and that is articulated on three levels, in accordance with the definitions established by the Supervisory Authority, as described following.

Level I controls (at a general level): carried out by the same operative structures that performed the transactions, done following protocols that establish the relative timeframes, manner in which they are conducted, and reporting requirements. They are for the most part incorporated in the reporting procedures to ensure that transactions are performed properly and that appropriate operating procedures are imposed.

Level II controls: the monitoring of activities, work processes, departments etc. by means of ad hoc reviews, systematic extractions of documents and data, and overall assessments. Such activity is the competence of the Inspector's Office, and is aimed not so much at finding something that is specifically lacking, but rather at evaluating whether the organizational system has gaps and/or is incomplete in order to intervene. The controls conducted by the Compliance, Risk Management, and Money Laundering Departments directly and/or through service contracts with other company departments are also included in this category. Pursuant to Article 6 of Legislative Decree 231/01, the Supervisory Body also falls within this category.

In greater detail, second level controls include the following:

- Regulatory compliance, carried out by the Compliance Department with the specific task of promoting observance of external regulations (regulatory laws and standards), corporate governance regulations, as well as internal conduct codes, to minimize the risk of regulatory non conformity and the risks to reputation associated thereto, aiding in the realization of the corporate model for risk control and management, for those issues that fall within the range of competence of the above Department.
- Controls on risk management, conducted by an internal structure (Risk Manager) responsible for defining risk measurement methods, verifying respect of the limits assigned to the various operating functions and controlling the operational coherence of individual production areas vis-à-vis risk/performance objectives, quantifying the degree of risk exposure and the possible economic impact thereof. The Credit Control Office operates within this framework.
- Controls regarding the management of money-laundering risks and the risk associated to financing international terrorist activities, carried out by the Anti-money Laundering Department, with the specific task of continuously verifying that company procedures are consistent with the objective of preventing and contrasting violations of external regulations (regulatory laws and standards) and corporate governance regulations on the matter of money laundering and financing of terrorist activities.
- Technical and operating controls: carried out by the Audit Department and aimed at controlling the integrity of operations with respect to internal regulations. This activity also entails daily remote audits on the principal business processes, on-site inspections and the examination of paperwork.

Level III controls: Internal Auditing, aimed at assessing the adequacy and functioning of the overall Internal Control System, consisting of the first two levels and having the objective of identifying anomalous management trends, inadequate procedures, and the lack of regulation, as well as governance activity. Internal Auditing has been outsourced for some time to the company Meta srl, also to increase third party review.

The role performed by the Board of Statutory Auditors within the Internal Control System remains a central reference point that has made it necessary for the Statutory Auditors to engage in constant updating in order to be aware of the numerous regulatory changes which have never been so frequent as during the past few years, and the related impact on the performance of the control function assigned to them, which primarily converge on level II and III controls, verifying the precise application of the principal laws on money laundering, usury, transparency and risk management in general.

Another control function is represented by Risk Management, as noted, responsible for the level II control, but which is also specifically aimed at analyzing the management of the major corporate risks, from the Finance Area to the Credit, Liquidity, operating risks, legal risks, risks to reputation, etc. The department also monitors the ICAAP (Internal Capital Adequacy Assessment Process) report. Such report, which is sent to the Bank of Italy, is prepared at a corporate level on a quarterly basis with respect to the annual frequency that is required. The quarterly ICAAP report indicates the measurement and monitoring of all known corporate risks contemplated by the rules of Basel 2, and is an important supplement to the management control tools being used.

The Compliance Department identifies, assesses, manages and monitors risks of non conformity to regulations, assessing everything using a methodological approach that results in an annual report submitted to the attention of the Board of Directors, which is thus fully informed of any issues that are raised. The department is managed by qualified internal human resources expressly dedicated to the above, because this is considered to more fully correspond to the constant involvement in the corporate situation that is required for suitable incisiveness *ex ante* the department.

The Supervisory Body pursuant to Decree 231/01 (Administrative Liability of companies and entities) has become another important reference point within the general control structure, including with the specific duties attributed to it by Legislative Decree 231/07 in terms of money laundering. It consists of a board having two internal members and a non-operative director, and conducts a series of controls on cases indicated as "potential" criminal offenses within the Bank's structure, identifying or proposing corrective measures when the assessment of the current structure or work process are not considered to be fully adequate as a control capable of impeding theoretical "potential" crimes.

On 2 July 2013, Bank of Italy issued new provisions on the matter of "Internal control systems, information systems and business continuity procedures" (Prudential Supervision of Banks – Circular n. 263 of 27 December 2006 – 15th update), effective as of 1 July 2014.

These provisions introduce significant novelties with respect to the current regulatory framework, with the aim of equipping banks with a complete, adequate, functional and reliable internal control system, while regulating the role of corporate bodies within internal control structures, the role of corporate control functions, the outsourcing of corporate functions, the information system and operating continuity.

As a first step, Bank of Italy requires a self-assessment report – with the *gap analysis* relative to the company situation vis-à-vis the requirements of the new regulations and specification of the measures to be adopted, along with the timeframes for the interventions required to ensure compliance with the provisions– and a list of outsourced contracts in force on the date that the provisions entered into force, and their respective duration.

In order to prepare all the documents required by the Supervisory Authority, the Bank has undertaken a specific project, with the participation of Cabel and highly skilled external professional consultants, within the scope of which the following activities were carried out:

- Analytical measurement of the current situation and of any remaining gaps with respect to every regulatory requirement;
- Identification, for each gap, of the impact and interventions to ensure the compliance of governance, company processes, internal procedures, organizational structures, information systems and human resources;
- Identification of the definition of "outsourcing" and mapping of outsourcing contracts.

Therefore, the self-assessment report sent to the Supervisory Authority in January 2014, illustrated the results of the gap analysis carried out and the interventions required to ensure compliance with all regulatory requirements. The report included the list of outsourcing contracts relative to company functions as well as the specific questionnaire with the results of the gap analysis with respect to regulatory requirements of chapters 8 (Information Systems) and 9 (Operating Continuity) of the new regulations, as requested by Bank of Italy with communication issued on 6 December 2013.

The interventions identified will be carried out during the second stage of the project, within the terms set forth in the new regulations.

Risk management

The category of risks to which the Bank is exposed is in part common and in part dependant on the type of activity performed, its corporate structure, size etc. In the Bank's case, the risks identified as significant that regard it, on the basis of the analysis performed, refer to credit risk (including counterparty risk), interest rate risk, risk of concentration, risk of geographical-sector concentration; liquidity risk, risk deriving from securitizations, strategic risk, market risk, risk to reputation, operating risk, and residual risk: all risk types related to the normal banking and financial activity that the Bank performs.

In compliance with Bank of Italy Circular n. 285/2013, the following new risks were identified within the scope of the ICAAP process:

- Country risk: refers to the risk of potential losses that may be generated by an event that occurs in a country other than Italy.
- Transfer risk: refers to the risk that a bank that exposed with respect to an obligor who is financed in a currency different from that of its main sources of income, incur losses due to the debtor's difficulty in converting currency.
- Basic risk: refers to the risk that derives either from compensation of positions in one or more capital securities included in a stock index or with one or more positions in futures/other derivatives (i.e. options) correlated to said index or by opposite positions (long/short) in

derivatives on notes/stock indexes that are not identical in terms of date of expiry, subscriber, or both.

Within the ICAPP process, the Bank periodically quantifies its exposure to said risks.

The Bank determines overall internal capital, i.e. the need for capital related to all of the risks cited above and with respect to which it is exposed in order to cover losses that exceed the forecast level data, including any need for internal capital related to strategic considerations.

Risk measurement includes a specific *"stress test"* which simulates severely compromised economic situations that would result in grave losses and additional financial requirements. The process in question, on the basis defined homogenously for comparison with the Supervisory results, indicates that the Bank has a positive level of capital adequacy even in the presence of the negative factors hypothesized during such simulation phase. The relative results, suitably analyzed, assessed and commented on, are a reference for the operating choices made based on the type of risk involved, better weighting of exposure to such risks, and the level of the Bank's vulnerability in the case of exceptional but plausible events.

With respect to non-quantifiable risks, such as the risk to reputation, residual risk, strategic risk, etc., the Bank, consistently with the indications provided by the Bank of Italy in the context of a specific law, has prepared appropriate internal controls and their implementation, which, due to their specific nature, are reconsidered and verified at least annually.

Overall risk management is done making constant reference to the regulatory context of reference, the internal organizational structure, and transactions performed in terms of products and markets. The results of such work, carried out collectively with the transversal involvement of corporate departments and structures at different levels with a focus on all of the above risks, whether verified in a static, dynamic or future context, are submitted to the Board of Directors and to the Board of Statutory Auditors to verify consistency with the Bank's goals, as well as compatibility with its capital and current organizational structure. The review in question is a central moment of corporate governance, in order to determine the general orientation and set-up of the Bank's organizational structure.

The markets and products of reference are prevalently traditional and mainly aimed at the retail and small-to-medium sized business sectors.

Trade volumes are defined consistently with decisions made during strategic planning, in order to guarantee current and future profitability levels that are coherent with respect to the defined risk limits and capital stability and adequacy.

In this type of approach, the strategy for development is consistent with the consequent assumption of risks as estimated and considered sustainable. An important role is played by the measurement/assessment of capital absorption calculated prudentially, based on standard vigilance methods and the internal management models applied, as well as by relevant risk indicators and pre-set threshold values in terms of risk appetite, risk tolerance and risk capacity.

In the light of provisions set forth by Supervisory body, as already mentioned, the Bank constantly controls the risk of capital absorption on a quarterly basis, both in terms of short-term forecasts (future adequacy of ICAAP report) and with respect to the contents of the corporate Strategic Plan.

Part E of the Explanatory Notes - "information on risks and the relative hedging policies" provides specific qualitative and quantitative information useful to a complete comprehension of these aspects, dealing with the aforementioned risks in an in-depth manner.

7. Research and development

The Bank actively promotes research and development, both at an operational and at a trade level, also through the participation of its most important collaborators in technical work groups organized and promoted by Cabel Group. In addition to these activities, the Bank participates in the initiatives organized the ABILAB, Research and Innovation Center for Banks, promoted by the Italian Banking Association to favor collaboration between banks, companies and Institutions, which strive to provide a tool to aid comprehension of the advantages that may derive from the use of advanced technologies to optimize internal processes and the creation of new products and services for customers.

Moreover, the Bank promotes and coordinates various research activities carried out in a collaborative effort between the banks and associated technology partners.

8. Significant events during the course of the fiscal year

There were no significant events during the course of the fiscal year, save for the markedly critical situation of the major part of the productive system, with a consistent drop in consumption at a generalized level and the consequent increased overall credit risk.

In this complex and widespread difficulty, our Bank continued to carry out its activities in a stable and harmonious manner, serving families and businesses, and striving to improve management efficiency, increase deposits, lending and number of customers, improve capital solidity and achieve significant profit results that meet the pre-set objectives.

9. Significant events after the close of the fiscal year

In compliance with current regulations, information is provided below regarding significant events after the close of the fiscal year.

At a national level, note must be taken of the installation of the new Government on 22 February last, lead by a Tuscan, which follows the previous Government that was also lead by a Tuscan. Tuscany, as during Humanism and the Renaissance, can and must once more become a point of reference for economic and social recovery, leveraging its cultural heritage and that creative resourcefulness and stubborn determination that has made our productive system great.

As already mentioned, for the Bank, the year began with the inauguration of the thirty-second branch in San Miniato Basso. Already during these first weeks of activity the feedback on activity is positive and enriched by the benevolence and openness with which we are welcomed even in local markets that are new to us, a fact that once again confirms the validity of our approach to banking.

The "Self-assessment report on the corporate situation in compliance with the dictates of Circular n. 263/2006, 15^{th} update of 2 July 2013" was sent to Bank of Italy at the end of January. The report contained the self-assessment of the corporate situation vis-à-vis the forecasts of the new regulations, the so-called "gap analysis", along with the specification of the measures to be implemented and the relative timelines, to ensure full compliance with regulations currently in force on the subject matter.

During the first months of 2014 the Credit Department was reorganized, centralizing all the credit analysis and technical assessment activities in a single structure at the offices. This organizational change is the natural evolution of the positive results of the loans area office, optimizing operations in terms of the coordination and method standardization that may be achieved by concentrating multiple resources with highly specialized professional skills in a single office. This new structure represents a strategic step in terms of credit risk assessment and management, which fully satisfies the need for greater selectivity with respect to the current context, and to improve process efficiency also with a view to expanding the size of operations.

10. Foreseeable management trend

The general economic scenario remains uncertain and irregular across Europe. In peripheral countries, economic activity continues to stagnate, the labor market is weak and unemployment rates are high.

The main economic forecasts for our Country point to the return of a moderate growth in the 2014-15 two-year period, driven by foreign demand and the gradual recovery of investments in production, favored by improved outlooks for demand and greater cash holdings on the part of businesses. The forecasted ratio between investments and GDP continues to be below historical averages. Consumption is estimated to be weak, and occupation is expected to improve only in 2015.

The connection between sovereign risk and banking risk is still relevant. Low market rates limit profit margins and additional possible critical issues may result from the evolution of the regulatory framework of reference. Hence, uncertainty continues to prevail and this will influence the results and trends of the banking system in general.

Prolonged recession, deleveraging and stricter capital requirements have contributed to mitigating the difficulty of the operating context for banks, especially small-medium banks. However, overdue credits, as a percent of total loans, continue to be significantly high.

The banking sector will be called upon to face numerous challenges during the year ahead: the Asset Quality Review and the stress tests that will be carried out by the ECB and by the EBA, with a view to single European vigilance, the persistent deterioration of asset quality, the payment of the LTRO loan the bail-in of banks in difficulty, which constitute a not negligible market share. The exit strategy from the LTRO should not, *per se*, represent a risk, but the reduction of carry trade portfolios will entail a reduction of flow to operating profit. Income, margins and profitability of Italian banks will be able to improve only if the prospect of economic recovery is confirmed and doubts regarding the stability of the system are dissipated.

In this problematic context, our Bank, albeit in the presence of expected rates still at minimum levels, should register a substantially steady income margin. As regards credit risk, our approach will continue to be cautious and prudential and the credit cost, while remaining high, should begin to improve. Once again, the result of financial activities will be influenced by market trends, which are subject to unfathomable factors, although the reduction of the so-called sovereign risk should bring some benefits. Despite the expansion of the structure and the ever more pressing "regulatory compliance" costs, the increase in operating costs is expected to be contained.

11. Proposal for the al location of the fiscal year profit

In the context of the general standards used to prepare financial statements, it is specified that they were prepared in accordance with the principle of accounting accruals, in compliance with the economic principle of substance over legal form, with an outlook of ongoing corporate activity.

The above considerations are made following Document n. 2 of 6 February 2009 issued by Bank of Italy, Consob and Isvap, and subsequent Document n. 4 of 3 March 2010, relative to information that must be provided in financial statements regarding corporate outlook, with specific reference to corporate continuity, financial risks, controls for the reduction of activity levels (impairment test) and doubts regarding the use of estimates, wherein considerations were made regarding the contingent market situation and difficulties for businesses, requesting that the Board of Directors provide, within the Financial Statements, information that is indispensible to better comprehend corporate trend and outlook.

On this matter, we confirm that we are reasonably certain that the Company will continue to operate profitably in the foreseeable future and, consequently, the Financial Statements for 2013 were prepared with an outlook of ongoing corporate activity.

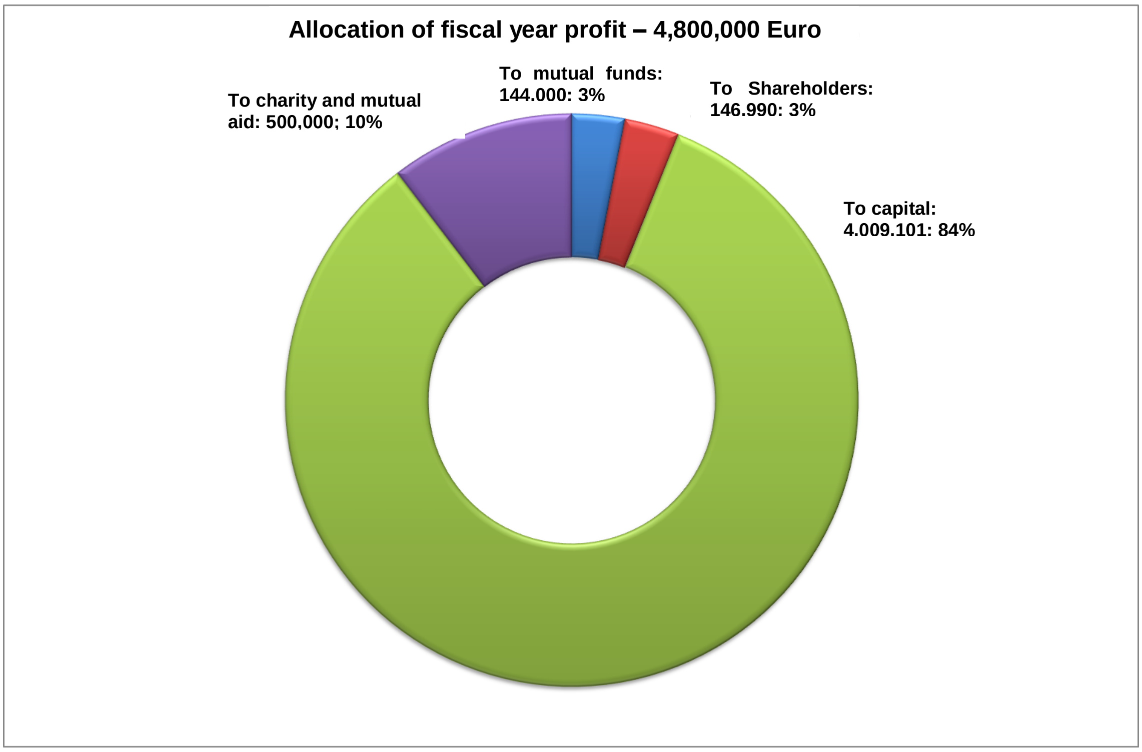
Moreover, please note that the capital structure and operating trend contained no symptoms that may conceivably hint at doubts as regards corporate continuity.

The financial statements were submitted to an audit by Baker Tilly Revisa Spa, which purchased the company branch from Bompani Audit Srl of Florence, with a favorable outcome.

On the basis of what is set forth herein, the Board of Directors therefore proposes to the Shareholders' Meeting the distribution of a divided scaled to the measure of 5.00% of the par value of the shares and a gratuitous revaluation having a par value of 3.00 Euro per share.

Therefore, in accordance with Article 49 of the By-laws, it is proposed that the profit be allocated as follows:

	Project for the al location of the fiscal year project	Amount
1	To the indivisible reserves set forth in Article 2 of Law no. 904 of 16.12.1977, confirming exclusion of the possibility of distribution among Shareholders under any form, both during the life of the Bank as well as at the time it is dissolved, specifically:	
	To the ordinary/legal reserve set forth in Article 37(1) of Legislative Decree no. 385 of 1.9.1993	3,518,060.90
	of which to the reserve pursuant to Article 6 of Legislative Decree 38/2005	*526,869.05*
2	To extraordinary/statutory reserves	461,546.45
3	To mutual aid funds for the promotion and development of cooperation (equivalent to 3% of net profits in accordance with Article 11(4) of law no 59 of 31.1.1992 and subsequent modifications)	144,000.00
4	To Shareholders as dividends in the measure of 5.00% of the nominal value (scaled to the capital paid and the date of payment)	146,989.65
5	To Shareholders for the gratuitous revaluation of shares (equivalent to 3.00 Euro per share)	29,403.00
6	Available to the Board of Directors for charity and mutual aid	500,000.00
	Net fiscal year profit	**4,800,000.00**



12. Final comments

Dear Shareholders,

20 April 2014 is the 130th anniversary of the foundation of your Bank that, we must remember, is the oldest cooperative credit bank in Italy and one of the most important in terms of size. This is an important milestone, in a history that is long, but that is not written *a posteriori* containing only those facts that historians deem worthy of memory, omitting some and emphasizing others based on personal preference, ideology, and immediate needs. Indeed historical events have been revisited many times and in many aspects throughout the years. But ours is a history, a story, that is written every day by a multitude of authors, and so it becomes the story of each of those writers. Furthermore, is has many careful observers and supporters and, of course, it is not without critics, those who criticize for the sake of criticism, and even a few deprecators, as is correct for the sake of a just and complete representation. But our history, with all its components

and enriching details, is a true story, made not for the characters but for the bank that is founded on concrete facts, numbers, programs, acknowledgements. It is with the full awareness of the value that embodies our Bank, confirmed by its 130 splendid years, that we should all feel the import of the social utility that it represents for all the local communities that we serve. This conviction must accompany us all and always, to favor growth and development of the Bank. And we must consider it our duty towards those who have come before us, favoring the foundation and growth of the Bank, to transfer this value to those who will come after us and who will be called upon to ensure that criteria of independence continue to prevail, refusing to be subjected to influences and conflict of interest, principles that have always been at the base of the activities carried out. In this way, the Bank's future for the next 130 years will be guaranteed, with the same positive results that accompany it today.

Moving on from the celebratory and sentimental part associated to the 130th anniversary, to the capital, economic and financial data of the financial statements, worthy of note is the marked positivity of the overall corporate situation from a technical point of view, which puts the Bank in a position to be able to program and sustain an ordered growth, consistent with principles of sound and prudent management and a strong bond with the territory, from which it gathers financial resources to reinvest on the same territory, striving to continue to support families and local business, initiatives and innovation.

Finally, the Board would like to thank, not just as a formality, but with true sentiment:

- all our customers, for whom we have always had the greatest respect and consideration, to guaranty the highest quality services and products;
- the Board of Statutory Auditors, for the competence and dedication shown in carrying out their important role and for the ongoing collaboration;
- the Bank of Italy and the entire staff at the Florence branch for the assistance they have always provided professionally and willingly, and all the other Supervisory Authorities, for the competent collaboration provided;
- our friends at Cabel Group for their precious and ongoing contribution in searching for and creating solutions in support of the Bank's operations and activities;
- General Management, for the commitment, skills and dedication demonstrated in managing the Bank;
- The entire body of personnel, for their sense of belonging, for partaking in the cooperative spirit, for the immense commitment to their work, for the enthusiasm shown in being an active part of the Bank's life.

Most of all, however, we would like to sincerely thank all of you Shareholders, for the loyalty, attachment and trust demonstrated on a daily basis, towards your Bank.

With great trust in our people and in the future, we close this 130th year of operation by expressing the hope that those to come will be better years for everyone.

Castelfiorentino, 28 March 2014

The Board of Directors

Report of the Board of Statutory Auditors to the Shareholders' Meeting

To the Shareholders,
This Report acknowledges the results of the activity performed by the Board of Statutory Auditors during the fiscal year ended 31 December 2013, also with reference to the functions attributed to it by Article 19 of Legislative Decree n. 39/2010.

During the fiscal year in review, the Board of Statutory Auditors performed its supervisory activity required by law in accordance with the Italian Civil Code, Legislative Decrees n. 385/1993 (consolidated law on banking - "TUB"), n. 58/1998 (unified financial services act - "TUF") and n. 39/2010 (consolidated act on statutory auditing), in statutory regulations, as well as special laws on the subject and pursuant to the provisions set forth by public Authorities in charge of vigilance and control (specifically Bank of Italy and CONSOB), as well as considering the rules of conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and Accounting Experts.

The financial statements were audited by the company Baker Tilly Revisa Spa that during the fiscal year in review purchased the company branch, from the company Bompani Audit Srl of Florence, including the assignment to audit the accounts of our Bank and as regards the statutory audit, reference is made to their report, pursuant to Article 14 of Legislative Decree n. 39 of 27 January 2010.

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In accordance with Article 2429(2) of the Italian Civil Code, specific reference is made to the following issues.

1. Supervisory activity performer in compliance with its obligations

During the course of fiscal year 2013 the Board of Statutory Auditors supervised compliance with law and the By-laws, as well as compliance with principles of proper administration and sound and prudent management.

The Board, also acting as the "*Internal control and auditing committee*" in accordance with Article 19 of Legislative Decree no. 39 of 27/01/2010, controlled the adequacy of the financial information process, finding it to be adequate to the business activity and regulatory requirements.

As will be set forth in detail below, we also supervised the effectiveness of the internal control system and internal audit system, capable of addressing the risks that arise in the Bank's activity.

The supervisory and control activity was performed in the different areas noted above, as follows: 1) participation at meetings of the Board of Directors (23), the Executive Committee (42) and the Shareholders' Meeting; 2) meetings with the company entrusted with the statutory audit; 3) controls with the managers of the various corporate departments, in particular with the Compliance and Risk Management Department, with the head of the Inspector's Office, and with the company entrusted with the internal auditing; and 4) meetings with the "Supervisory Authority in accordance with Legislative Decree 231/01".

By participating at the meetings of the Board of Directors and the Executive Committee, the necessary information was acquired, both to evaluate the Bank's trend with regard to its overall capital and economic development, as well as to evaluate its most significant operations. The Board of Statutory Auditors can confirm that, to the extent it is aware, management operations were performed in conformity with law and the By-laws, were in the Bank's interests, and did not appear to be manifestly imprudent, irrational or reckless in such a way that would compromise the integrity of the Bank's capital, create a conflict of interest, or conflict with the resolutions approved by the Shareholders' Meeting.

Participation at the meetings of the Board of Directors also allowed us to verify that delegated individuals reported on the operations they performed in accordance with the powers attributed to them, the general management trend, and its foreseeable development. The directors also reported any cases of conflict of interest, in accordance with outstanding provisions of the Italian Civil Code in order to allow proper decision-making procedures to be implemented pursuant to Article 136 of the Consolidated Law on Banking.

It is noted that the Board of Statutory Auditors met with the managers of the Independent Auditor, with whom it exchanged information related to audits of the financial statements and other controls that they performed. The managers of the Independent Auditor did not advise of any circumstances, irregularities or censurable facts that had to be reported to the Supervisory Authority or the Board of Statutory Auditors.

With respect to the adequacy of the internal control system, the Board of Statutory Auditors interacted with Meta srl, the company entrusted with the internal auditing which is an autonomous and independent structure, as the recipient of the inspection reports containing the results of the controls that such service carried out during the course of the year.

With respect to second level controls, the interaction, which has always been successful, regarded:

The Risk Management Department, whose analysis and study, the object of periodic reports of the controls it carried out directly as well as those carried out by the Inspector's Office, Management Control Office, and Credit Control Office due to the service relationship established with the Department, allows this Board to receive adequate information in relation to the monitored risks falling within the Department's scope of activity, the effectiveness of the departments entrusted with examining and measuring the different types of risk, and the coordination of such departments aimed at the overall vision of risk. The Board of Statutory Auditors also examined and shared the program of activity of the Inspector's Office;

the Compliance Department, which we consult to review and assess specific issues, above all innovations, with reference to the legal framework with which the Bank must comply; we receive reports from this Department regarding the state of company compliance with respect to the areas of the Department's competence;

The Anti-money Laundering Department, which also sends us reports on its delicate sector, reports whose level of clarification fully represents, among others, organizational and electronic controls in terms of an adequate control of customers and the supply of information to the Centralized Computer Archive.

On the basis of the above premises, we consider the internal control system – in its entirety – suitable for guaranteeing the control of risks and compliance with applicable regulations and procedures.

During the fiscal year in review, still as regards internal audits, the Board of Statutory Auditors was also able to evaluate, by examining the relative documents, the effects of the additional provisions issued by Bank of Italy (Circular n. 263 of 27 December 2006 – 15th update of 2 July 2013) with respect to the current corporate situation. To this end, the Board of Statutory Auditors examined the self-assessment report drawn up by the Bank (the so-called Gap Analysis), noting the congruency of interventions regarding organizational compliance required as a result of the report itself.

The Board of Statutory Auditors also assessed and supervised the adequacy of the administrative and accounting system, as well as the latter's reliability in accurately representing management activity, by means of numerous meetings with the Risk Management Office, the review of company documents and, primarily, the ongoing analysis of the results of the work carried out by the Independent Auditor, which was entrusted, as noted, with the specific task of the statutory audit of the accounts.

During the course of the audits and controls conducted, considering the information acquired, including by means of ad hoc reports prepared by the offices entrusted with control functions, no indications appeared of any irregularities in corporate management that would indicate any particular organizational deficiencies.

In conclusion, in consideration of the information obtained during the course of the supervisory activity performed, the Board of Statutory Auditors considers that the organizational structure, internal control system and accounting-administrative structure are consistent with the Bank's size, are adequate for its operating needs and have been timely adjusted/refined based on the evolution of such needs and, specifically, the laws and regulations that regulate the Bank's activity.

According to the information obtained by the Board of Statutory Auditors, no atypical and/or unusual operations were performed during the course of the fiscal year.

Relationships with related parties took place on the basis of the Regulations approved during the year as implementation of the provisions set forth in the Bank of Italy's Measure *«Risks and conflict of interest with respect to related parties»*, which entered into effect on 31 December 2012. The Board of Statutory Auditors, in its supervisory function, has always found compliance with the regulations on this topic. Indeed, transactions were always in line with market conditions or, where appropriate reference parameters were missing, according to cost and, in any event, on the basis of evaluations of objective reciprocal convenience and correctness. No large transactions were carried out with related parties, pursuant to the regulatory provisions of reference and criteria adopted within the scope of corporate policies, regarding which the Independent Directors and/or the undersigned members of the Board of Statutory Auditors expressed a negative opinion or formulated reports.

The document *"Remuneration policies for directors, employees and collaborators who are independent contractors"* was found to be adequate, consistent with supervisory regulations and in conformity with what was indicated by the Internal Audit department, and the Board found that it was properly applied during the course of the fiscal year. In addition to the financial statements, the Shareholders' Meeting is being provided with the information, duly formulated, and required with respect to the effective manner in which remuneration policies are applied.

On the basis of our control and audit no significant facts emerged that had to be reported to the Bank of Italy.

With respect to the activity performed, the Board of Statutory Auditors wishes to specifically note the following business and corporate circumstances:

- the Board of Statutory Auditors met 10 times during the course of the fiscal year;
- no complaints or allegations were made pursuant to Article 2408 of the Italian Civil Code;
- the Board of Statutory Auditors did not have to issue any opinions required by law as there was no need due to the lack of pre-requisites;
- during the course of the fiscal year, the activity of the Supervisory Body, which was established in accordance with Legislative Decree 231/2001, continued on a regular basis. Its activity consisted of examining the organizational and management model and the training program for personnel, as well as advising the Bank's managers of the need for ongoing collaboration, useful for allowing full and effective activity to prevent the crimes provided by the above law;
- procedures and activities were also initiated and further adjusted that were required for compliance with the Legislative Decree 231/2007 on money laundering. We have found the positive development that characterized the progressive adjustment of operations that the Bank implemented in order to conform to the new regulations. The Board supervised the above legal, organizational and operational adjustment process, and, following its own controls, considers it to conform to the provisions of the Supervisory Authority; the Bank has maintained adequate rules.
- the procedure for the autonomous assessment of capital adequacy (ICAAP) was promptly determined and implemented in accordance with the regulatory guidelines; as discussed by the Board of Directors, the capital is fully adequate for the risks assumed;
- the law on the transparency of banking and financial services and transactions was implemented;
- in terms of usury, the Bank's operations were conducted in compliance with Law no. 108/1996 and the Implementing Provisions of the Bank of Italy;
- with reference to the law on privacy, the provisions of Legislative Decree 196/2003 were complied with;
- as required by Article 136 of the Consolidated Law on Banking, the Board unanimously confirmed the transactions conducted, directly or indirectly, by the Bank's representatives, all approved in accordance with law, including Article 2391 of the Italian Civil Code;
- with reference to the 24 complaints received by the Bank in 2013, the enquiry procedure and management of such cases was found to be proper; further, it was determined that the parties involved were given a timely and reasoned response and that such complaints were properly represented to the Bank's bodies according to regulatory requirements;
- it is certified that, with the participation required of employees, the necessary training was conducted regarding money laundering, privacy, the placement of insurance and financial products, transparency, and occupational safety.

2. Fiscal year results

The data of the 2013 financial statements submitted to your approval is summarized in the most significant aggregates set forth below, and compared with those of the 2012 financial statements.

	2013	2012
BALANCE SHEET		
Financial assets	856,632,637	625,912,303
Receivables from customers	1,866,327,600	1,907,765,547
TOTAL ASSETS	**2,981,840,792**	**2,745,342,837**
Payables to customers	1,496,449,885	1,099,791,265
Outstanding securities	782,026,824	891,684,141
Shareholders' equity	256,171,181	247,601,809
Fiscal year profit	4,800,000	5,200,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,981,840,792**	**2,745,342,837**
INCOME STATEMENT		
Interest income	38,176,551	39,041,264
Net commissions	19,163,699	17,559,154
Operating income	70,991,509	63,215,485
Net income from financial assets	22,010,248	15,038,025
Operating costs	48,981,261	48,177,460
Fiscal year income tax on current operations	-3,522,769	-4,332,464
FISCAL YEAR PROFIT	**4,800,000**	**5,200,000**

3. Comments on the financial statements

It is noted as follows:

- The draft financial statements were prepared, as implementation of Legislative Decree no. 38/2005, from a substantive standpoint, in accordance with the Supervisory Regulations contained in Circular no. 262 of 22 December 2005 of the Bank of Italy and in application of the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Union, and in effect as of the date the financial statements were closed, as well as the related interpretations (SIC/IFRIC). Such accounting standards are reported analytically in part A.1, section 2 of the Explanatory Notes. The above documentation duly considers what is provided in the Joint Document of the Bank of Italy, Consob and Isvap no. 4 of 3 March 2010, on the information to be provided in financial reports on controls of the reduction of value of assets (impairment test), on the contractual clauses of financial liabilities, on debt restructuring and on the "hierarchy of fair value";

- the draft financial statements, as prepared, correspond to the facts and information the Administrative Body was aware of as of the date of their approval;
- The Report on Operations contains the information required by outstanding law and completes, in a clear manner, the content of the fiscal year financial statements; specifically, in the Report on Operations and in the Explanatory Notes, the directors have provided the information required by Document no. 2 of Consob, the Bank of Italy and Isvap of 6 February 2009 on "business continuity" *(going concern)*, and they prepared the financial statements based on an expectation of business continuity. The Board agrees with the judgment expressed and confirms the reasonable expectation that the business will continue operating in the foreseeable future.

With respect to the fiscal year financial statements as of 31 December 2012, which indicate a profit of 4,800,000 Euro, the company Baker Tilly Revisa Spa, entrusted with the statutory audit of the accounts, issued its professional opinion today in accordance with Articles 14 and 16 of Legislative Decree no. 39/2010 on the reliability of the financial statements in object without any comments or objections.

As noted, with respect to the supervisory activity regarding the financial statements for which it is responsible, in addition to the provisions of the Italian Civil Code and provisions of the Supervisory Authority, the Board of Statutory Auditors complied with the rules of conduct established by the National Council of Accountants and Auditors.

In conclusion, the Board of Statutory Auditors approves the 2013 fiscal year financial statements, which were duly made available within the prescribed term.

Specifically, in accordance with Article 2426(5) of the Italian Civil Code, the Board consents to recording multi-year software costs and expenses, amounting to a total of 176,909.55 Euro, in asset line item 120 "Intangible Assets". The entry is at cost, net of constant rates of amortization over five years. Again with the Board's consent, the expenses for improvements to third party assets corresponding to 562,100.21 Euro were allocated to asset line item 150 "Other assets" and were amortized directly on the basis of the duration of the leases.

We certify that the Directors provided the information required by Article 10 of Law no. 72 of 19 March 1983 in a special schedule annexed to the financial statements.

