Financial Statements 2014

131st fiscal year

Financial Statements as at 31 December 2014
Approved by the Ordinary Shareholders' Meeting held 23 May 2015

BANCA DI CREDITO COOPERATIVO DI CAMBIANO

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

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

Registered Office and General Administration: 50051 Castelfiorentino (Firenze) – Piazza Giovanni XXIII, 6
ITALIAN BANKING ASSOCIATION Bank Code 08425 - Tel. +39 05716891 - Fax +39 0571022002

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

Shareholders' equity as at 31 December 2014: euro 252,806,178

Territorial network: 35 branches distributed throughout the provinces of Florence, Pisa, Siena, Pistoia, and Arezzo

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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. 41 issued 9 April 2015)

BANCA DI CREDITO COOPERATIVO DI CAMBIANO
(CASTELFIORENTINO - FIRENZE) Società cooperativa per azioni
Registered offices in Castelfiorentino (FI), piazza Giovanni XXIII n. 6
Registered with the Register of mutual aid cooperatives at n. A161000 – Registered with the Register of Banks at n. 3556 – Company Register of Florence at n. 00657440483
Fiscal Code and VAT n. 00657440483

Notice of ordinary and extraordinary Shareholders' Meeting

The shareholders are hereby given notice o fan Ordinary and Extraordinary Shareholders' Meeting to be held at first calling on 30 April 2015 at 1:00 pm at the corporate offices and, if necessary, at second calling on 23 May 2015, 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:

Extraordinary part
1) Variations made to the Articles of Association due to changes required to comply with the provisions of "Corporate government" issued by Bank of Italy, amending articles 3, 7, 11, 12, 20, 22, 23, 26, 27, 29, 31, 32, 33, 34, 36, 38, 39, 40, 41, 42, 43, and 47, introducing article 52 and any further and/or other statutory modifications that may be indicated by Bank of Italy to comply with the aforementioned provisions. Resolutions pertaining thereto and resulting therefrom and shareholders' proxies to the Chairman to make any additional changes and/or integrations required by Bank of Italy or during registration of the resolution in the Registry of Companies.

Ordinary part
1) Presentation of the fiscal year Financial Statements as at 31 December 2014; Director's 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. Resolutions pertaining thereto and resulting therefrom;
2) Variations to the "Election and Shareholders' Meeting Rules" in order to comply with the newly adopted provisions of the articles of association;
3) Nomination of the members of the Election Commission, subject to definition of the election method;
4) Determination of the share premium to be paid by new shareholders in accordance with Article 21 of the articles of association;
5) Information on remuneration policies in accordance with Article 29(2) of the articles of association;
6) Determination of the maximum credit to be granted to the same borrower.
In accordance with Article 24 of the articles of association, shareholders are entitled to participate in and vote at the Shareholders' Meeting provided they have been recorded in the shareholders' register for at least ninety days.

Castelfiorentino, 30 March 2015

Signed for The Board of Directors
The Chairman
Paolo Regini

Schedules to the financial statements

Assets

	Asset line items	2014	2013
10	Cash and cash balances	9,077,212	9,450,411
20	Financial assets held for trading	740,130	85,609,551
30	Financial assets measured at fair value	-	-
40	Financial assets available for sale	869,715,032	771,023,086
50	Financial assets held through maturity	-	-
60	Receivables from banks	164,065,824	115,385,506
70	Receivables from customers	1,922,144,029	1,866,327,600
80	Hedges	3,729,710	5,568,652
90	Adjustment of value of generic hedges for financial assets (+/-)	-	-
100	Equity investments	18,166,464	15,698,652
110	Property, plant and equipment	62,252,156	58,538,677
120	Intangible assets	2,330,859	176,910
	of which:		
	- goodwill	*2,100,000*	-
130	Tax receivables	23,999,907	24,257,712
	a) current	*5,679,068*	*12,430,345*
	b) pre-paid	*18,320,839*	*11,827,367*
	Noncurrent assets and groups of assets in the course of divestment	*17,662,605*	*10,872,006*
140	Other assets	-	-
150	Tax receivables	44,520,413	29,804,035
	Total assets	3,120,741,736	2,981,840,792

Liabilities

	Liability line items and Shareholders' Equity	2014	2013
10	Payables to banks	478,615,377	348,622,231
20	Payables to customers	1,524,911,967	1,496,449,885
30	Outstanding securities	736,174,232	782,026,824
40	Financial liabilities from trading	-	-
50	Financial liabilities measured at fair value	-	-
60	Hedges	500,391	102,381
70	Adjustment of value of generic hedges for financial liabilities (+/-)	-	-
80	Tax liabilities	12,762,654	15,364,734
	a) current	*2,756,450*	*10,737,511*
	b) deferred	*10,006,203*	*4,627,223*
90	Liabilities associated with assets in the course of divestment	-	-
100	Other liabilities	84,792,852	73,735,415
110	Employee severance pay	3,893,843	3,314,633
120	Risk and expense funds	1,022,367	1,253,508
	a) pensions and similar commitments	-	-
	b) other funds	*1,022,367*	*1,253,508*
130	Valuation reserves	30,435,931	17,445,305
140	Redeemable shares	-	-
150	Equity instruments	-	-
160	Reserves	239,485,218	235,505,611
170	Premiums on issue of new shares	255,143	250,562
180	Share capital	2,991,762	2,969,703
190	Treasury shares (-)	-	-
200	Fiscal year profit (loss) (+/-)	4,900,000	4,800,000
	Total Liabilities and Shareholders' Equity	3,120,741,736	2,981,840,792

Income Statement

	Income statement	2014	2013
10	Earned interest and similar income	81,251,828	85,627,185
20	Interest payable and similar expenses	(42,311,120)	(47,450,634)
30	Interest income	38,940,708	38,176,551
40	Commission income	21,522,509	20,848,009
50	Commission expenses	(1,628,345)	(1,684,310)
60	Net commissions	19,894,165	19,163,699
70	Dividends and similar income	-	152,043
80	Net trading result	1,077,251	1,107,327
90	Net hedging result	44,531	26,200
100	Gains (losses) from the disposal or repurchase of:	21,222,755	12,365,690
	a) receivables	-	-
	b) financial assets available for sale	*21,279,472*	*12,464,748*
	c) financial assets held through maturity	*0*	-
	d) financial liabilities	*(56,717)*	*(99,058)*
110	Net income of financial assets and liabilities measured at fair value	-	-
120	Operating income	81,179,410	70,991,510
130	Net adjustments/write-backs of value due to impairment of:	(33,893,165)	(22,010,248)
	a) receivables	*(33,041,300)*	*(22,010,248)*
	b) financial assets available for sale	-	-
	c) financial assets held through maturity	-	-
	d) other financial operations	*(851,864)*	-
140	Net income from financial assets	47,286,245	48,981,262
150	Administrative costs:	(43,601,630)	(41,277,722)
	a) personnel costs;	*(21,091,534)*	*(20,621,873)*
	b) other administrative costs	*(22,510,096)*	*(20,655,849)*
160	Net allocations to risk and expense funds	15,904	(196,422)
170	Net adjustments/write-backs of value to property, plant and equipment	(2,567,241)	(2,457,214)
180	Net adjustments/write-backs of value to intangible assets	(75,007)	(71,728)
190	Other operating costs/income	4,490,014	2,810,644
200	Operating costs	41,737,960	41,192,440
210	Profit (loss) from equity investments	850,138	534,215
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	5,881	(266)
250	Gains (losses) from current operations before tax	6,404,304	8,322,769
260	Fiscal year income taxes on current operations	(1,504,304)	(3,522,769)
270	Profit (loss) from current operations after tax	4,900,000	4,800,000
280	Gains (losses) from groups of assets in the course of divestment after tax	-	-
290	Fiscal year profit (loss)	4,900,000	4,800,000

Schedule of overall profitability

	Line items	2014	2013
10	Fiscal year profit (loss)	4,900,000	4,800,000
	Other income components net of tax without reversal to income statement		
20	Property, plant and equipment	-	-
30	Intangible assets	-	-
40	Defined benefit assets	(453,658)	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	13,444,284	3,504,088
110	Noncurrent assets in course of divestment	-	-
120	Share of valuation reserves of equity investments measured on basis of shareholders' equity	-	438,112
130	Total other income components net of tax	12,990,626	4,153,944
140	Overall profitability (Line item 10 + 130)	17,890,626	8,953,944

Report on management

We do not need great deeds or great heroes. We simply need more honest people.
BENEDETTO CROCE

Dear Shareholders,

The report to the financial statements for 2014, like that of many previous fiscal years, summarizes the episodes of a complex and at times difficult, year.

However, over the last few months there have been rumors, which generate expectations of an imminent emerging from the crisis. The question that begs to be answered is the following: is this going to be it, or will it be the nth crushed hope? If on the one hand past, even recent, unfulfilled forecasts and expectations may justify a certain amount of skepticism, on the other, there are now coincidences that could lead one to hope for the best: the drop in the price of oil, the level of the Euro/Dollar exchange, the liquidity provided through the QE, the employment incentives. These are all factors driving the economy that have never appeared simultaneously. This leads one to say: "now or never!" If the economy does not recover now, and with it employment as well, we will necessarily find ourselves having to deal with a decline of no small proportion. At any rate, the months to come will reveal if what has been done and what has been planned has been of any help in solving issues such as unemployment, the considerable impoverishment of increasingly broad sections of the population, the ongoing de-industrialization process and the extremely high taxation level.

Today, it is increasingly difficult to work at any level and in any sector. After over seven years of global and domestic crisis, of consolidated recession, of widespread and burdensome difficulties in almost all of the Country's and of our territory's economic sectors. The framework of reference, albeit with some weak signs of recovery, appears substantially the same as that of recent years. On our part, we have managed the situation with determination and sound business judgment, continuously applying management criteria aimed at expressing and testifying to our capacity to carry out our role as "territorial bank", in the firm belief that the professionalism and sound management strategies adopted and the principles on which our actions are founded are just reward, as we wait for the timid signs of recovery to consolidate into a long-lasting favorable economic trend.

1. Summary of results

Although in an objectively difficult global context, company profitability is positive. This result is the fruit of sound and efficient economic management and of the conscious application of conditions aimed at extended mutuality.

During the year, our Bank registered important growth rates and a reinforcement of the corporate structure, providing new customers, partners and employees with a sense of serenity and faith, as is clearly shown by the numbers that position us in the most solid and efficient section of the banking system.

The Bank increased deposits and funding to families and businesses, taking care to safeguard the quality of credit, in full continuity with the actions of previous years and fully conscious of the greater degree of risk that the context entails.

Within the banking sector, influenced by the recession and under pressure by management and prudential requirements often at odds with one another, with corporate impacts and crises that struck even parts of the Cooperative Credit sector, our Bank successfully continued to pursue sound and prudent management guidelines, enhancing the fundamental principles confirmed in the articles of association.

We can proudly state that, in a context of unprecedented difficulty, the Bank neither interrupted nor diminished the mutuality policy that has always set us apart, confirming that our shareholders and communities of reference are at the center of corporate functions.

SUMMARY OF RESULTS				
(in thousands of euro)	2014	2013	Absolute Var.	% Var.
Capital data				
Receivables from customers	1,922,144	1,866,328	55,816	2.99%
Receivables from banks	164,066	115,386	48,680	42.19%
Financial assets	870,455	856,633	13,822	1.61%
Equity investments	18,166	15,699	2,467	15.71%
Total assets	3,120,742	2,981,841	138,901	4.66%
Direct deposits from customers	2,261,086	2,278,477	-17,391	-0.76%
Indirect funding from customers	155,957	153,860	2,097	1.36%
Shareholders' equity (excluding fiscal year profits)	273,168	256,171	16,997	6.64%
Economic data			0	
Interest income	38,941	38,177	764	2.00%
Operating income	81,179	70,992	10,187	14.35%
Net income from financial assets	47,286	48,981	-1,695	-3.46%
Result of operating management	6,404	8,323	-1,919	-23.06%
Net value adjustments for impairment of loans	33,041	22,010	11,031	50.12%
Fiscal year profit	4,900	4,800	100	2.08%
Other information				
Number of branches	32	31	1	3.23%

2. Local economic situation

The 2014 **economic scenario** was characterized by a recovery in the United States, by the persisting uncertainty in the Eurozone and in Japan and by a "deceleration" of the Chinese economy. Based on estimates by the International Monetary Fund, in 2014 the gross world product grew 3.30% as compared to the 2.9% growth registered in 2013.

The USA economy grew by 2.4%, an increase with respect to the 2.2% growth registered in 2013. Private consumption, investments and exports provided the most significant contributions to growth. Japan's GDP remained unvaried (in 2013, the variation was +1.60%). In 2014, the Chinese economy grew 7.4% (a drop with respect to the 7.7% growth rate registered in 2013). Although economic growth in the Eurozone was limited, in 2014 the trend for the GDP was once again positive, increasing an average of 0.9% as compared to the 0.4% decrease registered in 2013. Industrial production in the Eurozone at the end of 2014 was unvaried with respect to the previous year's data. The drop in oil prices was one of the most significant events of the final months of 2014. The size of the reduction is significant, seeing as we went from a period in which prices were consistently over 100 dollars per barrel, to price levels below 60 dollars per barrel. In an historical perspective, the entity of the recent price drop resembles large stages of past turning points in the oil market. The consequences of the drop in oil prices are represented by price reductions and an increase in world production levels. There are also important redistribution effects among countries, constituted mainly by changes in the terms of trade between oil producing countries and oil consuming countries. Based on estimates by the International Monetary Fund, a 10 percent reduction in oil prices corresponds to a 0.2 percent increase in gross world product. However, this increase is not mutually shared. Specifically, the major beneficiaries are consumer countries, against losses incurred by oil producing countries. The effect on aggregate growth is, however, positive, in that lower prices correspond also to an increase in aggregate production. The magnitude of this effect is significant. In fact, the drop in oil prices not only reduced the general price level, as is the case for any other supply shock (a shift along the world aggregate demand curve), but also created a redistribution of income at the expense of countries were income and wealth are concentrated and therefore the propensity to consume is low, versus economies with greater propensity to consume. Among other things, seeing as the benefits of lower prices for energy products and electricity are in large part transferred to consumers, those who tend to benefit the most are persons with a relatively high propensity to consume. Hence, the result is not only a positive effect on the supply, but also on the demand (shift of the world aggregate demand curve). All sectors benefit from the reduction in oil prices: the cost reduction is distributed among the various sectors based on the energetic intensity of the respective production (therefore, manufactured goods first and foremost, the services sector to a much lesser degree), but in fact, all sectors benefit in terms of the increase in aggregate demand. Indeed, the price reduction characterizes products with a price elasticity of demand lesser than one unit. Therefore, thanks to the reduction in energy prices, families register an increase in their spending power, and this may lead to an increase in consumption rates, including those of goods or services that were not affected by price reductions. An important aspect is represented by the fact that, with respect to other stages of variations in oil prices, this time the drop has taken place during a period in which inflation is already very low, particularly in the Eurozone, where wage dynamics are on a down trend, burdened by the pressure of high unemployment rates. Therefore, it is possible that inflation may touch negative values. The disinflation explained by the drop in oil prices is not, in itself, a negative event for the economy. However, there is the risk that, even following the presence of inexplicit indexing mechanisms, the decline in inflation rates may be followed by inertial price and wage trends and, ultimately, by a decline in inflation expectations. Hence, the fact that the expected inflation in the Eurozone has been scaled down considerably over the last months is cause for worry. The positive effects of the oil counter-shock on the international economic scenario are not completely discounted in current forecast scenarios. While it is true that over the last months, inflation forecasts have been continuously down scaled, the same cannot be said for growth forecasts. For example, with reference to the macro-economic contexts of leading international organisms, if we compare the forecasts formulated for the major advanced economies at the end of 2014 to those published six months previously, we may note that both the inflation forecast and the growth forecast have been down scaled. At the beginning of December, the CEB indicated a Eurozone a real GDP growth rate for 2015 equal to 1 percent, seven tenths less than the forecasts made in June, and an inflation rate equal to 0.7 percent, that is, four tenths lower. Evidently, the effect of lower oil prices has not yet been incorporated into the forecasts, partly due to the object difficulty of defining, in a period of extreme price volatility, on what level prices will actually stabilize over the next months, and partly because the drop in oil prices is overlapping with other, less favorable elements, especially in relation to the difficulty of the economic situation in the Eurozone, and with the increased volatility on international financial markets.

LA REVISIONE DELLE PREVISIONI SUL 2015 - SCENARI A CONFRONTO

	Imf aprile '14	Comm Ue aprile '14	Ocse maggio '14	Bce giugno '14	Imf ott '14	Comm Ue novemb '14	Ocse novemb '14	Bce dicembre '14
PIL 2015								
Mondo	3.9				3.2			
Usa	3.0	3.2	3.5		3.1	3.1	3.1	
Giappone	1.0	1.3	1.2		0.8	1.0	0.8	
Regno Unito	2.5	2.5	2.7		2.7	2.7	2.7	
Area euro	**1.5**	**1.7**	**1.7**	**1.7**	**1.3**	**1.1**	**1.1**	**1.0**
Germania	1.6	2.0	2.1		1.5	1.1	1.1	
Francia	1.5	1.5	1.5		1.0	0.7	0.8	
Italia	1.1	1.2	1.1		0.9	0.6	0.2	
INFLAZIONE 2015								
Mondo	3.5				3.9			
Usa	1.6	1.9	1.7		2.1	2.0	1.5	
Giappone	1.7	1.6	2.0		2.0	1.6	2.6	
Regno Unito	1.9	2.0	2.1		1.8	1.6	2.0	
Area euro	**1.2**	**1.2**	**1.1**	**1.1**	**0.9**	**0.8**	**0.7**	**0.7**
Germania	1.4	1.4	1.8		1.2	1.2	1.1	
Francia	1.2	1.1	1.1		0.9	0.7	0.9	
Italia	1.0	1.2	0.9		0.5	0.5	0.5	

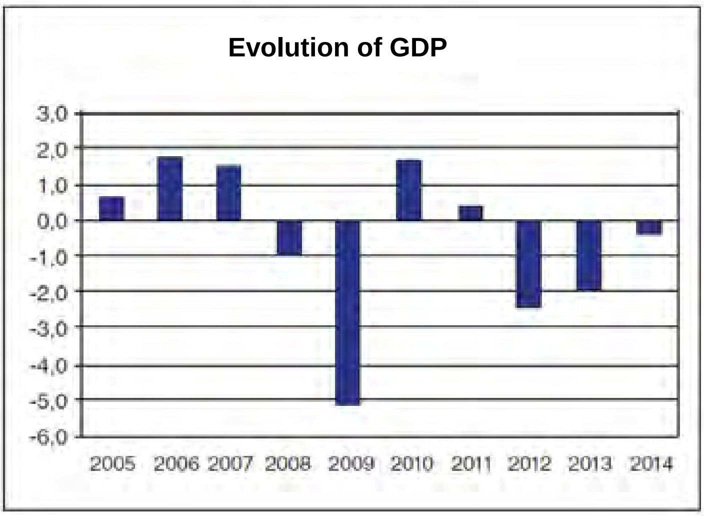
The **inflation** rate in the United States went from 1.50% in 2013 to 1.60% in 2014. Japan, also due to the effects of an extremely expansionary monetary policy, registered an inflation rate that increased from 0.10% in 2013 to 2.30% in 2014. The average annual inflation rate in the Eurozone (measured using the HICP harmonized index) decreased notably between 2013 and 2014, dropping from 1.40% to 0.40%. The increase in consumer prices slowed down all the countries in the Eurozone: in Germany from 1.60% to 0.80%, in France from 1.00% to 0.60% and in Spain from 1.50% to -0.20%. For Italy, this index went from 1.30% in 2013 to 0.20% in 2014. Analyzing all the trend data in December, the Eurozone appears in deflation, with a variation of the HICP harmonized index of -0.2%.

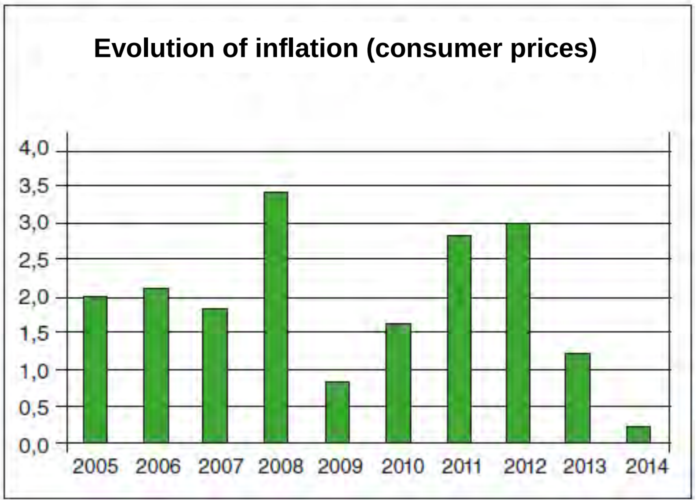
In 2014, **global stock markets** registered increases in market listings for all principal market indexes: the Standard & Poor's 500 on the New York Stock Exchange grew +13.60% on an annual basis (29.60% in 2013), the Nikkei 225 index on the Tokyo Stock Exchange increased by +11.80% (+56.70% in 2013) and the Dow Jones Euro Stoxx Large Eurozone grew by +6.80% (+16.20% in 2013). Even the New Economy indexes on an International level rose significantly during the same period: the German Tech Dax registered an increase variation of +18.50% (+40.90% in 2013) while the New York NASDAQ index registered a +12.50% (+38.3% in 2013) increase.

The **monetary policy** was once again expansionary in 2014. In October, the Federal Reserve concluded the stimulus program (the so-called Quantitative Easing), while leaving Federal Funds rates unvaried. The monetary policy adopted by the CEB was expansionary, reducing the interest rate on main refinancing operations from 0.25% in December 2013 to the historic minimum of 0.05% in September 2014; moreover, a program of long term refinancing operations (TLTRO – Targeted Longer Term Refinancing Operations) was launched, with the aim of improving bank lending services in favor of the private, non-financial sector. In January 2015, the CEB announced a program to purchase financial activities for an amount of approximately 60 billion Euro per month until September 2016, with the aim of contrasting current deflationary trends.

On the **foreign Exchange market**, 2014 saw a depreciation of the Euro with respect to other principal International currencies, a depreciation that continued into the first months of 2015. The exchange rate versus the American dollar in December 2014 was equal to 1.32 (1.37 in December 2013), versus the British pound it was equal to 0.79 (0.83 at the end of 2013), and it was in countertrend versus the Japanese yen, at 147.10 (from 142.53 in 2013).

In 2014 the GDP of the **Italian economy** decreased overall by 0.40% (-1.90% in 2013), affected by the decrease of internal demand only partly compensated by the growth in exports. For the Italian economy, this marks the third consecutive year with a contracting GDP and 14 consecutive quarters without growth. In the last quarter of 2014, the GDP remained unvaried with respect to the previous quarter and decreased by 0.30% with respect to the fourth quarter of 2013. The average annual unemployment rate for 2014 was 12.70%, increasing from 12.10% in 2013. Average inflation, measured using the Italian National Institute for Statistics (ISTAT) index, decreased from the 2013 value of 1.20% to 0.20% for 2014; the trend data in December 2014 was unvaried with respect to December 2013.





During the first semester of 2014 the level of economic activity of the **Region of Tuscany** was limited, partly supported by foreign demand. Forecasts appear characterized by stability, within a highly uncertain context. Nevertheless, conditions in the industrial sector remained stationary looking towards the whole of 2014, although some signs of vitality were registered in specialized sectors, such as mechanics and the fashion sector, in foreign sales and large-sized businesses and respective sub-contracting networks. The propensity to accumulate fixed capital remains extremely limited and the balance for business demography remained negative. Contraction of activities continued in the construction industry and property sales also continued to be slack, although with some sparks in countertendency. Hence, indicators for the Tuscan economy are, on the whole, still on the negative side, outlining a scenario in which the inversion of the economic cycle that appeared possible at the end of 2013, nonetheless continues to delay its arrival. As the months continue to pass, some indicators have even worsened: this is the case, for example, in the manufacturing industry, which in the third quarter suffered a contraction in production levels that was higher than that registered during the first months of the year, and even a heightened drop in orders (-2.6%). But this is also the case in the construction industry, where the reduction of hours worked is again in the double digit values (-10.9%). The fact is that the analysis of the dynamics of the economic situation that interest the domestic economy create, in those observing them, the persistent sensation of being “cross-eyed” due to the contrast between the enduring difficulties being crossed by the majority of businesses on the one hand and, on the other, the positive performances registered on foreign markets by a nucleus of highly competitive and dynamic businesses. Tuscany is a perfect example of this situation: referring to exports (net of precious metals), the Region in fact continues to grow at an interesting rate even during the period in review, with quarterly results which, in addition to being positive, have been consistently better than national values (as well as better than many of the principle exporting regions), since 2012.

Instead, taking a look at the domestic market, among the many signs of the weakness of the aggregate demand and of the involution of the economic cycle, one of the most significant regards the price trend, the dynamics of which have been preoccupying monetary authorities for some time, due to the possible consolidation of a deflationary spiral. Specifically, as regards producer prices, the survey on the manufacturing industry registers a drop which, albeit slight (-0.1% in the third quarter 2014), nonetheless constitutes an absolute novelty since this variable has been measured (beginning of 2004) with, here again, a trend that is divergent between exporting businesses (+0.1%) and non-exporting businesses (-0.3%).

In the III quarter 2014, following the positive rebound of the previous quarter, Tuscany registers a drop in trend growth rate (+5.1% net of precious metals, was +6.7% in the II quarter). Unlike Tuscany, Italy inverts its trend positively, going from +1.0% in the previous quarter to +2.2% in the III quarter 2014.

EXPORTS FOR TUSCANY AND ITALY AT CURRENT VALUES

% variations vs. corresponding quarter previous year (net of precious metals).

Source: IRPET processing on ISTAT data reviewed starting from 1 quarter 2012.

Cyclical indicators testify to a use of raw materials that is two thirds lower than the levels reached before the crisis, a further contraction of the work force and of the number of active businesses. In the services sector, although the demand is still weak, the overall picture appears less negative with respect to 2013. The number of persons employed in the Region has increased slightly, as has recourse to welfare support provisions. The increase in the number of persons looking for employment has influenced the unemployment rate, which exceeded ten percent. In the first quarter of 2014, the drop in loans granted by banks and financial institutions to Tuscan businesses and families eased up somewhat. In the face of a demand that continues to be weak, concentrated for businesses on financing working capital and on rescheduling of existing debts, as opposed to on new investments, and for families on mortgages to purchase homes, although many operations adhere more to choices based on “portability” rather than *ex novo* home investment operations. The credit offer did not show the contractions registered in previous months; however, the orientation remains geared on a standby position vis-à-vis construction enterprises.

Industrial production in Tuscany

% variation with respect to the corresponding quarter in the previous year

Source: Unioncamere Toscana – Confindustria Toscana

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

Fonte: Unioncamere Toscana-Confindustria Toscana

Una nuova flessione interessa la dinamica produttiva del manifatturiero (-1%), cui si accompagna il passaggio in negativo nell'evoluzione del fatturato (-0,2%). L'andamento degli ordinativi (-2,6%) segnala un probabile proseguimento della nuova fase di arretramento attraversata dal manifatturiero regionale.

Industrial Production by Sector

% variation with respect to the corresponding quarter in the previous year

Source: Unioncamere Toscana – Confindustria Toscana

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

Fonte: Unioncamere Toscana-Confindustria Toscana

Settori di attività	III/2013	IV/2013	I/2014	II/2014	III/2014
Alimentari, bevande e tabacco	-0,8	0,5	-5,3	0,5	-0,5
Tessile e abbigliamento	-2,1	-2,8	1,6	-0,8	0,4
Cuoio, pelli e calzature	-1,4	-0,1	0,3	-0,4	-1,5
Legno e mobilio	5,6	-2,8	-2,1	-12,5	-12,3
Prodotti in metallo	3,0	1,9	-2,5	-3,2	-0,6
Industria meccanica	2,7	-1,0	-3,3	1,8	-0,4
Elettronica e mezzi di trasporto	5,9	-2,6	-4,3	-1,7	5,9
Prodotti non metalliferi	0,0	-1,8	-3,6	-10,5	-13,6
Chimica, farmaceutica, gomma e plastica	7,0	2,3	1,7	10,1	-0,9
Manifatturiere varie	1,5	0,9	10,1	0,4	0,9
TOSCANA	-0,1	-0,5	-0,2	-0,6	-1,0

In deciso peggioramento l'andamento della produzione del settore farmaceutico, che condiziona l'andamento dell'aggregato chimica, farmaceutica, gomma e plastica (-0,9%). In nuovo arretramento l'industria meccanica (-0,4%) e l'agroalimentare (-0,5%), mentre recuperano elettronica e mezzi di trasporto (+5,9%), tessile e abbigliamento (+0,4%), altre manifatturiere (+0,9%).

The trend on loans to businesses in the first semester of 2014 continued to feel the effects of the weak demand.

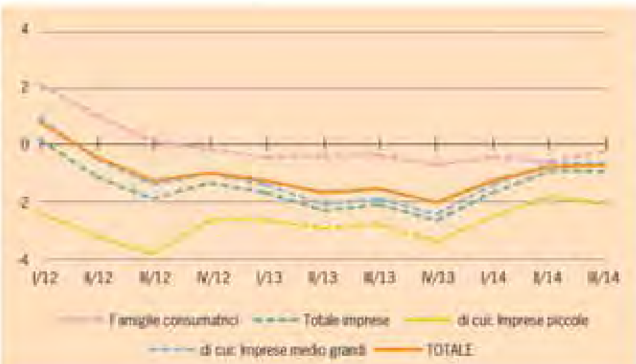
Gross Loans to the Private Non-financial sector

% variation rate in a 12-month period (corrected for securitization, sales and reclassifications)

Source: Bank of Italy

PRESTITI LORDI AL SETTORE PRIVATO NON FINANZIARIO
Tasso di variazione % sui dodici mesi (corretto per le operazioni di cartolarizzazione, cessioni e riclassificazioni)

Fonte: Banca d'Italia



In costante rallentamento il credito bancario a imprese e famiglie residenti in Toscana (-0,7%). Continuano a calare i prestiti alle imprese (-1%), in particolare a quelle di piccola dimensione (-2,1%), mentre la flessione rimane contenuta per le imprese più grandi (-0,6%). Si allenta decisamente la contrazione dei prestiti alle famiglie consumatrici (-0,2%).

The cautious approach to providing loans translated principally into the application of higher spreads to riskier credit positions, the request for greater guarantees and the meticulous examination of economic and financial plans. Indications for the second semester of 2014 signal slightly more relaxed supply conditions, favored by the decreased cost of supply.

Therefore, on average, the cost of credit decreased slightly, with increasingly differentiated conditions based on the risk associated to the loan. The quality of credit remained critical: although the flow of new non-performing loans decreased slightly, while still remaining at historically high levels, credits characterized by some form of anomaly reached, regionally, a quarter of the overall portfolio.

Loans to consumer families on behalf of banks and financial institutions dropped on an annual basis, as at June 2014, to 0.9 percent, showing a trend that is substantially in line with that registered in December of last year. After various years of progressive decline, in 2014, new disbursements of mortgages for the purchase of real estate properties destined to housing began to rise once more (7.4 percent), although this value was influenced in no small way by the amount of “portability” operations. The average rate applied by bank intermediaries for the purchase of home real estate diminished in the second quarter by three tenths of a point with respect to the end of 2013 (at 3.6 percent); the reduction regarded new mortgages at both variable rates and fixed rates. There was a constriction in consumer credit stock (1.9 percent in June), although with a slight increase with respect to the values registered last December. This trend reflects the drop in financing on behalf of commercial credit companies against the stability of that disbursed by bank intermediaries.

Criteria for access to credit showed the first signs of easing up, especially as regards cost conditions applied to the average of mortgages and the quantities disbursed.

On a regional level, quality of credit remained critical: approximately one fourth of loans is characterized by a more or less serious form of anomaly.

Nuove sofferenze e crediti deteriorati (1)
(valori percentuali)

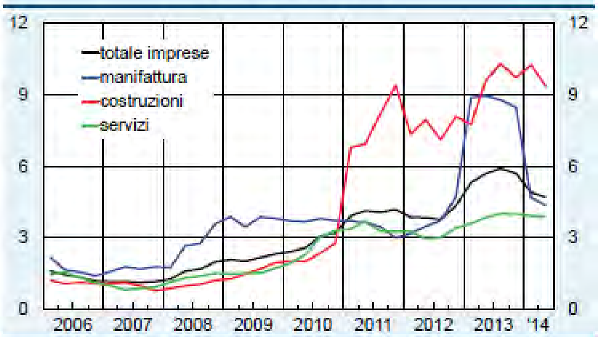
PERIODI	Società finanziarie e assicurative	Imprese	di cui: attività manifatturiere	di cui: costruzioni	di cui: servizi	di cui: piccole imprese (2)	Famiglie consumatrici	Totale (3)
				Nuove sofferenze (4)				
Dic. 2012	0,1	4,3	4,7	8,1	3,4	3,4	1,1	3,0
Dic. 2013	0,0	5,7	8,5	9,7	4,0	3,7	1,2	3,8
Mar. 2014	0,0	4,9	4,7	10,1	3,9	4,0	1,2	3,3
Giu. 2014	0,1	4,7	4,4	9,2	3,9	4,0	1,2	3,2
				Crediti scaduti, incagliati o ristrutturati sui crediti totali (5)				
Dic. 2012	0,1	11,2	11,8	17,6	9,1	9,4	3,8	8,3
Dic. 2013	0,1	11,6	8,8	21,3	10,3	10,2	4,0	8,8
Mar. 2014	0,2	11,9	8,3	21,4	10,8	10,3	4,0	9,1
Giu. 2014	0,6	12,4	8,3	22,6	11,3	10,8	4,2	9,6
				Sofferenze sui crediti totali (5)				
Dic. 2012	0,4	14,7	19,5	19,8	11,9	15,3	6,3	11,1
Dic. 2013	0,5	19,1	26,0	26,4	14,9	18,1	7,2	14,4
Giu. 2014	0,9	20,5	26,7	29,5	16,2	19,2	7,6	15,8
				Crediti deteriorati sui crediti totali (5) (6)				
Dic. 2012	0,4	26,0	31,4	37,4	21,0	24,7	10,1	19,5
Dic. 2013	0,6	30,9	34,8	47,7	25,3	28,3	11,2	23,2
Giu. 2014	1,5	32,9	35,0	52,2	27,5	29,9	11,8	25,4

Fonte: Centrale dei rischi.
(1) Dati riferiti alle segnalazioni di banche, società finanziarie e società veicolo di operazioni di cartolarizzazione. – (2) Società in accomandita semplice e in nome collettivo, società semplici, società di fatto e imprese individuali con meno di 20 addetti. – (3) Include anche le Amministrazioni pubbliche, le istituzioni senza scopo di lucro al servizio delle famiglie e le unità non classificabili o non classificate. – (4) Esposizioni passate a sofferenza rettificata in rapporto ai prestiti *in bonis* in essere all'inizio del periodo. I valori sono calcolati come medie dei quattro trimestri terminanti in quello di riferimento. – (5) Il denominatore del rapporto include le sofferenze. – (6) I crediti deteriorati comprendono le posizioni scadute, incagliate, ristrutturate o in sofferenza.

The impact of the flow of new non-performing loans rectified in relation to performing loans at the beginning of the period (deterioration rate) has decreased slightly. The average deterioration rate for the four quarters (June 2013 / June 2014) was equal to 3.2 percent, from 3.8 percent for the same period (December 2013 / December 2012). This value, however, remains higher than the national average.

The net drop of the deterioration rate for loans to the manufacturing industry decreased from 8.5 registered in December 2013 to 4.4 registered last June. A less intense reduction characterized the construction and services industries. However, the impact of non-performing loans on total loans to businesses increased (20.5 percent, rising from the 19.1 percent value registered in December 2013), similarly to doubtful loans, loans past due and restructured loans (12.4 percent, up from 11.8 percent). The quality of loans to consumer families has remained substantially stable. The deterioration rate is unvaried with respect to the end of last year (1.2 percent); instead, the impact of non-performing loans on total loans has increased slightly (0.4 points, to 7.6 percent), as has that of other deteriorated loans (0.2 points, up to 4.2 percent.

Tasso di decadimento delle imprese (1)
(valori percentuali)



Fonte: Centrale dei rischi.
(1) Dati riferiti alle segnalazioni di banche, società finanziarie e società veicolo di operazioni di cartolarizzazione.

In June, deposits held in banks by families and businesses residing in the Region registered a 3.4 percent increase in the twelve month period, less than that registered at year's end. During the first semester, the process of re-composition from current accounts (that increased by about 4 percent in both periods) to savings deposits (2.2 percent in June; 8.2 percent at the end of 2013), which characterized the preceding three-year period, came to a halt. The contraction of repurchase agreements has continued.

The overall value, at market prices, of securities held in custody in the investment portfolios of Tuscan families and business registered a slight drop at the end of June, as compared with the previous twelve month period (-0.6 percent).

With reference to the various types of financial activities, the steady increase in the value of UCI quotas and securities continued, against the further marked contraction in the value of both bank and corporate bonds. During the first part of the year, the value of government securities held by families and businesses began to grow once again. In the first semester of 2014, requests for bank bonds continued to decrease, against a further increase in the demand for deposits, securities and UCI quotas. The policy aimed at containing the remuneration offered by banks on the various forms of savings continued, particularly as regards deposits with agreed maturity.

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

In compliance with article 2528 of the Italian Civil Code, and based on the provisions set forth in the Banking Consolidation Act and in Supervisory Regulations, the Board of Directors is called upon to illustrate the motivations behind resolutions made regarding the admission of new shareholders.

The objective of a constant increase of shareholders continued to be pursued during the 2014 fiscal year, with the admission of physical and juridical persons who demonstrated a concrete in operating with the Bank and who possessed the requirements provided for in the Articles of Association; particular attention was given to admitting new shareholders in the most recent areas of competence, also with the aim of respecting the prevalence of credit provision in favor of shareholders as per regulatory provisions.

The Board of Directors carefully weighs general criteria for the admission of shareholders in order to manage the growth of the share holding structure in a manner that is coherent with corporate development objectives, with the aim of increasing the Bank's deep-rooted presence in its area of competence. Hence, all professional categories are represented within the shareholding structure, and the composition thereof is diversified by area of geographical origin.

In particular, please note that: as at 31 December 2014, the share holding structure was composed of 3,160 shareholders, with a share capital of 2,991,762 Euro; during the course of the year 2014, 64 requests for admission to shareholding were accepted.

As per the Articles of Association, the Bank is committed to pursuing socially useful objectives, with the aim of favoring betterment of the moral, cultural and economic conditions of its shareholders and of the community in its territory of reference.

To that end, the policy of both banking and extra-banking concessions reserved for shareholders continued in 2014. In particular, the Bank's activity has always been based on a widespread mutuality that incorporates within the conditions reserved for shareholders and customers, facilitations in credit standards, in the collection of savings, in the provision of services and in the simplicity of interfacing with the Bank itself.

In 2014, our Bank, aware of the difficulty of the economic context, confirmed its consistent commitment in support of associations, training institutions and non-profit organizations present on the territory, which were able to implement actions aimed at social support and solidarity as well as cultural and recreational events, also as a result of loans and contributions granted by the Bank.

ACTIVITIES WITH SHAREHOLDERS AND ACTIVITIES OUTSIDE THE BANK'S TERRITORIAL AREA					
	Regulatory limit	2014	2013	2012	2011
% activities with Shareholders and/or having a weighted risk equal to zero	> 50.00%	55.497%	52.905%	50.244%	53.842%
% activities outside the territorial area	< 5.00%	4.647%	3.711%	3.374%	2.518%

4. The management trend and dynamics of the principal aggregates

Direct deposits, indirect funding, overall deposits

The Bank's direct deposits are entered into the financial statements at line items 20 (Payable to customers) and 30 (Outstanding securities) and amount to 2,261.0 million, decreasing by 17.39 million (-0.76%). In compliance with regulatory provisions, the value for the aforementioned line items also includes components and operations with counterparties that cannot be qualified as ordinary customers, such as the Clearinghouse Guaranty Fund and the Deposits and Loans Fund. As shown in the table illustrating total lending, in 2014 these components account for a reduction of over 125 million Euro. Net of these components, the total growth of direct deposits with ordinary customers registered an absolute value of over 107 million Euro and 5.12% as compared with the previous fiscal year.

At a national level, the banking system registered a 1.1% drop (source: Italian Banker's Association), while the Cooperative Credit section registered a 0.8% growth in deposits from customers.

TOTAL LENDING - 2014/2013 DATA COMPARISON.				
Type of transactions/values	2014	2013	2014/2013 variations	2014/2013 % variations
1. Bank accounts	1,156,084,311	1,090,778,288	65,306,023	5.99%

TOTAL LENDING - 2014/2013 DATA COMPARISON.				
Type of transactions/values	2014	2013	2014/2013 variations	2014/2013 % variations
2. Deposits	55,109,048	46,719,535	8,389,513	17.96%
3. Time deposits	260,988,243	177,345,202	83,643,041	47.16%
4. Liabilities from transferred assets	0	41,259	-41,259	-100.00%
5. Repurchasing with ordinary customers	2,605,508	6,279,212	-3,673,703	-58.51%
6. Deposit certificates	9,844,140	15,780,495	-5,936,355	-37.62%
7. Debt securities	726,330,092	766,246,329	-39,916,237	-5.21%
Total lending	2.210.961.342	2.103.190.320	107.771.022	5,12%
8. Repo with Clearinghouse and Guaranty Fund	0	157,213,441	-157,213,441	-100.00%
9. Funding from Deposit and Loans Fund	50,124,857	18,072,948	32,051,909	177.35%
Total other lending	50,124,857	175,286,389	-125,161,532	-71.40%
Total (balance sheet value)	2,261,086,199	2,278,476,709	-17,390,510	-0.76%

During the fiscal year, maximum openness and attention was given to customer needs, often new and very unique. To this end, a series of commercial initiatives was launched, aimed at offering an increasingly varied range of financial solutions and products, without compromising the traditional transparency and correctness. Operations in the field of updated, competent and sound financial consulting continued, providing customers with greater security and less doubts, with not just technical information but also cognitive and relational information, also availing ourselves of personnel training interventions.

In general, the trend for lending was accompanied by a recomposition thereof, due to investor preferences towards liquidity and administered and managed assets.

Capital data	2014	2013	Absolute Var.	% Var.
1. Administered deposits	155,361,999	152,898,227	2,463,772	1.61%
2. Managed deposits	594,633	961,660	-367,027	-38.17%
Totals	155,956,632	153,859,887	2,096,745	1.36%

During 2014, a particular push on products in the insurance sector may be noted, with policies placed for a value of approximately 16 million Euro.

Overall deposits (direct, administered, managed and insurance) therefore registered a value of 2,432,958,843 Euro.

Lending to customers

Despite improved lending conditions, loans to businesses and families continue to suffer the effects of the recession. At the end of December, receivables from customers net of doubtful loans amounted to 1,922 million, a 2.99% increase, equal to 55.8 million, as compared to 2013 values. This increase was greater than both that of the overall banking system (-1.4%; source, International Bankers' Association) and that of the whole of Cooperative Credit Institutions (-2.4%).

EFFECTIVE ECONOMIC LENDING - 2014/2013 DATA COMPARISON				
Type of operations /values	2014	2013	2014/2013 variation	2014/2013 % variation
1. Bank accounts	518,654,806	525,511,468	-6,856,662	-1.30%
2. Mortgage loans and financing	1,096,047,392	1,028,926,539	67,120,853	6.52%
3. Portfolio	2,311,420	2,239,053	72,367	3.23%
4. Securitized mortgage loans	340,785	494,348	-153,563	-31.06%
5. Self-securitized mortgage loans	151,096,344	168,994,061	-17,897,718	-10.59%
6. Other financing	66,153,752	54,394,107	11,759,645	21.62%
7. Gross non-performing loans	172,069,680	133,405,053	38,664,626	28.98%
8. Write-downs on non-performing loans	-65,798,209	-41,500,786	-24,297,423	58.55%
9. Overall write-downs	-31,145,558	-23,552,815	-7,592,743	32.24%

EFFECTIVE ECONOMIC LENDING - 2014/2013 DATA COMPARISON				
Type of operations /values	2014	2013	2014/2013 variation	2014/2013 % variation
Total net effective economic lending	1,909,730,412	1,848,911,029	60,819,383	3.29%
10. Receivables from Pontormo RMBS	10,917,526	12,960,213	-2,042,688	-15.76%
11. Receivables from Poste Italiane	210,614	59,960	150,654	251.26%
12. Receivables from Clearinghouse and Guaranty Fund	1,285,477	4,360,729	-3,075,252	-70.52%
13. Receivables from Deposits and Loans Fund	0	35,668	-35,668	-100.00%
Total other net economic lending	12,413,617	17,416,571	-5,002,954	-28.73%
Total (balance sheet value)	1,922,144,029	1,866,327,600	55,816,429	2.99%

The effective increase, filtered of the component constituted by the Deposits and Loans Fund, the Clearinghouse and Guaranty Fund and the special purpose vehicle society for the securitization transaction, counterparties that cannot be considered businesses or families, was equal to 60 million Euro, 3.29% in terms of percentages.

The impact of net effective economic lending on effective direct deposits is 86.38%, as compared to 87.92% for the previous fiscal year.

As was the case in previous years as well, the medium-term mortgage loans component registered the greatest increase. The component referred to short-term mortgage loans credit unfreezing is greatly influenced by the stagnant stage of the economy.

In this recession-stagnation stage, the Bank intervened with actions developing along three lines:

- Ensuring the availability of adequate financial resources to businesses which, while registering difficulties in terms of liquidity, present positive economic prospects;
- Identifying new measures in favor of healthy businesses, aimed at rebalancing the financial structure;
- Re-proposing measures to suspend and prolong financing to businesses undergoing temporary financial stress generated by the drop in sales revenue, the reduction of operating margins, the increase of financial and fiscal charges and the reduction of corporate self-financing capability.

In this sense, fully aware of the degree of the credit risk in this context, we aimed to carry out the true role of the “territorial bank” which, faced with difficult situations, shunning any kind of conditioning or acritical alignment, is capable of recognizing prospects for growth and of accompanying those businesses which, as a social value and driving force to jump-start the positive cycle, have the possibility of overcoming this long period of economic difficulty, unfortunately often worsened by exogenous causes.

In this context, joining the initiatives for suspension of loans and support to the economy, both for private individuals and for businesses, implemented by the Italian Bankers’ Association, were the starting point for the Bank’s actions.

Data regarding lending classification by sector of economic activity (gross par amount), as compared to the previous fiscal year, are shown in the table below.

Economic sector (ATECO code)	2014 Amount *(gross par)*	% share on lending for 2014	Absolute variation 2014	% variation 2014	2013 Amount *(gross par)*	% share on lending for 2013
A agriculture, forestry and fishing	49,139,163	2.37%	2,065,902	4.39%	47,073,261	2.38%
B mining and quarrying products	10,236,067	0.49%	1,928,345	23.21%	8,307,722	0.42%
C manufacturing products	283,959,806	13.69%	27,895,820	10.89%	256,063,986	12.96%
10 food industry	35,070,342	1.69%	2,380,767	7.28%	32,689,575	1.65%
11 beverages industry	1,506,410	0.07%	-282,472	-15.79%	1,788,882	0.09%
12 tobacco industry	64,631	0.00%	-3,828	-5.59%	68,459	0.00%
13 textile industry	11,628,367	0.56%	1,882,964	19.32%	9,745,403	0.49%

Economic sector (ATECO code)	2014 Amount *(gross par)*	% share on lending for 2014	Absolute variation 2014	% variation 2014	2013 Amount *(gross par)*	% share on lending for 2013
14 wearing apparel including leather and fur	17,065,599	0.82%	348,988	2.09%	16,716,611	0.85%
15 leather and related items	49,703,748	2.40%	2,908,569	6.22%	46,795,179	2.37%
16 wood, and wood and cork products (excluding furniture); articles made of straw and plaiting materials	13,859,485	0.67%	2,025,399	17.11%	11,834,086	0.60%
17 paper and paper products	30,128,454	1.45%	10,382,873	52.58%	19,745,581	1.00%
18 printing and re production of recorded media	4,013,829	0.19%	-33,495	-0.83%	4,047,324	0.20%
19 coke and refined petroleum products	38,124	0.00%	3,802	11.08%	34,322	0.00%
20 chemical products	8,761,177	0.42%	-1,043,868	-10.65%	9,805,045	0.50%
21 basic pharmaceutical products and pharmaceutical preparations	1,673,002	0.08%	1,519,017	986.47%	153,985	0.01%
22 rubber and plastic products	14,073,922	0.68%	-515,376	-3.53%	14,589,298	0.74%
23 other non-metallic products	12,794,721	0.62%	1,470,661	12.99%	11,324,060	0.57%
24 metal products	3,945,131	0.19%	33,247	0.85%	3,911,884	0.20%
25 metal products (excluding machinery and equipment)	28,869,023	1.39%	390,769	1.37%	28,478,254	1.44%
26 computer, electronic and optical products; electro-medical and measuring equipment, watches and clocks	1,405,489	0.07%	-30,687	-2.14%	1,436,176	0.07%
27 electrical equipment and non-electric domestic appliances	7,576,759	0.37%	1,090,194	16.81%	6,486,565	0.33%
28 machinery and equipment n.e.c.	19,086,707	0.92%	2,756,275	16.88%	16,330,432	0.83%
29 motor vehicles, trailers, semi-trailers	597,909	0.03%	-316,582	-34.62%	914,491	0.05%
30 other transport vehicles	223,316	0.01%	-280,327	-55.66%	503,643	0.03%
31 furniture	10,617,499	0.51%	1,613,081	17.91%	9,004,418	0.46%
32 other manufacturing industry products	7,303,161	0.35%	1,080,930	17.37%	6,222,231	0.32%
33 repair, maintenance and installation of machinery and equipment	3,953,000	0.19%	514,919	14.98%	3,438,081	0.17%
D Electricity, gas, steam and air-conditioning supply	11,355,762	0.55%	4,258,870	60.01%	7,096,892	0.36%
E Water supply; sewage systems, waste management and remediation products	17,294,950	0.83%	-7,128,245	-29.19%	24,423,195	1.24%
F Building industry	143,513,009	6.92%	-17,124,768	-10.66%	160,637,777	8.13%
41 construction	113,525,546	5.47%	-10,606,860	-8.54%	124,132,406	6.28%
42 civil engineering	2,067,903	0.10%	-1,197,742	-36.68%	3,265,645	0.17%
43 specialized construction work	27,919,560	1.35%	-5,320,166	-16.01%	33,239,726	1.68%
G Wholesale and retail sales, vehicle and motorcycle repairs	214,944,453	10.36%	14,711,718	7.35%	200,232,735	10.14%
45 wholesale and retail sales and motor vehicle and motorcycle repairs	31,339,536	1.51%	4,098,638	15.05%	27,240,898	1.38%
46 wholesale sales (excluding motor vehicles and motorcycles)	120,571,772	5.81%	9,475,281	8.53%	111,096,491	5.62%
47 retail sales (excluding motor vehicles and motorcycles)	63,033,145	3.04%	1,137,799	1.84%	61,895,346	3.13%
H Transport and storage	16,670,364	0.80%	1,788,624	12.02%	14,881,740	0.75%
I Accommodation and restaurant services	65,712,897	3.17%	1,165,384	1.81%	64,547,513	3.27%
J Information and communication services	8,660,349	0.42%	589,172	7.30%	8,071,177	0.41%
K Financial and insurance activities	2,617,221	0.13%	-329,893	-11.19%	2,947,114	0.15%
L Real estate activities	182,286,725	8.79%	-17,072,623	-8.56%	199,359,348	10.09%
M Professional, scientific and technical activities	28,573,475	1.38%	7,776,272	37.39%	20,797,203	1.05%
69 legal and accounting services	5,671,148	0.27%	4,187,915	282.35%	1,483,233	0.08%
70 company management services and management consulting services	12,784,922	0.62%	1,681,204	15.14%	11,103,718	0.56%
71 architect and engineering offices, testing and technical analyses	4,375,835	0.21%	1,372,133	45.68%	3,003,702	0.15%

Economic sector (ATECO code)	2014 Amount *(gross par)*	% share on lending for 2014	Absolute variation 2014	% variation 2014	2013 Amount *(gross par)*	% share on lending for 2013
72 scientific research and development	34,679	0.00%	-3,065	-8.12%	37,744	0.00%
73 advertising and market research	1,588,833	0.08%	420,809	36.03%	1,168,024	0.06%
74 other professional, scientific and technical activities	3,816,038	0.18%	-21,947	-0.57%	3,837,985	0.19%
75 veterinary services	302,020	0.01%	139,224	85.52%	162,796	0.01%
N Rental services, travel agenies, business support services	19,333,177	0.93%	-790,704	-3.93%	20,123,881	1.02%
O Public administration and defense, obligatory social insurance	0	0.00%	0	0.00%	0	0.00%
P Schooling	2,575,088	0.12%	749,903	41.09%	1,825,185	0.09%
Q Healthcare and social services	3,843,075	0.19%	271,493	7.60%	3,571,582	0.18%
R Arts, sports, entertainment and recreation	9,455,539	0.46%	729,725	8.36%	8,725,814	0.44%
S Other services	11,546,340	0.56%	-754,098	-6.13%	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%	0	0.00%	0	0.00%
U Organizations and organisms outside the territory	0	0.00%	0	0.00%	0	0.00%
TOTAL COMPANY and HOUSEHOLD PRODUCERS	1,081,717,459	52.14%	20,730,897	1.95%	1,060,986,562	53.71%
Public administrations	3,137,228	0.15%	-553,413	-15.00%	3,690,641	0.19%
Financial companies	44,033,478	2.12%	-3,151,304	-6.68%	47,184,782	2.39%
Banking system (sub-group245) and Bank of Italy (sub-group 300)	159,286,621	7.68%	46,815,081	41.62%	112,471,540	5.69%
Consumer households (sub-group 600)	739,766,772	35.66%	27,573,399	3.87%	712,193,373	36.06%
Non-profit organizations, rest of the world and unclassifiable groups	46,757,157	2.25%	8,016,646	20.69%	38,740,511	1.96%
TOTAL	2,074,698,715	100.00%	99,431,307	5.03%	1,975,267,408	100.00%

Credit quality

Management of impaired receivables was oriented at pursuing recovery initiatives, employing out-of-court solutions, more flexible and rapid, forms of self-regulation within a frame work of restructuring processes assisted by adequate financial resources, always aiming at safeguarding the business.

Against an incidence of 16.04% of impaired assets on total receivables from customers (16.32% in 2013), the Bank maintained a rigorous and adequate policy of provisions to cover expected losses, also in consideration of the guarantees supporting the positions, constantly verified in terms of adequacy of both market values and quick ratio values.

Credit quality suffers the effects of the persisting weakness of the economic cycle. At the end of 2014, net impaired receivables from customers registered an absolute value of 230 million Euro, equal to 11.98% of total net receivables, as compared to 13.54% registered as at 31 December 2013.

The tables below show the breakdown of these dynamics.

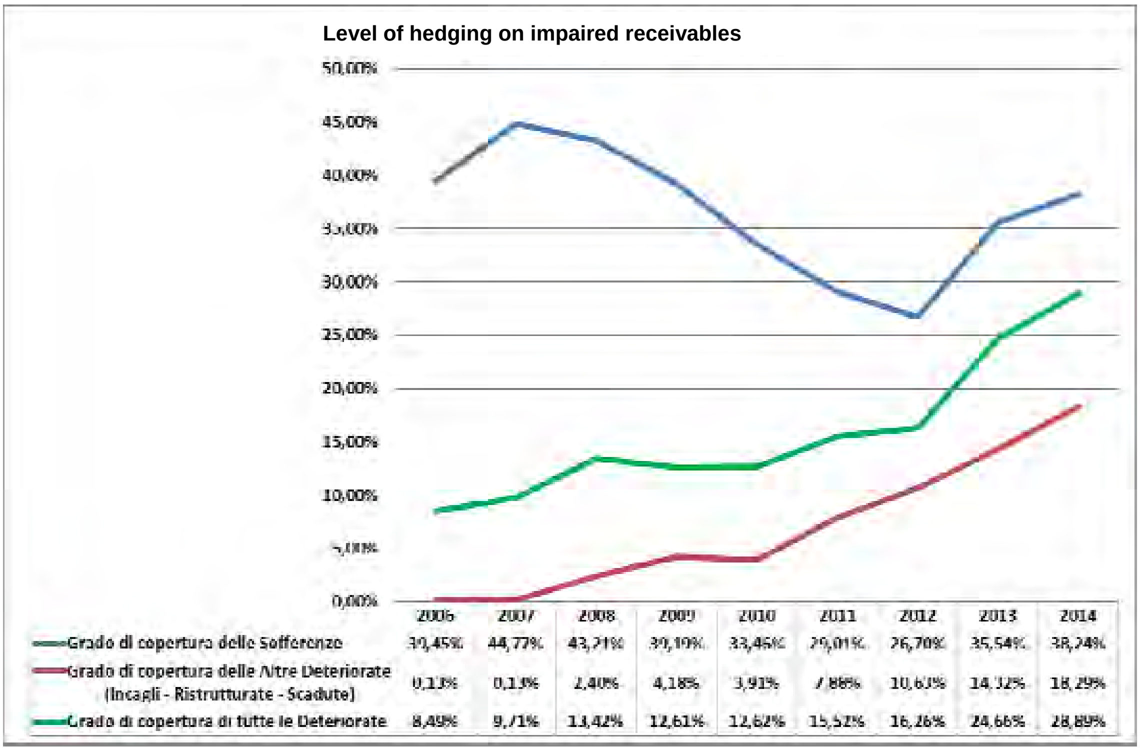
CREDIT QUALITY INDEXES		
% OF NET RECEIVABLES	2014	2013
% net non performing loans on total net receivables	5.53%	4.92%
% net watchlist and restructured receivables on total net receivables	5.56%	6.21%
% overdue/overdrawn accounts on total net receivables	0.89%	2.40%
% total net impaired receivables on total net receivables	11.98%	13.54%
% OF GROSS RECEIVABLES	2014	2013
% gross non performing loans on total gross receivables	8.52%	6.91%

% gross watchlist and restructured receivables on total gross receivables	6.61%	6.95%
% overdue/overdrawn accounts on total gross receivables	0.90%	2.46%
% total gross impaired receivables on total gross receivables	16.04%	16.32%
% OF HEDGES	2014	2013
Non performing	38.24%	31.11%
Watchlist, restructured and overdue/overdrawn accounts	18.29%	11.52%
Total impaired receivables	28.89%	19.81%
Receivables in bonis	0.20%	0.16%

Year 2014							
Types of exposure/values	Gross exposure	Specific value adjust.	Portfolio value adjust.	Net exposure	Level of hedging	Level of hedging other impaired receivables	Level of hedging all impaired receivables
A. BALANCE SHEET EXPOSURES							
a) Non-performing	172,069,680	65,798,209	0	106,271,471	38.24%		
b) Doubtful	120,739,727	25,775,758	0	94,963,969	21.35%		
c) Restructured exposures	12,799,321	819,157	0	11,980,164	6.40%		
d) Overdue exposures	18,193,893	1,164,409	0	17,029,484	6.40%	18.29%	28.89%
e) Receivables in bonis	1,695,285,174	0	3,386,234	1,691,898,941	0.20%		
TOTAL A	2,019,087,795	93,557,533	3,386,234	1,922,144,029	4.80%		

Year 2013							
Types of exposure/values	Gross exposure	Specific value adjust.	Portfolio value adjust.	Net exposure	Level of hedging	Level of hedging other impaired receivables	Level of hedging all impaired receivables
A. BALANCE SHEET EXPOSURES							
a) Non-performing	133,405,053	41,500,786	0	91,904,267	31.11%		
b) Doubtful	114,773,064	16,220,249	0	98,552,815	14.13%		
c) Restructured exposures	19,444,758	2,005,839	0	17,438,919	10.32%		
d) Overdue exposures	47,582,078	2,712,421	0	44,869,657	5.70%	11.52%	19.81%
e) Receivables in bonis	1,616,176,247	0	2,614,305	1,613,561,942	0.16%		
TOTAL A	1,931,381,201	62,439,296	2,614,305	1,866,327,600	3.37%		

The level of hedging for impaired receivables is in constant growth, having made consistent adjustments to credit values in 2014 as well.



Securities and treasury account activity

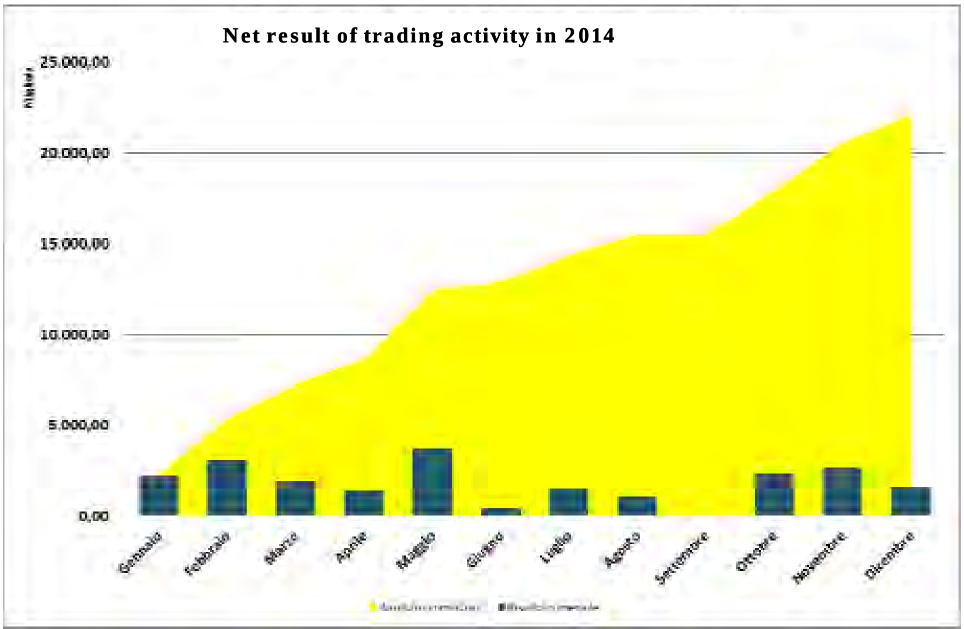
The portfolio continues to be composed prevalently of domestic government bonds, with a value that is substantially analogous to that of the previous fiscal year, although with yields that have dropped significantly. The choice of allocation is coherent with the traditional position of maximum aversion to risk for financial investments and with objectives of compliance to regulatory provisions for quantification of the prevalence for the purposes of mutuality.

The improved market sentiment for our Country's sovereign bonds and the limited duration of those held in portfolio contribute to considering the risk level contained.

FINANCIAL ASSETS – VARIATIONS

Type	2014	2013	Absolute var.	% var.
Italian government bonds	772,858,010	761,401,667	11,456,343	1.50%
Banks	85,799,339	80,952,583	4,846,756	5.99%
Other issuers	11,797,812	14,278,387	-2,480,574	-17.37%
Total	870,455,162	856,632,637	13,822,525	1.61%

The net results of trading activity on securities and hedges during 2014 was equal to 22,115,019 Euro. The graph below shows the year's trend (monthly and cumulative yearly data).



Yellow: cumulative yearly result Blue: monthly result

As at the date of reference, the following Eurosystem transactions were present:

Amount	Rate	Expiry
150,000,000	0.05%	29/01/2015
160,000,000	0.05%	26/02/2015
50,000,000	0.05%	26/03/2015
100,000,000	0.15%	26/09/2018
460.000.000	**0.07%**	

The first two transactions, with expiry dates 29/01/2015 and 26/02/2015 for an overall total of 310,000,000 Euro, refer to the old LTRO operations; the third is a quarterly financing transaction for a total of 100,000,000 Euro that refers to the second tranche of the ECB "TLTRO" operation.

The foreign sector has contributed significantly to corporate growth, with constantly increasing loans and guarantees to customers, even in highly operative and sophisticated international areas, to support activities with foreign counterparties.

Equity investments

Equity investments held by the Bank refer, on qualification for IAS purposes, exclusively to companies of the Cabel Group, based on the following scheme.

Name	Balance sheet value as at 31/12/2014	Balance sheet value as at 31/12/2013	Variations
1. Cabel Leasing Spa	3,178,749	2,292,830	885,919
2. Cabel Holding Spa	14,575,454	13,057,533	1,517,921
3. Cabel Industry Spa	412,261	348,290	63,971
Total	**18,166,464**	**15,698,652**	**2,467,812**

For details, please consult the Explanatory Notes.

Regulatory capital

Regulatory capital constitutes the mainstay of reference for prudential supervisory dispositions, in so far as it is a financial resource capable of absorbing possible losses generated by the Bank's exposure to the risks typical of its activity, becoming a guaranty vis-à-vis depositors and creditors and allowing the Bank to operate and act as a driving force for development in its area of competence.

For this reason, Supervisory Authorities consider it fundamental that banks have adequate regulatory capital, such as to be capable of resilience in the face of adverse economic situations, such as those of recent years. This adequacy is constantly monitored by the Bank and is attested to, annually, in the ICAAP document that the Bank must draft and transmit to Bank of Italy.

These data, in so far as they constitute significant elements, are monitored on a quarterly basis.

Starting 1 January 2014, the new harmonized regulatory guidelines for banks and investment businesses contained in Regulation (EU) n. 575/2013 (CRR) and Directive 2013/36 EU (CRD IV) regarding the adequacy of regulatory capital came into effect. Pursuant to these regulations, new limits regarding regulatory capital ratios starting from the first reporting in March 2014 were introduced, with the application of Circular n. 285/13 of the Supervisory Authority.

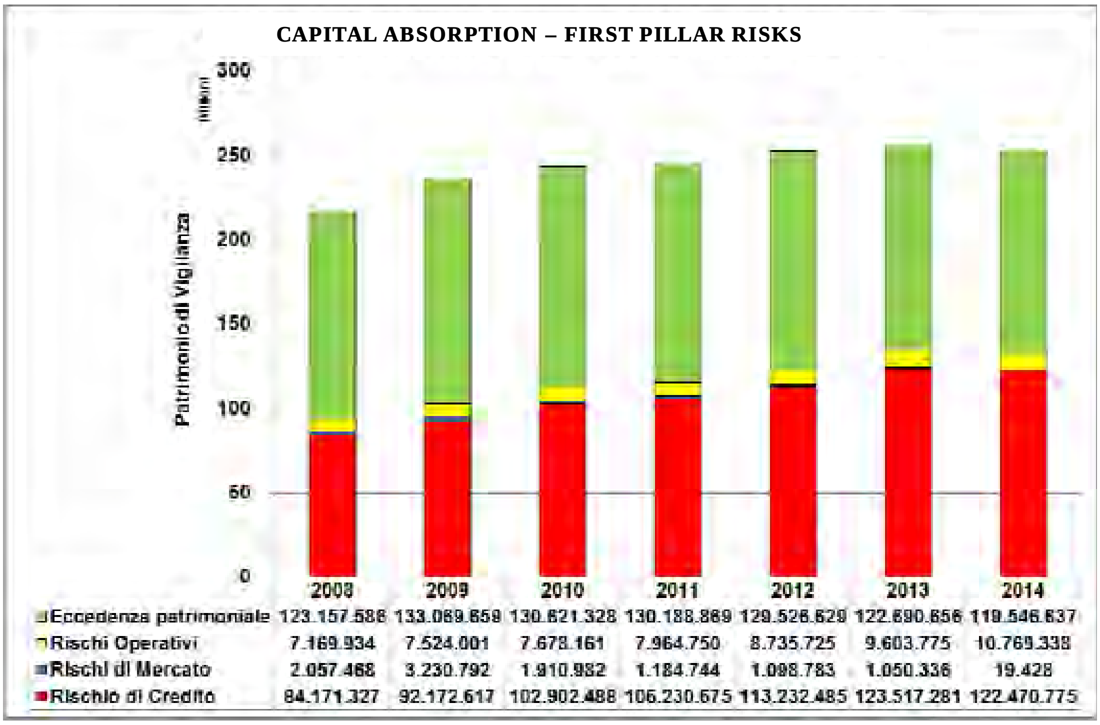
The dynamics of regulatory capital and overall exposure to risks are dealt with in greater detail in section F "Information on Regulatory Capital" of the Explanatory Notes; also please consult section E "Information on risks and relative hedging policies" for an analysis of the assessment and control systems applied to relevant risks present in the Bank.

In compliance with Circular n. 263 of 27 December 2006 issued by Bank of Italy, and subsequent amendments thereto, the Bank has defined internal policies regarding risk management and monitoring. Hence, risks considered relevant, risk objectives and the reference threshold values have been defined, along with the principle indicators to take into consideration for monitoring purposes and the systems to be implemented by the Bank to manage and control said risks.

The Bank has always based its activity on a propensity for risk-awareness and marked risk aversion, with the intention of pursuing a constant reinforcement of regulatory capital to guaranty stability and sustainability for growth projects and to promote the economic development of the territory of reference, in accordance with the corporate mission.

The formulation of strategic guidelines regarding risks, in terms of the RAF ("Risk Appetite Framework") risk propensity and of sustainability is the result of a complex analysis process referred to factors, both internal and external, of the typical operating context of reference. 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. Another significant aspect is represented 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 the Supervisory Body, the Bank constantly controls the risk of capital absorption, both in terms of short-term forecasts (future adequacy of ICAAP report) and with respect to the contents of the corporate Strategic Plan, and are also constantly monitored in terms of actionability with reference to both the corporate and the external contexts.