The Board of Statutory Auditors, in compliance with the provisions of Article 2 of Law no. 59/1992 and Article 2545 of the Civil Code, approves the standards followed by the Board of Directors in its social activity to pursue mutual aid objectives in conformity with the cooperative nature of the company, and set forth in detail in the report on operations presented by the Directors. Specifically in such regard, we confirm that in 2013 as well the Bank remained faithful to its social mission of cooperative credit. Consistently with such mission, it sustained the economies in the territories in which it operates, supporting families and the activities of the companies operating therein.

We further wish to emphasize, including due to their effect on the economic result, the strict criteria adopted in assessing receivables also in 2013, whose qualitative deterioration, induced by the continuation of the economic recession, has required the progressive alignment of loss forecasts to the growing risk. Such orientation represents a determined «factor safeguarding the integrity of capital», including in prospective terms, considering the persistence of the difficult economic situation and uncertain outlook with respect to economic recovery. The Bank's considerable capital assets should also be emphasized, an endowment that is reassuring in any case due to its ability to absorb negative trends, both present and future, of the economic situation.

4. Proposals regarding the financial statements

Upon the conclusion of the specific controls carried out, the Board can certify that the Report on Operations is consistent with the Bank's financial statements as of 31 December 2013 and indicates business performance, its current trend and outlook. This is true with reference both to the financial information, as an analysis of the income, asset and financial situation and indictors of capital adequacy, as well as with respect to other information, such as risks and uncertainties concerning the Bank's activity, its management, human resources, cultural and promotional activities, security, mutual aid activities, and business performance. The significance of credit risk, liquidity risk and market risk was adequately indicated, also in consideration of the strong market tensions. The Explanatory Notes indicate the measurement criteria used and provide all of the information required by laws currently in force, including information on credit risk, market risk, liquidity risk and operational risks.

As conclusion of our report, in repeating that on the basis of the supervisory activity carried out no critical events appeared and no omissions or irregularities were found, the Board of Statutory Auditors expresses its favorable opinion, to the extent of our responsibility, for the approval of the financial statements for fiscal year 2013 and related proposal for the allocation of the fiscal year net profit, which it certifies conforms to law and the By-laws and is suitable in view of the Bank's economic and financial situation.

The distribution of dividends proposed is for a negligible amount and allows capital adequacy, both current and future, to be maintained, consistently with the overall risks assumed.

✦ ✦ ✦ ✦ ✦

The Board sincerely thanks all of the Bank's departments for the collaboration provided to the control body during the course of the fiscal year while carrying out its institutional functions.

Castelfiorentino, 14 April 2014

The Board of Statutory Auditors

Prof. Stefano Sanna	Chairman
Prof.ssa Rita Ripamonti	Acting auditor
Prof. Edoardo Catelani	Acting Auditor

(on Baker Tilly Revisa S.p.A. letterhead)

Report of the Independent Auditor

Report of the Independent Auditor
in accordance with Article 14 of Legislative Decree no. 39 of 27.1.2010
on the financial statements for the fiscal year ended 31 December 2013.

To the Shareholders of
BANCA DI CREDITO COOPERATIVO DI CAMBIANO
Piazza Giovanni XXIII, 6
50051 CASTELFIORENTINO (FI)

1. We have audited the fiscal year financial statements of Banca di Credito Cooperativo di Cambiano, consisting of the balance sheet, income statement, schedule of variations to shareholders' equity, statement of cash flows and explanatory notes thereto, for the year ended 31 December 2013. The directors of Banca di Credito Cooperativo di Cambiano are responsible for preparing the financial statements, in conformity with the International Financial Reporting Standards adopted by the European Union and with the provisions issued to implement Article 9 of Legislative Decree n. 38 of 28 February 2005.

2. Our audit was conducted according to the auditing principles issued by the National Council of Accountants and Accounting Experts and recommended by CONSOB (the Italian Stock Exchange Commission). In conformity with said standards and criteria, the audit was planned and performed in view of acquiring every element necessary to control whether the fiscal year financial statements present any material misrepresentations and whether they are, as a whole, reliable. The audit procedure included the review, based on sample controls, of the evidence justifying the balances and information contained in the financial statements, as well as an evaluation of the adequacy and fairness of the accounting standards utilized and the reasonableness of the estimates made by the directors. We believe that the work performed provides a reasonable basis for expressing our professional opinion. With regard to the opinion related to the previous year's financial statements, whose data is presented for comparative purposes as required by law, reference is made to the report we issued on 15 April 2013.

3. In our opinion, Banca di Credito Cooperativo di Cambiano's financial statements as of 31 December 2013 comply with the International Financial Reporting Standards adopted by the European Union, as well as with the regulations implementing Article 9 of Legislative Decree no. 38/2005. They were therefore prepared with clarity and represent in a truthful and accurate manner shareholders' equity and the financial situation, the economic result, variations to shareholders' equity and cash flows of Banca di Credito Cooperativo di Cambiano for the fiscal year ended on such date.

4. In accordance with laws currently in force, the responsibility for preparing the report on operations rests with Banca di Credito Cooperativo di Cambiano's directors. It is our responsibility in accordance with law to express an opinion on the consistency of the report on operations with the financial statements, pursuant to Article 14(2) letter e) of Italian Legislative Decree n. 39 of 27 January 2010. For this purpose, we carried out the procedures required by Auditing Standard no. PR 001 issued by the National Council of Accountants and Accounting Experts and recommended by CONSOB. In our opinion, the report on operations is consistent with Banca di Credito Cooperativo di Cambiano's financial statements as of 31 December 2013.

Florence, 14 April 2014

BAKER TILLY REVISA S.p.A.

Lucia Caciagli
Executive Partner
[*signature*]

BAKER TILLY
REVISA

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RELAZIONE DELLA SOCIETÀ DI REVISIONE
ai sensi dell'art. 14 D.Lgs. 27.01.2010 n.39
sul Bilancio dell'esercizio chiuso al 31 dicembre 2013

Ai soci della
Banca di Credito Cooperativo di Cambiano
P.za Giovanni XXIII, 6
50051 Castelfiorentino (FI)

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio costituito dallo stato patrimoniale, dal conto economico, dal prospetto della redditività complessiva, dal prospetto dei movimenti delle variazioni del patrimonio netto, dal rendiconto finanziario e dalle relative note esplicative, della Banca di Credito Cooperativo di Cambiano chiuso al 31 dicembre 2013. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell' art. 9 del D. Lgs. nr. 38 del 28 febbraio 2005 compete agli amministratori della Banca di Credito Cooperativo di Cambiano. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo gli statuiti principi di revisione emanati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandati dalla Consob. In conformità ai predetti principi, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, secondo quanto richiesto dalla legge, si fa riferimento alla relazione emessa da altro revisore in data 15 aprile 2013.

BAKER TILLY
REVISA

3. A nostro giudizio, il bilancio d'esercizio della Banca di Credito Cooperativo di Cambiano al 31 dicembre 2013 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. nr. 38 del 28 febbraio 2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico, la redditività complessiva, le variazioni di patrimonio netto ed i flussi di cassa della Banca di Credito Cooperativo di Cambiano per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge compete agli amministratori della Banca di Credito Cooperativo di Cambiano. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione con il bilancio, come richiesto dall'art. dall'art. 14 comma 2, lettera e), del D.Lgs. 27.01.2010, n.39. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione n. PR 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio della Banca di Credito Cooperativo di Cambiano al 31 dicembre 2013.

Firenze, 14 aprile 2014

BAKER TILLY REVISA S.p.A.

Lucia Caciagli
Socio Procuratore

Table of variations to shareholders’ equity

TABLE OF VARIATIONS TO SHAREHOLDERS’ EQUITY AS AT 31 DECEMBER 2013														
				Allocation prior fiscal year result		Fiscal year variations								
							Transactions involving shareholders’ equity							
	Amounts as at 31 December 2012	Modification of opening balances	Amounts as at 1 January 2013	Reserves	Dividends and other allocations	Variations of reserves	Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Variation of equity instruments	Derivatives on treasury shares	*Stock options*	Overall profitability Fiscal year 2013	Shareholders’ equity 31 December 2013
Share capital:														
a) ordinary shares	**2,883,035**		2,883,035				86,668							**2,969,703**
b) other shares														
Premiums on issue of new shares	**243,734**		243,734				6,828							**250,562**
a) from gains	**230,417,363**	766,316	231,183,678	4,321,932										**235,505,611**
b) other														
Valuation reserves	**14,057,677**	-766,316	13,291,361										4,153,944	**17,445,305**
Equity instruments														
Treasury shares														
Fiscal year profit (loss)	**5,200,000**		5,200,000	-4,321,932	-878,068								4,800,000	**4,800,000**
Shareholders’ equity	**252,801,809**		**252,801,809**		**-878,068**		**93,496**						**8,953,944**	**260,971,181**

Due to the new IAS 19, which entered into force on 1 January 2013, we modified the opening balance of the “Reserves” (increase) and of the "Valuation reserves" (decrease), according to the following scheme:

Description	Amounts
T.F.R.(employee severance indemnity) – actuarial profit (+) loss (-) from 2006 to 2012	-885,669
T.F.R.(employee severance indemnity) – actuarial profit (+) loss (-) from 2006 to 2012 – tax	243,559
T.F.R.(employee severance indemnity) – actuarial profit (+) loss (-) from 2006 to 2012 – net of tax	-642,110
Loyalty bonus - – actuarial profit (+) loss (-) from 2006 to 2012	-171,318
Loyalty bonus - – actuarial profit (+) loss (-) from 2006 to 2012 - Tax	47,113
Loyalty bonus - – actuarial profit (+) loss (-) from 2006 to 2012- net of tax	-124,206
Total - actuarial profit (+) loss (-) from 2006 to 2012- net of tax	**-766,316**

E OF VARIATIONS TO SHAREHOLDERS’ EQUITY AS AT 31 DECEMBER 2012														
				Allocation prior fiscal year result		Fiscal year variations								
							Transactions involving Shareholders’ equity							
	Amounts as at 31 December 2011	Modification of opening balance	Amounts as at January 2012	Reserves	Dividends and other allocations	Variations of reserves	Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Variation of equity instruments	Derivatives on treasury shares	*Stock options*	Overall profitability fiscal year 2012	Shareholders’ equity as at 31 December 2012
Share capital:														
a) ordinary shares	**2,847,220**		2,847,220				35,815							**2,883,035**
b) other shares														
Premiums on issue of new shares	**242,309**		242,309				1,425							**243,734**
a) from gains	**224,028,.551**		224,028,551	6,388,812										**230,417,363**
b) other														
Valuation reserves	**-14,581,649**		-14,581,649										28,639,326	**14,057,677**
Equity instruments														
Treasury shares														
Fiscal year profit (loss)	**7,300,000**		7,300,000	-6,388,812	-911,188								5,200,000	**5,200,000**
Shareholders’ equity	**219,836,431**		**219,836,431**		**-911,188**		**37,240**						**33,839.326**	**252,801,809**

Cash flow statement

CASH FLOW STATEMENT Indirect Method		
A. OPERATING ASSETS	*Amount*	
	2013	**2012**
Operations	**32,610,524**	**26,869,605**
- fiscal year result (+/-)	4,800,000	5,200,000
- gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value (+/-)	-421,658	-266,953
- gains/losses on assets used for hedging (+/-)	-26,200	41,796
- adjustments/write-backs of net value due to impairment (+/-)	22,010,248	15,038,025
- net adjustments/write-backs of value of property, plant and equipment and intangible assets (+/-)	2,528,942	2,524,273
- net allocations to risk and expense funds and other costs/income (+/-)	196,422	
- outstanding taxes (+)	3,522,769	4,332,464
- adjustments/write-backs of net value of groups of assets being divested net of tax (+/-)		
- other adjustments (+/-)		
2. Liquidity generated by financial assets	**-255,425,361**	**-180,438,822**
- financial assets held for trading	-74,608,064	2,748,730
- financial assets measured at fair value		
- financial assets available for sale	-155,690,612	26,802,386
- receivables from banks: on demand	-61,764,426	-33,817,041
- receivables from banks: other receivables	22,614,044	20,577,423
- receivables from customers	19,427,698	-204,604,682
- other assets	-5,404,001	7,854,361
3. Liquidity generated/absorbed by financial liabilities	**228,997,738**	**167,777,545**
- payables to banks: on demand	-2,268,126	1,123,052
- payables to banks: other payables	-78,739,762	19,857,341
- payables to customers	396,658,620	250,872,090
- outstanding securities	-109,657,317	-146,873,111
- financial liabilities from trading	-539	-33,628
- financial liabilities measured at fair value		
- other liabilities	23,004,862	42,831,801
Net liquidity generated/absorbed by operating assets	**6,182,900**	**14,208,327**
B. INVESTMENTASSETS		
1. Liquidity generated by	**-7,722**	**-14,954**
- sales of equity investments		
- dividends received from equity investments	45,000	
- sales of financial assets held through maturity		
- sales of property, plant and equipment	-52,722	-14,954
- sales of intangible assets		
- sales of branches of business		
2. Liquidity absorbed by	**-4,435,100**	**-12,812,296**
- purchases of equity investments		
- purchases of financial assets held through maturity		
- purchases of property, plant and equipment	-4,230,043	-12,692,211
- purchases of intangible assets	-205,057	-120,085
- purchases of branches of business		
Net liquidity generated/absorbed by investment assets	**-4,442,822**	**-12,827,250**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	93,496	37,240
- issues/purchases of equity instruments		
- distribution of dividends and other purposes	-839,951	-903,508
Net liquidity generated/absorbed by funding activities	**-746,455**	**-866,268**
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	**993,623**	**514,809**
KEY: **(+) generated** **(-) absorbed**		

RECONCILIATION		
LINE ITEMS OF THE FINANCIAL STATEMENTS	*Amount*	
	2013	**2012**
Cash and cash balances at the beginning of the fiscal year	8,456,788	7,941,979
Total net liquidity generated/absorbed during the fiscal year	993,623	514,809
Cash and cash balances: effect of variation of exchange rates		
Cash and cash balances at the close of the fiscal year	9,450,411	8,456,788

EXPLANATORY NOTES - PART A – ACCOUNTING POLICIES

13. A.1 - GENERAL PART

Section 1 – Statement of conformity to International Accounting Standards

The financial statements for fiscal year 2013 were prepared in conformity with International Accounting Standards (IAS - IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission in accordance with the procedure provided by EU Regulation n. 1606/2002 of 19/07/2002, as well as the measures issued implementing Article 9 of Italian Legislative Decree n. 38/2005 in effect on the date of reference of the financial statements. The implementation of the IFRS was done with reference to the systematic framework for the preparation and drafting of the financial statements, specifically as regards the fundamental principle of the prevalence of substance over form, as well as the concept of the relevance and significance of the information. The 2013 financial statements were prepared in compliance with Bank of Italy Measure n. 262 dated 22/12/2005 and subsequent updates.

Section 2 – General preparation standards

The fiscal year financial statements consist of the "Schedules to the financial statements" (balance sheet, income statement, schedule of overall profitability, table of variations to shareholders' equity, and cash flow statement), and the "Explanatory Notes". They are accompanied by the "Report on Operations". The accounts in the financial statements correspond to the Bank's accounting records. In conformity with what is provided for by Article 5(2) of Italian Legislative Decree n. 38 dated 28/02/2005, the financial statements were prepared using the Euro as the accounting currency and are based on the application of the following general standards set forth in IAS 1:

- Going concern;
- Accrual basis of accounting: income and expenses are recognized, regardless of the date of their monetary settlement, by economic reporting period and according to criteria of correlation;
- Consistency of presentation: the classification of the line items remain constant from one period to the next in order to allow comparing the information, unless the variation is required by an International Accounting Standard;
- Prohibition of offsetting: assets and liabilities, income and expenses may not be offset, unless required or allowed by an International Accounting Standard, or by the schedules prepared by the Bank of Italy.

The fiscal year financial statements were prepared in compliance with the schedules and rules on compilation issued by the Bank of Italy in Circular n. 262 dated 22/12/2005 and subsequent updates.

The schedules of the Balance Sheet and Income Statement, Schedule of Overall Profitability, Table of variations to Shareholders' Equity, and Cash Flow Statement are expressed in Euro, whereas the Explanatory Notes, unless otherwise specified, are expressed in thousands of Euro.

Section 3 – Events subsequent to the date of reference of the financial statements

See the special section provided in the Directors' Report on Operations.

Section 4 – Other aspects

These financial statements were prepared deeming appropriate the application of the principle of going concern. With reference to the information provided in document n. 4 dated 3 March 2010, issued jointly by Bank of Italy, Consob and Isvap, and all subsequent updates thereof, the Bank has reasonable expectation to continue to operate as a going concern in the future. Therefore these financial statements have been prepared according to the principle of business continuity, in that the uncertainty tied to the current economic situation has not generated any doubted as regards the Bank's capacity to continue to operate as a business concern.

Please note that the information regarding capital adequacy, risk exposure and the characteristics of the systems set up to identify, measure and manage said risks, in accordance with the provisions of Prudential vigilance for banks (Bank of Italy Circular n. 263/2006), in section IV chapter 1 "Information to the public", will be published in the Bank's Internet site, at the web address www.bancacambiano.it.

- ***Information regarding the variation / introduction of financial statement accounting principles***

IAS n. 19

The accounting principles currently in force that govern severance pay (T.F.R.) are IAS n. 19. As regards annual variations deriving from actuarial calculations of the economic components, the same IAS 19 principles provide for two possibilities:

Recognition through profit or loss;

Recognition in equity (prospect of overall profitability).

The Bank has always annually registered all variations in severance pays in the income statement; the method used has lead to some volatility as regards the results, essentially due to the impact of actuarial profits or losses. European Community Regulations n. 475 dated 5 June 2012 harmonized the new version of IAS 19, which is obligatorily applicable starting 1 January 2013. The main novelty is represented by the single booking criterion for actuarial profits and losses to be included immediately in the calculation of amounts due to employees, with a counter-entry in capital equity (Other Comprehensive Income), to be shown in the prospect of overall profitability for the period. The changes introduced by the new IAS 19 must be applied retroactively, as provided for by IAS 8 and by the transitory provisions contained in the same principles. During the first application stage, on 1 January 2013, actuarial values were recalculated net of taxes from 2006 to 2012, as follows:

Description	Amounts
Severance pay. – actuarial Profit (+) Loss (-) from 2006 to 2012	-885,669
Severance pay. – actuarial Profit (+) Loss (-) from 2006 to 2012 – Taxation	243,559
Severance pay. – actuarial Profit (+) Loss (-) from 2006 to 2012 – Net of taxation	-642,110
Loyalty bonus – actuarial Profit (+) Loss (-) from 2006 to 2012	-171,318
Loyalty bonus – actuarial Profit (+) Loss (-) from 2006 to 2012 – Taxation	47,112
Loyalty bonus. – actuarial Profit (+) Loss (-) from 2006 to 2012 – Net of taxation	-124,206
Total – actuarial Profit (+) Loss (-) from 2006 to 2012 – Net of taxation	**-766,316**

Based on the calculations, the opening balance of the following equity line items was realigned:

Reserves: increase of 766,316 Euro from 230,417,363 Euro to 231,183,679 Euro;

Valuation reserves: decrease of 766,316 from 14,057,677 Euro to 13,291,361 Euro.

IFRS n. 13

IFRS 13, which entered into force on 1 January 2013, must be applied whenever an IAS/IFRS principle provides for the valuation of an asset or liability at fair value, or additional information on fair value for an asset or liability, save for specific exceptions. IFRS n. 13 provides a new definition of “fair value”, to be intended as the “price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Therefore, “fair value” is determined based on the market value. One of the most important aspects contemplated by IAFR 13, regards the evaluation of the one’s own credit risk or that of the counterparty, for the purpose of the measurement of the fair value of financial instruments evaluated in the financial statements based on this criterion. The application of the new principle did not, however, have a significant effect on the Bank’s statement of assets and liabilities or economic report, in that as regards operations in OTC derivatives, the Bank stipulated and applied guarantee contracts and therefore, given the substantial mitigation of counterparty, third party and/or own risk, the Bank did not calculate the relative corrections. Furthermore, the Bank has no financial liabilities measured at “fair value option” in the financial statements.

14. A.2 – PART RELATED TO THE PRINCIPAL LINE ITEMS OF THE FINANCIAL STATEMENTS

Section 1 – Financial assets held for trading

1.1. Classification criteria

Debt securities, capital securities, certificates of participation in mutual funds purchased for trading, and derivative contracts with positive fair value are allocated to such line item, with the exclusion of hedges.

- ***1.2. Recognition and derecognition criteria***

Financial instruments represented by securities are measured using the standard of the subscription date.

Subsequent to the modification of IAS 39 on 15/10/2008, it is possible to transfer financial assets held for trading to the following sectors:

- Loan and Receivables Sector if the financial instrument is no longer held for "Trading", with the intent of holding it until a foreseeable future or through maturity; these are assets with fixed maturities and that are not listed as of the date of reclassification. The transfer must be made for fair value as of the reclassification date, which therefore will become the new cost;
- Available for Sale Sector if the financial instrument is no longer held for "Trading", with the intent of holding it for the foreseeable future or through maturity; this possibility of reclassification requires that there be "rare circumstances". The transfer must be made for fair value as of the reclassification date, which therefore will become the new amortized cost;
- Held to Maturity Sector if the financial instrument is no longer held for "Trading", with the intent of holding it through maturity; this possibility of reclassification requires both "rare circumstances" as well as that the financial asset have a fixed maturity. The transfer must be made for fair value as of the reclassification date, which will therefore become the new amortized cost.

The above instruments are derecognized from the financial statements only if all of the risks and benefits (or their effective control) are substantially transferred to the buyers. If all of the risks and benefits (or their effective control) are not substantially transferred, a liability is recognized with respect to the buyers for the amount corresponding to the consideration received.

1.3. Measurement criteria

Financial instruments represented by securities and trading derivatives are measured at fair value both upon purchase and subsequently. The fair value of instruments listed in active markets is compared to the quotes at the closure of the markets, whereas for unlisted instruments in active markets, fair value is measured by means of the use of the prices made available by the information provider Bloomberg (fair value hierarchy - level 1). If the above is not possible, estimates and measurement models are used that refer to data that can be found in the market. These methods are based on the measurement of financial instruments that are listed having analogous characteristics, discounted cash flows based on the yield curve, and considering the risk of the issuer's receivables (fair value hierarchy - level 2). If it is not objectively possible to use one of the two methods indicated above, fair value is measured based on estimates and assumptions made by the appraiser based on historical cost and the application of measurement techniques having significant discretional factors (fair value hierarchy - level 3).

1.4. Criteria for recognizing income components

The income components related to financial instruments held for trading are measured in the income statement in the period in which they appear on line item "Net trading income". Gains and losses on sales or repayment, and unrealized gains and losses deriving from variations of fair value of the trading portfolio, as well as reductions of value of financial assets measured at cost (impairment), are recognized in the income statement in line item "Net trading income". Earned interest and dividends are respectively recognized in the line items of the income statement "Earned interest and similar income" and "Dividends and similar income".

Section 2 – Financial assets available for sale

2.1. Classification criteria

The portfolio of financial assets available for sale includes all of the non-derivative financial assets that are not classified as receivables, financial assets held through maturity, and assets measured at fair value.

Specifically, this portfolio includes all of the securities to be sold within periods that are generally longer than those of the trading portfolio as well as holdings that cannot be qualified as equity investments of control, joint control, or significant influence, or which are not held for "trading".

2.2. Recognition and derecognition criteria

The portfolio of securities available for sale is initially recognized at fair value, which corresponds to the value of the price paid for their purchase. Subsequent to the modification of IAS 39 dated 15/10/2008 it is possible to transfer financial assets available for sale to the following sectors:

- Loan and Receivables Sector if the financial instrument is no longer available for sale, with the intent of holding it through maturity; these are assets with a fixed maturity that are unlisted at the reclassification date. The transfer must be made for fair value as at the reclassification date, which will therefore become the new cost;
- Held to Maturity Sector if the financial instrument is no longer available for sale, with the intent of holding it through maturity; this possibility of reclassification requires both "rare circumstances" as well as that the financial asset have a fixed maturity. The transfer must be made for fair value as at the reclassification date, which will therefore become the new amortized cost.

Securities available for sale are derecognized from the financial statements only if substantially all of the risks and benefits (or their effective control) are transferred to the buyers. If all of the risks and benefits (or their effective control) are not substantially transferred, a liability is recognized with respect to the buyers for the amount corresponding to the consideration received.

Interest on the securities is calculated on the basis of their internal rate of return.

- ***2.3. Measurement criteria***

Subsequent to initial recognition, assets available for sale continue to be measured at fair value (with the same "Levels" provided for assets held for trading), and recognized in the income statement for the value corresponding to amortized cost with an allocation to a special reserve of shareholders' equity of the profits/losses deriving from the variation of fair value. Equity instruments and the related derivative instruments, for which it is not possible to determine fair value in a reliable manner, are maintained at cost, adjusted upon verification of losses due to a reduction in value.
Verification of the existence of objective evidence of a reduction in value is made at each close of the financial statements or interim financial statement.

- ***2.4. Criteria for recognizing income components***

The allocation of income components in the relevant lines of the income statement is done in accordance with what is set forth below.

- Earned interest and dividends of securities are respectively allocated to line item 10 of the income statement "Earned interest and similar income" and to line item 70 of the income statement "Dividends and similar income".
- Gains and losses from trading securities are allocated to line item 100 of the income statement "Gain/loss on disposal or repurchase of financial assets available for sale": capital gains and capital losses from fair value measurement are directly allocated to shareholders' equity, Liability line item 130 "Valuation Reserves" (net of pre-paid/deferred taxes), and transferred to the income statement only upon their realization by means of the sale of the securities or subsequent to the recognition of impairment losses.
- Impairment losses and write-backs of values of debt securities are allocated to line item 130 of the income statement "Net adjustments/write-backs of net value due to impairment of financial assets available for sale". Impairment losses on equity instruments are also allocated to line item 130 of the income statement, whereas eventual write-backs of value from fair value are directly allocated to shareholders' equity, Liability line item 130 "Valuation Reserves".

Section 3 – Financial assets held through maturity

The Bank does not currently have "Financial assets held through maturity", Asset line item 50, in its portfolio.

Section 4 - Receivables

- ***4.1 – Cash receivables***

4.1.1 Classification criteria

The portfolio of receivables includes all cash receivables, of any technical form and including operating receivables from banks and customers, as well as unlisted debt securities that the Bank does not intend to sell short term.

4.1.2 Recognition and derecognition criteria

Receivables and securities are allocated in this portfolio at the time of issue or purchase and cannot subsequently be transferred to other portfolios, nor can financial instruments of other portfolios be transferred to the portfolio of receivables. Receivables and securities are derecognized from the financial statements only if substantially all of the risks and benefits (or their effective control) are transferred to the purchasing counterparties; otherwise, liabilities are registered in their regard, for an amount corresponding to the amounts received, together with the corresponding costs and income of the underlying assets.

Receivables and securities that are the object of repurchase agreements that have not yet been settled are recognized (if purchased) or derecognized (if sold) according to the standard of the "settlement date". Interest is calculated on the basis of the internal rate of return. By means of the Bank's resolution of 26/11/2012, penalty interest on non performing loans is no longer calculated and written-down on the basis of the economic reporting period, but is only calculated at the time it is actually collected. This new accounting approach was confirmed by the technical note annexed to Bank of Italy Circular n. 0274354 dated 28/03/2012.

4.1.3 Measurement criteria

At the time of issue or purchase, receivables and securities are recognized at fair value, also including, for securities and receivables other than short term, eventual anticipated transaction costs and income, specifically attributable to each security or receivable. Subsequently, measurement is based on the standard of amortized cost, subjecting receivables and securities to an impairment test, if there is symptomatic evidence of the state of impairment of the solvency of borrowers or issuers. With specific regard to receivables, the impairment test is articulated in two phases:

- individual measurement of non performing loans, watchlist and restructured receivables, to determine the relative adjustments/write-backs of value;
- collective measurement of watchlist, restructured, overdue/overdrawn receivables, and in bonis receivables, for the lump sum determination of value adjustments.

The individual impairment of non performing loans was measured in conformity to the requirements of IAS 39 accounting standards, discounting the values of the presumable proceeds of said receivables in relation to the expected time of collection, and more specifically considering:

- the recovery forecasts made by the account managers;
- forecast recovery time estimated on historical-statistical basis and monitored by the managers;
- the "historical" discounting rates, represented by the penalty interest rates at the time of the classification of the account as non performing.

With reference to the collective measurement of the remaining receivables, the portfolio was classified in two different types:

- watchlist, accounts overdue/overdrawn for more than 90 days, and restructured receivables;
- other receivables in bonis.

For each portfolio, the amount of the lump sum write-down corresponds to the result between the total portfolio value, its PD (average default probability) and LGD (parameter that represents the rate of loss in the case of default) of receivables belonging to the same portfolio.

The calculation of PD was made on a historical basis, using the previous three year period for each kind of portfolio as a reference, whereas the LGD value was determined to be 45.00%. No collective write-downs on receivables from public entities, Poste Italiane s.p.a., Cassa Depositi e Prestiti s.p.a., Cassa Compensazione & Garanzia s.p.a., Pontormo RMBS s.r.l. (special purpose vehicle), and subsidiaries subject to significant influence were calculated. Subsequent potential write-backs of value cannot exceed the amount of the write-downs from impairment (individual and collective) previously recognized.

4.1.4 Criteria for recognizing income components

Income components were allocated in the relevant line items of the income statement in accordance with what is set forth below.

Earned interest on receivables and securities is allocated to line item 10 of the income statement "Earned interest and similar income".

Gains and losses from the disposal of receivables and securities are allocated to line item 100 of the income statement "Gains/losses from the disposal or repurchase of receivables".

Adjustments and write-backs of value of receivables and securities are allocated to line item 130 of the income statement "Adjustments to net value due to impairment of: receivables"".

- ***4.2 – Endorsement receivables***

4.2.1. Classification criteria

All of the personal security and collateral issued by the Bank with regard to third party obligations are allocated to the portfolio of endorsement receivables.

4.2.2. Criteria for recognizing income components

Commissions that mature periodically on endorsement receivables are listed in line item 40 of the income statement as "Commission income".

Section 5 – Financial assets measured at fair value

The Bank, not having exercised the fair value option, did not open a portfolio for financial assets measured at fair value.

Section 6 – Hedges

- ***6.1. Classification and recognition criteria***

The hedge portfolio includes derivative instruments used by the Bank to sterilize losses from hedged assets or liabilities. Operations performed by the Bank are aimed at the specific hedge of bond issues, and the various derivatives contracts stipulated have speculative conditions and values linked to those of the hedged bond. The Bank uses the "fair value hedge" method to measure them. In order for a transaction to be recognized as a "hedge", it is necessary that the following conditions be satisfied: a) the hedge relationship must be formally documented; b) the hedge must be effective from the time it initiates and prospectively for its entire duration. Effectiveness is controlled by means of specific instruments and is considered to exist when variations of fair value of the hedged financial instrument almost entirely sterilize the variations of risk of the hedged instrument. A hedge is considered to be highly effective between a range of 80% through 125%. An effectiveness test is conducted at each close of the financial statements or at the time of any six-month interim financial statements. If the effectiveness test indicates an insufficient hedge and the misalignment is considered not to be temporary, the hedged instrument is allocated to the trading portfolio. Hedges are measured according to the principle of "negotiation date".

- ***6.2. Derecognition criteria***

Hedges are derecognized at the time of their maturity, early closure, or when they fail the effectiveness tests.

- ***6.3. Measurement criteria***

Hedge instruments are measured at fair value.

The fair value of hedges listed in active markets is taken from the quotations at the close of the markets (fair value hierarchy - level 1), whereas instruments not listed in an active market (over the counter) are measured discounting future cash flows on the basis of the yield curve (fair value hierarchy - level 3). Since they are unlisted, the latter method is used to measure the fair value of all of the Bank's hedges. The hedged accounts are also measured at fair value, limited to variations of value produced by the risks that are the object of the hedge, thus "sterilizing" the risk components that are not directly related to such hedge.

- ***6.4. Criteria for recognizing income components***

Income components are allocated to the relative line items of the income statement on the basis of what is set forth below.

The differences matured on hedge instruments for interest rate risk (in addition to the interest of the hedged position) are allocated to line item 10 of the income statement "Earned interest and similar income" or to line item 20 of the income statement "Interest payable and similar expenses";

Gains and losses deriving from the measurement of the hedge instruments and accounts that are the object of the hedges are allocated to line item 90 of the income statement "Net hedging result";

Gains and losses from trading hedge contracts are capitalized on the hedged instrument if it is valued at amortized cost (IAS 39 par. 92), the amount of the premium or discount will be measured in the income statement on the basis of the new effective interest rate of the hedged instrument.

Section 7 – Equity investments

- ***7.1. Classification criteria***

Shareholdings are allocated to the equity investments portfolio which are subject to control, joint control or significant influence. Control is presumed when more than 50% of the voting rights that can be exercised at shareholders' meetings are held, directly or indirectly. Significant influence is exercised when the shareholder holds, directly or indirectly, a share equal to or greater than 20% of the voting rights. Significant influence is determined even in the case of a holding of less than 20% when the following circumstances exist: a) representation on the board of directors; b) participation in the decision-making process with reference to decisions regarding dividends; c) there are major operations between the investor and the subsidiary. Joint control is when voting rights and control of the subsidiary is shared with other parties.

- ***7.2. Recognition and derecognition criteria***

The line item includes equity investments in subsidiaries, jointly held companies or companies subject to significant influence. At the time of initial recognition, such equity investments are recognized at purchase cost, supplemented by directly attributable costs. Financial assets are derecognized when the contractual rights to the cash flows deriving from such assets expire or when the financial asset is sold, transferring all of the risks and benefits connected to it.

- ***7.3. Measurement criteria***

Equity investments are measured with continuity using the "equity" method. Equity investments in subsidiaries, jointly held companies or companies subject to significant interest are measured at cost, and the accounting value increases or decreases to reflect the share to which to which the shareholder is entitled of profits or losses of the subsidiary realized after the purchase date. The dividends received from a subsidiary reduce the accounting value of the shareholding. Adjustments to the accounting value might be required due to modifications of the share owned by the investor in the subsidiary, deriving from modifications of the shareholders' equity of the subsidiary.

- ***7.4. Criteria for recognizing income components***

Dividends paid by the subsidiary generated subsequent to the purchase date are allocated to line item 70 of the income statement "Dividends and similar income". The results of the measurement of "shareholders' equity" are recognized in line item 210 of the income statement "Gains/losses on equity investments", when they were included in the income statement of the subsidiary; when instead they were not included in the income statement of the subsidiary, they are allocated to Liability line item 130 “Valuation reserves”. Gains/losses deriving from the sale of equity investments are recognized in line item 210 of the income statement “Gains/losses on equity investments”.

Section 8 – Property, plant and equipment

- ***8.1. Classification and recognition criteria***

Property, plant and equipment include land, instrumental real property, installations, furniture and decor and any kind of equipment. They are property, plant and equipment held to be used in the production or supply of goods and services, to be rented to third parties, or used for other administrative purposes, which it is deemed will be utilized for more than one fiscal year. In relation to real property, the components referring to land and buildings constitute separate assets for accounting purposes and are recognized separately at the time of purchase. Property, plant and equipment are initially recognized at purchase cost, inclusive of accessory charges sustained and directly attributable to when the asset is put into operation. Extraordinary maintenance costs that result in an increase of future economic benefits are allocated to increases of value of the assets, while other ordinary maintenance costs are recognized directly in the income statement.

- ***8.2. Derecognition criteria***

Property, plant and equipment are derecognized from the financial statements at the time they are sold or when their economic function has been entirely exhausted and no future economic benefits are expected.