Type	2014	2013
Shareholders' equity / Direct deposits from customers (effective)	12.58%	12.41%
Shareholders' equity / receivables from customers (effective)	14.56%	14.11%
Shareholders' / Total assets	8.91%	8.75%
Net impaired receivables / own Funds	91.08%	98.41%
Tier one capital ratio		15.32%
Total capital ratio		15.32%
CET1 capital ratio – Own Funds	15.17%	
Total Capital Ratio – Own Funds	15.18%	



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

The Bank's capital ratios position it as a market leader in the national system, for similar types of enterprises, reconfirming the substantial stability of parameters even against increased masses.

Income trend – Summary of results

The 2014 fiscal year closed with a net profit of 4.9 million Euro, compared to 4.8 million the previous year.

The principal indicators of the Bank's technical situation are detailed in the table below.

FINANCIAL STATEMENT INDEXES	2014	2013	Variations
STRUCTURAL INDEXES			
Lending / Total assets	61.59%	62.59%	-1.00%
Lending / Direct deposits	85.01%	81.91%	3.10%
Traded volumes (Direct deposits + loans to customers + capital)	4,461,298,281	4,405,775,490	1.26%
Personnel in branch offices / Personnel in head office	1,94	2,51	-0.57
PROFITTABILITY INDEXES			
Interest income / Total assets	1.25%	1.28%	-0.03%
Operating income / Total assets	2.60%	2.38%	0.22%
Interest income / Operating income	47.97%	53.78%	-5.81%
Net profit / Total assets	0.16%	0.16%	0.00%
Operating income / Traded volumes	1.82%	1.61%	0.21%
Adjustments to value of receivables / Operating income	40.70%	31.00%	9.70%
PRODUCTIVITY INDEXRD			
Traded volumes by employee	15,490,619	15,513,294	-0.15%
Lending by employee	6,674,111	6,571,576	1.56%
Direct deposits by employee	7,850,994	8,022,805	-2.14%
Operating income by employee	281,873	249,970	12.76%
EFFICIENCY INDEXES			
Administrative costs / Total assets	1.40%	1.38%	0.01%
Administrative costs / Operating income	53.71%	58.14%	-4.43%
Operating costs / Operating income (cost income)	51.41%	58.02%	-6.61%
Cost income without trading result (ratio between the line items of the Income Statement: 200 and 120-80-90-100)	70.94%	71.65%	-0.71%
Administrative costs / Traded volumes	0.98%	0.94%	0.04%
Personnel costs / Average number of employees	74,793	72,612	2,180
ASSET QUALITY INDEXES			
Net bad debts / net lending	6.45%	8.62%	-2.17%
Net non performing loans / net lending	5.53%	4.92%	0.60%
Total bad debts / Net lending	11.98%	13.54%	-1.56%
CAPITAL RATIOS			
Core Tier 1		15.32%	
Total Capital Ratio		15.32%	
CET1 capital ratio – Own funds	15.17%		
Total Capital Ratio – Own funds	15.18%		
OTHER INDEXES			
Shareholders' equity / Direct deposits from customers	12.30%	11.45%	0.85%
Shareholders' equity / Receivables from customers	14.47%	13.98%	0.49%
Shareholders' equity / Total assets	8.91%	8.75%	0.16%
Net impaired loans / Own Funds	91.08%	98.41%	-7.33%
Degree of hedging on non performing loans	38.24%	31.11%	7.13%
Degree of hedging on impaired loans	28.89%	19.81%	9.08%
Degree of hedging on all lending	4.80%	3.37%	1.43%

Interest Income – As forecast at the beginning of the year, the long period of low economic growth has not helped banks to recover interest income. Against an only gradual release of stress on sovereign debt that continued in 2014, the cost of funding remained high, with greater viscosity due to the drop of rates on deposits, while market rates (first and foremost the Euribor) held their historical lows, penalizing the performance of the Bank's interest-bearing assets (lending to customers, with reference to mortgage loans almost totally index-linked to the Euribor rate, and securities portfolio). For these reasons, the interest income in 2014 remained substantially unvaried, passing from 38.2 million Euro to 38.9 million in 2014. In detail, interest income amounted to 81.2 million Euro, as compared to 85.6 million in 2013, while interest expenses dropped from 47.5 to 42.3 million.

Operating income rose from 72 to 81.2 million Euro, registering a positive variation, despite the substantial invariance registered by the interest income, equal to 14.35% thanks, again this year, to the excellent performance of securities. Net commissions (item 60) registered a modest growth, equal to 3.81%.

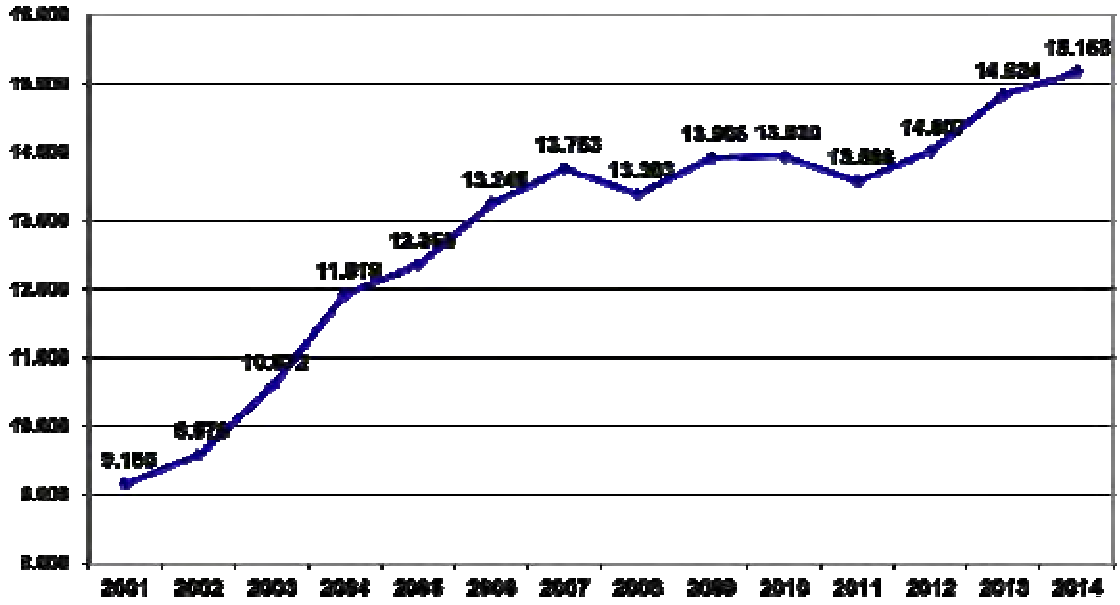
Thanks to the favorable market conditions, operations in financial instruments (the sum of items 80 - 90 - 100 - 110) on behalf of the Finance Area generated, overall, net revenue equal to 22.3 million Euro, compared to 13.5 million Euro of the previous year. In relation to the results obtained, and the policies regarding rates and conditions applied at a corporate level both on deposits and on lending, in accordance with the aim of an extended mutuality, the contribution of interest income to operating income decreased from 53.7% to 47.97% in 2014.

The **Net income from financial management** was equal to 47.3 million Euro, registering a 3.46 percent decrease, equal to 1.7 million Euro, with respect to the previous fiscal year. In addition to adjustments on receivables for analytical and flat rate write-downs on impaired receivables, adjustments for the physiological risk on *in bonis* receivables also contributed to making up the total of this item of the financial statements. Adjustments were also applied to "other financial operations" for a total of 851,864.38 Euro. These latter refer to actions already deliberated by the Cooperative Credit Bank Depositors' Guarantee Fund in favor of some Credit Cooperative Banks undergoing difficulties, which will presumably be registered during the following fiscal years. Other interventions of this type will be necessary, and many are already imminent on the horizon, with considerable charges that will fall on components of the system called upon to pay for errors, lack of efficiency and omissions by others, which were not lacking.

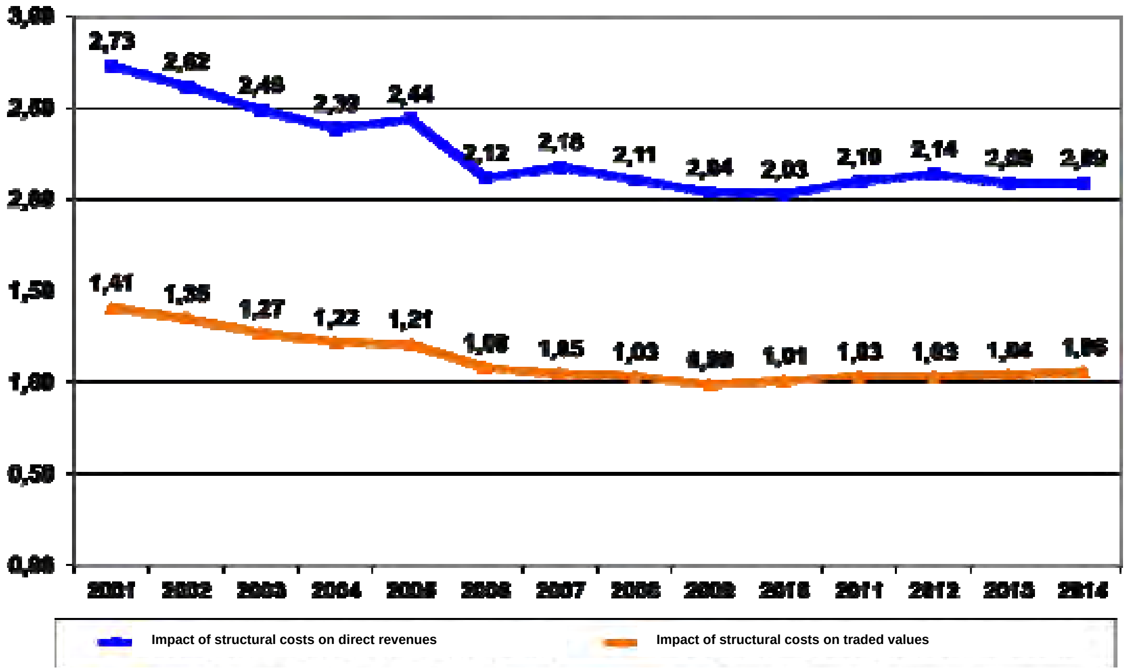
On the whole, the adjustments made, which reflect both the difficulties generated by the persisting negative economic cycle and the prudent assessment made by corporate organs responsible for credit assessment, amount to 33.0 million Euro, increased with respect to the 22.0 million registered in 2013, for an impact on the operating income that rises from 31.00% to 41.75%. The ratio of net adjustment on receivables from customers (total of item 130 letter a) versus receivables, also defined "credit cost" is 1.72%, compared to 1.18% in the previous fiscal year.

Operating costs amounted to 41.7 million Euro, an increase of 1.32%. This increase, although modest and despite constant monitoring, is essentially a result of increased operations. The ratio of operating costs to operating income, the so-called «cost income ratio», dropped to 51.41% from 58.02% of the previous fiscal year. As regards the single items, administrative expenses were equal to 43.6 million Euro, +5.63%; of these, personnel expenses increased by 469 thousand Euro +2.28%, while other administration expenses increased by 1.8 million, with an 8.98% rise principally due to increased stamp taxes, which have a balancing entry in the increase of other operating incomes. Another significant component of expenses, transversal to the various items in the profit and loss account, is constituted by the volume of obligations associated to the abnormal amount of regulations that are submerging banking enterprises, with serious repercussions on structural and operating expenses, often frankly devoid of any concrete usefulness, but obligatory due to the subservient implementation of many European approaches, often far-fetched with respect to the domestic situation.

Traded value by employee (in thousands of Euro)



Impact of structural costs



Overall profit before taxes therefore registered a value of 6.4 million Euro, compared to 8.3 million Euro in the previous fiscal year. After detracting income tax for a total of 1.5 million Euro, the **net profit** for the fiscal year was 4.9 million Euro, compared to 4.8 million in the previous year, a variation of +2.08%.

5. The Bank’s services, initiatives and structure

Human resources

At the end of 2014, our Bank counted 286 employees on staff, of whom 9 temporary, as detailed in the Explanatory Notes. There were 18 new employees as of 1 January, following the acquisition of two branches of Banca Interregionale.

Well-aware of the fact that the enhancing the professional level of employees and promoting professional development must be the guideline for Human Resource management, again in 2014 the Bank invested significantly in training activities, focusing particularly on team working skills, accountability skills and on the culture of controls as an operational routine, in addition to developing competencies. Significant training was also carried out on commercial issues and technical and operational profiles, as well as training regarding particularly important regulations (privacy, transparency, on-the-job safety, anti-money laundering, insurance products, etc.). A group of personnel in charge of financial consulting services participated in a specific training program within the scope of the EFPA project, obtaining the relative quality certification.

In compliance with the provisions of Italian Legislative Decree 81/2008, all measures aimed at improving on-the-job safety conditions were implemented. Personnel designated to be a part of fire prevention and first-aid teams were identified for all the operating structures, and participated in special training courses.

Territorial network

The branch offices are the acknowledged decisive instruments to focus the Bank’s social and economical scopes on the territory to carry out our activity. This consideration is reflected in the Bank’s history and constitutes a keynote for the evolution of the operating strategy. We have grown thanks to our presence across the entire territory and expansion of our area of operation. As we see it, and will continue to do so in the future, the direct contact with our customers is essential. The branch office remains the designated venue for direct acquaintance with our customers, for a solid and long-lasting personalization or relations; the place where the bank and its customers can forge a binding relationship based on trust, where the relationship that adds value to our work is established.

For this reason, we continue to believe and invest in enhancing the branch network; simultaneously, we support actions aimed at improving commercial and specialized competencies of branch operators, along with technological instruments to act on a multi-channel basis, while continuing to offer customers a reference point on the territory. The delicate task of managing the passage from the traditional bank teller method of operation to more evolved forms of banking, including consulting services for customers, requires first and foremost of actions on the part of personnel, well aware of the fact that standardized and mass operations will be increasingly performed in an automated manner. Similarly, we dedicate energy and investments to other distribution channels, first among which the electronic channel, aware of the fact that diversification renders the offer more flexible, in the face of customer heterogeneity. Indeed, the multi-channel approach is best displayed in relation to the customer’s social, professional and even vital statistics profile, for the purpose of providing each customer with the most customer-friendly access port to our products and services. We are witnessing the development of new technologies and, simultaneously, a multi-channel evolution that are placing banks in the condition to implement alternative and less expensive distribution models, as compared to those based on traditional branch offices, although most times focused on specific customer and product segments. Consequently, even the role of the branch office must be redefined: that is to say, because the paradigm of physical proximity has been surpassed, operations that typically constituted the core business of a traditional branch may be carried out remotely, rendering operative the concept of “convenient Bank”. However, this does not mean that the Branch, intended as a point of physical contact with customers, is destined to disappear. What is beginning to take root is a model of the Branch office characterized by contact methods, possible customer experiences and a different operating flexibility, in some ways innovative and in some respects revolutionary vis-à-vis the traditional model. The new Branch will be not only a physical space associated to providing service, but also a meeting point for the communities, for whom to represent the reference point typical of a bank like ours, with strong roots in its territory of origin.

In this new approach, the entire service model will have to be redesigned in terms of its apparatus, physical structure and layout; the role, necessarily different from the traditional role, will have to be re-defined. While the professional figures connected to the execution of transactions will progressively diminish, the customer consultation role will increasingly take root. We will be participants and players in the envisaged organizational evolution, with the support of our friends in the Gruppo Cabel, on both fronts: the relational front typical of bank branches and the technical one tied to multi-channel services, the latter to be implemented not only in the wake of processes imitating banking system initiatives, but also calibrating the features in terms of fully responding to customer expectations and needs, such as a deep-rooted knowledge of the counterparties such as ours may allow.

At year's end, the network consisted of 32 branches, following the opening of the new branch in San Miniato Basso in January 2014. As of the beginning of 2015, the network also includes two branches in Pistoia and San Giovanni Valdarno purchased from Banca Interregionale S.p.A. within the scope of an action defined in accordance with the Supervisory Authority to allow for an orderly exit off the market of the aforementioned Bank. The new agency in Figline Valdarno was opened in March 2015, making the number of active operating points climb to 35. The prescription to create territorial continuity between the various operating branches, as provided for by regulations for cooperative credit banks, requires the implementation of operating units in Greve in Chianti, to reconnect to the San Giovanni Valdarno branch purchased from Banca Interregionale, and in Quarrata, to reconnect with the Pistoia branch. To improve the presence on the territory, plans have also been made for a new operating unit is Sesto Fiorentino. The new unit in Florence, located in Viale Gramsci in the prestigious historical building of Villa Fagan is also due to finally become operative during the first decade of May. Hence, once completed within 2015, the programmed territorial network will count 39 active branches.

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.

Information on environmental issues

Banking activity, which consists in providing "dematerialized" services, does not engender environmental impacts worthy of note. Nevertheless, aware of the social responsibility held by businesses, our Bank policies take into consideration the environmental issues related to the activities carried out, both in opening new branches and in managing waste produced by ordinary activities.

6. The Internal Controls System and risk management

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. 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.

The governance model for the Bank's system of internal controls has been designed and progressively updated in accordance with current regulatory and governance frameworks, standards, both national and international and best practices. This model was reviewed and is currently being updated, where required, due to misalignments found with respect to new provisions regarding vigilance. In line with Corporate Governance provisions, the model adopted outlines the main responsibilities of Corporate Bodies, in order to guaranty overall efficacy and efficiency of the internal control system. Specifically:

- The Board of Directors is responsible for the control system and for risk management and, within the scope of the relative governance, of the definition, approval and review of strategic policies and risk management guidelines, as well as guidelines for the application and supervision thereof. Also based on the references outlined for these purposes by General Management, the Board is responsible for continuous monitoring of the overall efficiency and effectiveness of the risk management and control system and for providing for updating it in a timely manner with respect to any omissions or anomalies that may be found, vis-à-vis changes in the context of reference, be it external or internal, or deriving from the introduction of important new products, activities or processes;
- General Management represents the summit of the internal structure and, as such, participates in the management function, is responsible for implementing strategic policies and guidelines defined by the Board of Directors, back to which it must constantly report on the matter. Within the scope of these responsibilities, General Management plans the measures required to ensure the implementation, maintenance and correct operation of an efficient risk control and management system.

  The responsibilities delegated to General Management include:

  - Analyzing issues pertaining to all corporate risks for the purpose of defining and constantly updating risk management, control and mitigation policies;
  - Contributes to the definition of risk management, control and mitigation processes, identifying the tasks and responsibilities of all structures involved, in order to actuate the chosen organizational model, ensuring that functional separation requirements are met and that activities regarding risk management are carried out by qualified personnel, with an appropriate level of independent judgment and with know-how and experience proportionate to the tasks to be carried out;
  - Continuously verifies the functionality, efficiency and efficacy of the risk management and control system, reporting back to the Board of Directors;
  - Proposes the criteria for the reporting system to management and internal auditing functions, identifying aims, frequency and functions responsible;
  - Ensures that the competent organizational units define and apply processes and instruments appropriate to the analysis, assessment/evaluation and control/mitigation of identified risks;
  - Coordinates the activities of the organizational units involved in the management, assessment/evaluation and control of each risk;

- The Board of Statutory Auditors, within the scope of its institutional vigilance functions, monitors the adequacy of the risk management and control system and verifies its effectiveness and compliance with regulatory requirements. The Board of Statutory Auditors is consulted regarding decisions pertaining to the nomination of the persons responsible for internal control functions and the definition of the essential elements of the overall architecture of the control system; reports to the Board of Directors regarding omissions or irregularities, requests the adoption of suitable corrective measures and verifies the efficacy thereof over time.

The overall risk control and management system that has been implemented is subdivided into the following levels, defined by the Supervisory Authority:

– *Level I:*

• Line controls, carried out by the same operative structures that performed the transactions or incorporated in the procedure and aimed at ensuring that the transactions are performer properly;

– *Level II:*

• risk management controls, carried out by structures other than the operative structures, with the task of defining risk assessment methods, verifying the 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;

• Regulatory compliance, carried out by the independent corporate function created for this purpose, 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;

• Controls regarding the management of money-laundering risks and the risk associated to financing international terrorist activities, carried out by the independent corporate function created for this purpose, 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;

– *Level III:*

• Internal Auditing, aimed at assessing the adequacy and functioning of the overall Internal Control System. This activity is carried out on the basis of the annual auditing schedule approved by the Board of Directors or through spot-checks on operations of all functions involved, requested during the year. The Bank has partially out-sourced third level control functions.

For a more complete description of the organizational setup and operating procedures implemented to monitor the various risk areas and the methods used to assess and prevent the risks in question, please refer to the qualitative and quantitative information contained in Part E of the Explanatory Notes– information on risks and the relative hedging policies.

In its continuous evolution, the risk management model increasingly aims at ensuring an all-encompassing and cohesive view of the risks, which takes into account the trends of the economic context and the aptitude for risks that distinguishes the corporate reality.

As known, the vigilance provisions contained in Circular 263 – 15th update – dated 2 July 2013 introduced various novelties as regards the definition of the Internal Control System for banks, as well as regarding Information Systems and Operational Continuity, redefining the roles of corporate control functions with respect to coordination, programming and reporting and outlining the specific requirements for the various functions involved (compliance, anti-money laundering, risk management, internal audit).

During 2014, the Bank introduced and implemented regulatory provisions in compliance with the required deadlines; the amount of obligatory fulfillments and the complexity of the issues involved, in terms of regulations, organization and relative information technology procedures, kept both the Bank and Cabel heavily engaged, employing qualified consultants in order to develop shared solutions based on a careful analysis and the best possible cohesion with support and information technology instruments, which must also comply with the new requirements. Based on the issue of project documentations and the respective implementation thereof, the Bank adapted its internal regulations and processes pertaining to the Internal Control System, based on current requirements.

On this matter, in implementing regulatory and supervisory provisions (specifically Circulars 263 and 285), during the fiscal year a structured regulatory system regarding risk appetite was created (Risk Appetite Framework, RAF), placing it as a reference for reflections regarding the overall risk level of corporate management activities. Within this scheme, the RAF is a result of evaluations regarding the contribution, both current and forecast, of each type of risk in determining the overall risk profile, to allow for constant assessment, management and control, constantly within the limits set forth by applicable regulations or dictated by the Supervisory Bodies.

In the RAF, risk monitoring is structured on the basis of a selected system of objective and quantifiable parameters that have been set with the primary aim of safeguarding appropriate capitalization thresholds, delimitation of leverage and maintenance of an adequate liquidity.

7. Research and development

In coordination and conjunction with the Cabel network, the Bank concentrates its innovation research on new products and distribution channels and on continuing technological upgrading.

The 2014 fiscal year was characterized by an intense activity aimed at implementing projects with a strong organizational impact, to improve and rationalize operating efficiency and efficacy in terms of both business processes for customers and internal, support processes. Various project sectors were involved, with the aim, on the one hand, of continuing the constant improvement of the Bank’s structure and, on the other, of keeping the structure constantly compliant in terms of the implementation of new regulations. These activities require the reduction of operating risks and administrative charges, consequently simplifying processes and providing benefits in terms of an growing attention and focus on customer needs and increased satisfaction.

In this regard, please note that, during the year the advanced electronic signature system for the dematerialization of account transactions and contracts at the teller was further implemented. Participation in the work seminars organized by Cabel and ABILAB represents a tool for professional growth and for the implementation of research and development activities.

Development and marketing activities focused on various initiatives in support of the commercial development of branch offices, with particular attention of customer needs.

8. Significant events during the course of the fiscal year

As anticipated elsewhere in this report, during the second semester of 2014, the Bank was involved, along with Banca di Pisa e Fornacette - Credito Cooperativo, in a delicate operation, following a line of action defined with Bank of Italy, in order to quickly arrive at the “orderly market exit” of Banca Interregionale Spa, with head offices in Pistoia. Our Bank and

Banca di Credito Cooperativo di Pisa and Fornacette purchased company branches of Banca Interregionale SpA. Of the latter's three operating branches, two were purchased by our Bank, those in Pistoia and in San Giovanni Valdarno, while the third, the Pisa branch, was purchased by Banca di Pisa e Fornacette. The cost of our part of the acquisition, defined on 20 November 2014, was equal to 2,100,000 Euro as goodwill and, as such, supported by appraisals and value estimates.

This operation marked the effective passage of all juridical relations regarding customers and the migration of data as of 1 January 2015. Total acquired assets amounts to 82.170.138 Euro, of which "loans to ordinary customers" is equal to 66.968.513 Euro. Total liabilities amount to 82.520.960 Euro, of which "collection of savings" is equal to 67.634.862 Euro.

The sales structures have been reinforced in order to be able to grasp all opportunities for growth from the new geographical areas acquired (Pistoia and Valdarno areas).

In addition to this even, during the fiscal year there were no other significant facts, save for remarking the criticality of the large part of the production system, with heavy drops in consumption on a general scale and the consequent increase of overall credit risk.

Finally, we must point out the last November the Bank's Internet site was fully redesigned as regards contents and technological configuration.

9. Significant events after the close of the fiscal year

On a general economic level, for our Country, the year 2015 opened on a slight upswing with respect to the overall Eurozone. Investment and productive activity seems supported by the drop in oil prices, the weakness of the Euro exchange rate and the expansive monetary conditions decided by the CEB in January, with the start of the new, massive securities purchase program (the so-called *QE - quantitative easing*).

In this stage, the Eurozone is registering various factors that could allow for a break with respect to the context noted in the final months of 2014. These factors depend for the most part from the aforementioned situations and, at the moment, only marginally accompany structural actions actually implemented in our Country. On the whole, the reaction of the markets and of short-term economic cycle indicators to these factors has been positive despite the risks, both financial – associated to the change in Fed policy – and political – associated to uncertainties relative to the crisis in Russia, in Middle Eastern countries and in North Africa. Overall, the deflationary pressure that solicited the turnaround on the part of the CEB, came up against a barrier, although it was the drop in the price of oil, rather than monetary policy, which drove the recovery of the economic trend at the beginning of 2015. The most recent data confirm slight signs of improvement for indicators regarding families, as well.

As regards the banking sector in general, in addition to the never-ending avalanche of regulations that is suffocating the sector, during the month of January 2015, the Government issued a provision regarding banking system structures which, acting on issues that have been debated in vain for over two decades within credit societies but never solved, imposes by law that credit societies with capital assets over 8 billion must begin the transformation into joint-stock companies (*"Società per azioni" – Spa*) within 18 months. A provision that is fully on-target. Once the inevitable by-product debates, more rhetorical than not, regarding the deemed groundlessness of the same (as the transformation into joint-stock companies of Credit Societies that were listed on the market seemed almost blasphemous) finally dwindled, the provision became a law and the executive stage began.

As often happens, there are many "day after" supporters of the validity of the regulatory intervention, necessary in terms of improving the efficiency of the system, etc. Following the initiative aimed at Credit Societies, the national system of Cooperative Credit Banks, in order to avoid legislative interventions on the part of the government, which in our opinion will be even more necessary than for Credit Societies, made haste to begin work on an "self-reform" program. In our opinion, it is not possible to hypothesize the definition of an organic self-reform plan within a reasonable amount of time, much less in terms of fulfilling actual criteria of industrial efficiency. Our evaluation is borne out by over 35 years of non participation in federations by co-operative credit institutions and by the even more post-dated acknowledgement of the changes in the uses and customs of the same, after having been firm believers in the original set-up and approach. Too many constraints and omissions have accumulated over the decades and, most of all, it seems that the godfathers of the self-reform may coincide, in not a few cases, with subjects not extraneous to not laudable past managements, including the excessive, costly and inefficient national and regional structures of Co-operative Credit Banks. It is truly regrettable to have to once again note that, even in the face of heavy exacerbations within the system, the song has remained the same. The decision to abandon federative structures made over 35 years ago was the right decision to make. Time will tell! We will wait to see future developments. However, it is certain that our bank will not participate in reform projects that are only apparent rather than substantial and that flaunt radical changes on paper, substantially leave the control levers in the hands of the same few, even stronger due to the *de facto* elimination of autonomy for banks with the reduction to almost a mere declaration of co-operative spirit, while opening to the possibility of having access to the substantial resources of the many virtuous Co-operative Credit Banks, serenely earmarking them, in the name of an abused "system mutuality", to meet the enormous charges deriving from the many lacks and omissions of many components of the movement, that instead have a very clear paternity.

As mentioned, our bank started off the year opening the two branches in Pistoia and San Giovanni Valdarno. The positive results of our activities are noticeable already in the first weeks, heightened by the benevolence and goodwill that greet our arrival at the new sites, confirming the validity of our manner of being a bank. On 23 March 2015 the branch in Figline Valdarno was opened.

10. Foreseeable management trend

As regards risks, please note that, in observance of the provisions set forth in the 15th update of Bank of Italy Circular n. 263/06 regarding internal controls, information systems and operating continuity, the Bank has already fulfilled many of the requirements and will continue with all actions necessary to fully comply with regulatory dictates.

The increased complexity of operations resulting from the expansion of the territorial network will need to be managed and, in this sense, the organizational structure is under constant review in terms of adequacy.

As mentioned, the most recent macro-economic data available leave room, if not for optimism, at least for a hopeful forecast regarding the possibility of overcoming the lowest point of the economic crisis. Phenomena such as the depreciation of the Euro, the easing of financial stress, reduced rates and the drop in oil prices cannot but favor recovery in the production sector. Even the traditional banking sector, leaving financial wizardry to the more renown, may benefit from the improvement in the overall scenario, in perspective slowing down the endless race towards coefficients that are more and more distant from the market reality and dictated by drawing board views inspired more by "liquidatory" approaches than on by the concept of corporate continuity.

With an interest rate spread that is expected to further decrease, thanks to the estimated increase of trading volumes, profitability is expected to remain stable at levels capable of supporting the growth of corporate assets. The repetition of the results of financial activities obtained in the previous fiscal year is less probable, due to the return on securities, which is at an historical low.

As regards credit risk, for 2015 we believe it possible to confirm a substantial stabilization of credit adjustments. The increase in operating costs, given the current strict monitoring of expenses, will nevertheless be correlated to the necessary expansion of operating structures and increased traded volumes.

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.

With reference to Bank of Italy, Consob and Isvap documents n. 2 of 6 February 2009 and n. 4 of 3 March 2010, relative to information that must be provided in the 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, in any event continuously updated both in terms of market values and in terms of quick ratio value of guaranteed assets, in accordance with corporate policy, the Board of Directors confirms being reasonably certain that the Company will continue to operate profitably in the foreseeable future and, consequently, the Financial Statements for the fiscal year in review were prepared with an outlook of ongoing corporate activity. Please also consult the information provided in this report, as regards management trends and/or the specific sections of the Explanatory Notes. The financial statements were submitted to an audit by Baker Tilly Revisa Spa, 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 dividend scaled to the measure of 4.00% of the par value of the shares. The gratuitous revaluation of the par value of the shares is not possible for the year 2014, in that the ISTAT yearly general national price index, which constitutes the maximum revaluation measure, was such as to not allow share revaluation.

Therefore, in accordance with Article 49 of the Articles of Association, it is proposed that the profit be allocated as follows:

	Project for the al location of the fiscal year profit	**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	3,681,534.55
	of which to the reserve pursuant to Article 6 of Legislative Decree 38/2005	*838,448.51*
2	To extraordinary/statutory reserves	*452,032.16*
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)	147,000.00
4	To Shareholders as dividends in the measure of 4.00% of the nominal value (scaled to the capital paid and the date of payment)	119,433.29
5	Available to the Board of Directors for charity and mutual aid	500,000.00
	Net profit for the fiscal year	**4,900,000.00**

12. Final comments

The crisis brought to the surface the weaknesses and dysfunctions of the model of banking activity of both large bank groups and local banks, in the face of insufficient capital resources, inappropriate governance structures, deficiencies in the industrial process and strategies that do not respond to actual potentials. The deficiencies that emerged were discussed extensively and, although convinced that the situation was “too big to control” (the more famous “to big to fail” having been disowned), the overall situation is legible to the majority of components of the banking system in terms of appropriateness, although there are components that to date reveal not indifferent deficiencies, especially in terms of capital adequacy.

Dear Shareholders,

In closing this report, we wish to sincerely thank all those who have collaborated in reaching the results herein reported.

In particular, the Board of Directors would like to thank:

• The Supervisory Body of Bank of Italy in the Florence offices, for the collaboration provided;

• our friends at Cabel Group for the support provided;

• The Board of Statutory Auditors who, with their usual competence, constantly monitored the appropriateness of corporate management, with ongoing involvement and precious advice;

• The General Manager, the Deputy Managing Director and the entire body of personnel, for their constant dedication and immense commitment, decisive elements in terms of the results obtained during this period of persistent difficulty and structural transformations of the economic and banking system;

• all of you Shareholders and Customers for the preference and trust granted to our Bank, inviting you to continue to support all the activities that will be promoted and developed in the future.

In conclusion to our report, we would like to remember the tragic and sudden passing of our dear colleague Maurizio Boddi, a good youth employed by the bank who had begun working a few years back in the Castelfiorentino branch. Loved by all, with a pleasant personality, good-natured towards colleagues and customers, upright and unerring, who invested professionalism and good will in his work. To his family members, again, all our condolences and regret for this young and vigorous life destroyed. To him goes our moving remembrance.

Castelfiorentino, 30 March 2015

The Board of Directors

Report of the Board of Statutory Auditor sto the Shareholders' Meeting

To the Shareholders,

this report acknowledges the results of the activity performer by the Board of Statutory Auditors during the fiscal year ended 31 December 2014, also with reference to the functions attributed to it by Article19 of Italian Legislative Decree n. 39/2010.

During the fiscal year in review, the Board of Statutory Auditors performer its supervisory activity as required by 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 S.p.A. in accordance with articles 2112 and 2558 of the Italian Civil Code and Consob Circular Consob n. 10121 dated 30/06/1988. As regards the statutory audit, pursuant to article 14 of Legislative Decree n. 39 of 27 January 2010, please refer to their report.

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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 performed in compliance with obligations

During the course of fiscal year 2014 the Board of Statutory Auditors supervised compliance with law and the Articles of Association, 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 (n. 25), the Executive Committee (n. 36) 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 and with the Internal Audit Department, whose activities are carried out in co-sourcing with the company META Srl with offices in Empoli;

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 Articles of Association, 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, article 2391 of the Italian Civil Code "Interests of the administrators" and the Regulations for Operations with Connected Subjects, adopted to implement the dispositions of the New Prudential Banking Regulations and Supervision, Heading V – chapter 5.

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 the Internal Audit Department, and autonomous and independent structure, as the recipient of the inspection reports containing the results of the controls that this service carried out during the course of the year, as mentioned, in co-sourcing with the company META Srl in Empoli; this also in reference to the service agreements in force with the Compliance, Risk Management Anti-Money Laundering Departments. The Board of Statutory Auditors also reviewed and approved the 2015-2017 three year plan and the annual auditing plan scheduled by the Internal Audit Department.

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

• the Risk Management Department, that supplied adequate information regarding risks, the object of periodic reports concerning the controls carried out directly, as well as the effectiveness of the departments entrusted with examining and measuring the different types of risks, and the co-ordination of such departments aimed at an overall vision of risks;

• the Compliance Department (compliance to regulations), for the review and assessment of issues regarding the legal framework with which the Bank must comply and for reports regarding the state of company compliance with respect to the areas of the Department's competence;

• the Anti-Money Laundering Department, for reports regarding this delicate sector, documents whose level of clarification fully represent, among other things, organization and electronic controls in terms of an adequate control of customers and the supply of information to the Centralized Computer Archive;

• the Management Control Office and the Risk Control Office, whose reports provide this Board with adequate information regarding monitored risks pertaining to the specific competence of this function.

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 , tit. V°, chapters 7, 8 and 9) with respect to the current corporate situation.

The Board of Statutory Auditors also acknowledged the update issued with Bank of Italy Circular n. 285 of 17 December 2013 “Vigilance provisions for banks”, monitoring the respective compliance thereto.

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 13 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";

• 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 26 complaints received by the Bank in 2014, 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 2014 financial statements submitted to your approval is summarized in the most significant aggregates set forth below, and compared with those of the 2013 financial statements:

	2014	2013
BALANCE SHEET		
Financial assets	870,455,162	856,632,637
Receivables from customers	1,922,144,029	1,866,327,600
TOTAL ASSETS	**3,120,741,736**	**2,981,840,792**
Payables to customers	1,524,911,967	1,496,449,885
Outstanding securities	736,174,232	782,026,824
Shareholders' equity	273,168,053	256,171,181
Fiscal year profit	4,900,000	4,800,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,120,741,736**	**2,981,840,792**
INCOME STATEMENT		
Interest income	38,940,708	38,176,551
Net commissions	19,894,165	19,163,699
Operating income	81,179,410	70,991,509
Net adjustments for impaired credits	33,041,300	22,010,248
Net income from financial assets	47,286,245	48,981,261
Fiscal year income tax on current operations	-1,504,304	-3,522,769
FISCAL YEAR PROFIT	**4,900,000**	**4,800,000**

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 at 31 December 2014, which indicate a profit of 4,900,000 Euro, the company Baker Tilly Revisa Spa, entrusted with the statutory audit of the accounts, issued its professional opinion today, in accordance with Article 14 of Legislative Decree n. 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 2014 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 230,859.00 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 597,201.87 Euro were allocated to asset line item 150 "Other assets" and were amortized directly on the basis of the duration of the leases. In the same way, in accordance to point 6) of the aforementioned Article, the Board consents to recording goodwill amounting to 2,100,000 Euro regarding the purchase of the company branch from Banca Interregionale Spa which took place on 20 November 2014, effective 1 January 2015. For this reason, amortization will begin in the 2015 fiscal year.

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 2014 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, also due to their effect on the economic result, the strict criteria adopted in assessing receivables also in 2014, in assessing receivables in conformity with the internal policy "Rules for classification and assessment of the credit portfolio", approved by deliberation of the Board of Directors on 28 July 2014.

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 and the approval thereof

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 2014 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 2014 and related proposal for the allocation of the fiscal year net profit, which it certifies conforms to law and the Articles of Association 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, 13 April 2015

THE BOARD OF STATUTORY AUDITORS

Prof. Stefano Sanna	*Chairman*
Prof. Rita Ripamonti	*Acting Auditor*
Prof. Edoardo Catelani	*Acting Auditor*

(on Baker Tilly Revisa S.p.A. letterhead – original report following)

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 2014.

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 2014. 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. We are responsible for expressing our professional opinion regarding the financial statements based on the audit of accounts.

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 14 April 2014.

3. In our opinion, Banca di Credito Cooperativo di Cambiano's financial statements as of 31 December 2014 comply with the International Financial Reporting Standards adopted by the European Union, as well as with the regulations implementing Article 9 of Legislative Decree n. 38 dated 28 February 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 2014.

Florence, 14 April 2014

BAKER TILLY REVISA S.p.A.

Lucia Caciagli
Executive Partner

BAKER TILLY
REVISA

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 2014

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 2014. 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 da noi emessa in data 14 aprile 2014.

bompani audit

BAKER TILLY REVISA

3. A nostro giudizio, il bilancio d'esercizio della Banca di Credito Cooperativo di Cambiano al 31 dicembre 2014 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 2014.

Firenze, 13 aprile 2015

Baker Tilly Revisa S.p.A.

Lucia Caciagli
Socio Procuratore

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Table of variations to shareholders' equity

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2014

				Allocation prior fiscal year result		Fiscal year variations								
							Transactions involving shareholders' equity							
	Amounts as at 31 December 2013	Modification of opening balances	Amounts as at 1 January 2014	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 2014	Shareholders' equity 31 December 2014
Share capital:														
a) ordinary shares	2,969,703		2,969,703				22,059							2,991,762
b) other shares														
Premium on issue of new shares	250,562		250,562				4,580							255,143
a) from gains	235,505,611		235,505,611	3,979,607										239,485,218
b) other														
Valuation reserves	17,445,305		17,445,305										12,990,626	30,435,931
Equity instruments														
Treasury shares														
Fiscal year profit (loss)	4,800,000		4,800,000	-3,979,607	-820,393								4,900,000	4,900,000
Shareholders' equity	260,971,181		260,971,181	0	-820,393		26,639						17,890,626	278,068,053

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	
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

Cashflow statement

CASHFLOW STATEMENT Indirect Method		
A. OPERATING ASSETS	*Amount*	
	2014	2013
Operations	40,042,561	32,610,524
- fiscal year result (+/-)	4,900,000	4,800,000
- gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value (+/-)	94,870	-421,658
- gains/losses on assets used for hedging (+/-)	-40,531	-26,200
- adjustments/write-backs of net value due to impairment (+/-)	33,893,165	22,010,248
- net adjustments/write-backs of value of property, plant and equipment and intangible assets (+/-)	2,642,248	2,528,942
- net allocations to risk and expense funds and other costs/income (+/-)	-15,904	196,422
- outstanding taxes (+)	1,504,304	3,522,769
- adjustments/write-backs of net value of groups of assets being divested net of tax (+/-)		
- other adjustments (+/-)	-2,935,591	
2. Liquidity generated by financial assets	-164,884,680	-255,425,361
- financial assets held for trading	84,774,551	-74,608,064
- financial assets measured at fair value		
- financial assets available for sale	-98,691,946	-155,690,612
- receivables from banks: on demand	-31,662,478	-61,764,426
- receivables from banks: other receivables	-17,017,840	22,614,044
- receivables from customers	-88,857,729	19,427,698
- other assets	-13,429,238	-5,404,001
3. Liquidity generated/absorbed by financial liabilities	133,354,709	228,997,738
- payables to banks: on demand	-1,094,069	-2,268,126
- payables to banks: other payables	131,087,215	-78,739,762
- payables to customers	28,462,082	396,658,620
- outstanding securities	-45,852,592	-109,657,317
- financial liabilities from trading		-539
- financial liabilities measured at fair value		
- other liabilities	20,752,073	23,004,862
Net liquidity generated/absorbed by operating assets	8,512,589	6,182,900
B. ATTIVITÀ DI INVESTIMENTO		
1. Liquidity generated by	-28,500	-7,722
- sales of equity investments		
- dividends received from equity investments	36,000	45,000
- sales of financial assets held through maturity		
- sales of property, plant and equipment	-64,500	-52,722
- sales of intangible assets		
- sales of branches of business		
2. Liquidity absorbed by	-8,063,535	-4,435,100
- purchases of equity investments	-1,653,674	
- purchases of financial assets held through maturity		
- purchases of property, plant and equipment	-6,280,904	-4,230,043
- purchases of intangible assets	-128,957	-205,057
- purchases of branches of business		
Net liquidity generated/absorbed by investment assets	-8,092,035	-4,442,822
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	26,639	93,496
- issues/purchases of equity instruments		
- distribution of dividends and other purposes	-820,393	-839,951
Net liquidity generated/absorbed by funding activities	-793,753	-746,455
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	-373,199	993,623

KEY:
(+) generated
(-) absorbed

RECONCILIATION		
LINE ITEMS OF THE FINANCIAL STATEMENTS	*Amount*	
	2014	2013
Cash and cash balances at the beginning of the fiscal year	9,450,411	8,456,788
Total net liquidity generated/absorbed during the fiscal year	-373,199	993,623
Cash and cash balances: effect of variation of exchange rates		
Cash and cash balances at the close of the fiscal year	9,077,212	9,450,411

EXPLANATORY NOTES

PART A – ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 – Statement of conformity to International Accounting Standards

These financial statements were prepared in conformity with the International Accounting Standards (IAS) and the International Financial Reporting Standards (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 and 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.
In addition to the instructions contained in Bank of Italy Circular n. 262 dated 22 December 2005 “Bank financial statements: schedules and rules for preparation” 3rd Update of 22 December 2014.

Section 2 – General preparation standards

The fiscal year financial statements consist of the balance sheet, the income statement, the schedule of overall profitability, the table of variations to shareholders’ equity, the cash flow statement, prepared according to the indirect method, and the explanatory notes. The financial statements are accompanied by the Board of Directors’ report on operations and on the Bank’s current situation.
The accounts in the financial statements correspond to the Bank’s accounting records.
The financial statements were prepared based on a going concern assumption and with reference to the general principles for preparation of financial statements listed below:

- Accrual basis of accounting;
- Going concern;
- Comprehensibility of the information;
- Significance of information (relevance);
- Reliability of information (true representation; prevalence of economic substance on juridical form; neutrality of information; completeness; prudence of estimates to avoid over-estimating profit/assets or under-estimating costs/liabilities);
- Comparability over time.

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, 3rd Update of 22 December 2014.
Furthermore, complementary information considered opportune to integrate the representation of the data in the financial statements, albeit not required by law, were also provided.
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. For comparative purposes, the balance sheet and, where required, the tables in the Explanatory Notes, also include data relating to the previous fiscal year.
As regards the assumption of going concern, please note that, in compliance with the provisions set forth in document n. 2 dated 6 February 2009 “Information to be provided in financial reports on business continuity, financial risks, tests of assets for impairment and uncertainties in the use of estimations” issued jointly by Bank of Italy, Consob and Isvap, the Bank has reasonable expectations of continuing operations in the foreseeable future and has, therefore, prepared the financial statements based on the going concern assumption.

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

The Bank’s financial statements were submitted to audit by the company Società Baker Tilly Revisa s.p.a.. Preparation of the financial statements is also based on estimations and assumptions that may have significant effects on the values registered in the income statement, as well as on the information regarding potential assets and liabilities recorded in the financial statements.

Calculating these estimations implicates the use of the information available and the application of subjective evaluations also based on acquired experience, used for the purpose of formulating reasonable assumptions regarding the relevance of management events. By their very nature, the estimations and assumptions used may vary from one period to another; therefore, it is not inconceivable that in subsequent fiscal years the values registered in the financial statements may differ even significantly, following changes in the subjective evaluations applied.
The main items for which the use of subjective evaluations on the part of the Bank is mostly required are:

- The quantification of losses due to reductions in credit values and, in general, other financial assets;
- The determination of the fair value of financial instruments to be used for the purpose of information on the financial statements;
- The use of evaluation models to determine the fair value of financial instruments not traded on an active market;
- The evaluation of the congruity of goodwill values and other intangible assets;
- The quantification of allocations for personnel and for risks and charges;
- Estimations and assumptions regarding the recoverability of deferred tax assets.

The description of the accounting policies applied on the main financial statement aggregates provides the details and information necessary to identify the main subjective assumptions and evaluations used to prepare the fiscal year financial statements. For further detailed information regarding the composition and the relative entry values of the items involved in the aforementioned estimations, please refer to the specific sections of the explanatory notes.
The financial statements were prepared based on the same accounting principles and methods used to prepare the same documents at 31 December 2103, integrated by the following information, which refers to the IAS/IFRS international accounting principles and relative SIC/IFRIC interpretation harmonized by the European Commission up to the date of preparation of the document, which must be applied obligatorily as of 1 January 2014.
In brief, during 2014 the following new principles, amendments and interpretations were introduced:

- IFRS 10 “Consolidated financial statements”, IFRS 11 “Joint arrangements” and IFRS 12 “Disclosure of interests in other entities” – The objective of IFRS 10 is to provide a sole model for consolidated financial statements that provides for control as the basis for consolidation of every type of entity. Therefore, the new principle replaces IAS 27 “Consolidated and separate financial statements” and SIC 12 “Special purpose entities”. Instead, IFRS 11 outlines the accounting and reporting principles for entities that jointly control an arrangement and replaces IAS 31 “Interests in joint venture” and SIC 13 “Jointly controlled entities – non-monetary contributions by venturers”. Lastly, IFRS 12 combines, reinforces and replaces information obligations for controlled entities, arrangements for joint control, associated companies and non consolidated structured entities. Following these new IFRS standards, IASB consequently also issued the modified IAS 27 “Consolidated and separate financial statements” and the modified IAS 28 “Investments in associates and joint ventures”. The aforementioned modifications in no way affected the Bank.
- IAS 32 “Financial instruments – presentation in the financial statements” – This amendment introduces in the application guide to the principles a few paragraphs that aim to better specify the method of application of current regulations regarding offsetting financial assets and liabilities in the balance sheet, based on which the representation of the net balance is possible only when the entity currently has the legal right to offset the recognized amounts amount and intends to either settle on a net basis or realize the asset and simultaneously settle the liability. Specifically, it is made clear that the right to offset must not be subject to a future suspension and must be legally enforceable both during the course of the normal business activity and in the event of default, bankruptcy or any other insolvency proceeding involving the entity and all its counterparties. Considering current Bank transactions in financial instruments and relative contract agreements, the application of the Regulations in question did not entail any variations with respect to the previous presentation of asset balances.

No other additional European Community regulations for the approval and/or review of International accounting principles implemented during the period in question influenced the preparation and presentation of the financial statements.
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.

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

The accounting principles adopted for the preparation of the financial statements for the fiscal year are specified below. The principles in question are illustrated with reference to the stages of classification, recognition, measurement and derecognition of the asset and liability items, as well as by type of recognition of revenues and costs.

Section 1 – Financial assets held for trading

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.

Recognition criteria

Financial assets are initially entered on the date of subscription.
On initial recognition, financial assets held for trading are recognized at fair value; this is generally represented by the amount paid for execution of the transaction, without considering costs or income referred to the transaction or attributable to the instrument itself, which are recognized directly in the income statement.

Measurement criteria

Subsequent to initial recognition, financial assets held for trading are valued at fair value, recognizing the variations with a balancing entry in the income statement. If the fair value of a financial asset becomes negative, this line item is usually registered as a financial liability. IFRS 13 defines fair value 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”. The fair value of investments listed in active markets is determined with reference to the listings measured at the date of reference of the financial statements. A market is defined active if prices reflect normal market transactions, are promptly and regularly available and express the price of actual and regular market transactions. In the absence of an active market, estimates and measurement models are used that take into account all the risk factors correlated to the instruments are based on data that can be found in the market. Specifically, the methods used are based on the measurement of listed financial instruments that have analogous characteristics, calculation of discounted cash flows, option pricing models, prices registered in recent similar transactions and other methods commonly used by market operators. 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.

Derecognition criteria

Financial assets are derecognized when contractual rights to the associated cash flows expire, or when the financial asset is sold, substantially transferring all relative risks and benefits to the buyer. Securities sold within the scope of a transaction that contractually entails the repurchase thereof are not derecognized from the financial statements.

Criteria for recognition of income components

Income components related to financial instruments held for trading are recognized 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 looses deriving from variations of fair value of the trading portfolio, as well as reductions in the value of financial assets measured at cost (impairment), are recognized in the income statement at line item “Net trading income”. Earned interest and dividends are respectively recognized in the income statement at line items “Earned interest and similar income” and “Dividends and similar income”.

Section 2 – Financial assets available for sale

Classification criteria

This line item includes all non-derivative financial assets that are not classified among “Assets held for trading” or “Assets measured at fair value”, financial assets “held through maturity” or “receivables and loans”. Investments “available for sale” are financial assets to be held for an indefinite period of time and that may be sold for liquidity needs, variations in interest rates, exchange rates and market prices.
This line item includes:

- Listed and unlisted debt securities;
- Listed and unlisted equity securities;
- U.C.I units (mutual funds and investment companies);
- Share participations not subject to control, association, joint control or significant influence.

Recognition criteria

Financial assets available for sale are initially entered on the date of subscription. On initial recognition, financial assets available for sale are recognized at fair value; this is generally represented by the amount paid for execution of the transaction, comprehensive of costs or income referred to the transaction or attributable to the instrument itself. Recognition of financial assets available for sale may also derive from reclassification from the sector "Financial assets held to maturity" or, only and solely in rare circumstances and in any event only if the financial instrument is no longer held for sale or repurchase in the short-term, from the sector "Financial assets held for trading"; in such circumstances, entry value is equal to the fair value of the asset as at the date of transfer.

Measurement criteria

Subsequent to initial recognition, assets available for sale continue to be measured at fair value.
Equity instruments not listed on active markets, for which it is not possible to determine fair value in a reliable manner, are maintained at cost and adjusted, upon verification of losses due to a reduction in value, recognized in the income statement.
Share capital in other businesses, other than those controlled, associated or of significant influence, are valued at cost and not at fair value, in that it is deemed that the conditions provided for in paragraph AG80 of Annex A to IAS39 may apply.
On closing of the financial statements, verification of the existence of objective evidence of a non-temporary reduction of fair value is carried out (impairment test). If an asset available for sale is subject to a long-term value reduction, the non realized cumulated loss previously entered in net assets is reversed from net assets and entered in the income statement at line item "net adjustments/write-backs of net value due to impairment of financial assets available for sale".
To assess situations that entail impairment losses and determine the relative amount, the Bank uses all the information available based on past experience and data observable at the date of assessment.
A significant or prolonged reduction in the fair value of a representative asset instrument below its cost is considered objective evidence of impairment loss.
If the motives for impairment loss should cease to exist following an event occurring subsequent to its measurement, a write-back is entered in the income statement in the case of debt securities or in net equity in the case of equity securities. In any event, the value of the write-back cannot exceed the amortized cost that the financial instrument would have had in absence of the previous adjustments.
Impairment testing is carried out at the close of the financial statements.

Derecognition criteria

Financial assets are derecognized when contractual rights to the associated cash flows expire, or when the financial asset is sold, substantially transferring all relative risks and benefits to the buyer.

Criteria for recognition of income components

Income components are allocated to the pertinent line items of the income statement based on the criteria 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

Classification criteria

Receivables and loans are entered at line items 60 “Receivables from banks” and 70 “Receivables from customers”. Receivables fall under the broader category of non derivative financial assets not listed in active markets, which entail fixed or determinable payments.

Recognition and derecognition criteria

Receivables are initially entered at the date of subscription of the contract, which usually coincides with the date of disbursement, based on the fair value of the financial instrument. This is equal to the amount disbursed, comprehensive of directly related transaction revenues and costs that are determinable from the transaction start date, even when they are disbursed subsequently. Debt securities are initially entered at the date of subscription.

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.

Derecognition criteria

Receivables are derecognized from the financial statements where the right to cash flows expires, when substantially all of the risks and benefits associated to the receivables have been transferred to the purchasing counterparties, or in the event that the receivable is considered definitively unrecoverable, after all necessary credit recovery procedures have been completed.

However, if risks and benefits relative to transferred receivables are retained, such receivables continue to be recognized in the financial statements, even if legal ownership has been transferred, registering an amount payable against the payment received from the purchaser.

Securitization transactions completed subsequent to the introduction of International accounting principles, with which receivables are transferred to special purpose vehicles and in which, even in the presence of formal transfer of legal ownership of the credit in question, control of cash flows deriving from the same and risks and benefits are substantially retained, the receivables involved in the transactions are not derecognized. Therefore, the transferred receivables continue to be recorded in the financial statements, entering a payable in respect of the special purpose vehicle, net of securities issued by the same and repurchased by the transferor. The income statement also reflects the same accounting principles.

Criteria for recognition of income components

Interest deriving from “Receivables from banks and customers” are allocated to “Earned interest and similar income” in the income statement, on an accrual basis, based on the effective interest rate.
Impairment losses are allocated to line item 130 of the income statement “Adjustments to net value due to impairment of a) receivables”, as are recoveries of partial or total amounts subject to previous devaluations. Value write-backs are recorded in respect of improved credit quality, such as to engender the reasonable certainty of timely recovery of capital in accordance with the original terms of contract, both in respect of the gradual loss of discounting, calculated at the time of entry of the value adjustment. In the event of collective measurement, any additional adjustments or write-backs are recalculated separately with reference to the entire credit portfolio.
Gains and losses from the disposal of receivables are allocated to line item 100 a) of the income statement “Gains/losses from the disposal or repurchase of receivables”.

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

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”.

Derecognition criteria

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

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.

Criteria for recognition of 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

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.

Recognition 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.

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.

Derecognition criteria

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.

Criteria for recognition of income components

Dividends paid by the subsidiary generated subsequent to the purchase date are allocated to line item 210 of the income statement "Gains/losses from interest". 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

Classification criteria

This item includes land, property used for operating purposes, installations, vehicles, furniture and decor and any kind of equipment.

"Property used for operating purposes" is all property used for the purpose of providing services or for administrative purposes.

The value for property, plant and equipment also includes advance payments for the purchase and restructuring of goods not yet a part of the production process, and therefore not yet subject to amortization.

Classification criteria

Property, plant and equipment are initially recognized at purchase or construction cost, inclusive of accessory charges sustained and directly attributable to when the asset is purchased and put into operation. Extraordinary maintenance costs and costs that result in an increase of future economic benefits are allocated to increases of value of the assets and amortized in relation to residual possibility of use of the same. Costs for repairs, other maintenance or interventions to guaranty regular operation of the assets are instead recognized directly in the income statement of the fiscal year during which they are sustained.

Measurement criteria

After initial recognition, property, plant and equipment are recognized in the financial statements at cost net of accumulated depreciation and losses of value. Assets that have been put into operation are systematically depreciated in each fiscal year, based on their useful life, using the straight-line method.

The following are not subject to depreciation:

- Land, be it purchased separately or incorporated in the value of buildings, in that considered assets with an indefinite useful life. If the value of the land is incorporated in the value of the buildings, it is considered an asset separable from the real properly; the value of the land is separated from the value of the buildings, determined on the basis of specific independent expert appraisals only for "from the earth to the sky" buildings;
- Artwork, which has an indefinite useful life and a value that is generally destined to increase over time.

The depreciation process begins when the asset is available for use.

Derecognition criteria

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

Criteria for recognition of income components

Periodic depreciation is allocated to line item "Net adjustments/write-backs of value to property, plant and equipment". In the fiscal period in which the asset is recognized for the first time, the depreciation rate applied takes into account the date in which the asset is available for use. Gains and losses deriving from disposal of property, plant and equipment are calculated as the difference between the net sale price and the asset's carrying amount, and are recognized in the income statement at the same date as the write-off from accounts.
The line item "Gains/losses on disposal of investments" is the balance, positive or negative, between gains and losses from the disposal of property, plant and equipment.

Section 9 – Intangible assets

Classification criteria

Intangible assets includes non-monetary assets without physical substances held to be used for a multi-year or indefinite amount of time, which meet the following characteristics:

- identifiable;
- under control of the company;
- capable of generating probable future economic benefits for the company;
- the cost of the asset may be measured reliably.

In absence of one of the aforementioned characteristics, the cost to purchase or generate the same internally is registered as a cost in the fiscal year in which it was sustained. Intangible assets include, in particular application software for multi-year use and other identifiable assets that arise from legal or contractual rights. 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. Within the scope of a company merger, the IFRS3 principle establishes that at the date of purchase of the control, the purchaser must classify or designate the purchased intangible assets. As regards the definition of intangible elements, the principle identifies intangible elements purchased in company merger as identifiable non-monetary assets with no physical substance. Goodwill is represented by the positive difference between the purchase cost and the fair value of assets and liabilities acquired within the scope of the company merger.

Recognition criteria

Intangible assets are recognized at cost, adjusted for accessory costs sustained to prepare for use of the asset. Within the scope of a company merger, the purchaser must classify or designate the intangible assets acquired, and recognize them at fair value. Goodwill, recognized in the assets at the date of purchase, is initially valued at cost. On a yearly basis, or any time there is evidence of impairment, an impairment test will be carried out on the adequacy of goodwill, in conformity with the provisions of IAS n. 36. The amount of the impairment loss is calculated as the negative difference, if any, between the goodwill value recorded and its recoverable amount. This recoverable amount is equal to the greater between the fair value of the cash-generating unit, net sale price of the asset, and its usage value. The resulting value adjustment are recognized in the income statement at item "Adjustments to value of goodwill". Any impairment loss recognized for goodwill cannot be derecognized in the subsequent fiscal year.

Measurement criteria

Subsequent to initial recognition, intangible assets of limited duration are recognized at cost, net of accumulated amortization and of accumulated impairment loss. Amortization begins when the asset becomes available for use, that is to say, when it is in the appropriate place and in suitable conditions to operate in the expected manner, and ceases when the asset derecognized. Amortization is calculated using the straight-line method, so as to reflect the multi-year use of the asset based on the estimate made of the residual useful life. At the end of each fiscal year, if there is evidence of impairment, the recoverable value of the asset is estimated. The write-down, recognized in the income statement, is equal to the difference between the asset's carrying amount and its recoverable value.

Derecognition criteria

Intangible assets are derecognized from the balance sheet upon disposal or when no future economic benefits are expected.

Criteria for recognition of income components

Both amortization amounts and any adjustments/write-backs due to impairment of intangible assets, other than goodwill, are allocated to item "Adjustments/write-backs of net value of intangible assets". Value adjustments for goodwill are allocated to item "Adjustments to value of goodwill". Gains and losses deriving from disinvestment or disposal of intangible assets are calculated as the difference between the asset's net sale price and carrying amount and are recognized in the income statement. The item "Gains(losses) from the disposal of investments includes the balance, positive or negative, between gains and losses from the disposal of investments.

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

This item includes noncurrent assets destined to be sold and the relative groups of assets and liabilities in course of divestment, as provided for by the IFRS5. Currently, the Bank does not hold assets that fall under this category.

Section 11 – Current and deferred taxation

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 based on the balance sheet liability method, taking into account the temporary differences (deductible and taxable) between the accounting value of an asset or liability and the recognized value for taxation purposes. Recognition of "Assets related to pre-paid taxes" is applied when recovery is deemed highly probable. Nevertheless, the probability of recovery of pre-paid taxes relative to goodwill, other intangible assets and value adjustments and write-downs on loans is to be considered automatically met by effect of current law provisions that provide for their transformation into tax credit in the presence of statutory and/or tax losses for IRES (corporate income tax) purposes, or of a negative production value for IRAP (regional income tax) purposes. In particular, in the presence of a company loss for the fiscal period, pre-paid taxes relative to goodwill, other intangible assets and loan write-downs and adjustments will be partially transformed into a tax credit, pursuant to the provisions set forth in article 2, sub-section 55 of Italian Law Decree n. 225 of 29 December 2010, converted and amended from Italian Law n. 10 of 26 February 2011 and as amended by c. 167 and subsequent article 1 of Italian Law n. 147 of 27 December 2013. The transformation is effective as of the date of approval, on the part of the Shareholders' Meeting, of the individual financial statements in which the loss is recognized, as provided for by article 2, sub-section 56 of the aforementioned Law Decree 225/2010. "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.

Measurement criteria

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. Current taxes are offset, for each individual tax: payments on account for individual taxes and the related tax payable are booked at net value among "Tax assets a) current" or among "Tax liabilities a) current" based on the sign. 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. Pre-paid taxes and deferred taxes are registered in equity in the open balance sheet and without offsetting entries, at the item "Tax assets b) pre-paid" and at the item "Tax liabilities b) deferred"; they are not discounted.

Criteria for recognition of income components

When tax assets and liabilities relate to components referring to the income statement, the balancing entry is represented by the income taxes. 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.

Derecognition criteria

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.

Section 12 – Risk and expense funds

Classification criteria

Risk and expense funds include provisions for current debt securities (legal or constructive) 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. No provisions are made for liabilities that are merely potential but not probable.

Recognition 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".

Measurement criteria

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.

Derecognition criteria

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.

Criteria for recognition of income components

Provisions are allocated to item "Net allocations to risk and expense funds" in the income statement. This item shows the balance, either positive or negative, between provisions and any reallocations in the income statement of funds deemed excessive. Net provisions also include reductions in the funds due to the effects of discounting, as well as the corresponding increases due to the passage of time (accrual of interest implicit in discounting).

Section 13 – Liabilities and outstanding securities

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, not classified among "Financial liabilities valued at fair value"; these items net of eventual repurchases. The items include securities that at the reference date of the financial statements are expired but not yet redeemed. The line item "Payables to customers" includes liabilities referred to assets transferred but not derecognized in the financial statements, which represent the payables related to securitization transactions that do not meet the requirements of the IAS 39 principle for full derecognition in the financial statements. With reference to the self-securitization transaction called Pontormo RMBS, no liabilities were recognized for assets transferred and not derecognized in the financial statements, as the relative ABS securities were fully subscribed by the transferor bank.

Recognition criteria

These financial liabilities are initially recognized on receipt of the sum deposited or on issue of the debt securities. The liabilities are recognized at their fair value, generally equal to the amount collected or the issue price, increased by any additional costs or revenues directly attributable to the single collection or issue operation and not repaid by the creditor. The initial recognition value does not include all charges subject to refund from the creditor counterparty or that are attributable to in-house administrative costs. The reissue of own securities after their repurchase is considered a new issue; such securities are therefore recognized at the new issue placement, without effects on the income statement.

Measurement criteria

After initial recognition, financial liabilities are valued at amortized cost using the effective interest rate method. This does not apply to short-term liabilities, where the time factor is not significant, which continue to be carried at the amount collected, and with respect to which costs and income directly attributable to the operation are recognized in the income statement at the pertinent items. Liabilities subject to hedges using derivatives in hedge accounting are recognized at the amortized cost adjusted for fair value variations attributable to the covered risk, between the effective date of hedging and the date of closure of the fiscal period.

Derecognition criteria

Financial liabilities are derecognized when settled or expired. They are also derecognized in the event of repurchase of previously issued securities.

Criteria for recognition of income components

Negative income components represented by interest payable are recognized, by competence, in the line items of the income statement that refer to interest. Any difference between the repurchase value of own Securities and the corresponding book value of the liability is booked to the income statement at line item “Gains/losses from the disposal or repurchase of: d) 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

Classification criteria

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

Recognition criteria

Operations in foreign currency are registered, at the time of initial recognition, in euro, applying the exchange rate in effect as of the date of the operation to the amount in foreign currency.

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.

Criteria for recognition of income components

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

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”.

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.

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.

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".

Valuation of guarantees granted

Provisions on a case-by-case and collective basis, concerning the estimation of possible expenses for the credit risk deriving from guarantees granted and commitments are calculated following the same criteria described for credits. These provisions are recognized at line item "Other liabilities", offsetting income statement line item "Net adjustments/write-backs of value due to impairment of: other financial operations".

Income statement

Revenues are valued at fair value of the amount received or due and are recognized when future benefits are likely to be received and such benefits may be reliably measured. Expenses are recognized when incurred. Expenses that cannot be associated with revenue are immediately recognized in the income statement. Specifically:

- Revenues and expenses directly related to financial instruments measured at amortized cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate;

- Dividends are recognized in the income statement when they are received;
- Revenues deriving from dealing in trading instruments, representing the difference between the transaction price and the fair value of the instrument, are recognized in the income statement when the transaction is recorded if fair value can be determined with reference to parameters or recent transactions observed on the same market on which the instrument is traded;
- Other fees are recognized on an accruals basis.

Expenses directly related to financial instruments measured at amortized cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate, for which definition please refer to the paragraph "Loans and Financing". Impairment losses are immediately recognized in the income statement. Default interest, where provided for by contract, is entered in the income statement only when paid. Losses in value are recognized in the income statement immediately.

Criteria for measurement of fair value of financial instruments

In December 2012, through Commission Regulation (EU) n. 1255/2012, the European Commission approved the new IFRS 13 "Fair Value Measurement" principle, effective as of 1 January 2013. IFRS 13 defines fair value 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". As far as financial instruments are concerned, this definition of fair value replaces the previous version contained in IAS 39. As regards financial liabilities, the new definition of fair value provided for by IFRS 13 therefore requires identifying as such the value that would be paid to transfer the liability in question (exit price), as opposed to the value required to settle the same liability (definition contained in IAS 39). This serves to reinforce the theme of the recognition of fair value adjustments of financial liabilities – different from derivatives – attributable to the credit rating of the issuer (Own Credit Adjustment - OCA), with respect to the provisions already set forth on the matter in IAS 39. In particular, as regards calculating the fair value of OTC derivatives under assets in the Balance Sheet, IFRS 13 has confirmed the application of the adjustment relative to counterparty risk (Credit Valuation Adjustment - CVA). As regards financial liabilities represented by OTC derivatives, IFRS 13 introduces the so-called Debit Valuation Adjustment (DVA), which is a fair value adjustment aimed at reflecting own credit risk on such instruments, an issue not explicitly dealt with in IAS 39. The fair value of investments listed in active markets is calculated with reference to market listings on the last day of reference for the financial period. For financial instruments listed on active markets, the fair value assessment is based on the listings on the active market of reference even obtained from international providers and registered on the last day of the financial period. A market is defined as active when the listings reflect standard market transactions, are readily and regularly available and express the price of actual and regular market transactions. If the same financial instrument is listed on more than one market, the listing to be taken into consideration is that on the most advantageous market to which the company has access. The fair value of unlisted financial instruments is calculated by applying valuation methods that aim to determine the price that the instrument would have had on the market at the measurement date in a free exchange motivated by normal commercial considerations. Fair value is obtained using the following methods: use of recent market transactions, reference to the price of financial instruments with the same characteristics as that being measured, quantitative methods. Specifically, unlisted securities are evaluated by applying models that discount expected future cash flow, using interest rate structures that take into proper consideration the issuer's business sector and, where available, rating class. The fair value of mutual funds that are not traded on active markets is calculated based on the Net Asset Value as published, and adjusted if necessary to take into account possible changes in value occurring between the date of request of redemption and the effective redemption date. Equity and capital shares not traded on an active market, for which the fair value cannot be calculated reliably using the most common methods, are valued at cost, adjusted to take into account possible significant impairment of value. As regards loans and deposits, at sight/revocable, immediate expiry of contract obligations, coinciding with the date of the financial statements, is considered and therefore their fair value is approximated at booking value. Similarly, booking value is considered for short-term loans as well. The fair value of medium to long-term loans to customers is measured by discounting residual contractual cash flows at the effective interest rate, appropriately adjusted to take into account the credit rating of individual borrowers (represented by the probability of default and by the estimated loss in the event of default). The booking value of impaired assets is an approximation of the fair value. For medium to long-term debt positions, represented by securities valued at amortized cost and hedged for interest rate risk, the booking value is adjusted, due to hedging, to fair value attributable to the hedged risk, discounting the respective flows. The fair value of derivative contracts traded on regulated markets is considered the market price of the last listing day of the fiscal period. Over the counter derivative contracts are measured on the basis of a variety of models, based on input factors that affect the relative valuation and taking into account adjustments for counterparty risk. The Bank does not calculate and recognize corrections in fair value of derivatives for CVA and DVA if there are formalized and operative agreements for collateralization of the positions in derivatives with the following characteristics:

- Bilateral and very frequently exchange of collateral (daily or, at most, mid-week);

- Type of guaranty represented by cash or government bonds with high liquidity and credit quality, subject to an adequate safety margin;
- Absence of a threshold for the fair value of the derivative below which no exchange of guaranty is provided for, or setting of this threshold at a level that allows for an effective and significant mitigation of counterparty risk;
- MTA - Minimum Transfer Amount (that is, the difference between the contract fair value and the value of the guaranty) – below which collateralization of positions is not adjusted, identified by contract at a level that allows for substantial mitigation of counterparty risk.