- ***8.3. Measurement criteria***

Property, plant and equipment are measured at cost, deducting eventual accumulated depreciation and losses of value. Assets that have been put into operation are systematically depreciated according to time periods determined for homogeneous class equivalent to the useful life of the fixed assets. The book value of buildings to be depreciated "from the earth to the sky" does not include the value of the land on which they are built, which is determined on the basis of specific appraisals and which is treated separately and not depreciated because it is an asset with an indefinite duration. "Artwork", which has an indefinite useful life, is also not depreciated.

- ***8.4. Criteria for recognizing income components***

The income components are allocated to the relevant line items of the income statement as follows:

Periodic depreciation, lasting losses of value and write-backs of value are allocated to line item 170 of the income statement "Net adjustments/write-backs of value to property, plant and equipment”.

Gains and losses deriving from disposals are allocated to line item 240 of the income statement "Gains/losses on disposal of investments".

Section 9 – Intangible assets

- ***9.1. Classification criteria***

The portfolio of intangible assets includes intangible production factors having multi-year gains, represented in particular by expenses for the purchase of software and by multi-year expenses to be amortized. The expenses for third party assets (branch offices being rented) were recognized in Asset line item 150 “Other assets”; the relative amortization was proportional to the duration of the leases.

- ***9.2. Recognition and derecognition criteria***

The above assets are recognized at purchase cost, inclusive of accessory costs and increased by expenses subsequently sustained to increase their value or initial productive capacity. Intangible assets are derecognized from the financial statements when their economic function has been entirely exhausted.

- ***9.3. Measurement criteria***

Intangible assets of limited duration are recognized net of accumulated amortization. Said assets are amortized on the basis of the estimate made of their residual useful life. If there is symptomatic evidence of the existence of lasting losses, intangible assets are subject to measurement of the damage, recognizing eventual value adjustments; subsequent write-backs of value cannot exceed the amount of the losses previously recognized.

- ***9.4. Criteria for recognizing income components***

Periodic amortizations, lasting losses of value and write-backs of value of intangible assets are allocated to line item 180 of the income statement "Adjustments/write-backs of net value of intangible assets".

Section 10 – Noncurrent assets and groups of assets in the course of divestment

The Bank does not currently hold noncurrent assets or groups of assets in the course of divestment.

Section 11 – Current and deferred taxation

- ### 11.1. Classification criteria

Current and deferred taxation items include current and deferred assets and liabilities measured in application of IAS n. 12. Income taxation is registered in the income statement, with the exception of taxation referred to line items charged or credited directly to net equity. Provision for taxation on income is determined based on a prudential forecast of the current, prepaid and deferred fiscal charge. Current pre-paid taxes include recoverable tax credits, including advance tax payments, current tax liabilities and taxes not yet paid at the date of the financial statements. Pre-paid taxes and deferred taxes are calculated taking into account the temporary differences between the accounting value of an asset or liability and the recognized value for taxation purposes.

- ### 11.2. Recognition, derecognition and measurement criteria

Recognition of "Assets related to pre-paid taxes" is applied when recovery is deemed highly probable. "Liabilities for deferred taxes" are registered whenever it is probable that a debit situation will arise. "Assets related to pre-paid taxes" indicate a future reduction of taxable income, against a tax advance payment with respect to economic and fiscal competence, while "Liabilities for deferred taxes" indicate a future increase in taxable income, as taxation is deferred with respect to economic and fiscal competence. Current taxes are calculated, in accordance with taxation laws, based on the criterion of economic competence, consistently with the method of registering, in the financial statements, the costs and revenue of that which has generated them, applying the current tax rates. Assets related to pre-paid taxes and liabilities for deferred taxes are calculated using current applicable tax rates, pursuant to laws currently in force, in the accounting period in which the pre-paid tax asset will be recovered or the deferred tax liability will be settled. They are systematically measured to take into account possible modifications to current regulations or rates. Current taxes, pre-paid taxes and deferred taxes are registered in equity in the open balance sheet and without offsetting entries, and they are not discounted. Assets for pre-paid taxes and liabilities for deferred taxes are derecognized in the fiscal year in which:

The temporary difference that originated them becomes taxable with reference to deferred tax liabilities, or deductible with reference to pre-paid taxes;

The temporary difference that originated them is no longer relevant for fiscal purposes.

- ### 11.3. Criteria for recognizing income components

When tax assets and liabilities relate to components referring to the income statement, the balancing entry is allocated at line item 260 "Fiscal year income taxes on current operations". Where pre-paid or deferred taxes relate to operations referring directly to net equity without influencing the income statement, such as, for example, evaluation of financial instruments available for sale, they are registered with a balancing entry in net equity, in the specific reserve.

Section 12 – Risk and expense funds

- ### 12.1. Classification criteria

Risk and expense funds include provisions for current debt securities originating from past events or for which an outflow of resources will probably be required to settle the obligation, always provided that the amount can be reliably estimated.

- ### 12.2. Recognition, derecognition and measurement criteria

The line sub-item "Other funds" in the liabilities schedule of the financial statements represents provisions for risks and charges made in accordance with the provisions of international accounting principles, with the exception of write-offs due to impairment of issued guarantees, attributable to "Other liabilities".

The amount registered as provision represents the best possible estimate of the resources required to settle the existing obligation as at the date of reference of the financial statements. Where the time element is significant, provisions are discounted using current market rates. Provision funds are periodically re-examined and adjusted as required, to reflect the best possible current estimate. If, subsequent to review, it becomes improbable that the charge will be sustained, the provision is reversed. As regards funds relative to employee benefits, please refer to point 17.2 "Employee severance pay" following. If it is no longer likely that an outflow of resources will be required to settle the obligation, the provision must be reversed. A provision may be used solely for those charges for which it has been recognized.

- ***12.3. Criteria for recognizing income components***

Income components are allocated to the relevant line items of the income statement in accordance with what is set forth below.

Provisions for risk and expense funds are allocated to line item 160 of the income statement "Net allocations to risk and expense funds" or to its own line item if deemed to be more appropriate;

Provisions for "Employee severance pay" and "Loyalty bonuses" are allocated to line item 150 of the income statement "Administrative costs - personnel costs".

Section 13 – Liabilities and outstanding securities

- ***13.1. Classification criteria***

The line items "Payables to banks", "Payables to customers" and "Outstanding securities" include the various forms of funding, both inter-bank as well as with regard to customers, collections of savings by certificates of deposit and outstanding bonds, net of eventual repurchases.

- ***13.2. Recognition and derecognition criteria***

The financial liabilities noted above are recognized at the time of issue, or replacement after repurchase, or derecognized, at the time of repurchase in accordance with the principle of the "settlement date" and cannot subsequently be transferred to the portfolio of trading liabilities. Interest is calculated on the basis of their internal rate of return. Structured kinds of financial liabilities, consisting of the combination of a host liability and one or more embedded derivatives instruments are separated and recognized separately from the embedded derivatives, only on the condition that the economic characteristics and risks of the embedded derivatives are substantially different than those of the host financial liabilities and the derivatives can be considered to be autonomous derivative contracts.

- ***13.3. Measurement criteria***

At the time of their issue, or at the time of replacement subsequent to repurchase, financial liabilities are recognized at fair value, including any anticipated transaction costs and income specifically attributed to each liability. Subsequently measurement is based on the principle of amortized costs, using the effective interest rate method. Short term liabilities are still recognized for their cash value.

- ***13.4. Criteria for recognizing income components***

Interest payable related to public savings instruments is recognized in line item 20 of the income statement "Interest payable and similar expenses". Gains and losses from the repurchase of such liabilities are recognized in line item 100d of the income statement "Gains/losses from the disposal or repurchase of financial liabilities".

Section 14 – Financial liabilities from trading

This line item refers exclusively to currency forward contracts. These are forward contracts on exchange rates that the Bank stipulates with institutional counterparties to hedge the same positions assumed with its customers. Such contracts are not speculative transactions for the Bank, but are substantially just a brokerage service for customers.

Section 15 – Financial liabilities measured at fair value

At present the Bank, not having exercised the fair value option, has not opened a portfolio of financial liabilities measured at fair value.

Section 16 – Operations in foreign currency

- ***16.1. Classification criteria***

Operations in foreign currency consist of all assets and liabilities denominated in currency other than the Euro.

- ***16.2. Recognition and derecognition criteria***

Operations in foreign currency are registered, at the time of initial recognition, in the accounting currency, applying the exchange rate in effect as of the date of the operation to the amount in foreign currency. The exchange rate on the settlement date is also applied in the accounting currency for derecognition.

- ### 16.3. Measurement criteria

As of the close of the fiscal year, the conversion of monetary assets and liabilities in foreign currency is done using the spot exchange rate on that date.

- ### 16.4. Criteria for recognizing income components

The exchange rate differences of operations in foreign currency are recognized in line item 80 of the income statement "Net trading income".

Section 17 – Other information

- ### 17.1. Accruals and deferrals

Accruals and referrals, regarding charges and income competence of the fiscal year accrued on assets and liabilities are attributed to adjustment of the assets and liabilities to which they refer; if they cannot be thus allocated, they will be registered as “Other assets” or “Other liabilities”.

- ### 17.2. Employee severance pay

Employee severance pay (“T.F.R.”) may be considered a “benefit subsequent to the employment relationship” of the “defined-benefit” type, for which IAS 19 provides that the relative value be calculated using actuarial methods. Consequently, the year-end calculation is made based on the method of accrued benefits, using the Projected Unit Credit Method. This method projects future expenses based on historical, statistical and probabilistic analyses, in addition to applying appropriate demographic techniques. It consists in calculating the severance pay accrued at a given date, actuarially, distributing the relative charge over all the years of expected residual permanence of the workers on roll, and no longer as a charge to be paid if the company were to cease activity as at the date of the financial statements. Actuarial values for employee severance pay were estimated by an independent professional in conformity with the aforementioned methods. Following entry into force of the supplementary social security/pension scheme plan reform, as per Italian Legislative Decree n. 252/2005, the severance pay quotas accrued as at 31 December 2006 remain in the company accounts, while the quotas accrued starting 1 January 2007 were either destined to supplementary social security plans, or to the INPS Treasury Fund, based on the personal choice of each employee. The latter are therefore booked to the income statement on the basis of contribution due in each accounting period, the Bank did not proceed with the financial discount the security to the social security plan or INPS, as the expiry date was less than 12 months. Based on IAS 19, severance pay paid to the INPS Treasury Fund is classifiable, as is the quota paid to the supplementary social security plan, a defined contribution plan. Amounts accrued and paid to additional supplementary social security funds are registered at line sub-item 150a), as specified in Section 9 of Part C of the EXPLANATORY NOTES. These amounts are classified as defined contribution plans as the company obligation vis-à-vis the employee ceases when the amounts accrued are deposited to the funds. Therefore, in such cases, the Bank may recognize in Liabilities only the quota due (under “other liabilities”) for payments still be made to INPS or to supplementary social security plans as at the date of closing of the accounts.

- ### 17.3. Booking of actuarial profit and loss

New IAS 19 provides that all actuarial profit and loss as at the date of the financial statements must be immediately registered in “Other Comprehensive Income” (O.C.I.). Therefore, these can no longer be deferred using the corridor rule (no longer provided for) nor can they be booked in the income statement. Consequently, for recognition of actuarial profit/loss, the principle allows solely for the so-called O.C.I. method (Other Comprehensive Income).

- ### 17.4. Loyalty bonus

Loyalty bonuses paid to employees are included in the Bank’s accounts as “Other long-term benefits”. These benefits must be measured in compliance with IAS 19 principles. Liabilities for loyalty bonuses are booked at line item “Provisions for risks as charges” in the Liabilities schedule. Provision, like re-allocation to the income statement of any excess amounts of the specific fund (for example, due to changes in the actuarial hypotheses) is registered in the income statement among “personnel expenses”. Actuarial values for obligations towards employees were estimated by an independent professional.

- ### 17.5. Transformation of deferred tax assets (DTA) into tax credits

Italian Legislative Decree n. 225/2010, amended and converted into Law n. 10/2011, states that, in the presence of specific economical/financial situations, or in the event of losses, companies may convert deferred tax assets registered in the financial statements, into tax credits receivable, only in the following cases:

Deferred tax assets relative to surpluses in credit write-downs (Article 106 TUIR – Italian Income Tax Consolidation Act);

Deferred tax assets relative to realignment of intangible assets such as goodwill and trademarks (Articles 15(10), 15(10bis) 15(10ter) Law Decree n. 185/2008).

The aforementioned law was subsequently integrated by Law n. 214/2011, which extended the conversion of DTA (deferred tax assets), albeit with different methods, to tax loss situations, despite profits. The subject matter was reviewed from an accounting point of view by the Document issued jointly by Bank of Italy/CONSOB/ISVAP on 15 May 2012, which states that the above-mentioned fiscal law essentially makes recovery of the DTA "certain", considering the probability test provided for by IAS 12 par. 12, based on which deferred tax assets may be registered only if it is probable that a taxable income will be realized against which the same DTA may be used, as automatically satisfied for all intents and purposes. Consequently, the effects of the above tax law do not in any way vary the accounting classification of the DTA, which continue to be booked as tax assets for pre-paid taxes until they are converted, at which point they become, in compliance with the provision of Law Decree n. 225/2010, and without impacting the income statement, "current tax assets".

15. A.3 – INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS

- ***Resolution of the Board of Directors dated 27/10/2008***

By means of the above-mentioned resolution, which became effective as of 01/07/2008, the Banca di Credito Cooperativo di Cambiano s.c.p.a. decided to reclassify part of the accounting portfolio of Assets Held for Trading (HFT) to Financial Assets Available for Sale (AFS). By means of the operation in question, securities having the lengthiest maturity dates, which were the most affected by the liquidity crisis, were transferred in order to obtain a new allocation of the securities portfolio that more faithfully reflects the Bank's investment policy. The reclassification as of 31/12/2008 regarded overall a nominal value of 308,341,000.00 Euro, Euro, of which "Government Bonds" (CCT) having a nominal value of 293,341,000.00 Euro, and "Other securities" having a nominal value of 15,000,000.00 Euro. Over the course of fiscal year 2009, securities were sold having a nominal value of 187,591,000.00 Euro, of which "Government Bonds" (CCT) having a nominal value of 182,591,000.00 Euro, and "Other securities" having a nominal value of 5,000,000.00 Euro. The sale in question generated gains from disposal in the amount of 1,122,260.96 Euro which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale".

Over the course of fiscal year 2010, securities were sold having a nominal value of 86,750,000.00 Euro, of which "Government Bonds" (CCT) having a nominal value of 81,750,000.00 Euro, and "Other securities" having a nominal value of 5,000,000.00 Euro. The sale in question generated gains from disposal in the amount of 1,272,543.77 Euro, which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale". Over the course of fiscal years 2011 and 2012, no sales were made. During the course of fiscal year 2013, "Government Bonds" (CCT) were sold/repurchased having a nominal value of 29,000,000.00 Euro. The sale/repurchase in question generated gains from disposal in the amount of 166,774.98 Euro, which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale". Therefore, with reference to resolution dated 27/10/2008, as at 31/12/2013, there are "Other Securities" having a nominal value of 5,000,000.00 Euro.

- ***Resolution of the Board of Directors dated 15/11/2010***

By means of the above-mentioned resolution, During the course of fiscal year 2010, Government Bonds (CCT) were transferred from the Held for Trading portfolio to the Available for Sale portfolio, having a nominal value of 79,000,000.00 Euro. Such transfer was done using the market price referring to the day 14/11/2010 (official price). During the course of 2011, "Government Bonds" were sold having a nominal value of 64,564,000.00 Euro. Such sale generated gains from disposal in the amount of 179,763.64 Euro, which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale". During the course of 2012, "Government Bonds" were sold having a nominal value of 8,436,000.00. Such sale generated gains from disposal in the amount of 7,540.14 Euro, which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale". During the course of 2013, "Government Bonds" were sole having a nominal value of 6,000,000.00 Euro. The sale/repurchase in question generated gains from disposal in the amount of 22,486.12 Euro, which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale". As at 31/12/2013, all sold bonds, as per resolution dated 15/11/2010, were sold/repurchased.

- ***Resolution of the Board of Directors dated 28/10/2011***

By means of the above-mentioned resolution, during the course of fiscal year 2011, "Government Bonds" were transferred from the Held for Trading portfolio to the Available for Sale portfolio having a nominal value of 75,220,000.00 Euro; such transfer was done using the market price referring to the day 27/10/2011 (official price). During the course of 2012, "Government Bonds" were sold/redeemed having a nominal value of 55,887,000.00. Such sale generated gains from disposal in the amount of 247,161.98 Euro, which were allocated to line item 100 of the income statement "Gains from the disposal or repurchase of: b) financial assets available for sale".

During the course of 2013, "Government Bonds" were sole having a nominal value of 19,333,000.00 Euro. The sale/repurchase in question generated gains from disposal in the amount of 219,814.34 Euro, which were allocated to line item 100 of the income statement “Gains from the disposal or repurchase of: b) financial assets available for sale”. As at 31/12/2013, all sold bonds, as per resolution dated 28/10/2011, were sold/repurchased.

A.3.1 *Reclassified financial assets: balance sheet value, fair value and effects on overall profitability*

Type of financial instrument	Portfolio of origin	Portfolio of destination	Balance sheet value of 31/12/2013	Fair value as of 31/12/2013	Income components recognized without the transfer (before tax)		Income components recognized during the fiscal year (before tax)	
					Measured	Other	Measured	Other
Debt securities - 2008	HFT	AFS	4,446	4,446	-270	111	0	111
Debt securities - 2010	HFT	AFS	0	0	0	0	0	0
Debt securities - 2011	HFT	AFS	0	0	0	0	0	0
Debt securities - Total	HFT	AFS	4,446	4,446	-270	111	0	111

As at 31/12/2013 there are reclassified assets as “Other securities” having an overall nominal value of 5,000,000.00 Euro.

List of reclassified securities “transferred” from the “Held for Trading” to the “Available for Sale” portfolio by year of transfer, with reference to the date of 31/12/2013:

Security	Isin	Nominal value as of 31/12/2013	Balance sheet value as of 31/12/2013	Year transferred
B AGRILEASING 07-17 TV	XS0287516214	5,000	4,446	2008
Total		**5,000**	**4,446**	

16. A.4 – INFORMATION ON FAIR VALUE

Qualitative information

- ***A.4.3 Hierarchy of fair value***

Fair value - Level 1

For the purposes of the measurement process, financial instruments are considered to be listed in active markets when they have official reference prices, or when they are systematically traded on “alternative” trading circuits with respect to official circuits, whose prices are considered “significant” in that they represent the quotation that a transaction would effectively have on the measurement date. Specifically, with respect to an overall level 1 asset value of 823,450 thousand Euro, Italian government bonds amount to 761,402 thousand Euro (92.46%), while the remaining 62,048 thousand Euro (7.54%) regard securities from issuers who are Italian banks.

Fair value - Level 2

In the lack of prices measured in an active market, fair value is determined using measurement techniques based on input data found in the market. The principal measurement techniques used are the following:

Reference to the price of financial instruments having the same characteristics as those that are being measured (comparable approach);

Fair value measurement technique, such as, for example, “discounted cash flow analysis” or other pricing methodologies generally accepted by the market, based on input data directly found in the market (for example, interest rates and yield curves, volatility, credit default swap, etc.), or obtained indirectly by means of correlation structures.

Financial assets classified at level 2 fair value, for 18,804 thousand Euro, entirely consist of Italian bank bonds.

Fair value - Level 3

Level 3 measurements are based on data input not found in the market, or which cannot be entirely found in the market, and as a last resort are based on historical cost. Specifically, on an overall asset value of 19,947 thousand Euro, we note:

Hedges in the amount of 5,568 thousand Euro, which are fixed interest rate over the counter contracts, measured by discounting future cash flows;

Financial instruments measured at historic cost amounting to 3,865 thousand Euro, which are primarily equity instruments classified as Available for Sale;

Insurance policies in the amount of 10,514 thousand Euro, measured using the valuation scheme of such insurer.

Quantitative information

- ***A.4.5 Hierarchy of fair value***

A.4.5.1 Financial assets and liabilities measured at fair value on a recurring basis, divided by level of fair value.

Financial Assets/Liabilities measured at fair value	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	75,095	0	10,514	80	0	10,499
2. Financial assets measured at fair value	0	0	0	0	0	0
3. Financial assets available for sale	748,355	18,804	3,865	593,266	18,703	3,364
4. Hedges	0	0	5,568	0	0	8,974
Total	**823,450**	**18,804**	**19,947**	**593,346**	**18,703**	**22,837**
1. Financial liabilities held for trading	0	0	0	1	0	0
2. Financial liabilities measured at fair value	0	0	0	0	0	0
3. Hedges	0	0	102	0	0	85
Total	**0**	**0**	**102**	**1**	**0**	**85**

Key:
Level 1 = Fair value of a financial instrument listed in an active market;
Level 2 = Fair value measured on the basis of measurement techniques that use parameters that can be seen from the market, other than quotations of the financial instrument;
Level 3 = Fair value measured on the basis of measurement techniques that use parameters that cannot be seen from the market.

A.4.5.2 Annual variations of financial assets measured at fair value on a recurring basis (level 3)

	FINANCIAL ASSETS			
	Held for trading	Measured at fair value	Available for sale	Hedges
1. Initial value	**10,499**	**0**	**3,364**	**8,974**
2. Additions				
2.1. Purchases	2,000	0	507	0
2.2. Profits allocated to:				
2.2.1. The income statement	326	0	0	49
- of which capital gains	278	0	0	49
2.2.2. Shareholders' equity	X	X	0	0
2.3. Transfers from other levels	0	0	0	0
2.4. Other additions	0	0	0	28
3. Reductions				
3.1. Sales	0	0	0	0
3.2. Redemptions	2,000	0	0	1,376
3.3. Losses allocated to:				
3.3.1. The income statement	0	0	0	23
- of which capital losses	0	0	0	23
3.3.2. Shareholders' equity	X	X	6	0
3.4. Transfers to other levels	0	0	0	0
3.5. Other reductions	311	0	0	2,084
4. Final value	**10,514**	**0**	**3,865**	**5,568**

A.4.5.3 Annual variations of financial liabilities measured at fair value on a recurring basis (level 3)

	FINANCIAL LIABILITIES		
	Held for trading	Measured at fair value	Hedges
1. Initial value	**0**	**0**	**85**
2. Additions			
2.1. Issues	0	0	0
2.2. Losses allocated to:			
2.2.1. The income statement	0	0	26
- of which capital losses	0	0	0
2.2.2. Shareholders' equity	X	X	0
2.3. Transfers from other levels	0	0	0
2.4. Other additions	0	0	0
3. Reductions			
3.1. Sales	0	0	0
3.2. Redemptions	0	0	0
3.3. Losses allocated to:			
3.3.1. The income statement	0	0	9
- of which capital losses	0	0	9
3.3.2. Shareholders' equity	X	X	0
3.4. Transfer to other levels	0	0	0
3.5. Other reductions	0	0	0
4. Final value	**0**	**0**	**102**

A.4.5.4 Financial assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: divided by fair value levels

Line items	31/12/2013				31/12/2012			
	VB	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held through maturity	0	0	0	0	0	0	0	0
2. Receivables from banks	115,386	0	0	115,386	76,235	0	0	76,235
3. Receivables from customers	1,866,328	0	0	1,866,328	1,907,766	0	0	1,907,766
4. Property, plant and equipment held as investments	0	0	0	0	0	0	0	0
5. Noncurrent assets and groups of assets in course of divestment	0	0	0	0	0	0	0	0
Total	**1,981,713**	**0**	**0**	**1,981,713**	**1,984,001**	**0**	**0**	**1,984,001**
1. Payable to banks	348,622	0	0	348,622	429,630	0	0	429,630
2. Payable to customers	1,496,450	0	0	1,496,450	1,099,791	0	0	1,099,791
3. Outstanding Securities	782,027	0	0	782,027	891,684	0	0	891,684
4. Liabilities associated with assets in course of divestment	0	0	0	0	0	0	0	0
Total	**2,627,099**	**0**	**0**	**2,627,099**	**2,421,106**	**0**	**0**	**2,421,106**

Key: BV = Balance sheet value - L1 = Level 1 - L2 = Level 2 - L3 = Level 3

EXPLANATORY NOTES - PART B – INFORMATION ON THE BALANCE SHEET

17. ASSETS

Section 1 - Cash and cash balances - Line item 10

- ***1.1 Cash and available liquidity: breakdown***

Line Items	31/12/2013	31/12/2012	Variation	% Var.
a) Cash	9,450	8,457	994	11.75%
b) Demand deposits with Central Banks	0	0	0	
Total	**9,450**	**8,457**	**994**	**11.75%**

The line item “demand deposits with central banks” does not include the regulatory reserve that was noted in Asset line item 60 "Receivables from banks".

Section 2 - Financial assets held for trading - Line item 20

- ***2.1 Financial assets held for trading: breakdown by type***

Line items/values	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	75,095	0	10,514	80	0	10,499
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	75,095	0	10,514	80	0	10,499
2 Equity instruments	0	0	0	0	0	0
3 Shares of mutual funds	0	0	0	0	0	0
4 Loans	0	0	0	0	0	0
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	0	0	0	0
Total A	**75,095**	**0**	**10,514**	**80**	**0**	**10,499**
B. Derivative instruments						
1 Financial derivatives:	0	0	0	0	0	1
1.1 from trading	0	0	0	0	0	1
1.2 connected with the fair value option	0	0	0	0	0	0
1.3 other	0	0	0	0	0	0
2 Credit derivatives	0	0	0	0	0	0
2.1 from trading	0	0	0	0	0	0
2.2 connected with the fair value option	0	0	0	0	0	0
2.3 other	0	0	0	0	0	0
Total B	**0**	**0**	**0**	**0**	**0**	**1**
Total (A+B)	**75,095**	**0**	**10,514**	**80**	**0**	**10,500**

- ## *2.2 Financial assets held for trading: breakdown by borrower/issuer*

Line items/values	31/12/2013	31/12/2012	Variation	% Variation
A. CASH ASSETS				
1. Debt securities				
a) Governments and Central Banks	75,095	80	75,016	94153.52%
b) Other public entities	0	0	0	
c) Banks	0	0	0	
d) Other issuers	10,514	10,499	15	0.14%
2 Equity instruments				
a) Banks	0	0	0	0.00%
b) Other issuers:	0	0	0	0.00%
- Insurers	0	0	0	0.00%
- Finance companies	0	0	0	0.00%
- Non finance companies	0	0	0	0.00%
- Other	0	0	0	0.00%
3 Shares of mutual funds	**0**	**0**	**0**	**0.00%**
4 Loans				
a) Governments and Central Banks	0	0	0	0.00%
b) Other public entities	0	0	0	0.00%
c) Banks	0	0	0	0.00%
d) Other issuers	0	0	0	0.00%
Total (A)	**85,610**	**10,579**	**75,030**	**709.23%**
B DERIVATIVE INSTRUMENTS				
a) Banks	0	0	0	0.00%
fair value	0	0	0	0.00%
b) Customers	0	1	-1	0.00%
fair value	0	1	-1	0.00%
Total (B)	**0**	**1**	**-1**	**-100.00%**
Total (A+B)	**85,610**	**10,580**	**75,030**	**709.18%**

- ## *2.3 Financial cash assets held for trading: annual variations*

Line items	Debt securities	Equity instruments	Shares of mutual funds	Loans	Total
A Initial value	**80**	**10.499**	**0**	**0**	**10.579**
B Additions					
B1. Purchases	236.467	1.000	0	0	**237.467**
B2. Increases of fair value	24	149	0	0	**173**
B3. Other additions	329	0	0	0	**329**
c Reductions					
C1. Sales	158.801	0	0	0	**158.801**
C2. Redemptions	3.000	1.134	0	0	**4.134**
C3. Reductions of fair value	3	0	0	0	**3**
C4. Transfers to other portfolio	0	0	0	0	**0**
C5. Other reductions	1	0	0	0	**1**
D Final value	**75.095**	**10.514**	**0**	**0**	**85.610**

Section 4 - Financial assets available for sale - Line item 40

- **4.1 Financial assets available for sale: breakdown by type**

Line items/values	Total 31/12/2013			Total 31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	748,354	18,804	0	593,266	18,703	0
1.1 Structured securities	2,156	0	0	0	0	0
1.2 Other debt securities	746,198	18,804	0	593,266	18,703	0
2. Equity instruments	0	0	3,580	0	0	3,073
2.1 Measured at fair value	0	0	500	0	0	0
2.2 Measured at cost	0	0	3,080	0	0	3,073
3. Shares of mutual funds	0	0	284	0	0	290
4. Loans	0	0	0	0	0	0
Total	**748,354**	**18,804**	**3,865**	**593,266**	**18,703**	**3,363**

- **4.2 Financial assets available for sale: breakdown by borrower/issuer**

Line items/values	Total 31/12/2013	Total 31/12/2012	Variation	% Variation
1. Debt securities	**767,158**	**611,969**	**155,189**	**25.36%**
a) Governments and Central Banks	686,306	552,796	133,510	24.15%
b) Other public entities	0	0	0	
c) Banks	78,486	59,173	19,313	32.64%
d) Other issuers	2,366	0	2,366	
2. Equity instruments	**3,580**	**3,073**	**507**	**16.50%**
a) Banks	2,467	2,467	0	0.00%
b) Other issuers	1,114	607	507	83.54%
- insurers	0	0	0	
- finance companies	324	374	-50	-13.39%
- non finance companies	790	233	557	239.23%
- other	1	1	0	0.00%
3. Shares of mutual funds	**284**	**290**	**-6**	
4. Loans	**0**	**0**	**0**	
a) Governments and Central Banks	0	0	0	
b) Other public entities	0	0	0	
c) Banks	0	0	0	
d) Other issuers	0	0	0	
Total	**771,023**	**615,332**	**155,691**	**25.30%**

- ## 4.4 Financial assets available for sale: annual variations

Line items	Debt securities	Equity instruments	Shares of mutual funds	Loans	Total
A. Initial value	**611,969**	**3,073**	**290**	**0**	**615,332**
B. Additions					
B1 Purchases	807,926	507	0	0	**808,433**
B2 Increases of fair value	15,324	0	0	0	**15,324**
B3 Write-backs of value	0	0	0	0	**0**
- allocated to the income statement	0	0	0	0	**0**
- allocated to shareholders' equity	0	0	0	0	**0**
B4 Transfers from other portfolios	0	0	0	0	**0**
B5 Other additions	16,398	0	0	0	**16,398**
C. Reductions					
C1 Sales	654,301	0	0	0	**654,301**
C2 Redemptions	11,829	0	0	0	**11,829**
C3 Reductions of fair value	8,422	0	6	0	**8,428**
C4 Write-downs due to impairment	0	0	0	0	**0**
- allocated to the income statement	0	0	0	0	**0**
- allocated to shareholders' equity	0	0	0	0	**0**
C5 Transfers from other portfolios	0	0	0	0	**0**
C6 Other reductions	9,906	0	0	0	**9,906**
D. Final value	**767,158**	**3,580**	**284**	**0**	**771,023**

Section 6 - Crediti verso banche - Voce 60

- ## 6.1 Receivables from banks: breakdown by type

Type of operation/Values	Total 31/12/2013				Total 31/12/2012				Variation	% Variation
	Balance sheet value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Balance sheet value	Fair value level 1	Fair value Level 2	Fair value Level 3		
A. Receivables from Central Banks										
1. Term deposits	0	0	0	0	0	0	0	0	0	
2. Regulatory reserves	87,138	0	0	87,138	33,404	0	0	33,404	53,734	160.86%
3. Repurchase agreements	0	0	0	0	0	0	0	0	0	
4. Other	0	0	0	0	0	0	0	0	0	
B. Receivables from banks										
1. Bank accounts and demand deposits	28,247	0	0	28,247	42,831	0	0	42,831	-14,584	-34.05%
2. Term deposits	0	0	0	0	0	0	0	0	0	
3. Other Loans:	0	0	0	0	0	0	0	0	0	
3.1 Repurchase agreements – receivables	0	0	0	0	0	0	0	0		
3.2 Financial leasing	0	0	0	0	0	0	0	0		
3.3 Other	0	0	0	0	0	0	0	0		
4. Debt securities	0	0	0	0	0	0	0	0	0	
4.1 Structured securities	0	0	0	0	0	0	0	0		
4.2 Other debt securities	0	0	0	0	0	0	0	0		
Total (balance sheet value)	**115,386**	**0**	**0**	**115,386**	**76,235**	**0**	**0**	**76,235**	**39,150**	**51.35%**

Section 7 - Receivables from customers - Line item 70

- ### *7.1 Receivables from customers: breakdown by type*

Type of operation/values	Total 31/12/2013							Total 31/12/2012						
	Bonis	Impaired		Total	Fair value			Bonis	Impaired		Total	Fair value		
		Acquired	Other		Level 1	Level 2	Level 3		Acquired	Other		Level 1	Level 2	Level 3
1. Bank accounts	411,387	0	59,692	471,079	0	0	471,079	412,461	0	55,321	467,782	0	0	467,782
2. Repurchase agreements – receivables	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Loans	970,648	0	176,531	1,147,179	0	0	1,147,179	935,969	0	159,727	1,095,695	0	0	1,095,695
4. Credit cards, personal loans and salary guaranteed finance	19,552	0	841	20,393	0	0	20,393	19,742	0	881	20,623	0	0	20,623
5. Financial leasing	9,786	0	0	9,786	0	0	9,786	11,016	0	0	11,016	0	0	11,016
6. Factoring	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7. Other transactions	202,189	0	15,703	217,892	0	0	217,892	297,686	0	14,965	312,650	0	0	312,650
8. Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8.1 Structured securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8.2 Other debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total (balance sheet value)	**1,613,562**	**0**	**252,766**	**1,866,328**	**0**	**0**	**1,866,328**	**1,676,873**	**0**	**230,893**	**1,907,766**	**0**	**0**	**1,907,766**

It is specified that there was an increase of "impaired receivables of 21,873 thousand Euro (+9.47%).

In order to render the variations on this aggregate between 2012 and 2013 clearer, the following tables have been added to the Explanatory Notes:

Type of operation/values	Total 2013	Total 2012	Difference 2013/2012	Difference 2013/2012 %
	466,658	467,250	-592	-0.13%
1. Bank accounts	4,361	462	3,899	843,57%
2. Cash Clearing and Guarantee Fund	60	70	-10	-14.14%
3. Poste Italiane s.p.a.	0	0	0	0.00%
4. Repurchase agreements – receivables	977,690	906,268	71,423	7.88%
5. Loans	494	713	-218	-30.63%
6. Securitized loans	168,994	188,715	-19,721	-10.45%
7. Self-securitized loans	20,393	20,623	-230	-1.11%
8. Credit cards, personal loans and salary guaranteed finance	9,786	11,016	-1,230	-11.16%
9. Finance leasing	0	0	0	0.00%
10. Factoring	204,896	204,101	795	0.39%
11. Other transactions	36	90,567	-90,532	-99.96%
12. Bank for Deposits and Loans	12,960	17,982	-5,022	-27.93%
13. Receivable from the Vehicle Pontormo RMBS	0	0	0	0.00%
Total (balance sheet value)	**1,866,328**	**1,907,766**	**-41,438**	**-2.17%**

Not having considered “Receivables from customers” the following balancing entries: "Clearinghouse and Guaranty Fund", "Poste Italiane s.p.a.", “Deposits and Loans Fund" and "Pontormo RMBS", the following variation was booked:

Type of operation/values	Total 2013	Total 2012	Difference 2013/2012	Difference 2013/2012 %
Receivables from customers – Recalculated values	**1,848,911**	**1,798,684**	**50,227**	**2.79%**

- ***7.2 Receivables from customers: breakdown by borrower/issuers***

Type of operation/Values	Total 31/12/2013			Total 31/12/2012		
	Bonis	Impaired		Bonis	Impaired	
		Acquired	Other		Acquired	Other
1. Debt securities						
a) Governments	0	0	0	0	0	0
b) Other public entities	0	0	0	0	0	0
c) Other issuers	0	0	0	0	0	0
- non finance companies	0	0	0	0	0	0
- finance companies	0	0	0	0	0	0
- insurers	0	0	0	0	0	0
- other	0	0	0	0	0	0
2. Loans to:						
a) Governments	0	0	0	0	0	0
b) Other public entities	3,755	0	0	4,017	0	0
c) Other borrowers	1,605,591	0	256,983	1,672,855	0	230,893
- non finance companies	864,807	0	178,183	843,819	0	162,634
- finance companies	60,247	0	0	152,804	0	3
- insurers	0	0	0	0	0	0
- other	680,537	0	78,799	676,232	0	68,257
Total	**1,609,345**	**0**	**256,983**	**1,676,873**	**0**	**230,893**

Section 8 - Hedges - Line item 80

- ***8.1 Hedges: breakdown by type of hedge and by level***

Line items	Fair value 31/12/2013			Notional value 31/12/2013	Fair value 31/12/2012			Notional value 31/12/2012
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**0**	**0**	**5,569**	**130,817**	**0**	**0**	**8,974**	**192,682**
1) Fair value	0	0	5,462	119,000	0	0	8,896	185,600
2) Cash flows	0	0	107	11,817	0	0	78	7,082
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	**0**	**0**	**5,569**	**130,817**	**0**	**0**	**8,974**	**192,682**

The table indicates the positive balance sheet value (fair value) of hedge contracts. The "Fair Value Hedge" accounting model was used. A series of bonds issued by the Bank were hedged using hedge accounting, in order to hedge the relative interest rate risk.