Hedging derivatives existing as at the date of the financial statements, not yet collateralized, are those negotiated with Banca Akros and Natexis, based on the following schedule:

Counterparty	Active derivative
Banca Akros s.p.a.	536,990.08
Natixis s.a.	559,178.46
Totals	**1,096,168.54**

Due to the negligible significance of the amount, also considering that Banca Akros collateralization took place during the month of February 2015, it was decided not to adjust the fair value to take into account counterparty risk and liquidity.

Hierarchy of fair value

Hierarchy of fair value, based on the provisions of IFRS 13, must be applied to all financial instruments for which fair value is recognized in the balance sheet. In this regard, for these instruments, maximum priority is given to official prices available on active markets and lower priority to the use of non-observable input, which are more discretional. Consequently, fair value is calculated through the use of prices acquired from financial markets, in the case of instruments listed on active markets or, for other financial instruments, through the use of measurement methods that aim at an estimation of fair value (exit price). The levels used for classifications and referred to hereinafter in the explanatory notes are the following:

- "Level 1": the fair value of the financial instruments is calculated based on price listings observable on active markets (unadjusted) which may be accessed on the date of assessment;
- "Level 2": the fair value of the financial instruments is calculated based on other inputs observable directly or indirectly for the asset or liability, also using measurement techniques;
- "Level 3" : the fair value of the financial instruments is calculated based on other input not observable for the asset or liability, also using measurement techniques.

A price listed on an active market provides the most reliable evidence of the fair value and, when available, must be used without adjustments to measure fair value. If there are not price listing on active markets, the financial instruments must be classified in level 2 or 3. Classification in Level 2 as opposed to Level 3 is determined based on the observability on markets of significant inputs used to calculate fair value. Level 2 inputs include:

- Prices listed for similar assets or liabilities on active markets;
- Prices listed for identical or similar assets or liabilities on non active markets;
- Input other than observable price listings for assets or liabilities (for example, observable interest rates and yield curves at commonly listed intervals, volatility and credit spreads);
- Inputs substantiated by the market.

All other variables used in measurement techniques that cannot be substantiated on the basis of observable market data are not considered observable. Level 3 inputs include:

- Issued capital securities and financial liabilities for which, at the measurement date, there are not price listings on active markets and that are measured prevalently using a technique based on non observable market data;
- OTC (over the counter) financial derivatives stipulated with institutional counterparties, which are measured on the basis of pricing models that are absolutely similar to those used for Level 2 assessments, from which they differ for the degree of observability of input data used in the pricing techniques;
- Derivative financial instruments stipulated with customers for which the fair value adjustment quota that takes into account default risk is significant with respect to the overall value of the financial instrument;
- Close-ended funds with a fair value that corresponds to the relative NAV published more than monthly;
- Capital securities classified to the AFS portfolio and valued at cost.

The IFRS accounting principle also requires that, for financial assets classified at Level 3, information must be provided regarding the sensitivity of the economic performance following changes to one or more non-observable parameters used in measurement techniques applied to calculate fair value.

Impaired assets

Below are the definitions of financial assets classified as impaired in the different risk categories, according to the definitions provided in current Supervisory reports and internal regulations, which define rules for the transfer of receivables within the scope of the following risk categories:

- Non-performing loans: cash and off-balance sheet exposures with subjects in as state of insolvency or in substantially comparable situations, regardless of the loss prognosis formulated by the Bank. Non-performing loans also include receivables purchased by third parties that have as debtors doubtful subjects, regardless of the accounting allocation portfolio:
- Doubtful loans: cash and off-balance sheet exposures with subjects in objective temporary difficulties, which it is foreseeable may be cleared in a congruous period of time. These include credits past due and/or continuously outstanding positions (so-called "objective substandard positions");
- Restructured debts: cash and off-balance sheet exposures for which a bank, due to the impairment of the economical and financial conditions of the debtor, agrees to modify the original contract conditions that result in a loss;
- Exposures past due and/or continuously outstanding impaired exposures: cash and off-balance sheet exposures, different from those classified as non-performing loans, doubtful loans or among restructured debts, which, as at the date of closure of the reporting period, are past due or outstanding for over 90 days.

The booking value for impaired assets is considered an approximation of the fair value.

Method of calculation of amortized cost

The amortized cost of a financial asset or liability is the amount at which it is measured at initial recognition, less principal repayments, plus or minus overall amortization, calculated using the effective interest method, the difference between the initial value and value at maturity and less any impairment. The effective interest rate is the rate that discounts the current value of a financial asset or liability to the contract cash flows through maturity or the next repricing date. For fixed rate or temporary fixed rated financial instruments, future cash flows are calculated based on the known interest rate during the instruments life. For variable rate financial assets and liabilities, future cash flows are calculated on the basis of the last known rate. At each repricing date, the amortization plan and the effective rate of return are recalculated for the entire useful life of the financial instrument, which is to say up to maturity. The amortized cost is applied for receivables, financial assets held to maturity, those available for sale, debts and outstanding securities. Financial assets and liabilities traded at market conditions are initially recognized at fair value, which usually corresponds to the amount paid or disbursed, comprehensive of directly attributable transaction costs and fees. Transaction costs are in-house marginal costs and revenues attributable at the moment of initial recognition of the financial instrument not recoverable from customers. These accessory components, which must be traced back to the individual asset or liability, impact the effective return and make the effective interest rate different from the contractual interest rate. Therefore, costs and revenue that refer indistinctly to more than one transaction and the correlated components that may be recognized during the life of the financial instruments are excluded. Furthermore, the calculation of amortized cost does not take into consideration costs that the Bank would sustain regardless of the transactions, such as administrative costs, office supply costs, etc.

Equity investments

Starting with the 2014 financial statements, as provided for by Bank of Italy Circular n. 0292446 dated 13/03/2015, we adopted an accounting approach that also takes into account paragraph 36 of IAS 28, which reads as follows: "If an associate or a joint venture uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to make the associate's or joint venture's accounting policies conform to those of the entity when the associate's or joint venture's financial statement are used by the entity in applying the equity method". In particular, we have rendered the financial statements of Cabel Holding s.p.a. for the year 2003 "IAS Compliant". This operation entailed recalculating the net profit of the company from 946,595.00 Euro to 1,912,103.00, Euro; therefore, the value entered at line item 210 of the Income Statement changes from 363.108,48 a 734,247.55 (our equity interest is equal to 38.40%). As regarding the "realignment" of previous financial statements, also provided for by Bank of Italy Circular n. 0292446 dated 13/03/2015, please refer to the 2015 fiscal year, in that in this stage it is not possible to render those financial statements "IAS Compliant" for obvious timing considerations. The missing "IAS Compliant" financial statements for Cabel Holding s.p.a. are those that refer to fiscal years 2009/2010/2011/2012.

A.3 – INFORMATION ON ASSET 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 15/12/2010

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.3.1.1 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 31/12/2014	Fair value as of 31/12/2014	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	4,701	4,701	109	111	0	111
Debt securities - 2010	HFT	AFS	0	0	0	0	0	0.00
Debt securities - 2011	HFT	AFS	0	0	0	0	0	0.00
Debt securities - Total	HFT	AFS	4,701	4,701	109	111	0	111

As at 31/12/2014 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 31/12/2014:

Security	Isin	Nominal value	Balance sheet value	Year transferred
B AGRILEASING 07-17 TV	XS0287516214	5,000	4,701	2008
Total		5,000	4,701	

A.3.2 Reclassified financial assets: effects on overall profitability before the transfer

The Bank has not carried out transfers during the current year.

A.3.3 Transfer of financial assets held for trading

The Bank has not carried out transfers during the current year.

A.3.4 Effective interest rates and financial flows expected from the assets

The Bank has not carried out transfers during the current year.

A.4 INFORMATION ON FAIR VALUE

A.4.1 Fair value levels 2 and 3 : measurement techniques and input used

For a description of the measurement techniques and inputs used, information is provided in Section A.2 of these Explanatory Notes, in the chapter “Hierarchy of fair value”.

A.4.2 Measurement processes and sensitivity

As at 31 December 2014, there were no assets classified at level 2 of the Fair Value Hierarchy. Conventionally, Financial Assets Available for Sale referred to capital securities “valued at cost” relative to instrumental capital holdings, for which fair value cannot be determined in a reliable or verifiable manner, are classified at level 3 of the hierarchy of Fair Value.

A.4.3 Hierarchy of fair value

Hierarchy of fair value, based on the provisions of IFRS 13, must be applied to all financial instruments for which fair value is recognized in the balance sheet. In this regard, for these instruments, maximum priority is given to official prices available on active markets and lower priority to the use of non-observable input, which are more discretional. Consequently, fair value is calculated through the use of prices acquired from financial markets, in the case of instruments listed on active markets or, for other financial instruments, through the use of measurement methods that aim at an estimation of fair value (exit price). The levels used for classifications and referred to hereinafter in the explanatory notes are the following:

- "Level 1": the fair value of the financial instruments is calculated based on price listings observable on active markets (unadjusted) which may be accessed on the date of assessment;
- "Level 2": the fair value of the financial instruments is calculated based on other inputs observable directly or indirectly for the asset or liability, also using measurement techniques;
- "Level 3" : the fair value of the financial instruments is calculated based on other input not observable for the asset or liability, also using measurement techniques.

A price listed on an active market provides the most reliable evidence of the fair value and, when available, must be used without adjustments to measure fair value. If there are not price listing on active markets, the financial instruments must be classified in level 2 or 3. Classification in Level 2 as opposed to Level 3 is determined based on the observability on markets of significant inputs used to calculate fair value.

A.4.4 Other information

Please refer to Section A.2 of these Explanatory Notes, in the chapter "Heirarchy of fair value".

A.4.5 Hierarchy of Fair Value

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

Financial Assets/Liabilities measured at fair value	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	0	0	740	75,095	0	10,514
2. Financial assets measured at fair value	0	0	0	0	0	0
3. Financial assets available for sale	855,243	9,915	4,557	748,354	18,804	3,865
4. Hedges	0	0	3,730	0	0	5,569
Total	855,243	9,915	9,027	823,450	18,804	19,947
1. Financial liabilities held for trading	0	0	0	0	0	0
2. Financial liabilities measured at fair value	0	0	0	0	0	0
3. Hedges	0	0	500	0	0	102
Total	0	0	500	0	0	102

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 observed on the market, other than the listings of the financial instrument;
Level 3 = Fair value measured on the basis of measurement techniques that use parameters that cannot be observed on 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	10,514	0	3,865	5,569
2. Additions				
2.1. Purchases	835	0	700	504
2.2. Profits allocated to:				
2.2.1. The income statement	0	0	0	0
- of which capital gains	0	0	0	0
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	221
3. Reductions				
3.1. Sales	0	0	0	107
3.2. Redemptions	0	0	0	0
3.3. Losses allocated to:				
3.3.1. The income statement	95	0	0	0
- of which capital losses	95	0	0	0
3.3.2. Shareholders' equity	X	X	7	0
3.4. Transfers to other levels	0	0	0	0
3.5. Other reductions	10,514	0	0	2,457
4. Final value	740	0	4,557	3,730

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	102
2. Additions			
2.1. Issues	0	0	500
2.2. Losses allocated to:			
2.2.1. The income statement	0	0	0
- 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	102
3.3. Losses allocated to:			
3.3.1. The income statement	0	0	0
- of which capital losses	0	0	0
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	500

A.4.5.4 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	31/12/2014				31/12/2013			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets held through maturity	0	0	0	0	0	0	0	0
2. Receivables from banks	164,066	0	0	164,066	115,386	0	0	115,386
3. Receivables from customers	1,922,144	0	0	1,922,144	1,866,328	0	0	1,866,328
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	2,086,210	0	0	2,086,210	1,981,713	0	0	1,981,713
1. Payable to banks	478,615	0	0	478,615	348,622	0	0	348,622
2. Payable to customers	1,524,912	0	0	1,524,912	1,496,450	0	0	1,496,450
3. Outstanding Securities	736,174	0	0	736,174	782,027	0	0	782,027
4. Liabilities associated with assets in course of divestment	0	0	0	0	0	0	0	0
Total	2,739,702	0	0	2,739,702	2,627,099	0	0	2,627,099

Key: VB = Balance sheet level - L1 = Level 1 - L2 = Level 2 - L3 = Level 3

A.5 – Information regarding so-called “day one profit/loss”

The Bank does not present transactions for which, at the moment of initial recognition of the financial instruments not listed in active markets, the component relative to the so-called “day one profit/loss” was measured. Consequently, the information required by paragraph 28 of IFRS 7 is not herein provided.

PART B

Assets

Section 1 – Cash and cash balances – Line item 10

1.1 Cash and available liquidity: breakdown

Line items	31/12/2014	31/12/2013	Variation	% Var.
a) Cash	9,077	9,450	-373	-3.95%
b) Demand deposits with Central Banks	0	0	0	
Total	9,077	9,450	-373	-3.95%

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	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	0	0	0	75,095	0	10,514
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	0	75,095	0	10,514
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	0	0	0	75,095	0	10,514
B. Derivative instruments						
1 Financial derivatives:	0	0	740	0	0	0
1.1 from trading	0	0	740	0	0	0
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	740	0	0	0
Total (A+B)	0	0	740	75,095	0	10,514

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

Line items/values	31/12/2014	31/12/2013	Variation	% Var.
A. CASH ASSETS				
1. Debt securities				
a) Governments and Central Banks	0	75,095	-75,095	-100.00%
b) Other public entities	0	0	0	
c) Banks	0	0	0	
d) Other issuers	0	10,514	-10,514	-100.00%
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)	0	85,610	-85,610	-100.00%
B DERIVATIVE INSTRUMENTS				
a) Banks	740	0	740	0.00%
fair value	740	0	740	0.00%
b) Customers	0	0	0	0.00%
fair value	0	0	0	0.00%
Total (B)	740	0	740	
Total (A+B)	740	85,610	-84,869	-99.14%

Line items	Debt securities	Equity instruments	Shares of mutual funds	Loans	Total
A Initial value	85,610	0	0	0	85,610
B Additions					
B1. Purchases	521,486	0	0	0	521,486
B2. Increases of fair value	0	0	0	0	0
B3. Other additions	901	0	0	0	901
C Reductions					
C1. Sales	491,586	0	0	0	491,586
C2. Redemptions	102,595	0	0	0	102,595
C3. Reductions of fair value	0	0	0	0	0
C4. Transfers to other portfolio	13,800	0	0	0	13,800
C5. Other reductions	16	0	0	0	16
D Final Value	0	0	0	0	0

Note: row C4 "Debt securities" includes Insurance Policies transferred to line item 70 of the Assets "Receivables from customers ".

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

4.1 Financial assets available for sale: breakdown by type

Line items/values	Total 31/12/2014			Total 31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	859,190	0	0	748,354	18,804	0
1.1 Structured securities	9,114	0	0	2,156	0	0
1.2 Other debt securities	850,075	0	0	746,198	18,804	0
2. Equity instruments	0	0	3,780	0	0	3,580
2.1 Measured at fair value	0	0	0	0	0	500
2.2 Measured at cost	0	0	3,780	0	0	3,080
3. Shares of mutual funds	5,968	0	777	0	0	284
4. Loans	0	0	0	0	0	0
Total	865,158	0	4,557	748,354	18,804	3,865

LIST OF AFS SECURITIES VALUED AT COST AT 31/12/2014

Description	Amount
Invest Banca s.p.a.	2,436
Iccrea Holding s.p.a.	31
Fidi Toscana s.p.a.	124
S.w.i.f.t. s.a.	1
Promosport s.c.r.l.	0
Fondo di Garanzia dei Depositanti B.C.C.	1
Cooperfidi Soc. Coop. di garanzia collettiva	150
Coop. Sociale "Il Piccolo Principe" s.c.r.l.	36
Coop. Sociale "Sintesi" s.c.r.l.	41
Cabel ricerca e formazione s.c.p.a.	5
Cabel per i pagamenti s.c.p.a.	50
Fin. P.A.S. s.r.l.	400
A.RE.A. s.c.r.l.	7
Cooper Servicer s.c.r.l.	0
La Merchant s.p.a.	500
Total	3,780

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

Line items/values	Total 31/12/2014	Total 31/12/2013	Variation	% Var.
1. Debt securities	859,190	767,158	92,031	12.00%
a) Governments and Central Banks	772,858	686,306	86,552	12.61%
b) Other public entities	0	0	0	
c) Banks	85,799	78,486	7,313	9.32%
d) Other issuers	532	2,366	-1,834	-77.51%
2. Equity instruments	3,780	3,580	200	5.59%
a) Banks	2,467	2,467	0	0.00%
b) Other issuers	1,314	1,114	200	17.95%
- insurers	0	0	0	
- finance companies	724	324	400	123.63%
- non finance companies	590	790	-200	-25.32%
- other	1	1	0	0.00%
3. Shares of mutual funds	6,745	284	6,461	2273.65%
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	869,715	771,023	98,692	12.80%

4.4 Financial assets available for sale: annual variations

Line items	Debt securities	Equity instruments	Shares of mutual funds	Loans	Total
A. Initial value	767,158	3,580	284	0	771,023
B. Additions					
B1 Purchases	1,622,185	200	6,500	0	1,628,885
B2 Increases of fair value	20,583	0	0	0	20,583
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	20,772	0	0	0	20,772
C. Reductions					
C1 Sales	1,414,569	0	0	0	1,414,569
C2 Redemptions	154,553	0	0	0	154,553
C3 Reductions of fair value	187	0	39	0	226
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	2,201	0	0	0	2,201
D. Final value	859,190	3,780	6,745	0	869,715

Section 6 – Receivables from banks – Line item 60

6.1 Receivables from banks: breakdown by type

Type of operation/Values	Total 31/12/2014				Total 31/12/2013				Variation	% Var.
	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	112,230	0	0	112,230	87,138	0	0	87,138	25,091	28.79%
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	34,818	0	0	34,818	28,247	0	0	28,247	6,571	23.26%
2. Term deposits	17,018	0	0	17,018	0	0	0	0	17,018	
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)	164,066	0	0	164,066	115,386	0	0	115,386	48,680	42.19%

Section 7 – Receivables from customers – Line item 70

7.1 Receivables from customers: breakdown by type

Type of operation/values	Total 31/12/2014							Total 31/12/2013						
	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	397,748	0	44,812	442,559	0	0	442,559	411,387	0	59,692	471,079	0	0	471,079
2. Repurchase agreements – receivables	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Loans	970,949	0	167,010	1,137,959	0	0	1,137,959	970,648	0	176,531	1,147,179	0	0	1,147,179
4. Credit cards, personal loans and salary guaranteed finance	17,888	0	761	18,649	0	0	18,649	19,552	0	841	20,393	0	0	20,393
5. Financial leasing	8,092	0	0	8,092	0	0	8,092	9,786	0	0	9,786	0	0	9,786
6. Factoring	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7. Other transactions	297,223	0	17,662	314,885	0	0	314,885	202,189	0	15,703	217,892	0	0	217,892
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)	1,69,.899	0	230,245	1,922,144	0	0	1,922,144	1,613,562	0	252,766	1,866,328	0	0	1,866,328

In particular, note that “impaired receivables” decreased by 22,521 thousand Euro (-8.91%).

In order to render the variations on this aggregate between 2013 and 2014, the following tables have been added to the Explanatory Notes:

Type of operation/values	Total 2014	Total 2013	Difference 2014/2013	Difference 2014/2013 %
1. Bank accounts	441,063	466,658	-25,594	-5.48%
2. Cash Clearing and Guarantee Fund	1,285	4,361	-3,075	-70.52%
3. Poste Italiane s.p.a.	211	60	151	251.26%
4. Repurchase agreements – receivables	0	0	0	0.00%
5. Loans	986,522	977,690	8,832	0.90%
6. Securitized loans	341	494	-154	-31.06%
7. Self-securitized loans	151,096	168,994	-17,898	-10.59%
8. Credit cards, personal loans and salary guaranteed finance	18,649	20,393	-1,744	-8.55%
9. Finance leasing	8,092	9,786	-1,694	-17.31%
10. Factoring	0	0	0	0.00%
11. Other transactions	303,967	204,896	99,071	48.35%
12. Bank for Deposits and Loans	0	36	-36	-100.00%
13. Receivable from the Vehicle Pontormo RMBS	10,918	12,960	-2,043	-15.76%
14. Debt Securities	0	0	0	0.00%
Total (balance sheet value)	1,922,144	1,866,328	55,816	2.99%

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 2014	Total 2013	Difference 2014/2013	Difference 2014/2013 %
Receivables from customers – Recalculated values	1,909,730	1,848,911	60,819	3.29%

Composition of impaired receivables:

Description	2014	2013
Non-performing loans	106,271	91,904
Doubtful loans	94,964	98,553
Restructured loans	11,980	17,439
Expired loans	17,029	44,870
Total impaired loans	230,245	252,766

7.2 Receivables from customers: breakdown by borrowers/issuers

Type of operation/Values	Total 31/12/2014			Total 31/12/2013		
	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	3,200	0	0	3,755	0	0
c) Other borrowers	1,688,699	0	230,245	1,605,591	0	256,983
- non finance companies	902,442	0	159,648	864,807	0	178,183
- finance companies	53,945	0	10	60,247	0	0
- insurers	14,709	0	0	0	0	0
- other	717,603	0	70,587	680,537	0	78,799
Total	1,691,899	0	230,245	1,609,345	0	256,983

7.4 Receivables from customers: Leasing

This line item is composed of receivables from customers for finance lease contracts for property purchases; these receivables were valued at amortized cost.

The item went from 9,786 thousand Euro at 31/12/2013 to 8,092 thousand Euro at 31/12/2014, with a decrease of 1,694 thousand Euro, equal to -17.31%.

Section 8 – Hedges – Line item 80

8.1 Hedges: breakdown by type of hedge and by level

Line items	Fair value 31/12/2014			Notional value 31/12/2014	Fair value 31/12/2013			Notional value 31/12/2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	0	0	3,730	98,805	0	0	5,569	130,817
1) Fair value	0	0	3,730	98,805	0	0	5,569	130,817
2) Cash flows	0	0	0	0	0	0	0	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	0	0	0	0	0	0	0	0
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	0	0	3,730	98,805	0	0	5,569	130,817

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 portfolio 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	3,226	0	0	0	0	504	0	0	0
2. Portfolio	0	0	0	0	0	0	0	0	0
Total liabilities	**3,226**	**0**	**0**	**0**	**0**	**504**	**0**	**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. (1)	Empoli	17.40%	17.40%
2. Cabel Holding s.p.a.	Empoli	38.53%	38.53%
3. Cabel Industry s.p.a. (2)	Empoli	6.00%	6.00%

(1) – The shareholding percent in Cabel Leasing s.p.a. increases to 31.27% due to the Cabel Holding s.p.a. equity investments in Cabel Leasing s.p.a. for 36.00%.
(2) – The shareholding percent in Cabel Industry s.p.a. increases to 32.11% due to the Cabel Holding s.p.a. equity investments in Cabel Industry s.p.a. for 67.77%.

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.	186,163	4,731	91	13,269	3,179	0	0	3,179
2. Cabel Holding s.p.a.	37,586	7,210	1,912	35,916	14,575	0	0	14,575
3. Cabel Industry s.p.a.	14,287	27,167	2,371	7,471	412	0	0	412
Totals	**238,036**	**39,108**	**4,375**	**56,656**	**18,166**	**0**	**0**	**18,166**

The fair value of equity investments in companies subject to significant influence was calculated using the "Net equity" method.
The values shown in the table refer to the year 2013 in that, at the date of approval of the financial statements by the Board of Directors, these values were not available in that approved at a later date by the subsidiaries.

10.3 Equity investments: annual variations

Line items	Total 31/12/2014	Total 31/12/2013
A. Initial value	**15,699**	**14,765**
B. Additions		
B.1 Purchases	1,654	0
B.2 Write-backs of value	0	0
B.3 Revaluations	814	933
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	**18,166**	**15,699**
E. Total revaluations	**11,290**	**10,476**
F. Total adjustments	**0**	**0**

Line B.3 "Revaluations" includes the revaluation of the company Cabel Leasing s.p.a. for 16 thousand Euro, the revaluation of the company Cabel Holding s.p.a. for 734 thousand Euro (wholly from fiscal year profit) and the revaluation of the company Cabel Industry s.p.a. for 64 thousand Euro.

The data from the 2014 financial statements refer to the last financial statements approved by subsidiaries (31/12/2013).

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

10.6 Equity investments: investments in companies subject to significant influence

There are no investments that may generate potential liabilities deriving from any joint investment.

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

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

Assets/values	Total 31/12/2014	Total 31/12/2013
1. Own assets	62,252	58,539
a) land	14,581	14,431
b) buildings	35,183	33,492
c) furniture	8,499	7,512
d) electronic equipment	620	592
e) other	3,369	2,511
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	62,252	58,539

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 31/12/2014
A. Initial gross value	14,431	51,359	13,079	2,464	12,838	94,172
A.1 Total net reductions of value	0	17,867	5,567	1,872	10,327	35,633
A.2 Initial net value	14,431	33,492	7,512	592	2,511	58,539
B. Additions:						
B.1 Purchases	150	824	1,401	272	1,707	4,354
B.2 Expenses for capitalized improvements	0	1,927	0	0	0	1,927
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	0	64	64
C. Reductions:						
C.1 Sales	0	0	0	0	65	65
C.2 Depreciation	0	1,060	414	245	848	2,567
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
B.5 Positive exchange rate differences						
B.6 Transfers from real property held for investment	0	0	0	0	0	0
B.7 Other additions	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	14,581	35,183	8,499	620	3,369	62,252
D.1 Reductions of total net value	0	18,927	5,981	2,116	11,111	38,136
D.2 Final gross value	14,581	54,110	14,480	2,736	14,480	100,388
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 31/12/2014		Total 31/12/2013	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	0	2,100	0	0
A.2 Other intangible assets				
A.2.1 Assets measured at cost:	231	0	177	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	231	0	177	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	231	2,100	177	0

All of the Bank's intangible assets are measured at cost.
Goodwill entered refers to the purchase of n. 2 bank tellers of Banca Interregionale s.p.a..
The branches will be purchase on operating date 01/01/2015, and they are the branch in di Pistoia (PT) and the branch in San Giovanni Valdarno (AR).

12.2 Intangible assets: annual variations

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2014
		limited duration	unlimited duration	limited duration	unlimited duration	
A. Initial value	0	0	0	3,882	0	3,882
A.1 Total net reductions of value	0	0	0	3,705	0	3,705
A.2 Initial net value	0	0	0	177	0	177
B. Additions						
B.1 Purchases	2,100	0	0	129	0	2,229
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	75	0	75
- 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	2,100	0	0	231	0	2,331
D.1 Total net adjustments of value	0	0	0	3,575	0	3,575
E. Final gross value	2,100	0	0	3,806	0	5,906
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 re-paid taxes: breakdown

Line items/Values	Total 31/12/2014	Total 31/12/2013
1. Multi-year costs	0	0
2. Personnel costs	276	86
3. Receivables	17,663	10,872
4. Entertainment expenses	0	0
5. Financial instruments (Securities Available for Sale)	0	870
6. Tax losses	0	0
7. Other	382	0
Total	18,321	11,827

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 31/12/2014	Total 31/12/2013
1. IRES (corporate income tax) subdivided into eighteenths	4,732	5,049
2. IRES (corporate income tax) subdivided into quarters	10,901	4,842
3. IRAP (tax on productive activities) subdivided into quarters	2,030	981
Total	17,663	10,872

13.2 Liabilities for deferred taxes: breakdown

Line items/Values	**Total 31/12/2014**	**Total 31/12/2013**
1. Property, plant and equipment	3,461	3,644
2. Personnel costs	0	88
3. Former credit risk fund	0	0
4. Equity investments	144	144
5. Financial instruments (Securities Available For Sale)	6,291	647
6. Other	111	105
Total	**10,006**	**4,627**

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 (10,476 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 31/12/2014	Total 31/12/2013
1. Initial value	10,958	5,511
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	8,812	5,824
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	1,832	377
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	17,938	10,958

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 8,812 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 31/12/2014	Total 31/12/2013
1. Initial value	10,872	5,366
2. Additions	8,622	5,823
3. Reductions	1,832	317
3.1 reversals	1,832	317
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	17,663	10,872

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

Line items	Total 31/12/2014	Total 31/12/2013
1. Initial value	3,794	3,924
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	8	14
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	192	144
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	3,610	3,794

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 31/12/2014	Total 31/12/2013
1. Initial value	870	3.081
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	382	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	870	2,212
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	382	870

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 of Financial assets available for sale.

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

Line items	Total 31/12/2014	Total 31/12/2013
1. Initial value	**833**	**1,227**
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	6,515	86
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	727	480
b) due to a change in accounting policies	0	0
c) other	225	0
3.2 Reduction of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**6,397**	**833**

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 of 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 31/12/2014	Total 31/12/2013
1. Accounts paid to the Tax Authority	12,416	11,512
2. Tax receivables – principal	608	608
3. Tax receivables – interest	290	290
4. Other withholdings	10	21
Total	**13,324**	**12,430**

Assets due to current taxes in 2014 are shown on a "closed" account basis in the balance sheet and on an "open" account basis in the table above.

13.7 Other information – Liabilities due to current taxes - Breakdown

Line items	Total 31/12/2014	Total 31/12/2013
1. Fund for IRES tax	7,863	7,581
2. Fund for IRAP tax	2,439	2,425
3. Fund for stamp duty	99	732
4. Tax fund – substitute tax Law 244/2007	0	0
5. Tax fund – other	0	0
Total	**10,401**	**10,738**

Liabilities for current taxes in 2014 are shown on a "closed" account basis in the balance sheet and on an "open" account basis in the table above.

Section 15 – Other assets – Line item 150

15.1 Other assets: breakdown

Line item	Total 31/12/2014	Total 31/12/2013
01. Other debtors	3,442	3,278
02. Entries in transit	1,043	5,094
03. Entries being processed	23,117	10,585
04. Various entries to be settled	573	964
05. Stipulated loans to be disbursed	11,464	6,378
06. Checks, bills returned unpaid and protested	191	271
07. Assets sold and not cancelled	67	67
08. Assets for expenses on third party goods	597	562
09. Expenses not yet invoiced	153	92
10. Costs to be allocated	0	0
11. Advanced operations on notes	98	253
12. Various open entries	2,118	1,580
13. Accrued income and prepayments	653	680
14. Securities to be settled (sales)	1,004	0
Total	44,520	29,804

Liabilities

Section1 – Payables to banks - Line item 10

1.1 Payables to banks: breakdown by type

Type of operation/Values	Total 31/12/2014	Total 31/12/2013	Variation	% Variation
1. Payables to central banks	467,111	337,591	129,520	38.37%
2. Payables to banks				
2.1 Bank accounts and demand deposits	909	1,003	-94	-9.38%
2.2 Term deposits	10,596	10,028	568	5.66%
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	478,615	348,622	129,993	37.29%
Fair value - level 1	0	0	0	
Fair value - level 2	0	0	0	
Fair value - level 3	478,615	348,622	129,993	
Total fair value	478,615	348,622	129,993	37.29%

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 31/12/2014	Total 31/12/2013	Variation	% Variation
1. Bank accounts and demand deposits	1,211,069	1,137,345	73,724	6.48%
2. Term deposits	260,988	177,345	83,643	47.16%
3. Loans	52,730	181,566	-128,835	-70.96%
3.1 Repurchase agreements – payables	2,606	163,493	-160,887	-98.41%
3.2. Other	50,125	18,073	32,052	177.35%
4. Liabilities for commitments to buy back treasury shares	0	0	0	
5. Other liabilities	124	194	-70	-36.04%
Total	1,524,912	1,496,450	28,462	1.90%
Fair value - level 1	0	0	0	
Fair value - level 2	0	0	0	
Fair value - level 3	1,524,912	1,496,450	28,462	
Total fair value	1,524,912	1,496,450	28,462	1.90%

Payables to customers are all measured at cost or at amortized cost.
Line 3.2 "Loans - Others" for 50,125 thousand Euro 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 31/12/2014				Total 31/12/2013			
	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	726,330	0	0	726,330	766,341	0	0	766,341
1.1 structured	3,042	0	0	3,042	2,932	0	0	2,932
1.2 other	723,288	0	0	723,288	763,408	0	0	763,408
2. Other securities	9,844	0	0	9,844	15,686	0	0	15,686
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	9,844	0	0	9,844	15,686	0	0	15,686
Total	736,174	0	0	736,174	782,027	0	0	782,027

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 45,853 thousand Euro (-5.86%).

3.3 Outstanding securities: Securities subject to specific hedges

Type of operation/Values	Total 31/12/2014	Total 31/12/2013
1. Securities subject to specific fair value hedges:		
a) interest rate risk	86,866	123,182
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	86,866	123,182

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 6 - Hedges – Line item 60

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

Line items	Fair value 31/12/2014			Notional value 31/12/2014	Fair value 31/12/2013			Notional value 31/12/2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	0	0	500	13,451	0	0	102	12,369
1) Fair value	0	0	500	13,451	0	0	102	12,369
2) Cash flows	0	0	0	0	0	0	0	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	0	0	0	0	0	0	0	0
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	0	0	500	13,451	0	0	102	12,369

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	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	0	0	0	0	0	500	0	0	0
2. Portfolio	0	0	0	0	0	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**	**0**	**500**	**0**	**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 31/12/2014	Total 31/12/2013
01. Various tax entries	3,124	3,198
02. Entries transferred among branch offices	4,050	5,281
03. Differences receivables on offsets of third party portfolio	32,674	24,536
04. Suppliers	2,866	2,301
05. Entries being processed and other creditors	30,158	31,247
06. Accrued liabilities and deferred income	457	755
07. Borrower accounts for stipulated loans to be disbursed	11,464	6,378
08. Securities to be settled (purchases)	0	40
Total	84,793	73,735

Section 11 – Employee severance pay – Line item 110

11.1 Employee severance pay: annual variations

Line items	Total 31/12/2014	Total 31/12/2013
A. Initial value	3,315	3,606
B. Additions		
B.1 Allocations during the fiscal year	844	969
B.2 Other additions	675	80
C. Reductions		
C.1 Payments made	95	102
C.2 Other reductions	844	1,238
D. Final value	3,894	3,315
Total	3,894	3,315

Line B.1 "Allocation during fiscal year" includes severance pay matured during the fiscal year in the amount of 844 thousand Euro.

Line B.2 "Other additions" includes "Interest Cost" for 90 thousand Euro and Actuarial Gains/Losses for 584 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 95 thousand Euro.
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 844 thousand Euro.

Section 12 – Risk and expenses fund – Line item 120

12.1 Risk and expense funds: breakdown

Line items/Values	Total 31/12/2014	Total 31/12/2013
1. Funds for company pensions	0	0
2. Other risk and expense funds	1,022	1,254
2.1 lawsuits	89	105
2.2 personnel costs	389	312
2.3 other	544	836
Total	1,022	1,254

The table indicates a decrease of 232 thousand Euro (-18.50%).
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 31/12/2014
A. Initial value	0	1,254	1,254
B. Additions			
B.1 Allocation during fiscal year	0	586	586
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	0	0
C. Reductions			
C.1 Use during the fiscal year	0	817	817
C.2 Reductions due to modifications of the discount rate	0	0	0
C.3 Other reductions	0	0	0
D. Final value	0	1,022	1,022

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	9,801	0
- entirely unrestricted	9,801	0
- with restrictions	0	0
A.1 Treasury shares (-)	0	0
B.2 Outstanding shares: initial value	9,801	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	212	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	9,777	0
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	9,777	0
- entirely unrestricted	9,777	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	2,970	9,801	3,139
B. Additions			
B.1 New shareholders	24	78	64
B.2 From revaluations	29	0	0
B.3 From successions	28	92	22
B.4 From other additions	6	18	5
C. Reductions			
C.1 Redemptions	18	60	35
C.2 Partial redemptions	13	42	0
C.3 From successions	28	92	29
C.4 From other reductions	6	18	6
D. Final value	2,992	9,777	3,160

14.4 Retained earnings: other information - breakdown of shareholders' equity

Line items	Total 31/12/2014	Total 31/12/2013
1. Share capital	2,992	2,970
2. Premiums on issue of new shares	255	251
3. Reserves	239,485	235,506
3.1 ordinary/extraordinary reserves	192,987	189,469
3.2 Statutory reserve	46,495	46,033
3.3 Reserves - First Time Adoption I.A.S.	3	3
4. (Treasury shares)	0	0
5. Valuation reserves	30,436	17,445
5.1 Financial assets available for sale	12,994	-451
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	-1,008	-555
5.9 Share of the valuation reserves of equity investments measured at shareholders' equity	7,614	7,614
5.10 Special revaluation laws	10,836	10,836
6. Equity instruments	0	0
7. Fiscal year profit (loss)	4,900	4,800
Total	**278,068**	**260,971**

14.4 Retained earnings: other information – division and use of fiscal year profit

Line items	Amount	Accounting classification of capital
Ordinary/Legal Reserve	2,843	Increase of Liability line item 160 (Tier 1)
Reserve pursuant to Article 6, Legislative Decree 38/2005	838	Increase of Liability line item 160 (Tier 1)
Statutory Reserve	452	Increase of Liability line item 160 (Tier 1)
Shareholders for dividends	119	
Shareholders for gratuitous revaluation of shares	0	Increase of Liability line item (Tier 1)
Mutual aid fund to promote and develop cooperation, Law 59/1992	147	
Available to the Board of Directors for charity and mutual aid	500	
Total	**4,900**	

As regards the origin, possibility of use, potential distribution and uses made in the previous fiscal years of reserve earnings, please refer to the next table.

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.

Line items	Amount	Possibility of use	Available share	Summary of uses made in the last three fiscal years	
				To cover losses	For other reasons
Share capital	2,992	B - C	2,992		173
Share premium reserve	255	B - C	255		13
Fund for general bank risks	0		0		
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	12,994	B	12,994		
- reserve from equity investments	7,614	B	7,614		
Retained earnings:					
- indivisible legal/statutory reserve	239,485	B	239,485		
- reserve from transition to International Accounting Standards	9,855	B	9,855		
TOTAL	**274,176**		**274,176**		
Non distributable share			273,196		
Residual distributable share			981		

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

Other information

1. Guarantees given and commitments

Operations	Amount 31/12/2014	Amount 31/12/2013
1) Financial guarantees given to:	86,450	80,177
a) Banks	12,419	11,422
b) Customers	74,031	68,754
2) Commercial guarantees given to:	9,031	14,845
a) Banks	442	1,728
b) Customers	8,589	13,117
3) Irrevocable commitments to disburse funds given to:	35,263	21,357
a) Banks	0	0
i) for certain use	0	0
ii) for uncertain use	0	0
b) Customers	35,263	21,357
i) for certain use	14,976	0
ii) for uncertain use	20,287	21,357
4) Underlying commitments for credit derivatives: sales of protection	0	0
5) Assets pledged as collateral for third party obligations	0	963
6) Other commitments	50	50
Total	130,794	117,392

2. Assets pledged as collateral for own liabilities and commitments

Portfolio	Amount 31/12/2014	Amount 31/12/2013
1. Financial assets held for trading	0	19,989
2. Financial assets measured at fair value	0	0
3. Financial assets available for sale	2,598	147,944
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	595
a) individual	595
b) collective	0
3. Custody and management of securities	2,674,559
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	842,205
1. securities issued by the bank that prepares the balance sheet	717,688
2. other securities	124,516
c) third party securities deposited with third parties	833,368
d) treasury securities deposited with third parties	998,987
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 31/12/2014 (f = c - d - e)	Net amount as at 31/12/2013
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	2,130	0	2,130	0	2,300	-170	113
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 31/12/2014	2,130	0	2,130	0	2,300	-170	0
Total at 31/12/2013	3,413	0	3,413	0	3,300		113

Financial assets– List of operations subject to netting agreements - Derivatives:

Counterparty	Derivative used	Deposit received	Net amount
Banca IMI s.p.a.	1,014	1,000	14
Banca MPS s.p.a.	1,115	1,300	-185
Totals	2,130	2,300	-170

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 31/12/2014 (f = c - d - e)	Net amount as at 31/12/2013
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	0	0	0	0	0	0	0
2. Repurchase agreements	0	0	0	0	0	0	153,181
3. Loan Securities	0	0	0	0	0	0	0
4. Other	0	0	0	0	0	0	0
Total at 31/12/2014	0	0	0	0	0	0	
Total at 31/12/2013	157,542	0	157,542	0	4,361		153,181

Section 1 - Interest – Line items 10 and 20

1.1 Earned interest and similar income: breakdown

Line items/Technical forms	Debt securities	Loans	Other operations	Total 31/12/2014	Total 31/12/2013	Variation	% Variation
1. Financial assets held for trading	23	0	0	23	23	0	1.54%
2. Financial assets available for sale	13,990	0	0	13,990	19,524	-5,533	-28.34%
3. Financial assets held through maturity	0	0	0	0	0	0	
4. Receivables from banks	0	1,508	0	1,508	1,007	501	49.69%
5. Receivables from customers	70	63,242	0	63,313	62,070	1,243	2.00%
6. Financial assets measured at fair value	0	0	0	0	0	0	
7. Hedges	0	0	2,409	2,409	2,992	-583	-19.48%
8. Other assets	0	0	9	9	12	-3	-24.08%
Total	14,084	64,750	2,418	81,252	85,627	-4,375	-5.11%

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 6,355 thousand Euro.

1.2 Earned interest and similar income: differences related to hedges

Line items	Total 31/12/2014	Total 31/12/2013
A. Positive differences relating to hedges:	3,050	4,011
B. Negative differences relating to hedges:	641	1,019
C. Balance (A-B)	2,409	2,992

The table indicates positive interest income in the amount of 2,409 thousand Euro, deriving from the difference between earned interest (3,050 thousand Euro) and payable interest (641 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 31/12/2014	Total 31/12/2013
Earned interest on financial assets in foreign currency	109	79

1.3.2 Earned interest on financial leasing

Line items/Values	Total 31/12/2014	Total 31/12/2013
Earned interest on financial leasing	82	96

1.4 Interest payable and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other operations	Total 31/12/2014	Total 31/12/2013	Variation	% Variation
1. Payables to central banks	-603	0	0	-603	-2,044	1,441	-70.49%
2. Payables to banks	-134	0	0	-134	-128	-5	4.17%
3. Payables to customers	-20,260	0	0	-20,260	-21,174	914	-4.32%
4. Outstanding securities	0	-21,315	0	-21,315	-24,102	2,787	-11.56%
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	0	0	-2	2	-100.00%
8. Hedges	0	0	0	0	0	0	
Total	-20,996	-21,315	0	-42,311	-47,451	5,140	-10.83%

1.6 Interest payable and similar expenses: other information

1.6.1 Interest payable on liabilities in foreign currency

Line items/Values	Total 31/12/2014	Total 31/12/2013
Interest payable on financial liabilities in foreign currency	-75	-63

Section 2 - Commissions - Line items 40 and 50

2.1 Commission income: breakdown

Type of service/Values	Total 31/12/2013	Total 31/12/2012	Variation	% Variation
a) guarantees given	354	288	65	22.73%
b) credit derivatives	0	0	0	
c) management, intermediation and consulting services:	1,517	1,468	48	3.29%
1 trading financial instruments	1	2	-1	-59.10%
2 trading foreign currencies	592	473	119	25.25%
3 asset management	16	18	-2	-10.87%
3.1 individual	16	18	-2	-10.87%
3.2 collective	0	0	0	
4 custody and management of securities	111	128	-17	-13.32%
5 depository bank	0	0	0	
6 securities placement	138	388	-250	-64.49%
7 receipt and transmission of orders	277	164	113	69.03%
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	382	296	86	29.19%
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	74	26	48	181.23%
9.3 other products	308	269	39	14.37%
d) collection and payment services	6,217	5,786	431	7.44%
e) servicing securitizations	52	58	-7	-11.52%
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	12,576	12,476	100	0.80%
j) other services	808	772	37	4.74%
Total	21,523	20,848	675	3.24%

2.2 Commission income: distribution channels of products and services

Channels/Values	Total 31/12/2014	Total 31/12/2013
a) at its own branches:	536	701
1. asset management	16	18
2. securities placement	138	388
3. third party services and products	382	296
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 31/12/2014	Total 31/12/2013	Variation	Variation %
a) guarantees received	0	0	0	
b) credit derivatives	0	0	0	
c) management and intermediation services:	-110	-102	-8	7.91%
1. trading financial instruments	0	0	0	-96.84%
2. trading foreign currency	-97	-89	-8	9.25%
3. asset management	-12	-12	0	0.00%
3.1 own portfolio	0	0	0	
3.2 delegated by third parties	-12	-12	0	0.00%
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	-1,519	-1,582	64	-4.03%
e) other services	0	0	0	
Total	-1,628	-1,684	56	-3.32%

Section 3 - Dividends and similar income – Line item 70

3.1 Dividends and similar income: breakdown

Line items/Income	Total 31/12/2014		Total 31/12/2013	
	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	0	0	152	0
C. Financial assets measured at fair value	0	0	0	0
D. Equity investments	0	0	0	0
Total	**0**	**0**	**152**	**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	1,172	0	0	1,172
1.1 Debt securities	0	886	0	0	886
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	286	0	0	286
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	95	0	-95
4.1 Financial derivatives	0	0	95	0	-95
- On debt securities and interest rates	0	0	95	0	-95
- 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	1,172	95	0	1,077

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 31/12/2014**	**Total 31/12/2013**
A. Income related to:		
A.1 Hedges of fair value	2,181	4,175
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)	**2,181**	**4,175**
B. Expenses related to:		
B.1 Hedges of fair value	0	0
B.2 Hedged financial assets (fair value)	0	0
B.3 Hedged financial liabilities (fair value)	-2,137	-4,149
B.4 Hedges of cash flows	0	0
B.5 Assets and liabilities in foreign currency	0	0
Total expenses of hedged assets (B)	**-2,137**	**-4,149**
C. Net hedging income (A-B)	**45**	**26**

The table indicates the net income from hedges. Therefore, the gross 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 31/12/2014			Total 31/12/2013		
	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	0	0	0
3. Financial assets available for sale	21,279	0	21,279	12,465	0	12,465
3.1 Debt securities	21,279	0	21,279	12,465	0	12,465
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	21,279	0	21,279	12,465	0	12,465
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	57	-57	0	99	-99
Total liabilities	0	57	-57	0	99	-99

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 21,279 thousand Euro, of which gains on Italian Government securities for 20,585 thousand Euro and losses on other securities issued by banks in the amount of 694 thousand Euro.

The loss deriving from the repurchase of outstanding securities, point 3 of Financial Liabilities, in the amount of 57 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 31/12/2014	Total 31/12/2013
	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	-38,715	-7,597	0	6,445	0	6,825	-33,041	-22,010
- debt securities	0	0	0	0	0	0	0	0	0
C. Total	0	-38,715	-7,597	0	6,445	0	6,825	-33,041	-22,010

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	2014 Amount	2013 Amount
Non-performing – Net value of adjustments/write-backs of value	Specific	Analytical	-25,449	-21,537
Watchlist – Net value of adjustments/write-backs of value	Specific	Analytical	-9,270	-5,074
Watchlist – Net value of adjustments/write-backs of value	Specific	Flat-rate	-286	-170
Restructured – Net value of adjustments/write-backs of value	Specific	Analytical	1,300	4,175
Restructured – Net value of adjustments/write-backs of value	Specific	Flat-rate	-113	-648
Overdue/overdrawn – Net value of adjustments/write-backs of value	Specific	Flat-rate	1,548	-186
In Bonis – Net value of adjustments/write-backs of value	Portfolio	Flat-rate	-772	1,430
Total – Net value of adjustments/write-backs of value			-33,041	-22,010

8.4 Net impairment adjustments to other financial transactions: breakdown

Operations/Profit components	Value adjustments			Value recoveries				Total 31/12/2014	Total 31/12/2013
	Specifics		Portfolio	Specifics		Portfolio			
	Write-offs	Other		From interest	Other recoveries	From interest	Other recoveries		
A. Guarantees issued	0	-852	0	0	0	0	0	-852	0
B. Credit derivatives	0	0	0	0	0	0	0	0	0
C. Commitments to lend funds	0	0	0	0	0	0	0	0	0
D. Other operations	0	0	0	0	0	0	0	0	0
E. Total	0	-852	0	0	0	0	0	-852	0

Adjustments of guarantees given as per point "A" are referred to actions on the BCC Guaranty Fund of Cooperative Credit Depositors, which constitute charges for the members.

Section 9 Administrative costs - Line item 150

9.1 Personnel costs: breakdown

Type of expense/Values	Total 31/12/2014	Total 31/12/2013
1) Employees	-20,336	-19,799
a) salaries and wages	-14,460	-14,158
b) social security contributions	-3,416	-3,372
c) severance pay	0	0
d) pension costs	0	0
e) allocation to employee severance pay	-172	-137
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	-1,423	-1,383
- to a defined contribution plan	-1,423	-1,383
- 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	-866	-750
2) Other personnel	-430	-498
3) Directors and Statutory Auditors	-325	-324
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	-21,092	-20,622

The table indicates an increase of the aggregate in the amount of 470 thousand Euro (+2.28%).

9.2 Average number of employees by category

Description	31/12/2014 Values	31/12/2013 Values
Employees	273	272
a) Managers	3	3
b) Middle management employees	53	52
c) Remaining employees	217	217
Other personnel	9	12
Total	282	284

Precise number of employees by category

Description	31/12/2014 Values	31/12/2013 Values
Employees	278	275
a) Managers	3	3
b) Middle management employees	53	52
c) Remaining employees	222	220
Other personnel	10	9
Total	288	284

9.4 Personnel costs: other employee benefits

Type of cost/Values	Total 31/12/2013	Total 31/12/2013
1) Meal vouchers for employees	-446	-454
2) Loyalty bonus for employees	-36	-25
3) Other employee costs	-384	-271
Total	-866	-750

9.5 Other administrative costs: breakdown

Line items/Values	Total 31/12/2014	Total 31/12/2013	Variation	Variation %
1. Insurers and security	-1,171	-1,132	-39	3.41%
2. Advertising and entertainment	-1,719	-1,796	76	-4.25%
3. Rent for real property	-1,081	-1,063	-18	1.65%
4. Maintenance, repairs, transformation of real and personal property	-3,226	-3,604	378	-10.50%
5. Electricity, heating and cleaning services	-937	-968	31	-3.24%
6. Telex, telephone and postage	-1,217	-1,145	-73	6.34%
7. Costs for data processing	-2,212	-2,030	-182	8.96%
8. Stamped paper and stationary	-254	-347	93	-26.75%
9. Fees to outside professionals	-825	-762	-63	8.28%
10. Expenses for write-backs of receivables	0	0	0	-100.00%
11. Technical assistance and maintenance of software products	-2,162	-1,613	-549	34.03%
12. Information and registry searches	-1,726	-1,114	-612	54.88%
13. Charitable contributions allocated to the income statement	0	0	0	
14. Expenses for treasury assets	-89	-71	-18	25.80%
15. Travel and transportation costs	-361	-365	4	-1.01%
16. Indirect taxes	-4,691	-4,039	-652	16.14%
17. Other costs	-838	-605	-233	38.50%
Total	-22,510	-20,656	-1,854	8.98%

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 31/12/2014	Total 31/12/2013
1. Allocations to pending litigation	-8	-105
2. Allocations to interest expenses on IRES for taxation year 2009	0	-91
3. Other allocations	0	0
4. Write-backs of provisions for outstanding disputes	24	0
Total	16	-196

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	-2,567	0	0	-2,567
- for functional use	-2,567	0	0	-2,567
- 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	-2,567	0	0	-2,567

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	-75	0	0	-75
- generated internally by the company	0	0	0	0
- other	-75	0	0	-75
A.2 Acquired in financial leasing	0	0	0	0
Total	-75	0	0	-75

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

13.1 Other management expenses: breakdown

Line items/Values	Total 31/12/2014	Total 31/12/2013
1. Contingent liabilities and non-existent assets	-362	-160
2. Use of the Guarantee Fund for BCC's depositors	-29	-358
3. Depreciation of third party assets	-110	-62
Total	-501	-580

13.2 Other management income: breakdown

Line items/Values	Total 31/12/2014	Total 31/12/2013
1. Recovery of expenses	4,434	3,238
4. Contingent assets and non-existent liabilities	509	99
5. Other income	48	54
Total	4,991	3,391

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

14.1 Gains (losses) from equity investments: breakdown

Income component/Values	Total 31/12/2014	Total 31/12/2013
A. Income		
1. Revaluations	814	489
2. Gains from disposal	0	0
3. Write-backs of value	0	0
4. Other income	36	45
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	850	534

Line A.1 "Revaluations" includes the following transactions:
- Revaluation of Cabel Leasing s.p.a. in the amount of 16 thousand Euro for the fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Holding s.p.a. in the amount of 734 thousand Euro for the fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Industry s.p.a. in the amount of 64 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 31/12/2014	Total 31/12/2013
A. Property, plant and equipment		
- Gains from disposal	0	0
- Losses from disposal	0	0
B. Other assets		
- Gains from disposal	6	4
- Losses from disposal	0	-4
Net income	6	0

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 31/12/2014	Total 31/12/2013
1. Current taxes (-)	-8,960	-8,909
2. Variation of current taxes of previous fiscal years (+/-)	0	-191
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 (+/-)	7,191	5,447
5. Variation of deferred taxes (+/-)	265	130
6. Fiscal year income taxes (-) (1+/-2+3+/-4+/-5)	-1,504	-3,523

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.

Summary of fiscal year income taxes, by type of tax

Income components/Values	Total 31/12/2014
- Ires	-276
- Irap	-1,228
- Other taxes	0
Total	-1,504

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	6,404		6,404	
(B) Income taxes – Theoretical burden	1,761	27.50%	357	5.57%
Reductions of tax base	16,920	27.50%	7,851	5.57%
Additions to tax base	34,560	27.50%	43,593	5.57%
Tax base	24,045		42,146	
Income taxes – Effective tax burden	6,612	27.50%	2,348	5.57%
Pre-paid/deferred taxes	-6,336	27.50%	-1,120	5.57%
Total taxes	276		1,228	
Overall tax	1,504			
Effective tax rate	23.49%			

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 2014, 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 2014. Specifically, at the reporting date of the 2014 Financial Statements, the above ratio was 55.597%.

Part D - OVERALL PROFITABILITY

ANALYTICAL SCHEDULE OF OVERALL PROFITABILITY - 2014

	Line items	Gross amount	Income tax	Net amount
10	**Fiscal Year Profit (Loss)**	**X**	**X**	**4,900**
	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	-626	-172	-454
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:	19,957	6,513	13,444
	a) variations of fair value	20,357	6,644	0
	b) reversal to the income statement	-400	-130	0
	- adjustments due to impairment	0	0	0
	- gains/losses from use	-400	-130	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:	0	0	0
	a) variations of fair value	0	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**	**19,332**	**6,341**	**12,991**
140	**Overall profitability (10+130)**			**17,891**

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.

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 plans	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

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.

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, please note:

• Basel 3 agreements, which were transposed into law by Directive CRD IV and CRR regulations and that became effective starting 1 January 2014. With the issue of Circular n. 285/2013, Bank of Italy implemented into national regulations the provisions contained in CRD IV, applying the implementation methods contained in the CRR;

• the new regulatory framework regarding *Internal control systems, information system and business continuity procedures* (15th update of Bank of Italy Circular n. 263/2006), that was implemented in order to equip banks with a complete, adequate, functional and reliable internal control system.

Compliance with the new standards was carried out on the basis of the results of the self-assessment on the corporate situation (*gap analysis*) and entailed the introduction of a series of updates during 2014, the most significant of which are the following:

• with reference to the internal control system, a series of regulations that govern the methods by means of which the control functions (*Internal Audit*, *Risk Management*, *Compliance and Anti-Money Laundering*) operate were implemented, defining the various stages of the process on the basis of which the functions carry out their activities, in order to identify operating rules and procedures required to meet their respective objectives.

• Regulations were implemented regarding the Risk Appetite Framework (RAF), that define the roles and responsibilities attributed to the corporate Bodies and functions involved;

• the duties of the Risk Management functions in support of the Board of Directors were redefined, for ongoing monitoring of corporate risk trends, the power to evaluate new products, services and entry into new markets, outsourcing and significant transactions (so-called OMRs) beforehand. Risk Management was also entrusted with the role of controlling monitoring of credit exposures;

• as regards out-sourcing, in light of the new regulatory framework, specific Regulations have been set forth to govern management of out-sourcing of corporate functions.

As regards the overall management of the risks to which the Bank is exposed, the map of significant risks was updated, which represents the frame within which all the risk measurement, assessment, monitoring and mitigation activities are developed. To this purpose, all the risks to which the Bank is, or could be, exposed have been reviewed, that is, all risks that could prejudice operations, perusal of strategies and fulfillment of corporate objectives.

In compliance with the provisions contained in above-mentioned Circular 285/2013 (Part One, Title III, Chapter 1, Section II), within the timelines set forth in the Regulations, the Bank sends the Supervisory Authority the ICAAP (*Internal Capital Adequacy Assessment Process*) report referred to 31 December 2014 that will contain the self-assessment on capital adequacy, both current and forecast, with respect to the qualitative and quantitative characteristics of the Bank's business.

Moreover, in compliance with part eight of "CRR" regulations, the Bank writes the public disclosure document and published it on its Internet site within the timelines set forth in the standards. This document contains information regarding capital adequacy, risk exposure and general information regarding the systems implemented to identify, measure and manage tier one and two risks.

Section 1 – Credit risk

Qualitative information

1. General information

The Bank's credit policies and strategies are essentially tied to its specificity ("mutualism" and "localism") defined by law and by the Articles of Association and are characterized by a moderate propensity for credit risk, which is expressed through:

• a prudent selection of individual counterparties, through a complete and accurate assessment of their capacity to meet contract obligations, aimed at limiting the exposure to credit risk;

• the diversification of credit risk, identifying small-sized loans as the Bank's natural sphere of operation, and circumscribing the concentration of exposures on connected groups of customers or single branches of economic activity;

• auditing of each position carried out using both information technology tools and systematic monitoring of relations that present anomalies and/or irregularities.

The commercial policy that distinguishes the Bank's credit activity is, therefore, aimed at providing financial support for the local economy and is characterized by an elevated propensity to establish relationships based on trust and

personal contact with all operators (families, micro, small and craft enterprises) on its territory of reference, to which almost all of lending is disbursed.
In this context, the family, micro and small business sectors and the craft enterprise sector represent the customer segments that are traditionally those of greatest interest for the Bank, also through the application of more advantageous economic conditions. Ongoing attention to the needs of families is consolidated and continues to guide lending strategies. The sensitivity for satisfying retail customers is also demonstrated by the continuous updating of the range of products offered in the field of residential mortgages which, moreover, continue to represent a large portion of the Bank's lending.
During the 2014 fiscal year, operations with small and medium sized businesses continued to grow, with a series of initiatives dedicated to this sector; initiatives that, given the segment's difficulty deriving from the general crisis of the international economy, also involved support to local development, in full accordance with the principle of localism.

2. Credit risk management policies

2.1 Organizational aspects

In light of the new provisions regarding "Internal Control Systems, Information System and Business Continuity" implemented with the 15th update of Circular 263/06 in July 2013 (that repeal and replace the Supervisory Instructions of the Bank of Italy regarding internal controls, as per Title IV, chapter 11), as regards the Internal Control System inherent to managing credit risks, the Bank has complied with the new regulatory framework, in accordance with the timeline dictated by the Supervisory Authority (1st July 2014).
In particular, as required by legislation, on 30 January 2014 last, the Bank transmitted a report containing the self-assessment on its corporate situation vis-à-vis the forecasts of the new legislation (gap analysis) and the measures to be adopted, with the respective schedule, to ensure full compliance with the provisions. Within this scope, the Bank has undertaken specific organizational and operative initiatives regarding the credit risk management and control process, and specifically:
a) refining of the responsibilities of the Board of Directors within the scope of the Internal Control System and as regards the management and government of credit risk;
b) definition of the Risk Appetite Framework (RAF), that is to say, the frame work that defines the risk propensity level, tolerance thresholds, risk limits and risk governance policies adopted by the Bank;
c) definition of a specific Policy that disciplines the methods to be used to identify, authorize and management significant operations (so-called OMRs);
d) definition of a methodology and of the analysis and assessment tools for an integrated risk management model, with the aim of reinforcing coordination between the Control Functions.
Therefore, the configuration of the organizational process for credit risk management and control (risk measurement, preliminary activities, disbursement, monitoring of performance, monitoring of exposures, review of credit lines, classification of risk positions, actions in the event of anomalies, criteria for classification, assessment and management of impaired loans) is in line with the contents of Chapter 7 of Circular 263/06 (ref. Annex A – Par. 2).
In particular, this process clearly separates the functions responsible for disbursing the loan and those responsible for second and third level controls.
The Board of Statutory Auditors and the Inspector's Office are instead responsible for assessing the efficiency and adequacy of the Internal Control System and, therefore, also of the risk control system and of the Bank's Risk Management activities.
The Risk Management Office and the Risk Control Office are responsible for second level controls. Specifically, this office is responsible for monitoring compliance with risk objectives and periodically ascertaining that credit risk monitoring, classification of exposures, provisions and the recovery process are carried out in compliance with internal procedures and that the procedures in question are efficacious and reliable, as regards the capacity of immediately notifying possible anomalies and ensuring the adequacy of value adjustments and the respective writing off.
In 2014, with the aim of continuously improving the credit process, the Bank implemented specific actions addressed at improving both the preliminary review/deliberation stages and the credit risk control/measurement stages.
In particular, as regards credit application, the entire analysis stage has been centralized within the Loan Office. The new electronic lines of credit system is being implemented in all the branches.

2.2 Management, measurement and control systems

The Credit Area ensures supervision and coordination of the operative stages of the credit process, carries out the credit application and decision processes within the scope of its powers, and performs the first level controls within its area of competence.

In support of these activities, the Bank has adopted specific procedures for the stages regarding credit application/deliberation, renewal of credit lines and monitoring of credit risk.
In these stages, the Bank uses qualitative and quantitative methods to measure creditworthiness, supported by information technology procedures subject to periodic verification and maintenance.
Line of credit application, deliberation and review processes are regulated by a decision-making process supported by the "Electronic Line of Credit Procedure", which allows verifying (on behalf of all the departments involved in credit management) the status of each borrower or potential borrower. This procedure also allows reconstructing the credit deliberation process by tracking the various steps of the process and the types of analyses carried out.
Two review levels are provided for, in order to keep the procedures slim: one is a simplified review, with limited formalities, which is reserved to the renewal of small credit lines with a regular performance; the other is an ordinary review applied to all other situations.
The definition of classification, measurement and management criteria for impaired positions and of the methods to be implemented to monitor loan performance aims also at implementing a systematic control procedure on loan positions by the Risk Control Office, in close collaboration with the branch structure.
This activity is supported by an electronic procedure that allows for periodic extrapolation of all relations that may show signs of anomalous performance, both internally and externally.
Hence, constant monitoring of the reports provided by the procedure, along with the measurement of other types of events allows for rapid intervention as soon as irregular positions arise, in order to take the necessary measures for problem loans.
All trust positions are also subject to periodic review of each individual counterparty or group of connected customers.
The Risk Manager is responsible for second level controls; this function carries out controls aimed at periodically ascertaining that credit granting, monitoring and classification of credit exposures, the process for recovery and calculation of provisions for impaired loans, are all carried out in compliance with internal and supervisory regulations, and that they are efficacious and reliable as regards the capacity for timely detection and notification of problem loans, and for ensuring the adequacy of value adjustments and the relative writing-off.
Credit risk, like other risks, is mapped in the RAF process, defined by specific objectives and tolerance thresholds. Hence, the Risk Management function monitors credit risk management processes, periodically checking and verifying compliance to risk objectives, operating limits and the risk indicators defined by the Board of Directors, according to the methods and schedules defined in the RAF Regulations and in the risk management processes. Furthermore, this function provides advance opinions regarding RAF compliance of significant credit transactions (so-called OMR), as defined in the specific regulations approved by the BoD, requesting, if necessary and based on the nature of the transactions, the opinion of other functions involved in the risk management process. The entire credit and counterparty risk management process (risk measurement, application, disbursement, performance monitoring, exposure monitoring, review of lines of credit, classification of risk positions, actions in the event of problem loans, classification criteria, assessment and management of impaired loans) is formalized in the internal regulations.
The Bank continues to use an "ordinal" classification management system for creditworthiness which, in a nut-shell, aims at attributing an univocal rating to borrowing customers, on the basis of a series of qualitative and quantitative considerations.
On this matter, please bear in mind that the evaluations resulting from the application constitute a limit to the use of powers associated to loan authorizations.
The Bank adopts standards methods to determine the minimum capital requirement for credit risk.
As regards the internal capital adequacy evaluation process (ICAAP), the Bank uses the so-called Granularity Adjustment simplified algorithm (ref. Annex B, Title III, Chapter 1 Circ. 285/2013) to quantify internal capital vis-à-vis concentration risk for exposure to single counterparties or groups of connected customers.
The following main changes made to the new prudential framework in force effective 1 January 2014 affect the determination of internal capital against credit and counterparty risk:
- treatment of deferred tax assets that are not based on future profitability or pre-paid tax assets ex Law n. 214/2011, with a weighting of 100%;
- the treatment of deferred tax assets that are based on future profitability and derive from temporary differences, different from the previous ones, not deduced, with a weighting of 250%;
- reshaping of the "corporate exposures" and "retail exposures" portfolios, principally due to the effect of the application of the different turnover reference threshold (50 million instead of 5 million Euro);
- application of the support factor (SMESF) to exposures to SMEs, that is, exposures to enterprises with a turnover inferior to 50 million Euro, that meet the requirements set forth in article 501 of the CRR, allocated to the "corporate exposures", "retail exposures" and "exposures guaranteed by real estate property" portfolios;
- migration to the exposures in equity instruments of exposures regarding significant and non-significant investments in financial sector subjects;
- migration of exposures to non-profit organizations to the "corporate exposures" portfolio;

- application of 100% weighting to past-due exposures guaranteed by residential real estate property (that in the previous regulations benefitted of a weighting of 50%);
- estimation of the additional requirement on counterparty risk inherent to the adjustment of the credit valuation (CVA) applicable to operations is OTC derivatives, based on standard methods, as per article 384 of the CRR.
Within the scope of the ICAAP analysis performed on a quarterly basis, the Bank performs stress tests with reference to credit and concentration risks through sensitivity analyses that evaluate the effects of specific events on the same risks. The Bank performs the stress test and, with specific reference to credit risk, recalculates the internal capital required against the new risk level of the loan portfolio redefined on the basis of any increase of the incidence of impaired exposures on company lending. The Bank also determines the impact on overall capital (Own Funds) deriving from the reduction of expected income due to the increase in write-downs of receivables.
With reference to operations on securities markets, the Bank's Finance Area implements measurements and controls both during acquisition of the financial instruments and after, when the composition of the fund is periodically analyzed by asset class / IAS/IFRS portfolio, the specific or counterparty risk level is identified and calculated and compliance with the limits and powers assigned is verified. The results of these analyses are discussed periodically by the Finance Committee within the scope of which the Risk Management Office sets forth its valuations in accordance with the Risk Appetite Framework.

2.3 Techniques for mitigating credit risk

In line with the credit risk management model that has for some time now characterized the Bank's strategies on this issue, the credit risk mitigation techniques consist in fractioning the credit portfolio and acquiring mortgage guarantees, financial securities and personal guarantees on each individual credit position. Almost all of exposures to customers is represented by loans that are secured (in whole or in part) by various types of guarantees, collected based on the technical form and the creditworthiness of the borrower.
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, 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.
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.
Instead, as regards operations on securities markets, given that the composition of the portfolio is addressed prevalently towards primary issuers, no specific strategies for credit risk hedging have been implemented.
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. Specifically, with respect to non-performing, "subjective" watchlist, and restructured exposures, an analytical evaluation is made of each exposure, which also takes into account the effect of discounting of expected recoveries.
On 9 January 2015, the European Commission approved the Implementing Technical Standards (ITS) issued by the European Banking Authority (EBA) in October 2013, as regards the new definitions for Non-Performing Exposures (NPE) and exposures granted to borrowers in financial difficulty (so-called Forbearance). Subsequently, on 20 January 2015, Bank of Italy issued the update of the Circulars that modify the definition of impaired financial assets, in order to align them with the new concepts of Non-Performing Exposures and Forbearance, for both financial statement and reporting purposes.
Based on the new approach, impaired financial assets are divided into the categories "non-performing", "probable default" and "overdue/overdrawn exposures"; the sum of these three categories corresponds to the aggregate Non-Performing Exposures, as per the ITS. These definitions are valid and effective as of the month of January 2015; a parallel reporting regime is provided for up until June 2105 (so-called parallel running), based on which impaired exposures must be reported by brokers according to both the old definition and the new one. Finally, starting next July, only the new definitions will be effective and valid.