- **8.2 Hedges: breakdown by hedged portfolios and by type of hedge**

Transactions/Type of hedge	Fair Value						Cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Various risks				
1. Financial assets available for sale	0	0	0	0	0	0	0	0	0
2. Receivables	0	0	0	0	0	0	0	0	0
3. Financial assets held through maturity	0	0	0	0	0	0	0	0	0
4. Portfolio	0	0	0	0	0	0	0	0	0
5. Other transactions	0	0	0	0	0	0	0	0	0
Total assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Financial liabilities	5,462	0	0	0	0	0	107	0	0
2. Portfolio	0	0	0	0	0	0	0	0	0
Total liabilities	**5,462**	**0**	**0**	**0**	**0**	**0**	**107**	**0**	**0**
1. Forecast transactions	0	0	0	0	0	0	0	0	0
2. Portfolio of financial assets and liabilities	0	0	0	0	0	0	0	0	0

Section 10 - Equity investments - Line item 100

- **10.1 Equity investments in subsidiaries, jointly held companies or subject to significant influence: information on shareholdings**

Denomination	Registered office	Shareholding %	Votes available %
A. Wholly owned subsidiaries			
B. Jointly held companies			
C. Companies subject to significant influence			
1. Cabel Leasing s.p.a.	**Empoli**	**17.40%**	**17.40%**
2. Cabel Holding s.p.a.	**Empoli**	**38.40%**	**38.40%**
3. Cabel Industry s.p.a.	**Empoli**	**6.00%**	**6.00%**

- **10.2 Equity investments in subsidiaries, jointly held companies or subject to significant influence: accounting information**

Denomination	Total assets	Total income	Gain (Loss)	Shareholders' equity	Balance sheet value	Fair value		
						Level 1	Level 2	Level 3
A. Wholly owned subsidiaries								
B. Jointly held companies								
C. Companies subject to significant influence								
1. Cabel Leasing s.p.a.	192,535	5,453	19	13,177	2,293	0	0	2,293
2. Cabel Holding s.p.a.	36,132	5,629	1,095	34,004	13,058	0	0	13,058
3. Cabel Industry s.p.a.	13,046	22,465	1,841	5,805	348	0	0	348
Total	**241,713**	**33,548**	**2,955**	**52,986**	**15,699**	**0**	**0**	**15,699**

The fair values of investment in companies subject to significant influence were recalculated using the "net equity" method.

- ## 10.3 Equity investments: annual variations

Line items	Total 31/12/2013	Total 31/12/2012
A. Initial value	**14,765**	**14,419**
B. Additions		
B.1 Purchases	0	0
B.2 Write-backs of value	0	0
B.3 Revaluations	933	346
B.4 Other additions	0	0
C. Reductions		
C.1 Sales	0	0
C.2 Value adjustments	0	0
C.3 Other reductions	0	0
D. Final value	**15,699**	**14,765**
E. Total revaluations	**10,476**	**9,543**
F. Total adjustments	**0**	**0**

Line B.3 "Revaluations" includes the revaluation of the company Cabel Leasing s.p.a. for 3 thousand Euro, the revaluation of the company Cabel Holding s.p.a. for 846 thousand Euro (of which: 420 thousand Euro from fiscal year profit, and 426 thousand Euro from the revaluation of equity capital), and the revaluation of the company Cabel Industry s.p.a. for 84 thousand Euro (of which 65 thousand Euro from fiscal year profit and 65 thousand Euro from the revaluation of equity capital).
The data from the 2012 financial statements refer to the last financial statements approved by subsidiaries (31/12/2011).

The data from the 2013 financial statements refer to the last financial statements approved by subsidiaries (31/12/2012).

Section 11 - Property, plant and equipment - Line item 110

- ## 11.1 Property, plant and equipment: breakdown of assets measured at cost

Assets/values	Total 31/12/2013	Total 31/12/2012
1. Own assets	**58,539**	**56,781**
a) land	14,431	14,423
b) buildings	33,492	32,027
c) furniture	7,512	7,180
d) electronic equipment	592	620
e) other	2,511	2,532
2 Purchased in financial leasing	**0**	**0**
a) land	0	0
b) buildings	0	0
c) furniture	0	0
d) electronic equipment	0	0
e) other	0	0
Total	**58,539**	**56,781**

All of the Bank’s property, plant and equipment are measured at cost; the line item "land" indicates the value of the land that is separated from the value of the buildings.

- ***11.5 Property, plant and equipment having a functional use: annual variations***

Line items	Land	Buildings	Furniture	Electronic systems	Other	Total 31/12/2013
A. Initial gross value	**14,423**	**48,835**	**12,333**	**2,263**	**12,140**	**89,994**
A.1 Total net reductions of value	0	16,808	5,153	1,643	9,608	33,214
A.2 Initial net value	**14,423**	**32,027**	**7,180**	**620**	**2,532**	**56,781**
B. Additions:						
B.1 Purchases	9	0	746	234	717	1,706
B.2 Expenses for capitalized improvements	0	2,524	0	0	0	2,524
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:						
a) shareholders' equity	0	0	0	0	0	0
b) the income statement	0	0	0	0	0	0
B.5 Positive exchange rate differences	0	0	0	0	0	0
B.6 Transfers from real property held for investment	0	0	0	0	0	0
B.7 Other additions	0	0	0	23	15	38
C. Reductions:						
C.1 Sales	0	0	0	33	19	53
C.2 Depreciation	0	1,058	414	251	734	2,457
C.3 Value adjustments from impairment allocated to:						
a) shareholders' equity	0	0	0	0	0	0
b) the income statement	0	0	0	0	0	0
C.4 Reductions of fair value allocated to:						
a) shareholders' equity	0	0	0	0	0	0
b) the income statement	0	0	0	0	0	0
C.5 Negative exchange rate differences	0	0	0	0	0	0
C.6 Transfers to:						
a) property, plant and equipment held for investment	0	0	0	0	0	0
b) assets in the course of divestment	0	0	0	0	0	0
C.7 Other reductions	0	0	0	0	0	0
D. Final net value	**14,431**	**33,492**	**7,512**	**592**	**2,511**	**58,539**
D.1 Reductions of total net value	0	17,867	5,567	1,872	10,327	35,633
D.2 Final gross value	**14,431**	**51,359**	**13,079**	**2,464**	**12,838**	**94,172**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Depreciation was measured based on the useful life of the assets, as specified below:

- Land	0.00%
- Buildings	3.00%
- Artwork	0.00%
- Furniture and various furnishings	12.00%
- AED plants, machinery and equipment	20.00%
- Technical plants, machinery and equipment	15.00%
- Vehicles	20.00%

Section 12 - Intangible assets - Line item 120

- **12.1 Intangible assets: breakdown by type of asset**

Assets/values	Total 31/12/2013		Total 31/12/2012	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	0	0	0	0
A.2 Other intangible assets				
A.2.1 Assets measured at cost:	177	0	249	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	177	0	249	0
A.2.2 Assets measured at fair value:	0	0	0	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	0	0	0	0
Total	**177**	**0**	**249**	**0**

All of the Bank's intangible assets are measured at cost.

- **12.2 Intangible assets: annual variations**

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2013
		limited duration	unlimited duration	limited duration	unlimited duration	
A. Initial value	**0**	**0**	**0**	**3,677**	**0**	**3,677**
A.1 Total net reductions of value	0	0	0	3,428	0	3,428
A.2 Initial net value	**0**	**0**	**0**	**249**	**0**	**249**
B. Additions						
B.1 Purchases	0	0	0	205	0	205
B.2 Increases of internal intangible assets	0	0	0	0	0	0
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value						
- to shareholders' equity	0	0	0	0	0	0
- to the income statement	0	0	0	0	0	0
B.5 Positive Exchange rate differences	0	0	0	0	0	0
B.6 Other additions	0	0	0	0	0	0
C. Reductions						
C.1 Sales	0	0	0	0	0	0
C.2 Adjustments of value						
- Amortizations	0	0	0	277	0	277
- Write-downs						
+ shareholders' equity	0	0	0	0	0	0
+ the income statement	0	0	0	0	0	0
C.3 Reductions of fair value						
- to shareholders' equity	0	0	0	0	0	0
- to the income statement	0	0	0	0	0	0
C.4 Transfers to noncurrent assets in the course of divestment	0	0	0	0	0	0
C.5 Negative exchange rate differences	0	0	0	0	0	0
C.6 Other reductions	0	0	0	0	0	0
D. Final net value	**0**	**0**	**0**	**177**	**0**	**177**
D.1 Total net adjustments of value	0	0	0	3,705	0	3,705
E. Final gross value	**0**	**0**	**0**	**3,882**	**0**	**3,882**
F. Measurement at cost	0	0	0	0	0	0

Other intangible assets consist of the cost of corporate software. Amortization is measured at constant rates based on its useful life, which is estimated to be 5 years.

Section 13 - Tax assets and liabilities – Asset line item 130 and Liability line item 80

- ### 13.1 Assets related to pre-paid taxes: breakdown

Line items/Values	Total 31/12/2013	Total 31/12/2012
1. Multi-year costs	0	0
2. Personnel costs	86	145
3. Receivables	10,872	5,366
4. Entertainment expenses	0	0
5. Financial instruments (Securities Available for Sale)	870	3,081
6. Tax losses	0	0
7. Other	0	0
Total	**11,827**	**8,593**

The line "Financial instruments" indicates tax receivables related to financial instruments classified in the portfolio of assets available for sale.

Breakdown of assets related to pre-paid taxes point 3. Receivables from the previous table:

Line items/Values	Total 31/12/2013	Total 31/12/2012
1. IRES (corporate income tax) subdivided into eighteenths	5,049	5,366
2. IRES (corporate income tax) subdivided into quarters	4,842	0
3. IRAP (tax on productive activities) subdivided into quarters	981	0
Total	**10,872**	**5,366**

- ### 13.2 Liabilities for deferred taxes: breakdown

Line items/Values	Total 31/12/2013	Total 31/12/2012
1. Property, plant and equipment	3,644	3,787
2. Personnel costs	88	0
3. Former credit risk fund	0	0
4. Equity investments	144	131
5. Financial instruments (Securities Available For Sale)	647	1,127
6. Other	105	105
Total	**4,627**	**5,151**

Among liabilities for deferred taxes, we note the line "Property, plant and equipment": the tax liability was calculated between the IAS value and the "tax" value of the property, plant and equipment owned.
The line "Equity investments" indicates the tax liability referable to equity investments calculated at the IRES tax rate (27.50) on 5.00% of overall capital gain (10,450 thousand Euro).

The line "Financial instruments" indicates tax liabilities related to financial instruments classified in the portfolio of assets available for sale.

- ***13.3 Variations of pre-paid taxes (as an offset to the income statement)***

Line items	Total 31/12/2013	Total 31/12/2012
1. Initial value	**5,511**	**3,099**
2. Additions		
2.1 Pre-paid taxes recognized during the fiscal year		
a) related to previous fiscal years	0	0
b) due to change of accounting policies	0	0
c) write-backs of value	0	0
d) other	5,824	2,588
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Pre-paid taxes derecognized during the fiscal year		
a) reversals	377	177
b) write-downs for receivables written off as unrecoverable	0	0
c) change of accounting policies	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions		
a) transformation into tax credits pursuant to Law n. 214/2011	0	0
b) Other	0	0
4. Final value	**10,958**	**5,511**

The table summarizes all pre-paid taxes which will be absorbed in subsequent fiscal years as offsets to the income statement. The principal pre-paid tax that arose during the fiscal year was that generated by the write-downs on receivables exceeding the deductible limit in the fiscal year totaling 5,824 thousand Euro.

13.3.1 Variations of pre-paid taxes as per Law n. 214/2011 (as an offset to the income statement)

Line items	Total 31/12/2013	Total 31/12/2012
1. Initial value	**5,366**	**3,021**
2. Additions	**5,823**	**2,522**
3. Reductions	**317**	**177**
3.1 reversals	317	177
3.2 transformation into tax credits	0	0
a) deriving from operating losses	0	0
b) deriving from tax losses	0	0
3.3 Other reductions	0	0
4. Final value	**10,872**	**5,366**

• 13.4 Variations of deferred taxes (as an offset to the income statement)

Line items	Total 31/12/2013	Total 31/12/2012
1. Initial value	**3,924**	**4,051**
2. Additions		
2.1 Deferred taxes recognized during the fiscal year		
a) related to previous fiscal years	0	0
b) due to a change of accounting policies	0	0
c) other	14	15
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Deferred taxes derecognized during the fiscal year		
a) reversals	144	143
b) due to a change of accounting policies	0	0
c) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**3,794**	**3,924**

The table summarizes all deferred taxes that will be absorbed during subsequent fiscal years as offsets to the income statement.

• 13.5 Variations of pre-paid taxes (as an offset to shareholders' equity)

Line items	Total 31/12/2013	Total 31/12/2012
1. Initial value	**3,081**	**16,240**
2. Additions		
2.1 Pre-paid taxes recognized during the fiscal year		
a) related to previous fiscal years	0	0
b) due to a change of accounting policies	0	0
c) other	0	0
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Pre-paid taxes derecognized during the fiscal year		
a) reversals	2,212	13,158
b) write-downs for receivables written off as unrecoverable	0	0
c) due to a change of accounting policies	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**870**	**3,081**

The variations are exclusively due to the pre-paid taxes recorded in movements to the reserves of shareholders' equity related to the financial instruments classified in the portfolio "Financial assets available for sale".

- ## *13.6 Variations of deferred taxes (as an offset to shareholders' equity)*

Line items	Total 31/12/2013	Total 31/12/2012
1. Initial value	**1,227**	**244**
2. Additions		
2.1 Deferred taxes recognized during the fiscal year		
a) related to previous fiscal years	0	0
b) due to a change in accounting policies	0	0
c) other	86	984
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Deferred taxes derecognized during the fiscal year		
a) reversals	480	0
b) due to a change in accounting policies	0	0
c) other	0	0
3.2 Reduction of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**833**	**1,227**

The variations are due to the deferred taxes recorded in movements to the reserves of shareholders' equity related to the financial instruments classified in the portfolio "Financial assets available for sale", and in movements to the reserve of shareholders' equity related to equity investments.

- ## *13.7 Other information - Assets due to current taxes - Breakdown*

Line items	Total 31/12/2013	Total 31/12/2012
1. Accounts paid to the Tax Authority	11,512	7,660
2. Tax receivables – principal	608	144
3. Tax receivables – interest	290	288
4. Other withholdings	21	12
Total	**12,430**	**8,104**

- ## *13.7 Other information – Liabilities due to current taxes - Breakdown*

Line items	Total 31/12/2013	Total 31/12/2012
1. Fund for IRES tax	7,581	3,927
2. Fund for IRAP tax	2,425	2,303
3. Fund for stamp duty	732	5
4. Tax fund – substitute tax Law 244/2007	0	0
5. Tax fund - other	0	0
Total	**10,738**	**6,234**

Section 15 - Other assets - Line item 150

- ***15.1 Other assets: breakdown***

Line items	Total 31/12/2013	Total 31/12/2012
01. Other debtors	3,278	2,025
02. Entries in transit	5,094	6,171
03. Entries being processed	10,585	5,106
04. Various entries to be settled	964	1,771
05. Stipulated loans to be disbursed	6,378	7,068
06. Checks, bills returned unpaid and protested	271	166
07. Assets sold and not cancelled	67	70
08. Assets for expenses on third party goods	562	419
09. Expenses not yet invoiced	92	125
10. Costs to be allocated	0	1,211
11. Advanced operations on notes	253	480
12. Various open entries	1,580	4,345
13. Accrued income and prepayments	680	552
14. Securities to be settled (sales)	0	0
Total	**29,804**	**29,508**

18. LIABILITIES

Section 1 - Payables to banks - Line item 10

- ***1.1 Payables to banks: breakdown by type***

Type of operation/Values	Total 31/12/2013	Total 31/12/2012	Variation	% Variation
1. Payables to central banks	**337,591**	**418,171**	**-80,580**	**-19,27%**
2. Payables to banks				
2.1 Bank accounts and demand deposits	1,003	1,071	-68	-6,36%
2.2 Term deposits	10,028	10,389	-360	-3,47%
2.3 Loans	0	0	0	
2.3.1 Repurchase agreements - payables	0	0	0	
2.3.2 Other	0	0	0	
2.4 Liabilities for commitments to repurchase own shares	0	0	0	
2.5 Other liabilities	0	0	0	
Total	**348,622**	**429,630**	**-81,008**	**-18,86%**
Fair value - level 1	**0**	**0**	**0**	
Fair value - level 2	**0**	**0**	**0**	
Fair value - level 3	**348,622**	**429,630**	**-81,008**	
Total fair value	**348,622**	**429,630**	**-81,008**	**-18,86%**

Payables to banks are all measured at cost or at amortized cost.

Section 2 - Payables to customers - Line item 20

- **2.1 Payables to customers: breakdown by type**

Type of operation/Values	Total 31/12/2013	Total 31/12/2012	Variation	% Variation
1. Bank accounts and demand deposits	1,137,345	952,692	184,653	19.38%
2. Term deposits	177,345	77,376	99,969	129.20%
3. Loans	181,566	69,248	112,318	162.20%
3.1 Repurchase agreements – payables	163,493	56,890	106,603	187.38%
3.2. Other	18,073	12,358	5,715	46.24%
4. Liabilities for commitments to buy back treasury shares	0	0	0	
5. Other liabilities	194	475	-281	-59.13%
Total	**1,496,450**	**1,099,791**	**396,659**	**36.07%**
Fair value - level 1	**0**	**0**	**0**	
Fair value - level 2	**0**	**0**	**0**	
Fair value - level 3	**1,496,450**	**1,099,791**	**396,659**	
Total fair value	**1,496,450**	**1,099,791**	**396,659**	**36.07%**

Payables to customers are all measured at cost or at amortized costs.

Line 3.2 "Loans - Other" for 18,073 thousand includes transactions with Cassa Depositi e Prestiti s.p.a.

Line 5 "Other payables" includes liabilities that were transferred but not derecognized for securitizations.

Section 3 - Outstanding securities - Line item 30

- **3.1 Outstanding securities: breakdown by type**

Type of security/Values	Total 31/12/2013				Total 31/12/2012			
	Balance sheet value	Fair value			Balance sheet value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	766,341	0	0	766,341	853,598	0	0	853,598
1.1 structured	2,932	0	0	2,932	2,634	0	0	2,634
1.2 other	763,408	0	0	763,408	850,963	0	0	850,963
2. Other securities	15,686	0	0	15,686	38,086	0	0	38,086
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	15,686	0	0	15,686	38,086	0	0	38,086
Total	**782,027**	**0**	**0**	**782,027**	**891,684**	**0**	**0**	**891,684**

The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be repaid.
All of the liabilities are measured at cost or at amortized cost, with the exception of entries that are the object of specific hedges of the interest rate risk on which the effect of the Swap was capitalized.
Liabilities are indicated net of the repurchased bonds.

The aggregate decreased with respect to the previous fiscal year by 109,657 thousand Euro (-12.30%).

- **3.3 Outstanding securities: securities subject to specific hedges**

Type of operation/Values	Total 31/12/2013	Total 31/12/2012
1. Securities subject to specific fair value hedges:		
a) interest rate risk	123,182	193,722
b) exchange rate risk	0	0
c) various risks	0	0
2. Securities subject to specific cash flow hedges:		
a) interest rate risk	0	0
b) exchange rate risk	0	0
c) other	0	0
Total	**123,182**	**193,722**

The table indicates outstanding securities that are the object of specific hedges.

Securities issued by the Bank for which the hedge decision was made subsequent to the issue, or for which there is the intention to maintain the hedge for the entire contractual duration of the issue, were the object of specific hedges of the fair value of the interest rate risk.

Section 4 - Financial liabilities from trading - Line item 40

- **4.1 Financial liabilities from trading: breakdown by type**

Type of securities/Values	Total 31/12/2013				Total 31/12/2012			
	Balance sheet value	Fair value			Balance sheet value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Cash payables								
1. Payables to banks	0	0	0	0	0	0	0	0
2. Payables to customers	0	0	0	0	0	0	0	0
3. Debt securities	0	0	0	0	0	0	0	0
3.1 Bonds	0	0	0	0	0	0	0	0
3.1.1 Structured	0	0	0	0	0	0	0	0
3.1.2 Other bonds	0	0	0	0	0	0	0	0
3.2 Other securities	0	0	0	0	0	0	0	0
3.2.1 Structured	0	0	0	0	0	0	0	0
3.2.2 Other	0	0	0	0	0	0	0	0
Total A	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Derivative instruments								
1. Financial derivatives	0	0	0	0	1	0	0	1
1.1 From trading	0	0	0	0	1	0	0	1
1.2 Connected with the fair value option	0	0	0	0	0	0	0	0
1.3 Other	0	0	0	0	0	0	0	0
2. Credit derivatives	0	0	0	0	0	0	0	0
2.1 From trading	0	0	0	0	0	0	0	0
2.2 Connected with the fair value option	0	0	0	0	0	0	0	0
2.3 Other	0	0	0	0	0	0	0	0
Total B	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**1**
Total (A+B)	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**1**

Section 6 - Hedges - Line item 60

- **6.1 Hedges: breakdown by type of hedge and by hierarchical level**

Line items	Fair value 31/12/2013			Notional value 31/12/2013	Fair value 31/12/2012			Notional value 31/12/2012
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**0**	**0**	**102**	**12,369**	**0**	**0**	**85**	**10,082**
1) Fair value	0	0	0	0	0	0	9	3,000
2) Cash flows	0	0	102	12,369	0	0	76	7,082
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	**0**	**0**	**102**	**12,369**	**0**	**0**	**85**	**10,082**

The table indicates the negative balance sheet value (fair value) of hedge contracts, for hedges using the hedge accounting instrument.

A series of bonds issued by the Bank were hedged by means of hedge accounting, in order to hedge the relative interest rate risk.

- **6.2 Hedges: breakdown by hedged portfolio and by type of hedge**

Operation/Type of hedge	Fair Value						Financial flows		Foreign investments
	Specifics					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Various risks				
1. Financial assets available for sale	0	0	0	0	0	0	0	0	0
2. Receivables	0	0	0	0	0	0	2	0	0
3. Financial assets held through maturity	0	0	0	0	0	0	0	0	0
4. Portfolio	0	0	0	0	0	0	0	0	0
5. Other transactions	0	0	0	0	0	0	0	0	0
Total assets	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**0**
1. Financial liabilities	0	0	0	0	0	0	101	0	0
2. Portfolio	0	0	0	0	0	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**101**	**0**	**0**
1. Expected transactions	0	0	0	0	0	0	0	0	0
2. Portfolio of financial assets and liabilities	0	0	0	0	0	0	0	0	0

Section 10 - Other liabilities - Line item 100

- **10.1 Other liabilities: breakdown**

Line items	Total 31/12/2013	Total 31/12/2012
01. Various tax entries	3,198	3,149
02. Entries transferred among branch offices	5,281	2,799
03. Differences receivables on offsets of third party portfolio	24,536	17,257
04. Suppliers	2,301	2,176
05. Entries being processed and other creditors	31,247	14,920
06. Accrued liabilities and deferred income	755	1,682
07. Borrower accounts for stipulated loans to be disbursed	6,378	7,068
08. Securities to be settled (purchases)	40	5,893

Total	73,735	54,944

Section 11 - Employee severance pay - Line item 110

- ### *11.1 Employee severance pay: annual variations*

Line items	Total 31/12/2013	Total 31/12/2012
A. Initial value	**3,606**	**3,454**
B. Additions		
B.1 Allocations during the fiscal year	969	843
B.2 Other additions	80	339
C. Reductions		
C.1 Payments made	102	187
C.2 Other reductions	1,238	843
D. Final value	**3,315**	**3,606**
Total	**3,315**	**3,606**

Line B.1 "Allocation during fiscal year" includes severance pay matured during the fiscal year in the amount of 969 thousand Euro.

Line B.2 "Other additions" includes "Interest Cost" for 80 thousand Euro.

Line C.1 "Payments made" includes the "Benefit Paid" for IAS purposes of employee severance pay in the amount of 102 thousand Euro, and "Actuarial Gains/Losses" for 269 thousand.

Line C.2 "Other reductions" includes the employee severance pay transferred to the Supplementary Pension Fund for Employees (an external fund) or INPS Treasury for 969 thousand, and "Actuarial Gains/Losses" for 269 thousand.

Section 12 - Risk and expense funds - Line item 120

- ### *12.1 Risk and expense funds: breakdown*

Line items/Values	Total 31/12/2013	Total 31/12/2012
1. Funds for company pensions	0	0
2. Other risk and expense funds	1,254	1,414
2.1 lawsuits	105	0
2.2 personnel costs	312	310
2.3 other	836	1,104
Total	**1,254**	**1,414**

The table indicates a decrease of 160 thousand Euro (-11.32%).

Line 2.2 "Personnel costs" includes costs referring to "Loyalty bonuses" for employees. Line 2.3 "Other" includes the profit fund available to the Board of Directors for charity and mutual aid and other funds.

- ### *12.2 Risk and expense funds: annual variations*

Line items	Pension funds	Other funds	Total 31/12/2013
A. Initial value	**0**	**1,414**	**1,414**
B. Additions			
B.1 Allocation during fiscal year	0	696	**696**
B.2 Additions due to the passage of time	0	0	**0**
B.3 Additions due to modifications of the discount rate	0	0	**0**
B.4 Other additions	0	2	**2**
C. Reductions			
C.1 Use during the fiscal year	0	859	**859**
C.2 Reductions due to modifications of the discount rate	0	0	**0**
C.3 Other reductions	0	0	**0**

D. Final value	0	1,254	1,254

Section 14 - Shareholders' equity - Line items 130, 150, 160, 170, 180, 190 e 200

- ### 14.2 Share capital – Number of shares: annual variations

Line items/Type	Ordinary	Other
A. Outstanding shares at the start of the fiscal year	**9,773**	**0**
- entirely unrestricted	9,773	0
- with restrictions	0	0
A.1 Treasury shares (-)	0	0
B.2 Outstanding shares: initial value	**9,773**	**0**
B. Additions		
B.1 New issues		
- for payment:	188	0
- mergers	0	0
- conversion of bonds	0	0
- exercise of warrants	0	0
- other	188	0
- on a gratuitous basis:	0	0
- to employees	0	0
- to directors	0	0
- other	0	0
B.2 Sale of treasury shares	0	0
B.3 Other variations	0	0
C. Reductions		
C.1 Derecognition	160	0
C.2 Buy backs of treasury shares	0	0
C.3 Sales of companies	0	0
C.4 Other variations	0	0
D. Outstanding shares: final value	**9,801**	**0**
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	9,801	0
- entirely unrestricted	9,801	0
- with restrictions	0	0

- ### 14.3 Share capital: other information - annual variations

Line items	Amounts	Number of shares	Number of shareholders
A. Initial value	**2,883**	**9,773**	**3,072**
B. Additions			
B.1 New shareholders	30	101	101
B.2 From revaluations	79	0	0
B.3 From successions	15	50	6
B.4 From other additions	11	37	6
C. Reductions			
C.1 Redemptions	19	63	28
C.2 Partial redemptions	3	10	0
C.3 From successions	15	50	9
C.4 From other reductions	11	37	9
D. Final value	**2,970**	**9,801**	**3,139**

- **_14.4 Retained earnings: other information - breakdown of shareholders' equity_**

Line items	Total 31/12/2013	Total 31/12/2012
1. Share capital	2,970	2,883
2. Premiums on issue of new shares	251	244
3. Reserves	235,506	230,417
3.1 ordinary/extraordinary reserves	189,469	185,725
3.2 Statutory reserve	46,033	45,456
3.3 Reserves - First Time Adoption I.A.S.	3	-763
4. (Treasury shares)	0	0
5. Valuation reserves	17,445	14,058
5.1 Financial assets available for sale	-451	-3,955
5.2 Property, plant and equipment	0	0
5.3 Intangible assets	0	0
5.4 Hedging foreign investments	0	0
5.5 Hedging cash flows	0	0
5.6 Exchange rate differences	0	0
5.7 Noncurrent assets in the course of divestment	0	0
5.8 Actuary profit (loss) on defined benefit plans	-555	0
5.9 Share of the valuation reserves of equity investments measured at shareholders' equity	7,614	7,176
5.10 Special revaluation laws	10,836	10,836
6. Equity instruments	0	0
7. Fiscal year profit (loss)	4,800	5,200
Total	**260,971**	**252,802**

- **_14.4 Retained earnings: other information – division and use of fiscal year profit_**

Line items	Amount	Accounting classification of capital
Ordinary/Legal Reserve	2,991	Increase of Liability line item 160 (Tier 1)
Reserve pursuant to Article 6, Legislative Decree 38/2005	527	Increase of Liability line item 160 (Tier 1)
Statutory Reserve	462	Increase of Liability line item 160 (Tier 1)
Shareholders for dividends	147	
Shareholders for gratuitous revaluation of shares	29	Increase of Liability line item 180 (Tier 1)
Mutual aid fund to promote and develop cooperation, Law 59/1992	144	
Available to the Board of Directors for charity and mutual aid	500	
Total	**4,800**	

- **_14.6 Other information – Schedule on the origin and the potential use and distribution of the line items of shareholders' equity (Article 2427(1)(7 bis) of the Italian Civil Code)_**

In accordance with Article 2427(7-bis) of the Italian Civil Code, the following table indicates the breakdown of shareholders' equity, according to the origin and level of availability and potential distribution of the various entries:

Type / description	Amount	Possibility of use	Available share	Summary of uses made in the last three fiscal years	
				To cover losses	For other reasons
Share capital	2,970	B - C	2,970		213
Share premium reserve	251	B - C	251		16
Fund for general bank risks					
Valuation reserves:					
- revaluation reserve pursuant to Law 576/75	12	A - B - C	12		
- revaluation reserve pursuant to Law 72/83	695	A - B - C	695		
- revaluation reserve pursuant to Law 413/91	273	A - B - C	273		
- Available for Sale revaluation reserve	-451	B	-451		
- reserve from equity investments	7,614	B	7,614		
Retained earnings:					
- indivisible legal/statutory reserve	235,503	B	235,503		
- reserve from transition to International Accounting Standards	9,858	B	9,858		
TOTAL	**256,726**		**256,726**		
Non distributable share			255,745		
Residual distributable share			981		

Key: A = to increase share capital - B = to cover losses - C = to distribute to shareholders

EXPLANATORY NOTES part B - Other information

- **1. Guarantees given and commitments**

Operations	Amount 31/12/2013	Amount 31/12/2012
1) Financial guarantees given to:	80,177	88,425
a) Banks	11,422	5,144
b) Customers	68,754	83,281
2) Commercial guarantees given to:	14,845	13,687
a) Banks	1,728	1,640
b) Customers	13,117	12,048
3) Irrevocable commitments to disburse funds given to:	21,357	23,573
a) Banks	0	143
i) for certain use	0	143
ii) for uncertain use	0	0
b) Customers	21,357	23,430
i) for certain use	0	8,080
ii) for uncertain use	21,357	15,350
4) Underlying commitments for credit derivatives: sales of protection	0	0
5) Assets pledged as collateral for third party obligations	963	769
6) Other commitments	50	50
Total	**117,392**	**126,504**

The amount of 963 thousand Euro set forth in point 5 refers to guarantees issued on credit lines related to operations on the New-Mic trading platform of the Cash Clearing and Guarantee Fund.

- **2. Assets pledged as collateral for own liabilities and commitments**

Portfolio	Amount 31/12/2013	Amount 31/12/2012
1. Financial assets held for trading	19,989	0
2. Financial assets measured at fair value	0	0
3. Financial assets available for sale	147,944	70,675
4. Financial assets held through maturity	0	0
5. Receivables from banks	0	0
6. Receivables from customers	0	0
7. Property, plant and equipment	0	0

The table indicates the value of securities pledged as collateral for repurchase agreements.

- ## *4. Management and trading on behalf of third parties*

Type of services	Amount
1. Trading financial instruments on behalf of customers	**0**
a) purchases	0
settled	0
not settled	0
b) sales	0
settled	0
not settled	0
2. Asset management	**961**
a) individual	961
b) collective	0
3, Custody and management of securities	**2,782,503**
a) third party securities on deposit: related to bank performance as depository bank (excluding asset management)	0
1. securities issued by the bank that prepares the balance sheet	0
2. other securities	0
b) third party securities on deposit (excluding asset management): other	886,036
1. securities issued by the bank that prepares the balance sheet	754,162
2. other securities	131,875
c) third party securities deposited with third parties	864,406
d) treasury securities deposited with third parties	1,032,061
4. Other operations	**0**

- ## *5. Financial assets object of on-balance sheet netting, or subject to master netting agreements or similar agreements*

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities netted on-balance sheet (b)	Net amount of financial assets registered in the balance sheet (c = a - b)	Correlated amounts not netted on-balance sheet		Net amount as at 31/12/2013 (f = c - d - e)	Net amount as at 31/12/2012
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	3,413	0	3,413	0	3,300	**113**	**206**
2. Repurchase agreements	0	0	0	0	0	**0**	**0**
3. Loan Securities	0	0	0	0	0	**0**	**0**
4. Other	0	0	0	0	0	**0**	**0**
Total at 31/12/2013	**3,413**	**0**	**3,413**	**0**	**3,300**	**113**	**0**
Total at 31/12/2012	**5,706**	**0**	**5,706**	**0**	**5,500**		**206**

- ## *6. Financial liabilities object of on-balance sheet netting, or subject to master netting agreements or similar agreements*

Technical forms	Gross amount of financial liabilities (a)	Amount of financial liabilities netted on-balance sheet (b)	Net amount of financial assets registered in the balance sheet (c = a - b)	Correlated amounts not netted on-balance sheet		Net amount as at 31/12/2013 (f = c - d - e)	Net amount as at 31/12/2012
				Financial instruments (d)	Cash deposits received as collateral (e)		
1, Derivatives	0	0	0	0	0	**0**	**0**
2, Repurchase agreements	157,542	0	157,542	0	4,361	**153,181**	**52,053**
3, Loan Securities	0	0	0	0	0	**0**	**0**
4, Other	0	0	0	0	0	**0**	**0**
Total at 31/12/2013	**157,542**	**0**	**157,542**	**0**	**4,361**	**153,181**	
Total at 31/12/2012	**52,515**	**0**	**52,515**	**0**	**462**		**52,053**

EXPLANATORY NOTES - PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Line items 10 e 20

- ### 1.1 Earned interest and similar income: breakdown

Line items/Technical forms	Debt securities	Loans	Other operations	Total 31/12/2013	Total 31/12/2012	Variation	% Variation
1. Financial assets held for trading	23	0	0	23	282	-259	-91.83%
2. Financial assets available for sale	19,524	0	0	19,524	21,073	-1,549	-7.35%
3. Financial assets held through maturity	0	0	0	0	0	0	
4. Receivables from banks	0	1,007	0	1,007	934	73	7.82%
5. Receivables from customers	0	62,070	0	62,070	60,362	1,708	2.83%
6. Financial assets measured at fair value	0	0	0	0	0	0	
7. Hedges	0	0	2,992	2,992	2,637	355	13.44%
8. Other assets	0	0	12	12	27	-15	-56.31%
Total	**19,547**	**63,077**	**3,003**	**85,627**	**85,315**	**312**	**0.37%**

The column "Loans", item 5 "Receivables from customers" includes earned interest and similar income matured during the fiscal year referring to impaired exposure as of the balance sheet reference date in the amount of 7,247 thousand Euro.