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/overdrawn accounts	Non impaired overdue exposures	Other assets	Total 31/12/2014
1. Financial assets held for trading	0	0	0	0	0	740	740
2. Financial assets available for sale	0	0	0	0	0	859,190	859,190
3. Financial assets held through maturity	0	0	0	0	0	0	0
4. Receivables from banks	0	0	0	0	0	164,066	164,066
5. Receivables from customers	106,271	94,964	11,980	17,029	108,448	1,583,451	1,922,144
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	3,730	3,730
Total 31/12/2014	106,271	94,964	11,980	17,029	108,448	2,611,176	2,949,869
Total 31/12/2013	91,904	98,553	17,439	44,870	123,642	2,463,642	2,840,050

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 10,526 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	740	0	740	740
2. Financial assets available for sale	0	0	0	859,190	0	859,190	859,190
3. Financial assets held through maturity	0	0	0	0	0	0	0
4. Receivables from banks	0	0	0	164,066	0	164,066	164,066
5. Receivables from customers	323,803	93,558	230,245	1,695,285	3,386	1,691,899	1,922,144
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	3,730	0	3,730	3,730
Total 31/12/2014	323,803	93,558	230,245	2,723,010	3,386	2,719,624	2,949,869
Total 31/12/2013	315,205	62,439	252,766	2,589,898	2,614	2,587,284	2,840,050

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 10,526 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	Over 180 days	
Gross exposures	8,923	7	0	0	0	1,577,697	78,461	30,197	1,695,285
Portfolio adjustments	18	0	0	0	0	3,151	157	60	3,386
Net exposures	**8,905**	**7**	**0**	**0**	**0**	**1,574,546**	**78,304**	**30,136**	**1,691,899**

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	253,072	0	0	253,072
TOTAL A	253,072	0	0	253,072
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	0	0	0	0
b) Other	17,329	0	0	17,329
TOTAL B	17,329	0	0	17,329
TOTAL A+B	270,401	0	0	270,401

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 89,006 thousand.

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	172,070	65,798	0	106,271
b) Watchlist	120,740	25,776	0	94,964
c) Restructured accounts	12,799	819	0	11,980
d) Overdue/overdrawn accounts	18,194	1,164	0	17,029
e) Other assets	2,468,675	0	3,386	2,465,289
TOTAL A	2,792,478	93,558	3,386	2,695,534
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	10,074	0	0	10,074
b) Other	93,258	0	0	93,258
TOTAL B	103,332	0	0	103,332

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 86,539 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	133,405	114,773	19,445	47,582
- of which: accounts disposed of but not derecognized	0	0	0	0
B. Additions				
B.1 entries from receivables in bonis	5,640	23,654	161	27,700
B.2 transfers from other categories of impaired accounts	40,015	32,807	9,575	29
B.3 other additions	2,756	5,643	3,160	2,450
C. Reductions				
C.1 transfers to receivables in bonis	362	7,646	2,447	27,870
C.2 derecognition	896	0	0	0
C.3 collections	8,489	8,736	1,781	4,340
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	39,756	15,314	27,357
C.6 other reductions	0	0	0	0
D. Final gross exposure	172,070	120,740	12,799	18,194
- 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	41,501	16,220	2,006	2,712
- of which: exposure disposed of but not derecognized	0	0	0	0
B. Additions				
B.1 value adjustments	26,948	11,174	0	396
B.1.bis losses from disposals	0	0	0	0
B.2 transfers from other categories of impaired accounts	9,836	1,994	546	2
B.3 Other additions	2,125	6,355	1,737	1,743
C. Reductions	0	0	0	0
C.1 write-backs of value from measurement	669	15	1,124	69
C.2 write-backs of value from collections	1,028	1,603	63	1,875
C.2.bis income from disposals	0	0	0	0
C.3 derecognition	850	0	0	0
C.4 transfers to other categories of impaired accounts	0	8,349	2,283	1,745
C.5 Other reductions	12,065	0	0	0
D. Final overall adjustments	65,798	25,776	819	1,164
- 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 31/12/2014
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposure	0	0	772,858	0	0	0	2,175,748	2,948,606
B. Derivatives								
B.1 Financial derivatives	0	559	2,130	0	537	0	504	3,730
B.2 Credit derivatives	0	0	0	0	0	0	0	0
C. Security given	0	0	0	0	0	0	95,480	95,480
D. Commitments to issue funds	0	0	0	0	0	0	20,337	20,337
E. Other	0	0	0	0	0	0	374	374
Total	0	559	774,988	0	537	0	2,292,444	3,068,527

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	4,714	0	0	5,466	0
- of which impaired	0	0	0	0	0
1.2 partially secured	0	0	0	0	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					Signature Credits				
	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	5,466
- 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	0
- 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	1,411,650	3,747,255	0	29,853	6,285
- of which impaired	209,788	709,123	0	902	191
1.2 partially secured	114,096	1,362	0	7,938	4,366
- of which impaired	5,437	41	0	170	15
2. Secured off balance sheet credit exposure:					
2.1 totally secured	38,027	2,179	0	1,663	3,658
- of which impaired	6,565	1,151	0	49	147
2.2 partially secured	18,963	115,940	0	1,232	205
- of which impaired	1,890	469	0	120	0

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	0	18,188	0	236,504	4,038,084
- of which impaired	0	0	0	0	0	0	1,631	0	36,134	747,981
1.2 partially secured	0	0	0	0	0	0	15,854	250	37,049	66,819
- of which impaired	0	0	0	0	0	0	815	0	3,222	4,263
2. Secured off balance sheet credit exposure:										
2.1 totally secured	0	0	0	0	0	0	260	350	31,062	39,172
- of which impaired	0	0	0	0	0	0	229	0	6,097	7,673
2.2 partially secured	0	0	0	0	0	0	76	0	7,439	124,893
- of which impaired	0	0	0	0	0	0	0	0	1,372	1,961

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	772,858	0	0	3,200	0	0
TOTAL A	772,858	0	0	3,200	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	0	0	0
TOTAL B	0	0	0	0	0	0
TOTAL (A+B) 31/12/2014	772,858	0	0	3,200	0	0
TOTAL (A+B) 31/12/2013	761,402	0	0	3,758	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	10	1	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	53,945	0	10	15,241	0	0
TOTAL A	53,955	1	10	15,241	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	1,137	0	0	0	0	0
TOTAL B	1,137	0	0	0	0	0
TOTAL (A+B) 31/12/2014	55,092	1	10	15,241	0	0
TOTAL (A+B) 31/12/2013	62,459	0	4	10,514	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	76,100	56,066	0	30,172	9,732	0
A.2 Watchlist	65,699	20,153	0	29,255	5,622	0
A.3 Restructured accounts	9,042	618	0	2,938	201	0
A.4 Overdue/overdrawn accounts	8,807	602	0	8,222	562	0
A.5 Other exposure	902,442	0	1,748	717,603	0	1,628
TOTAL A	1,062,090	77,440	1,748	788,189	16,117	1,628
B. "Off balance sheet" exposure						
B.1 Non performing	2,381	0	0	0	0	0
B.2 Watchlist	6,845	0	0	23	0	0
B.3 Other impaired assets	759	0	0	65	0	0
B.4 Other exposure	78,272	0	0	13,475	0	0
TOTAL B	88,258	0	0	13,563	0	0
TOTAL (A+B) 31/12/2014	1,150,348	77,440	1,748	801,753	16,117	1,628
TOTAL (A+B) 31/12/2013	1,130,443	51,515	1,457	775,367	10,925	1,154

Exposure/Counterparty	Total net exposure	Total specific value adjustments	Total adjustment portfolio value
A. Cash exposure			
A.1 Non performing	106,271	65,798	0
A.2 Watchlist	94,964	25,776	0
A.3 Restructured accounts	11,980	819	0
A.4 Overdue/overdrawn accounts	17,029	1,164	0
A.5 Other exposure	2,465,289	0	3,386
TOTAL A	2,695,534	93,558	3,386
B. "Off balance sheet" exposure			
B.1 Non performing	2,381	0	0
B.2 Watchlist	6,868	0	0
B.3 Other impaired assets	824	0	0
B.4 Other exposure	92,884	0	0
TOTAL B	102,958	0	0
TOTAL (A+B) 31/12/2014	2,798,492	93,558	3,386
TOTAL (A+B) 31/12/2013	2,743,944	62,439	2,614

The cash exposure for receivables indicated in the table (2,695,534 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 10,526 thousand Euro, and securities issued by banks in the amount of 86,539 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	106,271	65,351	0	447	0	0	0	0	0	0
A.2 Watchlist	94,964	25,776	0	0	0	0	0	0	0	0
A.3 Restructured accounts	11,980	819	0	0	0	0	0	0	0	0
A.4 Overdue/overdrawn accounts	17,029	1,164	0	0	0	0	0	0	0	0
A.5 Other exposure	2,463,869	3,383	1,176	2	245	0	0	0	0	0
TOTAL (A)	2,694,113	96,493	1,176	450	245	0	0	0	0	0
B. "Off balance sheet" exposure										
B.1 Non performing	2,381	0	0	0	0	0	0	0	0	0
B.2 Watchlist	6,868	0	0	0	0	0	0	0	0	0
B.3 Other impaired assets	824	0	0	0	0	0	0	0	0	0
B.4 Other exposure	92,884	0	0	0	0	0	0	0	0	0
TOTAL (B)	102,958	0	0	0	0	0	0	0	0	0
TOTAL (A + B) 31/12/2014	2,797,072	96,493	1,176	450	245	0	0	0	0	0
TOTAL (A + B) 31/12/2013	2,743,783	64,606	161	448	0	0	0	0	0	0

Exposure/Geographic area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non performing	106,271	65,798
A.2 Watchlist	94,964	25,776
A.3 Restructured accounts	11,980	819
A.4 Overdue/overdrawn accounts	17,029	1,164
A.5 Other exposure	2,465,289	3,386
TOTAL (A)	2,695,534	96,944
B. "Off balance sheet" exposure		
B.1 Non performing	2,381	0
B.2 Watchlist	6,868	0
B.3 Other impaired assets	824	0
B.4 Other exposure	92,884	0
TOTAL (B)	102,958	0
TOTALE (A + B) 31/12/2014	2,798,492	96,944
TOTALE (A + B) 31/12/2013	2,743,944	65,054

Cash exposure for receivables indicated in the table (2,695,534 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 10,526 thousand Euro, and securities issued by banks in the amount of 86,539 thousand Euro, are excluded.

B.2 Cash and "off balance sheet" exposure to customers (balance sheet value) - parte 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	568	257	1,574	235	103,855	64,738	274	121
A.2 Watchlist	343	23	3	0	94,584	25,750	34	2
A.3 Restructured accounts	0	0	0	0	11,980	819	0	0
A.4 Overdue/overdrawn accounts	11	1	0	0	16,989	1,162	29	2
A.5 Other exposure	12,298	24	25,443	25	2,416,460	3,316	9,666	19
TOTAL A	13,221	305	27,021	260	2,643,869	95,785	10,003	143
B. "Off balance sheet" exposure								
B.1 Non performing	0	0	0	0	2,381	0	0	0
B.2 Watchlist	0	0	0	0	6,868	0	0	0
B.3 Other impaired assets	0	0	0	0	824	0	0	0
B.4 Other exposure	1,239	0	6	0	91,639	0	0	0
TOTAL (B)	1,239	0	6	0	101,713	0	0	0
TOTAL (A + B) 31/12/2014	14,460	305	27,027	260	2,745,582	95,785	10,003	143
TOTAL (A + B) 31/12/2013	18,734	324	14,484	296	2,699,887	63,811	10,678	175

Exposure/geographic area	TOTAL ITALY	
	Net exposure	Net exposure
A. Cash exposure		
A.1 Non performing	106,271	65,351
A.2 Watchlist	94,964	25,776
A.3 Restructured accounts	11,980	819
A.4 Overdue/overdrawn accounts	17,029	1,164
A.5 Other exposure	2,463,869	3,383
TOTAL A	2,694,113	96,493
B. "Off balance sheet" exposure		
B.1 Non performing	2,381	0
B.2 Watchlist	6,868	0
B.3 Other impaired assets	824	0
B.4 Other exposure	92,884	0
TOTAL (B)	102,958	0
TOTAL (A + B) 31/12/2014	2,797,072	96,493
TOTAL (A + B) 31/12/2013	2,743,783	64,606

The cash exposure for receivables indicated in the table (2,694,113 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 10,526 thousand Euro, and securities issued by banks in the amount of 86,539 thousand Euro, and for "non Italy" customers in the amount of 1,421 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	233,030	0	15,759	0	950	0	37	0	88	0
TOTAL A	233,030	0	15,759	0	950	0	37	0	88	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	15,998	0	1,331	0	0	0	0	0	0	0
TOTAL (B)	15,998	0	1,331	0	0	0	0	0	0	0
TOTAL (A + B) 31/12/2014	249,028	0	17,091	0	950	0	37	0	88	0
TOTAL (A + B) 31/12/2013	202,978	0	3,971	0	4,464	0	924	0	200	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	249,865	0
TOTAL A	249,865	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	17,329	0
TOTAL(B)	17,329	0
TOTAL (A + B) 31/12/2014	267,195	0
TOTAL (A + B) 31/12/2013	212,535	0

The values of cash exposure to banks (249,865 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 75,799 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	Overall value adjustments
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	27,598	0	9,905	0	195,528	0	0	0
TOTAL A	27,598	0	9,905	0	195,528	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	2,291	0	0	0	13,707	0	0	0
TOTAL (B)	2,291	0	0	0	13,707	0	0	0
TOTAL (A + B) 31/12/2014	29,890	0	9,905	0	209,234	0	0	0
TOTAL (A + B) 31/12/2013	20,652	0	5,908	0	176,418	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	233,030	0
TOTAL A	233,030	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	15,998	0
TOTAL (B)	15,998	0
TOTAL (A + B) 31/12/2014	249,028	0
TOTAL (A + B) 31/12/2013	202,978	0

The values of cash exposure to banks (233,030 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 85,799 thousand Euro, and net non "Italian" exposure in the amount of 16,835 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	31/12/2014			31/12/2013		
	Number	Nominal Value	Weighted Value	Number	Nominal Value	Weighted Value
a. Large Risks	8	1,155,656	154,481	8	1,256,724	130,649
b. Zero weighted risks	2	921,180	0	3	636,280	0
Total Large Risks (A-B)	6	234,475	154,481	5	620,445	130,649

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 8,852.44 Euro, and allocated to line item 20 of the income statement;
- the amount of the Junior note, equal to 516,942.06 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	341	0.64
B.C.C. Fornacette	22,614	42.54
B.C.C. Castagneto Carducci	22,017	41.42
B.C.C. Viterbo	8,189	15.40
Total receivables assigned	53,161	100.00

The vehicle company issued the following notes (values in thousands of Euro) as at 31/12/2014:

Originators	"Senior" Notes	"Junior" Notes	Total notes issued
B.C.C. Cambiano	0	451	451
B.C.C. Fornacette	15,281	7,606	22,887
B.C.C. Castagneto Carducci	14,801	7,395	22,196
B.C.C. Viterbo	7,418	1,430	8,848
Total	37,500	16,882	54,382

During the course of 2014 the following Senior notes were repaid by the vehicle company (values in thousands of Euro):

Originators	"Senior" notes
B.C.C. Cambiano	201
B.C.C. Fornacette	8,321
B.C.C. Castagneto Carducci	5,979
B.C.C. Viterbo	249
Total	14,750

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 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	31/12/2014
Residual principal	341
Number of loans	19
Average weighted amount of the loans	18

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 81.56 Euro and are allocated to line item 40 of the income statement.
Detail of collections recorded ruing the year 2014 (in thousands of Euro):

Collection of principal on assigned loans	154
Collection of interest on assigned loans	7
Total collections	161

As at 31/12/2014 there were no suspended installments of securitized mortgage loans and there were no defaults of assigned loans.

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	453	453
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	0.00	0.00	0.00	0.00	0.00	0.00
b) Other	0.00	0.00	0.00	0.00	0.00	0.00
B. With third party underlying assets						
a) Impaired	0.00	0.00	0.00	0.00	0.00	0.00
b) Other	0.00	0.00	0.00	0.00	0.00	0.00

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./value write-backs	Balance sheet value	Adj./value write-backs	Balance sheet value	Adj./value write-backs
C. Not derecognized from the balance sheet						
C.1 Pontormo Funding s.r.l.	0	0	0	0	453	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./value write-backs	Net exposure	Adj./value write-backs	Net exposure	Adj./value write-backs
C. Not derecognized from 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./value write-backs	Net exposure	Adj./value write-backs	Net exposure	Adj./value write-backs
C. Not derecognized from 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 31/12/2014	Total 31/12/2013
1. Cash exposure							
Senior	0	0	0	0	0	0	0
Mezzanine	0	0	0	0	0	0	0
junior	0	0	0	0	453	453	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	9	0
B. Third party underlying assets:		
B.1 Non performing	13	0
B.2 Watchlist	0	0
B.3 Restructured accounts	0	0
B.4 Overdue/overdrawn accounts	20	0
B.5 Other assets	1,378	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	341	0	154	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.

INFORMATION OF THE SELF-SECURITIZATION TRANSACTION DURING 2014 FISCAL YEAR – PONTORMO RMBS

General information

In 2013, the company Pontormo RMBS s.r.l. (hereinafter: Company or SPV) closes its third 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").
It is to be noted that on 19 December 2014, the rating assigned to Class A Notes on behalf of Standard & Poor's was changed to "AA-" (previously: "AA") while Fitch maintained the rating assigned at issue of the Notes ("AA+").
As regards the Vehicle Company, during the 2014 fiscal year there were no events worthy of note or of comment.
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. 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:

- BCC Fornacette: 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.

Moreover, pursuant to the respective transfer agreements, Banca Pisa, BP Lajatico and BCC Castagneto committed to transfer to the Company three additional portfolios of *in bonis* receivables for a presumed final price of 137,431,519.59 Euro, equivalent to the total amount of the individual purchase prices, as follows: BCC Castagneto, 24,642,633.75 Euro; Banca Pisa, 79,292,455.54 Euro and BP Lajatico, 33,496,430.30 Euro (Additional Portfolios).

The table below summarizes the overall forecasted values referred to the mortgage loans:

Originator	Forecast value of loans at 29/06/2012	% share of each Bank
Banca Pisa Portfolio	152,709,087.28	26.98%
BCC Castagneto Portfolio	49,501,167.27	8.75%
BP Lajatico Portfolio	82,306,762.31	14.54%
BCC Cambiano Portfolio	198,073,181.26	35.00%
Banca Viterbo Portfolio	83,360,914.84	14.73%
Total	565,951,112.96	100.00%

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	Partly Paid Notes Further Installment
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.

In general, purchase of the portfolio was financed by the SPV by means of the issue, on 10 December 2012, pursuant to articles 1 and 5 of the Securitization law, the following classes of Notes:

Senior – (Class “A” Notes)

- 119,800,000 Euro Class A1;
- 38,800,000 Euro Class A2;
- 64,600,000 Euro Class A3;
- 155,400,000 Euro Class A4;
- Euro 65,400,000 Class A5,

Junior – (Class “B” notes)

- 37,604,000 Euro Class B1;
- 12,224,000 Euro Class B2;
- 20,237,000 Euro Class B3;
- 48,763,000 Euro Class B4;
- 20,524,000 Euro Class B5,

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
		Class B Notes			139,352,000	137,961,000

Subscriber	Isin	Class	Tranching Senior	Rating at 31/12/2014	Further nominal value post sale	Outstanding Amount at 31/12/2014	Outstanding amount post sale 05/02/2015
Banca Pisa	IT0004867823	Class A1*	78.50%	AA+ / AA-	117,400,000	86,358,571	80,820,546
BCC Castagneto	IT0004867831	Class A2*	78.50%	AA+ / AA-	37,800,000	26,332,614	23,725,100
BP Lajatico	IT0004867856	Class A3*	78.50%	AA+ / AA-	62,700,000	41,441,731	38,033,633
BCC Cambiano	IT0004867849	Class A4	78.50%	AA+ / AA-	155,400,000	112,374,825	108,389,646
Banca Viterbo	IT0004867864	Class A5	78.50%	AA+ / AA-	65,400,000	45,820,613	42,900,820
		Class A Notes	78.50%		438,700,000	312,328,354	293,869,745
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
		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 05/02/2015 in accordance with the respective contracts, all flows pertinent to the last quarter of 2014, including redemption of a fraction of Class A Notes, were cash settled.

Therefore, the table shows both the outstanding values 31/12/2014 and those resulting from the relative redemption that took place during the 2015 fiscal year.,
Class "A" notes were then listed with the Irish Stock Exchange and have been given AA+ ratings by the rating agency Fitch Italia S.p.A. and AA- by the rating agency Standard & Poor's Credit Market Services Italy S.r.l. whereas the Class "B" were neither listed nor rated.
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 ay 31/12/14: "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: February 2071
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

Notes are managed in dematerialized from by Monte Titoli S.p.A.

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)		
	% of total	€
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

Retention Amount (Reserve for expenses at issue)		
	% of total	€
Banca Pisa	26.98%	21,584.00
BCC Castagneto	8.75%	7,000.00
BP Lajatico	14.54%	11,632.00
BCC Cambiano	35.00%	28,000.00
Banca Viterbo	14.73%	11,784.00
Total	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 31/12/2014
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 2014.

Securitized assets
At the close of 2014, self-securitized receivables were equivalent to their purchase price, net of the amounts received as at the transfer date of 31 December 2014, 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 2014.

	31/12/2014
Securitized receivables in bonis	414,428,328
Receivables for interest accrued but not yet received	175,592
Total	414,603,920

At 31/12/2014, no accounts were classified as "impaired", while difficult loans amount to 1,753,196 Euro (none relative to the Banca di Credito Cooperativo di Cambiano s.c.r.l. portfolio), equal to 0.42% of the total.

Assets transferred by Banca di Credito Cooperativo di Cambiano s.c.p.a. had the following characteristics:

	31/12/2014
Residual capital	151,062,826.60
Number of loans	1,995
Average residual life of the portfolio (years)	15.30
Weighted average rate	1.69%
Average amount of the loans	75,720.72
Current LTV	0.62

Cash flows of receivables with respect to reductions and additions during the 2014 fiscal year are set forth below.

Description	Balance at 31/12/2013	Increases for penalties	Increases for accrued interest	Reductions for amounts received (**)	Balance at 31/12/2014
Receivables in bonis	476,441,953			(62,013,625)	414,428,328
Interest for the period on overdue installments	150,959		24,633	-	175,592
Interest for the period	-		10,567,903	(10,567,903)	-
Penalties	-	102,417	-	(102,417)	-
Accrued interest	950,844	-	744,480	(950,844)	744,480
Total	477,543,756	102,417	11,337,016	(73,634,789)	415,348,400 (*)

(*) This item includes accrued interest not overdue equal to 744,480 Euro.

(**)Reductions due to receipts, include the amounts received by the Servicers at 31/12/2014 pertaining to the fiscal year, to be transferred to the Company's bank accounts, amounting to 2,757,264.

The following table indicates the outstanding securitized assets as at 31 December 2014, classified on the basis of their residual life.

	Total Portfolio		BCC Cambiano Portfolio	
	Balance at 31/12/2014	Percentage impact %	Balance at 31/12/2014	Percentage impact %
Up to 3 months	35,361	0.01%	16,456	0.01%
From 3 to 6 months	85,210	0.02%	42,861	0.03%
From 6 to 12 months	519,835	0.12%	162,886	0.11%
From 12 to 60 months	24,449,252	5.90%	10,956,056	7.25%
Over 60 months	389,338,670	93.95%	139,884,568	92.60%
Total	414,428,328	100%	151,062,827	100.00%

Representation in the financial statements of Banca di Credito Cooperativo di Cambiano at 31/12/2014

Detail of the amounts allocated to Assets line item 70 gross of write-downs.

Description	Amounts in Eurocents
Specifics of Borrowers at amortized cost	151,096,343.54
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	4,155,302.56
Receivables from Pontormo RMBS – collected loan interest	665,194.82
Total	162,006,177.34

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 88,763.69 Euro, and income in line item 40 of the income statement "Commissions earned" in the amount of 51,473.76 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).

E. Sales

E.2.1 Financial assets sold but not fully 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	0	0	0	0	0	0	2,598	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 31/12/2014	0	0	0	0	0	0	2,598	0	0
Of which impaired	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

E.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 31/12/2014	Total 31/12/2013
	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	2,598	167,933
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	340	0	0	340	494
B. Derivative instruments	0	0	0	0	0	0	0	0	0	0	0
Total 31/12/2014	0	0	0	0	0	0	340	0	0	2,938	0
Of which impaired	0	0	0	0	0	0	0	0	0	0	0
Total 31/12/2013	0	0	0	0	0	0	494	0	0	0	168,426
Of which impaired	0	0	0	0	0	0	0	0	0	0	0

E.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 31/12/2014	Total 31/12/2013
1. Payables to customers								
a) for assets recognized in full	0	0	2,606	0	0	0	2,606	163,534
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 31/12/2014	0	0	2,606	0	0	0	2,606	0
Total 31/12/2013	19,914	0	143,579	0	0	41	163,534	163,534

E.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	0	0	0	0	2,598	0	0	0
1) Debt securities	0	0	0	0	2,598	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	0	0	0	0	2,598	0	0	0
C. Associated liabilities	0	0	0	0	2,606	0	0	0
1) Payables to customers	0	0	0	0	2,606	0	0	0
2) Payables to banks	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	2,606	0	0	0
Net value	0	0	0	0	-7	0	0	0

E.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 31/12/2014	Total 31/12/2013
	Recognized in full	Partially recognized	Recognized in full	Partially recognized	Recognized in full	Partially recognized		
A. Cash assets	0	0	0	0	2,598	0	2,598	168,426
1) Debt securities	0	0	0	0	2,598	0	2,598	167,933
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	494
B. Derivative instruments	0	0	0	0	0	0	0	0
Total assets	0	0	0	0	2,598	0	2,598	168,426
C. Associated liabilities	0	0	0	0	2,606	0	2,606	163,534
1) Payables to customers	0	0	0	0	2,606	0	2,606	163,534
2) Payables to banks	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	2,606	0	2,606	163,534
Net value	0	0	0	0	-7	0	-7	4,892

With reference to receivables from customers and payables to customers, the "fair value" used in the table is equivalent to the amortized cost.

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

2.1.1 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	0	0	0	0	0	0	0	0
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	740	0	0	740
+ 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

2.2.1 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	0	72,140	198,332	15,165	363,399	204,772	5,381	0	859,190
1.2 Loans to banks	34,818	124,240	5,008	0	0	0	0	0	164,066
1.3 Loans to customers									
- bank accounts	421,338	2,175	871	3,498	14,756	0	0	0	442,638
- other loans									
- with an early repayment option	952	55,482	5,117	0	0	0	0	0	61,551
- other	1,034,986	105,659	41,219	63,392	161,388	6,015	5,296	0	1,417,955
2. Cash liabilities									
2.1 Payables to customers	1,156,062	90,160	31,554	70,959	68,265	0	0	0	1,417,000
- bank accounts									
- other liabilities	0	0	0	0	0	0	0	0	0
- with an early repayment option	105,306	2,331	275	0	0	0	0	0	107,912
2.2 Payables to banks									
- bank accounts	3,209	0	0	0	0	0	0	0	3,209
- other liabilities	0	475,407	0	0	0	0	0	0	475,407
2.3 Debt securities									
- with an early repayment option	0	0	0	0	0	0	0	0	0
- other	5,174	126,697	45,989	168,686	350,458	39,172	0	0	736,174
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	16,000	3,000	53,000	13,000	0	0	0	85,000
+ short-term positions	0	44,000	41,000	0	0	0	0	0	85,000
4. Other off balance operations									
+ long-term positions	1,255	11,423	353	617	2,301	6,035	54	0	22,037
+ shot-term positions	22,037	0	0	0	0	0	0	0	22,037

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 57,118,90 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

2.3.1 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	902	59	148	146	128	208
A.4 Loans to customers	12,642	572	0	0	0	280
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	150	70	16	16	20	129
C. Financial liabilities	9,602	624	160	142	135	57
C.1 Payables to banks	4,711	58	8	23	17	94
C.2 Payables to customers	0	0	0	0	0	0
C.3 Debt securities	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	13,427	0	0	0	0	0
+ Short-term positions	13,451	0	0	0	0	0
Total assets	27,121	702	164	163	148	617
Total liabilities	27,764	683	168	165	152	151
Imbalance (+/-)	-644	19	-4	-2	-4	467

2.4 Derivative instruments

A. Financial derivatives

2.4.A.1 Regulatory trading portfolio: notional values at end and mid-period

Underlying assets/Type of derivative	Total 31/12/2014		Total 31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates				
a) Options	740	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
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	740	0	0	0
Average values	46	0	0	0

2.4.A.2.1 Bank portfolio: notional values at end and mid-period - hedges

Underlying assets/Type of derivative	Total 31/12/2014		Total 31/12/2013	
	Over the counter	Central counterparties		Over the counter
1. Debt securities and interest rates				
a) Options	0	0	0	0
b) Swap	85,000	0	119,000	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	85,000	0	119,000	0
Average values	102,000	0	152,300	0

2.4.A.3 Financial derivatives: positive gross fair value – division by product

Portfolio/Type of derivative	Positive fair value			
	Total 31/12/2014		Total 31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio				
a) Options	740	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
B. Bank portfolio – hedges				
a) Options	0	0	0	0
b) Interest rate swap	3,226	0	5,462	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	504	0	107	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	4,470	0	5,569	0

2.4.A.4 Financial derivatives: negative gross fair value – division by product

Underlying asset/Type of derivative	Negative fair value			
	Total 31/12/2014		Total 31/12/2013	
	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	0	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	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	500	0	102	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	500	0	102	0

2.4.A.5 Over the counter financial derivatives – trading 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	740	0	0	0	0
- positive fair value	0	0	740	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	11	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	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
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

2.4.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	85,000	0	0	0	0
- positive fair value	0	0	3,226	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	50	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	13,430	0	0	12,726	723
- positive fair value	0	0	453	0	0	51	0
- negative fair value	0	0	48	0	0	439	13
- future exposure	0	0	129	0	0	122	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

2.4.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 31/12/2014
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	0	0	740	740
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	72,000	13,000	0	85,000
B.2 Financial derivatives on equity instruments and equity indexes	0	0	0	0
B.3 Financial derivatives on exchange rates and gold	26,879	0	0	26,879
B.4 Financial derivatives on other values	0	0	0	0
Total 31/12/2014	98,879	13,000	740	112,619
Total 31/12/2013	57,634	85,000	0	142,634

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. General information, management procedures and methods to measure liquidity risk

Liquidity risk typically manifests itself in the form of a default vis-à-vis payment obligations or of an inability to fund balance sheet assets as quickly as required and in a cost-effective manner. These negative circumstances may arise due to:

- The impossibility of finding funds or obtaining them at reasonable costs *(funding liquidity risk)*;
- The impossibility of transferring or reducing an exposure without significantly impacting the price, due to poor market efficiency or a market default *(market liquidity risk)*.

The Bank’s overall liquidity risk management strategy, characterized by a limited risk appetite, is expressed first and foremost in the decision, based on a prudential approach, to favor liquidity objectives with respect to profitability objectives. The same objective of limiting exposure to liquidity risk is also manifested through the implementation of specific management policies that reduce the probability that the unfavorable circumstances described above may arise. In particular, as regards the first of the above-mentioned risk sources, the Bank principally undertakes to contain the concentration of collection; the Institution is characterized by its cooperative credit bank nature, primarily aiding families and small businesses, and this allows the Bank to benefit from a broad and stable retail lending, appropriately diversified by definition.

An additional source of funding is represented by the interbank market, where the Bank operates actively with top standing instruments.

The potential liquidity risk deriving from difficulties in disinvesting is contained thanks to the Bank’s decision to keep a high-quality securities portfolio; this portfolio is for the most part composed by Government bonds and, to a lesser degree, by other securities that ensure fast liquidability, in that easily sellable on the markets and also useable, in the event of cashflow requirements, both in repurchase agreement transactions with banking counterparties and in refinancing auctions of the European Central Bank if the securities, as is the case for the majority thereof, are eligible.

The liquidity risk is controlled by various organizational units: the first level of controls is represented by actions undertaken by operative functions that entail timely verifications of the correct performance of activities of competence. These controls are accompanied by the systematic monitoring of the expected liquidity position carried out by the Risk Management office. On the basis of data gathered regarding treasury operations and the like, as well as the liquidity reserve constituted by securities and other readily negotiable assets, the profile of imbalances in liquidity for up to three months is calculated and illustrated in a specific table. These same information schedules are made available to the Supervisory authority on a weekly basis. Medium to long-term liquidity is also monitored, without specific time limits.

QUANTITATIVE INFORMATION

A.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	0	0	10,158	0	22,473	117,634	40,273	364,792	217,528	0	772,858
A.2 Other debt securities	0	0	2	10,614	9,074	3,842	6,254	56,546	0	0	86,332
A.3 Shares of mutual funds	6,745	0	0	0	0	0	0	0	0	0	6,745
A.4 Loans	453,122	5,145	14,100	147,402	102,522	68,039	115,749	536,752	643,379	0	2,086,210
- Banks	34,836	0	5,000	119,230	0	5,000	0	0	0	0	164,066
- Customers	418,286	5,145	9,100	28,172	102,522	63,039	115,749	536,752	643,379	0	1,922,144
Cash liabilities											
B.1 Deposits and bank accounts	1,272,841	4,518	42,101	164,789	248,838	31,548	70,920	167,971	0	0	2,003,527
- Banks	8,028	2,059	4,118	154,213	210,198	0	0	100,000	0	0	478,615
- Customers	1,264,814	2,458	37,983	10,576	38,641	31,548	70,920	67,971	0	0	1,524,912
B.2 Debt securities	1,711	816	184	10,930	98,676	29,964	180,039	374,776	39,079	0	736,174
B.3 Other liabilities	124	1,004	0	150,241	211,076	4,805	4,680	118,600	23,203	0	513,734
"Off balance sheet" transactions											
C.1 Financial derivatives with an exchange of principal	0	1,060	0	1	2	0	1	0	0	0	1,064
- Long-term positions	0	16,036	1,012	6,561	15,928	1,160	1,712	0	0	0	42,410
- Short-term positions	0	14,976	1,013	6,560	15,926	1,160	1,710	0	0	0	41,346
C.2 Financial derivatives without an exchange of principal	740	255	0	0	584	123	1,298	301	11	0	3,312
- Long-term positions	740	258	0	0	610	224	1,348	313	11	0	3,504
- short-term positions	0	3	0	0	26	101	50	12	0	0	192
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	-970	-600	1	0	-4,623	-7,247	-4,073	5,223	12,290	0	0
- Long-term positions	1,255	0	1	0	599	353	617	5,223	12,290	0	20,337
- Short-term positions	2,224	600	0	0	5,223	7,600	4,691	0	0	0	20,337
C.5 Financial guarantees issued	0	0	0	7	525	699	6,433	11,303	40,869	0	59,835
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											
- 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	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

A.2 Information regarding asset encumbrance entered in the balance sheet

Technical forms	Committed		Not committed		Total 31/12/2014	Total 31/12/2013
	VB	FV	VB	FV		
1. Cash and cash equivalents	0	X	9,077	X	9,077	9,450
2. Debt securities	437,012	437,012	422,177	422,177	859,189	852,768
3. Capital securities	0	0	3,780	3,780	3,780	3,580
4. Loans	151,437	X	1,770,707	X	1,922,144	1,866,328
5. Other financial assets	0	X	0	X	0	0
6. Non financial assets	0	X	0	X	0	0
Total 31/12/2014	588,449	437,012	2,205,742	425,958	2,794,191	X
Total 31/12/2013	266,597	266,597	2,465,530	589,752	X	2,732,126

A.3 Information regarding committed owned assets not entered in the balance sheet

Technical forms	Committed	Not committed	Total 31/12/2014	Total 31/12/2013
1. Financial assets	112,375	0	112,375	132,194
- Securities	112,375	0	112,375	132,194
- Other	0	0	0	0
2. Non financial assets	0	0	0	0
Total 31/12/2014	112,375	0	112,375	X
Total 31/12/2013	132,194	0	X	132,194

List of guarantees – Eurosystem situation as at 31/12/2014

Isin	Security	Nominal value	Fair value	ECB valuation	ECB margin	Specifics
IT0004808652	INTESA SPAOLO 12-15 ZC	2,400,000	2,393,760	2,238,166	-155,594	On balance sheet
XS1143070503	ICCREA 14-19 1,875%	10,000,000	10,043,493	6,776,986	-3,266,507	On balance sheet
IT0003493258	BTP 01/02/03-19 4,25%	19,000,000	21,901,895	21,591,162	-310,732	On balance sheet
IT0003644769	BTP 1/02/04-20 4,5%	15,000,000	17,865,090	17,502,062	-363,028	On balance sheet
IT0004273493	BTP 1/02/2018 4,50%	13,000,000	14,732,640	14,517,239	-215,401	On balance sheet
IT0004423957	BTP 1/03/2019 4,5%	20,500,000	23,871,992	23,503,959	-368,032	On balance sheet
IT0004536949	BTP 01/03/2020 4,25%	26,000,000	30,594,897	29,963,782	-631,115	On balance sheet
IT0004594930	BTP 01/09/2020 4%	5,000,000	5,850,886	5,733,248	-117,638	On balance sheet
IT0004907843	BTP 01,06,2018 3,50%	14,000,000	15,328,258	15,103,923	-224,336	On balance sheet
IT0004938186	CTZ 30,06,2015	100,000,000	99,858,600	99,345,775	-512,825	On balance sheet
IT0004992308	BTP 01,05,2019 2,5%	23,000,000	24,653,254	24,286,253	-367,001	On balance sheet
IT0004997943	CASSA DEP E PREST 14-19 2,375%	7,500,000	8,052,391	5,399,951	-2,652,440	On balance sheet
IT0005028003	BTP 15,12,2021 2,15%	40,000,000	41,968,164	41,151,516	-816,648	On balance sheet
IT0005030504	BTP 01,08,2019 1,5	40,000,000	41,230,788	40,643,922	-586,866	On balance sheet
IT0005058463	BTP 15,01,2018 0,75	20,000,000	20,065,706	19,748,265	-317,441	On balance sheet
IT0005069395	BTP 1,12,2019 1,05	20,000,000	20,061,688	19,765,685	-296,003	On balance sheet
IT0003932230	CDEP 05-15 TV	8,200,000	8,092,187	6,627,493	-1,464,695	On balance sheet
IT0004620305	CCT 15/12/2015 TV-EU	15,000,000	15,089,357	15,015,414	-73,942	On balance sheet
IT0004716319	CCT 15/04/2018 TV-EU	5,000,000	5,067,136	5,040,896	-26,240	On balance sheet
IT0005012783	BTP ITALIA 23,04,2020 IL	10,000,000	10,289,524	10,080,121	-209,403	On balance sheet
IT0004867849	PONTORMO RMBS NOTES CLASS A4	112,374,824	112,374,824	95,153,479	-17,221,344	Off balance sheet
	Totals	525,974,824	549,386,529	519,189,296	-30,197,232	
	Financing with Eurosystem – Use	460,000,000		-469,210,903		
	Credit line			49,978,394		

List of deposits with Eurosystem as at 31/12/2014

Amount	Rate	Maturity
150,000,000.00	0.05	29/01/2015
160,000,000.00	0.05	26/02/2015
50,000,000.00	0.05	26/03/2015
100,000,000.00	0.15	26/09/2018
460,000,000,00	0,07	

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.
This category includes, among others, losses deriving from fraud, human error, the interruption of operations, the malfunctioning and non-availability of systems, contractual defaults and natural catastrophes. Operational risk includes legal risk, whereas strategic risks and reputation risks are excluded.
The Bank, fully aware that loss events, in addition to gendering unfavorable economic impacts, may also generate considerable damage to the Bank's image and reputation, has adopted a management system that is continuously updated and perfected, to contain such effects.
This management system is based on risk identification, measurement and mitigation method that is both quantitative and qualitative and that allows determining the degree of risk not only in terms of losses actually suffered, but also in terms of internal observation and estimation of the risk in which the bank could potentially incur.
Data collection and analysis continued throughout the current fiscal year, for the purposes of obtaining an assessment of the exposure to such risks that, on the one hand, bears the closes possible relevance to corporate operations that are increasingly subject to technological changes and/or regulatory compliance and, on the other, is easily applicable to all the different company operating units involved, consequently improving the risk profile. Particular attention was focused on information technology risks, which are, by definition, included among operational risks, by setting forth regulations and processes for the identification, assessment and limitation of events originating, or that could originate, from malfunctioning procedures and/or electronic equipment, such as, for example, network crashes, unavailability of internet banking, and imprecise applications for branch operations.
Finally, within the scope of actions implemented in order to ensure full compliance with the new Bank of Italy regulations provided for in the 15th Update of Circular n. 263/06, the Bank has undertaken initiatives connected to completing transposition within organizational profiles and internal regulations of the references contained in chapter 8 (information systems) and 9 (business continuity) of the aforementioned new regulations.
Within this scope, the Bank, acknowledging the importance of managing information technology risks as a tool to guaranty the efficacy and efficiency of measures aimed at safeguarding the Bank's own information technology systems, has defined, in accordance with the results of the project elaborated within the Cable network and in compliance regulatory principles and provisions currently in force, a method for the analysis of information technology risks and the relative management process that hinges on the Bank's broader risk management system.

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	2014	2013
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.	0,00	131,365
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	16,175	9,567
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.	0,00	
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.	65,363	3,309
5. Damages from external events	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.	0,00	
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.	0,00	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.	7,952	24,180
Total		89,490	168,492

Publication of public disclosure

The Bank carries out all necessary actions to meet regulatory requirements regarding "Information to the public" as set forth in the so-called "Third Pillar" of Basel 2. The required information schedules (risk report) and the relative updates are published on the Bank's Internet site (www.bancacambiano.it).

Part F – Information on Capital

Section 1 – Shareholders' equity

A. Qualitative information

One of the Bank's consolidated strategic priorities is represented by the consistency and dynamics of capital resources. Capital constitutes the first defense against risks connected to the Bank's overall activities and is the primary parameter of reference used by the Supervisory Authority to assess bank solidity. Capital also contributes to forming the income for the period and adequately covers all of the Bank's technical and financial assets.

The evolution of corporate capital not only punctually accompanies a growth in size, but also represents a decisive factor in the stages of development. To ensure correct capital dynamics in regular operating conditions, the Bank mostly counts on self-financing operations, that is, reinforcing reserves through the allocation of net income. Indeed, the Bank allocates to indivisible reserves almost all of the net profits for the period. The Bank's shareholders' equity is determined by summing corporate capital, the share premium reserve, retained earnings, valuation reserves and the income for the period, for the amount to the allocated to reserve, as specified in Part B of this Section.

The concept of capital that the Bank uses in its evaluations is substantially the concept of "own funds", as set forth in Regulation (EU) n. 575/2013 (CRR), in the three components of Common Equity Tier 1 (CET 1), Tier 1 capital, and Tier 2 capital. In fact, in the bank's opinion, capital thus defined represents the best possible reference for effective management, both in terms of strategy and in terms of current operations. It constitutes the main defense against corporate risks, as required by prudential regulatory provisions, in that it is a financial resource capable of absorbing possible losses generated by the Bank's exposure to the aforementioned risks, acting as a guaranty for depositors and creditors in general.

The reference point for minimum capital requirements is constituted by the obligatory parameters set forth in the aforementioned regulatory standards, based on which the Bank's Common Equity Tier 1 capital should be equivalent to at least 4.5% of the overall risk-weighted assets (CET 1 capital ratio), the Tier 1 capital should represent at least 5.5% in 2014 and 6% starting in 2015 of the total of the above-mentioned weighted assets (Tier 1 capital ratio) and the overall own funds of the Bank should amount to at least 8% of total risk-weighted assets (total capital ratio). The aforementioned risk-weighted assets are determined in relation to the risk profiles of the so-called "first pillar", represented by credit risks and counterparty risks (measured based on the category of the debtor counterparty, the duration and the type of transaction and the personal and real guarantees provided), by market risks on the trading portfolio and by operational risk.

Regulatory provisions also require that the Bank maintain additional common equity tier 1 capital resources with respect to the above-mentioned obligatory minimum requirements, destined to be used in adverse market conditions to preserve the minimum capital requirements (capital conservation buffer, equal to 2.5% of total risk-weighted assets).

Additional prudential limits on corporate operations are also provided for as regards cooperative credit institutions. These limits are:

- Main activity constraint vis-à-vis members, based on which more than 50% of risk assets must be destined to members or risk-free businesses;
- Localism constraint, based on which it is not possible to earmark more than 5% of own assets outside the local area of competence, generally identified as those municipalities where the Bank has its branch offices and in surrounding municipalities.

Alongside the above-mentioned obligatory minimum capital requirements against "Pillar I" risks, supervisory regulations also require that the Bank measure its overall current and future capital adequacy using internal methods, as well as the totality of corporate risks, in the hypothesis of a "stress" situation, including, in addition to "Pillar I" risks (credit, counterparty, market, operational) additional risk factors that weigh on corporate business, such as, specifically, concentration risks, interest rate risks, liquidity risks, risk of excessive financial leverage, etc ("Pillar II"). In fact, the existence of "Pillar II" requirements alongside minimum obligatory requirements broadens the concept of capital adequacy, which takes on a more global connotation, aimed at an overall assessment of capital requirements and of possible available sources, in compliance with the Bank's own strategic and development objectives.

The Bank has implemented processes and instruments (Internal Capital Adequacy Assessment ICAAP) to verify the adequate capital level required to sustain all types of risks, within the scope of an assessment of exposure, both current and prospective and in a "stress" situation, which takes into account strategies and the evolution of the context of reference.

Hence, the Bank's objective is to maintain adequate capital coverage in compliance with regulatory requirements; within the scope of the ICAAP process, their evolution is therefore estimated during business programming, in accordance with the objectives set forth by the Board of Directors. Compliance with regulatory requirements and the

consequent capital adequacy is evaluated quarterly. The aspects subject to review are mainly the "ratios" with respect to the Bank's financial structure (lending, non-performing receivables, fixed assets, total assets) and the risk hedging degree.
Current capital complies with the prudential supervision regulations required for all banks, as well as with specific regulations provided for Cooperative Credit Institutions.

B Quantitative information

B.1 Shareholders' equity: breakdown

Line items\Values	Amount 31/12/2014	Amount 31/12/2013
1. Share capital	2,992	2,970
2. Premiums on issue of new shares	255	251
3. Reserves	239,485	235,506
- retained earnings	239,485	235,506
a) legal	156,379	152,861
b) statutory	83,106	82,644
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	30,779	17,445
- Financial assets available for sale	12,994	-451
- 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	-1,008	-555
- Shares of valuation reserves related to subsidiaries measured at shareholders' equity	7,957	7,614
- Special revaluation laws	10,836	10,836
7. Fiscal year profit (loss)	4,900	4,800
Total	278,411	260,971

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

Assets/Values	Total 31/12/2014		Total 31/12/2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	19,284	6,291	1,309	1,749
2. Equity instruments	0	0	0	0
3. Shares of mutual funds	0	0	0	11
4. Loans	0	0	0	0
Total	19,284	6,291	1,309	1,760

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	-440	0	-11	0
2. Additions	14,848	0	0	0
2.1 Increases of fair value	14,848	0	0	0
2.2 Reversal to the income statement of negative reserves:	0	0	0	0
- from impairment	0	0	0	0
- from use	0	0	0	0
2.3 Other additions	0	0	0	0
3. Reductions	1,398	0	5	0
3.1 Reduction of fair value	1,129	0	5	0
3.2 Adjustment from impairment	0	0	0	0
3.3 Reversal to the income statement from positive reserves: from use	269	0	0	0
3.4 Other reductions	0	0	0	0
4. Final value	13,009	0	-16	0

Section 2 – Own funds and regulatory ratios

2.1 Own funds

A. Qualitative information

Own funds and capital ratios are calculated on the basis of the capital value and the economic result, calculated by applying the regulations on financial statements provided for by the IAS/IFRS International Accounting Standards and considering the new regulations regarding own funds and prudential ratios introduced with the issue of Regulations (EU) n. 575/2013 (CRR) and Directive (EU) n. 36/2013 (CRD IV), as well as the correlated technical and applicative provisions of the EBA, subject of specific regulations delegated by the European Commission.
Own funds are a result of the sum of positive and negative components, based on their capital quality: positive components must be fully available to the Bank in order to be able to use them to cover the total capital requirements for supervision of risks.
The total of own funds, which constitutes the primary defense in terms of prudential supervisory provisions, is constituted by Tier 1 capital and by Tier 2 capital (Tier 2 – T2); in turn, Tier 1 capital is the sum of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1).
The three aforementioned aggregates (CET1, AT1 and T2) are the algebraic sum of the positive and negative elements that make them up, considering so-called “prudential filters”, which are all those negative and positive adjustment values on equity tier 1 capital introduced by the Supervisory Authority for the precise purpose of reducing potential equity volatility.
The new regulatory provisions on own funds and capital requirements is also subject to transitional measures which, in particular, entail:
• phase-in of some of the new regulations, generally over a 4-year period (2014-2017);
• “grandfathering” regulations that allow for partial eligibility, with gradual exclusion by 2021, of previous core capital and additional capital equity instruments that do not meet the requirements prescribed by the aforementioned Regulation (EU) n. 575/2013 for CET1, AT1 and T2 equity instruments.
Part of the provisions governing the aforementioned transitional stage have been set forth by Bank of Italy in the already mentioned Circular n. 285/2013, within the scope of national options allowed for by Regulation (EU) 575/2013 delegated to national supervisory authorities in the specific area of competence.
Below is a description of the elements making up, respectively common equity tier 1 capital, additional tier 1 capital and tier 2 capital, specifically:
Common Equity Tier 1 Capital (CET1)
Common equity tier 1 capital, which represents the whole of highest quality capital components, is constituted by the following elements: corporate capital, share issue premiums, retained earnings and capital buffers, valuation reserves and reserves arising on transition to the new IAS/IFRS International Accounting Standards, prudential filters, deductions (interim losses, goodwill and other intangible assets, own shares held even indirectly and/or synthetically

and the relative buy-back obligations, significant and non-significant interest in the capital of other entities in the financial sector held even indirectly and/or synthetically, deferred tax assets, securitization exposures and other exposures ponderable at 1250% and deducted from common equity). The quantification of the above-mentioned elements must also take into consideration the effects deriving from the "transitional measures".

Additional Tier 1 Capital (AT 1)

Additional tier 1 capital instruments, and any relative premiums, constitute the equity elements of additional tier 1 capital. Any additional tier 1 instruments, held even indirectly and/or synthetically the relative buy-back obligations, as well as additional capital instruments, held even indirectly and/or synthetically, issued by other financial sector entities, with respect to which significant interest is or is not held, must be deducted from the aforementioned elements. The quantification of the above-mentioned elements must also take into consideration the effects deriving from the "transitional measures".

This aggregate is not relevant for the Bank, in that the Bank has not issued capital instruments with contractual characteristics that classify them as AT1 instrument.

Specifically, capital instruments are calculated as additional tier 1 capital when the contract provides that:

• they are perpetual and do not provide for incentives for redemption on the part of the Bank;

• they are subordinate to "tier 2 capital" instruments in the event of insolvency or winding-up of the Bank;

• any call options or early redemption options provided for by the provisions that govern the instrument may be exercised only by the Bank;

• they may be redeemed or repurchased no earlier than five years from the date of issue, with authorization by Bank of Italy and only if replaced by other capital instruments of equal or higher quality and under sustainable conditions as regards the Bank's income capacity, or if the Bank's capital base exceeds, by a margin deemed necessary by Bank of Italy, the overall capital requirements and the combined buffer requirement. Redemption or repurchase before five years from the date of issue is possible only if the above conditions are met and if there have been unforeseeable changes in regulations that may entail the exclusion or reduction of their capital value or unforeseeable and significant variations in the applicable tax regime;

• it is not indicated, neither explicitly nor implicitly, that they may be redeemed or repurchased in advance in case of insolvency or winding-up of the Bank;

• Interest and dividends are paid exclusively out of distributable items, their amount cannot be modified in relation to the creditworthiness of the Bank or its Parent company, nor may payment be cancelled at any time, for an unlimited period and on a non-cumulative basis without said failure to pay dividends constituting a hypothesis for insolvency of the Bank;

• they do not entail the obligation to pay interest or dividends if interest or dividends are paid by other of the Bank's capital instruments;

• failure to pay interest or dividends does not entail prohibition to pay interest or dividends on other capital instruments;

• the provisions that govern the instruments require that in case of an activating event, their nominal value will temporarily or definitively decrease (also with reference to interest or dividends to be paid) or they will be converted into "common equity tier 1" instruments (shares). In addition to other possible cases provided for by the provisions that govern the instruments, an activating event occurs when the Bank's "common equity tier 1" ratio drops below 5.125% or below the higher level set forth in the aforementioned provisions. Reduction of the nominal value or conversion to "common equity tier 1" instruments must take place in the measure required to reinstate a ratio of 5.125% or, if inferior, for the entire nominal value.

Tier 2 Capital (T2)

Subordinated liabilities with contractual characteristics that classify them as T2 capital, including any relative issue premiums, constitute Tier 2 Capital instruments.

Any own subordinated debt held even indirectly and/or synthetically and the relative buy-back obligations, as well as T2 instruments, held even indirectly and/or synthetically, issued by other financial sector entities, with respect to which significant interest is or is not held, must be deducted from the aforementioned elements.

The quantification of the above-mentioned elements must also take into consideration the effects deriving from the "transitional measures".

Specifically, subordinated liabilities are calculated as Tier 2 capital when the contract provides that:

• they are fully subordinated to the claims of all non-subordinated creditors;

• they have an original duration for at least five years;

• they do not provide for early redemption incentives on the part of the Bank;

• any call options or early redemption options provided for by the provisions that govern the instruments may be exercised only by the Bank

• they may be redeemed or repurchased no earlier than five years from the date of issue, with authorization by Bank of Italy and only if replaced by other capital instruments of equal or higher quality and under sustainable conditions as regards the Bank's income capacity, or if the Bank's capital base exceeds, by a margin deemed necessary by Bank of

Italy, the overall capital requirements and the combined buffer requirement. Redemption or repurchase before five years from the date of issue is possible only if the above conditions are met and if there have been unforeseeable changes in regulations that may entail the exclusion or reduction of their capital value or unforeseeable and significant variations in the applicable tax regime;

• it is not indicated, neither explicitly nor implicitly, that they may be redeemed or repurchased in advance in case of insolvency or winding-up of the Bank;

• they do not give the holder the right to speed up future programmed payments of interest and capital, save in the event of insolvency or winding-up of the Bank;

• the interest amount cannot be changed in relation to the creditworthiness of the Bank or of its Parent Company.

Tier 2 capital instruments are also subject to obligatory amortization in the last 5 years of useful life, based on the residual days.

B. Quantitative information

Line items	Total 31/12/2014	Total 31/12/2013
1. Common Equity Tier 1 (CET1)	252,620	256,862
2. Additional Tier 1 (AT1)	0	0
3. Tier 2 (T2)	186	0
Total regulatory own funds	252,806	256,862

B. Quantitative information

Line items	Total 31/12/2014
A. Common Equity Tier 1 - CET1 before application of prudential filters	276,388
of which CET1 instruments subject to transitional measures	20,951
B. CET1 prudential filters (+/-)	0
C. CET1 gross of deductions and effects of transitional measures (A +/- B)	276,388
D. Deductions from CET1	2,817
E. Transitional measures – Impact on CET1 (+/-)	-20,951
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	252,620
G. Additional Tier 1 (AT1) gross of deductions and effects of transitional measures	0
of which AT1 instruments subject to transitional measures	0
H. Deductions from AT1	0
I. Transitional measures – Impact on AT1 (+/-)	0
L. Total Additional Tier 1 (AT1) (G - H +/- I)	0
M. Tier 2 (T2) gross of deductions and effects of transitional measures	0
of which T2 instruments subject to transitional measures	0
N. Deductions from T2	0
O. Transitional measures - Impact on T2 (+/-)	186
P. Total Tier 2 (T2) (M - N +/- O)	186
Q. Total own funds (F + L + P)	252,806

2.2 Capital adequacy

A. Qualitative information

The new harmonized regulations for banks and investment companies contained in Regulations (EU) n. 575/2013 (CRR) and in Directive (EU) n. 36/2013 (CRD IV) of 26 June 2013 that transpose the standards defined by the Basel Committee for bank supervision (so-called Basel 3 framework) at a European Union level became applicable starting 1 January 2014.

The regulatory framework is being completed through the issue of the executive measures contained in regulatory or implementary technical standards (respectively “Regulatory Technical Standard – RTS” and “Implementing Technical

Standard – ITS”) adopted by the European Commission as proposed by the European Banking Authority (EBA) and, in some cases, by the other European Supervisory Authorities (ESA).
In order to implement and facilitate the application of the new European Community regulations and carry out an overall review and simplification of bank supervisory regulations, Bank of Italy issued Circular n. 285/2013 “Supervisory Provisions for Banks”, which transposes the provision of CRD IV, indicates the methods used to exercise national discretion granted by the European Community CRR regulations to national authorities and outlines a regulatory framework that is complete, organic, rational and integrated by directly applicable European Community dispositions.
In line with the past, the new regulations are based on three Pillars:
a) 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). This Pillar also provides for:
• the obligation to maintain additional capital reserves for the purpose of defending capital and countering the cyclic trend as well as for systematically important institutions;
• new requirements and supervision systems for liquidity risk, both in terms of short-term liquidity (Liquidity Coverage Ratio - LCR) and in terms of rules for structural stability more on the long-term (Net Stable Funding Ratio - NSFR);
• a “leverage ratio”, which is the percent relation between equity constituted by Tier 1 capital and the sum of on-balance sheet and off-balance sheet non-weighted exposures; at the moment no obligatory minimum limit to be respected has been set.
b) the Second Pillar requires financial intermediaries to adopt a strategy and control process for capital adequacy (so-called “Internal Capital Adequacy Assessment Process” - ICAAP), current and prospective and in hypothetical “stress” conditions, to cover all risks relevant to banking activities (credit, counterparty, market, operations, concentration, interest rate, liquidity, etc.) and solid organizational, corporate governance and internal control systems. Moreover, the second pillar framework also provides for control of excessive leverages risks. The Supervisory Body is responsible for monitoring stability, efficiency, sound and prudent management and for verifying the reliability and accuracy of internal assessment results (the so-called “Supervisory Review and Evaluation Process” - SREP), in order to adopt appropriate corrective measures, where required by the situation;
c) the **Third Pillar** introduces specific public disclosure requirements regarding capital adequacy, risk exposure and the general characteristics of the relative management, measurement and control systems. The prudential ratios obligatory at the close of these financial statements were calculated using the methods provided for by Regulation (EU) n. 575/2013, adopting:
i) the standardized method to calculate capital requirements with respect to credit risk and counterparty risk (including, for derivative contracts, the current value method and, within this scope, measurement of the risk of credit value adjustment (CVA) per OTC derivatives other than those stipulated with qualified counterparties);
ii) the standardized method to calculate capital requirements with respect to market risk (for the trading portfolio, position risk on debt securities and equity securities, and settlement and concentration risks; with respect to the entire financial statements, exchange risk and position risk on goods);
iii) the standardized method to calculate operational risk.
In accordance with the aforementioned regulations, banks must always maintain, in relation to all of first pillar risks (credit, counterparty, market, operational):
• a common equity tier 1 capital (CET 1) amount equal to at least 4.5 percent of risk weighted assets (“CET1 capital ratio”);
• a tier 1 capital (T1) amount equal to at least 6 percent (5.5 percent only for 2014) of risk weighted assets (“tier 1 capital ratio”);
• an own funds amount equal to at least 8 percent of risk weighted assets (“total capital ratio”).
Finally, banks are also required to maintain an additional capital “buffer”, in the form of an additional capital reserve, to cover possible stress situations (capital conservation buffer), equivalent to 2.5% of total risk weighted exposure, which reserve may be funded only by common equity tier 1 capital not used to cover obligatory capital requirements (including specific requirements).

B. Quantitative information

Categories/Values	Non weighted amounts		Weighted amounts/requisites	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
A. RISK ASSETS				
A.1 Credit risk and counterparty's credit risk	3,877,487	3,798,492	1,530,885	1,543,966
1. Standard methodology	3,877,487	3,798,492	1,530,885	1,543,966
2. Methodology based on internal 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			122,471	123,517
B.2 Credit value adjustment risk			0	0
B.3 Settlement risk			0	0
B.4 Market risks			19	1,050
1. Standard methodology			19	1,050
2. Internal models			0	0
3. Concentration risk			0	0
B.5 Operational risk			10,769	9,604
1. Base method			10,769	9,604
2. Standard method			0	0
3. Advanced method			0	0
B.6 Other calculation items			0	0
B.7 Total prudential requirements			133,260	134,171
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk weighted assets			1,665,744	1,677,142
C.2 Common equity tier 1 capital / Risk weighted assets (CET1 capital ratio)			15.166%	
C.3 Tier 1 capital / Risk weighted assets (Tier 1 capital ratio)			15.166%	
C.4 Total own funds / Risk weighted assets (Total capital ratio)			15.177%	
Core capital /Risk weighted assets (Tier 1 capital ratio)				14.284%
Regulatory capital including TIER 3/Risk weighted assets (Total capital ratio)				15.315%

Please note that following the significant changes made to the regulatory framework of reference by Regulation (EU) 575/2013, in force as of 1 January 2014, it is not possible to reconstruct comparative data of the new capital indexes referred to the 2013 fiscal year.

Part G – Mergers with companies or branches of business

Section 1 – Transactions during the fiscal year

During the 2014 fiscal year, the Bank was not involved in mergers with companies or branches of business with accounting impact on the financial statements closed on 31/12/2014.

Section 2 – Transactions after the close of the fiscal year

With legal effects as of 1 January 2015, the Bank purchased two branches (Pistoia and San Giovanni Valdarno from Banca Interregionale Spa with head offices in Pistoia.

The acquired assets have a value of € 82,170,138, of which loans to customers for a net value of € 66,968,513. Acquired liabilities amount to € 82,520,960, of which payables to customers for € 61,694,389 and outstanding securities for € 5,940,473. Total funding is therefore equal to 67 million Euro.

The Board of Directors of the Bank approved the project for the acquisition of the branch based on a line of action defined along with Bank of Italy, to achieve the “orderly market exit” of Banca Interregionale Spa.

Section 3 – Retrospective adjustments

During the 2014 fiscal year, the Bank was not involved in mergers with companies or branches of business.

Part H – Transactions with related parties

1. Information on compensation for executives having strategic responsibilities (gross fees)

Description	2014	2013
a. Compensation for Directors	216	218
b. Compensation for statutory auditors	109	106
c. Compensation for executives	1,245	1,301

2. Information on transactions with related parties

Directors	2014	2013
a. Receivables	1,362	1,391
b. Security given	601	411
Total	1,963	1,802

Statutory Auditors	2014	2013
a. Receivables	0	0
b. Security given	5	5
Total	5	5

ANNEXES TO THE FINANCIAL STATEMENTS

Annex 1 – LIST OF REAL PROPERTY WITH AN INDICATION OF REVALUATION AT 31/12/2014 – Law n. 72, article 10, dated 19/03/1983

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 31/12/2014	Of which land value at 31/12/2014	Of which value of buildings at 31/12/2014	Assets under management at 31/12/2014	Balance sheet value at 31/12/2014
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	4,090,194	3,944,009
Gambassi Terme - Via Garibaldi, 18 – Branch	26,830	1,033	23,241	3,352	153,497	207,952		207,952	102,985	104,968
Castelfiorentino – Loc. Cambiano – Office	1,336	156	12,452	4,523	182,046	200,513		200,513	142,453	58,061
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	834,897	685,744
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	1,470,351	2,674,179
Certaldo - Viale Matteotti, 29/33 – Branch	3,507,134			31,824	1,999,995	5,538,954	1,574,000	3,964,954	2,359,901	3,179,052
Empoli - Via Chiarugi, 4 – Branch	4,224,838				2,747,576	6,972,415	2,000,000	4,972,415	2,689,850	4,282,564
Poggibonsi - Via S.Gimignano, 24/26 – Branch	2,272,577				710,082	2,982,659	935,000	2,047,659	1,153,828	1,828,832
Castelfiorentino - Via Cerbioni - Archive 1	617,658				227,844	845,502	185,000	660,502	299,216	546,286
Castelfiorentino - Via Dante 2/a – Registered office	574,926				62,634	637,561		637,561	212,769	424,792
Barberino V.E. – P.za Capocchini, 21/23 – Branch	74,026				475,968	549,993		549,993	197,277	352,717
Gambassi Terme - Via Garibaldi, 16 – Branch	37,565				182,506	220,071		220,071	79,637	140,434
Empoli - Via Cappuccini, 4 – Branch	44,547				156,468	201,015		201,015	73,646	127,368
Castelfiorentino - Via Cerbioni - Archive 2	503,164				98,101	601,265	150,000	451,265	156,705	444,560
Castelfiorentino - Via Gozzoli, 45 – Branch	1,007,905				1,013	1,008,917	250,000	758,917	240,932	767,986
Cerreto Guidi - Via V. Veneto, 59 – Branch	460,623				216,286	676,909	0	676,909	210,970	465,939
Castelfiorentino - Via Veneto/Via Piave – Non-operational office	4,931,183				-70,200	4,860,983	708,620	4,152,362		4,860,983
Gambassi Terme - Via Volta, 19/21 - Archive 3	1,691,075					1,691,075	552,655	1,138,420	196,317	1,494,758
Castelfiorentino - Via Piave, 10 – Non-operational office	233,988					233,988		233,988		233,988
Firenze - Via Varchi, 2/4 – Non-operational office	11,444,717					11,444,717	1,222,000	10,222,717		11,444,717
Castelfiorentino - Via Piave, 6 (Garage) – Non-operational office	138,468					138,468		138,468		138,468
Castelfiorentino - Via Piave, 25 – Non-operational office	1,361,521					1,361,521		1,361,521		1,361,521
Firenze - Via Maggio – Branch	1,558,533					1,558,533		1,558,533	122,157	1,436,376
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	14,860	225,878
Colle Val d'Elsa - Piazza Arnolfo – Non-operational branch	1,766,477					1,766,477	774,000	992,477		1,766,477
Fucecchio - Piazza Montanelli – Branch	4,853,742					4,853,742	900,000	3,953,742	248,560	4,605,182
San Gimignano - Via dei Fossi – Non-operational branch	1,339,401					1,339,401	1,000,000	339,401		1,339,401
San Miniato - Via Tosco Romagnola - Branch	271,697					271,697	50,193	221,504	32	271,665
Total	49,067,846	11,830	695,366	325,401	14,561,164	64,661,607	14,581,469	50,080,138	14,897,536	49,764,071

Annex 2 – PUBLIC DISCLOSURE COUNTRY-BY-COUNTRY

(Country-by-country reporting)

Bank of Italy - Circular n. 285/2013
Part One – Title III – Chapter 2

DATA AS AT 31 DECEMBER 2014

Item	Value
a) Name of established companies and business purpose	*Name* Banca di Credito Cooperativo di Cambiano (Castelfiorentino – Firenze) Società cooperativa per azioni
	Business purpose 1) The company has as its business purpose the collection of savings and lending of credit services in its various forms. In compliance with current regulations, the company may carry out all banking and financial transactions and services, as well as any other instrumental operation or any operation connected to fulfilling the corporate purpose, in accordance with provisions issued by the Supervisory Authority. 2) The company may issue securities in compliance with current regulatory provisions in force. 3) The company, with regulatory approval, can carry out securities trading transactions on behalf of third parties, on condition that the customer provides payment in advance, in the event of purchases, or delivers the securities in advance, in the event of sale. 4) In carrying out exchange activities and using future contracts and other derivative products, the company will not take speculative positions and will maintain its overall net foreign exchange position within the limits set forth by the Supervisory Authority. It may also provide customers with future agreements, on securities and currency, and other derivative products if the resulting risks are hedged by other transactions. 5) The company may acquire shareholdings, within the limits set forth by the Supervisory Authority. 6) The company carries out its operations also with non-member third parties.
b) Turnover ([1])	€ 81,179,410
c) Number of employees on a full-time equivalent basis ([2])	n. 269
d) Pre-tax gains or losses ([3])	€ 6,404,304
e) Taxes on gains or losses ([4])	€ (1,504,304)
f) Public contributions received ([5])	The Bank received no contributions from Public Administrations during the 2014 fiscal year.

[1] "Turnover" means the operating income as per line item 120 of the income statement.

[2] "Number of employees on a full-time equivalent basis" means the ratio between the total number of hours worked overall by all employees, excluding overtime, and the yearly total provided for by contract for a full-time employee.

[3] "Pre-tax gains or losses" is the sum of line items 250 and 280 (this latter gross of taxes) in the income statement.

[4] "Taxes on gains or losses" are the sum of taxes registered at line item 260 of the income statement and the income tax relative to the groups of assets held for sale.

[5] The item "Public contributions received" must include contributions received directly from public administrations. This item does not include operations carried out by central banks for purposes of financial stability nor operations that have the objective of facilitating the monetary policy transmission mechanism. Similarly, any operations that may be classified as public aid approved by the European Commission are not to be taken into consideration.