- ### 1.2 Earned interest and similar income: differences related to hedges

Line items	Total 31/12/2013	Total 31/12/2012
A. Positive differences relating to hedges:	4,011	6,090
B. Negative differences relating to hedges:	1,019	3,452
C. Balance (A-B)	**2,992**	**2,637**

The table indicates positive interest income in the amount of 2,992 thousand Euro, deriving from the difference between earned interest (4,011 thousand Euro) and payable interest (1,019 thousand Euro). These differences are the consequence of the transformation from a fixed to a variable interest rate of a series of bonds issued by the Bank which, speculatively, were combined with mirror fixed interest rate (IRS) hedges.

- ### 1.3 Earned interest and similar income: other information

1.3.1 Earned interest on financial assets in foreign currency

Line items/Values	Total 31/12/2013	Total 31/12/2012
Earned interest on financial assets in foreign currency	79	134

1.3.2 Earned interest on financial leasing

Line items/Values	Total 31/12/2013	Total 31/12/2012
Earned interest on financial leasing	96	41

- ### 1.4 Interest payable and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other operations	Total 31/12/2013	Total 31/12/2012	Variation	% Variation
1. Payables to central banks	-2,044	0	0	-2,044	-3,436	1,392	-40.52%
2. Payables to banks	-128	0	0	-128	-158	30	-18.98%
3. Payables to customers	-21,174	0	0	-21,174	-15,245	-5,929	38.89%
4. Outstanding securities	0	-24,102	0	-24,102	-27,422	3,320	-12.11%
5. Financial liabilities from trading	0	0	0	0	0	0	
6. Financial liabilities measured at fair value	0	0	0	0	0	0	

7. Other liabilities and funds	0	0	-2	-2	-12	9	-78.85%
8. Hedges	0	0	0	0	0	0	
Total	**-23,346**	**-24,102**	**-2**	**-47,451**	**-46,274**	**-1,177**	**2.54%**

- ## *1.6 Interest payable and similar expenses: other information*

1.6.1 Interest payable on liabilities in foreign currency

Line items/Values	Total 31/12/2013	Total 31/12/2012
Interest payable on financial liabilities in foreign currency	-63	-121

Section 2 - Commissions - Line items 40 e 50

- ### *2.1 Commission income: breakdown*

Type of service/Values	Total 31/12/2013	Total 31/12/2012	Variation	% Variation
a) guarantees given	288	265	23	8.81%
b) credit derivatives	0	0	0	
c) management, intermediation and consulting services:	1,468	1,240	228	18.39%
1 trading financial instruments	2	9	-6	-73.69%
2 trading foreign currencies	473	341	132	38.66%
3 asset management	18	19	0	-2.55%
3.1 individual	18	19	0	-2.55%
3.2 collective	0	0	0	
4 custody and management of securities	128	117	11	9.54%
5 depository bank	0	0	0	
6 securities placement	388	156	232	148.32%
7 receipt and transmission of orders	164	168	-4	-2.36%
8 consulting activity	0	0	0	
8.1 on investments	0	0	0	
8.2 on financial structure	0	0	0	
9 distribution of third party services	296	431	-136	-31.47%
9.1 asset management	0	0	0	
9.1.1. individual	0	0	0	
9.1.2 collective	0	0	0	
9.2 insurance products	26	31	-5	-15.41%
9.3 other products	269	400	-131	-32.72%
d) collection and payment services	5,786	5,353	433	8.09%
e) servicing securitizations	58	30	28	95.11%
f) factoring services	0	0	0	
g) fiscal year tax collection and payee services	0	0	0	
h) asset management of multilateral exchange systems	0	0	0	
i) maintenance and management of bank accounts	12,476	11,525	950	8.25%
j) other services	772	772	-1	-0.11%
Total	**20,848**	**19,186**	**1,662**	**8.66%**

- ### *2.2 Commission income: distribution channels of products and services*

Channels/Values	Total 31/12/2013	Total 31/12/2012
a) at its own branches:	**701**	**606**
1. asset management	18	19
2. securities placement	388	156
3. third party services and products	296	431
b) off-site offer:	**0**	**0**
1. asset management	0	0
2. securities placement	0	0
3. third party services and products	0	0
c) other distribution channels	**0**	**0**
1. asset management	0	0
2. securities placement	0	0
3. third party services and products	0	0

- **2.3 Commission expenses: breakdown**

Services/Values	Total 31/12/2013	Total 31/12/2012	Variation	Variation %
a) guarantees received	0	0	0	
b) credit derivatives	0	0	0	
c) management and intermediation services:	-102	-106	4	-4.23%
1. trading financial instruments	0	0	0	-17.79%
2. trading foreign currency	-89	-96	7	-6.93%
3. asset management	-12	-10	-2	22.00%
3.1 own portfolio	0	0	0	
3.2 delegated by third parties	-12	-10	-2	22.00%
4. custody and management of securities	0	0	0	
5. placement of financial instruments	0	0	0	
6. off-site offer of financial instruments, products and services	0	0	0	
d) collection and payment services	-1,582	-1,520	-62	4.09%
e) other services	0	0	0	
Total	**-1,684**	**-1,627**	**-58**	**3.55%**

Section 3 - Dividends and similar income – Line item 70

- **3.1 Dividends and similar income: breakdown**

Line items/Income	Total 31/12/2013		Total 31/12/2012	
	Dividends	Income from shares of mutual funds	Dividends	Income from shares of mutual funds
A. Financial assets held for trading	0	0	0	0
B. Financial assets available for sale	152	0	37	0
C. Financial assets measured at fair value	0	0	0	0
D. Equity investments	0	0	0	0
Total	**152**	**0**	**37**	**0**

Section 4 - Net trading income – Line item 80

- **4.1 Net trading income: breakdown**

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets from trading	**0**	**1,107**	**0**	**0**	**1,107**
1.1 Debt securities	0	958	0	0	958
1.2 Equity instruments	0	0	0	0	0
1.3 Shares of mutual funds	0	0	0	0	0
1.4 Loans	0	0	0	0	0
1.5 Other	0	150	0	0	150
2. Financial liabilities from trading	**0**	**0**	**0**	**0**	**0**
2.1 Debt securities	0	0	0	0	0
2.2 Liabilities	0	0	0	0	0
2.3 Other	0	0	0	0	0
3. Financial assets and liabilities: exchange rate differences	**0**	**0**	**0**	**0**	**0**
4. Derivative instruments	**0**	**0**	**0**	**0**	**0**
4.1 Financial derivatives	0	0	0	0	0
- On debt securities and interest rates	0	0	0	0	0
- On equity instruments and equity indexes	0	0	0	0	0
- On foreign currencies and gold	0	0	0	0	0
- Other	0	0	0	0	0
4.2 Credit derivatives	0	0	0	0	0

Total	0	1,107	0	0	1,107

The table indicates the economic result from the portfolio of assets held for trading.

Section 5 - Net hedging income - Line item 90

- ### *5.1 Net hedging income: breakdown*

Income components/Values	Total 31/12/2013	Total 31/12/2012
A. Income related to:		
A.1 Hedges of fair value	49	49
A.2 Hedged financial assets (fair value)	0	0
A.3 Hedged financial liabilities (fair value)	0	0
A.4 Hedges of cash flows	0	0
A.5 Assets and liabilities in foreign currency	0	0
Total income from pledged assets (A)	**49**	**49**
B. Expenses related to:		
B.1 Hedges of fair value	-23	-91
B.2 Hedged financial assets (fair value)	0	0
B.3 Hedged financial liabilities (fair value)	0	0
B.4 Hedges of cash flows	0	0
B.5 Assets and liabilities in foreign currency	0	0
Total expenses of hedged assets (B)	**-23**	**-91**
C. Net hedging income (A-B)	**26**	**-42**

The table indicates the net income from hedges. Therefore, the income components recognized in the income statement are indicated that derive from the measurement of the difference between the liabilities that are hedged and the relative hedging contract.

Section 6 - Gains (Losses) from disposal/repurchase - Line item 100

- ### *6.1 Gains (Losses) from disposal/repurchase: breakdown*

Line items/Income components	Total 31/12/2013			Total 31/12/2012		
	Gains	Losses	Net income	Gains	Losses	Net income
Financial assets						
1. Receivables from banks	0	0	0	0	0	0
2. Receivables from customers	0	0	0	258	0	258
3. Financial assets available for sale	12,465	0	12,465	4,273	73	4,201
3.1 Debt securities	12,465	0	12,465	4,273	73	4,201
3.2 Equity instruments	0	0	0	0	0	0
3.3 Shares of mutual funds	0	0	0	0	0	0
3.4 Loans	0	0	0	0	0	0
4. Financial assets held through maturity	0	0	0	0	0	0
Total assets	**12,465**	**0**	**12,465**	**4,531**	**73**	**4,458**
Financial liabilities						
1. Payables to banks	0	0	0	0	0	0
2. Payables to customers	0	0	0	0	0	0
3. Outstanding securities	0	99	-99	1,317	278	1,038
Total liabilities	**0**	**99**	**-99**	**1,317**	**278**	**1,038**

The table indicates the economic result deriving from the divestment of financial assets other than those held for trading.

With respect to assets available for sale in line item 3.1, there was a net positive income of 12,465 thousand Euro, of which gains on Italian Government securities for 12,044 thousand Euro and losses on other securities issued by banks in the amount of 421 thousand Euro.

The loss deriving from the repurchase of outstanding securities, point 3 of Financial Liabilities, in the amount of 99 thousand Euro, originates from the repurchase of own bonds.

Section 8 - Net adjustments/write-backs of value due to impairment - Line item 130

- ***8.1 Net adjustments of value due to impairment of receivables: breakdown***

Operations/Income components	Value adjustments			Write-backs of value				Total 31/12/2013	Total 31/12/2012
	Specific		From portfolio	Specific		From portfolio			
	Derecognition	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Receivables from banks									
- loans	0	0	0	0	0	0	0	**0**	**0**
- debt securities	0	0	0	0	0	0	0	**0**	**0**
Impaired receivables purchased									
- loans	0	0	0	0	0	0	0	**0**	**0**
- debt securities	0	0	0	0	0	0	0	**0**	**0**
Other receivables									
- loans	0	-30,476	-474	0	7,036	0	1,903	**-22,010**	**-15,038**
- debt securities	0	0	0	0	0	0	0	**0**	**0**
C. Total	**0**	**-30,476**	**-474**	**0**	**7,036**	**0**	**1,903**	**-22,010**	**-15,038**

The table summarizes value adjustments and write-backs of value recognized due to the impairment of receivables from customers.

In particular, the column "Other" includes specific write-downs of impaired receivables subject to "analytical" measurement, while the column "From portfolio" includes adjustments quantified exclusively on receivables in bonis.

Another breakdown of adjustments/write-backs of value of receivables - Line item 130 of the income statement:

Description of the portfolio	Type	Method	2013 Amount	2012 Amount
Non performing – Net value of adjustments/write-backs of value	Specific	Analytical	-21,537	-6,908
Watchlist – Net value of adjustments/write-backs of value	Specific	Analytical	-5,074	-2,388
Watchlist – Net value of adjustments/write-backs of value	Specific	Flat-rate	-170	-1,040
Restructured – Net value of adjustments/write-backs of value	Specific	Analytical	4,175	-2,745
Restructured – Net value of adjustments/write-backs of value	Specific	Flat-rate	-648	-52
Overdue/overdrawn – Net value of adjustments/write-backs of value	Specific	Flat-rate	-186	-1,749
In Bonis – Net value of adjustments/write-backs of value	Portfolio	Flat-rate	1,430	-156
Total – Net value of adjustments/write-backs of value			**-22,010**	**-15,038**

Section 9 Administrative costs - Line item 150

- ***9.1 Personnel costs: breakdown***

Type of expense/Values	Total 31/12/2013	Total 31/12/2012
1) Employees	-19,799	-18,992
a) salaries and wages	-14,158	-13,504
b) social security contributions	-3,372	-3,101
c) severance pay	0	0
d) pension costs	0	0
e) allocation to employee severance pay	-137	-398
f) allocation to pension fund and similar obligations:	0	0
- to a defined contribution plan	0	0
- to a defined services plan	0	0
g) payments to external complementary pension funds	-1,383	-1,302

- to a defined contribution plan	-1,383	-1,302
- to a defined services plan	0	0
h) costs deriving from payment agreements based on its own equity instruments	0	0
i) other employee benefits	-750	-687
2) Other personnel	-498	-593
3) Directors and Statutory Auditors	-324	-321
4) Retired personnel	0	0
5) Recovery of expenses for personnel temporarily transferred to other companies	0	0
6) Recovery of expenses for third party personnel temporarily transferred to the company	0	0
Total	**-20,622**	**-19,906**

The table indicates an increase of the aggregate in the amount of 716 thousand Euro (+3.60%).

- ***9.2 Average number of employees by category***

Description	31/12/2013 Values	31/12/2012 Values
Employees	**272**	**264**
a) Managers	3	3
b) Middle management employees	52	44
c) Remaining employees	217	217
Other personnel	**12**	**13**
Total	**284**	**277**

Precise number of employees by category

Description	31/12/2013 Values	31/12/2012 Values
Employees	**275**	**275**
a) Managers	3	3
b) Middle management employees	52	44
c) Remaining employees	220	228
Other personnel	**9**	**9**
Total	**284**	**284**

- ***9.4 Personnel costs: other employee benefits***

Type of cost/Values	Total 31/12/2013	Total 31/12/2012
1) Meal vouchers for employees	-454	-454
2) Loyalty bonus for employees	-25	-34
3) Other employee costs	-271	-199
Total	**-750**	**-687**

- ***9.5 Other administrative costs: breakdown***

Line items/Values	Total 31/12/2013	Total 31/12/2012	Variation	Variation %
1. Insurers and security	-1,132	-1,142	9	-0.81%
2. Advertising and entertainment	-1,796	-1,616	-180	11.13%
3. Rent for real property	-1,063	-1,101	38	-3.41%
4. Maintenance, repairs, transformation of real and personal property	-3,604	-3,175	-430	13.54%
5. Electricity, heating and cleaning services	-968	-998	30	-2.99%
6. Telex, telephone and postage	-1,145	-1,164	19	-1.66%
7. Costs for data processing	-2,030	-1,995	-36	1.78%
8. Stamped paper and stationary	-347	-418	71	-17.01%

9. Fees to outside professionals	-762	-497	-265	53.35%
10. Expenses for write-backs of receivables	0	-6	6	-95.00%
11. Technical assistance and maintenance of software products	-1,613	-1,015	-598	58.89%
12. Information and registry searches	-1,114	-1,222	107	-8.79%
13. Charitable contributions allocated to the income statement	0	-3	3	-100.00%
14. Expenses for treasury assets	-71	-80	9	-11.01%
15. Travel and transportation costs	-365	-375	10	-2.63%
16. Indirect taxes	-4,039	-3,228	-811	25.11%
17. Other costs	-605	-691	86	-12.47%
Total	**-20,656**	**-18,726**	**-1,930**	**10.31%**

Section 10 – Net allocations to risks and expense funds – Line item 160

- ### 10.1 Net allocations to risks and expense funds: composition

Line items/Values	Total 31/12/2013	Total 31/12/2012
1. Allocations to pending litigation	-105	0
2. Allocations to interest expenses on IRES for taxation year 2009	-91	0
3. Other allocations	0	0
Total	**-196**	**0**

Section 11 - Net adjustments/write-backs of value for property, plant and equipment - Line item 170

- ### 11.1 Net adjustments of value for property, plant and equipment: breakdown

Assets/Income component	Depreciation (a)	Adjustments of value due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Property, plant and equipment				
A.1 Owned	-2,457	0	0	**-2,457**
- for functional use	-2,457	0	0	**-2,457**
- for investment	0	0	0	**0**
A. 2 Acquired in financial leasing	0	0	0	**0**
- for functional use	0	0	0	**0**
- for investment	0	0	0	**0**
Total	**-2,457**	**0**	**0**	**-2,457**

Section 12 - net adjustments/write-backs of value to intangible assets - Line item 180

- ### 12.1 Net value adjustments to intangible assets: breakdown

Assets/Income component	Amortization (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Intangible assets				
A.1 Owned	-72	0	0	**-72**
- generated internally by the company	0	0	0	**0**
- other	-72	0	0	**-72**
A.2 Acquired in financial leasing	0	0	0	**0**
Total	**-72**	**0**	**0**	**-72**

Section 13 - Other management income and expenses - Line item 190

- ***13.1 Other management expenses: breakdown***

Line items/Values	Total 31/12/2013	Total 31/12/2012
1. Contingent liabilities and non-existent assets	-160	-53
2. Use of the Guarantee Fund for BCC's depositors	-358	-553
3. Depreciation of third party assets	-62	-59
Total	**-580**	**-665**

- ***13.2 Other management income: breakdown***

Line items/Values	Total 31/12/2013	Total 31/12/2012
1. Recovery of expenses	3,238	2,685
4. Contingent assets and non-existent liabilities	99	106
5. Other income	54	31
Total	**3,391**	**2,821**

Section 14 - Gains (Losses) from equity investments - Line item 210

- ***14.1 Gains (losses) from equity investments: breakdown***

Income component/Values	Total 31/12/2013	Total 31/12/2012
A. Income		
1. Revaluations	489	328
2. Gains from disposal	0	0
3. Write-backs of value	0	0
4. Other income	45	25
B. Expenses:		
1. Write-downs	0	0
2. Value adjustments from impairment	0	0
3. Losses from disposals	0	0
4. Other expenses	0	0
Net income	**534**	**353**

Line A.1 "Revaluations" includes the following transactions:
- Revaluation of Cabel Leasing s.p.a. in the amount of 3 thousand Euro for the fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Holding s.p.a. in the amount of 421 thousand Euro for the fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Industry s.p.a. in the amount of 65 thousand Euro for the fiscal year profit achieved by the subsidiary.

Line A.4 "Other income" includes the dividend from the company Cabel Industry s.p.a..

Section 17 - Gains (Losses) from the disposal of investments - Line item 240

- ***17.1 Gains (losses) from disposal of investments: breakdown***

Income component/ Values	Total 31/12/2013	Total 31/12/2012
A. Property, plant and equipment		
- Gains from disposal	0	0
- Losses from disposal	0	0
B. Other assets		
- Gains from disposal	4	3
- Losses from disposal	-4	-1
Net income	**0**	**2**

Section 18 - Fiscal year income taxes on current operations - Line item 260

- ### *18.1 Fiscal year income taxes on current operations: breakdown*

Income components/Values	Total 31/12/2013	Total 31/12/2012
1. Current taxes (-)	-8,909	-6,872
2. Variation of current taxes of previous fiscal years (+/-)	-191	0
3. Reduction of current taxes for fiscal year (+)	0	0
3 bis. Reduction of current taxes for fiscal year for tax credits as per Law n. 214/2011 (+)	0	0
4. Variation of pre-paid taxes (+/-)	5,447	2,412
5. Variation of deferred taxes (+/-)	130	127
6. Fiscal year income taxes (-) (1+/-2+3+/-4+/-5)	**-3,523**	**-4,332**

Current taxes are measured in accordance with current tax legislation.

For purposes of IRES, current taxes were calculated considering provisions regarding mutual aid cooperatives, introduced by Law 311/2004.

Line 2 includes variations on current taxes for the following fiscal years:

- Allocations to IRES referred to fiscal year 2009 under tax assessment in the amount of -734 thousand;

- Recovery of IRES from IRAP not deducted between 2007 and 2011 in the amount of 543 thousand.

- ### *Summary of fiscal year income taxes, by type of tax*

Income components/Values	Total 31/12/2013
- IRES	-2,098
- IRAP	-1,425
- Other taxes	0
Total	**-3,523**

- ### *18.2 Reconciliation between theoretical tax burden and effective tax burden on the balance sheet*

Line items/Values	IRES	Tax rate	IRAP	Tax rate
(A) Gain (Loss) from current operations before taxes	8,323		8,323	
(B) Income taxes – Theoretical burden	2,996	36.00%	464	5.57%
Reductions of tax base	19,982	36.00%	526	5.57%
Additions to tax base	30,187	36.00%	35,823	5.57%
Tax base	18,528		43,620	
Income taxes – Effective tax burden	6,670	36.00%	2,430	5.57%
Pre-paid/deferred taxes	-4,572	36.00%	-1,005	5.57%
Total taxes	**2,098**		**1,425**	
Overall tax	**3,523**			
Effective tax rate	**42,33%**			

Section 20 - Other information

- ### *Mutual aid*

It is certified that the conditions for being a cooperative bank exist and remain.
For such purpose, in accordance with what is provided for by Article 2512 of the Italian Civil Code and by Article 35 of Italian Legislative Decree 385/1993 and the related Supervisory Regulations, during the course of fiscal year 2013, the Bank satisfied the pre-requisites on prevalent operations with shareholders.

It is certified that “risk assets” for shareholders and zero weighted assets exceeded 50% of the total during the course of fiscal year 2013. Specifically, at the reporting date of the 2013 Financial Statements, the above ratio was 52.905%.

19. ANALYTICAL SCHEDULE OF OVERALL PROFITABILITY - 2013

	Line items	Gross amount	Income tax	Net amount
10	**Fiscal Year Profit (Loss)**	**X**	**X**	**4,800**
	Other income components without reversal to income statement			
20	Property, plant and equipment	0	0	0
30	Intangible assets	0	0	0
40	Defined benefit assets	292	80	212
50	Noncurrent assets in the course of divestment	0	0	0
60	Share of the valuation reserves from measurement of equity investments	0	0	0
	Other income components with reversal to income statement			
70	Hedging foreign investments:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
80	Exchange rate differences:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
90	60. Hedging cash flows:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
100	Financial assets available for sale:	5,235	1,731	3,504
	a) variations of fair value	6,896	2,281	0
	b) reversal to the income statement	-1,661	-549	0
	- adjustments due to impairment	0	0	0
	- gains/losses from use	-1,661	-549	0
	c) other variations	0	0	0
110	Noncurrent assets in the course of divestment:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
120	Share of the valuation reserves from measurement of equity investments:	444	6	438
	a) variations of fair value	444	6	0
	b) reversal to the income statement	0	0	0
	- adjustment due to impairment	0	0	0
	- gains/losses from use	0	0	0
	c) other variations	0	0	0
130	**Total other income components**	**5,972**	**1,818**	**4,154**
140	**Overall profitability (10+130)**			**8,954**

The international accounting standards allow financial instruments to be allocated to different portfolios to which accounting criteria are applied that result in the allocation of income or expenses directly to special reserves of shareholders' equity without passing from the income statement. The schedule indicates the overall result considering income components that matured and were realized during the fiscal year that were recognized directly in shareholders' equity and which sterilize the components that already maturated and were thus recognized in shareholders' equity in previous fiscal years, but which are subject to a second and definitive allocation to the income statement (reversal) when actually realized.

20. ANALYTICAL SCHEDULE OF OVERALL PROFITABILITY 2012

	Line items	Gross Amount	Income tax	Net Amount
10	**Fiscal Year Profit (Loss)**	**X**	**X**	**5.200**
	Other income components without reversal to income statement			
20	Property, plant and equipment	0	0	0
30	Intangible assets	0	0	0
40	Defined benefit plans	0	0	0
50	Noncurrent assets in the course of divestment	0	0	0
60	Share of the valuation reserves from measurement of equity investments	0	0	0
	Other income components with reversal to income statement			
70	Hedging foreign investments:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
80	Exchange rate differences:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
90	60. Hedging cash flows:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
100	Financial assets available for sale:	42,764	14,142	28,622
	a) variations of fair value	39,760	13,149	0
	b) reversal to the income statement	3,004	993	0
	- adjustments due to impairment	0	0	0
	- gains/losses from use	3,004	993	0
	c) other variations	0	0	0
110	Noncurrent assets in the course of divestment:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
120	Share of the valuation reserves from measurement of equity investments:	18	0	18
	a) variations of fair value	18	0	0
	b) reversal to the income statement	0	0	0
	- adjustment due to impairment	0	0	0
	- gains/losses from use	0	0	0
	c) other variations	0	0	0
130	**Total other income components**	**42,781**	**14,142**	**28,639**
140	**Overall profitability (10+130)**			**33,839**

International accounting standards allow allocating financial instruments to different portfolios to which accounting standards are applied that result in the allocation of costs or income directly to special reserves of shareholders' equity without going through the income statement.

The chart shows the overall result, considering income items matured and realized in the fiscal year that were recognized directly in shareholders' equity, sterilizing the components that already matured and thus which had been recognized in shareholders' equity in previous fiscal years, but which are the object of a second and definitive allocation to the income statement (reversal) at the time effectively realized.

EXPLANATORY NOTES - PART E – INFORMATION ON RISKS AND THE RELATIVE HEDGING POLICIES

The Bank dedicates particular attention to risk control and management and to ensuring the ongoing evolution of its organizational/procedural systems and of the methodological solutions applied, also to meet changing operating and regulatory requirements.

Specifically, on 17 December last, Bank of Italy issued Circular n. 285 -“Supervisory Provisions for Banks”, which entered into effect as of 1 January 2014, implementing the provisions contained in Directive CRD IV and CRR regulations, creating a regulatory framework regarding prudential vigilance, integrated by European Community provisions that are directly applicable to the subject matter.

These provisions, which fall within the scope of the development of regulations dictated by the so-called Basel 3 agreement, define stricter regulations for bank capital adequacy levels and for the first time introduce limits in terms of liquidity and financial leverage.

Still in 2013, Bank of Italy issued new prudential supervision provisions regarding internal control systems, information systems and business continuity procedures (15th update of Circular n. 263 of 27 December 2006 “New Prudential Supervision Provisions for Banks”). These provisions introduce significant novelties with respect to the current regulatory framework, with the aim of equipping banks with a complete, adequate, functional and reliable internal control system.

As specifically regards risk control and management, banks are required to define a reference framework for the measurement of risk appetite (Risk Appetite Framework – “RAF”). Furthermore, the new regulations bring substantial changes to the management of corporate control functions, increasing the powers of the risk management office and introducing new and complex management requirements regarding information technology systems and IT risks. The Bank must comply with the new regulatory framework by 1 July 2014, save for a few specific provisions that have different and less stringent terms for compliance.

As required by the new regulations, the Bank has already transmitted a self-assessment report regarding its own corporate position vis-à-vis the requirements of the new regulations (gap analysis), which contains the measures to be adopted and the respective timelines and schedules.

21. Section 1 – Credit risk

Qualitative information

- ***1. General information***

The Bank’s credit policy, as implementation of its cooperative mission, is aimed at providing financial support to local economies in the territory by means of the supply of financial resources to parties who satisfy adequate criteria of creditworthiness.

The size and breakdown of the credit portfolio reflects the financial needs of two specific segments of customers: sound small and mid-sized companies and households.

The Bank favors loans to mid-size companies and to small economic operators because they are entities which, being extraneous to larger financial circuits, require an intermediary of reference, capable of understanding their needs, capable of satisfying them with recognized qualities of competence, efficiency and executive speed, and one that follows their development over time.

In this kind of context, the lending activity is based on prudence and on establishing a relationship with borrowers based on reciprocal trust and transparency, aimed, even in new regulatory and market contexts, at enhancing the Bank’s distinctive aptitude for maintaining personalized and long-term relationships with the economic operators in the territory by means of efficient internal procedures.

The distribution of resources is traditionally based on broad diversification in order to minimize risks.

Exposures of significant amounts with respect to individual counterparties, or counterparties who are legally and/or economically related, are constantly monitored and maintained within extremely prudent thresholds in relation to the Bank’s capital and economic equilibrium.

The credit portfolio is also broadly diversified with respect to economic sectors and/or geographic areas, in such a way as to contain any negative impacts due to their reduced performance.

The strategic and management guidelines discussed herein were not modified during the year in course with respect to previous fiscal years.

- ***2. Credit risk management policies***

2.1 Organizational aspects

The factors that generate credit risk originate from the possibility that an unexpected variation of a counterparty's creditworthiness, with respect to whom there is exposure, generates a corresponding unexpected variation of the market value of the credit position.

Therefore, a manifestation of credit risk must be considered to be not only the possibility of a counterparty's insolvency, but also the simple impairment of its creditworthiness.

Management of the credit process is aimed at maximum efficiency, oriented towards personalization with respect to the customer, and provides a series of controls intended to mitigate risks in its individual phases and sub-phases.

The procedures and organizational structure provided for this purpose have been formalized, clearly specifying activities, roles and responsibilities. Such procedures are formalized in the "Credit Risk Regulations" document.

In order to avoid conflicts of interest, the necessary separation is ensured between operative functions and control functions, with the determination of levels of responsibility.

The system of delegations of lending authority, approved by the Board of Directors in compliance with the principle of «cascade» delegations of authority, provides for fairly prudent lending limits to be delegated to the branch structures.

During the first months of 2014, all preliminary technical procedures for credit lines were centralized within the Credit Office. This new structure and organization of the entire credit process has allowed for greater uniformity in the application of criteria for processing loan activities and consequently for greater transparency in the identification of correct criteria, as well as for faster response times vis-à-vis customer requests.

The bodies and principal corporate departments that supervise the lending process are indicted below, as well as their primary responsibilities.

– The *Board of Directors*. Supervises and oversees the proper allocation of resources, and specifically:

- determines strategic lines and credit policies;
- determines the criteria for the recognition, management and measurement of risks;
- approves the structure of the system of delegations of authority and controls that they are properly exercised;
- verifies that the organization of control functions is determined consistently with strategic guidelines, and that they have appropriate autonomy of judgment and qualitatively and quantitatively adequate resources.

- The *Executive Committee* deliberates within the scope of powers delegated by the Board of Directors.

– *General Management*. Implements the strategies and policies determined by the Board of Directors, and specifically:

- prepares adequate rules, activities, procedures and organizational structures to ensure the adoption and maintenance of an efficient credit process and a solid risk control system associated with it;
- verifies the adequacy and functioning of the above components, including in view of internal and external changes that affect the Bank;

takes the necessary measures to eliminate any shortcomings or dysfunctions that might eventually be disclosed. Further, it deliberates within the scope of its delegated powers.

– The *Branches*. They are assigned the primary task of managing the relationship with borrowers/customers in the process of becoming borrowers. They acquire the documentation, make an initial selection of applications, and after deliberation, formalize the credit agreement.

– *Credit Office*. Receives loan dossiers from the periphery and verifies the formal correctness and completeness of the documentation. Processes the preliminary technical procedure for all loan requests and periodical internal renewals. Expresses a technical opinion, on a credit basis, on those forwarded for deliberation. Deliberation may be made by Branch Managers, Area Managers, or Central Bodies.

– The *Coordination structures (Area Manager)*. They ensure fundamental support to the branches in managing the more complex credit positions and/or which present factors of a critical nature. Deliberate loan proposals within its scope of competence.

– *The Credit Control Office*. Monitors the accounts entrusted to it, identifies those that appear to be anomalous and, based on their gravity, places them under observation or proposes to restructure them, assign them to the watchlist, or classify them as non performing.

– *Legal – Litigation Office*. Provides the system with consulting services and legal assistance. Specifically, it takes the necessary legal action to recover receivables for «non performing» accounts and, together with the Credit Control Office, performs extrajudicial activity.

– *The Inspector's Office*. Verifies the functioning of controls and compliance with rules and procedures. In particular, it verifies compliance with the criteria for the proper classification of receivables.

– *Risk Committee – Credit Risk Department.* Composed of the managers of the Credit Office, Credit Control Office, Legal-Claims Department, Inspector's Office, Risk Management, Compliance, Commercial Management and Organizational Office, performs consulting activity and assistance to the General Management in determining the means, activities, and procedures aimed at ensuring the adoption and maintenance of an efficient credit process and a solid system of risk control associated with it. Specifically, the Committee in staff to the Managing Director acts as a point of synthesis with respect to the supervision of the internal control system. In accordance with various kinds of analysis, it analyzes the risk level of the portfolio of receivables, produces the relative informational flows, and makes them available to the competent bodies and operative departments.

2.2 Management, measurement and control systems

The individual articulations of the structure involved in the various phases of the credit process perform the controls commonly defined as «frontline or first level», aimed at guaranteeing the propriety of the procedures followed. The Inspector's Office and Credit Control Office work on "second level" controls and the Internal Audit department acts transversally with respect to the entire system.
The borrowing positions are subject to periodic review aimed at determining, in relation to the situations discovered at the time of the credit application process, the continuation of the conditions of the borrower's solvency as well as that of any eventual guarantors, credit quality, validity and level of protection of the relative security, and profitability of the conditions applied in relationship to the risk profile.
The fiduciary positions are subject to supervision and monitoring in order to ascertain the occurrence or continuation of eventual anomalies in a timely manner, by means of early warning instruments and procedures.
In this context, an important role is granted to the Bank's offices that hold the loan accounts in that, by maintaining relationships with customers, they are able to immediately perceive any signs of impairment; their activity is integrated by that of the Credit Control Office.
As support to the governance activities of the credit processes, the Bank has implemented specific procedures, both for the phases of the credit application/deliberative process as well as for the phases of the measurement/control of credit risk.
Specifically, the application and decision processes are regulated by a bureaucratic, decision-making procedure in which the different competent bodies, belonging both to the central structures and to the network, intervene on the basis of the levels of the delegations of authority granted.
These phases are supported by the "Electronic Line of Credit Procedure", which allows verification (at any time and by all of the departments entrusted with credit management) of the status of each borrower or in the phase of becoming a borrower. This procedure also allows the process that has led to the assessment of the borrower's creditworthiness to be reconstructed at any time, monitoring the various steps leading to the decision and the kinds of analysis made.
Measurement, control and monitoring of the credit risk trend are based on a procedure that indicates the risk factors, actual or potential for each account, and thus the relative risk profile.
Constant monitoring of the indications provided by the procedure, made by the network's staff (responsible for the first level controls), but also by the central units entrusted with the same, allows timely intervention as soon as anomalous positions arise and the opportune measures to be taken in cases of problematic receivables.
A model has currently been determined for the attribution of an internal rating, both to the Bank's "business" customers as well as "private" customers. Such rating consists of a synthetic final score determined on the basis of a series of qualitative considerations, and its insertion in the credit management process (from issue to the monitoring and control of the relative risk level) has been implemented, attributing the network of branch offices graduated authority with regard to amounts and the applicable economic conditions in relation to the customer's rating class. The objective is that of increasingly utilizing it for management purposes as a synthetic index of the counterpart's creditworthiness. With respect to the new regulations on Share Capital (the so-called Basel II regulations), it is noted that the Bank, in order to calculate the capital ratio related to credit risk, has opted to use the "standard" method.
During the credit application process, as well as during the issue and monitoring phases, controls are made of the concentration of risks with reference to significant exposure with regard to individual counterparts or groups of counterparts that are legally or economically related.

For this purpose, individual limits are used as references for major loans which, according to the outstanding supervisory system, constitute a «large risk».

2.3 Techniques for mitigating credit risk

In line with the Bank's objectives and strategies, the principal form of mitigation of credit risk related to lending activity is represented by the technical form of a guarantee. The Bank acquires the typical guarantees found in banking activity: primarily collateral consisting of real property and financial instruments, as well as personal security.
The latter, represented above all by generic limited bank guarantees, are issued in almost all cases by individuals and manufacturers whose creditworthiness, object of a specific rating, is deemed adequate.

Whether or not security has been offered is considered when weighing the overall credit that may be granted to a customer or to the legal and/or economic group to which the customer may belong.

Prudential «discounts» are applied to the estimated value of the collateral offered by the counterpart, in proportion to the type of hedge provided (mortgages on real property, pledges on cash or other financial instruments).

Instead, as far as the business sector is concerned, in light of the recession that has struck the territory in which the Bank operates, the Bank is continuing to strengthen existing relations and to search for new partnerships with Guarantee Consortiums and Associations of Business Categories.

These are, in fact, the organizations capable of offering "collateral" guarantees to their members, in order to mitigate credit risk related to loan requests submitted by the same. A preponderant share of loans to businesses is guaranteed by the central guarantee fund for small-medium businesses.

Structural configurations and procedures are used during the acquisition, appraisal/valuation, control and realization phases of the guarantee aimed at ensuring, over time, enforceability against third parties and general enforceability.
The controls in object are performed by centralized structures that are separate from those that disburse and review the loan; the Inspector's Office ensures that the assets are managed properly and prudently by means of periodic controls.

No significant changes were registered with respect to the information provided above during the course of the fiscal year.

2.4 Impaired financial assets

Risk profiles are supervised during all of the administrative phases that characterize the fiduciary relationship and, specifically, by means of an efficient supervisory and monitoring activity aimed at formulating timely assessments of eventual anomalies as soon as they arise.
Receivables that give signals of particularly serious impairment are classified as «impaired» and, depending on the type and gravity of the anomaly, are divided into the following categories:

– *Non performing*, total of the existing exposure with parties in states of insolvency or in substantially comparable situations, regardless of the security guaranteeing them and/or eventual loss forecasts;

– *Watchlist*, total of the existing exposure with respect to borrowers who are in temporary situations of objective difficulty, which it is expected can be eliminated within a suitable period of time;

– *Restructured*, exposure for which, due to the deterioration of the borrower's economic-financial conditions, modifications are agreed to the original contractual conditions that result in a loss;

– *Overdue/overdrawn*, exposure that remains unpaid and/or overdue/overdrawn in a continuous manner according to parameters of amounts and duration determined by outstanding supervisory measures.

Receivables that do not fall within the above categories are considered to be performing (*in bonis)*.
The management of «impaired» receivables requires suitable initiatives with respect to the gravity of the situation, in order to bring them back within normal limits or, in the event this is not possible, implementation of adequate credit recovery procedures.
More specifically, with regard to accounts that are:

– *non performing,* the opportune credit recovery procedures are implemented; in the event circumstances allow it, repayment plans are prepared and/or settlement proposals are evaluated aimed at the definitive closure of the relationship extra-judicially when required by criteria of economic considerations;

– *watchlist,* they are restored when the original conditions of creditworthiness and the economic conditions of the relationship are restored within a suitable period of time, or when, after determining that such a solution is impossible, the necessary measures are taken to transfer these accounts to non performing accounts;

– *restructured,* precise compliance with the conditions that had been agreed upon is verified over time. The qualification as a restructured account remains, except that after a suitable period of time has elapsed from the date of stipulation of the restructuring agreement and upon verifying the restoration of conditions of full solvency as well as the lack of unpaid items on all existing credit lines, the return of the customer to «*in bonis*» status is provided. Upon verification of the first breach by the borrower, whatever steps are required to transfer the account to watchlist or non performing are taken;

– *overdue/overdrawn*, their development is monitored and timely attempts are made to bring the account back to a normal situation; upon verifying the effective state of the borrower's financial difficulty and when the necessary conditions exist, whatever steps are required to transfer the account to watchlist or non performing are taken.

Value adjustments are made in strict compliance with laws and regulations and in accordance with principles of absolute prudence. The ratings, due to the use of reliable and rigorous measurement methodology and the frequent updating of their underlying factors, are adequate with respect to the portfolio's effective risk level.

Quantitative information

- **A. Credit quality**

A.1 Exposure to impaired and in bonis receivables: amount, value adjustments, dynamics, economic and territorial distribution

A.1.1 Distribution of exposure to financial receivables by the portfolio to which they belong and by type of credit quality (balance sheet value)

Portfolio/type	Non performing	Watchlist	Restructured accounts	Overdue/over drawn accounts	Non impaired overdue exposures	Other assets	Total 31/12/2013
1. Financial assets held for trading	0	0	0	0	0	85,610	**85,610**
2. Financial assets available for sale	0	0	0	0	0	767,158	**767,158**
3. Financial assets held through maturity	0	0	0	0	0	0	**0**
4. Receivables from banks	0	0	0	0	0	115,386	**115,386**
5. Receivables from customers	91,904	98,553	17,439	44,870	123,642	1,489,920	**1,866,328**
6. Financial assets measured at fair value	0	0	0	0	0	0	**0**
7. Financial assets in the course of divestment	0	0	0	0	0	0	**0**
8. Hedges	0	0	0	0	0	5,569	**5,569**
Total 31/12/2013	**91,904**	**98,553**	**17,439**	**44,870**	**123,642**	**2,463,642**	**2,840,050**
Total 31/12/2012	**70,863**	**100,132**	**13,482**	**46,416**	**0**	**2,384,631**	**2,615,524**

The table indicates classification by type of receivables of the entire portfolio of financial assets, with the exception of equity instruments and shares of mutual funds amounting to 3,865 thousand Euro.

The values indicated are those of the balance sheet, net therefore, of the relative write-downs.

A.1.2 Distribution of exposure to financial receivables by the portfolio to which they belong and by credit quality (gross and net values)

Portfolio/type	Impaired assets			In bonis			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	0	0	0	85,610	0	85,610	**85,610**
2. Financial assets available for sale	0	0	0	767,158	0	767,158	**767,158**
3. Financial assets held through maturity	0	0	0	0	0	0	**0**
4. Receivables from banks	0	0	0	115,386	0	115,386	**115,386**
5. Receivables from customers	315,205	62,439	252,766	1,616,176	2,614	1,613,562	**1,866,328**
6. Financial assets measured at fair value	0	0	0	0	0	0	**0**
7. Financial assets in the course of divestment	0	0	0	0	0	0	**0**
8. Hedges	0	0	0	5,569	0	5,569	**5,569**
Total 31/12/2013	**315,205**	**62,439**	**252,766**	**2,589,898**	**2,614**	**2,587,284**	**2,840,050**
Total 31/12/2012	**275,737**	**44,844**	**230,893**	**2,388,675**	**4,044**	**2,384,631**	**2,615,524**

The table indicates classification by type of receivable of the entire portfolio of financial assets, with the exception of equity instruments and shares of mutual funds amounting to 3,865 thousand Euro.

The values indicated are those of the balance sheet, net, therefore, of the relative write-downs.

Breakdown of receivables from customers portfolio for in bonis exposures renegotiated within the scope of collective agreements and of other exposures

Type of exposure/values	A. In bonis exposures renegotiated within the scope of collective agreements					B. Other in bonis exposures			Total in bonis receivables from customers
	Exposures not overdue	Overdue exposures				Exposures not overdue	Overdue exposures		
		Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	Over 1 year		Up to 180 days	From 180 days to1 year	
Gross exposures	126,255	11,486	445	2,368	0	1,366,076	106,707	2,841	1,616,176
Portfolio adjustments	212	19	1	4	0	2,198	175	5	2,614
Net exposures	**126,042**	**11,467**	**444**	**2,364**	**0**	**1,363,878**	**106,531**	**2,836**	**1,613,562**

A.1.3 Cash and off balance sheet exposure to banks: gross and net values

Type of exposure/values	Gross exposure	Specific value adjustments	Adjustments to portfolio value	Net exposure
A. CASH EXPOSURE				
a) Non performing	0	0	0	0
b) Watchlist	0	0	0	0
c) Restructured accounts	0	0	0	0
d) Overdue/overdrawn accounts	0	0	0	0
e) Other assets	193,872	0	0	193,872
TOTAL A	**193,872**	**0**	**0**	**193,872**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	0	0	0	0
b) Other	18,664	0	0	18,664
TOTAL B	**18,664**	**0**	**0**	**18,664**
TOTAL A+B	**212,535**	**0**	**0**	**212,535**

The cash values indicated are taken from the balance sheet, net of relative impaired receivables. In addition to Asset line item 60, parts of Asset line items 20 and 40 were included, amounting to 78,486 thousand Euro.

A.1.6 Cash and off balance sheet exposure to customers: gross and net values

Type of exposure/values	Gross exposure	Specific value adjustments	Adjustments to portfolio value	Net exposure
A. CASH EXPOSURE				
a) Non performing	133,405	41,501	0	91,904
b) Watchlist	114,773	16,220	0	98,553
c) Restructured accounts	19,445	2,006	0	17,439
d) Overdue/overdrawn accounts	47,582	2,712	0	44,870
e) Other assets	2,390,458	0	2,614	2,387,844
TOTAL A	**2,705,663**	**62,439**	**2,614**	**2,640,610**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	12,823	0	0	12,823
b) Other	90,511	0	0	90,511
TOTAL B	**103,334**	**0**	**0**	**103,334**

The table indicates the breakdown of accounts receivable from customers by type of receivable. Specifically, all financial assets regarding customers are reported, taken from balance sheet line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds amounting to 3,865 thousand Euro, were excluded, as well as securities issued by banks in the amount of 78,486 thousand Euro.

A.1.7 Cash exposure to customers: dynamics of gross impaired accounts

Variables/Categories	Non performing	Watchlist	Restructured accounts	Overdue/overdrawn accounts
A. Initial gross exposure	**96,672**	**111,108**	**19,015**	**48,942**
- of which: accounts disposed of but not derecognized	0	0	0	0
B. Additions				
B.1 entries from receivables in bonis	7,038	21,993	7,706	71,826
B.2 transfers from other categories of impaired accounts	35,671	26,702	4,708	158
B.3 other additions	1,945	4,620	130	4,916
C. Reductions				
C.1 transfers to receivables in bonis	853	2,761	122	20,964
C.2 derecognition	399	0	0	0
C.3 collections	6,669	11,059	11,650	26,228
C.4 income from disposals	0	0	0	0
C.4.bis losses from disposals	0	0	0	0
C.5 transfers to other categories of impaired accounts	0	35,672	341	31,068
C.6 other reductions	0	158	0	0
D. Final gross exposure	**133,405**	**114,773**	**19,445**	**47,582**
- of which: accounts disposed of but not derecognized	0	0	0	0

A.1.8 Cash exposure to customers: dynamics of adjustments to overall value

Variables/Categories	Non performing	Watchlist	Restructured accounts	Overdue/overdrawn accounts
A. Initial overall adjustments	**25,809**	**10,976**	**5,533**	**2,526**
- of which: exposure disposed of but not derecognized	0	0	0	0
B. Additions				
B.1 value adjustments	17,048	2,056	49	28
B.1.bis losses from disposals	0	0	0	0
B.2 transfers from other categories of impaired accounts	7,635	1,461	268	166
B.3 Other additions	220	12,099	750	3,487
C. Reductions	0	0	0	0
C.1 write-backs of value from measurement	3,196	5	0	53
C.2 write-backs of value from collections	1,151	2,948	4,575	1,507
C.2.bis income from disposals	0	0	0	0
C.3 derecognition	260	0	0	0
C.4 transfers to other categories of impaired accounts	0	7,411	19	1,934
C.5 Other reductions	4,605	9	0	0
D. Final overall adjustments	**41,501**	**16,220**	**2,006**	**2,712**
- of which: exposure disposed of but not derecognized	0	0	0	0

A.2 Classification of exposure based on external and internal ratings

A.2.1 Distribution of cash and off balance sheet exposure by class of external rating

Exposure	Class of external ratings						Without a rating	Total 31/12/2013
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposure	**0**	**0**	**897,978**	**32,511**	**0**	**0**	**1,903,992**	**2,834,481**
B. Derivatives								
B.1 Financial derivatives	0	1,080	1,691	2,690	0	0	107	**5,569**
B.2 Credit derivatives	0	0	0	0	0	0	0	**0**
C. Security given	**0**	**0**	**0**	**0**	**0**	**0**	**95,022**	**95,022**
D. Commitments to issue funds	**0**	**0**	**0**	**0**	**0**	**0**	**21,357**	**21,357**
E. Other	**0**	**0**	**0**	**0**	**0**	**0**	**1,013**	**1,013**
Total	**0**	**1,080**	**899,669**	**35,201**	**0**	**0**	**2,021,491**	**2,957,442**

Class 1 = AAA/AA-

Class 2 = A+/A-

Class 3 = BBB+/BBB-

Class 4 = BB+/BB-

Class 5 = B+/B-

Class 6 = Lower than B-

The exposure considered was taken from the balance sheets present in the previous tables A.1.3 (exposure to banks) and A.1.6 (exposure to customers), as well as hedges.

A.3 Distribution of secured exposure by type of guarantee

A.3.1 Secured credit exposure to banks - part 1

Line items	Net exposure value	Collateral (1)			
		Real property for mortgage loans	Real property for financial leasing	Securities	Other collateral
1. Secured cash credit exposure:					
1.1 totally secured	0	0	0	0	0
- of which impaired	0	0	0	0	0
1.2 partially secured	5,908	0	0	5,466	0
- of which impaired	0	0	0	0	0
2. Secured off balance sheet credit exposure:					
2.1 totally secured	0	0	0	0	0
- of which impaired	0	0	0	0	0
2.2 partially secured	0	0	0	0	0
- of which impaired	0	0	0	0	0

A.3.1 Secured credit exposure to banks - part 2

Line items	Personal security (2)									Total (1)+(2)
	Credit derivatives					Endorsement receivables				
	CLN	Other derivatives				Governments and central banks	Other public entities	Banks	Other parties	
		Governments and central banks	Other public entities	Banks	Other parties					
1. Secured cash credit exposure:										
1.1 totally secured	0	0	0	0	0	0	0	0	0	**0**
- of which impaired	0	0	0	0	0	0	0	0	0	**0**
1.2 partially secured	0	0	0	0	0	0	0	0	0	**5,466**
- of which impaired	0	0	0	0	0	0	0	0	0	**0**
2. Secured off balance sheet credit exposure:										
2.1 totally secured	0	0	0	0	0	0	0	0	0	**0**
- of which impaired	0	0	0	0	0	0	0	0	0	**0**

2.2 partially secured	0	0	0	0	0	0	0	0	0	**0**
- of which impaired	0	0	0	0	0	0	0	0	0	**0**

A.3.2 Secured credit exposure to customers - part 1

Line items	Net exposure value	Collateral (1)			
		Real property for mortgage loans	Real property for financial leasing	Securities	Other collateral
1. Secured cash credit exposure:					
1.1 totally secured	1,365,524	3,691,349	0	24,061	6,046
- of which impaired	233,605	781,584	0	1,905	535
1.2 partially secured	95,871	1,059	0	17,539	2,224
- of which impaired	6,581	39	0	244	0
2. Secured off balance sheet credit exposure:					
2.1 totally secured	52,767	105,222	0	2,724	1,701
- of which impaired	8,996	374	0	635	193
2.2 partially secured	11,832	0	0	759	2,154
- of which impaired	2,590	0	0	171	129

A.3.2 Secured credit exposure to customers - part 2

Line items	Personal security(2)									Total (1)+(2)
	Derivatives on receivables					Endorsement receivables				
	CLN	Other derivatives				Governments and central banks	Other public entities	Banks	Other parties	
		Governments and central banks	Other public entities	Banks	Other parties					
1. Secured cash credit exposure:										
1.1 totally secured	0	0	0	0	0	12,500	1,065	0	227,874	**3,962,895**
- of which impaired	0	0	0	0	0	1,296	3	0	36,339	**821,662**
1.2 partially secured	0	0	0	0	0	13,017	17	250	30,858	**64,965**
- of which impaired	0	0	0	0	0	854	0	0	4,303	**5,440**
2. Secured off balance sheet credit exposure:										
2.1 totally secured	0	0	0	0	0	349	0	350	34,633	**144,978**
- of which impaired	0	0	0	0	0	239	0	0	7,555	**8,996**
2.2 partially secured	0	0	0	0	0	28	0	0	5,870	**8,811**
- of which impaired	0	0	0	0	0	0	0	0	879	**1,179**

- **B. Distribution and concentration of credit exposure**

B.1 Cash and "off balance sheet" credit exposure to customers (balance sheet value) - part 1

Exposure/Counterparty	Governments			Other public entities		
	Net exposure	Specific value adjustments	Adjustment portfolio value	Net exposure	Specific value adjustments	Adjustment portfolio value
A. Cash exposure						
A.1 Non performing	0	0	0	0	0	0
A.2 Watchlist	0	0	0	0	0	0
A.3 Restructured accounts	0	0	0	0	0	0
A.4 Overdue/overdrawn accounts	0	0	0	0	0	0
A.5 Other exposure	761,402	0	0	3,755	0	0
TOTAL A	**761,402**	**0**	**0**	**3,755**	**0**	**0**
B. Off balance sheet" exposure						
B.1 Non performing	0	0	0	0	0	0
B.2 Watchlist	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0
B.4 Other exposure	0	0	0	4	0	0
TOTAL B	**0**	**0**	**0**	**4**	**0**	**0**
TOTAL (A+B) 31/12/2013	**761,402**	**0**	**0**	**3,758**	**0**	**0**
TOTAL (A+B) 31/12/2012	**552,876**	**0**	**0**	**4,074**	**0**	**0**

B.1 Cash and "off balance sheet" credit exposure to customers (balance sheet value) - part 2

Exposure/Counterparty	Finance companies			Insurers		
	Net exposure	Specific value adjustments	Adjustment portfolio value	Net exposure	Specific value adjustments	Adjustment portfolio value
A. Cash exposure						
A.1 Non performing	0	0	0	0	0	0
A.2 Watchlist	0	0	0	0	0	0
A.3 Restructured accounts	0	0	0	0	0	0
A.4 Overdue/overdrawn accounts	0	0	0	0	0	0
A.5 Other exposure	62,403	0	4	10,514	0	0
TOTAL A	**62,403**	**0**	**4**	**10,514**	**0**	**0**
B. "Off balance sheet" exposure						
B.1 Non performing	0	0	0	0	0	0
B.2 Watchlist	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0
B.4 Other exposure	56	0	0	0	0	0
TOTAL B	**56**	**0**	**0**	**0**	**0**	**0**
TOTAL (A+B) 31/12/2013	**62,459**	**0**	**4**	**10,514**	**0**	**0**
TOTAL (A+B) 31/12/2012	**152,810**	**0**	**5**	**10,499**	**0**	**0**

B.1 Cash and "off balance sheet" credit exposure to customers (balance sheet value) - part 3

Exposure/Counterparty	Non finance companies			Other parties		
	Net exposure	Specific value adjustments	Adjustment portfolio value	Net exposure	Specific value adjustments	Adjustment portfolio value
A. Cash exposure						
A.1 Non performing	66,875	35,398	0	25,029	6,103	0
A.2 Watchlist	71,187	12,994	0	27,365	3,226	0
A.3 Restructured accounts	14,708	1,841	0	2,731	165	0
A.4 Overdue/overdrawn accounts	21,196	1,281	0	23,674	1,431	0
A.5 Other exposure	869,234	0	1,457	680,537	0	1,154
TOTAL A	**1,043,201**	**51,515**	**1,457**	**759,336**	**10,925**	**1,154**
B. "Off balance sheet" exposure						
B.1 Non performing	2,027	0	0	0	0	0
B.2 Watchlist	9,947	0	0	52	0	0
B.3 Other impaired assets	787	0	0	9	0	0
B.4 Other exposure	74,481	0	0	15,970	0	0
TOTAL B	**87,243**	**0**	**0**	**16,032**	**0**	**0**
TOTAL (A+B) 31/12/2013	**1,130,443**	**51,515**	**1,457**	**775,367**	**10,925**	**1,154**
TOTAL (A+B) 31/12/2012	**1,103,681**	**36,538**	**2,244**	**757,954**	**8,306**	**1,795**

Exposure/Counterparty	Total net exposure	Total specific value adjustments	Total adjustment portfolio value
A. Cash exposure			
A.1 Non performing	91,904	41,501	0
A.2 Watchlist	98,553	16,220	0
A.3 Restructured accounts	17,439	2,006	0
A.4 Overdue/overdrawn accounts	44,870	2,712	0
A.5 Other exposure	2,387,844	0	2,614
TOTAL A	**2,640,610**	**62,439**	**2,614**
B. "Off balance sheet" exposure			
B.1 Non performing	2,027	0	0
B.2 Watchlist	9,999	0	0
B.3 Other impaired assets	796	0	0
B.4 Other exposure	90,511	0	0
TOTAL B	**103,334**	**0**	**0**
TOTAL (A+B) 31/12/2013	**2,743,944**	**62,439**	**2,614**
TOTAL (A+B) 31/12/2012	**2,581,893**	**44,844**	**4,044**

The cash exposure for receivables indicated in the table (2,640,610 thousand Euro) is measured in the financial statements net of impaired receivables, and with an indication of specific value adjustments and to the portfolio.

Specifically, it indicates all financial assets regarding customers taken from balance sheet line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds in the amount of 3,865 thousand Euro, and securities issued by banks in the amount of 78,486 thousand Euro, are excluded.

B.2 Cash and “off balance sheet” exposure to customers (balance sheet value) - part 1

Exposure/Geographic area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure										
A.1 Non performing	91,904	41,053	0	447	0	0	0	0	0	0
A.2 Watchlist	98,553	16,220	0	0	0	0	0	0	0	0
A.3 Restructured accounts	17,439	2,006	0	0	0	0	0	0	0	0
A.4 Overdue/overdrawn accounts	44,870	2,712	0	0	0	0	0	0	0	0
A.5 Other exposure	2,387,683	2,614	161	0	0	0	0	0	0	0
TOTAL (A)	**2,640,449**	**64,606**	**161**	**448**	**0**	**0**	**0**	**0**	**0**	**0**
B. “Off balance sheet” exposure										
B.1 Non performing	2,027	0	0	0	0	0	0	0	0	0
B.2 Watchlist	9,999	0	0	0	0	0	0	0	0	0
B.3 Other impaired assets	796	0	0	0	0	0	0	0	0	0
B.4 Other exposure	90,511	0	0	0	0	0	0	0	0	0
TOTAL (B)	**103,334**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2013	**2,743,783**	**64,606**	**161**	**448**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2012	**2,581,700**	**48,888**	**189**	**1**	**4**	**0**	**0**	**0**	**0**	**0**

Exposure/Geographic area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non performing	91,904	41,501
A.2 Watchlist	98,553	16,220
A.3 Restructured accounts	17,439	2,006
A.4 Overdue/overdrawn accounts	44,870	2,712
A.5 Other exposure	2,387,844	2,614
TOTAL (A)	**2,640,610**	**65,054**
B. “Off balance sheet” exposure		
B.1 Non performing	2,027	0
B.2 Watchlist	9,999	0
B.3 Other impaired assets	796	0
B.4 Other exposure	90,511	0
TOTAL (B)	**103,334**	**0**
TOTAL (A + B) 31/12/2013	**2,743,944**	**65,054**
TOTAL (A + B) 31/12/2012	**2,581,893**	**48,888**

Cash exposure for receivables indicated in the table (2,640,449 thousand Euro) are those measured in the financial statements net of impaired receivables, distributed territorially according to the area of the counterparty’s residence.

Specifically, it indicates all financial assets regarding customers taken from line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds in the amount of 3865 thousand Euro, and securities issued by banks in the amount of 78,486 thousand Euro, are excluded.

B.2 Cash and "off balance sheet" exposure to customers (balance sheet value) - part 2

Exposure/geographic area	NORTHWEST ITALY		NORTHEAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure								
A.1 Non performing	514	293	1,518	274	89,652	40,359	220	127
A.2 Watchlist	1	0	8	1	98,523	16,218	21	1
A.3 Restructured accounts	0	0	0	0	17,439	2,006	0	0
A.4 Overdue/overdrawn accounts	8	0	2	0	44,360	2,682	501	30
A.5 Other exposure	17,837	30	12,949	22	2,346,964	2,545	9,933	17
TOTAL A	**18,360**	**324**	**14,478**	**296**	**2,596,937**	**63,811**	**10,674**	**175**
B. "Off balance sheet" exposure								
B.1 Non performing	0	0	0	0	2,027	0	0	0
B.2 Watchlist	0	0	0	0	9,999	0	0	0
B.3 Other impaired assets	0	0	0	0	796	0	0	0
B.4 Other exposure	374	0	6	0	90,127	0	4	0
TOTAL (B)	**374**	**0**	**6**	**0**	**102,950**	**0**	**4**	**0**
TOTAL (A + B) 31/12/2013	**18,734**	**324**	**14,484**	**296**	**2,699,887**	**63,811**	**10,678**	**175**
TOTAL (A + B) 31/12/2012	**12,202**	**578**	**10,783**	**240**	**2,547,050**	**47,938**	**11,665**	**131**

Exposure/geographic area	TOTAL ITALY	
	Net exposure	Net exposure
A. Cash exposure		
A.1 Non performing	91,904	41,053
A.2 Watchlist	98,553	16,220
A.3 Restructured accounts	17,439	2,006
A.4 Overdue/overdrawn accounts	44,870	2,712
A.5 Other exposure	2,387,683	2,614
TOTAL A	**2,640,449**	**64,606**
B. "Off balance sheet" exposure		
B.1 Non performing	2,027	0
B.2 Watchlist	9,999	0
B.3 Other impaired assets	796	0
B.4 Other exposure	90,511	0
TOTAL (B)	**103,334**	**0**
TOTAL (A + B) 31/12/2013	**2,743,783**	**64,606**
TOTAL (A + B) 31/12/2012	**2,581,700**	**48,888**

The cash exposure for receivables indicated in the table (2,640,449 thousand Euro) are those measured in the financial statements net of impaired receivables, distributed territorially according to the area of the counterparty's residence.

Specifically, it indicates all financial assets regarding customers taken from line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds in the amount of 3865 thousand Euro, and securities issued by banks in the amount of 78,486 thousand Euro, and for non "Italy" customers in the amount of 161 thousand Euro, are excluded.

B.3 Cash and "off balance sheet" exposure to banks (balance sheet value) - part 1

Exposure/Geographic area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure										
A.1 Non performing	0	0	0	0	0	0	0	0	0	0
A.2 Watchlist	0	0	0	0	0	0	0	0	0	0
A.3 Restructured accounts	0	0	0	0	0	0	0	0	0	0
A.4 Overdue/overdrawn accounts	0	0	0	0	0	0	0	0	0	0
A.5 Other exposure	187,024	0	2,567	0	3,181	0	900	0	200	0
TOTAL A	**187,024**	**0**	**2,567**	**0**	**3,181**	**0**	**900**	**0**	**200**	**0**
B. "Off balance sheet" exposure										
B.1 Non performing	0	0	0	0	0	0	0	0	0	0
B.2 Watchlist	0	0	0	0	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0	0	0	0	0
B.4 Other exposure	15,953	0	1,404	0	1,283	0	24	0	0	0
TOTAL (B)	**15,953**	**0**	**1,404**	**0**	**1,283**	**0**	**24**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2013	**202,978**	**0**	**3,971**	**0**	**4,464**	**0**	**924**	**0**	**200**	**0**

TOTAL (A + B) 31/12/2012	149,925	0	5,616	0	1,802	0	58	0	121	0

Exposure/Geographic area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non performing	0	0
A.2 Watchlist	0	0
A.3 Restructured accounts	0	0
A.4 Overdue/overdrawn accounts	0	0
A.5 Other exposure	193,872	0
TOTAL A	**193,872**	**0**
B. "Off balance sheet" exposure		
B.1 Non performing	0	0
B.2 Watchlist	0	0
B.3 Other impaired assets	0	0
B.4 Other exposure	18,664	0
TOTAL (B)	**18,664**	**0**
TOTAL (A + B) 31/12/2013	**212,535**	**0**
TOTAL (A + B) 31/12/2012	**157,522**	**0**

The values of cash exposure to banks (193,872 thousand Euro) are taken from the balance sheet, net of impaired receivables. In addition to Asset line item 60, parts of Asset line items 20 and 40 were included in the amount of 78,486 thousand Euro.

The data are distributed territorially according to the country of the counterparty's residence.

B.3 Cash and "off balance sheet" credit exposure to banks (balance sheet value) - part 2

Exposure/Geographic area	NORTHWEST ITALY		NORTHEAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments		Net exposure	Overall value adjustments	Net exposure
A. Cash exposure								
A.1 Non performing	0	0	0	0	0	0	0	0
A.2 Watchlist	0	0	0	0	0	0	0	0
A.3 Restructured accounts	0	0	0	0	0	0	0	0
A.4 Overdue/overdrawn accounts	0	0	0	0	0	0	0	0
A.5 Other exposure	17,993	0	5,908	0	163,123	0	0	0
TOTAL A	**17,993**	**0**	**5,908**	**0**	**163,123**	**0**	**0**	**0**
B. "Off balance sheet" exposure								
B.1 Non performing	0	0	0	0	0	0	0	0
B.2 Watchlist	0	0	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0	0	0
B.4 Other exposure	2,659	0	0	0	13,294	0	0	0
TOTAL (B)	**2,659**	**0**	**0**	**0**	**13,294**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2013	**20,652**	**0**	**5,908**	**0**	**176,418**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2012	**19,200**	**0**	**5,017**	**0**	**125,707**	**0**	**0**	**0**

Exposure/Geographic area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non performing	0	0
A.2 Watchlist	0	0
A.3 Restructured accounts	0	0
A.4 Overdue/overdrawn accounts	0	0
A.5 Other exposure	187,024	0
TOTAL A	**187,024**	**0**
B. "Off balance sheet" exposure		
B.1 Non performing	0	0
B.2 Watchlist	0	0
B.3 Other impaired assets	0	0
B.4 Other exposure	15,953	0
TOTAL (B)	**15,953**	**0**
TOTAL (A + B) 31/12/2013	**202,978**	**0**
TOTAL (A + B) 31/12/2012	**149,925**	**0**

The values of cash exposure to banks (187,024 thousand Euro) are taken from the balance sheet, net of impaired receivables. In addition to Asset line item 60, parts of Asset line items 20 and 40 were included in the amount of 78,486 thousand Euro, and net non "Italian" exposure in the amount of 6,847 thousand Euro was excluded.

The data is distributed territorially according to the macro-area of the counterparty's residence.

B.4 Large risks (according to regulatory legislation)

Line items/Values	31/12/2013			31/12/2012		
	Number	Nominal Value	Weighted Value	Number	Nominal Value	Weighted Value
a. Large Risks	8	1,256,724	130,649	7	887,508	107,164
b. Zero weighted risks	3	636,280	0	2	636,280	0
Total Large Risks (A-B)	**5**	**620,445**	**130,649**	**5**	**251,228**	**107,164**

- ## C. Securitizations and the transfer of assets

C.1 Securitizations

Qualitative information

This section provides information on the characteristics of the securitization done by the Bank in accordance with Law 130/1999. This law regulates the assignment "in block" of receivables by an "originator" bank to a vehicle company created especially for this purpose, known as a "Special Purpose Vehicle – SPV", which issues securities that can be placed in the market "Asset Backed Securities – ABS", in order to finance the purchase of the receivables assigned by the originator.

General information regarding the Pontormo Funding s.r.l. securitization

On 08/10/2007, the Bank set up a securitization with SPV Pontormo Funding s.r.l., assigning a portfolio of receivables based on residential and commercial mortgage loans granted to performing customers residing in Italy. The securitization, which was a traditional kind of revolving transaction, was done together with other credit cooperative banks, creating a "multioriginators" transaction. The original structure provided for a "revolving" period from 07/10/2007 through 15/10/2010, during which the "Originators" could assign their receivables to Pontormo Funding s.r.l., complying with specific eligibility criteria, according to the following maximum amounts (values in thousands of Euro).

Banca di Credito Cooperativo di Cambiano s.c.p.a.	**70,000**
Banca di Credito Cooperativo di Fornacette s.c.p.a.	140,000
Banca di Credito Cooperativo di Castagneto Carducci s.c.p.a.	140,000
Banca di Viterbo Credito Cooperativo s.c.r.l.	50,000
Total	**400,000**

Consequently, the vehicle company Pontormo Funding s.r.l. should have financed the operations, requesting the necessary payments from the "Noteholder" (Natexis) on the basis of the document already issued and signed by it. In October 2008 Natexis, subsequent to the financial turbulence and market liquidity crisis, exercised its contractual right not to renew the credit lines it had deliberated to sustain the securitization, which prevented the "Originators" from proceeding with new assignments up to the maximum amount allowed. By operating in this manner, the "Noteholder" de facto froze the securitization, and once the "revolving" period ended (15/10/2010), the securitization was treated as a regular "amortization".

For prudential purposes, the provisions of Bank of Italy Circular n. 263/06 subordinate recognition of the securitization to the condition that there is an actual transfer of the credit risk by the transferor. The cited provisions also specify that the accounting treatment of the securitization has no significance with respect to its prudential recognition.

The securitization realized by the Bank lacked the substantive transfer of the credit risk. The securitization was therefore not recognized for prudential purposes. The prudential prerequisite is, therefore, 8% of the weighted value of the securitized assets, the latter obviously measured on the basis of the approach used by the Bank to assess capital requirements for credit risk (standardized methodology).

It is represented in the financial statements as follows:

- the residual amount of securitized loans, at amortized cost, in the amount of 494,347.86 Euro was allocated to Asset line item 70;
- interest payable was calculated on liabilities associated with the assets assigned but not derecognized, in the amount of 2,464.56 Euro, and allocated to line item 20 of the income statement;
- liabilities for assets assigned but not derecognized, amounting to 41,259.04 Euro, were allocated to Liability line item 20;
- interest earned on assets assigned but not derecognized, in the amount of 9,681.29 Euro, was allocated to line item 10 of the income statement;
- the amount of the Junior note, in the amount of 520,023.43 Euro was annulled;

- the "cash reserve" of 66,926.98 Euro was allocated to Asset line item 150.

Characteristics of the transaction

Breakdown of the receivables portfolio assigned by the originator" banks to the vehicle company Pontormo Funding S.r.l. – Classification of "originators" (at nominal value) – Reference to 31/12/2013 (values in thousand of Euro):

Originators	Amounts	%
B.C.C. Cambiano	**495**	**0.74**
B.C.C. Fornacette	29,000	43.35
B.C.C. Castagneto Carducci	27,768	41.51
B.C.C. Viterbo	9,636	14.40
Total receivables assigned	**66,899**	**100.00**

The vehicle company issued the following notes (values in thousands of Euro) as of 31/12/2013.

Originators	"Senior" Notes	"Junior" Notes	Total notes issued
B.C.C. Cambiano	**201**	**451**	**652**
B.C.C. Fornacette	23,602	7,606	31,208
B.C.C. Castagneto Carducci	20,780	7,395	28,175
B.C.C. Viterbo	7,667	1,430	9,097
Total	**52,250**	**16,882**	**69,132**

During the course of 2013 the following “Senior” notes were repaid by the vehicle company (values in thousands of Euro):

Originators	"Senior" Notes
B.C.C. Cambiano	**68**
B.C.C. Fornacette	8,040
B.C.C. Castagneto Carducci	7,080
B.C.C. Viterbo	2,612
Total	**17,800**

Characteristics of the notes issued by Pontormo Funding s.r.l.:

Description	Senior Note	Junior Note
Isin	IT0004286099	IT0004286107
Amount	362,000,000.00	38,000,000.00
Issue price	100	100 + premium (1.5 of cash reserve)
Issue date	15/10/2007	15/10/2007
Maturity	01/04/2048	01/04/2048
Annual rate	Euribor 3 months + 100 base points	Euribor 3 months + 105 base points
Frequency of coupon	Quarterly	Quarterly
Payment date	21/01 - 21/04 - 21-07 - 21-10 of each solar year	21/01 - 21/04 - 21-07 - 21-10 of each solar year
Revolving maturity	15/10/2010	15/10/2010
Repayment of principal	Starting 15/10/2010 to the extent of available funds	Starting from 15/10/2010 to the extent of available funds
Rating	Rating opinion available to the Senior Noteholder	No

Characteristics of the assets transferred by B.C.C. Cambiano (thousands of Euro):

Description	31/12/2013
Residual principal	494
Number of loans	25
Average weighted amount of the loans	20

Servicing Activity

The "originator" Banks also act as Servicer, each for their own accumulation of assigned receivables; the Banca di Credito Cooperativo di Cambiano therefore used its own Servicing Office dedicated to collection management, as required by the instructions of the Supervisory Authority. The Servicing Office is entrusted with the following responsibilities:

- Oversee collection of the assigned receivables for the vehicle company, transferring such amounts to the Bank of New York - London, and simultaneously guarantee the strict separation of said assigned portfolio with respect to other assignments made and all of the Bank’s other receivables, and must specifically:

Avoid the creation of situations of conflict of interest and of confusion in general in order to protect the holders of the notes issued by the vehicle company;

- Guarantee the separate indication of the information flows related to the collection process of securitized loans;
- Allow the above procedures and flows to be reconstructed at any time;
- Maintain adequate documentation of the transactions performed, including for purposes of potential controls by interested parties such as the "Rating Agency", "Vehicle Company", "Noteholders' Representative", "Bank of Italy" etc.;

Ensure adequate information reporting to the Bank's Bodies, General Management, and operators involved in the supervisory process.

Servicing commissions amounted to 115.12 Euro and are allocated to line item 40 of the income statement.

Detail of collections recorded during the year 2013 (in thousands of Euro):

Collection of principal on assigned loans	218
Collection of interest on assigned loans	10
Total collections	**228**

As at 31/12/2013 there were no suspended rates of securitized mortgage loans and there were no defaults of assigned loans.

Quantitative information

C.1.1 Exposure from securitizations divided by type of underlying assets - part 1

Type of underlying asset/Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Impaired	0	0	0	0	0	0
b) Other	0	0	0	0	452	452
B. With third party underlying assets						
a) Impaired	0	0	0	0	0	0
b) Other	0	0	0	0	0	0

C.1.1 Exposure from securitizations divided by type of underlying asset - part 2

Type of underlying asset/Exposure	Guarantees issued					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Impaired	0	0	0	0	0	0
b) Other	0	0	0	0	0	0
B. With third party underlying assets						
a) Impaired	0	0	0	0	0	0
b) Other	0	0	0	0	0	0

C.1.1 Exposure from securitizations divided by type of underlying asset - part 3

Type of underlying asset/Exposure	Credit lines					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets						
a) Impaired	0	0	0	0	0	0
b) Other	0	0	0	0	0	0
B. With third party underlying assets						
a) Impaired	0	0	0	0	0	0
b) Other	0	0	0	0	0	0

C.1.2 Exposure from principal "own" securitizations divided by type of securitized assets and by type of exposure - part 1

Type of securitized assets/Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value
C. Not derecognized from the balance sheet						
C.1 Pontormo Funding s.r.l.	0	0	0	0	452	0

C.1.2 Exposure from principal "own" securitizations divided by type of securitized assets and by type of exposure - part 2

Type of securitized assets/Exposure	Guarantees issued					
	Senior		Mezzanine		Junior	
	Net exposure	Adj./write-backs of value	Net exposure	Adj./write-backs of value	Net exposure	Adj./write-backs of value
C. Not derecognized in the balance sheet						
C.1 Pontormo Funding s.r.l.	0	0	0	0	0	0

C.1.2 Exposure from principal "own" securitizations divided by type of securitized assets and by type of exposure - part 3

Type of securitized assets/Exposure	Credit lines					
	Senior		Mezzanine		Junior	
	Net exposure	Adj./write-backs of value	Net exposure	Adj./write-backs of value	Net exposure	Adj./write-backs of value
C. Not derecognized in the balance sheet						
C.1 Pontormo Funding s.r.l.	0	0	0	0	0	0

C.1.4 Exposure from securitizations divided by portfolio and type

Exposure/portfolio	Financial assets held for trading	Financial assets fair value option	Financial assets available for sale	Financial assets held to maturity	Receivables	Total 31/12/2013	Total 31/12/2012
1. Cash exposure							
Senior	0	0	0	0	0	**0**	**0**
Mezzanine	0	0	0	0	0	**0**	**0**
Junior	0	0	0	0	452	**452**	**452**
2. Off balance sheet exposure							
Senior	0	0	0	0	0	**0**	**0**
Mezzanine	0	0	0	0	0	**0**	**0**
junior	0	0	0	0	0	**0**	**0**

C.1.5 Total amount of securitized assets underlying junior notes or other forms of credit support

Assets/Values	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Totally derecognized		
1. Non performing loans	0	0
2. Watchlist	0	0
3. Restructured accounts	0	0
4. Overdue/overdrawn accounts	0	0
5. Other assets	0	0
A.2 Partially derecognized		
1. Non performing loans	0	0
2. Watchlist	0	0
3. Restructured accounts	0	0
4. Overdue/overdrawn accounts	0	0
5. Other assets	0	0
A.3 Not derecognized		
1. Non performing	0	0
2. Watchlist	0	0
3. Restructured accounts	0	0
4. Overdue/overdrawn accounts	0	0
5. Other assets	13	0
B. Third party underlying assets:		
B.1 Non performing	15	0
B.2 Watchlist	0	0
B.3 Restructured accounts	0	0
B.4 Overdue/overdrawn accounts	20	0
B.5 Other assets	1.739	0

C.1.7 The servicer's assets – Collections of securitized receivables and repayment of the notes issued by the vehicle company

Vehicle company	Securitized assets (at the end of the reporting period)		Collections of receivables during the year		Percentage of notes repaid (at the end of the reporting period)					
					Senior		Mezzanine		Junior	
	Impaired	In bonis	Impaired	In bonis	Impaired assets	Assets in bonis	Impaired assets	Assets in bonis	Impaired assets	Assets in bonis
Pontormo Funding s.r.l.	0	494	0	218	0	0	0	0	0	0

Notes:

- The amount of securitized assets is indicated at the nominal value of assigned receivables.
- The amount of collected receivables during the year only refers to principal.

C.2 Sales

A. Financial assets sold but not fully derecognized

Quantitative information

C.2.1 Financial assets sold but not derecognized - part 1

Technical forms/Portfolio	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale		
	recognized in full (balance sheet value)	Partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)
A. Cash assets									
1. Debt securities	19,989	0	0	0	0	0	147,944	0	0
2. Equity instruments	0	0	0	0	0	0	0	0	0
3. Mutual funds	0	0	0	0	0	0	0	0	0
4. Loans	0	0	0	0	0	0	0	0	0
B. Derivative instruments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total 31/12/2013	**19,989**	**0**	**0**	**0**	**0**	**0**	**147,944**	**0**	**0**
Of which impaired	0	0	0	0	0	0	0	0	0
Total 31/12/2012	**0**	**0**	**0**	**0**	**0**	**0**	**70,675**	**0**	**0**
Of which impaired	0	0	0	0	0	0	0	0	0

C.2.1 Financial assets sold but not derecognized - part 2

Technical forms/Portfolio	Financial assets held through maturity			Receivables from banks			Receivables from customers			Total 31/12/2013	Total 31/12/2012
	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)	recognized in full (balance sheet value)	partially recognized (balance sheet value)	partially recognized (entire value)		
A. Cash assets											
1. Debt securities	0	0	0	0	0	0	0	0	0	167,933	70,675
2. Equity instruments	0	0	0	0	0	0	0	0	0	0	0
3. Mutual funds	0	0	0	0	0	0	0	0	0	0	0
4. Loans	0	0	0	0	0	0	494	0	0	494	713
B. Derivative instruments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total 31/12/2013	**0**	**0**	**0**	**0**	**0**	**0**	**494**	**0**	**0**	**168,426**	**0**
Of which impaired	0	0	0	0	0	0	0	0	0	0	0
Total 31/12/2012	**0**	**0**	**0**	**0**	**0**	**0**	**713**	**0**	**0**	**0**	**71,387**
Of which impaired	0	0	0	0	0	0	0	0	0	0	0

C.2.2 Financial liabilities for financial assets sold but not derecognized

Liabilities/Portfolio assets	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held through maturity	Receivables from banks	Receivables from customers	Total 31/12/2013	Total 31/12/2012
1. Payables to customers								
a) for assets recognized in full	19,914	0	143,579	0	0	41	163,534	57,149
b) for assets partially recognized	0	0	0	0	0	0	0	0
2. Payables to banks								
a) for assets recognized in full	0	0	0	0	0	0	0	0
b) for assets partially recognized	0	0	0	0	0	0	0	0
Total 31/12/2013	**19,914**	**0**	**143,579**	**0**	**0**	**41**	**163,534**	**0**
Total 31/12/2012	**0**	**0**	**56,890**	**0**	**0**	**259**	**57,149**	**57,149**

C.2.3 Sales with liabilities that have recourse exclusively on the transferred assets (Part 1)

Technical forms/Portfolio	Financial assets held for trading		Financial assets measured at fair value		Financial assets available for sale		Financial assets held through maturity (fair value)	
	Recognized in full	Partially recognized	Recognized in full	Partially recognized	Recognized in full	Partially recognized	Recognized in full	Partially recognized
A. Cash assets	**19,989**	**0**	**0**	**0**	**147,944**	**0**	**0**	**0**
1) Debt securities	19,989	0	0	0	147,944	0	0	0
2) Equity instruments	0	0	0	0	0	0	0	0
3) Mutual funds	0	0	0	0	0	0	0	0
4) Loans	0	0	0	0	0	0	0	0
B. Derivative instruments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total assets	**19,989**	**0**	**0**	**0**	**147,944**	**0**	**0**	**0**
C. Associated liabilities	**19,460**	**0**	**0**	**0**	**144,032**	**0**	**0**	**0**
1) Payables to customers	19,460	0	0	0	144,032	0	0	0
2) Payables to banks	0	0	0	0	0	0	0	0
Total liabilities	**19,460**	**0**	**0**	**0**	**144,032**	**0**	**0**	**0**
Net value	**528**	**0**	**0**	**0**	**3,911**	**0**	**0**	**0**

C.2.3 Sales with liabilities that have recourse exclusively on the transferred assets (Part 2)

Technical forms/Portfolio	Receivables from banks (fair value)		Receivables from customers (fair value)		Total		Total 31/12/2013	Total 31/12/2012
	Recognized in full	Partially recognized	Recognized in full	Partially recognized	Recognized in full	Partially recognized		
A. Cash assets	**0**	**0**	**494**	**0**	**168,426**	**0**	**168,426**	**71,387**
1) Debt securities	0	0	0	0	167,933	0	167,933	70,675
2) Equity instruments	0	0	0	0	0	0	0	0
3) Mutual funds	0	0	0	0	0	0	0	0
4) Loans	0	0	494	0	494	0	494	713
B. Derivative instruments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total assets	**0**	**0**	**494**	**0**	**168,426**	**0**	**168,426**	**71,387**
C. Associated liabilities	**0**	**0**	**41**	**0**	**163,534**	**0**	**163,534**	**57,149**
1) Payables to customers	0	0	41	0	163,534	0	163,534	57,149
2) Payables to banks	0	0	0	0	0	0	0	0
Total liabilities	**0**	**0**	**41**	**0**	**163,534**	**0**	**163,534**	**57,149**
Net value	**0**	**0**	**452**	**0**	**4,892**	**0**	**4,892**	**14,238**

With reference to receivables from customers and payables to customers, the “fair value” used in the table is equivalent to the amortized cost.

- ***D. Models used to measure credit risk***

The Bank uses the standard model to measure credit risk.

22. Section 2 – Market risks

2.1 Interest rate risk and price risk – regulatory trading portfolio

- ***Qualitative information***

A. General information

The primary activity of the Bank is trading financial instruments exposed to interest rate risk.
The strategy underlying its trading activity corresponds both to treasury needs and to the objective of enhancing the risk/yield profile of portfolio investments in terms of the interest rate risk and the counterparty’s credit risk.
The Bank does not assume speculative positions in derivative instruments, in accordance with the Bank of Italy’s Supervisory Regulations and the Bank’s By-laws.

Trading regards exclusively operations involving bonds.

B. Management procedures and measurement methods of the interest rate risk and price risk

The Finance Area Regulations establish both operating limits (both in terms of portfolio value as well as the breakdown by type of security), as well as limits for exposure to interest rate risk (in terms of financial duration).

- **Quantitative information**

1. Regulatory trading portfolio: distribution by residual duration (re-pricing date) of cash financial assets and liabilities and financial derivatives - All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with an early repayment option	0	0	0	0	0	0	0	0	**0**
- other	0	73,654	0	1,133	10,823	0	0	0	**85,610**
1.2 Other assets	0	0	0	0	0	0	0	0	**0**
2. Cash liabilities									
2.1 Repurchase agreements on debt	0	0	0	0	0	0	0	0	**0**
2.2 Other liabilities	0	0	0	0	0	0	0	0	**0**
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
3.2 Without underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**

2.2 Interest rate risk and price risk – bank portfolio

- **Qualitative information**

A. General information, management procedures and measurement methods of interest rate risk and price risk

The principal sources of interest rate risk consist in fixed rate items. Assets are principally represented by securities in the AFS sector (BTP) and mortgage loans; while liabilities are represented by fixed rate bonds whose risk is hedged by fixed interest rate (IRS) operations for issues with more prolonged maturities.

The interest rate risk inherent in the bank portfolio is monitored by the Bank on a monthly basis by an Asset Liability Management analysis conducted by the Financial Risk Committee.

- **Quantitative information**

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

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with an early repayment option	0	0	0	0	0	0	0	0	**0**
- other	30,829	97,809	268,509	63,825	83,334	181,542	45,175	0	**771,023**
1.2 Loans to banks	28,247	87,138	0	0	0	0	0	0	**115,386**
1.3 Loans to customers									
- bank accounts	412,286	16,462	1,764	4,703	32,924	2,940	0	0	**471,079**

- other loans									
- with an early repayment option	760	56,888	7,145	0	0	0	0	0	**64,793**
- other	904,331	138,140	32,820	51,229	184,486	14,534	4,917	0	**1,330,457**
2. Cash liabilities									
2.1 Payables to customers									
- bank accounts	960,080	49,161	52,580	54,006	21,517	0	0	0	**1,137,345**
- other liabilities									
- with an early repayment option	0	0	0	0	0	0	0	0	**0**
- other	215,485	54,341	49,741	39,538	0	0	0	0	**359,105**
2.2 Payables to banks									
- bank accounts	4,303	0	0	0	0	0	0	0	**4,303**
- other liabilities	0	344,319	0	0	0	0	0	0	**344,319**
2.3 Debt securities									
- with an early repayment option	0	0	0	0	0	0	0	0	**0**
- other	6,649	80,962	145,458	24,674	479,748	38,915	5,621	0	**782,027**
2.4 Other liabilities									
- with an early repayment option	0	0	0	0	0	0	0	0	**0**
- other	0	0	0	0	0	0	0	0	**0**
3. Financial derivatives									
3.1 With underlying security									
- options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ shot-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
3.2 Without underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	18,000	33,000	45,000	23,000	0	0	0	**119,000**
+ short-term positions	0	58,000	61,000	0	0	0	0	0	**119,000**
4. Other off balance operations									
+ long-term positions	2,856	12,616	84	1,975	2,999	362	514	0	**21,407**
+ shot-term positions	21,407	0	0	0	0	0	0	0	**21,407**

Notes:

Long and short-term positions in “other derivatives”, point 3.2, are expressed in notional values.

2.3 Exchange rate risk

- **Qualitative information**

A. General information, management procedures and methods to measure the Exchange rate risk

The exchange rate risk represents the risk of suffering losses on operations in foreign currency, due to the effect of negative variations to foreign currencies. During the fiscal year, the Bank's assets in foreign currency did not have speculative positions. In any case, the Bank limits its net position in foreign currency to not more than 2% of regulatory capital, as provided by the regulations of the Bank of Italy for credit cooperative banks.
The Bank is marginally exposed to the exchange rate risk due to assets used to serve customers.

Exposure to exchange rate risk is measured using a methodology that faithfully follows what is provided by the Supervisory Regulations.

Measurement is based on the calculation of the "net position in foreign exchanges", i.e. the balance of all assets and liabilities (in financial statements and "off balance sheet") related to each foreign currency, including operations in Euro indexed to the exchange rate trend of foreign currency.

The organizational structure provides that the management of the exchange rate risk is delegated to the Foreign Office for assets used to service customers and to the Securities Treasury Office for financial instruments, whereas the measurement of exposure is attributed to the Risk Management Office based on the data provided by the Management Control Office.

The "net position in foreign exchanges" as of the reference date amounted to 2,528,649 Euro, equivalent to 0.984% of regulatory capital. It is within the 2.00% threshold established by the Supervisory Instructions of the Bank of Italy that can be held by credit cooperative banks. There are no forward exchange transactions.

B. Hedging of exchange risk

Hedging of exchange risk is carried out through a careful policy of substantially balancing the recognized currency positions.

- **Quantitative information**

1. Distribution by denominated currency of assets, liabilities and derivatives

Line items	Foreign currencies					
	US dollars	British pound sterling	Yen	Canadian dollars	Swiss francs	Other foreign currencies
A. Financial assets						
A.1 Debt securities	0	0	0	0	0	0
A.2 Equity instruments	0	0	0	0	0	0
A.3 Loans to banks	3,560	113	900	725	186	594
A.4 Loans to customers	9,165	0	0	567	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	**68**	**22**	**17**	**56**	**15**	**32**
C. Financial liabilities						
C.1 Payables to banks	8,140	121	0	1,224	201	497
C.2 Payables to customers	2,527	45	0	83	0	24
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	**0**	**0**	**0**	**0**	**0**	**0**
E. Financial derivatives						
- Options						
+ Long-term positions	0	0	0	0	0	0
+ Short-term positions	0	0	0	0	0	0
- Other derivatives						
+ Long-term positions	16,060	2,999	3,502	0	0	1
+ Short-term positions	16,213	2,999	4,009	1	0	0
Total assets	**28,852**	**3,134**	**4,420**	**1,348**	**201**	**627**
Total liabilities	**26,880**	**3,165**	**4,010**	**1,308**	**201**	**521**
Imbalance (+/-)	**1,972**	**-31**	**410**	**40**	**0**	**106**

2.4 Derivative instruments

- **A. Financial derivatives**

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

A.2.1 Hedges

Underlying assets/Type of derivative	Total 31/12/2013		Total 31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates				
a) Options	0	0	0	0
b) Swap	119,000	0	185,600	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Equity instruments and equity indexes	0	0	0	0
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
3. Foreign currencies and gold	0	0	0	0
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
4. Goods	0	0	0	0
5. Other underlying assets	0	0	0	0
Total	**119,000**	**0**	**185,600**	**0**
Average values	**138,554**	**0**	**219,677**	**0**

A.3 Financial derivatives: positive gross fair value – division by product

Portfolio/Type of derivative	Positive fair value			
	Total 31/12/2013		Total 31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	1	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
B. Bank portfolio – hedges				
a) Options	0	0	0	0
b) Interest rate swap	5,462	0	8,896	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	107	0	78	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
C. Bank portfolio - other derivatives				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**5,569**	**0**	**8,975**	**0**

A.4 Financial derivatives: negative gross fair value – division by product

Underlying asset/Type of derivative	Negative fair value			
	Total 31/12/2013		Total 31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	1	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
B. Bank portfolio – hedges				
a) Options	0	0	0	0
b) Interest rate swap	0	0	9	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	102	0	76	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
C. Bank portfolio - other derivatives				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**102**	**0**	**86**	**0**

A.7 Over the counter financial derivatives – bank portfolio: notional values, positive and negative gross fair values of counterparties – contracts that are not part of netting agreements

Contracts that are not part of a netting agreement	Governments and Central Banks	Other public entities	Banks	Finance companies	Insurers	Non finance companies	Other parties
1) Debt securities and interest rates							
- notional value	0	0	119,000	0	0	0	0
- positive fair value	0	0	5,462	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	335	0	0	0	0
2) Equity instruments and equity indexes							
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0
3) Foreign currency and gold							
- notional value	0	0	11,817	0	0	11,139	678
- positive fair value	0	0	1	0	0	103	3
- negative fair value	0	0	101	0	0	2	0
- future exposure	0	0	119	0	0	112	7
4) Other values							
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0

A.9 Residual life of over the counter financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total 31/12/2013
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	0	0	0	**0**
A.2 Financial derivatives on equity instruments and equity indexes	0	0	0	**0**
A.3 Financial derivatives on exchange rates and gold	0	0	0	**0**
A.4 Financial derivatives on other values	0	0	0	**0**
B. Bank portfolio				
B.1 Financial derivatives on debt securities and interest rates	34,000	85,000	0	**119,000**
B.2 Financial derivatives on equity instruments and equity indexes	0	0	0	**0**
B.3 Financial derivatives on exchange rates and gold	23,634	0	0	**23,634**
B.4 Financial derivatives on other values	0	0	0	**0**
Total 31/12/2013	**57,634**	**85,000**	**0**	**142,634**
Total 31/12/2012	**86,314**	**120,000**	**0**	**206,314**

23. Section 3 - Liquidity risk

Qualitative information

- ***A. General information, management procedures and methods to measure liquidity risk***

The principal sources of liquidity risk refer to the Bank's activities carried out in the securities sector, in loans and lending services on behalf of institutional entities.

The position of both short as well as mid and long-term liquidity is managed by means of policies aimed at maintaining a situation of substantial equilibrium.

Management of the liquidity risk rests with the Bank's Treasury Service, while the measurement of the risk is done by Risk Management which, on a quarterly basis in the context of the analysis contained in the document prepared for ICAAP purposes, makes and reports to the General Management and the Board of Directors an analysis of the trend of corporate liquidity, delineating the components that have most influenced or which might influence its future trend.

The liquidity risk is measured principally by means of an integrated model (maturity ladder), which allows assessing the balance of forecast cash flows, and, by means of building accumulated imbalances, the net balance of the financial need (or surplus) in the time period considered, and the allocation of definite and forecast flows to the various time periods in order to calculate the cumulative GAP for each maturity period.

Further, the Bank analyzes and monitors its cash balances on a daily basis.

The Bank has initiated a broader revision of the management of the liquidity risk, consisting of the formalization of the entire process in two regulatory documents:

Handbook of liquidity risk management: this defines the phases of the liquidity risk management process, roles and responsibilities for the personnel involved with respect to "ordinary" management. A measurement framework is determined (made up of a system of short term and structural limits, monitoring indicators and stress tests) and vertical and horizontal reporting as support.

Emergency Plan (Contingency Liquidity Plan): the objective is to define the phases of the management process of states of pre-crisis and crisis of liquidity, specific or systematic, starting from identification up to mitigating actions.

Traditionally the Bank has always shown a high availability of liquidity, both due to the breakdown of its assets as well as corporate policies aimed at favoring direct deposits.

The structure of the Bank's financial assets, the Bank's direct adherence to the Interbank Deposit Market (intended to facilitate finding funding in the market, when necessary), and the Collateralized Interbank Market, as well as the techniques and instruments used to manage and measure the liquidity risk represent the principal factors to mitigate the risk.

In view of the best management of liquidity, the Bank adheres to the Electronic Interbank Market (e-Mid) and the New Collateralized Interbank Market (New MIC).

New MIC is the sector of the e-MID market to be used for deposits in Euro with maturities ranging from one day through one year, which uses the collateral system managed by the Cash Clearing and Guarantee Fund (CC&G).

Trading, whose settlement takes place in Target2, is done in an entirely anonymous manner, with protection from counterparty risk. Collateral is provided by means of the following:

collateral granted by each participant;

a mutual aid share, equivalent to 10% of the collateral granted by each participant;

the interposition between CC&G's counterparties for each executed contract.

Pursuant to entry into effect of the new equity requirements contained in Basel 3 (Directive 2013/36/EU - CRD4 and EU Regulation 575/2013 - CRR), a specific project was implemented, with the collaboration of Cabel, to define and implement regulatory standards regarding liquidity, so as to allow the Bank to:

calculate the indicators required to monitor liquidity ("Liquidity Coverage Ratio", "Stable Funding" and supplementary instruments);

create a reporting system to support liquidity risk control and management;

define the tolerance threshold;

carry out stress tests.

Quantitative information

- **1. Time period distribution by residual contract duration of financial assets and liabilities - All currencies**

Line items/Time period	On demand	Beyond 1 day through 7 days	Beyond 7 days through 15 days	Beyond 15 days through 1 month	Beyond 1 month through 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year up to 5 years	Beyond 5 years	Indefinite duration	Total
Cash assets											
A.1 Government Bonds	103	0	29,995	87,106	31,593	73,061	57,833	268,809	212,902	0	761,402
A.2 Other debt securities	0	0	0	0	7,148	9,403	11,216	63,599	0	0	91,366
A.3 Shares of mutual funds	284	0	0	0	0	0	0	0	0	0	284
A.4 Loans	448,496	5,835	9,252	110,245	93,401	63,877	84,540	519,266	646,800	0	1,981,713
- Banks	28,247	0	0	87,138	0	0	0	0	0	0	115,386
- Customers	420,249	5,835	9,252	23,107	93,401	63,877	84,540	519,266	646,800	0	1,866,328
Cash liabilities											
B.1 Deposits and bank accounts	1,323,626	3,331	5,686	8,705	61,151	52,690	54,278	335,605	0	0	1,845,072
- Banks	4,302	120	1,222	500	28,292	0	0	314,186	0	0	348,622
- Customers	1,319,323	3,211	4,464	8,205	32,859	52,690	54,278	21,419	0	0	1,496,450
B.2 Debt securities	3,097	3,407	560	11,314	62,032	123,140	12,693	521,165	44,618	0	782,027
B.3 Other liabilities	0	0	0	0	0	0	0	0	0	0	0
"Off balance sheet" transactions											
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.3 Deposits and loans to be received	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to issue funds	-2,059	-450	0	300	-3,084	-2,393	-8,355	3,234	12,807	0	0
- Long-term positions	2,806	0	0	300	150	84	1,975	3,234	12,807	0	21,357
- Short-term positions	4,865	450	0	0	3,234	2,477	10,330	0	0	0	21,357
C.5 Financial guarantees issued	6	0	47	95	455	175	1,104	14,663	63,632	0	80,177
C.6 Financial guarantees received	0	0	0	0	0	0	0	0	0	0	0
C.7 Credit derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.8 Credit derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0

Information on the self-securitization transaction during 2013 fiscal year – Pontormo RMBS

- ***General information***

In 2013, the company Pontormo RMBS s.r.l. (hereinafter: Company or SPV) closes its second year of activity. The exclusive object of the Company is the realization of one or more securitizations of receivables by means of the purchase of monetary receivables, both existing as well as future, financed by the issue of Securities in accordance with Article 1(1)(b) of Italian Law n. 130/99 (so-called "Securitization Law").

During its first year of activity, in 2012, the Company, which was incorporated on 20 June 2012 in accordance with the aforementioned Securitization law (and which has been registered since 19 October 2012 at n. 35038.9 in the List of securitization vehicles in accordance with Article 11 of Bank of Italy's Measure of 29 April 2011), realized the Pontormo RMBS securitization transaction (hereinafter: Securitization) involving Banca di Credito Cooperativo di Cambiano s.c.p.a. as Servicer, Originator and Note-Holder, as well as four other banking institutions: Banca di Pisa e Fornacette Credito Cooperativo S.c.p.a. (once called "Banca di Credito Cooperativo di Fornacette S.c.p.a.") ("Banca Pisa"), Banca di Viterbo Credito Cooperativo S.c.p.a. ("Banca Viterbo"), Banca Popolare di Lajatico S.c.p.a. ("BP Lajatico"), and Banca di Credito Cooperativo di Castagneto Carducci S.c.p.a. ("BCC Castagneto").

The event most worthy of note during the 2013 fiscal year was the increase, on 28 February 2013, of Class A1, A2, A3, B1, B2 and B3 Notes (issued partly paid), as provided for in the contractual documents of the Transaction and, specifically, in the Terms and Conditions of the Notes and the Notes Subscription Agreement.

Against the aforementioned increase, the Company purchased three more loan portfolios, respectively from Banca di Pisa, BCC Castagneto and BP Lajatico (the loans belonging to the additional transfer have uniform characteristics with respect to those transferred in 2012, in that they meet the same requirements of suitability for transfer). The increase of partly paid Notes and the additional transfer of loans, the quantitative details of which will be illustrated here following, were carried out in full compliance with all transaction contract obligations, by means of transfer of loans against purchase of Notes.

Moreover, on 16 July 2013, the rating assigned to Class A Notes by Standard & Poor's was reviewed and changed to "AA" (previously: "AA+") while Fitch confirmed the rating assigned at issue ("AA+").

The objectives of the transaction, the main characteristics of the Notes issued, a selection of quantitative information relative to the 2013 fiscal year, and the description of accounting registration in the Bank's financial statement are provided here following.

- ***Objectives and structure of the transaction***

The Bank's objective, in initiating the Securitization in 2012, was to transform part of the assets used (mortgage loans) in an asset backed security type of note (Pontormo RMBS Class A), to be used in a series of activities aimed at further facilitating any needs for liquidity, specifically:

short/medium term liquidity through transactions with Eurosystem;

medium term liquidity through Private REPOs (at 2-3 years);

refinancing transactions on the New Collateralized Interbank Market (New Mic);

if no market opportunities arise, and consistently with the average weighted cost of the Bank's funding, the sale of the ABS on the market.

In addition, the transaction was done considering the possible and conceivable trend of the sources of funding over the next few years, which will be the object of growing competition. By means of the self-securitization and an ABS instrument (with underlying loans issued by the Bank) having a high credit rating (AA+ both for FITCH as well as S&P, with respect to the Italian sovereign debt rating which is Baa2 for Moody's, BBB+ for S&P and A- for Fitch, and which are thus lower ratings), the objective was achieved of transforming part of the assets, which were otherwise not liquid, into a financial instrument having a transparent rating that is potentially eligible as well as negotiable.

This transaction stands out due to its "multi-originator" nature because five banks participated, each of which, by means of a sales contract stipulated on 17 October 2012, sold a portfolio of loans (each of which was separate and independent with respect to the others). In addition to the Banca di Credito Cooperativo di Cambiano s.c.p.a., the banks are: Banca di Pisa e Fornacette Credito Cooperativo S.c.p.a. ("Banca Pisa"), Banca Popolare di Lajatico S.c.p.a. ("BP Lajatico"), Banca di Credito Cooperativo di Castagneto Carducci S.c.p.a. ("BCC Castagneto"), and Banca di Viterbo S.c.p.a. ("BCC Viterbo").

The transferred loans consist of a portfolio of receivables in accordance with the Securitization law, classified as "*in bonis*" in conformity with outstanding supervisory regulations, and derive from mortgage loans secured by voluntary mortgages on real property.

The above cited banks act as Servicer of their own portfolios transferred to the vehicle.

The SPV paid the selling banks the price of 428,519,593.37 Euro as consideration for the purchase of the receivables, corresponding to the total of the individual purchase prices for the receivables, as specified below:

Banca Pisa: 73,416,631.74 Euro;

BCC Castagneto: 24,858,533.52 Euro;

BP Lajatico: 48,810,332.01 Euro;

BCC Cambiano: 198,073,181.26 Euro;

Banca Viterbo: 83,360,914.84 Euro.

On 28 February 2013, the transfer of three additional portfolios of receivables was perfected, for a final price of 130,741,000 Euro, equivalent to the total amount of the individual purchase prices, as specified below:

Banca Pisa, 76,254,000 euro;

BCC Castagneto, 23,348,000 euro;

BP Lajatico, 31,139,000 euro.

In exchange for the price paid, there was a Notes Increase with respect to Class A1, A2, A3, B1, B2 and B3 Notes (issued partly paid), in accordance with the *Terms and Conditions of the Notes* and the *Notes Subscription Agreement*, upon payment by the respective subscribers of the *Partly Paid Notes Further Installment*.

In particular, the subscribers undertook to pay the *Partly Paid Notes Further Installment* for the following amounts:

Subscriber	Notes	Amounts
Banca Pisa	Class A1	59,800,000
BCC Castagneto	Class A2	18,300,000
BP Lajatico	Class A3	24,400,000
BCC Fornacette	Class B1	16,454,000
BCC Castagneto	Class B2	5,048,000
BP Lajatico	Class B3	6,739,000
		130,741,000

This was done by offsetting the amounts with the price due by the SPV for the purchase of the three cited additional portfolios of receivables.

Specifically, classes A1, A2, A3, B1, B2 and B3 were issued as partly paid notes, and therefore with a nominal value expressed on the basis of the amounts of the initial forecast loans. Subsequent to the additional sale, the nominal value was partially reduced (due to the differential between the forecast value and the sale price) and integrated for the share corresponding to the loans sold.

Subscriber	Isin	Class	Tranching Senior	Rating	Nominal value at Issue	Further nominal value post sale
Banca Pisa	IT0004867823	Class A1*	78.50%	AA+	119,800,000	117,400,000
BCC Castagneto	IT0004867831	Class A2*	78.50%	AA+	38,800,000	37,800,000
BP Lajatico	IT0004867856	Class A3*	78.50%	AA+	64,600,000	62,700,000
BCC Cambiano	**IT0004867849**	**Class A4**	**78.50%**	**AA+**	**155,400,000**	**155,400,000**
Banca Viterbo	IT0004867864	Class A5	78.50%	AA+	65,400,000	65,400,000
		Class A Notes	**78.50%**		**444,000,000**	**438,700,000**
Banca Pisa	IT0004867872	Class B1*			37,604,000	36,965,000
BCC Castagneto	IT0004867880	Class B2*			12,224,000	11,929,000
BP Lajatico	IT0004867914	Class B3*			20,237,000	19,780,000
BCC Cambiano	**IT0004867898**	**Class B4**			**48,763,000**	**48,763,000**
Banca Viterbo	IT0004867906	Class B5			20,524,000	20,524,000
Total		**Class B Notes**			**139,352,000**	**137,961,000**

Subscriber	Isin	Class	Tranching Senior	Rating at 31/12/2013	Further nominal value post sale	Outstanding Amount at 31/12/2013	Outstanding amount post sale 05/02/2014
Banca Pisa	IT0004867823	Class A1*	78.50%	AA+ / AA	117,400,000	102,760,599	98,494,969
BCC Castagneto	IT0004867831	Class A2*	78.50%	AA+ / AA	37,800,000	31,947,702	30,615,574
BP Lajatico	IT0004867856	Class A3*	78.50%	AA+ / AA	62,700,000	52,514,523	49,062,737
BCC Cambiano	**IT0004867849**	**Class A4**	**78.50%**	**AA+ / AA**	**155,400,000**	**132,193,783**	**126,255,086**
Banca Viterbo	IT0004867864	Class A5	78.50%	AA+ / AA	65,400,000	53,297,809	51,455,003
		Class A Notes	**78.50%**		**438,700,000**	**372,714,416**	**355,883,369**
Banca Pisa	IT0004867872	Class B1*			36,965,000	36,965,000	36,965,000
BCC Castagneto	IT0004867880	Class B2*			11,929,000	11,929,000	11,929,000
BP Lajatico	IT0004867914	Class B3*			19,780,000	19,780,000	19,780,000
BCC Cambiano	**IT0004867898**	**Class B4**			**48,763,000**	**48,763,000**	**48,763,000**
Banca Viterbo	IT0004867906	Class B5			20,524,000	20,524,000	20,524,000
Total		**Class B Notes**			**137,961,000**	**137,961,000**	**137,961,000**

*: Partly Paid Notes.

As regards the data shown in the table, please note that on 05/02/2014, in accordance with the respective contracts, all flows pertinent to the last quarter of 2013, including redemption of a fraction of Class A Notes, were cash settled.

Therefore, the table shows both the outstanding values at 31/12/2013 and those resulting from the relative redemption that took place during the 2014 fiscal year.

Class “A” notes were then listed with the Irish Stock Exchange and have been given AA+ ratings by the rating agencies Fitch Italia S.p.A. and Standard & Poor’s Credit Market Services Italy S.r.l., whereas the Class “B” notes were neither listed nor given ratings.

The rating review on behalf of Standard & Poor’s took place on 16/07/2013, while Fitch confirmed the rating assigned at issue.

On 11 March 2013, Fitch communicated having revised the long range rating outlook from stable to negative, as regards 13 tranches of notes issued within the scope of 9 Italian RMBS transactions, among which the Class A Notes issued by Pontormo RMBS.

All of the classes of notes produce interest at a variable interest rate that uses Euribor at 3 or 6 months as a parameter, increased by a spread of 0.50 % on class “A” notes and 0.60% on class “B” notes; interest and income are paid on the notes on a quarterly basis, on the payment dates indicted in the securitization documents (5 February, 5 May, 5 August and 5 November of each year).

The differentiation in return on the different notes allowed their performance to be more consistent with that of the loan portfolio to which they are directly linked, and it was therefore possible, also due to the type of portfolio sold, to avoid entering into any derivative contract (swap).

The notes subscribed to by BCC Cambiano are Class A4 (senior) and Class B4 (junior) notes, having the following characteristics:

Class A4

Currency: Euro

Amount at issue: 155,400,000

Rate: Euribor 6M + spread 0.50%

Coupon: quarterly

Legal duration: February 2071

Redemption: amortization linked to recovery of the underlying receivables

Rating at 31/12/13: “AA+” by Fitch and “AA” by S&P

Listing: Irish Stock Exchange

ISIN: IT0004867849

Applicable law: Italian Law.

Subscriber: BCC Cambiano

Class B4

Currency: Euro

Amount at issue: 48,763,000

Rate: Euribor 6M + spread 0.60%

Coupon: quarterly

Legal duration: February2071

Redemption: amortization linked to recovery of the underlying receivables

Rating: Unrated

Listing: Not listed in a stock exchange

ISIN: IT0004867898

Applicable law: Italian Law.

Subscriber: BCC Cambiano

The Junior Notes include a cash reserve (the amount of which is specified in the "Reserve Amount"), which in the case of Banca di Credito Cooperativo di Cambiano s.c.p.a. is equivalent to 6,061,336.42 Euro and the amount required to fund the reserve for expenses (*Retention Amount*), which at the time of issue corresponded to a share of 28,000.00 Euro for Banca di Credito Cooperativo di Cambiano s.c.p.a., out of a total amount of 80,000.00 Euro.

Reserve amount (3.06% of the loan portfolio)		
Banks	**% of total**	**Amounts in Euro**
Banca Pisa – Reserve amount	26.98%	4,672,424.47
BCC Castagneto - Reserve amount	8.75%	1,515,334.10
BP Lajatico – Reserve amount	14.54%	2,518,052.33
BCC Cambiano – Reserve amount	**35.00%**	**6,061,336.42**
Banca Viterbo – Reserve amount	14.73%	2,550,956.73
Total Reserve Amounts	**100.00%**	**17,318,104.05**

Reserve for expenses		
Banks	**% of Total**	**Amounts in Euro**
Banca Pisa – Reserve for expenses	26.98%	21,584.00
BCC Castagneto – Reserve for expenses	8.75%	7,000.00
BP Lajatico – Reserve for expenses	14.54%	11,632.00
BCC Cambiano – Reserve for expenses	**35.00%**	**28,000.00**
Banca Viterbo – Reserve for expenses	14.73%	11,784.00
Total – Reserve for expenses	**100%**	**80,000.00**

The cash reserve corresponds to 3.06% of the initial contribution of assigned loans, and is a guarantee for Senior Noteholders (who in this case are the same as the originators; therefore there is an implicit guarantee also on behalf of Banca di Credito Cooperativo di Cambiano s.c.p.a., which holds class "A4" notes). It is also provided that such reserve remain available to the vehicle in the form of cash, or in a form that can be liquidated on a quarterly basis on the payment date of the notes (it contributes to the amount of available funds on a quarterly basis for the servicing of senior Noteholders), or is used in other liquid and low risk assets in compliance with the prudential standards established by the rating agencies (*eligible assets*), and properly set forth in a contract.

The reserve is an integral part of the junior note and will therefore be repaid to the originator banks once the senior note has been redeemed, or upon the closure of the self-securitization.

The Retention Amount is an expense fund available to the vehicle, used by the structure for the vehicle's management costs. At each quarterly settlement, on the basis of the documented costs sustained, this expense account/fund is replenished until it is the equivalent of the pre-established total amount of 80,000.00 Euro, of which the 28,000.00 Euro mentioned above represent the share for which Banca di Credito Cooperativo di Cambiano s.c.p.a. was responsible at the time of subscription.

The notes are repaid on the same date as the payment of interest, in accordance with recovery of the underlying receivables, available funds, and the order of priority of the payments.

The *interest period* becomes effective starting from a payment date (inclusive) through the following payment date (exclusive), and interest is calculated on the basis of the actual number of days that have passed, divided by 360.

Further, an additional return is provided for class "B" notes, payable on each payment date in accordance with available funds and the order of priority of payments.

The characteristics of the class "A" notes allow them to be used for loan transactions with the European Central Bank.

- ***Selected quantitative information at 31/12/2013***

A selection of some of the principal information of a quantitative nature regarding the operation in review is set forth below. The values, unless otherwise specified, are in Euro and refer to 31 December 2013.

Securitized assets

At the close of 2013, self-securitized receivables were equivalent to their purchase price, net of the amounts received as at the transfer date of 31 December 2013, and the amounts to be received for collections during the fiscal year but not yet transferred by the Servicers and increased by accrued interest due as at 31 December 2013.

Overall situation at 31/12/2013:

Description	Amounts in Euro
Securitized receivables in bonis	476,441,953
Receivables for interest accrued but not yet received	150,959
Total	**476,592,913**

At 31/12/2013 no accounts were classified as "impaired", while difficult loans amount to 1,024,696 Euro, equivalent to 0.22%. Difficult loans of Banca di Credito Cooperativo di Cambiano s.c.r.l. amount to 143,336 Euro, equivalent to 0.08% of its own credit portfolio.

At 31/12/2013, assets transferred by Banca di Credito Cooperativo di Cambiano s.c.p.a. had the following characteristics:

Description	Values
Residual capital	168,928,267.11
Number of loans	2,138
Average residual life of the portfolio (years)	15.82
Weighted average rate	2.06%
Average amount of the loans	79,012.29
Current LTV	0.61

The cash flows of receivables with respect to reductions and additions from the date the operation initiated through 31 December 2013 are set forth below, in Euro.

Description	Balance at 31/12/2012	Increases for additional portfolio transfers (*)	Increases for penalties	Increases for accrued interest	Reductions for amounts received(***)	Balance at 31/12/2013
Receivables in bonis	407,541,465	130,738,995			(61,838,507)	476,441,953
	62,083			88,876		150,959
Interest for the period on overdue installments		599,348		13,020,340	(13,619,688)	
Interest for the period			59,857		(59,857)	
Penalties	904,936			950,844	(904,936)	950,844
Total	**408,508,484**	**131,338,343**	**59,857**	**14,060,060**	**(76,422,988)**	**477,543,756** (**)

(*) Transfer of the additional portfolio by the Servicers on 15 February 2013.

(**) This item includes accrued interest not overdue equivalent to 950,844 Euro.

(***) Reductions due to receipts, include the amounts received by the Servicers at 31/12/2013 pertaining to the fiscal year, to be transferred to the Company's bank accounts, amounting to 684,931 Euro.

The following table indicates the outstanding securitized assets as at 31 December 2013, classified on the basis of their residual life.

	Total portfolio		BCC Cambiano portfolio	
	Balance in Euro at 31/12/2013	Percentage impact %	Balance in Euro at 31/12/2013	Percentage impact %
Up to 3 months	36,683	0.01%	24,762	0.01%
From 3 to 6 months	160,009	0.03%	49,883	0.03%
From 6 to 12 months	578,513	0.12%	211,118	0.12%
From 12 to 60 months	22,617,022	4.75%	9,829,480	5.82%
Over 60 months	453,049,726	95.09%	158,813,024	94.01%
Total	**476,441,953**	**100.00%**	**168,928,267**	**100.00%**

Representation in the financial statements of Banca di Credito cooperativo di Cambiano at 31/12/2013.

Detail of the amounts allocated to Assets line item 70 gross of write-downs:

Description	Amounts in Euro
Specifics of Borrowers at amortized cost	168,994,061.28
Receivables from Pontormo RMBS – Cash reserve	6,061,336.42
Receivables from Pontormo RMBS – Reserve for expenses	28,000.00
Receivables from Pontormo RMBS – collected loan principal	5,995,946.29

Receivables from Pontormo RMBS – collected loan interest	874,930.59
Total	**181,954,274.58**

With reference to the above operation, costs were recorded in line item 150b of the income statement “Other administrative expenses” for a total amount of 117,605.31 Euro, and income in line item 40 of the income statement “Commissions earned” in the amount of 58,150.05 Euro (Servicing).

For prudential purposes, the provisions of the Bank of Italy’s Circular n. 263/06 subordinate recognition of securitizations on the condition that the credit risk is actually transferred to the transferor. The cited provisions also provide that the accounting treatment of securitizations is irrelevant for purposes of their prudential recognition.

With respect to the self-securitization realized by the Bank, there was no significant transfer of credit risk. The operation is therefore not recognized for prudential purposes. The prudential requirement is, therefore, equivalent to 8% of the weighted value of the securitized assets, the latter clearly calculated on the basis of the approach used by the Bank to calculate capital requirements with respect to credit risk (standardized method).

24. Section 4 – Operational risks

- ***Qualitative information***

A. General information, management procedures and methods to measure operational risk

Operational risk is defined as the possibility of suffering losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external factors. Operational risk includes legal risk, whereas strategic risks and reputation risks are excluded.

The Bank, aware that emergence of the risks in review can generate losses capable, in a worst case scenario, of actually jeopardizing stability, initiated a project during the course of fiscal year 2006 to identify, manage, measure and control risks.

The guidelines for such project refer to the standards in this area established by the New Agreement on Share Capital (Basel 2), which were substantially adopted by the Bank of Italy by means of the «New regulations for the prudential supervision of Banks».

In the context of this project, a recognition and measurement method was delineated and subsequently developed, based on an integrated qualitative as well as quantitative approach, which in practice permits risk to be measured both in terms of potential losses as well as to weigh any losses actually suffered.

In the specific case at hand, the «qualitative» analysis consists of a self-diagnostic assessment process that measures the level of risk exposure by also directly involving the area managers of the principal departments.

For such purpose, corporate processes are broken down into phases, sub-phases and activities following a tree-like structure: activities are associated with one or more risks and the controls to be applied are determined for each of them. A rating is attributed to the risk based on a review of the information thus obtained; such rating is an evaluation of potential risk and enhances the focus of monitoring and control activity.

Potential losses the Bank might incur are estimated for each risk, which have been preventively determined by the Bank’s analytical processes, bearing in mind the significance of its impact (average unitary amount of the loss) and frequency (periodic nature of the event over the course of the year), estimating the potential losses the Bank might incur.

The quantitative approach involves data collection related to the losses suffered and evaluates both the allocations for expected losses as well as the absorption of economic capital to face unexpected losses, taking adequate historical series into consideration and applying suitable statistical methodologies.

The criteria for assessing any operating losses that the Bank suffers, in conformity with what is required by the new prudential regulations, in addition naturally to measuring the amount of the loss and recovery, require detailed qualitative and descriptive information to be disclosed such as the causes of the loss, identification of the type of loss that occurred and the line of business of the context in which it arose.

Internal qualitative and quantitative data, as well as external data, is gathered using a specific electronic procedure prepared for the acquisition and codification of this information in accordance with the rules of the new regulations.

Historical data regarding the most significant losses and the relative write-backs is processed and saved in a special electronic archive: the persons entrusted with data collection, i.e. the heads of the central offices and outlying areas, are required to register information relating to the amounts, times and manner in which the loss occurred, as well as monitor the development of the situation and eventual write-backs.

Periodic audits and control procedures of the processed data guarantee the homogeneity, completeness and reliability of said data.

The comments and evaluations made in analyzing the company processes, the estimates of potential losses and indicators that reflect the trend of the most significant risk phenomenon complete the overall data that is processed and maintained.

The confidentiality of the gathered data is guaranteed by dedicated control procedures that limit and register access to the information.

The review of available data allows identifying the situations in which the mitigation and control activities are adequate and conforming, and those with respect to which, given the high risk associated, it is necessary to act on a priority basis.

The above described organic mapping activities for the operational risks department and to control the monitoring process were initiated during the course of 2006, flanked by the constant management and monitoring activity performed to date.

The Bank uses the Base Method (BIA - Basic Indicator Approach) to calculate regulatory capital, on the basis of which the capital to hedge such type of risk is 15% of the average operating income of the last three fiscal years.

Capital absorption for such type of risk as of 31 December 2013 was 9,603,775 Euro.

- ***Quantitative information***

The amount of losses actually verified during the past two fiscal years is set forth below, classified according to the categories provided by regulatory provisions. Their amount, consequent also to the risk assessments conducted on the specific type of risk in review, is not material; in any event there is specific documentation regarding events that resulted in losses.

Data in euro

Type of event resulting in losses			
Categories of the event (Level 1)	**Definition**	**2013**	**2012**
1. Internal fraud	Losses due to unauthorized activities, fraud, embezzlement or violation of laws, regulations or company policy that involve at least one of the Bank's internal resources.	131,365	
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	9,567	11,436
3. Employment and workplace safety	Losses deriving from acts that violate laws or agreements with respect to employment or workplace health or safety, from the payment of damages for personal injuries or episodes of discrimination or the failure to apply equal treatment.		
4. Customers, products and professional practice	Losses due to breaches of professional obligations to customers or from the nature or characteristics of the product or service supplied.	3,309	
5. Damages from external events	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.		
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.	72	
7. Performance, delivery and management procedures	Losses due to the failure to complete operations or manage procedures, as well as losses due to relations with commercial counterparties, sellers or suppliers.	24,180	39,758
Total		**168,492**	**51,194**

EXPLANATORY NOTES - PART F – INFORMATION ON CAPITAL

25. Section 1 – Shareholders' equity

A. Qualitative information

One of the Bank's consolidated objective strategies is represented by the ongoing consolidation of its capital. Its capital, together with its personnel and organization, represents the indispensable resource for the Bank's sound, prudent and efficient management. Capital, in fact, constitutes "the first defense against risks connected to the Bank's overall activities". The growth of capital has rigorously accompanied the development of the Bank's size.

The Bank's objective is to maintain an adequate level of coverage exceeding the mandatory parameters determined by the Supervisory Regulations. Its capital dynamics are constantly monitored by the Administrative and Control Bodies and by General Management. Multiple aspects are controlled: among the most important are the ratios with respect to the Bank's financial structure (lending, impaired receivables, total assets, and fixed assets), the level of hedged risks, and the level of free capital. The analyses are also performed in prospective, both short-term (connected to the Budget) as well as mid-term (connected to the Corporate Plan).

The proper capital dynamic is determined above all by self-financing, i.e. by the reinforcement of reserves by means of the substantial allocation of fiscal year net profits to capital funds.

Capital also plays a role as a guarantee for depositors and creditors, as required by the Supervisory Authority, in that it is a financial resource capable of absorbing possible losses generated by the risks to which the Bank is exposed.

In this sense, the new rules have required the adoption of a structured procedure known as ICAAP (Internal Capital Adequacy Assessment Process), so that the Bank can perform an autonomous assessment of its own capital adequacy, both current and prospective, in relation to the risks assumed by means of determining the capital deemed to be adequate – by amount and breakdown, for the permanent hedge of all risks.

These regulations entrusts the Supervisory Body with verifying the reliability and consistency of the relative results and adopting the opportune corrective measures (Supervisory Review and Evaluation Process – SREP).

ICAAP is an internal control process aimed at verifying adequacy to sustain the Bank's strategies.

The Bank has articulated the ICAAP's process in the following six phases:

1) *Risk identification:* the Risk Control/Risk Management department identifies the risks to be assessed– with the eventual collaboration of other departments (General Management, General Accounting, Organization, Compliance, Data Processing Center;

2) *Risk assessment (measurement, assessment and stress testing):* the Risk Control/Risk Management department, with the eventual collaboration of other departments, assesses risk (measurement, assessment and stress testing). It determines the internal capital required for individual and overall risks;

3) *Determination of overall capital/reconciliation with regulatory capital:* the Risk Control/Risk Management department, together with the Accounting department, determines overall capital and indicates its reconciliation with regulatory capital;

4) *Final risk assessment review:* the Risk Control/Risk Management department, together with General Management, review the results of Phases 1-3 and propose eventual actions to the Board of Directors;

5) Corrective measures/ mitigation: the Board of Directors approves eventual corrective and/or mitigating measures proposed by the Risk Control/Risk Management department and/or General Management and entrusts the competent departments to implement them;

6) *Internal audit – Conformity of the procedure to the regulations*: the Internal Audit department reviews the procedure and expresses an opinion on its conformity with outstanding regulations.

The performance of the inherent activities occurs in a framework involving different organizational levels. The Bank decided which departments are responsible for the development and preparation of the various phases and/or activities of the ICAAP procedure in consideration of its size and operations.

B. Quantitative information

- **B.1 Shareholders' equity: breakdown**

Line items\Values	Amount 31/12/2013	Amount 31/12/2012
1. Share capital	2,970	2,883
2. Premiums on issue of new shares	251	244
3. Reserves	235,506	230,417
- retained earnings	235,506	230,417
a) legal	152,861	184,961
b) statutory	82,644	45,456
c) treasury shares	0	0
d) other	0	0
- other	0	0
4. Equity instruments	0	0
5. (Treasury shares)	0	0
6. Valuation reserves	17,445	14,058
- Financial assets available for sale	-451	-3,955
- Property, plant, equipment	0	0
- Intangible assets	0	0
- Hedging of foreign investments	0	0
- Cash flow hedges	0	0
- Exchange rate differences	0	0
- Noncurrent assets in the course of divestment	0	0
- Actuarial profits (losses) related to defined benefit plans	-555	0
- Shares of valuation reserves related to subsidiaries measured at shareholders' equity	7,614	7,176
- Special revaluation laws	10,836	10,836
7. Fiscal year profit (loss)	4,800	5,200
Total	**260,971**	**252,802**

- **B.2 Valuation reserves of financial assets available for sale: breakdown**

Assets/Values	Total 31/12/2013		Total 31/12/2012	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,309	1,749	2,282	6,230
2. Equity instruments	0	0	0	0
3. Shares of mutual funds	0	11	0	7
4. Loans	0	0	0	0
Total	**1,309**	**1,760**	**2,282**	**6,236**

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

Line items	Debt securities	Equity instruments	Shares of mutual funds	Loans
1. Initial value	**-3,948**	**0**	**-7**	**0**
2. Additions	**6,151**	**0**	**0**	**0**
2.1 Increases of fair value	4,049	0	0	0
2.2 Reversal to the income statement of negative reserves:	2,103	0	0	0
- from impairment	0	0	0	0
- from use	2,103	0	0	0
2.3 Other additions	0	0	0	0
3. Reductions	**2,643**	**0**	**4**	**0**
3.1 Reduction of fair value	1,652	0	4	0
3.2 Adjustment from impairment	0	0	0	0
3.3 Reversal to the income statement from positive reserves: from use	991	0	0	0
3.4 Other reductions	0	0	0	0
4. Final value	**-440**	**0**	**-11**	**0**

Line items	Total 31/12/2013	Total 31/12/2012
Base capital (Tier 1)	239,558	235,726
Additional capital (Tier 2)	17,304	16,867
Third level capital (Tier 3)	0	0
Regulatory capital	**256,862**	**252,594**

26. Section 2 - Regulatory capital and ratios

2.1 Regulatory capital

- ***A. Qualitative information***

Regulatory capital and capital ratios are calculated on the basis of the capital value and economic result, calculated by applying the regulations on financial statements provided by the IAS/IFRS International Accounting Standards and considering the regime of the Bank of Italy on regulatory capital and prudential ratios.

Regulatory capital is calculated as the total of the positive and negative components, on the basis of their type of capital; the positive components must be fully available to the Bank, so that they can be used in calculating capital absorption.

This constitutes the reference factor for the provisions of prudential regulatory requirements, and consists of base capital and additional capital, net of some deductions.

It is noted that Bank of Italy Provision dated 18 May 2010 set forth new supervisory regulations regarding reserves connected to the valuation of debt Securities issued by Central Administrations of States belonging to the European Union allocated to the "Available for Sales" portfolio. This provision provides for the option of entirely sterilizing capital gains and capital losses allocated to these reserves starting 1 January 2010, in alternative to the complete reduction of capital losses and partial inclusion of capital gains, as provided for the previous regulations.

The Bank exercised this option, having this type of security allocated to the "Available for sales" portfolio.

It is noted that new Circular n. 285 issued by Bank of Italy on 17 December 2013, on the matter of Regulatory capital – prudential filters, implements the provisions of CRD IV and specifies the methods for application of the provisions contained in the CRR.

This new circular introduces an exception that provides for the possibility of continuing to sterilize the impacts of fluctuations of financial instruments classified in the "Financial instruments available for sale" portfolio.

The Bank has confirmed its intention to continue to sterilize capital gains and capital losses recorded starting 1 January 2010.

1. Base capital

Share capital, premiums on issue of new shares, retained earnings and capital reserves are the primary type of capital elements. Base capital consists of the total of such elements, after deducting treasury shares or quotas, intangible assets, as well as eventual losses recorded in prior fiscal years and the one in course.

2. Additional capital

Additional capital consists of valuation reserves for property, plant and equipment (special revaluation laws), positive reserves for securities available for sale (aggregating "equity instruments and shares of mutual funds" and "debt securities"), net of the relative prudential filters, as well as the calculated share of any subordinate loans that may have been issued.

The Bank has not issued hybrid capitalization instruments or subordinate liabilities.

3. Third level capital

At present the Bank does not use instruments included in this type of capital.

- ***B. Qualitative information***

Line items	Total 31/12/2013	Total 31/12/2012
A. Base capital prior to application of prudential filters	**242,705**	**237,866**
B. Prudential filters of base capital:	**-707**	**-328**
B.1 IAS/IFRS positive (+) prudential filters	0	0
B.2 IAS/IFRS negative (-) prudential filters	-707	-328
C. Base capital prior to application of prudential filters (A + B)	**241,998**	**237,538**
D. Items to be deducted from base capital	**2,440**	**1,812**
E. Total base capital (TIER 1) (C - D)	**239,558**	**235,726**
F. Additional capital prior to application of prudential filters	**18,450**	**18,012**
G. Prudential filters of additional capital:	**0**	**0**
G.1 IAS/IFRS positive (+) prudential filters	0	0
G.2 IAS/IFRS negative (-) prudential filters	0	0
H. Additional capital prior to application of prudential filters (F + G)	**18,450**	**18,012**
I. Items to be deducted from additional capital	**1,146**	**1,145**
L. Total additional capital (TIER 2) (H - I)	**17,304**	**16,867**
M. Items to be deducted from base and additional capital	**0**	**0**
N. Regulatory capital (E + L - M)	**256,862**	**252,594**
O. Third level capital (TIER 3)	**0**	**0**
P. Regulatory capital inclusive of TIER 3 (N + O)	**256,862**	**252,594**

2.2 Capital adequacy

- ***A. Qualitative information***

The Bank of Italy, by means of Circular no. 263 of 27 December 2006 ("New regulations for the prudential supervision of banks") and subsequent updates, has redesigned the prudential regulations for banks and banking groups, implementing Community directives on the capital adequacy of financial intermediaries: New Agreement of Basel on Capital Requirements ("Basel 2").

The new prudential regulatory structure is based on **three Pillars**:

- the **First Pillar** attributes relevance to the measurement of risks and capital, providing capital requirements in order to face some of the principal types of risks of banking and financial activity (credit risk, counterparty risk, market risk and operational risk); for such purpose, some alternative calculation methods are provided for capital requirements characterized by different levels of complexity in measuring risks and by organizational requirements for control;

- the **Second Pillar** requires financial intermediaries to adopt a strategy and control process for capital adequacy, current and prospective, highlighting the importance of governance as a fundamental element, including from the viewpoint of the Supervisory Organism entrusted with verifying the reliability and accuracy of this internal assessment;

- the **Third Pillar** introduces specific public disclosure requirements regarding capital adequacy, risk exposure and the general characteristics of the relative management and control systems.

The prudential ratios as of 31 December 2012 were calculated using the methodology provided by the Agreement on Capital Requirements – Basel II, adopting the Standardized method to calculate capital requirements with respect to credit risk and counterparty risk and the Base method to calculate operational risks.

In accordance with the Supervisory Regulations, banks must always maintain, as a capital requirement in relation to the risk of losses due to the borrower's default (credit risk), an amount of regulatory capital corresponding to at least 8 percent of weighted exposure for the risk (total capital ratio).

Banks must also remain compliant at all times with capital requirements for risks generated by market operations regarding financial instruments, foreign currencies and goods. With reference to market risks calculated on the entire trading portfolio, the regulations specify and regulate the treatment of the different types of risk: risk position on debt securities and capital, settlement risk, and concentration risk. With reference to the financial statements, it is also necessary to calculate exchange rate risk and credit risk for goods.

In order to measure capital adequacy the Tier 1 capital ratio is extremely important, represented by the ratio between base capital and overall risk weighted assets.

As already indicated in Section 1, the Bank considers capital adequacy to represent one of its principal strategic objectives. Consequently, the maintenance of an adequate capital surplus with respect to the minimum requirements is the object of ongoing analysis and controls, both in final terms as well as with respect to outlook. The results of the analysis allow the most appropriate actions to be determined to protect capitalization levels.

As seen from the breakdown of regulatory capital and the following breakdown of the prudential requirements, the Bank has a ratio between base capital and risk weighted assets (Tier 1 capital ratio) corresponding to 14.284% (15.323% at 31/12/2012) and a ratio between regulatory capital and risk weighted assets (total capital ratio) corresponding to 15.315% (16.420% at 31/12/2012), greater than the minimum requirement of 8%.

- ***B. Quantitative information***

Categories/Values	Non weighted amounts		Weighted amounts/requisites	
	31/12/2013	31/12/2013	31/12/2013	31/12/2012
A. RISK ASSETS				
A.1 Credit risk and counterparty's credit risk	3,798,492	3,798,492	1,543,966	1,415,406
1. Standard methodology	3,798,492	3,798,492	1,543,966	1,415,406
2. Methodology based on external ratings	0	0	0	0
2.1 Base	0	0	0	0
2.2 Advanced	0	0	0	0
3. Securitizations	0	0	0	0
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			123,517	113,232
B.2 Market risks			1,050	1,099
1. Standard methodology			1,050	1,099
2. Internal models			0	0
3. Concentration risk			0	0
B.3 Operational risk			9,604	8,736
1. Base method			9,604	8,736
2. Standard method			0	0
3. Advanced method			0	0
B.4 Other prudential requirements			0	0
B.5 Other calculation items			0	0
B.6 Total prudential requirements			**134,171**	**123,067**
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk weighted assets			**1,677,142**	**1,538,337**
C.2 Base capital/Risk weighted assets (Tier 1 capital ratio)			**14.284%**	**15.323%**
C.3 Regulatory capital inclusive of TIER 3/Risk weighted assets (Total capital ratio)			**15.315%**	**16.420%**

EXPLANATORY NOTES - PART G – MERGERS WITH COMPANIES OR BRANCHES OF BUSINESS

27. Section 1 - Transactions during the fiscal year

The Bank was not involved with any mergers during the fiscal year.

28. Section 2 - Transactions after the close of the fiscal year

The Bank was not involved with any mergers after the close of the fiscal year.

EXPLANATORY NOTES - PART H – TRANSACTIONS WITH RELATED PARTIES

29. Section 1. Information on compensation for executives having strategic responsibilities (gross fees)

The information required by IAS 24 paragraph 16 for executives having strategic responsibilities, understood as those who have power and responsibility for planning, direction and control, as well as information on the fees paid to the Bank's directors is set forth below.

Executive benefits consist of all forms of fees paid, using the accrual accounting method.

Description	2013	2012
Salaries and other short-term benefits, including fees and benefits for directors and statutory auditors	1,625	1,644
Benefits following employment		-
Indemnities for the termination of employment		-
Other long-term benefits		-

30. Section 2. Information on transactions with related parties

Other related parties consist of entities subject to the significant control or influence of directors or executives, i.e. by the parties that might have influence or be influenced by them.

The relationships and transactions with related parties have no elements of critical relevance, because they are part of the ordinary credit and servicing activity.

There were no atypical or unusual transactions with related parties during the fiscal year which, due to their significance or amount might have raised doubt with respect to the protection of the Bank's capital.

The preliminary procedure related to requests for financing made by related parties follows the same lending process reserved to other, unrelated counterparties having analogous creditworthiness. With respect to transactions with persons exercising administrative, direction and control functions for the Bank, Article 136 of Italian Legislative Decree 385/1993 and Article 2391 of the Italian Civil Code apply.

Transactions with related parties take place on market conditions, and in any case on the basis of an assessment of economic convenience, as well as always in compliance with outstanding law.

Specifically:

- conditions reserved to all personnel, or provided by employment contracts, are applied to executives having strategic responsibility;

- conditions applied to directors and statutory auditors are the same as those applied to customers having analogous professional profiles and standing.

The provisions of Circular n. 263 – New regulations for the prudential supervision of banks, Title V, Chapter 5, Risk assets and conflicts of interest with respect to related parties, were implemented.

2013	Receivables	Payables	Security given
Directors, statutory auditors and executives and relative related parties	1,435	6,054	365
Other related parties (related companies)	40,645	5,373	23

EXPLANATORY NOTES - PART I – SHARE-BASED PAYMENTS

The Bank did not engage in any payment transactions based on its own equity instruments (share-based payments) during the fiscal year nor after its closure (IFRS 2).

EXPLANATORY NOTES - PART L – SEGMENT REPORTING

The Bank is not required to complete the part relating to segment reporting because it is an unlisted intermediary.

ANNEXES TO THE FINANCIAL STATEMENTS

31. List of real property with an indication of revaluation as at 31 December 2013 – Law n. 72, Article 10, dated 19/03/1983

Values in euro

Description	Historical cost	Rev. Law 576/75	Rev. Law 72/83	Rev. Law 413/91	Rev. from First Time Adoption IAS 01/01/2005	Total real property at 31/12/2013	Of which land value at 31/12/2013	Of which value of buildings at 31/12/2013	Assets under management at 31/12/2013	Balance sheet value at 31/12/2013
Castelfiorentino - P.za Giovanni XXIII, 6 – Registered office	4,105,383			179,686	3,749,134	**8,034,203**	2,000,000	6,034,203	3,867,483	**4,166,720**
Gambassi Terme - Via Garibaldi, 18 – Branch	26,830	1,033	23,241	3,352	153,497	**207,952**		207,952	94,481	**113,471**
Castelfiorentino - Loc. Cambiano – Office	1,336	156	12,452	4,523	182,046	**200,513**		200,513	129,341	**71,172**
Castelfiorentino - Via Piave, 8 – Registered office	30,196	10,641	179,368	42,042	1,258,394	**1,520,641**	480,000	1,040,641	769,590	**751,051**
Castelfiorentino - Via Carducci, 8/9 – Registered office	1,190,430		480,305	63,974	2,409,822	**4,144,530**	1,800,000	2,344,530	1,395,242	**2,749,289**
Certaldo - Viale Matteotti, 29/33 – Branch	3,487,215			31,824	1,999,995	**5,519,035**	1,574,000	3,945,035	2,235,184	**3,283,850**
Empoli - Via Chiarugi, 4 – Branch	4,106,782				2,747,576	**6,854,358**	2,000,000	4,854,358	2,533,744	**4,320,614**
Poggibonsi - Via S.Gimignano, 24/26 – Branch	2,272,577				710,082	**2,982,659**	935,000	2,047,659	1,094,622	**1,888,037**
Castelfiorentino - Via Cerbioni - Archive 1	617,658				227,844	**845,502**	185,000	660,502	279,034	**566,469**
Castelfiorentino - Via Dante 2/a – Office	574,926				62,634	**637,561**		637,561	193,554	**444,006**
Barberino V.E. - P.za Capocchini, 21/23 – Branch	74,026				475,968	**549,993**		549,993	178,548	**371,445**
Gambassi Terme - Via Garibaldi, 16 – Branch	37,565				182,506	**220,071**		220,071	72,180	**147,891**
Empoli - Via Cappuccini, 4 – Branch	44,547				156,468	**201,015**		201,015	66,883	**134,132**
Castelfiorentino - Via Cerbioni - Archive 2	503,164				98,101	**601,265**	150,000	451,265	143,350	**457,915**
Castelfiorentino - Via Gozzoli, 45 – Branch	1,007,905				1,013	**1,008,917**	250,000	758,917	218,278	**790,640**
Cerreto Guidi - Via V. Veneto, 59 – Branch	460,623				216,286	**676,909**		676,909	190,564	**486,345**
Castelfiorentino - Via Veneto/Via Piave – Non-operational office	3,963,874				-70,200	**3,893,674**	608,620	3,285,053		**3,893,674**
Gambassi Terme - Via Volta, 19/21 - Archive 3	1,691,075					**1,691,075**	552,655	1,138,420	162,165	**1,528,910**
Castelfiorentino - Via Piave, 10 – non-operational office	233,988					**233,988**		233,988		**233,988**
Firenze - Via Varchi, 2/4 –non-operational office	10,211,507					**10,211,507**	1,222,000	8,989,507		**10,211,507**
Castelfiorentino - Via Piave, 6 (Garage) – Non-operational office	138,468					**138,468**		138,468		**138,468**
Castelfiorentino - Via Piave, 25 – Non-operational office	1,348,297					**1,348,297**		1,348,297		**1,348,297**
Firenze - Via Maggio – Branch	1,558,533					**1,558,533**		1,558,533	75,401	**1,483,132**
Castelfiorentino - Via Carducci 4 – Non-operational office	557,166					**557,166**		557,166		**557,166**
Montespertoli - Via Romita 105 – Branch	240,738					**240,738**		240,738	7,638	**233,100**
Colle Val d'Elsa - Piazza Arnolfo – Non-operational branch	1,489,085					**1,489,085**	774,000	715,085		**1,489,085**
Fucecchio - Piazza Montanelli – Branch	4,853,742					**4,853,742**	900,000	3,953,742	129,947	**4,723,795**
San Gimignano - Via dei Fossi – Non-operational branch	1,339,401					**1,339,401**	1,000,000	339,401		**1,339,401**
Total	**46,167,038**	**11,830**	**695,366**	**325,401**	**14,561,164**	**61,760,799**	**14,431,275**	**47,329,523**	**13,837,229**	**47,923,570**